

HERTZ GLOBAL HOLDINGS INC
Form 10-Q
August 06, 2010

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

Commission File Number 001-33139

HERTZ GLOBAL HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-3530539

(I.R.S. Employer
Identification Number)

**225 Brae Boulevard
Park Ridge, New Jersey 07656-0713
(201) 307-2000**

(Address, including Zip Code, and telephone number,
including area code, of Registrant's principal executive offices)

Not Applicable

(Former name, former address and former fiscal year,
if changed since last report.)

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a
smaller
reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 412,066,036 shares of the Registrant's common stock, par value \$0.01 per share, issued and outstanding as of August 2, 2010.

Table of Contents

**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
INDEX**

		Page
<u>PART I. FINANCIAL INFORMATION</u>		
<u>ITEM 1.</u>	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	
	<u>Report of Independent Registered Public Accounting Firm</u>	<u>1</u>
	<u>Condensed Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009</u>	<u>2</u>
	<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2010 and 2009</u>	<u>3</u>
	<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2010 and 2009</u>	<u>4-5</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6-34</u>
<u>ITEM 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>35-67</u>
<u>ITEM 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>67</u>
<u>ITEM 4.</u>	<u>Controls and Procedures</u>	<u>67</u>
<u>PART II. OTHER INFORMATION</u>		
<u>ITEM 1.</u>	<u>Legal Proceedings</u>	<u>68</u>
<u>ITEM 1A.</u>	<u>Risk Factors</u>	<u>68-86</u>
<u>ITEM 6.</u>	<u>Exhibits</u>	<u>87</u>
<u>SIGNATURE</u>		<u>88</u>
<u>EXHIBIT INDEX</u>		<u>89</u>

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of Hertz Global Holdings, Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of Hertz Global Holdings, Inc. and its subsidiaries as of June 30, 2010, and the related consolidated statements of operations for the three-month and six-month periods ended June 30, 2010 and June 30, 2009 and the consolidated statements of cash flows for the six-month periods ended June 30, 2010 and June 30, 2009. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2009, and the related consolidated statements of operations, of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated February 26, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
August 6, 2010

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In Thousands of Dollars)****Unaudited**

	June 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 896,848	\$ 985,642
Restricted cash and cash equivalents	743,435	365,159
Receivables, less allowance for doubtful accounts of \$17,374 and \$21,268	1,400,306	1,325,332
Inventories, at lower of cost or market	88,805	93,415
Prepaid expenses and other assets	304,296	300,125
Revenue earning equipment, at cost:		
Cars	9,853,330	8,205,579
Less accumulated depreciation	(1,091,215)	(1,186,299)
Other equipment	2,558,808	2,582,029
Less accumulated depreciation	(909,713)	(749,724)
Total revenue earning equipment	10,411,210	8,851,585
Property and equipment, at cost:		
Land, buildings and leasehold improvements	1,038,726	1,023,891
Service equipment and other	853,647	838,906
	1,892,373	1,862,797
Less accumulated depreciation	(735,705)	(674,668)
Total property and equipment	1,156,668	1,188,129
Other intangible assets, net	2,563,709	2,597,682
Goodwill	290,550	295,350
Total assets	\$ 17,855,827	\$ 16,002,419
LIABILITIES AND EQUITY		
Accounts payable	\$ 1,467,148	\$ 658,671
Accrued liabilities	915,817	1,024,822
Accrued taxes	158,114	108,356
Debt	11,693,823	10,364,367
Public liability and property damage	261,142	277,828
Deferred taxes on income	1,446,099	1,470,934
Total liabilities	15,942,143	13,904,978
Commitments and contingencies (Note 16)		
Equity:		
Hertz Global Holdings Inc. and Subsidiaries stockholders' equity		
Common Stock, \$0.01 par value, 2,000,000,000 shares authorized, 411,949,818 and 410,245,225 shares issued and outstanding	4,120	4,102

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

Preferred Stock, \$0.01 par value, 200,000,000 shares authorized, no shares issued and outstanding

Additional paid-in capital	3,160,278	3,141,695
Accumulated deficit	(1,237,844)	(1,062,318)
Accumulated other comprehensive loss	(30,783)	(3,331)
Total Hertz Global Holdings, Inc. and Subsidiaries stockholders' equity	1,895,771	2,080,148
Noncontrolling interest	17,913	17,293
Total equity	1,913,684	2,097,441
Total liabilities and equity	\$ 17,855,827	\$ 16,002,419

The accompanying notes are an integral part of these financial statements.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(In Thousands of Dollars, except share and per share data)****Unaudited**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues:				
Car rental	\$ 1,582,983	\$ 1,450,902	\$ 2,979,554	\$ 2,711,804
Equipment rental	265,706	276,808	502,677	556,140
Other	30,897	26,774	58,243	51,426
Total revenues	1,879,586	1,754,484	3,540,474	3,319,370
Expenses:				
Direct operating	1,075,037	988,573	2,088,036	1,943,893
Depreciation of revenue earning equipment	456,720	479,350	915,893	969,178
Selling, general and administrative	171,985	141,510	339,728	308,234
Interest expense	188,873	163,835	369,971	328,944
Interest and other income, net	(6,791)	(49,511)	(9,069)	(51,532)
Total expenses	1,885,824	1,723,757	3,704,559	3,498,717
Income (loss) before income taxes	(6,238)	30,727	(164,085)	(179,347)
(Provision) benefit for taxes on income	(14,210)	(22,989)	(3,190)	26,665
Net income (loss)	(20,448)	7,738	(167,275)	(152,682)
Less: Net income attributable to noncontrolling interest	(4,673)	(3,876)	(8,251)	(6,965)
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	\$ (25,121)	\$ 3,862	\$ (175,526)	\$ (159,647)
Weighted average shares outstanding (in thousands)				
Basic	411,834	343,698	411,290	333,591
Diluted	411,834	349,153	411,290	333,591
Earnings (loss) per share attributable to Hertz Global				

Holdings, Inc. and
Subsidiaries' common
stockholders:

Basic	\$	(0.06)	\$	0.01	\$	(0.43)	\$	(0.48)
Diluted	\$	(0.06)	\$	0.01	\$	(0.43)	\$	(0.48)

The accompanying notes are an integral part of these financial statements.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In Thousands of Dollars)****Unaudited****Six Months Ended
June 30,
2010 2009**

Cash flows from operating activities:		
Net loss	\$ (167,275)	\$ (152,682)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of revenue earning equipment	915,893	969,178
Depreciation of property and equipment	78,571	80,543
Amortization of other intangible assets	32,700	33,138
Amortization and write-off of deferred financing costs	38,508	27,922
Amortization of debt discount	21,104	14,923
Stock-based compensation charges	19,308	16,502
(Gain) loss on derivatives	4,922	(18,318)
Amortization of cash flow hedges	38,868	29,857
Provision for losses on doubtful accounts	10,295	16,635
Asset writedowns	14,215	13,105
Deferred taxes on income	(3,818)	19,724
Gain on sale of property and equipment	(2,176)	(1,314)
Changes in assets and liabilities, net of effects of acquisition:		
Receivables	(105,472)	(15,878)
Inventories, prepaid expenses and other assets	(28,075)	18,257
Accounts payable	254,809	(65,003)
Accrued liabilities	(66,832)	(208,362)
Accrued taxes	(5,220)	(57,838)
Public liability and property damage	252	(22,029)
Net cash provided by operating activities	1,050,577	698,360
Cash flows from investing activities:		
Net change in restricted cash and cash equivalents	(389,242)	543,774
Revenue earning equipment expenditures	(5,429,930)	(3,540,501)
Proceeds from disposal of revenue earning equipment	3,409,157	3,197,561
Property and equipment expenditures	(92,018)	(48,344)
Proceeds from disposal of property and equipment	15,194	5,106
Acquisitions, net of cash acquired	(157)	(71,280)
(Purchase) sale of short-term investments, net	3,171	(4,169)
Other investing activities	817	835
Net cash provided by (used in) investing activities	\$ (2,483,008)	\$ 82,982

The accompanying notes are an integral part of these financial statements.

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Thousands of Dollars)

Unaudited

Six Months Ended
June 30,
2010 2009

Cash flows from financing activities:		
Proceeds from issuance of long-term debt	\$ 681,370	\$ 4,219
Proceeds from convertible debt offering		459,655
Repayment of long-term debt	(756,964)	(682,389)
Short-term borrowings:		
Proceeds	274,730	221,921
Repayments	(168,377)	(181,442)
Proceeds (repayments) under the revolving lines of credit, net	1,423,403	(971,469)
Distributions to noncontrolling interest	(7,630)	(8,050)
Proceeds from sale of common stock		328,739
Proceeds from exercise of stock options	2,250	2,702
Proceeds from employee stock purchase plan	1,222	1,363
Proceeds from disgorgement of stockholder short-swing profits	111	14
Net settlement on vesting of restricted stock	(5,670)	
Payment of financing costs	(24,972)	(6,772)
 Net cash provided by (used in) financing activities	 1,419,473	 (831,509)
 Effect of foreign exchange rate changes on cash and cash equivalents	 (75,836)	 26,790
 Net decrease in cash and cash equivalents during the period	 (88,794)	 (23,377)
Cash and cash equivalents at beginning of period	985,642	594,266
 Cash and cash equivalents at end of period	 \$ 896,848	 \$ 570,889
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 264,563	\$ 298,711
Income taxes	30,694	13,998
Supplemental disclosures of non-cash flow information:		
Purchases of revenue earning equipment included in accounts payable	\$ 828,881	\$ 616,745
Sales of revenue earning equipment included in receivables	530,856	145,640
Purchases of property and equipment included in accounts payable	29,125	14,309
Sales of property and equipment included in receivables	5,259	680

The accompanying notes are an integral part of these financial statements.

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Note 1 Background and Liquidity

Background

Hertz Global Holdings, Inc., or "Hertz Holdings," is our top-level holding company. The Hertz Corporation, or "Hertz," is our primary operating company and a direct wholly-owned subsidiary of Hertz Investors, Inc., which is wholly-owned by Hertz Holdings. "We," "us" and "our" mean Hertz Holdings and its consolidated subsidiaries, including Hertz.

We are a successor to corporations that have been engaged in the car and truck rental and leasing business since 1918 and the equipment rental business since 1965. Hertz was incorporated in Delaware in 1967. Ford Motor Company, or "Ford," acquired an ownership interest in Hertz in 1987. Prior to this, Hertz was a subsidiary of UAL Corporation (formerly Allegis Corporation), which acquired Hertz's outstanding capital stock from RCA Corporation in 1985. Hertz Holdings was incorporated in Delaware in 2005 and had no operations prior to the Acquisition (as defined below).

On December 21, 2005, investment funds associated with or designated by:

Clayton, Dubilier & Rice, Inc., or "CD&R,"

The Carlyle Group, or "Carlyle," and

Merrill Lynch Global Private Equity, or "MLGPE" (now known as BAML Capital Partners),

or collectively the "Sponsors," acquired all of Hertz's common stock from Ford Holdings LLC. We refer to the acquisition of all of Hertz's common stock by the Sponsors as the "Acquisition." Following our initial public offering in November 2006 and subsequent offerings in June 2007, May 2009 and June 2009, the Sponsors currently own approximately 51% of the common stock of Hertz Holdings.

In January 2009, Bank of America Corporation, or "Bank of America," acquired Merrill Lynch & Co., Inc., the parent company of MLGPE. Accordingly, Bank of America is now an indirect beneficial owner of our common stock held by MLGPE and certain of its affiliates.

Liquidity

Our primary liquidity needs include servicing of corporate and fleet related debt, the payment of operating expenses and purchases of rental vehicles and equipment to be used in our operations. Our primary sources of funding are operating revenue, cash received on the disposal of vehicles and equipment, borrowings under our asset-backed borrowing arrangements and our revolving credit facilities.

As of June 30, 2010, we had \$11,693.8 million of total indebtedness outstanding. Accordingly, we are highly leveraged and a substantial portion of our liquidity needs arise from debt service on our indebtedness and from the funding of our costs of operations and capital expenditures.

Our liquidity as of June 30, 2010 consists of cash and cash equivalents, unused commitments under our Senior ABL Facility and unused commitments under our fleet financing facilities. For a description of these amounts, see Note 8 Debt.

Based on all that we accomplished in 2009 and the first half of 2010, our current availability under our various credit facilities and our business plan, we believe we have sufficient liquidity to meet our U.S. debt maturities over the next twelve months. See Note 8 Debt.

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

In June 2010, Hertz Vehicle Financing LLC, or "HVF," our wholly-owned subsidiary, issued \$184.3 million in aggregate principal amount of 3 year and 5 year Subordinated Series 2009-2 Rental Car Asset Backed

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

Notes, Class B, or the "Series 2009-2 Class B Notes." The 3 year notes carry a 4.94% coupon (5.00% yield) and the 5 year notes carry a 5.93% coupon (6.01% yield) with expected final maturities in 2013 and 2015, respectively. The net proceeds of the offering were or will be used to purchase vehicles under our asset-backed securities, or "ABS," program, used to pay other ABS indebtedness or, to the extent permitted, used for general purposes.

Also, in June 2010, we issued EUR 400 million (the equivalent of \$491.1 million as of June 30, 2010) aggregate principal amount of 8.5% Senior Secured Notes due 2015, or the "Euro Notes," and entered into a EUR 220 million (the equivalent of \$270.1 million as of June 30, 2010) revolving credit facility that matures in 2013, or the "European Credit Facility." The net proceeds of the Euro Notes and European Credit Facility were used to refinance our International Fleet Debt and Belgian Fleet Financing Facility, both of which were due to mature in December 2010, and the excess was or will be used for general purposes.

As of June 30, 2010, we have approximately \$520.5 million of remaining international fleet debt outstanding that matures in December 2010. We are currently in discussions regarding our remaining refinancing options, and based on these discussions and our ability to access the capital markets, we expect to refinance the remaining debt maturing in December 2010 on or prior to maturity. However, the availability of financing is subject to a variety of factors not in our control, including economic and market conditions and investor demand, so there is no guarantee that such facilities can be refinanced or that the terms of such replacement financings will be acceptable. In the event financing is not available or is not available on terms we deem acceptable, we would expect to utilize our corporate liquidity to repay these obligations which could have a negative impact on our operational and financial flexibility, and may require us to make significant operational changes to our business (including, without limitation, reducing the size of our rental fleet, reducing the percentage of our car rental fleet subject to repurchase or guaranteed depreciation programs or reducing or delaying capital expenditures).

In July 2010, we entered into a EUR 400 million (the equivalent of \$491.1 million as of June 30, 2010) asset-backed securitization facility that matures in 2013, or the "European Securitization," the proceeds of which were used to refinance the portion of our existing International ABS Fleet Financing Facility relating to France and the Netherlands, which was due to mature in December 2010. This facility refinanced \$288.8 million of the \$520.5 million of remaining international fleet debt outstanding as of June 30, 2010 that matures in December 2010.

In addition, in July 2010, we issued approximately \$750 million in aggregate principal amount of 3 year, 5 year and 7 year Series 2010-1 Rental Car Asset Backed Notes, or the "Series 2010-1 Notes." The net proceeds of the offering were or will be used, to the extent permitted, to purchase vehicles under the ABS program of HVF, to pay other ABS indebtedness or distributed to Hertz and used for general purposes.

The agreements governing our corporate indebtedness require us to comply with two key covenants based on a consolidated leverage ratio and a consolidated interest expense coverage ratio. Our failure to comply with the obligations contained in any agreements governing our indebtedness could result in an event of default under the applicable instrument, which could result in the related debt becoming immediately due and payable and could further result in a cross default or cross acceleration of our debt issued under other instruments. As of June 30, 2010, we were in compliance with all of these financial covenants.

MBIA Insurance Corporation, or "MBIA," and Ambac Assurance Corporation, or "Ambac," provide credit enhancements in the form of financial guarantees for our 2005 Notes, with each providing guarantees for approximately half of the \$2,184.9 million in principal amount of the 2005 Notes that was outstanding as of June 30, 2010, all of which matures during 2010.

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

An event of bankruptcy with respect to MBIA or Ambac between now and the maturities of the 2005 Notes in 2010 would result in an amortization event under the portion of the 2005 Notes guaranteed by the affected insurer. In addition, if an amortization event continues for 30 days or longer, the noteholders of the affected series of notes would have the right to require liquidation of a portion of the fleet sufficient to repay such notes, provided that the exercise of the right was exercised by a majority of the affected noteholders. Ambac has publicly stated that it has insufficient capital to finance its debt service and operating expense requirements beyond the second quarter of 2011 and may need to seek bankruptcy protection.

Since MBIA and Ambac are facing financial instability, have been downgraded one or more times and are on review for further credit downgrade or under developing outlook by one or more credit agencies, we did not have the Series 2009-1 Notes, Series 2009-2 Notes, Series 2009-2 Class B Notes or the Series 2010-1 Notes guaranteed. Accordingly, if a bankruptcy of MBIA or Ambac were to occur prior to the 2005 Notes maturing, we expect that we would use our corporate liquidity and the borrowings under or proceeds from these recent financings to pay down the amounts owed under the affected series of 2005 Notes.

On April 25, 2010, we entered into a definitive merger agreement, or the "Merger Agreement," under which we agreed to acquire Dollar Thrifty Automotive Group, or "Dollar Thrifty," for a purchase price of \$41.00 per share, or a total of \$1.27 billion, in a mix of cash and Hertz Holdings common stock, based on our closing stock price on the trading day before the agreement was signed. Under the terms of the agreement, Dollar Thrifty has agreed to pay a special cash dividend of \$200 million (expected to be approximately \$6.88 per share) to its stockholders immediately prior to closing, and each outstanding share of Dollar Thrifty common stock will be converted at the closing into the right to receive from us 0.6366 of a share of our common stock and a cash payment from us equal to \$32.80 less the amount of the special cash dividend paid by Dollar Thrifty. At the closing, we will issue an aggregate of approximately 18 million shares of our common stock (excluding shares issuable upon the exercise of stock options that are being converted to Hertz Holdings stock options) and pay an aggregate of approximately \$750 million in cash (which does not include the \$200 million special cash dividend to be paid by Dollar Thrifty). We intend to fund the cash portion of the purchase price with existing liquidity from the combined company. We also intend to assume or refinance Dollar Thrifty's existing fleet debt outstanding at closing. The transaction is subject to customary closing conditions, regulatory approvals, approval by Dollar Thrifty stockholders and payment of the special dividend. The transaction is not conditioned on receipt of financing by us; however, it is likely that we will incur additional financing prior to the acquisition to replenish our liquidity levels. We are currently exploring alternatives with respect to debt offerings and other financings.

On July 28, 2010, Avis Budget Group, Inc., or "Avis," submitted a competing offer to acquire Dollar Thrifty, or the "Avis Offer." Pursuant to the terms of our Merger Agreement, the Dollar Thrifty board of directors analyzed the Avis Offer to determine whether its terms were superior to the terms of our Merger Agreement. On August 3, 2010, Dollar Thrifty issued a press release publishing a letter from its chief executive officer and president to Avis's chairman and chief executive officer indicating that Dollar Thrifty's board of directors could not conclude that the terms of the Avis Offer were superior to the terms of our Merger Agreement, but that Dollar Thrifty was ready to review and consider any modifications or additional information Avis may wish to make or provide to address the concerns identified in the letter.

Note 2 Basis of Presentation

The significant accounting policies summarized in Note 1 to our audited consolidated financial statements contained in our Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

December 31, 2009, filed with the United States Securities and Exchange Commission, or "SEC," on February 26, 2010 and March 1, 2010, respectively, or collectively known as our "Annual Report," have been followed in preparing the accompanying condensed consolidated financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, or "GAAP," requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ materially from those estimates.

The December 31, 2009 condensed consolidated balance sheet data was derived from our audited financial statements, but does not include all disclosures required by GAAP.

In our opinion, all adjustments necessary for a fair statement of the results of operations for the interim periods have been made. Results for interim periods are not necessarily indicative of results for a full year.

Certain prior period amounts have been reclassified to conform with current reporting.

Note 3 Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board issued guidance, which contains amendments to Accounting Standards Codification 810, "Consolidation," relating to how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. These provisions became effective for us on January 1, 2010, but did not have a material impact on our financial position or results of operations.

Note 4 Cash and Cash Equivalents and Restricted Cash

We consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

In our Consolidated Statements of Cash Flows, we net cash flows from revolving borrowings in the line item "Proceeds (repayments) under the revolving lines of credit, net." The contractual maturities of such borrowings may exceed 90 days in certain cases.

Restricted cash and cash equivalents includes cash and cash equivalents that are not readily available for our normal disbursements. Restricted cash and cash equivalents are restricted for the purchase of revenue earning vehicles and other specified uses under our Fleet Debt facilities, for our Like-Kind Exchange Program, or "LKE Program," and to satisfy certain of our self-insurance regulatory reserve requirements. As of June 30, 2010 and December 31, 2009, the portion of total restricted cash and cash equivalents that was associated with our Fleet Debt facilities was \$671.2 million and \$295.0 million, respectively. The increase in restricted cash associated with our Fleet Debt of \$376.2 million from December 31, 2009 to June 30, 2010, primarily related to the timing of purchases and sales of revenue earning vehicles prior to the end of the quarter.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited****Note 5 Goodwill and Other Intangible Assets**

The following summarizes the changes in our goodwill, by segment, for the periods presented (in millions of dollars):

	Car Rental	Equipment Rental	Total
Balance as of January 1, 2010			
Goodwill	\$ 335.8	\$ 654.5	\$ 990.3
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	292.8	2.6	295.4
Goodwill acquired during the period			
Other changes during the period ⁽¹⁾	(5.3)	(0.3)	(5.6)
Balance as of June 30, 2010			
Goodwill	330.5	655.0	985.5
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	\$ 287.5	\$ 3.1	\$ 290.6

	Car Rental	Equipment Rental	Total
Balance as of January 1, 2009			
Goodwill	\$ 307.1	\$ 651.9	\$ 959.0
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	264.1		264.1
Goodwill acquired during the year			
Other changes during the year ⁽¹⁾	4.7	0.2	4.9
Balance as of December 31, 2009			
Goodwill	335.8	654.5	990.3
Accumulated impairment losses	(43.0)	(651.9)	(694.9)
	\$ 292.8	\$ 2.6	\$ 295.4

(1)

Primarily consists of changes resulting from the translation of foreign currencies at different exchange rates from the beginning of the period to the end of the period.

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

Other intangible assets, net, consisted of the following major classes (in millions of dollars):

	June 30, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets:			
Customer-related	\$ 600.3	\$ (275.6)	\$ 324.7
Other	49.0	(15.6)	33.4
Total	649.3	(291.2)	358.1
Indefinite-lived intangible assets:			
Trade name	2,190.0		2,190.0
Other	15.6		15.6
Total	2,205.6		2,205.6
Total other intangible assets, net	\$ 2,854.9	\$ (291.2)	\$ 2,563.7

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited**

	December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizable intangible assets:			
Customer-related	\$ 600.6	\$ (246.5)	\$ 354.1
Other	50.0	(12.0)	38.0
Total	650.6	(258.5)	392.1
Indefinite-lived intangible assets:			
Trade name	2,190.0		2,190.0
Other	15.6		15.6
Total	2,205.6		2,205.6
Total other intangible assets, net	\$ 2,856.2	\$ (258.5)	\$ 2,597.7

Amortization of other intangible assets for the three months ended June 30, 2010 and 2009, was approximately \$16.3 million and \$17.6 million, respectively, and for the six months ended June 30, 2010 and 2009, was approximately \$32.7 million and \$33.2 million, respectively. Based on our amortizable intangible assets as of June 30, 2010, we expect amortization expense to be approximately \$32.0 million for the remainder of 2010 and range from \$58.2 million to \$63.6 million for each of the next five fiscal years.

During the six months ended June 30, 2010, we added one car rental location by acquiring a former franchisee in our domestic car rental operations and one equipment rental location related to an external acquisition done within our equipment rental operations. Each of these transactions has been accounted for using the acquisition method of accounting in accordance with GAAP and operating results of the acquired locations from the dates of acquisition are included in our consolidated statements of operations.

Note 6 Taxes on Income

The effective tax rate for the three and six months ended June 30, 2010 was (227.8)% and (1.9)%, respectively. The provision for taxes on income of \$14.2 million in the three months ended June 30, 2010 decreased from \$22.9 million in the three months ended June 30, 2009, primarily due to decreases in income before income taxes and discrete charges and a decrease in the losses in certain non-U.S. jurisdictions for which a tax benefit cannot be recognized. The provision for taxes on income was \$3.2 million in the six months ended June 30, 2010 compared to a benefit of \$26.7 million in the six months ended June 30, 2009. The change is primarily due to a lower loss before income taxes and an increase in discrete charges in the six months ended June 30, 2010, compared to the six months ended June 30, 2009, partially offset by a decrease in losses in certain non-U.S. jurisdictions for which a tax benefit cannot be recognized.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited****Note 7 Depreciation of Revenue Earning Equipment**

Depreciation of revenue earning equipment includes the following (in millions of dollars):

	Three Months Ended	
	June 30,	
	2010	2009
Depreciation of revenue earning equipment	\$ 429.8	\$ 441.1
Adjustment of depreciation upon disposal	12.7	18.5
Rents paid for vehicles leased	14.2	19.8
Total	\$ 456.7	\$ 479.4

	Six Months Ended	
	June 30,	
	2010	2009
Depreciation of revenue earning equipment	\$ 861.4	\$ 870.3
Adjustment of depreciation upon disposal	27.5	63.7
Rents paid for vehicles leased	27.0	35.2
Total	\$ 915.9	\$ 969.2

The adjustment of depreciation upon disposal of revenue earning equipment for the three months ended June 30, 2010 and 2009, included net losses of \$9.4 million and \$11.6 million, respectively, on the disposal of vehicles used in our car rental operations and net losses of \$3.3 million and \$6.9 million, respectively, on the disposal of industrial and construction equipment used in our equipment rental operations. The adjustment of depreciation upon disposal of revenue earning equipment for the six months ended June 30, 2010 and 2009, included net losses of \$20.6 million and \$26.7 million, respectively, on the disposal of vehicles used in our car rental operations and net losses of \$6.9 million and \$37.0 million, respectively, on the disposal of industrial and construction equipment used in our equipment rental operations.

Depreciation rates are reviewed on an ongoing basis based on management's routine review of present and estimated future market conditions and their effect on residual values at the time of disposal. During the six months ended June 30, 2010, depreciation rates being used to compute the provision for depreciation of revenue earning equipment were adjusted on certain vehicles in our car rental operations to reflect changes in the estimated residual values to be realized when revenue earning equipment is sold. These depreciation rate changes resulted in net increases of \$3.4 million and \$10.9 million in depreciation expense for the three and six months ended June 30, 2010, respectively. During the three and six months ended June 30, 2010, depreciation rate changes in our equipment rental operations resulted in net increases of \$0.7 million and \$2.7 million in depreciation expense.

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

For the three months ended June 30, 2010 and 2009, our worldwide car rental operations sold approximately 41,400 and 39,000 non-program cars, respectively, a 6.2% year over year increase primarily due to a higher average fleet size. For the six months ended June 30, 2010 and 2009, our worldwide car rental operations sold approximately 83,000 and 67,500 non-program cars, respectively, a 23.0% year over year increase primarily due to a higher average fleet size.

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

Note 8 Debt

Our debt consists of the following (in millions of dollars):

	June 30, 2010	December 31, 2009
<i>Corporate Debt</i>		
Senior Term Facility, average interest rate: 2010, 2.1%; 2009, 2.0% (effective average interest rate: 2010, 2.1%; 2009, 2.0%); net of unamortized discount: 2010, \$11.6; 2009, \$13.9	\$ 1,340.2	\$ 1,344.7
Senior ABL Facility; net of unamortized discount: 2010, \$7.4; 2009, \$9.6	(7.4)	(9.6)
Senior Notes, average interest rate: 2010, 8.7%; 2009, 8.7%	2,009.4	2,054.7
Senior Subordinated Notes, average interest rate: 2010, 10.5%; 2009, 10.5%	518.5	518.5
Promissory Notes, average interest rate: 2010, 7.5%; 2009, 7.3% (effective average interest rate: 2010, 7.5%; 2009, 7.4%); net of unamortized discount: 2010, \$3.1; 2009, \$3.3	342.6	391.4
Convertible Senior Notes, average interest rate: 2010, 5.25%; 2009, 5.25%; (effective average interest rate: 2010, 6.6%; 2009, 6.8%); net of unamortized discount: 2010, \$97.8; 2009, \$107.3	376.9	367.4
Notes payable, average interest rate: 2010, 6.0%; 2009, 8.0%	8.9	9.6
Foreign subsidiaries' debt denominated in foreign currencies:		
Short-term bank borrowings, average interest rate: 2010, 7.7%; 2009, 10.8%	12.0	7.3
Other borrowings, average interest rate: 2010, 2.5%; 2009, 2.5%	4.4	5.4
Total Corporate Debt	4,605.5	4,689.4
<i>Fleet Debt</i>		
U.S. Fleet Debt, average interest rate: 2010, 4.1%; 2009, 4.7% (effective average interest rate: 2010, 4.1%; 2009, 4.7%); net of	5,217.4	4,058.3

unamortized discount: 2010, \$14.4;

2009, \$16.7

International Fleet Debt ⁽¹⁾ , average interest rate: 2009, 2.1% (effective average interest rate: 2009, 2.2%); net of unamortized discount: 2009, \$8.7	705.3
---	-------

International ABS Fleet Financing Facility, average interest rate: 2010, 3.6%; 2009, 3.6%; (effective average interest rate: 2010, 3.6%; 2009, 3.6%); net of unamortized discount: 2010, \$2.4; 2009, \$5.7	446.1	383.2
---	-------	-------

Fleet Financing Facility, average interest rate: 2010, 1.6%; 2009, 1.5% (effective average interest rate: 2010, 1.6%; 2009, 1.5%); net of unamortized discount: 2010, \$0.5; 2009, \$0.8	162.5	147.2
--	-------	-------

Brazilian Fleet Financing Facility, average interest rate: 2010, 9.9%; 2009, 13.3%	74.5	69.3
--	------	------

Canadian Fleet Financing Facility, average interest rate: 2010, 0.6%; 2009, 0.5%	115.2	55.6
--	-------	------

Belgian Fleet Financing Facility ⁽¹⁾ , average interest rate: 2009, 1.8%	33.7
---	------

Capitalized Leases, average interest rate: 2010, 4.0%; 2009, 4.8%	314.7	222.4
---	-------	-------

Euro Notes ⁽¹⁾ , average interest rate: 2010, 8.5% (effective average interest rate: 2010, 8.5%); net of unamortized discount: 2010, \$2.6	488.5
---	-------

European Credit Facility ⁽¹⁾ , average interest rate: 2010, 4.2%	269.4
---	-------

Total Fleet Debt	7,088.3	5,675.0
------------------	---------	---------

Total Debt	\$ 11,693.8	\$ 10,364.4
------------	-------------	-------------

Note:

For further information on the definitions and terms of our debt, see Note 3 of the Notes to our audited annual consolidated financial statements included in our Form 10-K under the caption "Item 8 Financial Statements and Supplementary Data" and Note 1 Background and Liquidity of this Form 10-Q, or this "Report."

(1)

The International Fleet Debt and Belgian Fleet Financing Facility were refinanced in the three months ended June 30, 2010 with the proceeds of the Euro Notes and the European Credit Facility.

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

The aggregate amounts of maturities of debt for each of the twelve-month periods ending June 30 (in millions of dollars) are as follows: 2011, \$5,373.4 (including \$3,060.9 of other short-term borrowings); 2012, \$180.2; 2013, \$1,929.4; 2014, \$2,484.5; 2015, \$828.7; after 2015, \$1,037.4.

Our short-term borrowings of \$3,060.9 million as of June 30, 2010 include, among other items, the amounts outstanding under our International ABS Fleet Financing Facility, Fleet Financing Facility, Brazilian Fleet Financing Facility, Canadian Fleet Financing Facility, Capitalized Leases and European Credit Facility. These amounts are considered short-term in nature since they have maturity dates of three months or less; however these facilities are revolving in nature and do not expire at the time of the short-term debt maturity except for our International ABS Fleet Financing Facility and Brazilian Fleet Financing Facility which mature in December 2010.

As of June 30, 2010, there were outstanding standby letters of credit totaling \$685.7 million. Of this amount, \$423.5 million has been issued for the benefit of the ABS Program (\$200.0 million of which was issued by Ford and \$223.5 million of which was issued under the Senior Credit Facilities) and the remainder is primarily to support self-insurance programs (including insurance policies with respect to which we have indemnified the policy issuers for any losses) in the United States, Canada and Europe and to support airport concession obligations in the United States and Canada. As of June 30, 2010, none of these letters of credit have been drawn upon. In November 2010, the "Ford" letter of credit by its terms will expire in conjunction with the maturity of the 2005 Notes.

Second Quarter Events

In June 2010, HVF issued the Series 2009-2 Class B Notes which mature in 2013 and 2015. The net proceeds of the offering were or will be used to purchase vehicles under our ABS program, used to pay other ABS indebtedness or, to the extent permitted, used for general purposes. The Series 2009-2 Class B Notes are included in U.S. Fleet Debt.

In June 2010, we issued the Euro Notes and entered into the European Credit Facility. The net proceeds of the Euro Notes and European Credit Facility were used to refinance our International Fleet Debt and Belgian Fleet Financing Facility, both of which were due to mature in December 2010, and the excess was or will be used for general purposes. The Euro Notes and the European Credit Facility will be the primary fleet financing for our rental car operations in Germany, Italy, Spain, Belgium, Luxembourg and Switzerland and mature in 2013. The Euro Notes and the European Credit Facility are guaranteed on a senior unsecured basis by Hertz and certain U.S. subsidiaries of Hertz and on a senior secured basis by certain non-U.S. subsidiaries of Hertz.

See Note 18 Subsequent Events.

Guarantees and Security

There have been no material changes to the guarantees and security provisions of the debt instruments and credit facilities under which our indebtedness as of June 30, 2010 has been issued from the terms as disclosed in our Annual Report, except as described above.

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

Covenants

Certain of our debt instruments and credit facilities contain a number of covenants that, among other things, limit or restrict the ability of the borrowers and the guarantors to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make dividends and other restricted payments, create liens, make investments, make acquisitions, engage in mergers, change the nature of their business, make capital expenditures, or engage in certain transactions with affiliates. Some of these agreements also require the maintenance of certain financial covenants. As of June 30, 2010, we were in compliance with all of these financial covenants.

As of June 30, 2010, we had an aggregate principal amount outstanding of \$1,351.8 million pursuant to our Senior Term Facility and no amounts outstanding in our Senior ABL Facility. As of June 30, 2010, Hertz was required under the Senior Term Facility to have a consolidated leverage ratio of not more than 5.25:1 and a consolidated interest expense coverage ratio of not less than 2.00:1. In addition, under our Senior ABL Facility, if there was less than \$200.0 million of available borrowing capacity under that facility as of June 30, 2010, Hertz was required to have a consolidated leverage ratio of not more than 5.25:1 and a consolidated fixed charge coverage ratio of not less than 1:1 for the quarter then ended. Under the Senior Term Facility, as of June 30, 2010, we had a consolidated leverage ratio of 3.54:1 and a consolidated interest expense coverage ratio of 3.40:1. Since we had maintained sufficient borrowing capacity under our Senior ABL Facility as of June 30, 2010, and expect to maintain such capacity in the future, the consolidated fixed charge coverage ratio was not deemed relevant for presentation. For further information on the terms of our senior credit facilities, see Note 3 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

Derivatives

We utilize certain derivative instruments to enhance our ability to manage risks relating to cash flow and interest rate exposure. See Note 14 Financial Instruments.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited****Credit Facilities**

As of June 30, 2010, the following credit facilities were available for the use of Hertz and its subsidiaries (in millions of dollars):

	Remaining Capacity	Availability Under Borrowing Base Limitation
<i>Corporate Debt</i>		
Senior Term Facility	\$	\$
Senior ABL Facility	1,591.7	815.9
 Total Corporate Debt	 1,591.7	 815.9
<i>Fleet Debt</i>		
U.S. Fleet Debt	478.1	80.4
International ABS Fleet Financing Facility	456.2	25.6
Fleet Financing Facility	2.0	2.0
Brazilian Fleet Financing Facility		
Canadian Fleet Financing Facility	102.0	3.9
Capitalized Leases	62.5	17.3
Euro Notes		
European Credit Facility		
 Total Fleet Debt	 1,100.8	 129.2
 Total	 \$ 2,692.5	 \$ 945.1

As of June 30, 2010, the Senior Term Facility had approximately \$1.3 million available under the letter of credit facility and the Senior ABL Facility had \$6.7 million available under the letter of credit facility sublimit.

Our liquidity as of June 30, 2010 was \$2,813.5 million, which consisted of \$896.8 million of cash and cash equivalents, \$815.9 million of unused commitments under our Senior ABL Facility and \$1,100.8 million of unused commitments under our fleet financing facilities. Taking into consideration the borrowing base limitations in our Senior ABL Facility and in our Fleet Debt, the amount that we had available for immediate use as of June 30, 2010 under our Senior ABL Facility was \$815.9 million and we had \$129.2 million of over-enhancement that was available under our Fleet Debt. Accordingly, as of June 30, 2010, we had \$1,841.9 million (\$896.8 million in cash and cash equivalents, \$815.9 million available under our Senior ABL Facility and \$129.2 million available under our various Fleet Debt facilities) in liquidity that was available for our immediate use. Future availability of borrowings under these facilities will depend on borrowing base requirements and other factors, many of which are outside our control.

Also, substantially all of our revenue earning equipment and certain related assets are owned by special purpose entities, or are subject to liens in favor of our lenders under our various credit facilities. Substantially all our other assets in the United States are also subject to liens in favor of our lenders under our various credit facilities. None of these assets would be available to satisfy the claims of our general creditors if we failed to perform our obligations to such creditors.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited**

Some of these special purpose entities are consolidated variable interest entities, of which Hertz is the primary beneficiary, whose sole purpose is to provide commitments to lend in various currencies subject to borrowing bases comprised of rental vehicles and related assets of certain of Hertz International, Ltd.'s subsidiaries. As of June 30, 2010 and December 31, 2009, our International Fleet Funding and Hertz Fleet Limited variable interest entities had total assets primarily comprised of revenue earning equipment of \$374.3 million and \$367.6 million, respectively, and total liabilities primarily comprised of debt of \$485.8 million and \$710.3 million, respectively. For further information on the terms of our debt, see Note 3 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

Accrued Interest

As of June 30, 2010 and December 31, 2009, accrued interest was \$117.5 million and \$120.9 million, respectively, which is reflected in our condensed consolidated balance sheet in "Accrued liabilities."

Note 9 Employee Retirement Benefits

The following table sets forth the net periodic pension and postretirement (including health care, life insurance and auto) expense (in millions of dollars):

	Pension Benefits				Postretirement	
	U.S.		Non-U.S.		Benefits (U.S.)	
	Three Months Ended June 30,					
	2010	2009	2010	2009	2010	2009
Components of Net Periodic Benefit Cost:						
Service cost	\$ 6.7	\$ 5.4	\$ 1.2	\$ 1.4	\$ 0.1	\$ 0.1
Interest cost	6.8	7.0	2.5	2.4	0.2	0.2
Expected return on plan assets	(6.7)	(5.8)	(2.4)	(1.9)		
Net amortizations	1.6	0.1		(0.1)	(0.1)	(0.1)
Settlement loss	0.1					
Net pension/postretirement expense	\$ 8.5	\$ 6.7	\$ 1.3	\$ 1.8	\$ 0.1	\$ 0.2

	Pension Benefits				Postretirement	
	U.S.		Non-U.S.		Benefits (U.S.)	
	Six Months Ended June 30,					
	2010	2009	2010	2009	2010	2009
Components of Net Periodic Benefit Cost:						
Service cost	\$ 13.4	\$ 10.8	\$ 2.5	\$ 2.7	\$ 0.1	\$ 0.1
Interest cost	13.6	14.0	5.1	4.6	0.4	0.4
Expected return on plan assets	(13.4)	(11.7)	(4.9)	(3.6)		
Net amortizations	3.3	0.2	(0.1)	(0.2)	(0.2)	(0.2)
Settlement loss	0.4	0.7				

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

Net pension/postretirement expense	\$	17.3	\$	14.0	\$	2.6	\$	3.5	\$	0.3	\$	0.3
------------------------------------	----	------	----	------	----	-----	----	-----	----	-----	----	-----

Our policy for funded plans is to contribute annually, at a minimum, amounts required by applicable laws, regulations and union agreements. From time to time we make contributions beyond those legally

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

required. For the three and six months ended June 30, 2010, we contributed \$10.6 million and \$46.6 million, respectively, to our worldwide pension plans, including discretionary contributions of \$1.4 million and \$3.2 million, respectively, to our U.K. defined benefit pension plan and benefit payments made through unfunded plans. For the three and six months ended June 30, 2009, we contributed to and made benefit payments of \$8.5 million and \$17.2 million, respectively, to our funded worldwide plans. Of the contributions to worldwide plans, we contributed \$6.5 million to the U.S. defined benefit plans during the three months ended June 30, 2009. For the three and six months ended June 30, 2009, we made discretionary contributions of \$1.4 million and \$2.5 million, respectively, to our U.K. defined benefit pension plan. Based upon the significant decline in asset values in 2008, which were in line with the overall market declines, we have and will continue to make cash contributions in 2010 and possibly in future years. We expect to contribute up to \$54.0 million to our U.S. pension plan in the full year of 2010. The level of 2010 and future contributions will vary, and is dependent on a number of factors including actual and projected investment returns, interest rate fluctuations, plan demographics, funding regulations and the results of the final actuarial valuation.

We participate in various "multiemployer" pension plans administered by labor unions representing some of our employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. In the event that we withdraw from participation in one of these plans, then applicable law could require us to make an additional lump-sum contribution to the plan, and we would have to reflect that as an expense in our consolidated statement of operations and as a liability on our condensed consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. In the ordinary course of our renegotiation of collective bargaining agreements with labor unions that maintain these plans, we could decide to discontinue participation in a plan, and in that event, we could face a withdrawal liability. Some multiemployer plans, including one in which we participate, are reported to have significant underfunded liabilities. Such underfunding could increase the size of our potential withdrawal liability.

Note 10 Stock-Based Compensation

In March 2010, we granted 527,574 Restricted Stock Units, or "RSUs," to certain executives and employees at fair values ranging from \$9.70 to \$9.99 and 800,613 Performance Stock Units, or "PSUs," at a fair value of \$9.70 under the Hertz Global Holdings, Inc. 2008 Omnibus Incentive Plan, or the "Omnibus Plan." In May 2010, we granted 182,606 RSUs to certain employees at fair values ranging from \$11.87 to \$12.38 under the Omnibus Plan.

In March 2010, we granted options to acquire 3,208,155 shares of our common stock to certain executives and employees at exercise prices ranging from \$9.70 to \$9.99, and in May 2010, we granted options to acquire 29,229 shares of our common stock to certain employees at exercise prices ranging from \$11.87 to \$12.38, under the Omnibus Plan.

A summary of the total compensation expense and associated income tax benefits recognized under our Hertz Global Holdings, Inc. Stock Incentive Plan and Hertz Global Holdings, Inc. Director Stock

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited**

Incentive Plan, or the "Prior Plans," and the Omnibus Plan, including the cost of stock options, RSUs, and PSUs, is as follows (in millions of dollars):

	Three Months Ended			
	June 30,			
	2010		2009	
Compensation				
Expense	\$	10.3	\$	9.1
Income Tax Benefit		(4.0)		(3.5)
Total	\$	6.3	\$	5.6

	Six Months Ended June 30,			
	2010		2009	
Compensation				
Expense	\$	19.3	\$	16.5
Income Tax Benefit		(7.5)		(6.4)
Total	\$	11.8	\$	10.1

As of June 30, 2010, there was approximately \$58.8 million of total unrecognized compensation cost related to non-vested stock options, RSUs and PSUs granted by Hertz Holdings under the Prior Plans and the Omnibus Plan, including costs related to modifying the exercise prices of certain option grants in order to preserve the intrinsic value of the options, consistent with applicable tax law, to reflect special cash dividends of \$4.32 per share paid on June 30, 2006 and \$1.12 per share paid on November 21, 2006. These remaining costs are expected to be recognized over the remaining 1.4 years, on a weighted average basis, of the requisite service period that began on the grant dates.

For the three and six months ended June 30, 2010, we recognized compensation cost of approximately \$0.1 million (\$0.1 million, net of tax) and \$0.3 million (\$0.2 million, net of tax), respectively, for the amount of the discount on the stock purchased by our employees under the Hertz Global Holdings, Inc. Employee Stock Purchase Plan, or "ESPP." For the three and six months ended June 30, 2009, we recognized compensation cost of approximately \$0.1 million (\$0.1 million, net of tax) and \$0.2 million (\$0.1 million, net of tax), respectively, for the amount of the discount on the stock purchased by our employees under the ESPP.

Note 11 Segment Information

Our operating segments are aggregated into reportable business segments based primarily upon similar economic characteristics, products, services, customers, and delivery methods. We have identified two reportable segments: rental of cars and light trucks, or "car rental," and rental of industrial, construction and material handling equipment, or "equipment rental." Other reconciling items includes general corporate assets and expenses, certain interest expense (including net interest on corporate debt), as well as other business activities such as our third party claim management services.

Adjusted pre-tax income (loss) is the measure utilized by management in making decisions about allocating resources to segments and measuring their performance. We believe this measure best reflects the financial results from ongoing operations. Adjusted pre-tax income (loss) is calculated as income (loss) before income taxes plus other reconciling items, non-cash purchase accounting charges, non-cash debt charges and certain one-time charges and non-operational items. The contribution of our reportable segments to revenues and adjusted pre-tax income

(loss) and the

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited**

reconciliation to consolidated amounts for the three and six months ended June 30, 2010 and 2009 are summarized below (in millions of dollars).

	Revenues		Adjusted Pre-Tax Income (Loss)	
	2010	2009	2010	2009
		\$	\$	\$
Car rental	1,611.4	1,474.7	174.9	143.5
Equipment rental	265.8	277.0	14.4	24.7
Total reportable segments	1,877.2	1,751.7	189.3	168.2
Other	2.4	2.8		
Total	\$ 1,879.6	\$ 1,754.5		
Adjustments:				
Other reconciling items ⁽¹⁾			(93.5)	(87.1)
Purchase accounting ⁽²⁾			(22.5)	(21.8)
Non-cash debt charges ⁽³⁾			(49.6)	(47.7)
Restructuring charges			(20.3)	(22.0)
Restructuring related charges ⁽⁴⁾			(2.0)	(11.3)
Gain on debt buyback ⁽⁵⁾				48.5
Derivative gains (losses) ⁽⁶⁾			(0.6)	3.9
Acquisition related costs ⁽⁷⁾			(7.0)	
Income (loss) before income taxes			\$ (6.2)	\$ 30.7

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

Six Months Ended June 30,
Adjusted Pre-Tax Income

	Revenues		(Loss)	
	2010	2009	2010	2009
Car rental	\$ 3,033.1	\$ 2,757.6	\$ 202.0	\$ 110.0
Equipment rental	502.8	556.5	9.4	25.4
Total reportable segments	3,535.9	3,314.1	211.4	135.4
Other	4.6	5.3		
Total	\$ 3,540.5	\$ 3,319.4		
Adjustments:				
Other reconciling items ⁽¹⁾			(184.9)	(170.9)
Purchase accounting ⁽²⁾			(44.6)	(47.8)
Non-cash debt charges ⁽³⁾			(98.4)	(72.7)
Restructuring charges			(31.0)	(51.5)
Restructuring related charges ⁽⁴⁾			(7.3)	(20.2)
Management transition costs				(0.7)
Gain on debt buyback ⁽⁵⁾				48.5
Derivative gains (losses) ⁽⁶⁾			(2.3)	4.9
Acquisition related costs ⁽⁷⁾			(7.0)	
Third-party bankruptcy accrual ⁽⁸⁾				(4.3)
Loss before income taxes			\$ (164.1)	\$ (179.3)

- (1) Represents general corporate expenses, certain interest expense (including net interest on corporate debt), as well as other business activities such as our third-party claim management services.
- (2) Represents the purchase accounting effects of the Acquisition on our results of operations relating to increased depreciation and amortization of tangible and intangible assets and accretion of revalued workers' compensation and public liability and property damage liabilities. Also represents the purchase accounting effects of subsequent acquisitions on our results of operations relating to increased amortization of intangible assets.
- (3) Represents non-cash debt charges relating to the amortization of deferred debt financing costs and debt discounts. For the three and six months ended June 30, 2010, also includes \$18.0 million and \$38.9 million, respectively, associated with the amortization of amounts pertaining to the de-designation of the HVF interest

rate swaps as effective hedging instruments and \$4.4 million and \$4.4 million, respectively, associated with the write-off of unamortized debt costs in connection with the refinancing of our International Fleet Debt and Belgian Fleet Financing Facility. For the three and six months ended June 30, 2009, also includes \$22.3 million and \$29.8 million, respectively, associated with the amortization of amounts pertaining to the de-designation of the HVF interest rate swaps as effective hedging instruments.

- (4) Represents incremental, one-time costs incurred directly supporting our business transformation initiatives. Such costs include transition costs incurred in connection with our business process outsourcing arrangements and incremental costs incurred to facilitate business process re-engineering initiatives that involve significant organization redesign and extensive operational process changes.
- (5) Represents a gain (net of transaction costs) recorded in connection with the buyback of portions of our Senior Notes and Senior Subordinated Notes.
- (6) In 2010, represents the mark-to-market adjustment on our interest rate cap. In 2009, represents the mark-to-market adjustments on our gasoline swap.
- (7) Represents costs incurred in connection with the potential acquisition of Dollar Thrifty Automotive Group, Inc.
- (8) Represents an allowance for uncollectible program car receivables related to a bankrupt European dealer affiliated with a U.S. car manufacturer.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited**

The increase in total assets from December 31, 2009 to June 30, 2010 in our condensed consolidated balance sheet was primarily due to an increase in revenue earning vehicles and restricted cash in our car rental segment.

Note 12 Total Equity

(in Millions)	Number of Shares	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest	Total Equity
December 31, 2009	410.2	\$ 4.1	\$	\$ 3,141.7	\$ (1,062.3)	\$ (3.3)	\$ 17.2	\$2,097.4
Net loss attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders					(175.5)			(175.5)
Change in fair value of derivatives qualifying as cash flow hedges, net of tax of \$18.6						29.0		29.0
Translation adjustment changes						(83.2)		(83.2)
Unrealized gain on Euro-denominated debt, net of tax of \$17.7						27.6		27.6
Defined benefit pension plans, net						(0.9)		(0.9)
Total Comprehensive Loss								(203.0)
Dividend payment to noncontrolling interest							(7.5)	(7.5)
Net income relating to noncontrolling interest							8.2	8.2
Employee stock purchase plan	0.2			1.2				1.2
Net settlement on vesting of restricted stock				(5.7)				(5.7)
Restricted stock	1.5							
Stock-based employee compensation charges, net of tax of \$0				19.3				19.3
Exercise of stock options				2.3				2.3
Common shares issued to Directors				1.3				1.3
Phantom shares issued to Directors				0.1				0.1
Proceeds from disgorgement of stockholder short-swing profits, net of tax of \$0				0.1				0.1
June 30, 2010	411.9	\$ 4.1	\$	\$ 3,160.3	\$ (1,237.8)	\$ (30.8)	\$ 17.9	\$1,913.7

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

(in Millions)	Number of Shares	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income		Non- controlling Interest	Total Equity
						(Loss)			
December 31, 2008	323.0	\$ 3.2	\$	\$ 2,503.8	\$ (936.3)	\$ (100.1)	\$ 17.7	\$ 1,488.3	
Net loss attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders					(159.6)			(159.6)	
Change in fair value of derivatives qualifying as cash flow hedges, net of tax of \$8.5						12.9		12.9	
Translation adjustment changes						35.0		35.0	
Unrealized gain on Euro-denominated debt, net of tax of \$0.6						(1.0)		(1.0)	
Defined benefit pension plans, net						(1.0)		(1.0)	
Total Comprehensive Loss								(113.7)	
Dividend payment to noncontrolling interest							(8.1)	(8.1)	
Net income relating to noncontrolling interest							7.0	7.0	
Proceeds from debt offering, net of tax of \$44.5				69.8				69.8	
Proceeds from sale of common stock	53.0	0.5		328.2				328.7	
Employee stock purchase plan	0.4			1.4				1.4	
Stock-based employee compensation charges, net of tax of \$0				16.5				16.5	
Exercise of stock options	0.6			2.7				2.7	
Common shares issued to Directors				0.4				0.4	
Phantom shares issued to Directors				0.1				0.1	
June 30, 2009	377.0	\$ 3.7	\$	\$ 2,922.9	\$ (1,095.9)	\$ (54.2)	\$ 16.6	\$ 1,793.1	

Accumulated other comprehensive loss as of June 30, 2010 and December 31, 2009 includes accumulated translation gains of \$48.9 million and \$132.1 million, respectively, unrealized losses on cash flow hedges of \$(20.7) million and \$(49.8) million, respectively, changes due to the pension mark-to-market adjustment of \$(67.4) million and \$(66.5) million, respectively, and unrealized gains (losses) on our Euro-denominated

debt of \$8.4 million and \$(19.2) million, respectively.

Note 13 Restructuring

As part of our ongoing effort to implement our strategy of reducing operating costs, we have evaluated our workforce and operations and made adjustments, including headcount reductions and business process re-engineering resulting in optimized work flow at rental locations and maintenance facilities as well as streamlined our back-office operations and evaluated potential outsourcing opportunities. When

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

we made adjustments to our workforce and operations, we incurred incremental expenses that delay the benefit of a more efficient workforce and operating structure, but we believe that increased operating efficiency and reduced costs associated with the operation of our business are important to our long-term competitiveness.

For further information on actions taken in 2009, see Note 11 of the Notes to our audited annual consolidated financial statements included in our Annual Report under caption "Item 8 Financial Statements and Supplementary Data."

During the first half of 2010, our equipment rental business incurred charges for losses on available for sale equipment and the disposal of surplus equipment and recognition of future facility lease obligations related to branch closures in North America. We have suspended depreciation of all available for sale equipment, which would have the impact of decreasing quarterly depreciation by approximately \$1.5 million. Additionally, first and second quarter restructuring charges included employee termination liabilities covering approximately 200 employees and 120 employees, respectively.

For the three months ended June 30, 2010, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of \$20.3 million which is composed of \$13.7 million in revenue earning equipment and fixed asset impairment charges, \$3.0 million in facility closure and lease obligation costs, \$1.4 million of termination benefits, \$1.2 million in relocation and temporary labor costs and \$1.0 million of other restructuring charges. The after-tax effect of the restructuring charges increased diluted loss per share by \$0.03 for the three months ended June 30, 2010.

For the six months ended June 30, 2010, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of \$31.0 million which is composed of \$14.5 million in revenue earning equipment and fixed asset impairment charges, \$6.6 million in facility closure and lease obligation costs, \$4.8 million of termination benefits, \$2.5 million in relocation and temporary labor costs, \$0.7 million in consulting costs and \$1.9 million of other restructuring charges. The after-tax effect of the restructuring charges increased diluted loss per share by \$0.05 for the six months ended June 30, 2010.

For the three months ended June 30, 2009, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of \$22.0 million which is composed of \$8.3 million of involuntary termination benefits, \$6.5 million in facility closures and lease obligation costs, \$5.3 million in asset impairment charges, \$0.7 million in consulting costs and \$1.2 million of other restructuring charges. The after-tax effect of the restructuring charges reduced diluted earnings per share by \$0.05 for the three months ended June 30, 2009.

For the six months ended June 30, 2009, our consolidated statement of operations included restructuring charges relating to the initiatives discussed above of \$51.5 million which was composed of \$18.6 million of involuntary termination benefits, \$16.3 million in facility closures and lease obligation costs, \$6.4 million in consulting costs, \$6.0 million in asset impairment charges, \$1.7 million in contract termination costs and \$2.5 million of other restructuring charges. The after-tax effect of the restructuring charges increased diluted loss per share by \$0.12 for the six months ended June 30, 2009.

Additional efficiency and cost saving initiatives are being developed during 2010. However, we presently do not have firm plans or estimates of any related expenses.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited**

Restructuring charges in our consolidated statement of operations can be summarized as follows (in millions of dollars):

	Three Months Ended	
	June 30,	
	2010	2009
By Caption:		
Direct operating	\$ 18.3	\$ 18.5
Selling, general and administrative	2.0	3.5
Total	\$ 20.3	\$ 22.0

	Six Months Ended June 30,	
	2010	2009
By Caption:		
Direct operating	\$ 25.3	\$ 35.3
Selling, general and administrative	5.7	16.2
Total	\$ 31.0	\$ 51.5

	Three Months Ended	
	June 30,	
	2010	2009
By Segment:		
Car rental	\$ 4.2	\$ 9.8
Equipment rental	16.0	12.8
Other reconciling items	0.1	(0.6)
Total	\$ 20.3	\$ 22.0

	Six Months Ended June 30,	
	2010	2009
By Segment:		
Car rental	\$ 9.5	\$ 24.9
Equipment rental	20.9	19.8
Other reconciling items	0.6	6.8
Total	\$ 31.0	\$ 51.5

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

The following table sets forth the activity affecting the accrual during the six months ended June 30, 2010 (in millions of dollars). We expect to pay substantially all of the remaining restructuring obligations by the end of the fourth quarter 2010.

	Involuntary Termination Benefits	Pension and Post Retirement Expense	Consultant Costs	Other	Total
Balance as of January 1, 2010	\$ 19.6	\$	\$ 0.4	\$ 9.7	\$ 29.7
Charges incurred	4.8	0.6	0.7	24.9	31.0
Cash payments	(13.1)		(1.1)	(7.8)	(22.0)
Other ⁽¹⁾	(2.1)	(0.4)	0.1	(18.0)	(20.4)
Balance as of June 30, 2010	\$ 9.2	\$ 0.2	\$ 0.1	\$ 8.8	\$ 18.3

(1)

Primarily consists of decreases of \$14.5 million for the impairment of revenue earning equipment and other assets, \$2.8 million for facility closures, \$2.4 million loss in foreign currency translation and a \$0.3 million for executive pension liability settlements.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited****Note 14 Financial Instruments*****Cash and Cash Equivalents and Restricted Cash and Cash Equivalents***

Fair value approximates the amount indicated on the balance sheet at June 30, 2010 and December 31, 2009 because of the short-term maturity of these instruments. Money market accounts, whose fair value at June 30, 2010, is measured using Level 1 inputs, totaling \$339.2 million and \$653.3 million are included in "Cash and cash equivalents" and "Restricted cash and cash equivalents," respectively. Money market accounts, whose fair value at December 31, 2009, is measured using Level 1 inputs, totaling \$106.8 million and \$294.4 million are included in "Cash and cash equivalents" and "Restricted cash and cash equivalents," respectively. Level 1 inputs are observable inputs such as quoted prices in active markets.

Debt

For borrowings with an initial maturity of 93 days or less, fair value approximates carrying value because of the short-term nature of these instruments. For all other debt, fair value is estimated based on quoted market rates as well as borrowing rates currently available to us for loans with similar terms and average maturities. The aggregate fair value of all debt at June 30, 2010 was \$12,133.3 million, compared to its aggregate carrying value of \$11,833.6 million. The aggregate fair value of all debt at December 31, 2009 approximated \$10,795.7 million, compared to its aggregate carrying value of \$10,530.4 million.

Derivative Instruments and Hedging Activities

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009 (in millions of dollars):

	Fair Value of Derivative Instruments(1)			
	Asset Derivatives(2)		Liability Derivatives(2)	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Derivatives designated as hedging instruments under ASC 815:				
HVF interest rate swaps	\$	\$	\$ 4.0	\$ 12.8
Derivatives not designated as hedging instruments under ASC 815:				
Gasoline swaps		2.2	1.3	
Interest rate caps	1.3	8.2	1.0	5.6
Foreign exchange forward contracts	4.0	7.6	2.9	5.7
Foreign exchange options	0.1			
Total derivatives not designated as hedging instruments under ASC 815	5.4	18.0	5.2	11.3
Total derivatives	\$ 5.4	\$ 18.0	\$ 9.2	\$ 24.1

(1) All fair value measurements were primarily based upon significant observable (Level 2) inputs.

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

- (2) All asset derivatives are recorded in "Prepaid expenses and other assets" and all liability derivatives are recorded in "Accrued liabilities" on our condensed consolidated balance sheets.

	Amount of Gain or (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)		Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)		Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	Three Months Ended June 30,					
	2010	2009	2010	2009	2010	2009
Derivatives in ASC 815 Cash Flow Hedging Relationship: HVF interest rate swaps	\$ (5.6)	\$ (0.6)	\$ (18.0) ⁽¹⁾	\$ (22.3) ⁽¹⁾	\$	\$

	Amount of Gain or (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)		Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)		Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	Six Months Ended June 30,					
	2010	2009	2010	2009	2010	2009
Derivatives in ASC 815 Cash Flow Hedging Relationship: HVF interest rate swaps	\$ (8.8)	\$ (12.0)	\$ (38.9) ⁽¹⁾	\$ (29.8) ⁽¹⁾	\$	\$

Note:

The location of both the effective portion reclassified from "Accumulated other comprehensive loss" into income and the ineffective portion recognized in income is in "Interest expense" on our consolidated statement of operations.

- (1) Represents the amortization of amounts in "Accumulated other comprehensive loss" associated with the de-designation of the previous cash flow hedging relationship as described below.

	Location of Gain or (Loss) Recognized on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative Three Months Ended June 30,	
		2010	2009
Derivatives Not Designated as Hedging Instruments under ASC 815:			
Gasoline swaps	Direct operating	\$ (2.5)	\$ 3.9
Interest rate caps	Selling, general and administrative	(0.6)	
Foreign exchange forward contracts	Selling, general and administrative	(10.1)	18.2
Foreign exchange options	Selling, general and administrative		0.2
Total		\$ (13.2)	\$ 22.3

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited**

	Location of Gain or (Loss) Recognized on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative Six Months Ended	
		June 30, 2010	2009
Derivatives Not Designated as Hedging Instruments under ASC 815:			
Gasoline swaps	Direct operating	\$ (1.7)	\$ 4.9
Interest rate caps	Selling, general and administrative	(2.3)	
Foreign exchange forward contracts	Selling, general and administrative	(1.4)	12.4
Foreign exchange options	Selling, general and administrative	(0.1)	0.1
Total		\$ (5.5)	\$ 17.4

In connection with the Acquisition and the issuance of \$3,550.0 million of floating rate U.S. Fleet Debt, our subsidiary HVF entered into certain interest rate swap agreements, or the "HVF Swaps," effective December 21, 2005, which qualify as cash flow hedging instruments in accordance with GAAP. These agreements mature at various terms, in connection with the scheduled maturity of the associated debt obligations, through November 2010. Under these agreements, until February 2009, HVF was paying monthly interest at a fixed rate of 4.5% per annum in exchange for monthly interest at one-month LIBOR, effectively transforming the floating rate U.S. Fleet Debt to fixed rate obligations. In March 2009, HVF made a cash payment to have the fixed rate on these swaps reset to the then current market rates of 0.872% and 1.25% for the swaps that matured in February 2010 and that will mature in November 2010, respectively. \$80.4 million of this payment was made to an affiliate of MLGPE which is a counterparty to the HVF Swaps. Concurrently with this payment, the hedging relationship was de-designated and the amount remaining in "Accumulated other comprehensive loss" associated with this cash flow hedging relationship was frozen and is being amortized into "Interest expense" over the respective terms of the associated debt in accordance with GAAP. We expect to amortize approximately \$29.9 million from "Accumulated other comprehensive loss" into "Interest expense" over the next five months. Additionally, a new hedging relationship was designated between the HVF Swaps, which also qualifies for cash flow hedge accounting in accordance with GAAP. Both at the inception of the hedge and on an ongoing basis, we measure ineffectiveness by comparing the fair value of the HVF Swaps and the fair value of hypothetical swaps, with similar terms, using the Hypothetical Method in accordance with GAAP. The hypothetical swaps represent a perfect hedge of the variability in interest payments associated with the U.S. Fleet Debt. Subsequent to the resetting of the swaps at current market rates, we anticipate that there will be no ineffectiveness in the hedging relationship because the critical terms of the HVF Swaps match the terms of the hypothetical swaps.

As of June 30, 2010 and December 31, 2009, the balance reflected in "Accumulated other comprehensive loss," was a loss of \$20.7 million (net of tax of \$13.1 million) and a loss of \$49.7 million (net of tax of \$31.8 million), respectively. The fair values of the HVF Swaps were calculated using the income approach and applying observable market data (i.e. the 1-month LIBOR yield curve and credit default swap spreads).

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

In connection with the entrance into the HVF Swaps, Hertz entered into seven differential interest rate swap agreements, or the "differential swaps." These differential swaps were required to be put in place to protect the counterparties to the HVF Swaps in the event of an "amortization event" under the asset-backed notes agreements. An "event of bankruptcy" (as defined in the ABS Base Indenture) with

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

respect to MBIA or Ambac would constitute an "amortization event" under the portion of the U.S. Fleet Debt facilities guaranteed by the affected insurer. In the event of an "amortization event," the amount by which the principal balance on the floating rate portion of the U.S. Fleet Debt is reduced, exclusive of the originally scheduled amortization, becomes the notional amount of the differential swaps and is transferred to Hertz. There was no payment associated with these differential swaps and their notional amounts are and will continue to be zero unless (1) there is an amortization event, which causes the amortization of the loan balance, or (2) the debt is prepaid.

On September 18, 2009, HVF completed the sale of the Series 2009-1 Notes. In order to satisfy rating agency requirements related to its bankruptcy-remote status, HVF purchased an interest rate cap, for \$11.7 million, with a maximum notional amount equal to the Series 2009-1 Notes maximum principal amount of \$2.1 billion with a strike rate of 5% and a term until January 25, 2013. Additionally, Hertz sold a 5% interest rate cap, for \$6.5 million, with a notional amount equal to 33.3% of the notional amount of the HVF cap through January 2012, and then subsequently with a matching notional amount to the HVF cap through its maturity date of January 25, 2013. The fair value of these interest rate caps was calculated using a discounted cash flow method and applying observable market data (i.e. the 1-month LIBOR yield curve and credit default swap spreads). Gains and losses resulting from changes in the fair value of these interest rate caps are included in our results of operations in the periods incurred.

We purchase unleaded gasoline and diesel fuel at prevailing market rates. In January 2009, we began a program to manage our exposure to changes in fuel prices through the use of derivative commodity instruments. We currently have in place swaps to cover a portion of our fuel price exposure through December 2010. We presently hedge a portion of our overall unleaded gasoline and diesel fuel purchases with commodity swaps and have contracts in place that settle on a monthly basis. As of June 30, 2010, our outstanding commodity instruments for unleaded gasoline and diesel fuel totaled approximately 9.4 million gallons and 1.6 million gallons, respectively. The fair value of these commodity instruments was calculated using a discounted cash flow method and applying observable market data (i.e., NYMEX RBOB Gasoline and Department of Energy surveys, etc.). Gains and losses resulting from changes in the fair value of these commodity instruments are included in our results of operations in the periods incurred.

We manage our foreign currency risk primarily by incurring, to the extent practicable, operating and financing expenses in the local currency in the countries in which we operate, including making fleet and equipment purchases and borrowing for working capital needs. Also, we have purchased foreign exchange options to manage exposure to fluctuations in foreign exchange rates for selected marketing programs. The effect of exchange rate changes on these financial instruments would not materially affect our consolidated financial position, results of operations or cash flows. Our risks with respect to foreign exchange options are limited to the premium paid for the right to exercise the option and the future performance of the option's counterparty. Premiums paid for options outstanding as of June 30, 2010, were approximately \$0.2 million. We limit counterparties to the transactions to financial institutions that have strong credit ratings. As of June 30, 2010 and December 31, 2009, the total notional amount of these foreign exchange options was \$4.6 million and \$0.3 million, respectively, maturing through January 2011. The fair value of the foreign exchange options was calculated using a discounted cash flow method and applying observable market data (i.e. foreign currency exchange rates). Gains and losses resulting from changes in the fair value of these options are included in our results of operations in the periods incurred.

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

We also manage exposure to fluctuations in currency risk on intercompany loans we make to certain of our subsidiaries by entering into foreign currency forward contracts at the time of the loans which are intended to offset the impact of foreign currency movements on the underlying intercompany loan obligations. As of June 30, 2010, the total notional amount of these forward contracts was \$649.0 million, maturing within two months. The fair value of these foreign currency forward contracts was calculated based on foreign currency forward exchange rates.

On October 1, 2006, we designated our Senior Euro Notes as an effective net investment hedge of our Euro-denominated net investment in our international operations. As a result of this net investment hedge designation, as of June 30, 2010 and December 31, 2009, gains of \$8.4 million (net of tax of \$0.1 million) and losses of \$19.2 million (net of tax of \$17.8 million), respectively, attributable to the translation of our Senior Euro Notes into the U.S. dollar are recorded in our condensed consolidated balance sheet in "Accumulated other comprehensive loss."

Note 15 Related Party Transactions

Relationship with Hertz Investors, Inc. and the Sponsors

Other than as disclosed below, in the six months ended June 30, 2010, there were no material changes to our relationship with Hertz Investors, Inc. or the Sponsors.

Director Compensation Policy

For the three and six months ended June 30, 2010, we recognized \$0.5 million and \$0.9 million, respectively, of expense relating to the Director Compensation Policy in our consolidated statement of operations in "Selling, general and administrative" expenses. For the three and six months ended June 30, 2009, we recognized \$0.4 million and \$0.8 million, respectively, of expense relating to the Director Compensation Policy in our consolidated statement of operations in "Selling, general and administrative" expenses.

Financing Arrangements with Related Parties

Affiliates of ML Global Private Equity, L.P. and its related funds (which are stockholders of Hertz Holdings) and of Merrill Lynch & Co., Inc., or "ML," one of the underwriters in the initial public offering of our common stock and the June 2007 secondary offering by the Sponsors, were lenders under the Hertz Holdings Loan Facility (which was repaid with the proceeds of our initial public offering); are lenders under the original and amended Senior Term Facility, the original and amended Senior ABL Facility and the Fleet Financing Facility; acted as initial purchasers with respect to the offerings of the Senior Notes, the Senior Subordinated Notes and the Series 2008-1 Notes; acted as structuring advisors and agents under our ABS Program; and acted as dealer managers and solicitation agents for Hertz's tender offers for its existing debt securities in connection with the Acquisition.

Banc of America Securities LLC, an affiliate of MLGPE, acted as one of the joint lead book runners in the issuance of the Series 2009-2 Notes and Series 2009-2 Class B Notes, for which they received customary fees and expenses.

As of June 30, 2010 and December 31, 2009, approximately \$253 million and \$246 million, respectively, of our outstanding debt was with related parties.

See Note 8 Debt.

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

Note 16 Commitments and Contingencies

Off-Balance Sheet Commitments

As of June 30, 2010 and December 31, 2009, the following guarantees (including indemnification commitments) were issued and outstanding:

Indemnification Obligations

In the ordinary course of business, we execute contracts involving indemnification obligations customary in the relevant industry and indemnifications specific to a transaction such as the sale of a business. These indemnification obligations might include claims relating to the following: environmental matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier and other commercial contractual relationships; and financial matters. Performance under these indemnification obligations would generally be triggered by a breach of terms of the contract or by a third party claim. We regularly evaluate the probability of having to incur costs associated with these indemnification obligations and have accrued for expected losses that are probable and estimable. The types of indemnification obligations for which payments are possible include the following:

Sponsors; Directors

Hertz has entered into customary indemnification agreements with Hertz Holdings, the Sponsors and our stockholders affiliated with the Sponsors, pursuant to which Hertz Holdings and Hertz will indemnify the Sponsors, our stockholders affiliated with the Sponsors and their respective affiliates, directors, officers, partners, members, employees, agents, representatives and controlling persons, against certain liabilities arising out of performance of a consulting agreement with Hertz Holdings and each of the Sponsors and certain other claims and liabilities, including liabilities arising out of financing arrangements or securities offerings. We also entered into indemnification agreements with each of our directors. We do not believe that these indemnifications are reasonably likely to have a material impact on us.

Environmental

We have indemnified various parties for the costs associated with remediating numerous hazardous substance storage, recycling or disposal sites in many states and, in some instances, for natural resource damages. The amount of any such expenses or related natural resource damages for which we may be held responsible could be substantial. The probable expenses that we expect to incur for such matters have been accrued, and those expenses are reflected in our condensed consolidated financial statements. As of June 30, 2010 and December 31, 2009, the aggregate amounts accrued for environmental liabilities including liability for environmental indemnities, reflected in our condensed consolidated balance sheet in "Accrued liabilities" were \$1.6 million and \$2.0 million, respectively. The accrual generally represents the estimated cost to study potential environmental issues at sites deemed to require investigation or clean-up activities, and the estimated cost to implement remediation actions, including on-going maintenance, as required. Cost estimates are developed by site. Initial cost estimates are based on historical experience at similar sites and are refined over time on the basis of in-depth studies of the sites. For many sites, the remediation costs and other damages for which we ultimately may be responsible cannot be reasonably estimated because of uncertainties with respect to factors such as our connection to the site, the materials there, the involvement of other potentially

Table of Contents

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited

responsible parties, the application of laws and other standards or regulations, site conditions, and the nature and scope of investigations, studies, and remediation to be undertaken (including the technologies to be required and the extent, duration, and success of remediation).

Legal Proceedings

From time to time we are a party to various legal proceedings. We are currently a defendant in numerous actions and have received numerous claims on which actions have not yet been commenced for public liability and property damage arising from the operation of motor vehicles and equipment rented from us and our licensees. The obligation for public liability and property damage on self-insured U.S. and international vehicles and equipment, as stated on our balance sheet, represents an estimate for both reported accident claims not yet paid and claims incurred but not yet reported. The related liabilities are recorded on a non-discounted basis. Reserve requirements are based on actuarial evaluations of historical accident claim experience and trends, as well as future projections of ultimate losses, expenses, premiums and administrative costs. At June 30, 2010 and December 31, 2009 our liability recorded for public liability and property damage matters was \$261.1 million and \$277.8 million, respectively. The decrease in the reserve balance primarily reflects lower claim costs, the timing of payment activity during the quarter and the effects of foreign currency translation. We believe that our analysis was based on the most relevant information available, combined with reasonable assumptions, and that we may prudently rely on this information to determine the estimated liability. We note the liability is subject to significant uncertainties. The adequacy of the liability reserve is regularly monitored based on evolving accident claim history and insurance related state legislation changes. If our estimates change or if actual results differ from these assumptions, the amount of the recorded liability is adjusted to reflect these results.

For a detailed description of certain of our legal proceedings please see Note 10 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

The following recent developments pertaining to legal proceedings described in our Annual Report are furnished on a supplemental basis:

In June 2010, in *Janet Sobel, Daniel Dugan, PhD. and Lydia Lee, individually and on behalf of all others similarly situated v. The Hertz Corporation and Enterprise Rent-A-Car Company*, the Lydia Lee case was refiled separately against Enterprise. Thereafter, Hertz and Enterprise jointly engaged in a mediation with the plaintiffs. That mediation has now resulted in a proposed settlement for an immaterial amount that will need to be incorporated into a Settlement Agreement. Once executed by the parties, the Settlement Agreement will be presented to the court for its approval.

In June 2010, in *Michael Shames and Gary Gramkow v. The Hertz Corporation, Dollar Thrifty Automotive Group, Inc., Avis Budget Group, Inc., Vanguard Car Rental USA, Inc., Enterprise Rent-A-Car Company, Fox Rent A Car, Inc. Coast Leasing Corp., The California Travel and Tourism Commission, and Caroline Beteta*, a three judge panel of the United States Court of Appeals for the Ninth Circuit affirmed the dismissal of the plaintiffs' antitrust claim against the California Travel and Tourism Commission as a state agency immune from an antitrust complaint because the California legislature foresaw the alleged price-fixing conspiracy that was the subject of the plaintiffs' complaint. The plaintiffs subsequently filed a petition with the United States Court of Appeals for the Ninth Circuit seeking to have all of the judges on the Ninth Circuit review the decision of the three judge panel.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited**

Aside from the above mentioned, there were no material changes in the legal proceedings described in our Annual Report and we are not otherwise required to disclose any pending legal proceedings in response to Item 103 of Regulation S-K.

In addition to those described in our Form 10-K, various other legal actions, claims and governmental inquiries and proceedings are pending or may be instituted or asserted in the future against us and our subsidiaries. Other than with respect to the aggregate claims for public liability and property damage pending against us, management does not believe that any of the matters resolved, or pending against us, are material to us and our subsidiaries taken as a whole.

We have established reserves for matters where we believe that the losses are probable and reasonably estimated. Other than with respect to the reserve established for claims for public liability and property damage, none of those reserves are material. For matters where we have not established a reserve, the ultimate outcome or resolution cannot be predicted at this time, or the amount of ultimate loss, if any, cannot be reasonably estimated. Litigation is subject to many uncertainties and the outcome of the individual litigated matters is not predictable with assurance. It is possible that certain of the actions, claims, inquiries or proceedings, including those discussed above, could be decided unfavorably to us or any of our subsidiaries involved. Accordingly, it is possible that an adverse outcome from such a proceeding could exceed the amount accrued in an amount that could be material to our consolidated financial condition, results of operations or cash flows in any particular reporting period.

Note 17 Earnings (Loss) Per Share

Basic earnings (loss) per share has been computed based upon the weighted average number of common shares outstanding. Diluted earnings (loss) per share has been computed based upon the weighted average number of common shares outstanding plus the effect of all potentially dilutive common stock equivalents, except when the effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted earnings (loss) per share (in millions of dollars, except per share amounts):

	Three Months Ended June 30,	
	2010	2009
Basic and diluted earnings (loss) per share:		
Numerator:		
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	\$ (25.1)	\$ 3.9
Denominator:		
Weighted average shares used in basic computation	411.8	343.7
Add: Stock options, RSUs and PSUs		5.5
Weighted average shares used in diluted computation	411.8	349.2
Earnings (loss) per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders, basic	\$ (0.06)	\$ 0.01
Earnings (loss) per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders, diluted	\$ (0.06)	\$ 0.01

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unaudited**

	Six Months Ended	
	June 30,	
	2010	2009
Basic and diluted loss per share:		
Numerator:		
Loss attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	\$ (175.5)	\$ (159.6)
Denominator:		
Weighted average shares used in basic and diluted computation	411.3	333.6
Loss per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders, basic	\$ (0.43)	\$ (0.48)
Loss per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders, diluted	\$ (0.43)	\$ (0.48)

Diluted earnings (loss) per share computations for the three and six months ended June 30, 2010 excluded the weighted-average impact of the assumed exercise of approximately 23.7 million stock options, RSUs and PSUs, respectively, because such impact would be antidilutive. Additionally, for the three and six months ended June 30, 2010, there was no impact to the diluted earnings (loss) per share computations associated with the Convertible Senior Notes, because such impact would be antidilutive. Diluted earnings (loss) per share computations for the three and six months ended June 30, 2009 excluded the weighted-average impact of the assumed exercise of approximately 10.8 million and 23.0 million shares, respectively, of stock options, RSUs and PSUs, because such impact would be anti-dilutive. Additionally, for the three and six months ended June 30, 2009, there was no impact to the diluted earnings (loss) per share computations associated with the Convertible Senior Notes as the average market price of our shares did not exceed the conversion price.

Note 18 Subsequent Events

In July 2010, we issued EUR 400 million (the equivalent of \$491.1 million as of June 30, 2010) asset-backed securitization facility (European Securitization) which matures in 2013, the proceeds of which were used to refinance the portion of our existing International ABS Fleet Financing Facility relating to France and the Netherlands, which was due to mature in December 2010.

In addition, in July 2010, we issued approximately \$750 million in aggregate principal amount of 3 year, 5 year and 7 year Series 2010-1 Rental Car Asset Backed Notes (Series 2010-1 Notes). The net proceeds of the offering were or will be used, to the extent permitted, to purchase vehicles under the ABS program of HVF, to pay other ABS indebtedness or distributed to Hertz and used for general purposes.

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information that we believe to be relevant to an understanding of our consolidated financial condition and results of operations. Unless the context otherwise requires, in this Report on Form 10-Q, (i) "Hertz Holdings" means Hertz Global Holdings, Inc., our top-level holding company, (ii) "Hertz" means The Hertz Corporation, our primary operating company and a direct wholly-owned subsidiary of Hertz Investors, Inc., which is wholly-owned by Hertz Holdings, (iii) "we," "us" and "our" mean (a) prior to December 21, 2005, Hertz and its consolidated subsidiaries and (b) on and after December 21, 2005, Hertz Holdings and its consolidated subsidiaries, including Hertz, (iv) "HERC" means Hertz Equipment Rental Corporation, Hertz's wholly-owned equipment rental subsidiary, together with our various other wholly-owned international subsidiaries that conduct our industrial, construction and material handling equipment rental business, (v) "cars" means cars and light trucks (including sport utility vehicles and, outside North America, light commercial vehicles), (vi) "program cars" means cars purchased by car rental companies under repurchase or guaranteed depreciation programs with car manufacturers, (vii) "non-program cars" mean cars not purchased under repurchase or guaranteed depreciation programs for which the car rental company is exposed to residual risk and (viii) "equipment" means industrial, construction and material handling equipment.

You should read the following discussion and analysis together with the section below entitled "Cautionary Note Regarding Forward-Looking Statements," with the financial statements and the related notes thereto contained elsewhere in this Form 10-Q, or this "Report."

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained or incorporated by reference in this Report and in reports we subsequently file with the United States Securities and Exchange Commission, or the "SEC," on Forms 10-K, 10-Q and file or furnish on Form 8-K, and in related comments by our management, include "forward-looking statements." Forward-looking statements include information concerning our liquidity and our possible or assumed future results of operations, including descriptions of our business strategies. These statements often include words such as "believe," "expect," "project," "anticipate," "intend," "plan," "estimate," "seek," "will," "may," "would," "should," "could," "forecasts" or similar expressions. These statements are based on certain assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate in these circumstances. We believe these judgments are reasonable, but you should understand that these statements are not guarantees of performance or results, and our actual results could differ materially from those expressed in the forward-looking statements due to a variety of important factors, both positive and negative, that may be revised or supplemented in subsequent reports on SEC Forms 10-K, 10-Q and 8-K.

Some important factors that could affect our actual results, include, among others, those that may be disclosed from time to time in subsequent reports filed with the SEC, those described under "Item 1A Risk Factors" included in Hertz Holdings' Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended December 31, 2009, filed with the SEC, on February 26, 2010 and March 1, 2010, respectively, or collectively known as our "Annual Report," and in Part II, "Item 1A- Risk Factors" included in this Form 10-Q and the following, which were derived in part from the risks set forth in the Annual Report:

our ability to consummate our contemplated acquisition of Dollar Thrifty Automotive Group, or "Dollar Thrifty," within the timeframe and upon the terms contemplated by our management;

the risk that expected synergies, operational efficiencies and cost savings from the Dollar Thrifty acquisition may not be fully realized or realized within the expected time frame;

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

the operational and profitability impact of divestitures that may be required to be undertaken to secure regulatory approval of the Dollar Thrifty acquisition;

overall strength and stability of general economic conditions, both in the United States and in global markets;

levels of travel demand, particularly with respect to airline passenger traffic in the United States and in global markets;

significant changes in the competitive environment, including as a result of industry consolidation, and the effect of competition in our markets, including on our pricing policies or use of incentives;

our ability to achieve cost savings and efficiencies and realize opportunities to increase productivity and profitability;

an increase in our fleet costs as a result of an increase in the cost of new vehicles and/or a decrease in the price at which we dispose of used vehicles either in the used vehicle market or under repurchase or guaranteed depreciation programs;

our ability to accurately estimate future levels of rental activity and adjust the size of our fleet accordingly;

our ability to maintain sufficient liquidity and the availability to us of additional or continued sources of financing for our revenue earning equipment and to refinance our existing indebtedness;

financial instability of insurance companies providing financial guarantees for our asset-backed securities;

safety recalls by the manufacturers of our vehicles and equipment;

a major disruption in our communication or centralized information networks;

financial instability of the manufacturers of our vehicles and equipment;

any impact on us from the actions of our licensees, dealers and independent contractors;

our ability to maintain profitability during adverse economic cycles and unfavorable external events (including war, terrorist acts, natural disasters and epidemic disease);

shortages of fuel and increases or volatility in fuel costs;

our ability to successfully integrate future acquisitions and complete future dispositions;

costs and risks associated with litigation;

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

risks related to our indebtedness, including our substantial amount of debt and our ability to incur substantially more debt;

our ability to meet the financial and other covenants contained in our senior credit facilities, our outstanding unsecured senior notes and certain asset-backed funding arrangements;

changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on earnings;

changes in the existing, or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations where such actions may affect our operations, the cost thereof or applicable tax rates;

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

the effect of tangible and intangible asset impairment charges;

the impact of our derivative instruments, which can be affected by fluctuations in interest rates;

our exposure to fluctuations in foreign exchange rates; and

other risks described from time to time in periodic and current reports that we file with the SEC.

You should not place undue reliance on forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate History

We are a successor to corporations that have been engaged in the car and truck rental and leasing business since 1918 and the equipment rental business since 1965. Hertz Holdings was incorporated in Delaware in 2005 and had no operations prior to the Acquisition (as defined below).

On December 21, 2005 investment funds associated with or designated by:

Clayton, Dubilier & Rice, Inc., or "CD&R,"

The Carlyle Group, or "Carlyle," and

Merrill Lynch Global Private Equity, or "MLGPE" (now known as BAML Capital Partners),

or collectively the "Sponsors," acquired all of Hertz's common stock from Ford Holdings LLC. We refer to the acquisition of all of Hertz's common stock by the Sponsors as the "Acquisition." Following our initial public offering in November 2006 and subsequent offerings in June 2007, May 2009 and June 2009, the Sponsors currently own approximately 51% of the common stock of Hertz Holdings.

In January 2009, Bank of America Corporation, or "Bank of America," acquired Merrill Lynch & Co., Inc., the parent company of MLGPE. Accordingly, Bank of America is now an indirect beneficial owner of our common stock held by MLGPE and certain of its affiliates.

Overview of Our Business

We are engaged principally in the business of renting cars and renting equipment.

Our revenues primarily are derived from rental and related charges and consist of:

Car rental revenues (revenues from all company-operated car rental operations, including charges to customers for the reimbursement of costs incurred relating to airport concession fees and vehicle license fees, the fueling of vehicles and the sale of loss or collision damage waivers, liability insurance coverage and other products);

Equipment rental revenues (revenues from all company-operated equipment rental operations, including amounts charged to customers for the fueling and delivery of equipment and sale of loss damage waivers); and

Other revenues (fees and certain cost reimbursements from our licensees and revenues from our car leasing operations and our third-party claim management services).

Our equipment rental business also derives revenues from the sale of new equipment and consumables.

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Our expenses primarily consist of:

Direct operating expenses (primarily wages and related benefits; commissions and concession fees paid to airport authorities, travel agents and others; facility, self-insurance and reservation costs; the cost of new equipment and consumables purchased for resale; and other costs relating to the operation and rental of revenue earning equipment, such as damage, maintenance and fuel costs);

Depreciation expense relating to revenue earning equipment (including net gains or losses on the disposal of such equipment). Revenue earning equipment includes cars and rental equipment;

Selling, general and administrative expenses (including advertising); and

Interest expense.

Our profitability is primarily a function of the volume, mix and pricing of rental transactions and the utilization of cars and equipment. Significant changes in the purchase price or residual values of cars and equipment or interest rates can have a significant effect on our profitability depending on our ability to adjust pricing for these changes. We continue to balance our mix of non-program and program vehicles based on market conditions. In the U.S., as of June 30, 2010, the percentage of non-program cars was 61% as compared to 76% as of June 30, 2009. Internationally, as of June 30, 2010, the percentage of non-program cars was 57%, compared to 58% as of June 30, 2009. In the U.S., as of December 31, 2009, the percentage of non-program cars was 67% as compared to 74% as of December 31, 2008. Internationally, as of December 31, 2009, the percentage of non-program cars was 71%, compared to 68% as of December 31, 2008.

For the six months ended June 30, 2010, we experienced a 9.2% increase in transaction days versus the prior period in the United States, while rental rate revenue per transaction day, or "RPD," declined by 0.5%. During the six months ended June 30, 2010, in our European operations, we experienced a 2.0% improvement in transaction days and a 1.9% improvement in our car rental RPD compared to the six months ended June 30, 2009.

Our U.S. off-airport operations represented \$495.9 million and \$445.1 million of our total car rental revenues in the six months ended June 30, 2010 and 2009, respectively. As of June 30, 2010, we have approximately 1,860 off-airport locations. Our strategy includes selected openings of new off-airport locations, the disciplined evaluation of existing locations and the pursuit of same-store sales growth. Our strategy also includes increasing penetration in the off-airport market and growing the online leisure market, particularly in the longer length weekly sector, which is characterized by lower vehicle costs and lower transaction costs at a lower RPD. Increasing our penetration in these sectors is consistent with our long-term strategy to generate profitable growth. When we open a new off-airport location, we incur a number of costs, including those relating to site selection, lease negotiation, recruitment of employees, selection and development of managers, initial sales activities and integration of our systems with those of the companies who will reimburse the location's replacement renters for their rentals. A new off-airport location, once opened, takes time to generate its full potential revenues and, as a result, revenues at new locations do not initially cover their start-up costs and often do not, for some time, cover the costs of their ongoing operations.

In early 2010, Toyota announced recalls of several of its models. As such, we temporarily took a portion of our Toyota fleet out of service. Approximately 13% of our total U.S. car rental fleet was affected by the largest of these recalls. We rapidly made repairs to the recalled vehicles and returned them to our car rental fleet. There was a short-term impact on our business to cover the costs associated with repairing

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

these vehicles; however, we believe that this recall will not have a long-term material impact on our business. Also, we unfortunately turned away some, but not a significant number of rentals as a result of this recall. See "Item 1A Risk Factors" included in this Report.

In the six months ended June 30, 2010, our per car vehicle depreciation costs decreased approximately 14% and 9% in the United States and Europe, respectively, as compared to the prior year period. We expect our per car vehicle depreciation costs in the United States and in Europe for 2010 to be lower than 2009.

HERC experienced lower rental volumes and pricing worldwide for the six months ended June 30, 2010 compared to the prior year period.

HERC locations:

	Total	U.S.	Canada	France	Spain	Italy	China
December 31, 2009	322	214	35	66	4		3
Net increase (decrease)	(2)	(1)		(1)			
Additions relating to acquisitions	1					1	
June 30, 2010	321	213	35	65	4	1	3

Our car rental and equipment rental operations are seasonal businesses, with decreased levels of business in the winter months and heightened activity during the spring and summer. We have the ability to dynamically manage fleet capacity, the most significant portion of our cost structure, to meet market demand. For instance, to accommodate increased demand, we increase our available fleet and staff during the second and third quarters of the year. As business demand declines, fleet and staff are decreased accordingly. A number of our other major operating costs, including airport concession fees, commissions and vehicle liability expenses, are directly related to revenues or transaction volumes. In addition, our management expects to utilize enhanced process improvements, including efficiency initiatives and the use of our information technology systems, to help manage our variable costs. Approximately two-thirds of our typical annual operating costs represent variable costs, while the remaining one-third is fixed or semi-fixed. We also maintain a flexible workforce, with a significant number of part time and seasonal workers. However, certain operating expenses, including minimum concession fees, rent, insurance, and administrative overhead, remain fixed and cannot be adjusted for seasonal demand.

During the first half of 2010, our equipment rental business incurred charges for losses on available for sale equipment and the disposal of surplus equipment and recognition of future facility lease obligations related to branch closures in North America. Additionally, first and second quarter restructuring charges included employee termination liabilities covering approximately 200 employees and 120 employees, respectively.

For the three and six months ended June 30, 2010, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of \$20.3 million and \$31.0 million, respectively. For the three and six months ended June 30, 2009, our consolidated statement of operations includes restructuring charges relating to the initiatives discussed above of \$22.0 million and \$51.5 million, respectively.

Additional efficiency and cost saving initiatives are being developed during 2010. However, we presently do not have firm plans or estimates of any related expenses. See Note 13 of the Notes to our condensed consolidated financial statements included in this Report.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)****RESULTS OF OPERATIONS****Three Months Ended June 30, 2010 Compared with Three Months Ended June 30, 2009****Summary**

The following table sets forth the percentage of total revenues represented by the various line items set forth in our consolidated statements of operations for the three months ended June 30, 2010 and 2009 (in millions of dollars):

	Percentage of Revenues			
	Three Months Ended June 30, 2010		Three Months Ended June 30, 2009	
Revenues:				
Car rental	\$ 1,583.0	\$ 1,450.9	84.2%	82.7%
Equipment rental	265.7	276.8	14.1	15.8
Other	30.9	26.8	1.7	1.5
Total revenues	1,879.6	1,754.5	100.0	100.0
Expenses:				
Direct operating	1,075.0	988.6	57.2	56.3
Depreciation of revenue earning equipment	456.7	479.4	24.3	27.3
Selling, general and administrative	172.0	141.5	9.2	8.1
Interest expense	188.9	163.9	10.0	9.3
Interest and other income, net	(6.8)	(49.6)	(0.4)	(2.8)
Total expenses	1,885.8	1,723.8	100.3	98.2
Income (loss) before income taxes	(6.2)	30.7	(0.3)	1.8
Provision for taxes on income	(14.2)	(22.9)	(0.8)	(1.4)
Net income (loss)	(20.4)	7.8	(1.1)	0.4
Less: Net income attributable to noncontrolling interest	(4.7)	(3.9)	(0.2)	(0.2)
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	\$ (25.1)	\$ 3.9	(1.3)%	0.2%

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

The following table sets forth certain of our selected car rental, equipment rental and other operating data for the three months ended or as of June 30, 2010 and 2009:

	Three Months Ended or as of June 30, 2010 2009	
Selected Car Rental		
Operating Data:		
Worldwide number of transactions (in thousands)	6,821	6,375
Domestic	5,021	4,629
International	1,800	1,746
Worldwide transaction days (in thousands) ^(a)	32,194	29,574
Domestic	22,061	20,047
International	10,133	9,527
Worldwide rental rate revenue per transaction day ^(b)	\$ 43.42	\$ 43.44
Domestic	\$ 41.07	\$ 41.56
International	\$ 48.52	\$ 47.41
Worldwide average number of company-operated cars during the period	448,100	408,000
Domestic	300,000	270,700
International	148,100	137,300
Adjusted pre-tax income (in millions of dollars) ^(c)	\$ 174.9	\$ 143.5
Worldwide revenue earning equipment, net (in millions of dollars)	\$ 8,762.1	\$ 7,363.3
Selected Worldwide Equipment Rental		
Operating Data:		
Rental and rental related revenue (in millions of dollars) ^(d)	\$ 239.4	\$ 253.5
Same store revenue decline, including growth initiatives ^(e)	(5.1)%	(30.1)%
Average acquisition cost of rental equipment operated during the period (in millions of dollars)	\$ 2,703.7	\$ 2,841.7
Adjusted pre-tax income (in millions of dollars) ^(c)	\$ 14.4	\$ 24.7
Revenue earning equipment, net (in millions of dollars)	\$ 1,649.1	\$ 1,945.4

(a) Transaction days represents the total number of days that vehicles were on rent in a given period.

(b)

Car rental rate revenue consists of all revenue, net of discounts, associated with the rental of cars including charges for optional insurance products, but excluding revenue derived from fueling and concession and other expense pass-throughs, NeverLost units in the U.S. and certain ancillary revenue. Rental rate revenue per transaction day is calculated as total rental rate revenue, divided by the total number of transaction days, with all periods adjusted to eliminate the effect of fluctuations in foreign currency. Our management believes eliminating the effect of fluctuations in foreign currency is appropriate so as not to affect the comparability of underlying trends. This statistic is important to our management as it represents the best measurement of the changes in underlying pricing in the car rental business and encompasses the elements in car rental pricing that management has the ability to control. The optional insurance products are packaged within certain negotiated corporate, government and membership programs and within certain retail rates being charged. Based upon these existing programs and rate packages, management believes that these optional insurance products should be consistently included in the daily pricing of car rental transactions. On the other hand, non-rental rate revenue items such as refueling and concession pass-through expense items are driven by factors beyond the control of management (i.e. the price of fuel and the concession fees charged by airports). Additionally, NeverLost units are an optional revenue product which management does not consider to be part of their daily pricing of car rental transactions. The following table reconciles our car rental

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

segment revenues to our rental rate revenue and rental rate revenue per transaction day (based on December 31, 2009 foreign exchange rates) for the three months ended June 30, 2010 and 2009 (in millions of dollars, except as noted):

	Three Months Ended June 30,	
	2010	2009
Car rental segment revenues	\$1,611.4	\$1,474.7
Non-rental rate revenue	(263.2)	(225.5)
Foreign currency adjustment	49.6	35.6
Rental rate revenue	\$1,397.8	\$1,284.8
Transaction days (in thousands)	32,194	29,574
Rental rate revenue per transaction day (in whole dollars)	\$ 43.42	\$ 43.44

(c)

Adjusted pre-tax income (loss) is calculated as income (loss) before income taxes plus non-cash purchase accounting charges, non-cash debt charges and certain one-time charges and non-operational items. Adjusted pre-tax income is the measure utilized by management in making decisions about allocating resources to segments and measuring their performance. Management believes this measure best reflects the financial results from ongoing operations. The following table reconciles income (loss) before income taxes by segment to adjusted pre-tax income (loss) by segment for the three months ended June 30, 2010 and 2009 (in millions of dollars):

	Three Months Ended June 30, 2010	
	Car Rental	Equipment Rental
Income (loss) before income taxes	\$ 121.4	\$ (15.8)
Adjustments:		
Purchase accounting(1)	9.7	12.0
Non-cash debt charges(2)	37.7	2.2
Restructuring charges	4.2	16.0
Restructuring related charges(3)	1.9	
Adjusted pre-tax income	\$ 174.9	\$ 14.4

	Three Months Ended June 30, 2009	
	Car Rental	Equipment Rental
Income (loss) before income taxes	\$ 80.3	\$ (1.7)

Adjustments:

Purchase accounting(1)	9.9	11.2
Non-cash debt charges(2)	34.9	2.3
Restructuring charges	9.8	12.8
Restructuring related charges(3)	8.6	0.1
Adjusted pre-tax income	\$ 143.5	\$ 24.7

(1)

Represents the purchase accounting effects of the Acquisition on our results of operations relating to increased depreciation and amortization of tangible and intangible assets and accretion of revalued workers' compensation and public liability and property damage liabilities. Also represents the purchase accounting effects of subsequent acquisitions on our results of operations relating to increased amortization of intangible assets.

(2)

Represents non-cash debt charges relating to the amortization of deferred debt financing costs and debt discounts. For the three months ended June 30, 2010 and 2009, also includes \$18.0 million and \$22.3 million, respectively, associated with the amortization of amounts pertaining to the de-designation of the Hertz Vehicle Financing LLC, or "HVF," interest rate swaps as effective hedging instruments. For the three months ended June 30, 2010, also includes \$4.4 million

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

associated with the write-off of unamortized debt costs in connection with the refinancing of our International Fleet Debt and Belgian Fleet Financing Facility.

(3)

Represents incremental, one-time costs incurred directly supporting our business transformation initiatives. Such costs include transition costs incurred in connection with our business process outsourcing arrangements and incremental costs incurred to facilitate business process re-engineering initiatives that involve significant organization redesign and extensive operational process changes.

(d)

Equipment rental and rental related revenue consists of all revenue, net of discounts, associated with the rental of equipment including charges for delivery, loss damage waivers and fueling, but excluding revenue arising from the sale of equipment, parts and supplies and certain other ancillary revenue. Rental and rental related revenue is adjusted in all periods to eliminate the effect of fluctuations in foreign currency. Our management believes eliminating the effect of fluctuations in foreign currency is appropriate so as not to affect the comparability of underlying trends. This statistic is important to our management as it is utilized in the measurement of rental revenue generated per dollar invested in fleet on an annualized basis and is comparable with the reporting of other industry participants. The following table reconciles our equipment rental segment revenues to our equipment rental and rental related revenue (based on December 31, 2009 foreign exchange rates) for the three months ended June 30, 2010 and 2009 (in millions of dollars):

	Three Months Ended	
	June 30,	
	2010	2009
Equipment rental segment revenues	\$ 265.8	\$ 277.0
Equipment sales and other revenue	(28.7)	(29.9)
Foreign currency adjustment	2.3	6.4
 Rental and rental related revenue	 \$ 239.4	 \$ 253.5

(e)

Same store revenue decline represents the change in the current period total same store revenue over the prior period total same store revenue as a percentage of the prior period. The same store revenue amounts are adjusted in all periods to eliminate the effect of fluctuations in foreign currency. Our management believes eliminating the effect of fluctuations in foreign currency is appropriate so as not to affect the comparability of underlying trends.

REVENUES

(in millions of dollars)	Three Months Ended			
	June 30,			
	2010	2009	\$ Change	% Change
Revenues by Segment:				
Car rental	\$ 1,611.4	\$ 1,474.7	\$ 136.7	9.3%

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

Equipment rental	265.8	277.0	(11.2)	(4.0)%
Other reconciling items	2.4	2.8	(0.4)	(14.3)%
Total revenues	\$ 1,879.6	\$ 1,754.5	\$ 125.1	7.1%

Car Rental Segment

Revenues from our car rental segment increased 9.3%, primarily as a result of an 8.9% increase in car rental transaction days worldwide and increases in refueling fees of \$12.6 million and airport concession recovery fees of \$9.2 million, partly offset by the effects of foreign currency translation of approximately \$10.9 million.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

RPD for worldwide car rental for the three months ended June 30, 2010 decreased 0.1% from 2009, due to a decrease in U.S. RPD of 1.2%, mostly offset by an increase in International RPD of 2.3%. U.S. off-airport RPD improved by 2.8% and U.S. airport RPD decreased 2.6%. U.S. airport RPD decreased mainly due to the lower RPD that our Advantage brand generates.

Equipment Rental Segment

Revenues from our equipment rental segment decreased 4.0%, primarily due to a 4.8% decrease in equipment rental volume and a 6.1% decline in pricing, partly offset by the effects of foreign currency translation of approximately \$5.2 million.

Other

Revenues from all other sources decreased 14.3%, primarily due to a decrease in revenues from our third-party claim management services.

EXPENSES

(in millions of dollars)	Three Months Ended June 30,		\$ Change	% Change
	2010	2009		
Expenses:				
Fleet related expenses	\$ 248.8	\$ 205.7	\$ 43.1	20.9%
Personnel related expenses	354.7	310.1	44.6	14.4%
Other direct operating expenses	471.5	472.8	(1.3)	(0.3)%
Direct operating	1,075.0	988.6	86.4	8.7%
Depreciation of revenue earning equipment	456.7	479.4	(22.7)	(4.7)%
Selling, general and administrative	172.0	141.5	30.5	21.5%
Interest expense	188.9	163.9	25.0	15.3%
Interest and other income, net	(6.8)	(49.6)	42.8	(86.3)%
Total expenses	\$ 1,885.8	\$ 1,723.8	\$ 162.0	9.4%

Total expenses increased 9.4% and total expenses as a percentage of revenues increased from 98.2% for the three months ended June 30, 2009 to 100.3% for the three months ended June 30, 2010.

Direct Operating Expenses

Direct operating expenses increased 8.7% as a result of increases in personnel related expenses and fleet related expenses, partly offset by a decrease in other direct operating expenses.

Personnel related expenses increased 14.4%. The increase was primarily related to increases in wages and benefits of \$26.6 million and management incentive compensation costs of \$15.5 million.

Fleet related expenses increased 20.9%. The increase was primarily related to worldwide car rental volume demand which resulted in increases in gasoline costs of \$20.5 million, vehicle damage and maintenance costs of \$9.3 million, self insurance expense of \$6.6 million and vehicle excise taxes of \$5.0 million.

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

Other direct operating expenses decreased 0.3%. The decrease was primarily related to a reduction in restructuring and restructuring related charges, a value added tax reclaim received in the three

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

months ended June 30, 2010 and decreases in credit and collections expense and computer expense. These decreases were partly offset by increases in concession fees, guaranteed charge card fees and commission fees related to worldwide car rental volume demand, as well as an increase in our equipment rental re-rent expense.

Depreciation of Revenue Earning Equipment

Car Rental Segment

Depreciation of revenue earning equipment for our car rental segment of \$389.7 million for the three months ended June 30, 2010 decreased 3.6% from \$404.2 million for the three months ended June 30, 2009. The decrease was primarily related to an improvement in certain vehicle residual values.

Equipment Rental Segment

Depreciation of revenue earning equipment in our equipment rental segment of \$67.0 million for the three months ended June 30, 2010 decreased 10.9% from \$75.2 million for the three months ended June 30, 2009. The decrease was primarily due to a 4.9% reduction in average acquisition cost of rental equipment operated during the period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 21.5%, due to an increase in administrative expenses, advertising and sales promotion expenses.

Administrative expenses increased \$25.8 million, or 31.8%, primarily due to increases in management incentive compensation, legal expenses, foreign currency translation and salaries and related expenses, partly offset by a decrease in restructuring and restructuring related charges.

Advertising expenses increased \$3.3 million, or 11.1%, primarily due to increased media advertising.

Sales promotion expenses increased \$1.4 million, or 4.5%, primarily related to increases in sales salaries and commissions.

Interest Expense

Car Rental Segment

Interest expense for our car rental segment of \$96.9 million for the three months ended June 30, 2010 increased 38.0% from \$70.2 million for the three months ended June 30, 2009. The increase was primarily due to an increase in the weighted average debt outstanding as a result of an increased fleet size.

Equipment Rental Segment

Interest expense for our equipment rental segment of \$10.2 million for the three months ended June 30, 2010 decreased 25.5% from \$13.7 million for the three months ended June 30, 2009. The decrease was primarily due to a reduction in the weighted average debt outstanding as a result of reduced fleet size.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)***Other*

Other interest expense relating to interest on corporate debt of \$81.8 million for the three months ended June 30, 2010 increased 2.3% from \$80.0 million for the three months ended June 30, 2009.

Interest and Other Income, Net

Interest and other income, net decreased 86.3% primarily due to a gain of \$48.5 million, net of transaction costs, recorded in the three months ended June 30, 2009 in connection with the buyback of portions of our Senior Notes and Senior Subordinated Notes in 2009.

ADJUSTED PRE-TAX INCOME*Car Rental Segment*

Adjusted pre-tax income for our car rental segment of \$174.9 million for the three months ended June 30, 2010 increased 21.9% from \$143.5 million for the three months ended June 30, 2009. The increase was primarily due to stronger volumes and disciplined cost management. Adjustments to our car rental segment income before income taxes on a GAAP basis for the three months ended June 30, 2010 and 2009, totaled \$53.5 million and \$63.2 million, respectively. See footnote c to the table under "Results of Operations" for a summary and description of these adjustments.

Equipment Rental Segment

Adjusted pre-tax income for our equipment rental segment of \$14.4 million for the three months ended June 30, 2010 decreased 41.7% from \$24.7 million for the three months ended June 30, 2009. The decrease was primarily due to reductions in volume and pricing, partly offset by strong cost management performance. Adjustments to our equipment rental segment loss before income taxes on a GAAP basis for the three months ended June 30, 2010 and 2009, totaled \$30.2 million and \$26.4 million, respectively. See footnote c to the table under "Results of Operations" for a summary and description of these adjustments.

PROVISION FOR TAXES ON INCOME, NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS AND NET INCOME (LOSS) ATTRIBUTABLE TO HERTZ HOLDINGS, INC. AND SUBSIDIARIES' COMMON STOCKHOLDERS

(in millions of dollars)	Three Months Ended June 30,		\$ Change	% Change
	2010	2009		
Income (loss) before income taxes	\$ (6.2)	\$ 30.7	\$ (36.9)	(120.3)%
Provision for taxes on income	(14.2)	(22.9)	8.7	(38.2)%
Net income (loss)	(20.4)	7.8	(28.2)	(364.3)%
Less: Net income attributable to noncontrolling interests	(4.7)	(3.9)	(0.8)	20.6%
Net income (loss) attributable to Hertz Holdings, Inc. and Subsidiaries' common stockholders	\$ (25.1)	\$ 3.9	\$ (29.0)	(750.5)%

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Provision for Taxes on Income

The effective tax rate for the three months ended June 30, 2010 was (227.8)% as compared to 74.8% in the three months ended June 30, 2009. The provision for taxes on income decreased 38.2%, primarily due to decreases in income before income taxes and discrete charges and a decrease in the losses in certain non-U.S. jurisdictions for which a tax benefit cannot be recognized.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests increased 20.6% due to an increase in our majority-owned subsidiary Navigation Solutions, L.L.C.'s net income for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009.

Net Income (Loss) Attributable to Hertz Holdings, Inc. and Subsidiaries' Common Stockholders

The net loss attributable to Hertz Holdings, Inc. and Subsidiaries' common stockholders was \$25.1 million for the three months ended June 30, 2010 compared to net income attributable to Hertz Holdings, Inc. and Subsidiaries' common stockholders of \$3.9 million for the three months ended June 30, 2009, primarily due to the gain on debt buyback of \$48.5 million in 2009 and lower rental volume and pricing in our worldwide equipment rental operations, partly offset by higher rental volume in our worldwide car rental operations and disciplined cost management. The impact of changes in exchange rates on net loss was mitigated by the fact that not only revenues but also most expenses outside of the United States were incurred in local currencies.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)****Six Months Ended June 30, 2010 Compared with Six Months Ended June 30, 2009****Summary**

The following table sets forth the percentage of total revenues represented by the various line items set forth in our consolidated statements of operations for the six months ended June 30, 2010 and 2009 (in millions of dollars):

	Six Months Ended		Percentage of Revenues	
	Six Months Ended June 30, 2010	2009	Six Months Ended June 30, 2010	2009
Revenues:				
Car rental	\$ 2,979.6	\$ 2,711.8	84.2%	81.7%
Equipment rental	502.7	556.2	14.2	16.8
Other	58.2	51.4	1.6	1.5
Total revenues	3,540.5	3,319.4	100.0	100.0
Expenses:				
Direct operating	2,088.0	1,943.9	59.0	58.6
Depreciation of revenue earning equipment	915.9	969.2	25.9	29.2
Selling, general and administrative	339.8	308.2	9.6	9.3
Interest expense	370.0	329.0	10.4	9.9
Interest and other income, net	(9.1)	(51.6)	(0.3)	(1.6)
Total expenses	3,704.6	3,498.7	104.6	105.4
Loss before income taxes	(164.1)	(179.3)	(4.6)	(5.4)
(Provision) benefit for taxes on income	(3.2)	26.7	(0.1)	0.8
Net loss	(167.3)	(152.6)	(4.7)	(4.6)
Less: Net income attributable to noncontrolling interest	(8.2)	(7.0)	(0.3)	(0.2)
Net loss attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	\$ (175.5)	\$ (159.6)	(5.0)%	(4.8)%

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

The following table sets forth certain of our selected car rental, equipment rental and other operating data for the six months ended or as of June 30, 2010 and 2009:

	Six Months Ended or as of June 30, 2010 2009	
Selected Car Rental		
Operating Data:		
Worldwide number of transactions (in thousands)	12,678	11,924
Domestic	9,418	8,671
International	3,260	3,253
Worldwide transaction days (in thousands) ^(a)	60,310	56,257
Domestic	42,001	38,458
International	18,309	17,799
Worldwide rental rate revenue per transaction day ^{(a)(b)}	\$ 43.24	\$ 43.18
Domestic	\$ 41.49	\$ 41.68
International	\$ 47.26	\$ 46.42
Worldwide average number of company-operated cars during the period	432,900	395,700
Domestic	296,800	265,300
International	136,100	130,400
Adjusted pre-tax income (in millions of dollars) ^{(a)(c)}	\$ 202.0	\$ 110.0
Worldwide revenue earning equipment, net (in millions of dollars)	\$ 8,762.1	\$ 7,363.3
Selected Worldwide		
Equipment Rental		
Operating Data:		
Rental and rental related revenue (in millions of dollars) ^{(a)(d)}	\$ 455.0	\$ 518.1
Same store revenue decline, including growth initiatives ^(a)	(11.4)%	(27.0)%
Average acquisition cost of rental equipment operated during the period (in millions of dollars)	\$ 2,741.3	\$ 2,911.3
Adjusted pre-tax income (in millions of dollars) ^{(a)(c)}	\$ 9.4	\$ 25.4
Revenue earning equipment, net (in millions of dollars)	\$ 1,649.1	\$ 1,945.4

(a)

For further details relating to car rental transaction days, car rental rate revenue per transaction day, adjusted pre-tax income, equipment rental and rental related revenue and equipment rental same store revenue decline,

see "Three Months Ended June 30, 2010 Compared with Three Months Ended June 30, 2009 Summary."

(b)

The following table reconciles our car rental segment revenues to our rental rate revenue and rental rate revenue per transaction day (based on December 31, 2009 foreign exchange rates) for the six months ended June 30, 2010 and 2009 (in millions of dollars, except as noted):

	Six Months Ended	
	June 30,	
	2010	2009
Car rental segment revenues	\$ 3,033.1	\$ 2,757.6
Non-rental rate revenue	(486.3)	(422.6)
Foreign currency adjustment	61.2	94.2
Rental rate revenue	\$ 2,608.0	\$ 2,429.2
Transaction days (in thousands)	60,310	56,257
Rental rate revenue per transaction day (in whole dollars)	\$ 43.24	\$ 43.18

49

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

(c)

The following table reconciles income (loss) before income taxes by segment to adjusted pre-tax income (loss) by segment for the six months ended June 30, 2010 and 2009 (in millions of dollars):

	Six Months Ended June 30, 2010	
	Car Rental	Equipment Rental
Income (loss) before income taxes	\$ 91.3	\$ (39.2)
Adjustments:		
Purchase accounting(1)	19.5	23.5
Non-cash debt charges(2)	74.7	4.1
Restructuring charges	9.5	20.9
Restructuring related charges(3)	7.0	0.1
Adjusted pre-tax income	\$ 202.0	\$ 9.4

	Six Months Ended June 30, 2009	
	Car Rental	Equipment Rental
Loss before income taxes	\$ (9.9)	\$ (26.5)
Adjustments:		
Purchase accounting(1)	19.3	27.3
Non-cash debt charges(2)	54.2	4.6
Restructuring charges	24.9	19.8
Restructuring related charges(3)	17.2	0.2
Third-party bankruptcy accrual(4)	4.3	
Adjusted pre-tax income	\$ 110.0	\$ 25.4

(1)

Represents the purchase accounting effects of the Acquisition on our results of operations relating to increased depreciation and amortization of tangible and intangible assets and accretion of revalued workers' compensation and public liability and property damage liabilities. Also represents the purchase accounting effects of subsequent acquisitions on our results of operations relating to increased amortization of intangible assets.

(2)

Represents non-cash debt charges relating to the amortization of deferred debt financing costs and debt discounts. For the six months ended June 30, 2010 and 2009, also includes \$38.9 million and \$29.8 million, respectively, associated with the amortization of amounts pertaining to the

de-designation of the HVF interest rate swaps as effective hedging instruments. For the six months ended June 30, 2010, also includes \$4.4 million associated with the write-off of unamortized debt costs in connection with the refinancing of our International Fleet Debt and Belgian Fleet Financing Facility.

- (3) Represents incremental, one-time costs incurred directly supporting our business transformation initiatives. Such costs include transition costs incurred in connection with our business process outsourcing arrangements and incremental costs incurred to facilitate business process re-engineering initiatives that involve significant organization redesign and extensive operational process changes.
- (4) Represents an allowance for uncollectible program car receivables related to a bankrupt European dealer affiliated with a U.S. car manufacturer.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

(d)

The following table reconciles our equipment rental segment revenues to our equipment rental and rental related revenue (based on December 31, 2009 foreign exchange rates) for the six months ended June 30, 2010 and 2009 (in millions of dollars):

	Six Months Ended	
	June 30,	
	2010	2009
Equipment rental segment revenues	\$ 502.8	\$ 556.5
Equipment sales and other revenue	(50.8)	(56.3)
Foreign currency adjustment	3.0	17.9
 Rental and rental related revenue	 \$ 455.0	 \$ 518.1

REVENUES

(in millions of dollars)	Six Months Ended		\$	%
	June 30,			
	2010	2009	Change	Change
Revenues by Segment:				
Car rental	\$ 3,033.1	\$ 2,757.6	\$ 275.5	10.0%
Equipment rental	502.8	556.5	(53.7)	(9.6)%
Other reconciling items	4.6	5.3	(0.7)	(13.2)%
 Total revenues	 \$ 3,540.5	 \$ 3,319.4	 \$ 221.1	 6.7%

Car Rental Segment

Revenues from our car rental segment increased 10.0%, primarily as a result of a 7.2% increase in car rental transaction days worldwide and increases in refueling fees of \$23.9 million and airport concession recovery fees of \$18.6 million. These increases include the effects of foreign currency translation of approximately \$37.6 million.

RPD for worldwide car rental for the six months ended June 30, 2010 increased 0.1% from 2009, due to an increase in International RPD of 1.8%, partly offset by a decrease in U.S. RPD of 0.5%. U.S. off-airport RPD improved by 2.4% and U.S. airport RPD decreased 1.6%. U.S. airport RPD decreased due to the lower RPD that our Advantage brand generates.

Equipment Rental Segment

Revenues from our equipment rental segment decreased 9.6%, primarily due to a 9.8% decrease in equipment rental volume, a 7.0% decline in pricing and a decrease in equipment sales of \$5.4 million, partly offset by the effects of foreign currency translation of approximately \$16.2 million.

Other

Revenues from all other sources decreased 13.2%, primarily due to a decrease in revenues from our third-party claim management services.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)****EXPENSES**

(in millions of dollars)	Six Months Ended June 30,		\$ Change	% Change
	2010	2009		
Expenses:				
Fleet related expenses	\$ 477.8	\$ 401.5	\$ 76.3	19.0%
Personnel related expenses	701.1	634.1	67.0	10.6%
Other direct operating expenses	909.1	908.3	0.8	0.1%
Direct operating	2,088.0	1,943.9	144.1	7.4%
Depreciation of revenue earning equipment	915.9	969.2	(53.3)	(5.5)%
Selling, general and administrative	339.8	308.2	31.6	10.2%
Interest expense	370.0	329.0	41.0	12.5%
Interest and other income, net	(9.1)	(51.6)	42.5	(82.4)%
Total expenses	\$ 3,704.6	\$ 3,498.7	\$ 205.9	5.9%

Total expenses increased 5.9%, but total expenses as a percentage of revenues decreased from 105.4% for the six months ended June 30, 2009 to 104.6% for the six months ended June 30, 2010.

Direct Operating Expenses

Direct operating expenses increased 7.4% as a result of increases in fleet related expenses, personnel related expenses and other direct operating expenses.

Fleet related expenses increased 19.0%. The increase was primarily related to worldwide car rental volume demand which resulted in increases in gasoline costs of \$31.5 million, vehicle damage and maintenance costs of \$23.5 million, self insurance expense of \$14.0 million and vehicle excise taxes of \$6.4 million. All of these increases include the effects of foreign currency translation of approximately \$9.0 million.

Personnel related expenses increased 10.6%. The increase was primarily related to increases in wages and benefits of \$43.5 million and management incentive compensation costs of \$21.5 million. These increases include the effects of foreign currency translation of approximately \$10.2 million.

Other direct operating expenses increased 0.1%. The increase was primarily related to worldwide car rental volume demand which resulted in increases in fleet related expenses, including the effects of foreign currency translation of approximately \$15.8 million. These increases were partly offset by decreases in restructuring and restructuring related charges, equipment rental cost of goods sold and credit and collections expense, as well as a value added tax reclaim received in 2010.

Depreciation of Revenue Earning Equipment***Car Rental Segment***

Depreciation of revenue earning equipment for our car rental segment of \$778.0 million for the six months ended June 30, 2010 decreased 2.2% from \$795.3 million for the six months ended June 30, 2009. The decrease was primarily related to an improvement in certain vehicle residual

values, partly offset by the effects of foreign currency translation of approximately \$13.1 million.

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Equipment Rental Segment

Depreciation of revenue earning equipment in our equipment rental segment of \$137.9 million for the six months ended June 30, 2010 decreased 20.7% from \$173.9 million for the six months ended June 30, 2009. The decrease was primarily due to a 5.8% reduction in average acquisition cost of rental equipment operated during the period and higher residual values on the disposal of used equipment, partly offset by the effects of foreign currency translation of approximately \$2.6 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 10.2%, due to increases in administrative expenses, advertising and sales promotion expenses and the effects of foreign currency translation of approximately \$3.7 million.

Administrative expenses increased \$18.6 million, or 9.9%, primarily due to increases in management incentive compensation, legal expenses, foreign currency translation and salaries and related expenses, partly offset by a decrease in restructuring and restructuring related charges.

Advertising expenses increased \$12.1 million, or 21.2%, primarily due to increased media advertising and the effects of foreign currency translation of approximately \$1.5 million.

Sales promotion expenses increased \$0.9 million, or 1.3%, primarily related to the effects of foreign currency translation.

Interest Expense

Car Rental Segment

Interest expense for our car rental segment of \$186.2 million for the six months ended June 30, 2010 increased 25.9% from \$147.9 million for the six months ended June 30, 2009. The increase was primarily due to an increase in the weighted average debt outstanding as a result of an increased fleet size.

Equipment Rental Segment

Interest expense for our equipment rental segment of \$20.4 million for the six months ended June 30, 2010 decreased 27.9% from \$28.3 million for the six months ended June 30, 2009. The decrease was primarily due to a reduction in the weighted average debt outstanding as a result of reduced fleet size.

Other

Other interest expense relating to interest on corporate debt of \$163.4 million for the six months ended June 30, 2010 increased 6.9% from \$152.8 million for the six months ended June 30, 2009. The increase was primarily due to interest expense on the Convertible Senior Notes issued in May 2009.

Interest and Other Income, Net

Interest and other income, net decreased 82.4% primarily due to a gain of \$48.5 million, net of transaction costs, recorded in connection with the buyback of portions of our Senior Notes and Senior Subordinated Notes in 2009.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)****ADJUSTED PRE-TAX INCOME***Car Rental Segment*

Adjusted pre-tax income for our car rental segment of \$202.0 million for the six months ended June 30, 2010 increased 83.6% from \$110.0 million for the six months ended June 30, 2009. The increase was primarily due to stronger volumes and disciplined cost management. Adjustments to our car rental segment income (loss) before income taxes on a GAAP basis for the six months ended June 30, 2010 and 2009, totaled \$110.7 million and \$119.9 million, respectively. See footnote c to the table under "Results of Operations" for a summary and description of these adjustments.

Equipment Rental Segment

Adjusted pre-tax income for our equipment rental segment of \$9.4 million for the six months ended June 30, 2010 decreased 63.0% from \$25.4 million for the six months ended June 30, 2009. The decrease was primarily due to reductions in volume and pricing, partly offset by strong cost management performance and higher residual values on the disposal of used equipment. Adjustments to our equipment rental segment loss before income taxes on a GAAP basis for the six months ended June 30, 2010 and 2009, totaled \$48.6 million and \$51.9 million, respectively. See footnote c to the table under "Results of Operations" for a summary and description of these adjustments.

(PROVISION) BENEFIT FOR TAXES ON INCOME, NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS AND NET INCOME ATTRIBUTABLE TO HERTZ HOLDINGS, INC. AND SUBSIDIARIES' COMMON STOCKHOLDERS

(in millions of dollars)	Six Months Ended June 30,		\$	%
	2010	2009	Change	Change
Loss before income taxes	\$ (164.1)	\$ (179.3)	\$ 15.2	(8.5)%
(Provision) benefit for taxes on income	(3.2)	26.7	(29.9)	(112.0)%
Net loss	(167.3)	(152.6)	(14.7)	9.6%
Less: Net income attributable to noncontrolling interests	(8.2)	(7.0)	(1.2)	18.5%
Net loss attributable to Hertz Holdings, Inc. and Subsidiaries' common stockholders	\$ (175.5)	\$ (159.6)	\$ (15.9)	9.9%

(Provision) Benefit for Taxes on Income

The effective tax rate for the six months ended June 30, 2010 was (1.9)% as compared to 14.9% in the six months ended June 30, 2009. The (provision) benefit for taxes on income decreased 112.0%. The provision for taxes on income was \$3.2 million in the six months ended June 30, 2010 compared to a benefit of \$26.7 million in the six months ended June 30, 2009. The change is primarily due to a lower loss before income taxes and an increase in discrete charges recorded in the six months ended June 30, 2010 compared to the six months ended June 30, 2009. This is partially offset by a decrease in losses in certain non-U.S. jurisdictions for which a tax benefit cannot be recognized.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)*****Net Income Attributable to Noncontrolling Interests***

Net income attributable to noncontrolling interests increased 18.5% due to an increase in our majority-owned subsidiary Navigation Solutions, L.L.C.'s net income for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009.

Net Loss Attributable to Hertz Holdings, Inc. and Subsidiaries' Common Stockholders

The net loss attributable to Hertz Holdings, Inc. and Subsidiaries' common stockholders increased 9.9% primarily due to the gain on debt buyback of \$48.5 million in 2009 and lower rental volume and pricing in our worldwide equipment rental operations, partly offset by higher rental volume in our worldwide car rental operations and disciplined cost management. The impact of changes in exchange rates on net loss was mitigated by the fact that not only revenues but also most expenses outside of the United States were incurred in local currencies.

LIQUIDITY AND CAPITAL RESOURCES

Our domestic and international operations are funded by cash provided by operating activities and by extensive financing arrangements maintained by us in the United States, Europe, Puerto Rico, Australia, New Zealand, Canada and Brazil.

Cash Flows

As of June 30, 2010, we had cash and cash equivalents of \$896.8 million, a decrease of \$88.8 million from \$985.6 million as of December 31, 2009. The following table summarizes such decrease:

(in millions of dollars)	Six Months Ended		
	June 30,		
	2010	2009	\$ Change
Cash provided by (used in):			
Operating activities	\$ 1,050.6	\$ 698.4	\$ 352.2
Investing activities	(2,483.0)	82.9	(2,565.9)
Financing activities	1,419.5	(831.5)	2,251.0
Effect of exchange rate changes	(75.9)	26.8	(102.7)
Net change in cash and cash equivalents	\$ (88.8)	\$ (23.4)	\$ (65.4)

During the six months ended June 30, 2010, we generated \$352.2 million more cash from operating activities compared with the same period in 2009. The increase was primarily due to a change in accounts payable driven by effective management of vendor terms taken in 2010 and a change in accrued liabilities due to cash payments in 2009 relating to the buydown of our rate on our interest rate swaps and restructuring, partly offset by the timing of cash receipts relating to our outstanding receivables.

Our primary use of cash in investing activities is for the acquisition of revenue earning equipment, which consists of cars and equipment. During the six months ended June 30, 2010, we used \$2,565.9 million more cash from investing activities compared with the same period in 2009. The use of funds was primarily due to an increase in revenue earning equipment expenditures and the year-over-year change in restricted cash and cash equivalents, partly offset by an increase in proceeds from the disposal of revenue earning equipment. The increase in revenue earning equipment expenditures and in proceeds from the disposal of revenue earning equipment was related to higher car rental volumes and a general

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

improvement in the car rental market. The year-over-year change in restricted cash and cash equivalents was primarily related to the economic conditions which affected the demand for revenue earning equipment and our Like Kind Exchange Program, or "LKE Program." As of June 30, 2010 and December 31, 2009, we had \$743.4 million and \$365.1 million, respectively, of restricted cash and cash equivalents to be used for the purchase of revenue earning vehicles and other specified uses under our fleet financing facilities, our LKE Program and to satisfy certain of our self-insurance regulatory reserve requirements. The increase in restricted cash and cash equivalents of \$378.3 million from December 31, 2009 to June 30, 2010, primarily related to the timing of purchases and sales of revenue earning vehicles prior to the end of the quarter.

During the six months ended June 30, 2010, we generated \$2,251.0 million more cash from financing activities compared with the same period in 2009. The increase is primarily due to increases in proceeds under the revolving lines of credit, net and from the issuance of long-term debt, partly offset by the prior year's proceeds from the sale of common stock and convertible debt offering.

Financing

Our car rental and equipment rental operations are seasonal businesses with decreased levels of business in the winter months and typically heightened activity during the spring and summer. To accommodate increased demand, we maintain a larger fleet by holding vehicles and equipment and purchasing additional fleet which increases our financing requirements. These seasonal financing needs are funded by increasing the utilization of our various corporate and fleet credit facilities and the variable funding notes portion of our U.S. Fleet Debt facilities as defined in Note 3 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data." As business demand moderates during the winter, we reduce our fleet accordingly and dispose of vehicles and equipment. The disposal proceeds are used to reduce debt.

Our primary liquidity needs include servicing of corporate and fleet related debt, the payment of operating expenses and purchases of rental vehicles and equipment to be used in our operations. Our primary sources of funding are operating revenue, cash received on the disposal of vehicles and equipment, borrowings under our asset-backed borrowing arrangements and our revolving credit facilities.

As of June 30, 2010, we had \$11,693.8 million of total indebtedness outstanding. Cash paid for interest during the six months ended June 30, 2010, was \$264.6 million, net of amounts capitalized. Accordingly, we are highly leveraged and a substantial portion of our liquidity needs arise from debt service on our indebtedness and from the funding of our costs of operations and capital expenditures.

Our liquidity as of June 30, 2010 consists of cash and cash equivalents, unused commitments under our Senior ABL Facility and unused commitments under our fleet financing facilities. For a description of these amounts, see Note 8 of the Notes to our condensed consolidated financial statements included in this Report as well as "Credit Facilities" below.

Based on all that we accomplished in 2009 and the first half of 2010, our current availability under our various credit facilities and our business plan, we believe we have sufficient liquidity to meet our U.S. debt maturities over the next twelve months.

In June 2010, Hertz Vehicle Financing LLC, or "HVF," our wholly-owned subsidiary, issued \$184.3 million in aggregate principal amount of 3 year and 5 year Subordinated Series 2009-2 Rental Car Asset Backed Notes, Class B, or the "Series 2009-2 Class B Notes." The 3 year notes carry a 4.94% coupon (5.00%

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

yield) and the 5 year notes carry a 5.93% coupon (6.01% yield) with expected final maturities in 2013 and 2015, respectively. The net proceeds of the offering were or will be used to purchase vehicles under our asset-backed securities, or "ABS," program, used to pay other ABS indebtedness or, to the extent permitted, used for general purposes.

Also, in June 2010, we issued EUR 400 million (the equivalent of \$491.1 million as of June 30, 2010) aggregate principal amount of 8.5% Senior Secured Notes due 2015, or the "Euro Notes," and entered into a EUR 220 million (the equivalent of \$270.1 million as of June 30, 2010) revolving credit facility that matures in 2013, or the "European Credit Facility." The net proceeds of the Euro Notes and European Credit Facility were used to refinance our International Fleet Debt and Belgian Fleet Financing Facility, both of which were due to mature in December 2010, and the excess was or will be used for general purposes.

As of June 30, 2010, we have approximately \$520.5 million of remaining international fleet debt outstanding that matures in December 2010. We are currently in discussions regarding our remaining refinancing options, and based on these discussions and our ability to access the capital markets, we expect to refinance the remaining debt maturing in December 2010 on or prior to maturity. However, the availability of financing is subject to a variety of factors not in our control, including economic and market conditions and investor demand, so there is no guarantee that such facilities can be refinanced or that the terms of such replacement financings will be acceptable. In the event financing is not available or is not available on terms we deem acceptable, we would expect to utilize our corporate liquidity to repay these obligations which could have a negative impact on our operational and financial flexibility, and may require us to make significant operational changes to our business (including, without limitation, reducing the size of our rental fleet, reducing the percentage of our car rental fleet subject to repurchase or guaranteed depreciation programs or reducing or delaying capital expenditures).

In July 2010, we entered into a EUR 400 million (the equivalent of \$491.1 million as of June 30, 2010) asset-backed securitization facility that matures in 2013, or the "European Securitization," the proceeds of which were used to refinance the portion of our existing International ABS Fleet Financing Facility relating to France and the Netherlands, which was due to mature in December 2010. This facility refinanced \$288.8 million of the \$520.5 million of remaining international fleet debt outstanding as of June 30, 2010 that matures in December 2010.

In addition, in July 2010, we issued approximately \$750 million in aggregate principal amount of 3 year, 5 year and 7 year Series 2010-1 Rental Car Asset Backed Notes, or the "Series 2010-1 Notes." The net proceeds of the offering were or will be used, to the extent permitted, to purchase vehicles under the ABS program of HVF, to pay other ABS indebtedness or distributed to Hertz and used for general purposes.

The agreements governing our corporate indebtedness require us to comply with two key covenants based on a consolidated leverage ratio and a consolidated interest expense coverage ratio. Our failure to comply with the obligations contained in any agreements governing our indebtedness could result in an event of default under the applicable instrument, which could result in the related debt becoming immediately due and payable and could further result in a cross default or cross acceleration of our debt issued under other instruments. However, as a result of the above-mentioned actions and planned future actions, we believe that we will remain in compliance with our corporate debt covenants and that cash generated from operations, together with amounts available under various liquidity facilities will be adequate to permit us to meet our debt service obligations, ongoing costs of operations, working capital needs and capital expenditure requirements for the next twelve months. Our future financial and operating performance, ability to service or refinance our debt and ability to comply with covenants and

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

restrictions contained in our corporate debt agreements will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

MBIA Insurance Corporation, or "MBIA," and Ambac Assurance Corporation, or "Ambac," provide credit enhancements in the form of financial guarantees for our 2005 Notes, with each providing guarantees for approximately half of the \$2,184.9 million in principal amount of the 2005 Notes that was outstanding as of June 30, 2010, all of which matures during 2010.

An event of bankruptcy with respect to MBIA or Ambac between now and the maturities of the 2005 Notes in 2010 would result in an amortization event under the portion of the 2005 Notes guaranteed by the affected insurer. In addition, if an amortization event continues for 30 days or longer, the noteholders of the affected series of notes would have the right to require liquidation of a portion of the fleet sufficient to repay such notes, provided that the exercise of the right was exercised by a majority of the affected noteholders. Ambac has publicly stated that it has insufficient capital to finance its debt service and operating expense requirements beyond the second quarter of 2011 and may need to seek bankruptcy protection.

Since MBIA and Ambac are facing financial instability, have been downgraded one or more times and are on review for further credit downgrade or under developing outlook by one or more credit agencies, we did not have the Series 2009-1 Notes, Series 2009-2 Notes, Series 2009-2 Class B Notes or the Series 2010-1 Notes guaranteed. Accordingly, if a bankruptcy of MBIA or Ambac were to occur prior to the 2005 Notes maturing, we expect that we would use our corporate liquidity and the borrowings under or proceeds from these recent financings to pay down the amounts owed under the affected series of 2005 Notes.

On April 25, 2010, we entered into a definitive merger agreement, or the "Merger Agreement," under which we agreed to acquire Dollar Thrifty for a purchase price of \$41.00 per share, or a total of \$1.27 billion, in a mix of cash and Hertz Holdings common stock, based on our closing stock price on the trading day before the agreement was signed. Under the terms of the agreement, Dollar Thrifty has agreed to pay a special cash dividend of \$200 million (expected to be approximately \$6.88 per share) to its stockholders immediately prior to closing, and each outstanding share of Dollar Thrifty common stock will be converted at the closing into the right to receive from us 0.6366 of a share of our common stock and a cash payment from us equal to \$32.80 less the amount of the special cash dividend paid by Dollar Thrifty. At the closing, we will issue an aggregate of approximately 18 million shares of our common stock (excluding shares issuable upon the exercise of stock options that are being converted to Hertz Holdings stock options) and pay an aggregate of approximately \$750 million in cash (which does not include the \$200 million special cash dividend to be paid by Dollar Thrifty). We intend to fund the cash portion of the purchase price with existing liquidity from the combined company. We also intend to assume or refinance Dollar Thrifty's existing fleet debt outstanding at closing. The transaction is subject to customary closing conditions, regulatory approvals, approval by Dollar Thrifty stockholders and payment of the special dividend. The transaction is not conditioned on receipt of financing by us; however, it is likely that we will incur additional financing prior to the acquisition to replenish our liquidity levels. We are currently exploring alternatives with respect to debt offerings and other financings. See "Item 1A Risk Factors" included in this Report.

On July 28, 2010, Avis Budget Group, Inc., or "Avis," submitted a competing offer to acquire Dollar Thrifty, or the "Avis Offer." Pursuant to the terms of our Merger Agreement, the Dollar Thrifty board of directors analyzed the Avis Offer to determine whether its terms were superior to the terms of our Merger Agreement. On August 3, 2010, Dollar Thrifty issued a press release publishing a letter from its chief executive officer and president to Avis's chairman and chief executive officer indicating that Dollar

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Thrifty's board of directors could not conclude that the terms of the Avis Offer were superior to the terms of our Merger Agreement, but that Dollar Thrifty was ready to review and consider any modifications or additional information Avis may wish to make or provide to address the concerns identified in the letter.

A significant number of cars that we purchase are subject to repurchase by car manufacturers under contractual repurchase or guaranteed depreciation programs. Under these programs, car manufacturers agree to repurchase cars at a specified price or guarantee the depreciation rate on the cars during a specified time period, typically subject to certain car condition and mileage requirements. We use this specified price or guaranteed depreciation rate to calculate our asset-backed financing capacity. If any manufacturer of our cars fails to fulfill its repurchase or guaranteed depreciation obligations, due to bankruptcy or otherwise, our asset-backed financing capacity could be decreased, or we may be required to materially increase the credit enhancement levels relating to the financing of the fleet vehicles provided by such bankrupt manufacturer under certain of our fleet financing facilities. For a discussion of the risks associated with a manufacturer's bankruptcy or our reliance on asset-backed financing, see "Item 1A Risk Factors" included in this Report.

We rely significantly on asset-backed financing to purchase cars for our domestic and international car rental fleet. The amount of financing available to us pursuant to these programs depends on a number of factors, many of which are outside our control. For further information concerning our asset-backed financing programs, see Note 3 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data." For a discussion of risks related to our reliance on asset-backed financing to purchase cars, see "Item 1A Risk Factors" included in this Report.

In the event of a bankruptcy of a car manufacturer, our liquidity would be impacted by several factors including reductions in fleet residual values, as discussed above, and the risk that we would be unable to collect outstanding receivables due to us from such bankrupt manufacturer. In addition, the program cars manufactured by any such company would need to be removed from our fleet or re-designated as non-program vehicles, which would require us to furnish additional collateral enhancement associated with these program vehicles. For a discussion of the risks associated with a manufacturer's bankruptcy or our reliance on asset-backed financing, see "Item 1A Risk Factors" included in this Report.

We have a significant amount of debt that will mature over the next several years. The aggregate amounts of maturities of debt for each of the twelve-month periods ending June 30 (in millions of dollars) are as follows: 2011, \$5,373.4 (including \$3,060.9 of other short-term borrowings); 2012, \$180.2; 2013, \$1,929.4; 2014, \$2,484.5; 2015, \$828.7; after 2015, \$1,037.4. For a discussion of maturities, see Note 3 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data." Our short-term borrowings of \$3,060.9 million as of June 30, 2010 include, among other items, the amounts outstanding under our International ABS Fleet Financing Facility, Fleet Financing Facility, Brazilian Fleet Financing Facility, Canadian Fleet Financing Facility, Capitalized Leases and European Credit Facility. These amounts are considered short-term in nature since they have maturity dates of three months or less; however these facilities are revolving in nature and do not expire at the time of the short-term debt maturity except for our International ABS Fleet Financing Facility and Brazilian Fleet Financing Facility which mature in December 2010. As a result of our successful refinancing efforts in 2009 and the first half of 2010 and the strategic cost reduction actions taken in the past as well as those planned for the remainder of 2010, we believe that we will remain in compliance with our debt covenants and that cash generated from operations, together with amounts available under various liquidity facilities will be adequate to permit us to meet our debt service obligations, ongoing costs of operations, working capital needs and capital

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

expenditure requirements for the next twelve months. Our future financial and operating performance, ability to service or refinance our debt and ability to comply with covenants and restrictions contained in our debt agreements will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

For further information on our indebtedness, see Note 8 of the Notes to our condensed consolidated financial statements included in this Report.

Covenants

Certain of our debt instruments and credit facilities contain a number of covenants that, among other things, limit or restrict the ability of the borrowers and the guarantors to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make dividends and other restricted payments, create liens, make investments, make acquisitions, engage in mergers, change the nature of their business, make capital expenditures, or engage in certain transactions with affiliates. Some of these agreements also require the maintenance of certain financial covenants. As of June 30, 2010, we were in compliance with all of these financial covenants.

As of June 30, 2010, we had an aggregate principal amount outstanding of \$1,351.8 million pursuant to our Senior Term Facility and no amounts outstanding in our Senior ABL Facility. As of June 30, 2010, Hertz was required under the Senior Term Facility to have a consolidated leverage ratio of not more than 5.25:1 and a consolidated interest expense coverage ratio of not less than 2.00:1. In addition, under our Senior ABL Facility, if there was less than \$200.0 million of available borrowing capacity under that facility as of June 30, 2010, Hertz was required to have a consolidated leverage ratio of not more than 5.25:1 and a consolidated fixed charge coverage ratio of not less than 1:1 for the quarter then ended. Under the Senior Term Facility, as of June 30, 2010, we had a consolidated leverage ratio of 3.54:1 and a consolidated interest expense coverage ratio of 3.40:1. Since we had maintained sufficient borrowing capacity under our Senior ABL Facility as of June 30, 2010, and expect to maintain such capacity in the future, the consolidated fixed charge coverage ratio was not deemed relevant for presentation. For further information on the terms of our senior credit facilities, see Note 3 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data." In addition to the borrowings under our senior credit facilities, we have a significant amount of additional debt outstanding. For a discussion of the risks associated with our significant leverage, see "Item 1A Risk Factors" included in this Report.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)****Credit Facilities**

As of June 30, 2010, the following credit facilities were available for the use of Hertz and its subsidiaries (in millions of dollars):

	Remaining Capacity	Availability Under Borrowing Base Limitation
<i>Corporate Debt</i>		
Senior Term Facility	\$	\$
Senior ABL Facility	1,591.7	815.9
Total Corporate Debt	1,591.7	815.9
<i>Fleet Debt</i>		
U.S. Fleet Debt	478.1	80.4
International ABS Fleet Financing Facility	456.2	25.6
Fleet Financing Facility	2.0	2.0
Brazilian Fleet Financing Facility		
Canadian Fleet Financing Facility	102.0	3.9
Capitalized Leases	62.5	17.3
Euro Notes		
European Credit Facility		
Total Fleet Debt	1,100.8	129.2
Total	\$ 2,692.5	\$ 945.1

As of June 30, 2010, the Senior Term Facility had approximately \$1.3 million available under the letter of credit facility and the Senior ABL Facility had \$6.7 million available under the letter of credit facility sublimit.

Our liquidity as of June 30, 2010 was \$2,813.5 million, which consisted of \$896.8 million of cash and cash equivalents, \$815.9 million of unused commitments under our Senior ABL Facility and \$1,100.8 million of unused commitments under our fleet financing facilities. Taking into consideration the borrowing base limitations in our Senior ABL Facility and in our Fleet Debt, the amount that we had available for immediate use as of June 30, 2010 under our Senior ABL Facility was \$815.9 million and we had \$129.2 million of over-enhancement that was available under our Fleet Debt. Accordingly, as of June 30, 2010, we had \$1,841.9 million (\$896.8 million in cash and cash equivalents, \$815.9 million available under our Senior ABL Facility and \$129.2 million available under our various Fleet Debt facilities) in liquidity that was available for our immediate use. Future availability of borrowings under these facilities will depend on borrowing base requirements and other factors, many of which are outside our control.

Also, substantially all of our revenue earning equipment and certain related assets are owned by special purpose entities, or are subject to liens in favor of our lenders under our various credit facilities. Substantially all our other assets in the United States are also subject to liens in favor of our lenders under our various credit facilities. None of these assets would be available to satisfy the claims of our general creditors if we failed to perform our obligations to such creditors.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

Some of these special purpose entities are consolidated variable interest entities, of which Hertz is the primary beneficiary, whose sole purpose is to provide commitments to lend in various currencies subject to borrowing bases comprised of rental vehicles and related assets of certain of Hertz International, Ltd.'s subsidiaries. As of June 30, 2010 and December 31, 2009, our International Fleet Funding and Hertz Fleet Limited variable interest entities had total assets primarily comprised of revenue earning equipment of \$374.3 million and \$367.6 million, respectively, and total liabilities primarily comprised of debt of \$485.8 million and \$710.3 million, respectively. For further information on the terms of our debt, see Note 3 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

Capital Expenditures

The following tables set forth the revenue earning equipment and property and equipment capital expenditures and related disposal proceeds, on a cash basis consistent with our consolidated statements of cash flows, received by quarter for 2010 and 2009 (in millions of dollars).

	Revenue Earning Equipment Net Capital Expenditures			Property and Equipment Net Capital Expenditures		
	Capital Expenditures	Disposal Proceeds	(Disposal Proceeds)	Capital Expenditures	Disposal Proceeds	(Disposal Proceeds)
2010						
First Quarter	\$ 2,214.5	\$ (1,589.9)	\$ 624.6	\$ 51.3	\$ (6.7)	\$ 44.6
Second Quarter	3,215.4	(1,819.2)	1,396.2	40.7	(8.5)	32.2
	5,429.9	(3,409.1)	2,020.8	92.0	(15.2)	76.8
2009						
First Quarter	\$ 1,399.6	\$ (2,026.1)	\$ (626.5)	\$ 26.7	\$ (5.2)	\$ 21.5
Second Quarter	2,140.9	(1,171.5)	969.4	21.6	0.2	21.8
	\$ 3,540.5	\$ (3,197.6)	\$ 342.9	\$ 48.3	\$ (5.0)	\$ 43.3

	Six Months Ended June 30,			
	2010	2009	\$ Change	% Change
Revenue earning equipment expenditures				
Car rental	\$ 5,372.5	\$ 3,497.7	\$ 1,874.8	53.6%
Equipment rental	57.4	42.8	14.6	34.1%
Total	\$ 5,429.9	\$ 3,540.5	\$ 1,889.4	53.4%

**Six Months Ended
June 30,**

	2010	2009	\$ Change	% Change
Property and equipment expenditures				
Car rental	\$ 82.2	\$ 42.0	\$ 40.2	95.7%
Equipment rental	5.7	4.0	1.7	42.5%
Other	4.1	2.3	1.8	78.3%
Total	\$ 92.0	\$ 48.3	\$ 43.7	90.5%

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The increase in our car rental operations revenue earning equipment expenditures was primarily due to higher rental volumes during the six months ended June 30, 2010 as compared to the six months ended June 30, 2009, which required us to increase our fleet levels. The increase in our equipment rental operations revenue earning equipment expenditures was primarily due to our efforts to meet the current year's goal in updating aged fleet during the six months ended June 30, 2010 as compared to the six months ended June 30, 2009.

The increase in car rental property and equipment expenditures are due to increased spending in response to an increase in demand and the opening of new off-airport locations. The level of expenditures in our equipment rental operations remained relatively the same.

Off-Balance Sheet Commitments

As of June 30, 2010 and December 31, 2009, the following guarantees (including indemnification commitments) were issued and outstanding:

Indemnification Obligations

In the ordinary course of business, we execute contracts involving indemnification obligations customary in the relevant industry and indemnifications specific to a transaction such as the sale of a business. These indemnification obligations might include claims relating to the following: environmental matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier and other commercial contractual relationships; and financial matters. Performance under these indemnification obligations would generally be triggered by a breach of terms of the contract or by a third party claim. We regularly evaluate the probability of having to incur costs associated with these indemnification obligations and have accrued for expected losses that are probable and estimable. The types of indemnification obligations for which payments are possible include the following:

Sponsors; Directors

Hertz has entered into customary indemnification agreements with Hertz Holdings, the Sponsors and our stockholders affiliated with the Sponsors, pursuant to which Hertz Holdings and Hertz will indemnify the Sponsors, our stockholders affiliated with the Sponsors and their respective affiliates, directors, officers, partners, members, employees, agents, representatives and controlling persons, against certain liabilities arising out of performance of a consulting agreement with Hertz Holdings and each of the Sponsors and certain other claims and liabilities, including liabilities arising out of financing arrangements or securities offerings. We also entered into indemnification agreements with each of our directors. We do not believe that these indemnifications are reasonably likely to have a material impact on us.

Environmental

We have indemnified various parties for the costs associated with remediating numerous hazardous substance storage, recycling or disposal sites in many states and, in some instances, for natural resource damages. The amount of any such expenses or related natural resource damages for which we may be held responsible could be substantial. The probable expenses that we expect to incur for such matters have been accrued, and those expenses are reflected in our condensed consolidated financial statements. As of June 30, 2010 and December 31, 2009, the aggregate amounts accrued for environmental liabilities, including liability for environmental indemnities, reflected in our condensed

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

consolidated balance sheet in "Accrued liabilities" were \$1.6 million and \$2.0 million, respectively. The accrual generally represents the estimated cost to study potential environmental issues at sites deemed to require investigation or clean-up activities, and the estimated cost to implement remediation actions, including on-going maintenance, as required. Cost estimates are developed by site. Initial cost estimates are based on historical experience at similar sites and are refined over time on the basis of in-depth studies of the sites. For many sites, the remediation costs and other damages for which we ultimately may be responsible cannot be reasonably estimated because of uncertainties with respect to factors such as our connection to the site, the materials there, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions, and the nature and scope of investigations, studies, and remediation to be undertaken (including the technologies to be required and the extent, duration, and success of remediation).

Risk Management

For a discussion of additional risks arising from our operations, including vehicle liability, general liability and property damage insurable risks, see "Item 1 Business Risk Management" included in our Annual Report.

Market Risks

We are exposed to a variety of market risks, including the effects of changes in interest rates, foreign currency exchange rates and fluctuations in gasoline prices. We manage our exposure to these market risks through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Derivative financial instruments are viewed as risk management tools and have not been used for speculative or trading purposes. In addition, derivative financial instruments are entered into with a diversified group of major financial institutions in order to manage our exposure to counterparty nonperformance on such instruments. For more information on these exposures, see Note 12 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

Interest Rate Risk

From time to time, we may enter into interest rate swap agreements and/or interest rate cap agreements to manage interest rate risk. See Notes 8 and 14 of the Notes to our condensed consolidated financial statements included in this Report and Notes 3 and 12 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data."

We have a significant amount of debt (including under our U.S. Fleet Debt, European Credit Facility, other international fleet debt facilities, International ABS Fleet Financing Facility and Senior ABL Facility) with variable rates of interest based generally on LIBOR, Euro inter-bank offered rate, or "EURIBOR," or their equivalents for local currencies plus an applicable margin. Increases in interest rates could therefore significantly increase the associated interest payments that we are required to make on this debt.

We have assessed our exposure to changes in interest rates by analyzing the sensitivity to our earnings assuming various changes in market interest rates. Assuming a hypothetical increase of one percentage point in interest rates on our debt portfolio as of June 30, 2010, our net income would decrease by an estimated \$30.5 million over a twelve-month period.

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Consistent with the terms of the agreements governing the respective debt obligations, we may hedge a portion of the floating rate interest exposure under the Senior Credit Facilities, the U.S. Fleet Debt, European Credit Facility and International ABS Fleet Financing Facility to provide protection in respect of such exposure.

Foreign Currency Risk

We manage our foreign currency risk primarily by incurring, to the extent practicable, operating and financing expenses in the local currency in the countries in which we operate, including making fleet and equipment purchases and borrowing for working capital needs. Also, we have purchased foreign exchange options to manage exposure to fluctuations in foreign exchange rates for selected marketing programs. The effect of exchange rate changes on these financial instruments would not materially affect our consolidated financial position, results of operations or cash flows. Our risks with respect to foreign exchange options are limited to the premium paid for the right to exercise the option and the future performance of the option's counterparty.

We also manage exposure to fluctuations in currency risk on intercompany loans we make to certain of our subsidiaries by entering into foreign currency forward contracts at the time of the loans which are intended to offset the impact of foreign currency movements on the underlying intercompany loan obligations.

On October 1, 2006, we designated our Senior Euro Notes as an effective net investment hedge of our Euro-denominated net investment in our international operations.

See Note 14 of the Notes to our condensed consolidated financial statements included in this Report.

Other Risks

We purchase unleaded gasoline and diesel fuel at prevailing market rates. In January 2009, we began a program to manage our exposure to changes in fuel prices through the use of derivative commodity instruments. See Note 14 of the Notes to our condensed consolidated financial statements included in this Report.

Inflation

The increased cost of vehicles is the primary inflationary factor affecting us. Many of our other operating expenses are also expected to increase with inflation, including health care costs and gasoline. Management does not expect that the effect of inflation on our overall operating costs will be greater for us than for our competitors.

Income Taxes

In January 2006, we implemented a LKE Program for our U.S. car rental business. Pursuant to the program, we dispose of vehicles and acquire replacement vehicles in a form intended to allow such dispositions and replacements to qualify as tax-deferred "like-kind exchanges" pursuant to section 1031 of the Internal Revenue Code. The program has resulted in deferral of federal and state income taxes for fiscal 2007, 2008 and 2009. A LKE Program for HERC has been in place for several years. The program allows tax deferral if a qualified replacement asset is acquired within a specific time period after asset disposal. Accordingly, if a qualified replacement asset is not purchased within this limited time period, taxable gain is recognized. For strategic purposes, such as cash management and fleet reduction, we have triggered some taxable gains in the program. The bankruptcy filing of an original equipment

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

manufacturer, or "OEM," also resulted in minimal gain recognition. We had sufficient net operating losses to fully offset the taxable gains recognized. We cannot offer assurance that the expected tax deferral will continue or that the relevant law concerning the programs will remain in its current form. An extended reduction in purchases or downsizing of our car rental fleet could result in reduced deferrals in the future, which in turn could require us to make material cash payments for federal and state income tax liabilities. Our inability to obtain replacement financing as our fleet financing facilities mature would likely result in an extended reduction in purchases or downsizing of the fleet. However, we believe the likelihood of making material cash payments in the near future is low because of our significant net operating losses. For a discussion of risks related to our reliance on asset-backed financing to purchase cars, see "Item 1A Risk Factors" included in this Report.

On January 1, 2009, Bank of America acquired Merrill Lynch & Co., Inc., the parent company of MLGPE. Accordingly, Bank of America is now an indirect beneficial owner of our common stock held by MLGPE and certain of its affiliates. For U.S. income tax purposes the transaction, when combined with other unrelated transactions during the previous 36 months, resulted in a change in control as that term is defined in Section 382 of the Internal Revenue Code. Consequently, utilization of all pre-2009 U.S. net operating losses is subject to an annual limitation. The limitation is not expected to result in a loss of net operating losses or have a material adverse impact on taxes.

Employee Retirement Benefits

Pension

We sponsor defined benefit pension plans worldwide. Pension obligations give rise to significant expenses that are dependent on assumptions discussed in Note 4 of the Notes to our audited annual consolidated financial statements included in our Annual Report under the caption "Item 8 Financial Statements and Supplementary Data." Based on present assumptions, our 2010 worldwide pre-tax pension expense is expected to be approximately \$39.1 million, which would represent an increase of \$3.2 million from 2009. The anticipated increase in expense compared to 2009 is primarily due to the lower discount rates. We expect to contribute up to \$54.0 million to our U.S. pension plan in the full year of 2010. These contributions are necessary primarily because of the significant decline in asset values.

We participate in various "multiemployer" pension plans administered by labor unions representing some of our employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. In the event that we withdraw from participation in one of these plans, then applicable law could require us to make an additional lump-sum contribution to the plan, and we would have to reflect that as an expense in our consolidated statement of operations and as a liability on our condensed consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. In the ordinary course of our renegotiation of collective bargaining agreements with labor unions that maintain these plans, we could decide to discontinue participation in a plan, and in that event, we could face a withdrawal liability. Some multiemployer plans, including one in which we participate, are reported to have significant underfunded liabilities. Such underfunding could increase the size of our potential withdrawal liability.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 3 of the Notes to our condensed consolidated financial statements included in this Report.

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Other Financial Information

The interim financial information included in this Report has not been audited by PricewaterhouseCoopers LLP, or "PwC." In reviewing this interim financial information, PwC has applied limited procedures in accordance with professional standards for reviews of interim financial information. Accordingly, reliance on their reports on this information should be restricted. PwC is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for its reports on the interim financial information because their reports do not constitute "reports" or "parts" of registration statements prepared or certified by PwC within the meaning of Sections 7 and 11 of the Securities Act of 1933.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There is no material change in the information reported under "Part II, Item 7A Quantitative and Qualitative Disclosures About Market Risk," included in our Annual Report for the fiscal year ended December 31, 2009. See "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations Market Risks," included in this Report.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in company reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

An evaluation of the effectiveness of our disclosure controls and procedures was performed under the supervision of, and with the participation of, management, including our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered by this Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

An evaluation of our internal controls over financial reporting was performed under the supervision of, and with the participation of, management, including our Chief Executive Officer and Chief Financial Officer, to determine whether any changes have occurred during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that no changes in our internal control over financial reporting have occurred during the three months ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of certain pending legal proceedings, see Note 10 of the Notes to our annual audited consolidated financial statements included in our Annual Report.

The following recent developments pertaining to legal proceedings described in our Annual Report are furnished on a supplemental basis:

In June 2010, in *Janet Sobel, Daniel Dugan, PhD. and Lydia Lee, individually and on behalf of all others similarly situated v. The Hertz Corporation and Enterprise Rent-A-Car Company*, the Lydia Lee case was refiled separately against Enterprise. Thereafter, Hertz and Enterprise jointly engaged in a mediation with the plaintiffs. That mediation has now resulted in a proposed settlement for an immaterial amount that will need to be incorporated into a Settlement Agreement. Once executed by the parties, the Settlement Agreement will be presented to the court for its approval.

In June 2010, in *Michael Shames and Gary Gramkow v. The Hertz Corporation, Dollar Thrifty Automotive Group, Inc., Avis Budget Group, Inc., Vanguard Car Rental USA, Inc., Enterprise Rent-A-Car Company, Fox Rent A Car, Inc. Coast Leasing Corp., The California Travel and Tourism Commission, and Caroline Beteta*, a three judge panel of the United States Court of Appeals for the Ninth Circuit affirmed the dismissal of the plaintiffs' antitrust claim against the California Travel and Tourism Commission as a state agency immune from an antitrust complaint because the California legislature foresaw the alleged price-fixing conspiracy that was the subject of the plaintiffs' complaint. The plaintiffs subsequently filed a petition with the United States Court of Appeals for the Ninth Circuit seeking to have all of the judges on the Ninth Circuit review the decision of the three judge panel.

Aside from the above mentioned, there were no material changes in the legal proceedings described in our Annual Report and in our quarterly report on Form 10-Q for the period ended March 31, 2010 and we are not otherwise required to disclose any pending legal proceedings in response to Item 103 of Regulation S-K.

ITEM 1A. RISK FACTORS

The following risk factors amend and restate the risk factors presented in our Annual Report, quarterly report on Form 10-Q for the period ended March 31, 2010, and our Form 8-K filed on June 9, 2010 in their entirety. In addition to the other information included in this Report and the Annual Report, you should carefully consider each of the following risks and uncertainties. We believe that the following information identifies the material risks and uncertainties affecting our company, but it is possible that other risks and uncertainties might significantly impact us. Risks that we are not aware of could arise, and issues that we now view as minor could become more important. Any of those risks and uncertainties may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to Our Business

The car and equipment rental industry is significantly affected by general economic conditions, and any further decreases in general economic activity could materially and adversely affect our financial condition and results of operations.

Our results of operations are affected by many economic factors, including the level of economic activity in the markets in which we operate. The United States and international markets have experienced a significant decline in economic activity that has affected the car rental market, including a tightening of the credit markets, reduced business and leisure travel, reduced consumer spending and volatile fuel prices. In the equipment rental business, the decline in economic activity has resulted in a decline in activity in construction and other businesses in which our equipment rental customers operate.

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

Accordingly, the car and equipment rental industries have both experienced unprecedented declines in volume and demand. See "Item 1 Business Worldwide Car Rental Fleet" and "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Overview" included in our Annual Report. Although there have recently been signs of an economic recovery, if economic conditions in the United States and worldwide again worsen or do not continue to improve, our financial condition and results of operations could be materially and adversely impacted in the remainder of 2010 and beyond.

Our car rental business, which provides the majority of our revenues, is particularly sensitive to reductions in the levels of airline passenger travel, and any further reduction in air travel could materially adversely impact our financial condition and results of operations.

The car rental industry is particularly affected by reductions in business and leisure travel, especially with respect to levels of airline passenger traffic. Approximately 84% of our worldwide revenues during 2009 were provided by our car rental segment, and we estimate that approximately 67% of these car rental revenues were generated at our airport rental locations. Further reductions in levels of air travel, whether caused by general economic conditions, airfare increases (e.g., due to capacity reductions or increases in fuel costs borne by commercial airlines) or other events such as work stoppages, military conflicts, terrorist incidents, natural disasters (such as the recent volcanic ash cloud over substantial parts of Europe), epidemic diseases, or the response of governments to any of these events, could materially and adversely affect us.

We face intense competition that may lead to downward pricing, or an inability to increase prices.

The markets in which we operate are highly competitive. See "Item 1 Business Worldwide Car Rental Competition" and "Item 1 Business Worldwide Equipment Rental Competition" included in our Annual Report. We believe that price is one of the primary competitive factors in the car and equipment rental markets and that the Internet has enabled cost-conscious customers, including business travelers, to more easily obtain the lowest rates available from car rental companies for any given trip. If we try to increase our pricing, our competitors, some of whom may have greater resources and better access to capital than us, may seek to compete aggressively on the basis of pricing. In addition, our competitors may reduce prices in order to attempt to gain a competitive advantage or to compensate for declines in rental activity associated with reductions in economic activity. To the extent we do not match or remain within a reasonable competitive margin of our competitors' pricing, or if competitive pressures lead us to match any of our competitors' downward pricing and we are not able to reduce our operating costs, our margins and results of operations could be materially and adversely impacted.

Our business is highly seasonal and any occurrence that disrupts rental activity during our peak periods could constrain our liquidity and adversely affect our results of operations.

Certain significant components of our expenses are fixed in the short-run, including minimum concession fees, real estate taxes, rent, insurance, utilities, maintenance and other facility-related expenses, the costs of operating our information technology systems and minimum staffing costs. Seasonal changes in our revenues do not alter those fixed expenses, typically resulting in higher profitability in periods when our revenues are higher and lower profitability in periods when our revenues are lower. The second and third quarters of the year have historically been our strongest quarters in both our car and equipment rental segments due to their increased levels of leisure travel and construction activity. Any occurrence that disrupts rental activity during the second or third quarters could have a disproportionately material adverse effect on our liquidity and results of operations.

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

We may not be successful in our business strategy to expand into the off-airport rental market.

We have been increasing our presence in the off-airport car rental market in the United States and intend to continue to pursue profitable growth opportunities through a combination of selected new location openings, a disciplined evaluation of and strategic changes with respect to existing locations, and the pursuit of same-store sales growth. In order to increase revenues at our existing, and any new, off-airport locations, we believe that we will need to successfully market to insurance companies and other companies that provide rental referrals to those needing cars while their vehicles are being repaired or are temporarily unavailable for other reasons, as well as to the renters themselves. Since some of our competitors have a more established presence in the off-airport car rental market than we do, it may be difficult for us to successfully market our off-airport rental car services to these individuals and organizations. In addition, revenues at new off-airport locations usually do not initially cover their start-up costs and often do not, for some time, cover the costs of their ongoing operation. As a result, it may take some time before various of our new facilities are profitable. See "Item 1 Business Worldwide Car Rental Operations" included in our Annual Report. Our competitors, some of which have greater market share than we do in the off-airport rental market, may also try to increase their presence in that market, which could make it more difficult for this business strategy to succeed. If we are unable to grow profitably in our off-airport network and properly react to changes in market conditions, our financial condition and results of operations could be materially adversely affected.

A downsizing of our rental car fleet could require us to make additional cash payments for tax liabilities, which could be material.

The Like-Kind Exchange Program, or "LKE Program," allows tax gains on the disposition of vehicles in our car rental fleet to be deferred and has resulted in deferral of federal and state income taxes for fiscal 2007, 2008 and 2009. The LKE Program allows tax deferral if a qualified replacement asset is acquired within a specific time period after asset disposal. Accordingly, if a qualified replacement asset is not purchased within this limited time period, taxable gain is recognized. For strategic purposes, such as cash management and fleet reduction, we have in the past triggered some taxable gains in the LKE Program, and the bankruptcy filing of a manufacturer of vehicles in our car rental fleet has also resulted in minimal taxable gains. An extended reduction in purchases or downsizing of our car rental fleet could result in reduced deferrals in the future, which in turn could require us to make material cash payments for federal and state income tax liabilities. Our inability to obtain replacement financing as our debt matures would likely result in an extended reduction in purchases or downsizing of the fleet. See "Our reliance on asset-backed financing to purchase cars subjects us to a number of risks, many of which are beyond our control" included in our Annual Report.

If we are unable to purchase adequate supplies of competitively priced cars or equipment and the cost of the cars or equipment we purchase increases, our financial condition and results of operations may be materially adversely affected.

Historically we have purchased more of the cars we rent from Ford than from any other automobile manufacturer. However, our master supply and advertising agreement with Ford expires on August 31, 2010. We do not expect to extend the master supply and advertising agreement with Ford beyond its current term and to date, we have not entered into any long-term car supply arrangements with manufacturers other than Ford.

In addition, certain car manufacturers, including Ford, have adopted strategies to de-emphasize sales to the car rental industry, which they view as less profitable due to historical sales incentive and other discount programs that tended to lower the average cost of cars for fleet purchasers such as us.

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

Furthermore, a number of the manufacturers that we purchase cars from have experienced financial difficulties, such that their ability to continue to supply us with cars on competitive terms and conditions has come into question. By way of an example, New General Motors, or "General Motors Company," which required significant government assistance during 2009, manufactured approximately 29% of the cars purchased for our U.S. car fleet and 18% of the cars purchased for our international fleet during the six months ended June 30, 2010. In the event that General Motors Company, or any other manufacturer from which we purchase cars, were to cease manufacturing and selling automobiles, we would have to increase the number of vehicles we purchase from other manufacturers, or start purchasing vehicles from one or more manufacturers from which we do not currently purchase vehicles. In addition, it is possible that a manufacturer experiencing financial difficulties could attempt to increase the cost of the cars they sell to us. There can be no guarantee that, in such a circumstance, we would be able to purchase a sufficient number of vehicles at purchase prices similar to those for the vehicles we currently purchase, or at all. If we are not able to purchase sufficient quantities of cars on competitive terms and conditions, or if a manufacturer from whom we purchase a significant number of cars or equipment is unable to continuing supplying us with cars, then the cost of the cars we purchase may increase. Reduced or limited supplies of equipment together with increased prices are risks that we also face in our equipment rental business. If we are unable to pass on any increased costs to our customers, our financial condition and results of operations may be materially and adversely affected.

Declines in the value of the non-program cars in our fleet due to decreases in residual values could adversely impact our financial condition and results of operations.

For the six months ended June 30, 2010, approximately 63% of the cars purchased in our combined U.S. and international car rental fleet were subject to repurchase by car manufacturers under contractual repurchase or guaranteed depreciation programs. We pay more to purchase these "program cars", in exchange for the car manufacturers agreeing to repurchase these cars at a specified price, or guaranteeing the depreciation rate on the cars during a specified time period. While the repurchase price and/or depreciation rate is typically subject to certain conditions, including the condition of the car, mileage and holding period requirements, the use of program cars limits our risk that the market value of a car at the time of its disposition will be less than its estimated residual value at such time.

The use of program cars enables us to determine our depreciation expense in advance. This predictability is useful to us, since depreciation is a significant cost factor in our operations. Having program cars in our fleet is also useful in managing our seasonal peak demand for fleet, because in certain cases we can, if we deem it necessary, sell certain of the program cars shortly after having acquired them. If a program car is damaged and we are unable to recover the cost of the damage from our customer or another third party or the car otherwise becomes ineligible for return or sale under the relevant program, our loss upon the disposition of the car will be larger than if the car had been a non-program car, because our initial investment in the car was larger. Over the past five years, the percentage of our car rental fleet subject to repurchase or guaranteed depreciation programs has substantially decreased due primarily to changes in the overall terms offered by automobile manufacturers under repurchase or guaranteed depreciation programs and concerns such as the credit-worthiness of the U.S. vehicle manufacturers. Accordingly, we are now bearing increased risk relating to the residual value and the related depreciation on our car rental fleet. In addition, our flexibility to reduce the size of our fleet by returning cars sooner than originally expected without risk of loss in the event of an economic downturn or to respond to changes in rental demand has been reduced as the percentage of program cars in our car rental fleet has decreased materially. Any decrease in residual values, including in connection with a decline in economic activity, a decline in a manufacturers reputation due to a significant product recall, or the unexpected announcement by a manufacturer of the

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

eventual or immediate elimination of a model or nameplate, either due to their bankruptcy or otherwise, could have a material adverse effect on residual values realized on the disposition of our non-program cars and equipment and the value of the non-program cars and equipment we own, which could materially adversely affect our financial condition and results of operations.

The failure of a manufacturer of cars that we own to fulfill its obligations under a repurchase or guaranteed depreciation program could expose us to loss on those cars and adversely impact our outstanding asset-backed financing facilities, which could in turn adversely affect our liquidity and results of operations.

If any manufacturer of our cars does not fulfill its obligations under its repurchase or guaranteed depreciation obligations with us, whether due to a default, future reorganization, bankruptcy or otherwise, we would have to dispose of those program cars without the benefit of the associated programs. Accordingly, our expenses associated with the disposition of these cars could increase, we would be exposed to residual risk with respect to these cars and we could be left with a substantial unpaid claim against the manufacturer with respect to program cars that were sold and returned to the car manufacturer but not paid for, or that were sold for less than their agreed repurchase price or guaranteed value. The amount of these outstanding claims fluctuates throughout the year depending on how many cars we sell back to the car manufacturer. For the year ended December 31, 2009, the highest outstanding month-end receivable balance for cars sold to a single manufacturer was \$95.4 million owed by Hyundai Motor Company in January 2009, which was subsequently paid. There is no guarantee that we will be paid these amounts by any car manufacturer that files for bankruptcy protection in the future and/or otherwise ceases operations. Any failure by a manufacturer to pay such amounts due could, among other things, cause a credit enhancement deficiency with respect to our asset-backed financing, in which case the collateral requirements for such facilities could be increased. In addition, because we obtain a substantial portion of our financing in reliance on repurchase and guaranteed depreciation programs, the failure of our car manufacturers to fulfill their current repurchase obligations, or modification or elimination of those programs in the future, or significant adverse changes in the financial condition of our car manufacturers, including a bankruptcy filing by a significant supplier, could reduce our ability to acquire new cars under our outstanding asset-backed financing facilities, and could in the future make vehicle-related debt financing more difficult to obtain on reasonable terms. See " Our reliance on asset-backed financing to purchase cars subjects us to a number of risks, many of which are beyond our control."

Any reduction in the value of our fleet could effectively increase our fleet costs, adversely impact our profitability and potentially lead to decreased capacity in our asset-backed vehicle financing facilities due to the collateral requirements for such facilities which effectively increase as market values for vehicles decrease. As a result, our ability to utilize our asset-backed vehicle financing programs to acquire new vehicles for our rental fleet may be limited. In addition, if disposal of vehicles in the used vehicle marketplace were to become severely limited at a time when required collateral levels were rising and as a result we failed to meet the minimum required collateral levels, the principal under our asset-backed financing facilities may be required to be repaid sooner than anticipated with vehicle disposition proceeds and lease payments we make to our vehicle program subsidiary. If that were to occur, the holders of our asset-backed debt may have the ability to exercise their right to direct the trustee to foreclose on and sell vehicles to generate proceeds sufficient to repay such debt.

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

We may not be successful in implementing our strategy of reducing operating costs, and/or our cost reduction initiatives may have other adverse consequences.

As a result of the challenging economic environment, we are implementing initiatives to reduce our operating expenses. These initiatives include headcount reductions, business process outsourcing, business process re-engineering and internal reorganization, as well as other expense controls. We cannot assure you that we will be able to implement our cost reduction initiatives successfully, or at all. For the six months ended June 30, 2010, we incurred \$38.3 million of restructuring and restructuring related costs associated with our cost reduction initiatives, and we anticipate incurring further expenses throughout the remainder of 2010, some of which may be material in the period in which they are incurred.

Even if we are successful in our cost reduction initiatives, we may face other risks associated with our plans, including declines in employee morale or the level of customer service we provide, the efficiency of our operations or the effectiveness of our internal controls. Any of these risks could have a material adverse impact on our results of operations, financial condition and cash flows. In addition, investors or securities analysts who cover our common stock may not agree that these changes will be beneficial, and our stock price may decline as a result.

An impairment of our goodwill and/or our indefinite lived intangible assets could have a material non-cash adverse impact on our results of operations.

We review our goodwill and indefinite lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable and at least annually. We have performed our annual impairment tests for goodwill and indefinite lived intangible assets during the fourth quarter of 2009 and concluded that there was no impairment related to our goodwill and our indefinite-lived intangible assets. We have taken a number of actions as described elsewhere in our Annual Report to mitigate the impact of these negative factors on our projected future cash flows. However, if further economic deterioration occurs, we may be required to record additional charges for goodwill and/or indefinite lived intangible asset impairments in the future, which could have a material adverse non-cash impact on our results of operations.

Significant increases in fuel costs or reduced supplies of fuel could harm our business.

Fuel prices have been volatile recently, and could fluctuate severely and/or increase overall in 2010. Significant increases in fuel prices, fluctuations in fuel supplies or imposition of mandatory allocations or rationing of fuel, could negatively impact our car rental business by directly discouraging consumers from renting cars or disrupting air travel, on which a significant portion of our car rental business relies. In addition, significant increases in fuel prices and/or a reduction in fuel supplies could negatively impact our equipment rental business by increasing the cost of buying new equipment, since fuel is used in the manufacturing process and in delivering equipment to us, and by reducing the mobility of our fleet, due to higher costs of transporting equipment between facilities or regions. Accordingly, significant increases in fuel prices or a severe or protracted disruption in fuel supplies could have a material adverse effect on our financial condition and results of operations.

Our foreign operations expose us to additional risks that may materially adversely affect our results of operations.

A significant portion of our annual revenues are generated outside the United States, and we intend to pursue additional international growth opportunities. Operating in a large number of different regions

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

and countries exposes us to varying risks, as well as multiple and often conflicting foreign regulatory requirements that are also subject to change. Some of those risks include:

Multiple foreign regulatory requirements and laws that are often much different than the domestic laws in the United States, including laws relating to the protection of our trademarks and other intellectual property;

The effect of foreign currency translation risk, as well as limitations on our ability to repatriate income;

Varying tax regimes, including consequences from changes in applicable tax laws;

Local ownership and/or investment requirements, as well as difficulties in obtaining financing in foreign countries for local operations; and

Political and economic instability, natural calamities, war, and terrorism.

The effects of these risks may, individually or in the aggregate, materially and adversely affect our results of operations and ability to diversify internationally.

Manufacturer safety recalls could create risks to our business.

Our cars may be subject to safety recalls by their manufacturers. For example, in early 2010 Toyota announced recalls. Under certain circumstances, the recalls may cause us to attempt to retrieve cars from renters, and/or to decline to re-rent returned cars until we can arrange for the steps described in the recalls to be taken. We could also face liability claims if recalls affect cars that we have already sold. If a large number of cars are the subject of simultaneous recalls, or if needed replacement parts are not in adequate supply, we may not be able to re-rent recalled cars for a significant period of time. Those types of disruptions could jeopardize our ability to fulfill existing contractual commitments and/or satisfy demand for our vehicles, and could also result in the loss of business to our competitors. Depending on the severity of any recall, it could materially adversely affect our revenues, create customer service problems, reduce the residual value of the cars involved and harm our general reputation.

Our business is heavily reliant upon communications networks and centralized information technology systems.

We rely heavily on information technology systems to accept reservations, process rental and sales transactions, manage our fleets of cars and equipment, account for our activities and otherwise conduct our business. While our reliance on this technology lowers our cost of providing service and expands our service capabilities, it exposes us to various risks that could cause a loss of reservations, interfere with our ability to manage our fleet, slow rental and sales processes and otherwise materially adversely affect our ability to manage our business effectively. While our systems back-up plans, business continuity plans and insurance programs are designed to mitigate such a risk, they do not eliminate it. In addition, for any of these key business processes which we outsource, the outsourcing service providers would likely be subject to similar risks. Any disruption, termination, or substandard provision of these services could adversely affect our brand, customer relationships, operating results and financial condition.

The concentration of our reservations, accounting and information technology functions at a limited number of facilities creates risks for us.

We have centralized our reservations function for the United States in one facility in Oklahoma City, Oklahoma, and we have concentrated our accounting functions for the United States in two facilities in Oklahoma City. Our reservations and accounting functions for our European operations are similarly

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

centralized in a single facility near Dublin, Ireland. In addition, our major information technology systems are centralized in two of our facilities in Oklahoma City. A disruption of normal business at any of our principal facilities in Oklahoma City or Dublin, whether as the result of localized conditions (such as a fire or explosion) or as the result of events or circumstances of broader geographic impact (such as an earthquake, storm, flood, epidemic, strike, act of war, civil unrest or terrorist act), could materially adversely affect our business by disrupting normal reservations, customer service, accounting and systems activities. If we outsource key business processes in the future, the outsourcing service providers may concentrate their activities on our behalf at a small number of locations, entailing similar or potentially greater risks. There can be no assurance that our systems designs, business continuity plans and insurance programs will be able to successfully mitigate or eliminate these risks, and this is particularly true with respect to events of broad geographic impact.

The misuse or theft of information we possess could harm our brand, reputation or competitive position and give rise to material liabilities.

Because we regularly possess, store and handle non-public information about millions of individuals and businesses, our failure to maintain the security of the data we hold, whether as the result of our own error or the malfeasance or errors of others, could harm our reputation and give rise to a host of liabilities. Any such liabilities could lead to lower revenues, increased costs and other material adverse effects on our results of operations. Depending on the type of information involved, the nature of our relationship with the person or entity to which the information relates, the cause and the jurisdiction whose laws are applicable etc., any misuse or theft of information could also result in governmental investigations and material civil or criminal liability. The laws that would be applicable to such a failure are rapidly evolving, but are generally becoming more burdensome. See " Changes in the U.S. and foreign legal and regulatory environment that affect our operations, including laws and regulations relating to the insurance products we sell, consumer privacy, data security, employment matters, taxes, automobile-related liability and insurance rates, could disrupt our business, increase our expenses or otherwise have an adverse impact on our results of operations."

Maintaining favorable brand recognition is essential to our success, and failure to do so could materially and adversely affect our results of operations.

Favorable brand recognition is important to our future success. While our Hertz brand name is one of the most recognized in the world, factors affecting brand recognition are often outside our control, and our efforts to maintain or enhance favorable brand recognition, such as making significant investments in marketing and advertising campaigns, may not have their desired effects. In addition, although our licensing partners are subject to contractual requirements to protect our brands, it may be difficult to monitor or enforce such requirements, particularly in foreign jurisdictions. Any decline in perceived favorable recognition of our brands could materially and adversely affect our results of operations.

Our business operations could be significantly disrupted if we were to lose the services of members of our senior management team.

Our senior management team has extensive industry experience, and our success depends to a significant degree upon the continued contributions of that team. If we were to lose the services of any one or more members of our senior management team, whether due to death, disability or termination of employment, our ability to successfully implement our business strategy, financial plans, marketing and other objectives, could be significantly impaired.

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

We may pursue strategic transactions in the future, which could be difficult to implement, disrupt our business or change our business profile significantly.

We will continue to consider opportunistic strategic transactions, which could involve acquisitions or dispositions of businesses or assets. Any future strategic transaction could involve numerous risks, including:

potential disruption of our ongoing business and distraction of management;

difficulty integrating acquired businesses or segregating assets to be disposed of;

exposure to unknown and/or contingent or other liabilities, including litigation arising in connection with the acquisition, disposition and/or against any businesses we may acquire; and

changing our business profile in ways that could have unintended consequences.

If we enter into significant strategic transactions in the future, related accounting charges may affect our financial condition and results of operations, particularly in the case of any acquisitions. In addition, the financing of any significant acquisition may result in changes in our capital structure, including the incurrence of additional indebtedness. Conversely, any material disposition could reduce our indebtedness or require the amendment or refinancing of a portion of our outstanding indebtedness. We may not be successful in addressing these risks or any other problems encountered in connection with any strategic transactions.

If we experience a change in ownership of a material percentage of our equity without obtaining certain approvals, our results of operations and financial condition could be materially adversely affected.

A substantial number of our airport concession agreements, as well as certain of our other agreements with third parties, require the consent of the airports' operators or other parties in connection with a change in the ownership of a material percentage of our equity. Certain changes in the ownership of our equity could also require the approval of other governmental authorities (including insurance regulators, regulators of our retail used car sales activities and antitrust regulators), and we cannot offer assurance that those approvals would be obtained on terms acceptable to us. If our owners were to change their ownership of us without obtaining the necessary approvals, or if significant conditions on our operations were imposed in connection with obtaining such approvals, our ability to conduct our business could be impaired, resulting in a material adverse effect on our results of operations and financial condition.

We face risks related to liabilities and insurance.

Our businesses expose us to claims for personal injury, death and property damage resulting from the use of the cars and equipment rented or sold by us, and for workers' compensation claims and other employment-related claims by our employees. Currently, we generally self-insure up to \$10 million per occurrence in the United States and Europe for vehicle and general liability exposures, and we also maintain insurance with unaffiliated carriers in excess of such levels up to \$200 million per occurrence for the current policy year, or in the case of international operations outside of Europe, in such lower amounts as we deem adequate given the risks. We cannot assure you that we will not be exposed to uninsured liability at levels in excess of our historical levels resulting from multiple payouts or otherwise, that liabilities in respect of existing or future claims will not exceed the level of our insurance, that we will have sufficient capital available to pay any uninsured claims or that insurance with unaffiliated carriers will continue to be available to us on economically reasonable terms or at all. See "Item 1 Business Risk Management" and "Item 3 Legal Proceedings" included in our Annual Report.

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

We could face significant withdrawal liability if we withdraw from participation in one or more multiemployer pension plans in which we participate.

We participate in various "multiemployer" pension plans administered by labor unions representing some of our employees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. In the event that we withdraw from participation in one of these plans, then applicable law could require us to make an additional lump-sum contribution to the plan, and we would have to reflect that as an expense in our consolidated statement of operations and as a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. In the ordinary course of our renegotiation of collective bargaining agreements with labor unions that maintain these plans, we may decide to discontinue participation in a plan, and in that event, we could face a withdrawal liability. Some multiemployer plans, including one in which we participate, are reported to have significant underfunded liabilities. Such underfunding could increase the size of our potential withdrawal liability.

Environmental laws and regulations and the costs of complying with them, or any liability or obligation imposed under them, could adversely affect our financial position, results of operations or cash flows.

We are subject to federal, state, local and foreign environmental laws and regulations in connection with our operations, including, among other things, with respect to the ownership and operation of tanks for the storage of petroleum products, such as gasoline, diesel fuel and motor and waste oils. We have established a compliance program for our tanks that is intended to ensure that the tanks are properly registered with the state or other jurisdiction in which the tanks are located and have been either replaced or upgraded to meet applicable leak detection and spill, overfill and corrosion protection requirements. However, we cannot assure you that these tank systems will at all times remain free from undetected leaks or that the use of these tanks will not result in significant spills or leakage. If leakage or a spill occurs, it is possible that the resulting costs of investigation and remediation, as well as any resulting fines, could be significant.

We have made, and will continue to make, expenditures to comply with environmental laws and regulations, including expenditures for the cleanup of contamination at or emanating from, currently and formerly owned and leased properties, as well as contamination at other locations at which our wastes have reportedly been identified. We cannot assure you that compliance with existing or future environmental legislation and regulations will not require material expenditures by us or otherwise have a material adverse effect on our consolidated financial position, results of operations or cash flows. See "Item 1 Business Governmental Regulation and Environmental Matters" included in our Annual Report.

Changes in the U.S. and foreign legal and regulatory environment that affect our operations, including laws and regulations relating to the insurance products we sell, consumer privacy, data security, employment matters, taxes, automobile-related liability and insurance rates, could disrupt our business, increase our expenses or otherwise have an adverse impact on our results of operations.

We are subject to a wide variety of laws and regulations in the United States and the other countries and jurisdictions in which we operate, and changes in the level of government regulation of our business have the potential to materially alter our business practices and adversely affect our financial position and results of operations, including our profitability. Depending on the jurisdiction, those changes may

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

come about through new legislation, the issuance of new laws and regulations or changes in the interpretation of existing laws and regulations by a court, regulatory body or governmental official.

The optional liability insurance policies and products providing insurance coverage in our domestic car rental operations are conducted pursuant to limited licenses or exemptions under state laws governing the licensing of insurance providers. In our international car rental operations, our offering of optional products providing insurance coverage historically has not been regulated. See "Item 1 Business Risk Management" included in our Annual Report for further discussion regarding how changes in the regulation of insurance intermediaries may affect us internationally. Any changes in U.S. or foreign law that change our operating requirements with respect to optional insurance products could increase our costs of compliance or make it uneconomical to offer such products, which would lead to a reduction in revenue and profitability. If customers decline to purchase supplemental liability insurance products from us as a result of any changes in these laws or otherwise, our results of operations could be materially adversely affected.

Laws in many countries and jurisdictions limit the types of information we may collect about individuals with whom we deal or propose to deal, as well as how we collect, retain and use the information that we are permitted to collect. In addition, the centralized nature of our information technology systems requires the routine flow of information about customers and potential customers across national borders, particularly into the United States. The regulations applicable to privacy and data security are rapidly evolving, and additional regulation in those areas, some of it potentially difficult for us to accommodate, is frequently proposed and occasionally adopted. Thus, changes in the worldwide legal and regulatory environment in the areas of customer privacy, data security and cross-border data flows could have a material adverse effect on our business, primarily through the impairment of our marketing and transaction processing activities, and the resulting costs of complying with such requirements. It is also possible that we could face significant liability for failing to comply with any such existing, or new, requirements.

In most places where we operate, we pass through various expenses, including the recovery of vehicle licensing costs and airport concession fees, to our rental customers as separate charges. We believe that our expense pass-throughs, where imposed, are properly disclosed and are lawful. Generally speaking, expense pass-throughs have, when challenged, been upheld in court. We may in the future be subject to potential legislative changes or administrative action which could limit, restrict and/or prohibit our ability to separately state, charge and recover such costs, which would result in an adverse cost reallocation. If such actions were taken, it could have a material adverse impact on our revenues and results of operations.

Investment funds associated with Clayton, Dubilier & Rice, LLC, The Carlyle Group and BAML Capital Partners (formerly Merrill Lynch Global Private Equity) will continue to exercise significant control over Hertz's management and policies, and may have interests that differ from yours.

Investment funds associated with Clayton, Dubilier & Rice, LLC, The Carlyle Group and BAML Capital Partners (formerly Merrill Lynch Global Private Equity) (collectively, referred to as the "Sponsors") currently beneficially own approximately 51%, in the aggregate of the outstanding shares of the common stock of Hertz Holdings and, following the proposed merger with Dollar Thrifty, would own approximately 49% of Hertz Holdings' common stock in the aggregate, without giving effect to the issuance by Hertz Holdings of shares of its common stock pursuant to currently vested equity compensation awards with respect to Hertz Holdings' common stock or to currently vested options to purchase Dollar Thrifty common stock that will be converted into options to purchase Hertz Holdings common stock in the merger or to options or equity compensation awards that will vest prior to the closing, including options

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

for which the vesting is accelerated in connection with the closing. These funds and Hertz Holdings are parties to a stockholders agreement, pursuant to which the funds have agreed to vote in favor of nominees to Hertz Holdings' board of directors nominated by the other funds. As a result, the Sponsors control Hertz Holdings and its board of directors, and will continue to have significant influence over matters requiring stockholder approval and our policy and affairs for so long as the investment funds associated with the Sponsors continue to hold a significant amount of Hertz Holdings common stock. There can be no assurance that the interests of the Sponsors will not conflict with those of other Hertz Holdings stockholders. The Sponsors have the ability to prevent any transaction that requires the approval of stockholders, including many possible change in control transactions, regardless of whether or not other Hertz Holdings stockholders believe that such a transaction is in their own best interests. Additionally, the Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly with us. One or more of the Sponsors may also pursue acquisition opportunities and other corporate opportunities that may be complementary to our business and as a result, those opportunities may not be available to us. So long as the Sponsors continue to have influence over the election of directors or directly or indirectly own a significant percentage of the outstanding shares of Hertz Holdings common stock, even if this percentage is less than 50%, the Sponsors will continue to be able to strongly influence our decisions.

In addition, Hertz Holdings is currently a "controlled company" within the meaning of the New York Stock Exchange, or "NYSE," rules because the investment funds associated with the Sponsors, who beneficially own over 50% of Hertz Holdings' outstanding common stock in the aggregate, are parties to the stockholders agreement, and Hertz Holdings is therefore not required to comply with certain corporate governance requirements of the NYSE. Under the stockholders agreement, these funds currently have the right to nominate all of the directors of Hertz Holdings. It is expected that Hertz Holdings will cease to be a controlled company within the meaning of the NYSE rules following the merger with Dollar Thrifty. In such event, the stockholders agreement provides that, if required to comply with NYSE rules, the number of directors that each of these funds is entitled to nominate may be reduced, or the board may be expanded. However, certain other provisions of the stockholders agreement will remain in effect, and Hertz Holdings will continue to be subject to, and the rights of Dollar Thrifty stockholders will consequently be impacted by, the stockholders agreement following the merger.

Risks Relating to Our Substantial Indebtedness

Our substantial level of indebtedness could adversely affect our results of operations, cash flows and ability to compete in our industry.

As of June 30, 2010, we had debt outstanding of \$11,693.8 million and a debt to equity ratio, calculated using the total amount of our outstanding debt net of unamortized discounts, of 6.1 to 1. Our substantial debt could have important consequences to us. For example, it could:

make it more difficult for us to satisfy our obligations to the holders of our outstanding debt securities and to the lenders under our various credit facilities, resulting in possible defaults on, and acceleration of, such indebtedness;

require us to dedicate a substantial portion of our cash flows from operations to make payments on our debt, which would reduce our ability to fund working capital, capital expenditures or other general corporate purposes;

require us to sell assets, seek to obtain additional equity capital or restructure our indebtedness;

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations, because a portion of our borrowings are at variable rates of interest;

place us at a competitive disadvantage to any of our competitors that have proportionately less debt or comparable debt at more favorable interest rates;

limit our ability to refinance our existing indebtedness or borrow additional funds in the future;

limit our flexibility in planning for, or reacting to, changing conditions in our business and industry; and

limit our ability to react to competitive pressures, or make it difficult for us to carry out capital spending that is necessary or important to our growth strategy and our efforts to improve operating margins.

Any of the foregoing impacts of our substantial indebtedness could have a material adverse effect on our business, financial condition and results of operations, our ability to obtain financing in the future and our ability to react to changes in our business and future opportunities. Our ability to make scheduled payments on our indebtedness, or to refinance our obligations under our debt agreements, will depend on the financial and operating performance of us and our subsidiaries, which, in turn, will be affected by prevailing economic and competitive conditions and to the financial and business risk factors, many of which may be beyond our control, as described above. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

Despite our current indebtedness levels, we and our subsidiaries may incur substantially more debt.

While the terms of the instruments governing our outstanding indebtedness contain certain restrictions upon our ability to incur additional indebtedness, they do not fully prohibit us or our subsidiaries from incurring additional indebtedness in the future and the indebtedness that we and our subsidiaries may incur may be substantial. As of June 30, 2010, our senior secured credit facilities provided us commitments for additional aggregate borrowings (subject to borrowing base limitations) of approximately \$1,591.7 million, and permitted additional borrowings beyond those commitments under certain circumstances. For a detailed description of the amounts we have available as of June 30, 2010 under certain of our debt facilities, see "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Credit Facilities," included in this Report. As of June 30, 2010, the instruments governing our asset-backed fleet debt facilities in the United States and elsewhere provided commitments for additional aggregate borrowings of up to \$1,100.8 million, subject to borrowing base limitations. If new debt is added to our current debt levels, the related risks that we now face would increase. In addition, the instruments governing our indebtedness do not prevent us or our subsidiaries from incurring obligations that do not constitute indebtedness.

The third-party insurance companies that provide credit enhancements in the form of financial guarantees of the Series 2005-1 and 2005-2 Rental Car Asset Backed Notes, or the "2005 Notes," could face financial instability due to factors beyond our control.

MBIA Insurance Corporation, or "MBIA," and Ambac Assurance Corporation, or "Ambac," provide credit enhancements in the form of financial guarantees for our 2005 Notes, with each providing guarantees for approximately half of the \$2,184.9 million in principal amount of the 2005 Notes that was outstanding as of June 30, 2010, all of which matures in 2010. Each of MBIA and Ambac has been

Table of Contents**ITEM 1A. RISK FACTORS (Continued)**

downgraded one or more times and is on review for further credit downgrade or under developing outlook by one or more credit ratings agencies. In addition, in March 2010, Ambac acquiesced to the request by the Wisconsin Office of the Commissioner of Insurance, or "OCI," to establish a segregated account with respect to certain of Ambac's liabilities and the OCI commenced rehabilitation proceedings in order to permit the OCI to facilitate an orderly run-off and/or settlement of those liabilities. Ambac has publicly stated that it has insufficient capital to finance its debt service and operating expense requirements beyond the second quarter of 2011 and may need to seek bankruptcy protection. If certain insolvency related events were to occur with respect to Ambac or MBIA, we would be required to apply a proportional amount of all rental payments by us to Hertz Vehicle Financing LLC or "HVF" and all car disposition proceeds under the affected series of 2005 Notes, to pay down the amounts owed under the affected series of 2005 Notes instead of applying those proceeds to purchase additional cars and/or distributing those amounts to our subsidiaries for working capital purposes. If these events continued for 30 days, holders of the affected series of 2005 Notes would have the right to instruct the trustee to foreclose on our rental car vehicles in order to generate proceeds to repay the principal amount of the affected series of 2005 Notes. If our available cash and other funding sources were not sufficient to repay the affected series of 2005 Notes, we would be required to renegotiate with our lenders or raise additional funds, and there is no assurance that we would be successful in such renegotiation or the raising of such funds. If any of the above occurs, it could lead to consequences that have a material adverse effect on our liquidity, business, financial condition and results of operations.

In addition, if the above events were to occur, it could result in our inability to have access to other facilities or could accelerate outstanding indebtedness under those facilities or other financing arrangements, any of which would have a material adverse effect on our financial condition and liquidity position.

Our reliance on asset-backed financing to purchase cars subjects us to a number of risks, many of which are beyond our control.

We rely significantly on asset-backed financing to purchase cars for our domestic and international car rental fleets. As of June 30, 2010, Hertz and several of its subsidiaries, including certain special purpose entities, had an aggregate of \$7.1 billion of rental car asset-backed financing outstanding. Although we recently completed the refinancing of our International Fleet Debt Facilities, Belgian Fleet Financing Facility and the France and Netherlands portions of our International ABS Fleet Financing Facility, we expect that we will need to continue to periodically access asset-backed financing in the future. If we are unable to secure asset-backed financing when needed on favorable terms, or at all, our cost of financing could increase significantly and have a material adverse effect on our liquidity, interest costs, financial condition and results of operations.

Substantially all of our consolidated assets have been pledged to secure certain of our outstanding indebtedness.

As of June 30, 2010, substantially all of our consolidated assets, including our car and equipment rental fleets, have been pledged for the benefit of the lenders under our Senior Credit Facilities or are subject to securitization facilities in connection with our U.S. Fleet Debt and International ABS Fleet Financing Facility and our other fleet debt facilities. Additionally, the Euro Notes and European Credit Facility are secured by liens on certain non-U.S. assets. As a result, the lenders under these facilities would have a prior claim on such assets in the event of our bankruptcy, insolvency, liquidation or reorganization, and we may not have sufficient funds to pay all of our creditors. Moreover, holders of our unsecured indebtedness may receive less, ratably, than the holders of our senior debt, and may not be fully paid, or may not be paid at all, even when other creditors receive full payment for their claims. In that event,

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

holders of our equity securities would not be entitled to receive any of our assets or the proceeds therefrom. See "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing" included in our Annual Report. As discussed below, the pledge of these assets and other restrictive covenants in our debt agreements may limit our flexibility in raising capital for other purposes. Because substantially all of our assets are pledged under these financing arrangements, our ability to incur additional secured indebtedness or to sell or dispose of assets to raise capital may be impaired, which could have an adverse effect on our financial flexibility and force us to attempt to incur additional unsecured indebtedness, which may not be available to us.

Restrictive covenants in certain of the agreements and instruments governing our indebtedness may adversely affect our financial flexibility.

Certain of our credit facilities, including our Senior Credit Facilities and the indentures governing our 8.875% senior notes due 2014, the "Senior Dollar Notes," our 10.5% senior subordinated notes due 2016, or the "Senior Subordinated Notes" and our Euro-denominated 7.875% senior notes due 2014, the "Senior Euro Notes," and, together with the Senior Dollar Notes, the "Senior Notes," contain covenants that, among other things, restrict Hertz's and its subsidiaries' ability to:

dispose of assets;

incur additional indebtedness;

incur guarantee obligations;

prepay other indebtedness or amend other debt instruments;

pay dividends;

create liens on assets;

enter into sale and leaseback transactions;

make investments, loans, advances or capital expenditures;

make acquisitions;

engage in mergers or consolidations;

change the business conducted by us; and

engage in certain transactions with affiliates.

In addition, under our Senior Credit Facilities, we are required to comply with financial covenants. If we fail to maintain a specified minimum level of borrowing capacity under our senior secured asset based loan facility, or the "Senior ABL Facility," we will then be subject to financial covenants under that facility, including covenants that will obligate us to maintain a specified debt to Corporate EBITDA leverage ratio and a specified Corporate EBITDA to fixed charges coverage ratio. The financial covenants in our senior secured term loan facility, or the "Senior

Edgar Filing: HERTZ GLOBAL HOLDINGS INC - Form 10-Q

Term Facility," include obligations to maintain a specified debt to Corporate EBITDA leverage ratio and a specified Corporate EBITDA to interest expense coverage ratio for specified periods. "EBITDA" means consolidated net income before net interest expense, consolidated income taxes and consolidated depreciation and amortization and "Corporate EBITDA" means "EBITDA" as that term is defined under Hertz's Senior Credit Facilities, which is generally consolidated net income before net interest expense (other than interest expense relating to certain car rental fleet financing), consolidated income taxes, consolidated depreciation (other than depreciation related to the car rental fleet) and amortization and before certain other items, in each case as more fully

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

described in the agreements governing Hertz's Senior Credit Facilities. Our ability to comply with these covenants in future periods will depend on our ongoing financial and operating performance, which in turn will be subject to other risks identified in our Annual Report. The breach of any of these covenants or restrictions could result in a default under either our Senior Credit Facilities or the indentures governing the Senior Notes and the Senior Subordinated Notes. In any such case, we may be unable to make borrowings under the Senior Credit Facilities and may not be able to repay the amounts due under the Senior Credit Facilities and the Senior Notes and Senior Subordinated Notes. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent. As of June 30, 2010, we were in compliance with all of these financial covenants.

The Euro Notes and the European Credit Facility contain similar covenants to those outlined above, including certain limitations on the incurrence of indebtedness and certain limitations on payments such as dividends and distributions. These restrictions may limit the availability of funds available to us to help us make payments on our indebtedness.

We are also subject to operational limitations under the terms of our ABS Program. For example, there are contractual limitations with respect to the cars that secure our ABS Program. These limitations are based on the identity or credit ratings of the cars' manufacturers, the existence of satisfactory repurchase or guaranteed depreciation arrangements for the cars or the physical characteristics of the cars. As a result, we may be required to limit the percentage of cars from any one manufacturer or increase the credit enhancement related to the program and may not be able to take advantage of certain cost savings that might otherwise be available through manufacturers. If these limitations prevented us from purchasing, or retaining in our fleet, cars on terms that we would otherwise find advantageous, our results of operations could be adversely affected.

The instruments governing our debt contain cross default or cross acceleration provisions that may cause all of the debt issued under such instruments to become immediately due and payable as a result of a default under an unrelated debt instrument.

The indentures governing our Senior Notes and Senior Subordinated Notes and the Euro Notes and the agreements governing our Senior Credit Facilities, the European Credit Facility and U.S. Fleet Debt facilities contain numerous covenants, and in certain cases require us to meet certain financial ratios and tests which utilize Corporate EBITDA. In addition, under the agreements governing certain segments of our U.S. Fleet Debt we are required to have a financial guarantee from a third-party insurance company. Our failure to comply with the obligations contained in one of these agreements or other instruments governing our indebtedness could result in an event of default under the applicable instrument, which could result in the related debt becoming immediately due and payable and could further result in a cross default or cross acceleration of our debt issued under other instruments. In such event, we would need to raise funds from alternative sources, which funds may not be available to us on favorable terms, on a timely basis or at all. Alternatively, such a default could require us to sell our assets and otherwise curtail our operations in order to pay our creditors. Such alternative measures could have a material adverse effect on our business, financial condition and results of operations.

An increase in interest rates or in our borrowing spread would increase the cost of servicing our debt and could reduce our profitability.

A significant portion of our outstanding debt, including borrowings under the Senior Credit Facilities, the International ABS Fleet Financing Facility, the European Credit Facility and certain of our other outstanding debt securities, bear interest at variable rates. As a result, an increase in interest rates, whether because of an increase in market interest rates or an increase in our own cost of borrowing,

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

would increase the cost of servicing our debt and could adversely affect our liquidity and results of operations. For a discussion of how we manage our exposure to changes in interest rates through the use of interest rate swap agreements on certain portions of our outstanding debt, see "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Market Risks Interest Rate Risk" included in our Annual Report.

Risks Relating to Our Common Stock

Hertz Holdings is a holding company with no operations of its own that depends on its subsidiaries for cash.

The operations of Hertz Holdings are conducted almost entirely through its subsidiaries and its ability to generate cash to meet its debt service obligations, including debt service obligations in connection with its Convertible Senior Notes, or to pay dividends on its common stock, is highly dependent on the earnings and the receipt of funds from its subsidiaries via dividends or intercompany loans. However, none of the subsidiaries of Hertz Holdings are obligated to make funds available to Hertz Holdings for the payment of dividends. In addition, payments of dividends and interest among the companies in our group may be subject to withholding taxes. The terms of the indentures governing our Senior Notes and Senior Subordinated Notes and the agreements governing our senior credit facilities and fleet debt facilities also significantly restrict the ability of Hertz and its subsidiaries to pay dividends or otherwise transfer assets to Hertz Holdings. Furthermore, the subsidiaries of Hertz are permitted under the terms of our Senior Credit Facilities and other indebtedness to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by Hertz and its subsidiaries to Hertz Holdings, and these facilities do not restrict the ability of Hertz Holdings to incur additional debt. See "Restrictive covenants in certain of the agreements and instruments governing our indebtedness may adversely affect our financial flexibility" in this Annual Report. In addition, Delaware law may impose requirements that may restrict Hertz's ability to make funds available to Hertz Holdings, and Hertz Holdings ability to make funds available to its common stock holders.

Our share price may decline if our Sponsors sell a large number of shares or if we issue a large number of new shares.

There were 411,949,818 shares of our common stock outstanding as of June 30, 2010. A majority of these outstanding shares are held by our Sponsors and are restricted securities within the meaning of Rule 144 under the Securities Act, and are not currently freely tradable, but they are eligible for resale subject to applicable volume, manner of sale, holding period and other limitations of Rule 144 or pursuant to an exemption from registration under Rule 701 under the Securities Act. In addition, the Sponsors have the right under certain circumstances to require that we register their shares, 210 million as of February 23, 2010, for resale. We also have another approximately 22 million shares of common stock available for issuance pursuant to our various equity plans.

Sales of a substantial number of shares of our common stock or other equity-related securities in the public market pursuant to new issuances of common stock, by significant selling stockholders as well as issuances of shares of common stock upon conversion of our Convertible Senior Notes could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. Any such future sales or issuances will dilute the ownership interests of stockholders, and we cannot predict the effect that future sales or issuances of our common stock or other equity-related securities would have on the market price of our common stock or the value of the Convertible Senior Notes, nor can we predict our future needs to fund our operations or balance sheet with future equity issuances. The price of our common stock could be affected by possible sales of our common

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

stock by investors who view the Convertible Senior Notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect to develop involving our common stock as a result of the 2009 Offerings. In addition, the existence of the Convertible Senior Notes may encourage short selling by market participants because the conversion of the Convertible Senior Notes could depress the price of our common stock.

Our certificate of incorporation, by-laws and Delaware law may discourage takeovers and business combinations that our stockholders might consider in their best interests.

A number of provisions in our certificate of incorporation and by-laws, as well as anti-takeover provisions of Delaware law, may have the effect of delaying, deterring, preventing or rendering more difficult a change in control of Hertz Holdings that our stockholders might consider in their best interests. These provisions include:

establishment of a classified board of directors, with staggered terms;

granting to the board of directors sole power to set the number of directors and to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;

limitations on the ability of stockholders to remove directors;

the ability of our board of directors to designate and issue one or more series of preferred stock without stockholder approval, the terms of which may be determined at the sole discretion of the board of directors;

prohibition on stockholders from calling special meetings of stockholders;

establishment of advance notice requirements for stockholder proposals and nominations for election to the board of directors at stockholder meetings; and

prohibiting our stockholders from acting by written consent if investment funds affiliated with or designated by the Sponsors cease to collectively hold a majority of our outstanding common stock.

These provisions may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

Our certificate of incorporation and by-laws may also make it difficult for stockholders to replace or remove our management. These provisions may facilitate management entrenchment that may delay, deter, render more difficult or prevent a change in our control, which may not be in the best interests of our stockholders.

Risks Related to Acquisition of Dollar Thrifty

If we acquire Dollar Thrifty Automotive Group, or "Dollar Thrifty," in addition to the risks described below, we may be subject to the risks and uncertainties associated with Dollar Thrifty's business. See "Item 1A Risk Factors" in the Dollar Thrifty Form 10-K for the fiscal year ended December 31, 2009 for a discussion of these risks. This item is not incorporated by reference into this quarterly report on Form 10-Q and you should not consider the contents of this item to be a part of this quarterly report on Form 10-Q.

Table of Contents

ITEM 1A. RISK FACTORS (Continued)

If we are unable to complete our contemplated acquisition of Dollar Thrifty Automotive Group, our expected financial results could be adversely affected.

On April 25, 2010, we entered into a definitive merger agreement under which we agreed to acquire Dollar Thrifty, in a cash and stock transaction valued on that date at \$41.00 per share, or a total of \$1.27 billion. Consummation of the merger is subject to customary conditions to closing, including the receipt of required regulatory approvals and the approval of Dollar Thrifty's shareholders. If any condition to the merger is not satisfied or waived, the merger will not be completed. We and Dollar Thrifty also may terminate the merger agreement under certain circumstances. Avis Budget Group, Inc., or "Avis," has submitted an offer to Dollar Thrifty, proposing to acquire Dollar Thrifty for \$46.50 per share in a combination of cash and Avis stock. Any or all of the preceding could jeopardize our ability to consummate the merger on the already negotiated terms. To the extent the transaction is not completed for any reason, we would have devoted substantial resources and management attention to the transaction without realizing the accompanying benefits expected by our management, and our stock price, financial condition and results of operations may be adversely affected.

Even if the Dollar Thrifty acquisition is consummated, we may fail to realize all of the anticipated benefits of the acquisition.

We agreed to acquire Dollar Thrifty because we believe that the merger will be beneficial to us and our stockholders. To realize these anticipated benefits, after the completion of the merger, we expect to achieve significant cost savings as we integrate our respective businesses. However, there is no assurance that if the Dollar Thrifty acquisition is consummated, we will be able to integrate the operations of Dollar Thrifty without encountering unexpected difficulties, including unanticipated costs, difficulty in retaining customers, challenges associated with information technology integration, and failure to retain key employees. We may also incur substantial delays or costs in connection with the completion of the acquisition, including with respect to any legal proceedings instituted against us or Dollar Thrifty as a result of the acquisition. Multiple class action lawsuits have been filed seeking to block consummation of the merger. Additionally, as a condition to their approval of the merger, regulatory agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the combined company's business. Any or all of the preceding could jeopardize our ability to obtain the anticipated benefits of the merger, which could have a material adverse effect on our stock price, financial condition and results of operations.

Our failure or inability to replenish our liquidity before the closing of the Dollar Thrifty merger may require us to make significant operational changes to our business, which could adversely affect our financial performance.

The merger is not conditioned on receipt of financing by us; however, we will seek to replenish our liquidity prior to the closing of the merger. While we are currently exploring alternatives with respect to debt offerings and other financings, there can be no assurance that we will be able to raise this financing on acceptable terms or at all prior to the merger. If we are unable prior to the merger to generate additional liquidity on acceptable terms or at all, such inability may trigger provisions in our credit facilities that would have a negative impact on our operational and financial flexibility and we may be required to make significant operational changes to our business (including, without limitation, reducing the size of our rental fleet, reducing the percentage of our car rental fleet subject to repurchase or guaranteed depreciation programs or reducing or delaying capital expenditures), which could adversely affect our financial performance.

ITEM 6. EXHIBITS

(a) Exhibits:

Exhibit Number	Description
4.9.34	Amended and Restated Series 2009-2 Supplement, dated as of June 18, 2010, between Hertz Vehicle Financing LLC, as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee and Securities Intermediary, to the Third Amended and Restated Base Indenture, dated as of September 18, 2009, between Hertz Vehicle Financing LLC., as Issuer, and The Bank of New York Mellon Trust Company, N.A. as Trustee
4.9.35	Series 2010-1 Supplement, dated as of July 22, 2010, between Hertz Vehicle Financing LLC, as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee and Securities Intermediary, to the Third Amended and Restated Base Indenture, dated as of September 18, 2009, between Hertz Vehicle Financing LLC., as Issuer, and The Bank of New York Mellon Trust Company, N.A. as Trustee
10.5	Form of Director Indemnification Agreement (restated form used for agreements entered into after April 2009)
15	Letter from PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, dated August 6, 2010, relating to Financial Information
31.1 31.2	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer and Chief Financial Officer
32.1 32.2	18 U.S.C. Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

Note:

Certain instruments with respect to various additional obligations, which could be considered as long-term debt, have not been filed as exhibits to this Report because the total amount of securities authorized under any such instrument does not exceed 10% of our total assets on a consolidated basis. We agree to furnish to the SEC upon request a copy of any such instrument defining the rights of the holders of such long-term debt.

*

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 6, 2010

HERTZ GLOBAL HOLDINGS, INC.
(Registrant)

By: /s/ ELYSE DOUGLAS

Elyse Douglas
Executive Vice President and Chief Financial Officer
(principal financial officer and duly authorized officer)

88

Table of Contents**EXHIBIT INDEX**

Exhibit Number	Description
4.9.34	Amended and Restated Series 2009-2 Supplement, dated as of June 18, 2010, between Hertz Vehicle Financing LLC, as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee and Securities Intermediary, to the Third Amended and Restated Base Indenture, dated as of September 18, 2009, between Hertz Vehicle Financing LLC., as Issuer, and The Bank of New York Mellon Trust Company, N.A. as Trustee
4.9.35	Series 2010-1 Supplement, dated as of July 22, 2010, between Hertz Vehicle Financing LLC, as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee and Securities Intermediary, to the Third Amended and Restated Base Indenture, dated as of September 18, 2009, between Hertz Vehicle Financing LLC., as Issuer, and The Bank of New York Mellon Trust Company, N.A. as Trustee
10.5	Form of Director Indemnification Agreement (restated form used for agreements entered into after April 2009)
15	Letter from PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, dated August 6, 2010, relating to Financial Information
31.1 31.2	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer and Chief Financial Officer
32.1 32.2	18 U.S.C. Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

Note:

Certain instruments with respect to various additional obligations, which could be considered as long-term debt, have not been filed as exhibits to this Report because the total amount of securities authorized under any such instrument does not exceed 10% of our total assets on a consolidated basis. We agree to furnish to the SEC upon request a copy of any such instrument defining the rights of the holders of such long-term debt.

*

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.