

Avis Budget Denmark A/S

14, Roskildevej
DK-2620 Albertslund

Central Business Registration No. (CVR-no): 19 67 31 46

Annual Report 2018

Adopted at the Company's Annual General Meeting on 29 May 2019



Chairwoman: Nina Anne Bell

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Statement by Management on the annual report

We have today presented the annual report of Avis Budget Denmark A/S for the financial year January 1st 2018 to December 31st 2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

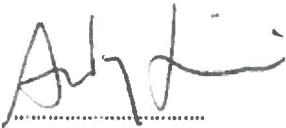
In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at December 31st 2018 as well as the Company's activities and cash flow for the financial year January 1st to December 31st 2018.

Also, we believe that the management's commentary contains a fair review for the affairs and conditions, the financial outcome for the year and for the financial position referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Albertslund, 29 May 2019

Executive Board:

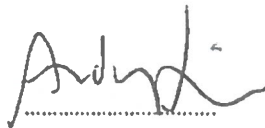


Andrew Francis Smith
Managing director

Supervisory Board:



Nina Anne Bell
Chairwoman



Andrew Francis Smith



Mark John Kightley



Paul Leslie Ford

Independent auditor's reports

To the shareholders of Avis Budget Denmark A/S

Opinion

We have audited the financial statements of Avis Budget Denmark A/S for the financial year 1 January – 31 December 2018, which comprise an income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines 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, Management is 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 and additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's reports

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29 May 2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556



Christian Sanderhage

State Authorised Public Accountant

Identification number (MNE) mne23347

Management's review

Financial highlights

| DKK '000,000 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|
| Key figures | | | | | |
| Revenue | 292.0 | 286.2 | 264.6 | 218.5 | 210.7 |
| Gross profit/loss | 6.6 | 30.8 | 53.2 | 51.6 | 58.0 |
| Operating profit/loss | -49.7 | -13.8 | 15.4 | 14.5 | 19.7 |
| Financial profit/loss | -1.2 | 1.0 | 0.3 | 0.5 | 1.2 |
| Net profit/loss for the year | -54.5 | -10.0 | 12.2 | 11.1 | 15.8 |
| Balance sheet total | 137.4 | 89.9 | 97.8 | 93.7 | 100.0 |
| Equity | -24.0 | 30.5 | 40.4 | 28.3 | 33.0 |
| Cash flow from operating activities | -34.9 | -3.6 | -5.5 | -2.2 | 0.9 |
| Cash flow from investments | -1.5 | -6.7 | -2.9 | -0.4 | 5.6 |
| Cash flow from financing | 31.4 | 16.4 | -9.3 | -30.0 | -1.8 |
| Total cash flow | -5.0 | 6.1 | -17.7 | -32.8 | 50.8 |
| Hereof investments in property, plant and eq. | 1.0 | 6.7 | 2.9 | 1.2 | 0.0 |
| Ratios | | | | | |
| Profit ratio | neg. | neg. | 5.8% | 6.6% | 9.4% |
| Gross margin | 2.3% | 10.8% | 20.1% | 23.6% | 27.5% |
| Equity ratio | -17.5% | 33.9% | 41.4% | 30.2% | 33.0% |
| Return on equity | -1530.2% | -38.9% | 44.9% | 36.4% | 63.2% |
| Average number of employees | 117 | 115 | 121 | 127 | 118 |

Management's review

Company details

Company

Avis Budget Denmark A/S
14, Roskildevej
DK-2620 Albertslund

Central Business Registration No (CVR-nr): 19 67 31 46
Registered in: Albertslund

Phone: +45 33 26 80 00
Internet: www.avis.dk
E-mail: info@avis.dk

Supervisory Board

Nina Anne Bell (Chairwoman)
Andrew Francis Smith
Mark John Kightley
Paul Leslie Ford

Executive Board

Andrew Francis Smith (Managing director)

Company Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Management's review

Review

Primary activities

The Company is a regional operating company of the Avis Budget Group, Inc. group of companies ("the Group"). The Company is a provider of mobility solutions across the Denmark market through the well recognised Avis and Budget brands. The differentiated brands help to meet a wide range of customer mobility needs. Avis is a leading vehicle rental brand positioned to serve the premium commercial and leisure segments of the travel industry. Budget is a leading vehicle rental brand focused primarily on more value-conscious segments of the industry.

The strategy of the Company is aligned to those of the Avis Budget Group, Inc. group of companies, which are as disclosed in the consolidated financial statements of Avis Budget Group, Inc. The objective is to drive sustainable, profitable growth for the Company by delivering strategic initiatives aimed at winning and retaining customers through differentiated brands and products, increasing margins via revenue growth and operational efficiency and enhancing leadership in the evolving mobility industry.

In executing the strategy, the Company will continue to position the distinct and well-recognized global brands to focus on different segments of customer demand. While the brands address different use-cases and target customers, the Company achieves efficiencies by sharing the same operational and administrative infrastructure while providing differentiated value propositions tailored to each of the brands.

Development in activities and finances

The Company's profit/loss for the financial year January 1st 2018 - December 31st 2018 shows a loss of DKK 54.5m and a negative equity at December 31st 2018 of DKK 24.0m. The Company experienced positive revenue growth of 2% in 2018, despite a number of challenges. However, fleet and fleet-related costs increased, in a marketplace that proved to be volatile and very competitive. These factors meant the Company ended up in a loss-making position for the year.

Going concern

During the year ended 31 December 2018 the Company generated a loss of DKK 54.5m (2017: loss of DKK 10.0m). At the year end the Company had net current liabilities of DKK 26.5m (2017: net current assets of DKK 24.0m). Included within current liabilities as at 31 December 2018 are loans repayable on demand due to fellow group undertakings of DKK 85.7m (2017: DKK 9.2m).

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. After making enquiries, the Directors have received a letter of support from an immediate parent company, Avis Europe Investment Holdings Limited, confirming that they are willing to provide the necessary financial support and that they have the necessary funds available to pay the Company's debts as they fall due. Thus, the Directors have adopted the going concern basis in preparing the Financial Statements.

Business risks

Risk mitigation is a key part of the management of the Company and the Company has a consistent process to identify, manage and help mitigate exposure to issues that may have a negative impact on the business. The relative importance of identified risks is reviewed regularly and in respect of all such risks we continue to monitor and respond to the changing environment. Summarised below are some of the key risks that may affect the Company's business.

Management's review

Review

Business risks (continued)

Demand

The Company faces various risks associated with demand for its services, which in itself is subject to seasonal variations. There may be disruptions in air travel for a number of reasons including natural disasters, terrorist activity or as a consequence of increased security measures being taken by authorities in anticipation of such a threat. An economic downturn, particularly sudden, poses challenges for the Company given its capital intensity and limited visibility of forward reservations. However, the Company has detailed management reporting systems that help to monitor daily rental patterns and future reservation trends. The Company maintains a flexible business model to allow it to readily flex fleet and staff when required in response to changes in demand. The Company is dependent on the granting and renewal of concessionary arrangements at airports and railway stations. The Company seeks to maintain strong relationships with all relevant authorities and have a strong track record of renewing such contracts on a regular basis.

Price

The Company is exposed to the risk of price movements in the market. The car rental industry faces pressure from increased price competitiveness as a result of the growth of internet travel portals, other forms of ecommerce and rental brokers. This transparency has increased the prevalence and intensity of price competition. The Company has a team who review market prices and demand on a regular basis.

Fleet

Loss or material change in the terms on which the Company obtains fleet vehicles from major vehicle suppliers could harm the performance of the Company. In the event that the Company could not procure all of the required vehicles from current sources, vehicles could be obtained from other sources, such as dealers. Where difficulties are experienced in sourcing vehicles, or where prevailing economic conditions result in depressed used vehicle prices and reduced demand, these risks may be mitigated by extending the holding period of vehicles.

Liability and insurance

The nature of the Company's operations expose the business to several forms of liability, including claims for bodily injury, death and property damage related to the use of the Company vehicles, or for having our customers on our premises, as well as workers' compensation and other employment-related claims by our employees. The Company insures most of its liability exposures through unaffiliated third-party insurers.

Financial risks

The Directors consider that there is limited exposure to financial risk, as the majority of the Company's financial exposure is to other companies within the Avis Budget EMEA Limited group. As such the Directors have not implemented a policy for the Company. Instead, the Company's financial risk management objectives and policies are aligned to those of the Avis Budget EMEA group of companies.

Credit risk

The Company manages credit risk by performing credit checks where considered appropriate on corporate customers. The Company uses a respected credit agency as part of an internal process for setting and reviewing credit lines.

Management's review

Review

Financial risks (continued)

Liquidity risk

The nature of the car rental business model is such that the Company has the ability to flex the size of the business and hence funding requirements as required. The Company is primarily funded by secured bank loans, finance lease facilities and group undertakings.

Foreign exchange risk

The Company is exposed to a variety of market risks, including changes in currency exchange rates. The Company manages its exposure to currency risks, where deemed appropriate, through the use of derivative financial instruments, particularly currency forward contracts to manage and reduce currency exchange rate risk.

Events after the balance sheet date

From the closing of the financial year 2018 and until the date of these financial statements nothing has occurred which essentially changes the content of the report.

Outlook

The Company is well-positioned as part of a global leading group in the evolving mobility marketplace. Mobility is more than providing a clean reliable car of choice for a customer to use to get from point A to point B; it also means providing customers the choice to rent a vehicle or share a vehicle, and to do so by the year, month, week, day, hour or fraction of an hour. Mobility means customers, using their smartphones or tablets, can customize their experiences with our products, services, and employees, bypass the counter or change their minds about the make or model of a vehicle and review their options on their mobile device right up to the moment they exit the parking lot.

The Directors expect the Company to continue to transact business as a mobility company in the coming year and forecast a competitive market with plans to continue a program of tight cost control.

Annual Report January 1st to December 31st

Profit & Loss

| Note | DKK '000 | 2018 | 2017 |
|------|---------------------------------------|-----------------------|----------------------|
| 3 | Revenue | 291,971 | 286,166 |
| 4, 5 | Cost of sales | <u>-285,342</u> | <u>-255,359</u> |
| | Gross profit/(loss) | 6,629 | 30,807 |
| 4, 5 | Distribution costs | -14,344 | -8,790 |
| 4, 5 | Administrative expenses | <u>-41,972</u> | <u>-35,816</u> |
| | Operating profit/(loss) | -49,687 | -13,799 |
| 6 | Financial income | 778 | 1,208 |
| 7 | Financial expenses | <u>-1,947</u> | <u>-162</u> |
| | Profit/(loss) before tax | -50,856 | -12,753 |
| 8 | Tax on profit/(loss) for the year | <u>-3,630</u> | <u>2,801</u> |
| | Net profit/(loss) for the year | <u>-54,486</u> | <u>-9,952</u> |

Annual Report January 1st to December 31stBalance sheet at December 31st 2018

| Note | DKK '000 | 2018 | 2017 |
|--------------------------------------|--|----------------|---------------|
| Assets | | | |
| Fixed assets | | | |
| Property, plant and equipment | | | |
| 9 | Land and buildings | 2,526 | 2,562 |
| 9 | Leasehold improvements | 1,620 | 1,975 |
| 9 | Other fixtures and fittings, tools and equipment | 3,091 | 3,323 |
| | Property, plant and equipment | 7,237 | 7,860 |
| Financial assets | | | |
| 10 | Investment in a subsidiary | 500 | 0 |
| 11 | Deferred tax asset | 0 | 3,636 |
| | Financial assets | 500 | 3,636 |
| | Fixed assets | 7,737 | 11,496 |
| Current assets | | | |
| Inventories | | | |
| | Inventories | 2,414 | 2,833 |
| | Inventories | 2,414 | 2,833 |
| Receivables | | | |
| | Receivable corporate income tax | 3,060 | 1,476 |
| | Intercompany loan | 5,501 | 12,089 |
| | Trade receivables | 42,577 | 29,390 |
| | Receivables from group enterprises | 54,583 | 2,893 |
| | Other receivables | 10,248 | 13,603 |
| | Prepayments | 4,904 | 4,688 |
| | Receivables | 120,873 | 64,139 |
| Cash | | | |
| 12 | Cash | 6,423 | 11,428 |
| | Cash | 6,423 | 11,428 |
| | Current assets | 129,710 | 78,400 |
| | Assets | 137,447 | 89,896 |

Annual Report January 1st to December 31stBalance sheet at December 31st 2018

| Note | DKK '000 | 2018 | 2017 |
|------|---|----------------|---------------|
| | Liabilities | | |
| | Equity | | |
| | Equity | | |
| | Share capital | 3,000 | 3,000 |
| | Retained earnings | <u>-26,996</u> | <u>27,490</u> |
| | Equity | <u>-23,996</u> | <u>30,490</u> |
| | Liabilities | | |
| | Long-term liabilities and provisions | | |
| 17 | Provisions for liabilities | <u>5,218</u> | <u>4,979</u> |
| | Long-term liabilities and provisions | <u>5,218</u> | <u>4,979</u> |
| | Short-term liabilities other than provisions | | |
| | Payable corporate income tax | 0 | 0 |
| | Trade payables | 52,500 | 18,243 |
| | Payables to group enterprises | 85,718 | 9,194 |
| 13 | Prepaid revenue | 0 | 378 |
| 14 | Other payables | <u>18,007</u> | <u>26,612</u> |
| | Short-term liabilities other than provisions | <u>156,225</u> | <u>54,427</u> |
| | Total liabilities | <u>161,443</u> | <u>59,406</u> |
| | Equity and liabilities | <u>137,447</u> | <u>89,896</u> |

- 1 Accounting policies
- 2 Events after the balance sheet events
- 16 Proposed distribution of profit/loss
- 19 Parent undertaking
- 20 Transactions with related parties
- 22 Consolidation

Annual Report January 1st to December 31st

Statement of changes in equity

| Note | DKK '000 | Share capital | Retained earnings | Prop. dividend | Total |
|------|-------------------------------------|---------------|-------------------|----------------|----------------|
| | Equity at January 1st 2017 | 3,000 | 37,442 | 0 | 40,442 |
| | Net profit / (loss) for the year | 0 | -9,952 | 0 | -9,952 |
| | Equity at January 1st 2018 | 3,000 | 27,490 | 0 | 30,490 |
| | Net profit / (loss) for the year | 0 | -54,486 | 0 | -54,486 |
| | Equity at December 31st 2018 | 3,000 | -26,996 | 0 | -23,996 |

Changes in share capital in the past 5 financial years:

| Note | DKK '000 | 2018 | 2017 | 2016 | 2015 | 2014 |
|------|------------------------------|--------------|--------------|--------------|--------------|--------------|
| | Share capital at January 1st | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| | Increase in capital | 0 | 0 | 0 | 0 | 0 |
| | | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |

The share capital consists of 3,000 shares of DKK 1,000.

The shares have not been divided into classes.

Annual Report January 1st to December 31st

Cash-flow statement

| Note | DKK '000 | 2018 | 2017 |
|------|--|----------------|---------------|
| | Operating profit/(loss) | -49,687 | -13,799 |
| 10 | Depreciation and amortisation charges | 1,632 | 4,873 |
| 17 | Provisions for liabilities | 239 | 4,979 |
| 15 | Working capital changes | 15,645 | 743 |
| | Cash flow from operating activities before financial activities | -32,171 | -3,204 |
| 6 | Financial income received | 778 | 1,208 |
| 7 | Financial expense paid | -1,947 | -162 |
| | Paid corporate tax | -1,584 | -1,448 |
| | Cash flow from operating activities | -34,924 | -3,606 |
| 10 | Acquisition etc. of property, plant and equipment | -1,003 | -6,657 |
| 10 | Sale of property, plant and equipment | 0 | 0 |
| 9 | Investment in subsidiary | -500 | 0 |
| | Cash flow from investing activities | -1,503 | -6,657 |
| | Paid dividend | 0 | 0 |
| | Change in outstandings, group enterprises | 31,422 | 16,390 |
| | Cash flow from financing activities | 31,422 | 16,390 |
| | Increase/(decrease) in cash and cash equivalents | -5,005 | 6,127 |
| 12 | Cash and cash equivalents at January 1st, 2018 | 11,428 | 5,301 |
| | Cash and cash equivalents at December 31st, 2018 | 6,423 | 11,428 |

Annual Report January 1st to December 31st

Notes

1 Accounting policies

The annual report for Avis Budget Denmark A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statement Act applying to medium reporting class C entities.

Effective January 1st, 2016, the Company has adopted act no. 738 of June 1st, 2015. This implies changes in the recognition and measurement in the following area:

1. Yearly reassessment of residual values of property, plant and equipment

In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

The above change does not affect the income statement or the balance sheet for 2018 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of June 1st, 2015, the accounting policies are consistent with those of last year.

Going concern

During the year ended 31 December 2018 the company generated a loss of DKK 54.5m (2017: loss of DKK 10.0m).

At the year end the company had net current liabilities of DKK 26.5m (2017: net current assets of DKK 24.0m). Included within current liabilities as at 31 December 2018 are loans repayable on demand due to fellow group undertakings of DKK 85.7m (2017: DKK 9.2m).

The company is reliant on the continued support from Avis Europe Investment Holdings Limited, the intermediate parent undertaking, which confirmed its intention to provide sufficient financial support to enable the company to trade and discharge its debts and liabilities for a minimum period of 12 months following the date of approval of the financial statements of Avis Budget Denmark A/S for the year ended 31 December 2018.

Based on the above, the directors are of the opinion that the company is a going concern and that these financial statements should be drawn on such basis.

Annual Report January 1st to December 31st

Notes

1 Accounting policies

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company, and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liability are measured at cost. Measurement subsequent to initial recognition is affected and described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Rental income from rental of cars and vans and sale of insurances and related services are periodised and are recognized on a linear basis over the rental period following the rental contract. When entering into a rental agreement revenue is recognized corresponding to fair value of the entered contract when transition of the essential benefits and risks with the customer has taken place, the revenue can be worked out in a reliable way and payments is expected to take place. Revenue is recognized net of VAT, duties and sales discounts.

Annual Report January 1st to December 31st

Notes

1 Accounting policies

Cost of sales

Cost of sales comprise costs incurred directly in connection with performing the primary activities of the Company, especially costs related to acquisition and running the rental fleet of the Company, acquisition and running rental stations and costs for the employees of the Company directly engaged in rental and maintenance of rental cars as well as depreciation.

Distribution costs

Distribution costs comprise costs incurred for distribution of goods sold and also for sales campaigns, including costs for sales and distribution staff, advertising costs as well as depreciation and amortisation.

Administrative expenses

Administrative expenses comprise expenses incurred for management and administration of the Company, including expenses for the administrative staff and management, stationery and office supplies as well as depreciation and amortization.

Other operating income

Other operating income and operating expenses comprise items of secondary nature relative to the entity's core activities, including gains or losses on the sale of fixed assets.

Financial income and expenses

These items comprise interest income and expenses, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies, etc. as well as tax surcharge and repayment under the Danish Tax Prepayment Scheme.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly on equity by the portion attributable to entries directly on equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Annual Report January 1st to December 31st

Notes

1 Accounting policies**Balance sheet****Assets****Property, plant and equipment**

Land and buildings, rental cars as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives and residual value of the assets:

| | Useful life (years) | Residual value |
|--|---------------------|----------------|
| Buildings | 5-50 years | Nil |
| Rental cars | 3-5 years | Nil |
| Other fixtures and fittings, tools and eq. | 3-5 years | Nil |

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Depreciation is recognized in the income statement as cost of sales, distribution costs and administrative expenses, respectively.

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognized.

In case of changes in the amortization period or the residual value, the effect on the depreciation charges is recognized prospectively as a change in accounting estimates.

Gains and losses on the disposal of items or property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognized in the income statement as other operating income or other operating expenses, respectively.

Investment in subsidiary

Investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Annual Report January 1st to December 31st

Notes

1 Accounting policies

Inventories

Inventories are measured at the lower cost, measured by reference to the average method, and net realizable value. Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or group of receivables is impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial periods. Prepayments are measured at cost.

Liabilities

Equity

Dividends proposed for the financial year are presented as a separate item under Equity.

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Lease commitments

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are recognised at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement shows the Company's cash flow from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and income taxes paid.

Annual Report January 1st to December 31st

Notes

1 Accounting policies

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisition and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of interest bearing debt, and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term to maturity of three months or less, which are subject to only minor risks of changes in value.

Financial highlights

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

| | |
|------------------|---|
| Profit ratio | $\frac{\text{Operating profit} \times 100}{\text{Revenue}}$ |
| Gross margin | $\frac{\text{Gross profit} \times 100}{\text{Revenue}}$ |
| Equity ration | $\frac{\text{Equity (ultimo)} \times 100}{\text{Balance sheet total (ultimo)}}$ |
| Return on equity | $\frac{\text{Operating profit} \times 100}{\text{Average equity}}$ |

Invested capital is defined as net working capital plus property, plant and equipment and intangible assets minus other long-term operating liabilities.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Cash and income tax receivable and payable are not included in net working capital.

2 Events after the balance sheet date

From the closing of the financial year 2018 and until the date of these financial statements nothing has occurred which essentially changes the content of the report.

3 Revenue

Revenue comprises rental operations of cars and vans on the Danish market.

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Notes

| Note | DKK '000 | 2018 | 2017 |
|----------|--|---------------|---------------|
| 4 | Staff costs | | |
| | Salaries and wages | 49,625 | 45,830 |
| | Pension costs | 3,636 | 3,039 |
| | Other social security costs | 266 | 750 |
| | Other staff expenses | 2,752 | 1,575 |
| | | 56,279 | 51,194 |
| | Staff costs are incorporated in the income statement as follows: | | |
| | Cost of sales | 32,411 | 31,588 |
| | Distribution costs | 8,237 | 4,400 |
| | Administrative expenses | 15,631 | 15,206 |
| | | 56,279 | 51,194 |
| | Remuneration for the Executive and Supervisory boards: | | |
| | Executive board | 2,872 | 2,739 |
| | Supervisory board | 0 | 0 |
| | | 2,872 | 2,739 |
| | Average number of employees | 117 | 115 |

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Notes

| Note | DKK '000 | 2018 | 2017 |
|----------|--|---------------|--------------|
| 5 | Depreciation and amortisation charges | | |
| | Intangible assets | 173 | 29 |
| | Land and buildings | 36 | 36 |
| | Leasehold improvements | 393 | 4,173 |
| | Other fixtures and fittings, tools and equipment | 1,024 | 635 |
| | | <u>1,626</u> | <u>4,873</u> |
| | Depreciation and amortisation charges are recognised in the income statement as follows: | | |
| | Cost of sales | 561 | 528 |
| | Distribution costs | 0 | 0 |
| | Administrative expenses | 1,065 | 4,345 |
| | | <u>1,626</u> | <u>4,873</u> |
| 6 | Financial income | | |
| | Interest income | 55 | 50 |
| | Interest income group enterprises | 42 | 326 |
| | Other financial income | 681 | 832 |
| | | <u>778</u> | <u>1,208</u> |
| 7 | Financial expenses | | |
| | Interest expense | -1,128 | -126 |
| | Interest expense group enterprises | -633 | 0 |
| | Other financial expense | -186 | -36 |
| | | <u>-1,947</u> | <u>-162</u> |
| 8 | Tax on profit/loss for the year | | |
| | Corporate tax for the year | 0 | 0 |
| | Change in deferred tax | -3,636 | 2,801 |
| | Other tax movements | 6 | 0 |
| | Change in corporate tax due to change in tax-% | 0 | 0 |
| | | <u>-3,630</u> | <u>2,801</u> |

Annual Report January 1st to December 31st

Notes

| Note | DKK '000 | | | | |
|---|---|---------------------------|----------------------------------|--|--|
| 9 | Property, plant and equipment | Land and buildings | Leasehold improvements | Other fixtures etc | Total |
| | Cost at January 1st 2018 | 3,020 | 7,583 | 6,915 | 17,518 |
| | Additions | 0 | 38 | 1,012 | 1,050 |
| | Reclassifications | 0 | 0 | -47 | -47 |
| | Disposals | 0 | 0 | 0 | 0 |
| | Cost at December 31st 2018 | 3,020 | 7,621 | 7,880 | 18,521 |
| | Depreciation and amortisation charges at January 1st 2018 | 458 | 5,605 | 3,595 | 9,658 |
| | Depreciation and amortisation charges for the year | 36 | 396 | 1,200 | 1,632 |
| | Reclassifications | 0 | 0 | -6 | -6 |
| | Reversals related to disposals | 0 | 0 | 0 | 0 |
| | Depreciation and amortisation charges at December 31st 2018 | 494 | 6,001 | 4,789 | 11,284 |
| | Carrying amount at December 31st 2018 | 2,526 | 1,620 | 3,091 | 7,237 |
| | Carrying amount of properties | 2,526 | | | |
| Value according to public land assessment in 2018 | 1,750 | | | | |
| 10 | Company name | Stake (%) | No. of shares | Nominal value (DKK) | Investment value (DKK) |
| | Avis Budget Leasing Denmark A/S (14, Roskildevej, DK-2620 Albertslund) | 100 | 500 | 1,000 | 500,000 |
| | Company name | | 2018 result (DKK'000) | Equity 31.12.2018 (DKK'000) | Dividend for 2018 (DKK'000) |
| | Avis Budget Leasing Denmark A/S | | -130 | 370 | 0 |

On 10 April 2018, the Company purchased the entire share capital of Avis Budget Leasing Denmark A/S, a company incorporated in Denmark.

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Notes

| Note | DKK '000 | 2018 | 2017 |
|-----------|--|---------------|---------------|
| 11 | Deferred tax | | |
| | Deferred tax at January 1st | 3,636 | 835 |
| | Changes for the year | <u>-3,636</u> | <u>2,801</u> |
| | Deferred tax at December 31st | <u>0</u> | <u>3,636</u> |
| | Deferred tax consists of the following financial items: | | |
| | Intangible assets | 0 | 0 |
| | Buildings | 0 | 26 |
| | Leasehold improvements | 0 | 595 |
| | Other fixtures and fittings, tools and equipment | 0 | -155 |
| | Rental cars | 0 | 148 |
| | Prepaid revenue | 0 | 83 |
| | General bad debt reserve | 0 | 195 |
| | Tax losses carried forward | <u>0</u> | <u>2,744</u> |
| | | <u>0</u> | <u>3,636</u> |
| | Deferred tax relating to prepaid revenue crystallised in 2018. | | |
| 12 | Cash and cash equivalents | | |
| | Cash | <u>6,423</u> | <u>11,428</u> |
| | | <u>6,423</u> | <u>11,428</u> |
| 13 | Prepaid revenue | | |
| | Other financial income | <u>0</u> | <u>378</u> |
| | | <u>0</u> | <u>378</u> |

Annual Report January 1st to December 31st

Notes

| Note | DKK '000 | 2018 | 2017 |
|-----------|---|----------------|---------------|
| 14 | Other payables | | |
| | Wages and salaries, personal income tax, social security etc. | 2,468 | 3,234 |
| | Holiday pay obligations | 5,640 | 5,062 |
| | VAT and duties | 0 | 4,186 |
| | Other cost payable | 9,899 | 14,130 |
| | | <u>18,007</u> | <u>26,612</u> |
| 15 | Cash flow - changes in working capital | | |
| | Change in inventories | 419 | -2,744 |
| | Change in receivables | -10,048 | 7,856 |
| | Change in trade payables | 25,274 | -4,369 |
| | | <u>15,645</u> | <u>743</u> |
| 16 | Proposed distribution of profit /loss | | |
| | Proposed dividend for the financial year incorporated in the equity | 0 | 0 |
| | Retained earnings | -54,486 | -9,952 |
| | | <u>-54,486</u> | <u>-9,952</u> |
| 17 | Provisions for liabilities | | |
| | Onerous contracts provisions | 396 | 540 |
| | Restructuring provision | 383 | 0 |
| | Dilapidation provisions | 4,439 | 4,439 |
| | | <u>5,218</u> | <u>4,979</u> |

Dilapidation provisions are in relation to the estimated cost of dilapidation works and wants of repair found to have accrued at various rented sites. The estimate is based on the report provided by a specialist third party.

Annual Report January 1st to December 31st

Notes

| Note | DKK '000 | 2018 | 2017 |
|-----------|--|--------------|---------------|
| 18 | Operating lease commitments | | |
| | The total future minimum lease payments under non-cancellable operating leases are as follows: | | |
| | No later than 1 year | 5,769 | 6,196 |
| | Later than 1 year and not later than 5 years | 753 | 6,160 |
| | Later than 5 years | 0 | 0 |
| | | <u>6,522</u> | <u>12,356</u> |

19 Parent undertaking

The following related parties have a controlling interest in Avis Budget Denmark A/S:

Name: ABG Scandinavia Holdings AS
Registered office: Norway
Basis of influence: Wholly owned

20 Transactions with related parties

| | | |
|---|--------|--------|
| Management fee to group enterprises | 12,615 | 11,626 |
| Purchase of services from group enterprises | 32,655 | 15,556 |
| Sale of services to group enterprises | 626 | 1,415 |
| Purchase of goods from group enterprises | 707 | 2,022 |
| Interest income from group enterprises | 42 | 326 |
| Interest expense to group enterprises | 633 | 0 |
| Intercompany loan | 5,501 | 12,089 |
| Receivables from group enterprises | 54,583 | 2,893 |
| Payables to group enterprises | 85,718 | 9,194 |

21 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

22 Consolidation

Avis Budget Denmark A/S is included in the consolidated financial statements of:

Avis Budget Group, Inc.
6, Sylwan Way
Parsippany, NJ. 07054
USA
Irs.no. 06-0918165

The financial statements for this company can be obtained at the company's address.