WIZZ AIR HOLDINGS PLC

ANNUAL REPORT AND ACCOUNTS
2016

wizzair.com

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References to "Wizz Air", "the Company", "the Group", "we" or "our" in this report are references to Wizz Air Holdings Plc, or to Wizz Air Holdings Plc and its subsidiaries, as applicable.

STRATEGIC REPORT

FINANCIAL HIGHLIGHTS

Financial year	2016 € million	2015 € million	Change
Total revenue	**1,429.1**	1,227.3	+16%
Profit for the year	**192.9**	183.2	+5%
Underlying profit after tax*	**223.9**	146.2	+53%

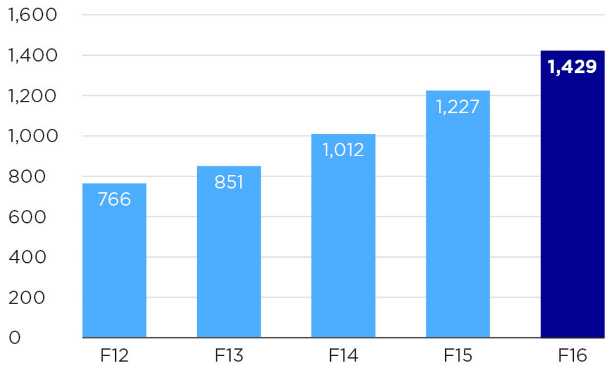
Financial year	2016	2015	Change
Passengers**	**20.0m**	16.5m	+21%
Year-end fleet	**67**	55	+22%
Number of routes operated during the year	**444**	348	+28%
Number of employees (average)***	**2,396**	2,040	+17%

* See Note 9 to the financial statements for reconciliation between underlying (non-GAAP) and IFRS profit for the year.

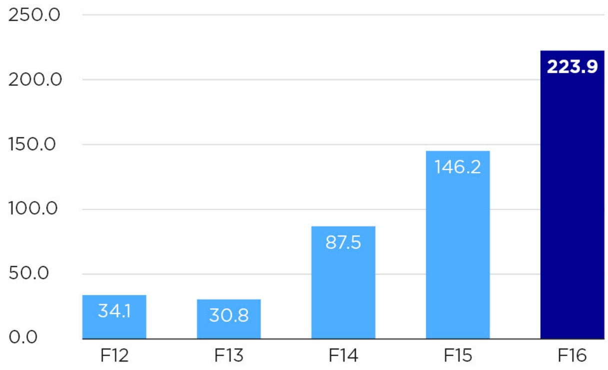
** Booked passengers.

*** Including subcontracted staff, being primarily rented pilots.

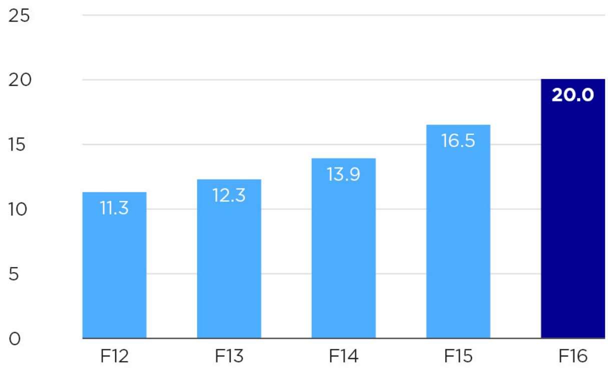
TOTAL REVENUE (€M)



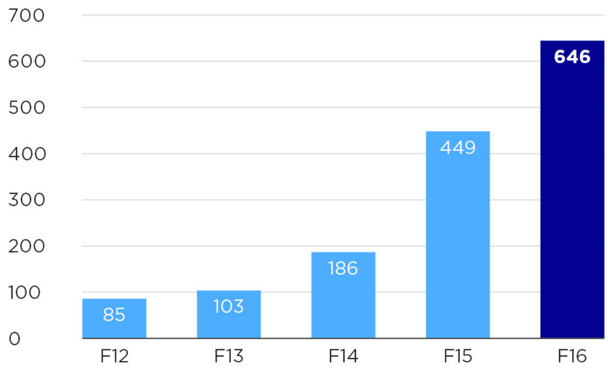
UNDERLYING NET PROFIT (€M)



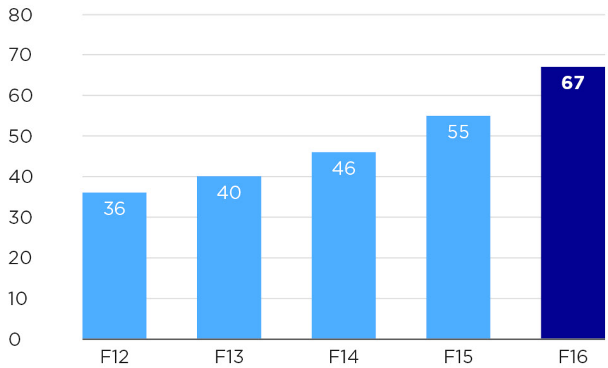
BOOKED PASSENGERS (MILLION)



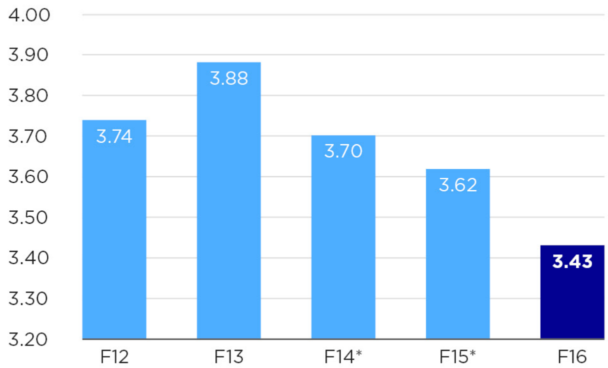
FREE CASH (€M)



YEAR END FLEET (AIRCRAFT)



CASK (€C)



* F14 and F15 include exceptional item.

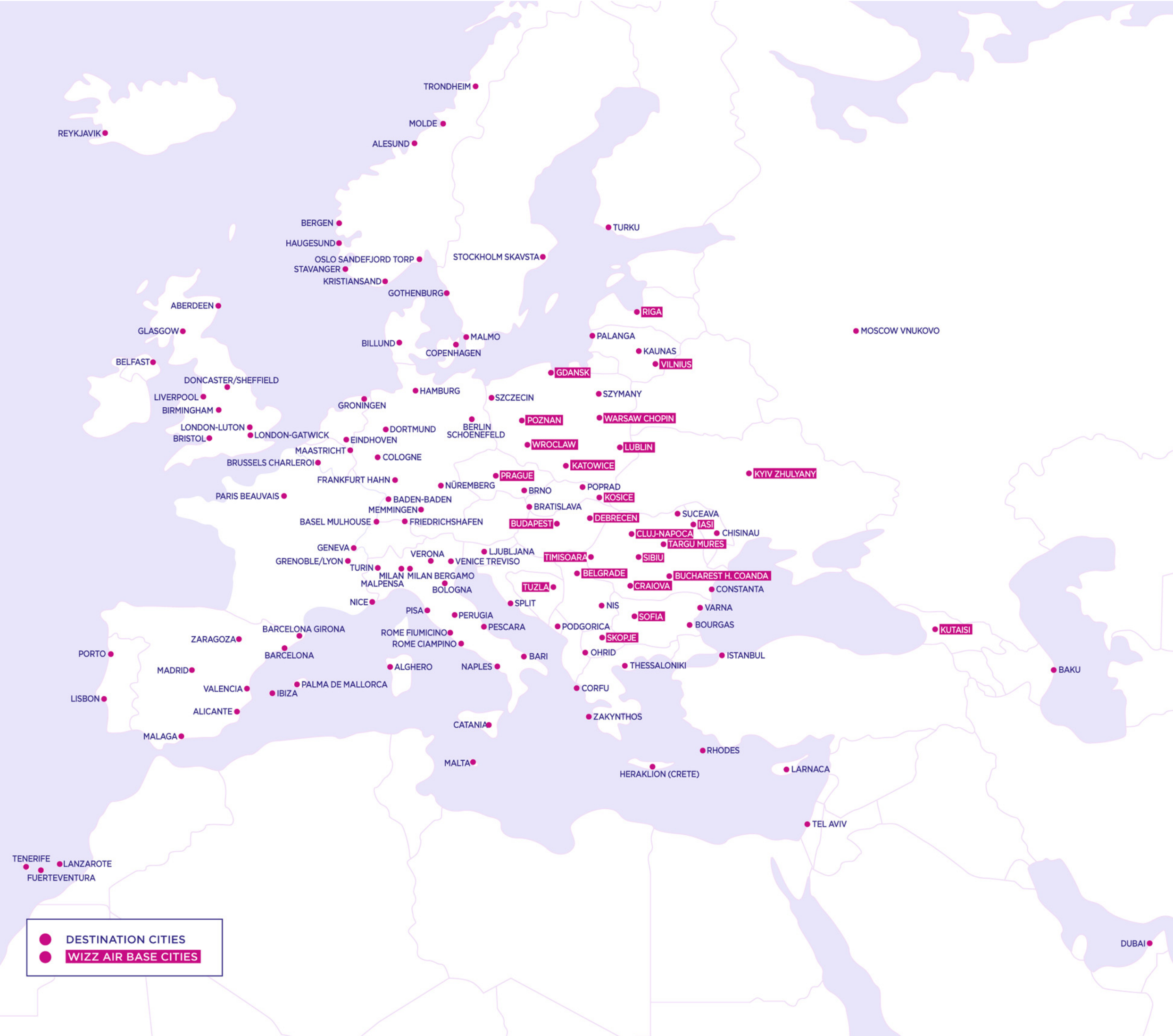
2016, F16, FY16 and **FY 2016** in this document refer to the financial year ended 31 March 2016

2015, F15, FY15 and FY 2015 in this document refer to the financial year ended 31 March 2015

Equivalent terms are used for prior financial years

COMPANY OVERVIEW

Our presence across Europe



Number of routes operated by country as at 22 April 2016:

Poland	125
Romania	112
Hungary	55
Bulgaria	29
Lithuania	30
Macedonia	23
Serbia	14
Latvia	10
Ukraine	9
Bosnia and Herzegovina	8
Czech Republic	9
Georgia	7
Slovakia	5
Other Central and Eastern European (CEE*) countries	8

* CEE is a region comprised of Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia and Ukraine.

History of the Group

Wizz Air was founded in 2003 by its current Chief Executive Officer (CEO) József Váradi and five other individuals who recognised a demand for low-cost carriers in CEE driven in particular by the accession of ten new EU member states on 1 May 2004, eight of which are in CEE (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia), and the anticipated accession of Bulgaria and Romania to the EU in January 2007. Wizz Air was established with bases in Budapest in Hungary and Katowice in Poland and its first flight took off from Katowice on 19 May 2004.

Significant milestones in the development of Wizz Air since its first flight have included:

FY 2005

- By the end of its first year of operation, Wizz Air had established bases in Hungary and Poland, and started flying to eight other European countries (Belgium, France, Germany, Greece, Italy, Spain, Sweden and the United Kingdom), flying a total of 36 routes by March 2005.
- On-board catering, hotel bookings, car rental services and airport agents were offered as ancillary services.
- Indigo Partners and certain EU investors provided financing to Wizz Air in the form of convertible loans and Convertible Notes.
- 0.9 million passengers were carried and Wizz Air had six aircraft in its fleet at the year end.

FY 2006

- A third base was established in Gdansk, Poland.
- First aircraft order placed with Airbus to acquire twelve A320 aircraft.
- 2.1 million passengers were carried and Wizz Air had eight aircraft in its fleet at year end.

FY 2007

- A base was established in Sofia in Bulgaria, ahead of the country joining the EU in January 2007. Wizz Air started flying to Croatia, Romania and the Netherlands, bringing the number of operated routes to 64 at the year end.
- A second order was placed with Airbus to acquire a further 20 A320 aircraft.
- Priority boarding was launched as an additional ancillary service.
- Indigo Partners and certain EU investors provided further financing to Wizz Air in the form of convertible notes and equity.
- 3.1 million passengers were carried and Wizz Air had ten aircraft in its fleet at the year end.

FY 2008

- A base was opened in Romania and Wizz Air started flying to Norway. Wizz Air operated 86 routes at the year end.
- A third order was placed with Airbus to acquire 50 A320 aircraft.
- Multi-currency pricing, extra legroom and travel insurance products were launched.
- 4.6 million passengers were carried and Wizz Air had 17 aircraft in its fleet at the year end.

FY 2009

- Wizz Air Ukraine was established in July 2008, the country's first low-cost carrier, and a base was opened in Kiev. Wizz Air started flying to Finland and operated 124 routes at the year end.
- 6.2 million passengers were carried and Wizz Air had 22 aircraft in its fleet at the year end.

FY 2010

- A base was opened in Prague in the Czech Republic and Wizz Air started flying to Latvia.
- A fourth order was placed with Airbus to acquire 50 (later reduced to 30) A320 aircraft.
- First co-branded credit card was launched in Hungary, followed by similar programmes in Poland and Romania.
- 8.2 million passengers were carried and Wizz Air had 30 aircraft in its fleet at the year end.

History of the Group continued

FY 2011

- Wizz Air started flying to Serbia and Turkey, operating a total of 194 routes at the year end, and subsequently opened a base in Belgrade in Serbia.
- Wizz Air established a new head office in Geneva, Switzerland.
- An online check-in option was launched and charges were implemented for airport check-in.
- 9.8 million passengers were carried and Wizz Air had 35 aircraft in its fleet at the year end.

FY 2012

- A base was established in Vilnius in Lithuania and Wizz Air started flying to Cyprus, operating a total of 217 routes at the year end.
- Wizz Exclusive Club (the predecessor to the Wizz Discount Club) loyalty programme was launched.
- Wizz Reserved Seat ancillary product selling the first two rows of seats was launched.
- 11.3 million passengers were carried and Wizz Air had 36 aircraft in its fleet at the year end.

FY 2013

- A base was established in Macedonia and Wizz Air started flying to Georgia, Israel, Slovenia and Switzerland, operating a total of 233 routes at the year end.
- A new cabin baggage policy was introduced. Wizz Air was the first EU airline to charge for large cabin baggage.
- Re-launched and re-branded the loyalty programme as "Wizz Discount Club".
- A mobile sales channel was launched to enable bookings on iOS and Android mobile telephones.
- 12.3 million passengers were carried and Wizz Air had 40 aircraft in its fleet at year end.

FY 2014

- A base was established in Donetsk, Ukraine, and Wizz Air started flying to Azerbaijan, Bosnia and Herzegovina, Malta, Moldova, Russia, Slovakia and the United Arab Emirates.
- The Wizz Air flight simulator and training centre in Budapest, Hungary, opened.
- Wizz Tours package holiday booking platform commenced sales in October 2013.
- Part 145 maintenance organisation established enabling Wizz Air to perform certain in-house maintenance activities.
- 13.9 million passengers were carried and Wizz Air had 46 aircraft in its fleet at the year end.

FY 2015

- Bases were opened in Riga, Latvia, in June 2014 and in Craiova, Romania, in July 2014.
- The Donetsk, Ukraine, base was suspended in April 2014 due to a political crisis in the east of the country.
- Wizz Air announced bases in Tuzla, Bosnia and Herzegovina, and Kosice, Slovakia, with operations starting in June 2015.
- Wizz Air commenced flights to Egypt, Portugal and Denmark.
- Baggage fee discounts were offered to Wizz Discount Club members.
- Two types of memberships of Wizz Discount Club were created, comprising a standard membership for two passengers and a group membership for up to six passengers.
- Significant summer 2015 route expansion was announced for Wizz Air's core markets in CEE. New destinations included Aberdeen, Belfast and Bristol (United Kingdom), Billund (Denmark), Hurghada (Egypt), Iasi (Romania), Kosice (Slovakia), Lisbon (Portugal), Maastricht and Groningen (the Netherlands), Molde (Norway), Nis (Serbia), Nuremberg (Germany), Ohrid (Macedonia) and Pescara (Italy).
- Wizz Air announced the closure of Wizz Air Ukraine and the consolidation of Ukrainian routes into the Wizz Air Hungary route network.
- In March 2015 the Company completed an initial public offering (IPO) with a premium listing of its shares on the London Stock Exchange.
- 16.5 million passengers were carried and Wizz Air had 55 aircraft in its fleet at the year end.

History of the Group continued

FY 2016

- In April 2015 Wizz Air announced the introduction of full allocated seating on all services.
- In May 2015 a comprehensive re-branding, including new livery, was announced.
- Network expansion continued with steady growth and the following new destinations were added: Reykjavik (Iceland), Tenerife (Spain), Chisinau (Moldova), Birmingham (UK), Palanga (Lithuania), Bratislava (Slovakia), Kaunas (Lithuania), Ibiza (Spain), Porto (Portugal).
- Stable growth requires a stable source of professional pilots and Wizz Air launched its Cadet Pilot program in September to train and eventually hire new pilots for its growing fleet.
- New bases were opened in Tuzla (Bosnia and Herzegovina) and Kosice (Slovakia) in June, Lublin (Poland) in September, and in Debrecen (Hungary) in December 2015.
- New bases were announced for Sibiu (Romania) operating from July 2016, Iasi (Romania) from August 2016 and for Kutaisi (Georgia) from September 2016.
- The Company concluded a purchase agreement with Airbus for 110 A321neo aircraft, the first deliveries taking place in 2019.
- Wizz Air reached the cumulative 100 million passenger milestone.
- Wizz Tours (online tour operator business unit) previously outsourced was brought in house in October 2015.
- In November 2015 the first A321ceo aircraft was delivered to the fleet followed by a further three aircraft by the end of March 2016.

FY 2017 to date

- Network expansion has continued with a steady growth and the following new destinations were added: Olsztyn-Mazury (Poland), Suceava (Romania) and Podgorica (Montenegro).

CHAIRMAN'S STATEMENT

I am pleased to report that 2016 was another year of significant growth for Wizz Air. The business delivered underlying net profit of €223.9 million, an increase of 53.2 per cent on year-on-year revenue growth of 16.4 per cent. We raised our profit guidance throughout this year as we continued to perform ahead of expectations. As we move into our 12th year, I am proud to say that we continue to strengthen our position as the leading low-cost carrier in Central and Eastern Europe (CEE).

We have remained focused on our vision to make safe, reliable, affordable air travel available to everyone in CEE. Our ultra-low cost model allows us to stimulate demand through low ticket prices while continuing to drive profitable growth as evidenced by our underlying operating margins which have improved 2.9 percentage points to 16.5 per cent (F15: 13.6 per cent) over the past twelve months. Our industry leading cost base, strong balance sheet, proven management team, best-in-class fleet, contracted aircraft delivery stream and recognised brand will allow us to continue to deliver significant growth within the business and, in turn, value for our shareholders.

Wizz Air achieved a number of key milestones in FY 2016, including:

- We continued to grow and diversify our route network by announcing three new bases and launching 69 new routes. We now offer more than 420 routes from 25 bases, connecting 124 destinations across 39 countries.
- Our traffic grew by 21.2 per cent to 20 million passengers, cementing Wizz Air's position as CEE's leading low cost carrier.
- We successfully completed an order for 110 A321neo aircraft, with uncommitted purchase rights for an additional 90 A321neo aircraft and certain conversion rights into A320neo aircraft providing committed and flexible growth capacity until the end of 2024.

Opportunity

Our investment case is based on Wizz Air being the leading low cost carrier in Central and Eastern Europe with exciting long-term growth opportunities. Our CEE home market remains very attractive; it is under-penetrated by low cost carriers, when compared to Western Europe; the region enjoys GDP growth which continues to be higher than Western European economies; and while the propensity to travel by air has experienced significant growth in recent years it remains substantially below that of Western Europe. We believe these are compelling market dynamics and Wizz Air is well placed to benefit from them through increasing frequencies on existing successful routes and opening new bases and new routes. The introduction of the A321ceo into our fleet means that we can maintain our industry-leading ultra-low cost base as we take advantage of the growth opportunities and our Airbus A321neo aircraft order gives us the future capacity to continue to capitalise on CEE's ongoing development.

Customers

At Wizz Air, we work hard to deliver value and a great experience for our customers. Our threenew bases and 69 new routes announced in FY 2016 have allowed us to bring affordable air travel to new destinations within CEE. We continue to enhance the Wizz Air service, for example through the rollout of allocated seating, the introduction of the Plus Fare bundled product and also offering additional benefits to our Wizz Discount Club members.

Employees

I would like to take this opportunity to thank all of our colleagues at Wizz Air for another year where they again have exceeded expectations through their enthusiasm, professionalism and passion for the airline and our customers. The results in terms of fleet expansion, new bases and destinations, schedule reliability and on-time performance, speak for themselves. We have a team of approximately 2,600 aviation professionals delivering superior service to our 20 million passengers flown during the year. Without them, these results would not be achievable.

Board of Directors

In addition, I would like to thank the Board for their continued support and hard work over the last twelve months. Their input has been instrumental in Wizz Air's growth. I would like to extend a special welcome to Ms Susan Hooper who joined the Board as a Non-Executive Director in March 2016. I look forward to working with the Board, Senior Leadership Team and all colleagues in what we expect to be an exciting future for Wizz Air.

William A. Franke
Chairman
24 May 2016

CHIEF EXECUTIVE'S REVIEW

Financial performance

I am delighted to present Wizz Air's second annual report as a publicly listed company. The financial year ended 31 March 2016 was another remarkable year for us as we delivered a strong operating performance across all key metrics. We continue to build on our market leadership in Central and Eastern Europe and have a strong balance sheet and an attractive order book of existing and new technology aircraft to drive growth in 2017 and beyond.

Wizz Air delivered a profit for the year of €192.9 million, and an underlying profit after tax of €223.9 million, a 53.2 per cent improvement compared to FY 2015. Our underlying net profit margin increased from 11.9 per cent to 15.7 per cent over the course of the year and passenger number increased by 21.2 per cent to 20 million.

Our strong performance was driven by capacity expansion, passenger growth and continued improvements to our industry leading ultra-low cost base. In numbers the Company delivered:

- ticket revenue up 12.7 per cent to €894.9 million;
- ancillary revenue up 23.2 per cent to €534.2 million;
- total unit cost decline of 5.4 per cent to €3.43 cent per ASK;
- a 19.1 per cent increase in the capacity offered to the market (as measured by available seat kilometres or ASKs), as we extended and deepened our network of routes to and from Central and Eastern Europe; and
- an increase in our average load factor by 1.5 percentage points to 88.2 per cent in the financial year, despite the significant capacity expansion.

Order book to drive growth

In the year we made significant investment in our fleet and order book. We added twelve aircraft to the fleet in the period, taking the fleet to 67 aircraft at the end of March 2016. The finalisation of the order for 110 Airbus A321neo aircraft, overwhelmingly supported by our shareholders, and the introduction of the Airbus A321ceo to our fleet provide significant capacity growth into the next decade, meaning we can grow at around 15 per cent each year until 2024. While we have flexibility within our order book to align deliveries with our actual growth, we are confident in our ability to deploy this capacity given our business model and the characteristics of the markets we serve.

A321ceo

The Airbus A321ceo aircraft underpin our near term growth plans ensuring that we maintain our industry leading ultra-low cost base. Our first A321ceo entered service in November 2015 and we have a total of 30 to be added to our fleet between now and the end of 2018. As of today, we have five A321ceos in operation and will have a total of eleven in service by the end 2016 calendar year.

The composition of our fleet at the last financial year end and as currently anticipated at the next end of the next two is the following:

	March 2016 Actual	March 2017 Planned	March 2018 Planned
A320 without winglets (180 seats)	35	35	35
A320 with winglets (180 seats)	28	28	31
A321 with winglets (230 seats)	4	15	25
Fleet size	67	78	91
Share of fleet with winglets	47.8%	55.1%	61.5%
Average number of seats per aircraft	183	190	194

Wizz Air took delivery of four new A321ceo aircraft during FY 2016, further contributing to one of the most efficient fleets and to the Company's drive for ever decreasing unit costs. The benefits we are seeing from the operation of the A321ceo are in line with the Company's expectations and the initial 27 A321ceo order was increased to 30 units through the conversion of three additional A320ceo delivery slots, all of which will be delivered by the end of the 2018 calendar year.

A321neo

In addition to the A321ceo deliveries, another crucial milestone in the Company's history took place last year when a new purchase agreement was entered into with Airbus for the purchase of 110 A321neo aircraft. The neo version will bring further fuel burn efficiency and even lower unit cost making it the perfect replacement for those aircraft being returned to lessors as well as the foundation for Wizz Air's continued growth. Deliveries of our A321neos start in 2019 and will continue until the end of 2024. The purchase agreement includes uncommitted purchase rights for 90 additional A321neo aircraft as well as certain flexibility for conversion to the A320neo, providing flexibility for to ensure that deliveries match the Company's capacity needs.

On the basis of our current order book, our fleet will reach close to 160 aircraft in 2024; more than double our current size.

Building our strong market position

CEE comprises 21 countries with a total population of over 300 million people, a larger overall market than that of Western Europe. However as this market is relatively underserved by airlines and in particular low-cost airlines, it represents a huge opportunity for a low-cost airline.

At present Wizz Air has operations in 17 CEE countries. We serve the market by offering a network of 25 bases and 124 destinations. We are convinced that the ultra-low cost business model is best placed to serve this market and as such the Company offers safe, reliable operations, low fares and hassle-free services and a distinctive brand designed to appeal to the whole market.

This approach has enabled the Company to become the number one or number two low-cost airline in all but one of its base countries. The Company's aggregate market share in CEE reached 42.6 per cent. in the 2016 financial year, up from 39.2 per cent. in 2015. The table below shows the Company's ranking by low-cost market share in each of its base countries.

	Number 1		Number 2		Number 3	
Market	Carrier	Share	Carrier	Share	Carrier	Share
CEE	**Wizz Air**	42.64%	Ryanair	32.56%	EasyJet	6.13%
Poland	Ryanair	51.29%	**Wizz Air**	39.82%	Norwegian	4.25%
Romania	**Wizz Air**	60.38%	Blue Air	23.66%	Ryanair	13.74%
Ukraine	**Wizz Air**	40.78%	Pegasus Airlines	26.20%	Flydubai	19.42%
Czech Republic	EasyJet	31.47%	Ryanair	19.70%	**Wizz Air**	13.77%
Hungary	**Wizz Air**	50.66%	Ryanair	24.79%	EasyJet	8.43%
Latvia	Ryanair	57.72%	**Wizz Air**	28.24%	Norwegian	14.03%
Bulgaria	**Wizz Air**	80.83%	EasyJet	12.72%	Transavia	3.68%
Serbia	**Wizz Air**	67.73%	Pegasus Airlines	10.25%	Norwegian	8.10%
Lithuania	Ryanair	52.19%	**Wizz Air**	42.61%	Norwegian	5.20%
Slovakia	Ryanair	77.66%	**Wizz Air**	18.84%	Flydubai	3.50%
Macedonia	**Wizz Air**	89.23%	Pegasus Airlines	7.42%	Flydubai	3.35%
Bosnia and Herzegovina	**Wizz Air**	54.56%	Pegasus Airlines	22.15%	Flydubai	9.19%

Source data: Innovata, March 2016.

The table below shows the fleet allocation by country at 31 March 2016 compared to a year earlier.

	Fleet deployment by country		
Year to end	March 2016	March 2015	Change
Total	**67**	**55**	**+12**
Poland	19	17	+2
Romania	15	15	-
Hungary	10	7	+3
Bulgaria	6	4	+2
Lithuania	4	3	+1
Ukraine	1	2	-1
Macedonia	3	2	+1
Czech Republic	1	1	-
Slovakia	1	-	+1
Bosnia Herzegovina	1	-	+1
Serbia	1	1	-
Latvia	2	1	+1
Maintenance cover/ en route to base	3	2	+1

The Company also offers services from 18 CEE cities where it does not base aircraft and crews. Three new CEE points were added in the 2016 financial year as well as twelve new destinations in Western Europe (WE) during the year.

Building our strong market position continued

New non-based CEE stations

City	Country
Ohrid	Macedonia
Nis	Serbia
Palanga	Lithuania

New destination airports in WE

City	Country
Aberdeen	UK
Birmingham	UK
Bristol	UK
Friedrichshafen	Germany
Karlsruhe/Baden-Baden	Germany
Reykjavik	Iceland
Nice	France
Pescara	Italy
Berlin	Germany
Tenerife	Spain
Billund	Denmark
Copenhagen	Denmark

In total the Company operates to 124 airports in 39 countries, making it one of the most diversified low-cost airlines in Europe.

Improving the customer experience

New routes and bases

We are very happy with our network development over the last twelve months, including the opening of four new bases in Tuzla, Kosice, Lublin, and Debrecen and the announcement of new bases in Sibiu, Iasi, and Kutaisi. In total we added 69 routes, increasing to 420 routes from 25 bases, connecting 124 destinations across 39 countries. In April of this year we also announced an exciting new destination at London Gatwick and will operate a route from London to Bucharest, the only direct connection between the two airports. We now operate from nine UK airports.

Offering our customers more

We operate in more countries and have the most diversified network of any airline in CEE. We also have the youngest fleet of any European airline, which contributes to our efficiency and towards the comfort and travel experience of our customers.

We understand that every passenger has different needs and we have adapted our business model and pricing to reflect that. We have a range of services that our customers can avail themselves of after their ticket has been purchased. These services include a range of seating alternatives, baggage options, flexible tickets and on-board purchases and priority boarding. This "unbundling" philosophy enables Wizz Air to offer each customer exactly and only what he or she needs while keeping the price of the basic service as low as possible.

In addition, we also provide customers with the opportunity to buy hotel, car hire and public transport services as part of the same booking. Our Wizz Discount Club also enables customers and their friends and families to benefit from lower air fares than those that are generally available.

Technology advancements

We recognise the importance of online engagement with our customers. 49 per cent of all our interactions with customers now happen through mobile devices and tablets. 29 per cent of mobile or tablet visitors used our WIZZ mobile app or the mobile website. Therefore, the new responsive website and the development of the mobile app are increasingly important aspects of our business. We currently offer 24 languages on wizzair.com and 11 languages on our mobile APP. We are due to launch a brand new customer website in mid-2016 and recently launched a new Investor Relations section on our site.

We currently have over 815,000 Wizz Discount Club members, 3 million newsletter subscribers, 1.3 million mobile app users and over 700,000 Facebook followers and we aim to continue to build this loyal customer base.

Management changes

There have been a number of management changes throughout the year in what has been a busy twelve months. I am delighted to take this opportunity to welcome our new Chief Financial Officer (CFO), Ms Sonia Jerez Burdeus to the Wizz Air team. Sonia brings to the Company significant experience as a chief financial officer and board member of a European low-cost airline and we look forward to working with Sonia as we continue to drive the growth of the business. Her appointment will take effect on 1 June 2016.

Management changes continued

As announced earlier in the FY 2016 financial year Mike Powell our previous CFO stepped down from that position. We would like to thank Mike for his contribution to the Group over the past eight years, during which he sat on the Company's Senior Leadership Team and contributed to the growth and success of the business today. He was also central to the successful listing of the business on the London Stock Exchange in 2015 and we wish him well for the future.

I would also like to take this opportunity to congratulate David Morgan, Chief Flight Operations Officer and Johan Eidhagen, Chief Marketing Officer, who were appointed to their new roles and have now joined Wizz Air's Leadership Team.

Hedging positions

Wizz Air operates under a clear set of treasury policies supervised by the Board. The aim of the Company's hedging policy is to reduce short-term volatility in earnings and liquidity. Therefore Wizz Air hedges a minimum of 50 per cent. of the projected US Dollar and jet fuel requirements for the next twelve months (40 per cent. on the full 18-month hedge horizon).

Details of the current hedging positions (as at 24 May 2016) are set out below:

Foreign Exchange (FX) hedge coverage (Euro/US Dollar)

Period covered	**F17** 11 months	**F18** 12 months
Exposure (million)	$657	$820
Hedge coverage (million)	$359	$115
Hedge coverage for the period	**55%**	**14%**
Weighted average floor	$1.09	$1.10
Weighted average ceiling	$1.13	$1.12

Fuel hedge coverage

Period covered	**F17** 11 months	**F18** 12 months
Exposure in metric tons ('000)	693	877
Coverage in metric tons ('000)	414	71
Coverage with zero cost collars	*5%*	*8%*
Coverage with fuel caps	*55%*	-
Hedge coverage for the period	**60%**	**8%**
Blended capped rate	$675	$505
Blended floor rate*	$708	$456

* Fuel caps provide the Company with protection against the risk of higher fuel prices and also enable the Company to benefit from lower fuel costs should fuel prices fall. The blended floor rate for fuel hedges shown in the table is only applicable to zero cost collar hedges.

Sensitivities

- Pre-hedging a $10 (per metric ton) movement in the price of jet fuel impacts the 2017 financial year fuel costs by $7.1 million.
- Pre-hedging a one cent movement in the Euro/US Dollar exchange rate impacts the 2017 financial year operating expenses by €6.0 million.

In the Company's view, the profit impact of such changes is likely to be less given the empirical evidence of major industry-wide movements in input costs being passed through to air fares with a lag of three to twelve months.

Outlook

2017 financial year

Thanks to our ultra-low fares and our growing route network across CEE, we continue to experience strong demand and forward booking momentum. We expect to continue to grow capacity by around 17 per cent. in the 2017 financial year.

Assuming the jet fuel price and Euro/US Dollar exchange rate remain close to the prevailing spot levels ($450 per metric ton and $/€ 1.12 respectively), the Company expects total operating cost per available seat kilometre (CASK) to be 5 per cent. lower than last year. This comprises an anticipated fuel CASK decline of 15 per cent. and a broadly flat non-fuel CASK. The expected fuel CASK decline reflects the combined impact of lower fuel prices and fuel consumption savings, offset by a stronger US Dollar and a higher cost of complying with the EU-ETS carbon scheme.

Outlook continued

2017 financial year continued

As previously indicated, lower fuel prices are feeding through to lower air fares and Management continues to believe that the earnings benefit from declining fuel prices is limited over the short term. Based on current booking trends management expects total revenue per available seat kilometer (RASK) to decline by a mid single-digit percentage in H1 and remains cautious regarding the revenue performance for the second six months of the financial year (H2), when capacity growth is planned to be 16 per cent.

Notwithstanding the fact that Easter fell one week earlier in 2016 than in 2015 pushing a higher proportion of this high yield traffic into the previous financial year, we currently expect a further significant rise in the Group's net profit over F16 to a range of between €245 million and €255 million (excluding exceptional items). This guidance is heavily caveated by the H2 revenue performance, a period for which we currently have limited visibility.

Full year guidance

	2017 Financial Year	Comment
Capacity growth (ASKs)	17%	H1: 18%, H2 16%
Average stage length	Modest increase	-
Load Factor	Modest improvement	-
Fuel CASK	-15%	Assumes spot price of $450/MT
Ex-fuel CASK	Broadly flat	Assumes $/€1.12
Total CASK	-5%	-
RASK	Down mid- single digit	Pass through of lower fuel prices
Tax rate	6%	-
Net profit	€245 - 255 million	Excluding exceptional items

First (June) quarter of the 2017 financial year

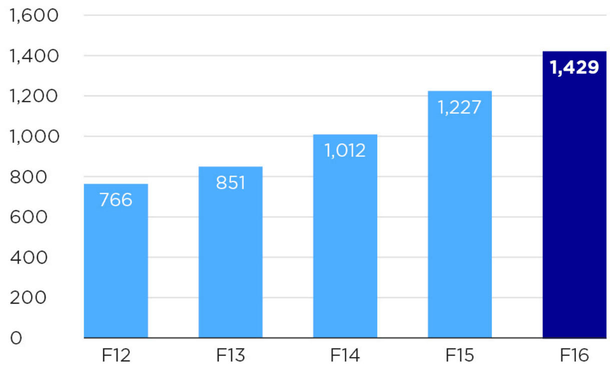
The Company expects to grow capacity in terms of seats flown by 17 per cent. in the June quarter and anticipates a modest rise in load factor versus the same period of the previous year. Management expects the timing of Easter to result in a net profit in Q1 (June quarter) only marginally ahead of Q1 of last year.

The last twelve months have been extremely exciting and as I outlined during the year, I remain fully committed to this business. At just twelve years old, Wizz Air is one of the strongest airlines in Europe and the market leader in CEE. I am very proud of what we have achieved as a management team – in particular during 2015 with our listing on the London Stock Exchange and our major A321neo aircraft order with Airbus. We have made a considerable investment in the future growth of the business. I look forward to leading the Wizz Air team in 2016 and well beyond as we build on our position as the leading low-cost airline in CEE and to bringing a *World of Opportunities* to all of our customers.

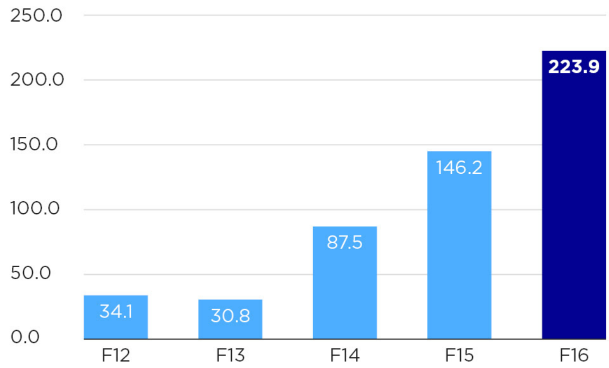
József Váradi
Chief Executive Officer
24 May 2016

SELECTED STATISTICS

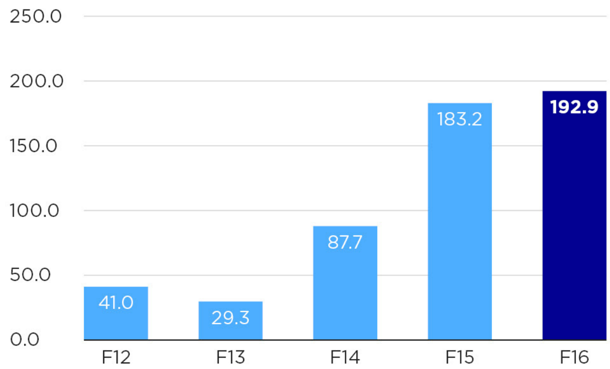
TOTAL REVENUE (€M)



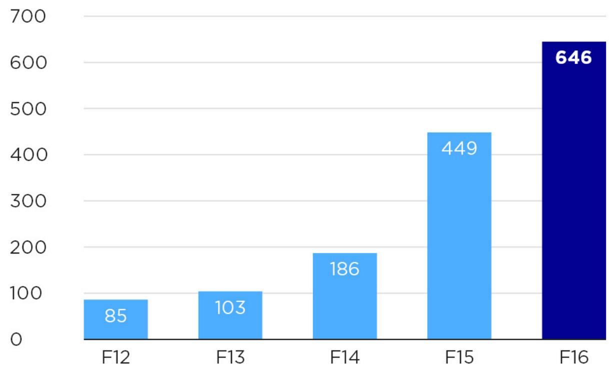
UNDERLYING NET PROFIT (€M)



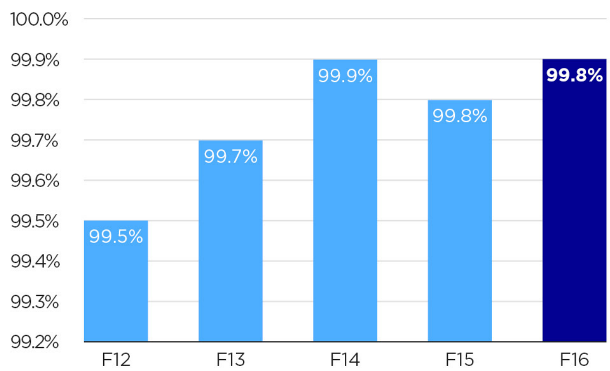
PROFIT FOR THE YEAR (€M)



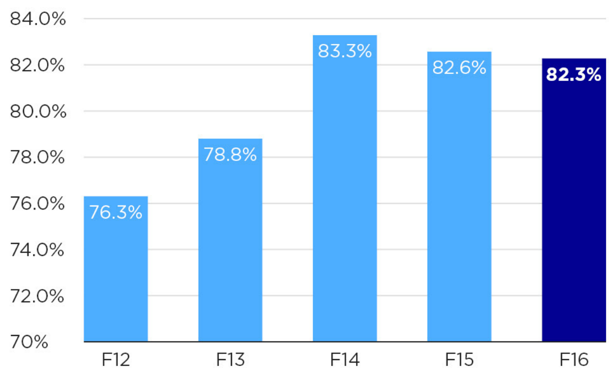
FREE CASH (€M)



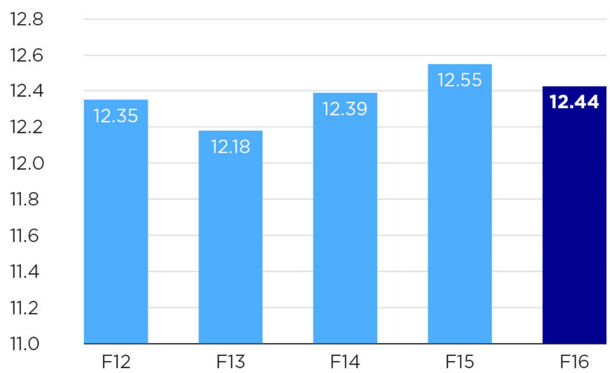
RELIABILITY*



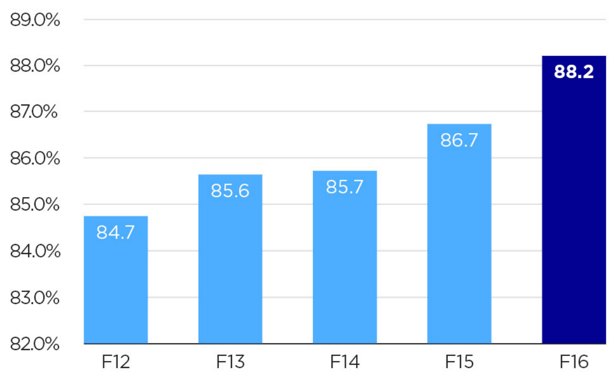
ON-TIME PERFORMANCE**



AIRCRAFT UTILISATION (BH/DAY)



LOAD FACTOR

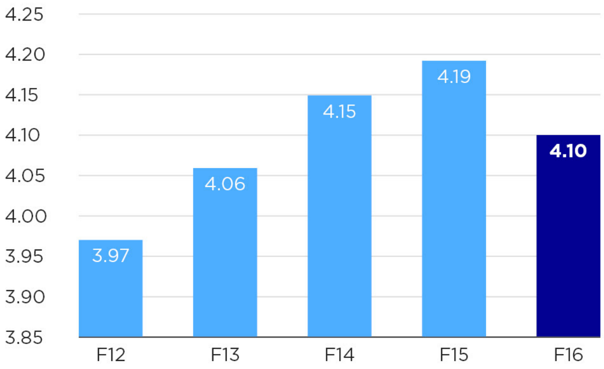


* Reliability = (1 - number of operational cancellations/number of revenue flight legs) x 100 per cent.

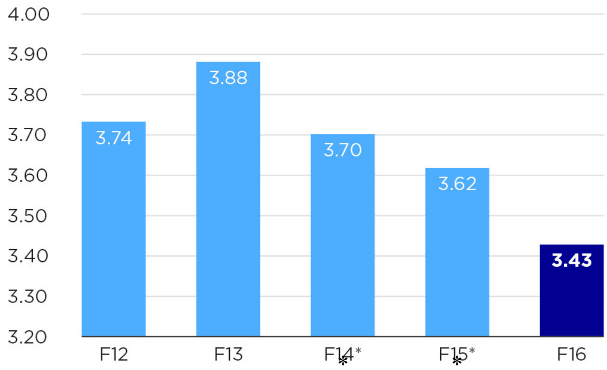
** On-time performance = (1 - number of delays > 15min/number of revenue flight legs) x 100 per cent.

SELECTED STATISTICS CONTINUED

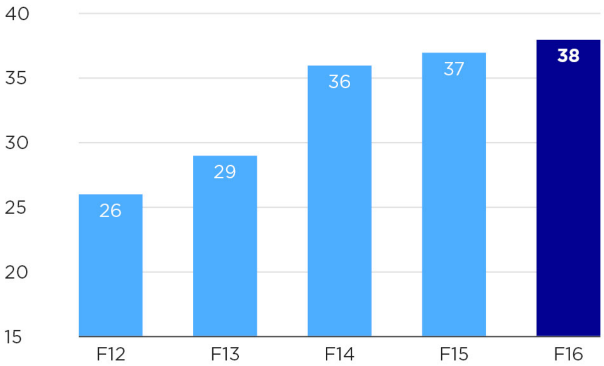
RASK (€C)



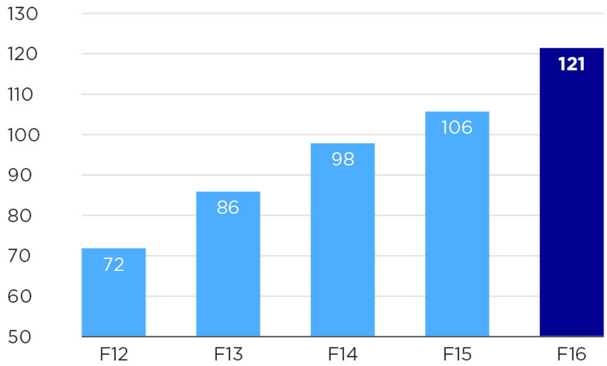
CASK (€C)



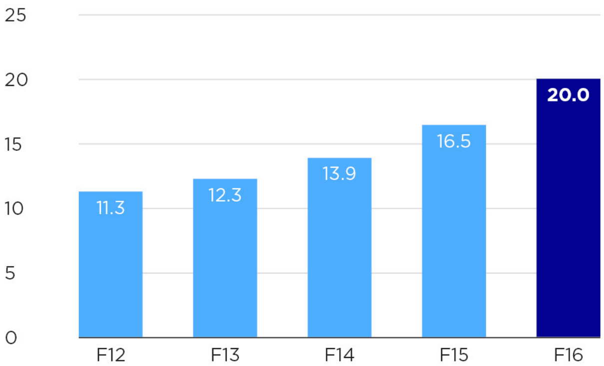
COUNTRIES SERVED



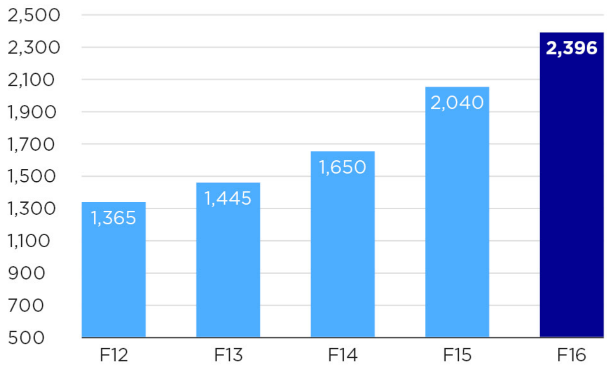
AIRPORTS SERVED AT YEAR-END



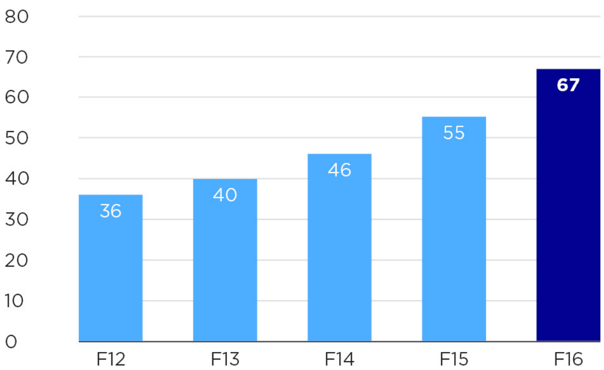
BOOKED PASSENGERS (MILLION)



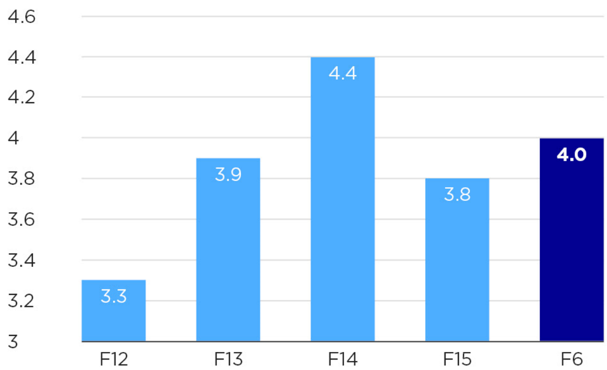
EMPLOYEES (AVERAGE FTES)**



YEAR END FLEET (AIRCRAFT)



AVERAGE FLEET AGE AT YEAR-END



* F14 and F15 include exceptional item.

** Including subcontracted staff, primarily rented pilots.

FINANCIAL REVIEW

During the 2016 financial year Wizz Air carried 20 million passengers, a 21.2 per cent. increase versus the previous year, and contributed to the grand milestone of reaching 100 million passengers since the start of Wizz Air's operations. Revenues grew to €1,429.1 million, representing a 16.4 per cent. Increase compared to the previous year. These growth rates compare to the balanced capacity growth measured in terms of available seat kilometres (ASK) of 19.1 per cent. and seats of 19.2 per cent.

Given strong volume growth and declining industry wide input costs through the year, the unit revenue performance of the business was creditable. Revenue per ASK decreased by 2.2 per cent. versus the previous year.

the 2016 financial year was characterised by a strong drop in fuel prices complemented by a healthy fuel hedging position resulting in a fuel unit cost (per ASK) decline of 15.0 per cent. partly offset by the stronger US Dollar. Non-fuel unit costs, remained neutral and therefore the overall operating unit cost has decreased by 5.4 per cent.

Underlying profit after tax increased by 53.2 per cent. from €146.2 million in 2015 to €223.9 million in 2016. This equates to a 3.8 percentage point rise in the underlying after tax profit margin from 11.9 per cent to 15.7 per cent.

The profit for the year was €192.9 million and included a €31.0 million net loss from unrealised FX losses and exceptional items. These comprised unrealised foreign exchange losses of €14.7 million and a loss from the change in the time value of hedge positions of €25.0 million, offset by €8.7 million of exceptional realised FX gain on the conversion of USD 75.6 million of deposits behind collaterals into EUR.

The income tax expense for the year was again €8.5 million (2015: €8.5 million) giving an effective tax rate for the Group of 4.2 per cent. (2015: 4.4 per cent.). The main components of this charge are local business tax and innovation tax paid in Hungary and corporate income tax paid in Switzerland.

	2016	2015	Change
Average jet fuel price ($/metric ton, including into plane premium and hedge impact)	**740**	986	-24.9%
Average USD/EUR rate (including hedge impact)	**1.20**	1.32	-9.0%
Year-end USD/EUR rate	**1.14**	1.07	+6.5%

Financial overview

Summary statement of comprehensive income € million	2016	2015
Total revenue	**1,429.1**	1,227.3
Fuel costs	**(401.5)**	(396.6)
Operating expenses excluding fuel	**(792.1)**	(663.4)
Total operating expenses	**(1,193.6)**	(1,060.0)
Operating profit	**235.5**	167.3
Operating profit margin	***16.5%***	*13.6%*
Net financing (expense)/income	**(34.1)**	24.4
Profit before income tax	**201.4**	191.7
Income tax expense	**(8.5)**	(8.5)
Profit for the year	**192.9**	183.2

Adjusted performance measures (Note 9)	Operating Profit		Profit for the year	
€ million	2016	2015	2016	2015
Statutory (IFRS) profit	**235.5**	167.3	**192.9**	183.2
Exceptional items (Note 9):				
Cost of extending and revaluing convertible debt	**-**	-	**-**	2.5
Translation gain relating to closure of Wizz Air Ukraine Airlines LLC	**-**	-	**-**	(14.5)
IPO related costs	**-**	2.8	**-**	2.8
Realised FX gain on conversion of deposits	**-**	-	**(8.7)**	-
Loss from change in time value of hedges	**-**	-	**25.0**	-
Total exceptional adjustments	**-**	2.8	**16.3**	(9.2)
Unrealised foreign exchange losses/(gains) (Note 10)	**-**	-	**14.7**	(27.8)
Underlying profit	**235.5**	170.2	**223.9**	146.2
Underlying profit margin	***16.5%***	13.9%	***15.7%***	11.9%

Financial overview continued

Earnings per share

Earnings per share (Note 12)	**2016**	2015
Basic earnings per share, EUR	**3.62**	14.43
Diluted earnings per share (statutory), EUR	**1.54**	6.91
Proforma earnings per share (underlying), EUR	**1.78**	1.19
Proforma earnings per share (underlying), GBP*	**1.41**	0.87

* Translated from EUR to GBP at 1.263 for 2016 (rate applicable at 31 March 2016) and at 1.377 for 2015 (rate applicable at 31 March 2015).

The proforma underlying earnings per share (EPS) is a fully diluted measure defined by the Company. Its calculation differs from the IFRS diluted EPS measure in the following ways:

- For earnings the underlying profit for the year is used, as opposed to the statutory (IFRS) profit for the year.
- For the fully diluted number of shares, all convertible debt is taken into account for its dilution impact as at the year end, resulting in 126.8 million (2015: 126.5 million) shares used as the denominator. By contrast, the IFRS diluted EPS measure includes only those convertible debts that could be converted without restriction and takes a weighted average position for the year.

Return on capital employed and capital structure

ROCE** for the 2016 financial year was 22.4 per cent., an improvement of 0.9 percentage points versus the previous year driven by a proportionate growth of earnings before interest and tax (EBIT), shareholder's equity, net cash position, and capitalised leases.

The Company's leverage, defined as net debt adjusted to include capitalised operating lease obligations* divided by earnings before interest, tax, depreciation, amortisation and aircraft rentals (EBITDAR), fell to a ratio of 1.4 from 1.6 at the end of the 2016 financial year.

Liquidity, defined as cash and equivalents as a percentage of the last twelve months' revenue, rose from 37 per cent at the end of the 2015 financial year to 45 per cent a year later.

These improvements in the Company's leverage and liquidity ratios reflect the combined effect of improved profitability and the IPO proceeds.

	2016	2015	Change
ROCE**	**22.4%**	21.5%	0.9 ppts
Leverage	**1.4**	1.6	(0.2) pts
Liquidity	**45%**	37%	8 ppts

* Annual aircraft lease expenses multiplied by seven as an estimate of the total outstanding obligation.

** ROCE: underlying operating profit after tax/average capital employed, where average capital employed is the sum of average equity (excluding convertible debt) and capitalised operating lease obligations, less average free cash.

Financial performance

Revenue

The following table sets out an overview of Wizz Air's revenue items for 2016 and 2015 and the percentage change in those items:

	2016		2015		
	Total (€ million)	**Percentage of total revenue**	Total (€ million)	Percentage of total revenue	Percentage change
Passenger ticket revenue	**894.9**	**62.6%**	793.8	64.7%	12.7%
Ancillary revenue	**534.2**	**37.4%**	433.5	35.3%	23.2%
Total revenue	**1,429.1**	**100%**	1,227.3	100%	16.4%

In 2016 ASKs rose by 19.1 per cent. which combined with relatively stable RASK of –2.2 per cent. resulted in a 16.4 per cent increase in total revenue. Passenger ticket revenue increased by 12.7 per cent. to €894.9 million and ancillary (or "non-ticket") revenue increased by 23.2 per cent. to €534.2 million.

Financial performance continued

Revenue continued

Average revenue per passenger decreased slightly from €74.5 in 2015 to €71.5 in 2016, a decrease of 3.9 per cent. Average passenger ticket revenue per passenger declined from €48.2 in 2015 to €44.8 (-7.0 per cent.), while average ancillary revenue per passenger increased from €26.3 in 2015 to €26.7 in 2016, an increase of 1.7 per cent. This slight decrease in average revenue per passenger was due to:

- a significant increase in average passenger ticket revenue per passenger in 2016 compared to 2015, which was the result of the increasing maturity of Wizz Air's route network and higher passenger demand in 2016 than in 2015 as evidenced by a 1.5 percentage point increase in load factor to 88.2%; and
- the combined impact of the modification of certain products (priority boarding now allows a second piece of carry-on luggage, and there are now two weight categories within checked-in luggage), the introduction of new services (allocated seating, and Plus Fare), and the adaptation of customers to some of the longer standing products such as payable carry-on luggage.

Operating expenses

Total operating expenses increased by 12.6 per cent. to €1,193.6 million in 2016 from €1,060.0 million in 2015. CASK declined by 5.4 per cent. to 3.43 Euro cents in 2016 from 3.62 Euro cents in 2015. This reduction in CASK was principally driven by a reduction in the average fuel price and a favourable development of airport mix. CASK excluding fuel expenses remained flat at 2.27 Euro cents in 2016 driven by the combined effect of further improvement of major cost items (airport, handling, en-route charges) set off by increasing aircraft rentals and a larger budget allocated to distribution and marketing.

The following table sets out Wizz Air's operating expenses for 2016 and 2015 and the percentage changes in those items:

	2016		2015		
	Total (€ million)	**Percentage of total operating expenses**	Total (€ million)	Percentage of total operating expenses	Percentage change
Staff costs	**101.4**	**8.5%**	83.4	7.9%	21.6%
Fuel costs	**401.5**	**33.6%**	396.6	37.4%	1.2%
Distribution and marketing	**23.5**	**2.0%**	18.8	1.8%	25.0%
Maintenance, materials and repairs	**77.5**	**6.5%**	62.0	5.8%	25.0%
Aircraft rentals	**176.2**	**14.8%**	137.1	12.9%	28.5%
Airport, handling and en-route charges	**343.1**	**28.7%**	297.7	28.1%	15.3%
Depreciation and amortisation	**28.8**	**2.4%**	33.9	3.2%	(14.9)%
Other expenses	**41.7**	**3.5%**	30.5	2.9%	36.7%
Total operating expenses	**1,193.6**	**100%**	1,060.0	100%	12.6%

Staff costs increased by 21.6 per cent. to €101.4 million in 2016, up from €83.4 million in 2015. The increase in overall staff costs reflected an 18.4 per cent. rise in aircraft block hours and higher bonus payments than in the previous year.

Fuel expenses rose by 1.2 per cent. to €401.5 million in 2016, up from €396.6 million in 2015. Although there has been an increase of 19.1 per cent. growth in ASKs, and a 9.0 per cent. appreciation of the US Dollar against the Euro after hedging (moving from average 1.32 rate in 2015 to 1.20 in 2016), it has been offset by a 0.5 per cent. reduction in fuel consumption per block hour and a 24.9 per cent. decline in the fuel price (after hedging). The average fuel price (including hedging impact and into-plane premium) paid by Wizz Air in 2016 was US$740 per tonne, a decline of 24.9 per cent. from the previous year's figure of US$986 per tonne.

Distribution and marketing costs rose 25.0 per cent. to €23.5 million in 2016 from €18.8 million in 2015. This increase was largely due to distribution costs which grow in line with revenue growth. In addition, Company increased discretionary marketing activity year which included a comprehensive re-branding exercise.

Maintenance, materials and repair costs increased by 25.0 per cent. to €77.5 million in 2016 from €62.0 million in 2015. This cost increase was the result of the increase in the average fleet size and the implementation of the amended engine maintenance contract that resulted in a one-off cost of €3.0 million.

Aircraft rental costs grew 28.5 per cent. to €176.2 million in 2016, from €137.1 million in 2015. This increase was largely due to fleet growth (equivalent aircraft expanded by 19.1 per cent.), and increasing average lease rate due to A321 aircraft joining the fleet, and the appreciation of the US Dollar to the Euro (average 9 per cent year on year including hedge impact).

Financial performance continued

Operating expenses continued

Airport, handling and en-route charges increased by 15.3 per cent. to €343.1 million in 2016 from €297.7 million in 2015. This category comprised €193.9 million of airport and handling fees and €149.3 million of en-route and navigation charges in 2016 and €170.5 million of airport and handling fees and €127.2 million of en-route and navigation charges in 2015. The cost increase was primarily due to an 18.8 per cent. increase in the number of flights, and a 21.2 per cent. rise in passenger numbers.

Depreciation and amortisation charges fell by 14.9 per cent. to €28.8 million in 2016, down from €33.9 million in 2015. This was driven by the implementation of a new engine maintenance contract which takes into account the greater reliability and therefore the longer on-wing times of the airline's engines. The fall in depreciation is temporary and will catch up once the respective engines become out of condition again. See Note 13 to the financial statements for more details.

Other expenses increased by 34.7 per cent. to €41.7 million in 2016 from €30.5 million in 2015. This increase was primarily a result of an increase in non-salary related overhead and crew costs and flight cancellation costs, which were partially offset by lower insurance premiums due to better terms achieved on the renewal of the insurance policy. A further €1.7 million increase was caused by bringing the tour operator business unit in-house, because third party input costs to the packages (for the time being these only apply to hotels) are now recognised on a gross basis under other expenses.

Operating profit

As a result of the foregoing factors, Wizz Air made an operating profit of €235.5 million in 2016, a 40.8 per cent. increase from the operating profit of €167.3 million made in 2015 (which included €2.8 million of exceptional items).

Operating profit increased by 38.4 per cent when compared to the €170.1 million profit in 2015 excluding exceptional items. This equates to a 2.6 percentage point improvement in the underlying operating profit margin from 13.9 per cent to 16.5 per cent.

Net financing income and expense

Wizz Air's net financing costs resulted in a cost of €34.1 million in 2016 after a net gain of €24.4 million in 2015. This significant change was driven primarily by three special items, as shown in the table below:

€ million	**2016**	2015	Change
Net FX-related impacts (including exceptional item in 2016)	**(3.1)**	16.2	(19.2)
Change in time value of hedges (exceptional)	**(25.0)**	-	(25.0)
Closure of Wizz Air Ukraine (one-off, exceptional)	**-**	14.6	(14.6)
All other financial income & expenses (recurring)	**(6.0)**	(6.3)	0.3
Net financing income and expense*	**(34.1)**	24.4	(58.5)

* See also Notes 9 and 10 to the financial statements.

Net FX-related impacts are expected to be limited in the future because by the end of 2016 the historically high net US Dollar monetary asset position of the Group was substantially eliminated. Changes in hedge time value will stop impacting earnings as soon as the EU endorses IFRS 9 and thus the Group can adopt it instead of the currently applied IAS 39 – endorsement is now expected by the end of the 2016 calendar year.

Taxation

Wizz Air recorded an income tax expense of €8.5 million in 2016, in line with an almost identical figure in 2015. The effective tax rate for the Group was 4.2 per cent. in 2016 and 4.4 per cent. in 2015. The reduction in the effective tax rate reflects the impacts of Hungarian local taxes the tax base of which is different from the corporate tax base.

Profit for the period

As a result of the foregoing factors, Wizz Air generated an IFRS profit for 2016 of €192.9 million, a 5.3 per cent. increase from the profit of €183.2 million in 2015.

Other comprehensive income and expense

In 2016 the Group had other comprehensive income of €33.2 million compared to the €51.7 million expense in 2015. This change was driven primarily by the significant movements in the balance of the cash flow hedging reserve (in equity) in the two years. In 2015 there was a €43.0 million increase in the reserve caused by the sharp fall in fuel prices during the year combined with a substantial volume of zero cost collar hedge instruments open at 31 March 2015. In 2016 there was a €33.2 million decrease in the reserve because, although fuel prices continued to drop, at 31 March 2016 the Group's open instruments were fuel caps, which do not result in a liability for the Group even if the market rates for jet fuel are below the hedged rates.

Cash flows and financial position

Summary statement of cash flows

The following table sets out selected cash flow data and the Company's cash and cash equivalents for 2016 and 2015:

€ million	2016	2015	Change
Net cash generated by operating activities	**288.9**	174.0	114.9
Net cash used in investing activities	**(90.6)**	(49.8)	(40.8)
Net cash (used in)/from financing activities	**(1.7)**	139.3	(141.0)
Effect of exchange rate fluctuations on cash and cash equivalents	**0.5**	(0.5)	1.0
Cash and cash equivalents at end of period	**645.6**	448.6	197.0

Cash flow from operating activities

The vast majority of Wizz Air's cash inflows from operating activities are derived from passenger ticket sales. Net cash flows from operating activities are also materially affected by movements in working capital items.

While the difference in profit before tax was only €9.7 million between 2016 and 2015, the improvement in operating cash flows (€114.9 million) was much more significant. This can be explained by two main adjusting factors between book profit and cash flows:

- Financial income and expenses: In 2015 there were two significant non-cash items within financial *income*: unrealised FX gain of €27.8 million and €14.5 million from the recycling of the balance of the cumulated translation adjustment account from equity to the income statement. In contrast, in 2016 there were three significant non-cash items within financial *expense*: unrealised FX loss of €14.7 million, €25.0 million loss from the change in the time value of hedges, and recognition of €5.3 million fuel-cap related fees paid in 2015. These factors together explain the €87.3 million difference between the two years. Most of these factors explain similarly the significant year on year improvement in underlying profits, when compared to the relatively little improvement in IFRS profits. See also Notes 9 and 10 to the financial statements.
- Changes in working capital: €25.9 million was paid for fuel caps in 2015 while there was nil cash spending in 2016. The other significant contributor was trade and other payables: while the balance grew in both years, as it is normal in a fast growing business, in 2016 it contributed by €29.6 million more to the operating cash flows than in 2015.

Cash flow from investing activities

Net cash used in investing activities increased by €40.8 million from a net cash outflow of €49.8 million in 2015 to net cash outflow of €90.6 million in 2016. The main contributor was advances paid for aircraft, net of refunds of advances, for which €29.4 million more was invested in 2016 than in 2015.

Cash flow from financing activities

Net cash from financing activities decreased by €141.0 million to a €1.7 million outflow in 2015 from a €139.3 million inflow in 2015. This was mainly due to the net proceeds of €149.1 million received during 2015 from the issue of new shares, most of them being the primary proceeds from the Company's IPO.

Summary statement of balance sheet

The following table sets out summary statements of financial position of the Group for 2016 and 2015:

€ million	2016	2015	Change
ASSETS			
Property, plant and equipment	**353.6**	247.1	106.5
Restricted cash*	**101.6**	73.6	28.0
Derivative financial instruments*	**1.7**	60.7	(59.0)
Trade and other receivables*	**197.7**	167.9	29.8
Cash and cash equivalents	**645.6**	448.6	197.0
Other assets*	**31.7**	22.6	9.1
Total assets	**1,331.8**	1,020.5	311.3
EQUITY AND LIABILITIES			
Equity			
Equity	**688.8**	459.9	228.9
Liabilities			
Trade and other payables	**177.3**	123.9	53.4
Convertible debt and other borrowings*	**33.6**	31.5	2.1
Deferred income*	**321.6**	262.9	58.7
Derivative financial instruments*	**17.6**	81.7	(64.1)
Provisions*	**84.9**	52.4	32.5
Other liabilities*	**8.1**	8.2	(0.1)
Total liabilities	**643.1**	560.6	82.5
Total equity and liabilities	**1,331.8**	1,020.5	311.3

* Including both current and non-current asset and liability balances, respectively.

Property, plant and equipment increased by €106.5 million as at 31 March 2016 compared to 31 March 2015 (see Note 13 to the financial statements). This was driven by investments in all the important fixed asset categories, as follows: (i) aircraft maintenance assets (including advances for these assets) increased by €43.5 million, mainly due to more engines being out of condition as they approach end of useful life as at the end of 2016 than a year before; (ii) advances paid for aircraft (PDPs) increased by €35.8 million due to a combination of the deposit in relation to the purchase agreement for110 A321neo aircraft deal, the fact that A321 PDPs are higher than those for A320s, and also the fact that the deposits open at 31 March 2016 were placed during a stronger US Dollar environment than those open at 31 March 2015 (iii) investment into aircraft parts in the amount of €13.3 million, most of this related to the delivery of a spare engine.

Restricted cash (current and non-current) increased by €28.0 million as at 31 March 2016 compared to 31 March 2015. This was driven by the growth in the amount of lease-related letters of credit, particularly as security in relation to future maintenance obligations.

Derivative financial assets (current and non-current) decreased by €59.0 million as at 31 March 2016 compared to 31 March 2015 (see Notes 3 and 20 to the financial statements). The decrease was driven by two factors: (i) USD/EUR FX collars: there was a significant receivable on these instruments at 31 March 2015 due to the heavy appreciation of the USD during the 2015 financial year, however the FX rate stabilised in the twelve months to 31 March 2016 and the older instruments that were contracted at a weaker USD had been settled by then; and (ii) fuel caps: the 31 March 2015 balance included €22.6 million in relation to the fair value of fuel caps while by 31 March 2016 the fair value reduced to close to nil, due mainly to the reduction in time value.

Trade and other receivables (current and non-current) increased by €29.8 million as at 31 March 2016 compared to 31 March 2015 (see Note 18 to the financial statements). This increase of 18 per cent was broadly in line with the growth of the business and its revenue.

Cash and cash equivalents increased by €197.0 million as at 31 March 2016 compared to 31 March 2015. This change is explained in detail in the cash flow analysis above.

Trade and other payables increased by €53.4 million as at 31 March 2016 compared to 31 March 2015. This increase was at a higher rate than the overall growth of the business, driven primarily by a temporary peak in vendor payables in March 2016. This in turn was caused by the stabilisation that was required after changes made in a key system used for the control of the Group’s vendor invoices.

Deferred income (current and non-current) increased by €58.7 million as at 31 March 2016 compared to 31 March 2015 (see Note 26 to the financial statements). This was driven by the increase in unflown revenues (€36.2 million), itself primarily due to the increase of offered seat capacity at the end of the year, and by the concessions received by aircraft and component manufacturers in relation to the twelve new aircraft delivered during the year.

Summary statement of balance sheet continued

Derivative financial liabilities (current and non-current) decreased by €64.1 million as at 31 March 2016 compared to 31 March 2015 (see Notes 3 and 20 to the financial statements). This is because at 31 March 2016 the majority of the open fuel hedge instruments were caps (for which the Group does not have a liability when market rates are below the capped rate), while at 31 March 2015 the majority of open fuel hedge instruments were collars (for which the Group had significant liability due to the market rates for jet fuel at the time being significantly below the floor rates of the collars).

Provisions (current and non-current) increased by €32.5 million as at 31 March 2016 compared to 31 March 2015 (see Note 29 to the financial statements). The increase relates primarily to new provisions made for future heavy maintenance events, particularly engine LLP replacements.

József Váradi
Acting Chief Financial Officer
24 May 2016

KEY STATISTICS

	2016	2015	Change*
CAPACITY			
Number of aircraft at end of period	**67**	55	21.8%
Equivalent aircraft	**62.57**	52.53	19.1%
Utilisation (block hours per aircraft per day)	**12.44**	12.55	(0.9)%
Total block hours	**284,894**	240,711	18.4%
Total flight hours	**246,930**	208,736	18.3%
Revenue departures	**125,501**	105,627	18.8%
Average departures per day per aircraft	**5.48**	5.51	(0.5)%
Seat capacity	**22,654,100**	19,012,860	19.2%
Average aircraft stage length (km)	**1,538**	1,539	(0.1)%
Total ASKs ('000 km)	**34,844,016**	29,266,510	19.1%
OPERATING DATA			
RPKs (revenue passenger kilometer) ('000 km)	**30,786,117**	25,350,823	21.4%
Load factor (%)	**88.2**	86.7	1.7%
Number of passenger segments	**19,981,377**	16,482,468	21.2%
Fuel price (US$ per ton, including hedging impact and into-plane premium)	**740**	986	(24.9)%
Foreign exchange rate (US$/€ including hedging impact)	**1.20**	1.32	(9.0)%
FINANCIAL MEASURES			
Yield (revenue per RPK, € cents)	**4.64**	4.84	(4.1)%
Average revenue per seat (€)	**63.09**	64.55	(2.3)%
Average revenue per passenger (€)	**71.52**	74.46	(3.9)%
RASK (€ cents)	**4.10**	4.19	(2.2)%
CASK (including exceptional items) (€ cents)	**3.43**	3.62	(5.4)%
CASK (excluding exceptional items) (€ cents)	**3.43**	3.61	(5.2)%
Ex-fuel CASK (including exceptional items) (€ cents)	**2.27**	2.27	0.3%
Ex-fuel CASK (excluding exceptional items) (€ cents)	**2.27**	2.26	0.7%
Operating profit margin (including exceptional items) (%)	**16.5**	13.6	20.9%
Operating profit margin (excluding exceptional items) (%)	**16.5**	13.9	18.9%
Net profit margin for the period (profit after tax divided by revenue) (%)	**13.5**	14.9	(9.6)%
Underlying net profit margin for the period (%)	**15.7**	11.9	31.5%

* Percentage changes in this table are calculated by division of the two years' KPIs also when the KPIs are expressed in percentage.

PRINCIPAL RISKS AND UNCERTAINTIES

Wizz Air operates in a dynamic, fast-paced and competitive industry. It is an industry where reputations and businesses can be lost quickly if a risk is not anticipated and dealt with effectively.

This section of the report sets out our risk management process, as well as a short description of some of the key risks that could, if not properly dealt with, affect Wizz Air's future success, although it does not by any means list all risks that might possibly affect our business. Risk management is itself a dynamic and developing area and the Company understands that what was appropriate and adequate in the past may not continue to be so as the Company continues to grow. The Directors will therefore continue to review risk management on an ongoing basis to ensure that the processes used in the Company remain appropriate and adequate.

Our risk management process

The Board oversees the Company's risk process and has delegated authority for this to the Audit Committee. The Company's Head of Internal Audit reports directly to the Chairman of the Audit Committee. Each year, a risk universe exercise is undertaken with the Company's senior and operational management. The results of this exercise are used to produce an internal audit plan for the coming year. The internal audit plan generally always covers internal control risks as well as some other enterprise risks.

Senior management reports to the Board at each of the scheduled Board meetings and the Board also received a report from the Chairman of the Audit Committee at each of the scheduled Board meetings. These reports include detailed assessment of, for example, commercial and operational risks which may have arisen or been dealt with during the reporting period. In addition, the Board is kept updated by senior management as and when specific risk issues arise between Board meetings.

As noted in the FY15 annual report, the Audit Committee and senior management are developing a comprehensive risk analysis and reporting framework. The first stage of this development saw the creation of a formal internal Risk Committee, which brings together the Company's Leadership Team and a number of other senior employees on a regular basis to consider and update the risks identified in the risk universe. Using the risk universe as a basis, the Risk Committee identified the key risks to realising the Company's strategic goals and agreed with the Board that these would form the basis of regular, specific risk reports to the Board. These key risks, many of which were already the subject of regular reporting and discussion between senior management and the Board, are detailed below. In addition, and as part of the Company's regular mid-term planning process, management have, where appropriately measurable, provided financial models of the possible effects of some of these key risks to the Board. The Board is therefore satisfied that it has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

To date, the Company's small administrative headcount has ensured that consideration of risk has enjoyed close oversight in relation to day-to-day matters by the Company's senior management. The Board, however, recognises that as the Company continues to grow, a more structured process of risk management is required.

Some areas of the Company's business already have sophisticated risk analysis and mitigation processes in place. For example, the Company's flight operations are subject to a world-class risk assessment and mitigation programme and the Company's exposure to foreign exchange and fuel price changes is mitigated through a Board-approved hedging programme administered by the Audit Committee. Risks and internal controls relating to financial reporting were subject to a detailed and comprehensive analysis as part of the Company's preparations for its initial public offering in March 2015. For other areas, a comprehensive enterprise risk management ("ERM") programme appropriate for the Company's business is being developed and will be implemented in the coming months.

During the year, a review of the Company's risk management and internal control systems was carried out. Ernst & Young has been engaged to provide expert advice and to work with senior management and the Risk Committee to ensure that the ERM project enhances and develops the Company's risk management activities and internal control processes and puts them in a framework appropriate not only for the coming year, but the coming decade.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risks relating to the Group

Introduction

The key risks identified by the Risk Committee fall into six broad groupings:

- information technology and cyber risk, including website availability, protection of our own and our customers' data and ensuring the availability of operations-critical systems;
- external factors, such as fuel cost, foreign exchange rates, competition and geopolitical risk;
- product development, making sure that we are making the best use of our capacity and ensuring that we have access to the right airport infrastructure at the right price so that we can keep on delivering the superior Wizz Air service at low fares across an ever wider network;
- fleet development, to ensure the Company has the right number of aircraft available at the right time to take advantage of commercial opportunities and grow in a disciplined way;
- operations, including safety events; and
- human resources, whether being able to recruit the right number of colleagues of the right quality to continue to grow or, once recruited, ensuring that they remain sufficiently engaged and motivated.

Information technology and cyber risk

Wizz Air is, primarily, an e-business. During FY16, 97% per cent. of bookings were made through our website and mobile applications. We are therefore dependent on our information technology systems to receive, process and manage ticket reservations, process credit and debit card payments, check in passengers, manage our traffic network, perform flight operations and engage in other critical business tasks. Our website is our shop window and therefore it is critical that it is secure and reliable. We outsource the hosting and operation of these systems to a number of IT suppliers. However, we retain an experienced internal team to oversee the operation of these systems and include suitable contractual recovery and other key performance standards with each of our key IT suppliers. We have also increased the number of card acquirers and payment service providers that we use, with each provider being an effective back-up for the others. We will continue to review our business-critical systems to ensure that the appropriate level of back-up is in place. Business continuity processes are also tested and we have procedures in place to ensure that key staff can be relocated to an alternative location should our normal offices become unusable.

Cyber risk is a hugely important consideration for a business such as ours and is one of the areas on which specific work has been done with the Board over the last year. Our systems could be attacked in a number of ways and with varying outcomes – for example, unavailability of our website or operations-critical systems or theft of our or our customers' data. Quite apart from immediate commercial loss, any loss of customer data is likely to result in considerable loss of confidence of our customers. While we have implemented additional security measures both internally and with our suppliers, cyber security is a constantly evolving challenge. Our in-house IT Security function will constantly review emerging threats and provide regular updates to the Board on actions being taken by the Company to safeguard its systems.

External risks

We are a truly international business and, while we report in Euros, we transact in 19 currencies. We also have to make a large number of payments in US Dollars. Appreciation of the US Dollar against the Euro may impact results and margins. Therefore, to reduce our exposure to currency fluctuations in respect of costs incurred in US Dollars, we engage in Euro/US Dollar hedging in accordance with a Board-approved hedging policy. Transactions are subject to the approval of the Audit Committee.

Fuel accounted for 34 per cent. of our total operating cost in FY16. A rise in fuel prices could significantly affect our operating costs. We therefore hedge our aviation fuel cost in accordance with a Board-approved hedging policy. The Audit Committee is involved in and approves each hedging decision.

Competition is one of the key risks to our business. The airline industry in Europe is fiercely competitive. We have yet to see consolidation on the scale experienced in, for example, the United States and so there are a large number of airlines, including ultra-low-cost and low-cost carriers, traditional airlines and charter airlines, competing throughout our network. Our competitors may seek to protect or gain market share in markets in which we operate, perhaps by offering discounted fares or more attractive schedules. We believe that competition is good for the industry – both for consumers, who benefit from lower prices, as well as airlines themselves, as they must embrace cost discipline – but we must react to a competitive threat. We constantly seek to enhance our customer offering and the comprehensive re-branding unveiled in May 2015 has put the WIZZ brand in a strong position to continue its success in the future. Ultimately, our key competitive strength is our commitment to driving our cost ever lower while delivering a superior customer service. We firmly believe that, in a tough market, lowest cost ultimately wins and the necessary cost discipline is something to which we are committed, day in, day out. Competition can, however, adversely

Risks relating to the Group continued

External risks continued

affect revenues and so we constantly monitor our competitors' actions and the performance of our route network to ensure that we take both reactive and proactive actions in a timely manner, as required.

We are exposed to political and economic events and trends in CEE and elsewhere. Our business extends beyond the borders of the EU and into countries such as Russia, Turkey and Ukraine and regions including the Caucasus, North Africa and the Middle East. These and other countries in the region have experienced, and may still be subject to, potential political and economic instability caused by changes in governments, political deadlock in the legislative process, contested election results, tension and conflict between federal and regional authorities, corruption among governmental officials, social and ethnic unrest and currency instability. We maintain close relationships with local authorities and, as an organisation, we are able to react quickly to adverse events. As reported last year, unrest in Ukraine led to the decision to close the operations of Wizz Air Ukraine Airlines LLC. This year, following the terrorist event in Sharm el-Sheikh, we took the decision to stop operations not only from Sharm el-Sheikh but also Hurghada and, for the few flights we operated after that decision was taken to ensure our customers were able to travel home, we implemented significantly enhanced security measures provided by our own contracted security company. We also work closely with a security advisory company to assess the security threat in each of own destination airports.

Like all European airlines, we have prospered in a liberalised regulatory environment which makes the free movement of people throughout the European Union a reality. Any event which adversely affects either the liberalised operating environment or the free movement of people has the potential to affect our business. We are therefore awaiting the outcome of the United Kingdom's European Union membership referendum with interest. Even if there were to be a vote in favour of the United Kingdom leaving the European Union, it is not clear what this would mean in practice or how it would affect airlines. While we have a strong United Kingdom business, we have always believed that diversification of our network and our customers is a key part of a sustainable business. That remains the case and we are confident that there remains a large addressable market in CEE which will continue to provide opportunities for profitable growth.

Product development

We do not just compete for customers, we compete for access to infrastructure too. Wizz Air has big plans – but as we grow, we need more terminal space, slots and aircraft parking to be able to operate our flights. Certain airports to which we operate may already be or become congested, meaning we may not be able to secure access to those airports at our preferred times and, therefore, when we have slots we need to make sure that we retain them. We mitigate this risk by operating primarily from secondary airports which have significant spare capacity and, where we do fly to congested airports, our flights often constitute in-bound traffic for such airports and take up off-peak capacity. However, we ensure that we maintain close working relationships with relevant airport authorities and slot co-ordinators and we are continually improving our system to ensure that slot requests and submissions are made in a timely way – and used in a way that delivers the maximum benefit for the Company.

Fleet development

Our planned growth means we need planned aircraft deliveries. Wizz Air has big plans – we will continue to grow and we will continue to be ready to respond to competitive challenges. However, in order to do so, we need capacity and that means that we need an appropriate supply contract for new aircraft. And the emphasis here is on new aircraft – we currently operate one of the youngest fleets in Europe, with an average age of 4.2 years and that means we have a more efficient fleet which is more reliable and therefore able to be utilised for over twelve hours a day. For the business, that means lower unit operating costs and for our customers, lower prices. Our existing order book with Airbus as at 31 March 2016 comprises a further 34 Airbus A320ceo family aircraft, split into 8 A320ceo and 26 A321ceo deliveries and all of which will be delivered before the end of 2018. From 2019 onwards, we will start to take delivery of the A321neo aircraft ordered at the Paris Air Show in June 2015. That gives a confirmed delivery stream until the end of 2024, at which point Wizz Air will be an airline operating 155 aircraft. As has been the case in the past, we will continue to ensure that we operate a young, fuel-efficient and reliable fleet of aircraft and that deliveries of new aircraft support our growth.

A large aircraft order is a significant financial commitment and so requires financing. To date, we have financed all of our new aircraft deliveries through sale and leaseback arrangements. This will continue to be the case for the remaining A320ceo family deliveries through to the end of 2018, for which we already have in place sale and leaseback financing arrangements either in fully committed form (13 aircraft) or in the form of letter of intent (21 aircraft). We are now starting to consider the best options for financing the first A321neo deliveries from 2019 – we are confident that, given the aircraft's desirability as a result of its superior operating economics and Wizz Air's established strong financial track record, finance will be readily available on competitive terms.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risks relating to the Group continued

Operational risks

Safety events. An accident or incident, or terrorist attack, can adversely affect an airline's image and customers' willingness to travel with that airline.

At Wizz Air, our number one priority is the safety of our aircraft, passengers and crew. Our aircraft fleet is young and reliable, we use the services of world-class maintenance organisations and we have a strong safety culture. A cross-functional safety council meets twice a year, involving both senior management as well as operational staff, and reviews any issues which have arisen in the past six months and the actions taken as a consequence. In addition to this, we collect detailed data from all aspects of our operation in order to identify trends and relevant personnel from our Operations department meet twice a year to discuss any trends identified in their sphere of operation and how they are being dealt with. We also operate an anonymous safety reporting system, to allow our flight and cabin crew to report safety issues which are a concern to them. Our entry standards for operating crew are high and our own Approved Training Organisation (ATO) ensures that all of our pilots are trained to the same exacting standards.

Our experienced Security team has an ongoing programme to check that the security of our operations and the airports which we serve meet high standards. We know that the proper management of risk means that we must anticipate and deal with issues in advance. Our Security team also maintains close contact with relevant authorities in order to assess any potential security or other threats to our operations. Any serious threat will be escalated to senior management. We have in the past suspended operations to destinations where the safety of our aircraft, passengers and crew cannot be guaranteed. In December 2015, Wizz Air Hungary Ltd. was named as a company of strategic importance by the Hungarian Parliament and, as such, the Company now enjoys enhanced security information and protection under the auspices of the Hungarian Constitution Protection Office.

Human resources

Wizz Air is a people business. We know that our people are the backbone of our business and it is their dedication, day in, day out, that allows us to deliver our low-cost, quality service. But we know that we cannot take our people for granted and that competition for the high quality people who we seek is keen and may become even more so.

- From time to time, pilots and others can be in short supply. We invest a huge amount of time in recruiting pilots and also training them to maintain our high standards. In order to ensure the future availability of pilots of the right calibre, we have recently announced a five-year training partnership with CTC Aviation Training and Central European Flight Academy, to provide cadet pilots to Wizz Air. We have also introduced an innovative scheme which allows pilots who are currently turboprop captains to transition quickly to a position with Wizz Air.
- We are proud that, to date, we have maintained a good relationship with our employees and we have not experienced industrial unrest. We strive to make sure that this will remain the case, but we realise that there can be no guarantee. We know that we need to ensure that we continue to motivate our colleagues. Feedback is an essential part of this process – both giving and receiving – and we consider direct communication between senior management and other employees as the best way of listening to our employees' concerns. Visits by senior management to each of our operating bases are organised annually and, this year, we launched an online and in-person employee feedback programme which allowed every employee to provide direct feedback anonymously. The results will be communicated to the whole Wizz team, together with actions to address any issues raised.
- Our success to date has also depended on a number of key personnel, including our Chief Executive Officer, other senior managers and post holders required by regulation. Our continuing success will depend on having the right people in those key positions. While, in the past, we have successfully recruited for those positions, we recognise that we have a pool of talent within the Company and have recently started a talent assessment and leadership development programme for our staff. During the 2016 financial year and as we announced on 4th November 2015, the Company entered into a new service contract with our Chief Executive Officer for a term of five years, subject to six months' notice on either side. We are also pleased to confirm that, after a period of medical leave, John Stephenson has returned to work as the Company's Executive Vice President.

József Váradi
Chief Executive Officer

GOVERNANCE

CORPORATE GOVERNANCE REPORT

A COMPANY COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE

Chairman's statement on corporate governance

It is now just over a year since Wizz Air's ordinary shares of £0.0001 each (Ordinary Shares) were admitted to the premium listing segment of the UK Listing Authority's Official List and to trading on the London Stock Exchange's Main Market for listed securities. In the first year of Wizz Air's life as a listed company, the Company reported record profits and the Company's valuation saw Wizz Air admitted to the FTSE 250. As Wizz Air as a company has continued to grow in size, value and reputation, so Wizz Air's Directors have sought to ensure high standards of corporate governance.

As Chairman, my primary aim is to ensure that the Board provides effective leadership of the Company. The Board recognises that it must continually re-appraise its involvement in the Company's business and also its own constitution and processes, so that its capabilities grow alongside the Company. Reflecting this continuous re-appraisal, I am delighted to report that Susan Hooper joined the Board on 1 March 2016. Susan brings to Wizz Air a wealth of experience from both her executive career, where she developed outstanding credentials in the leisure sector, and also her non-executive career, where she has a great deal of experience as a non-executive director of UK listed companies.

While Wizz Air's Board is made up of individuals with significant listed company experience, the Directors recognise the value of reviewing current procedures and processes in order to ensure that they remain appropriate for the Company as it grows. During the financial year ended 31 March 2016, Lintstock Ltd. conducted a performance evaluation of the Board, its committees and individual Directors. The process enabled all Directors to give feedback on the Board and its committees' constitution and processes, as well as the individual performance of me, as Chairman, and the committee chairmen and their own performance and development needs. The results of the performance evaluation were shared with and discussed by all Directors and a number of actions are being implemented both to build on current strengths and to ensure that processes continue to develop in an appropriate way.

As I mentioned in my statement on corporate governance in the Company's annual report for the 2015 financial year, the Board had requested that the Audit Committee further develop the comprehensive risk assessment and mitigation reviews already carried out by the Company's Internal Audit function. Indeed, while the Board's risk oversight has been appropriate for the Company to date, feedback given as part of the Board's performance appraisal suggested that the Company should develop a more structured enterprise risk management system. That process is already underway, with the Company's management working with Ernst & Young to implement the enterprise risk management system during the course of the current financial year (FY 2017).

I also noted in my statement on corporate governance in the Company's annual report for the 2015 financial year that there was one area where an exception to full compliance with the UK Corporate Governance Code (September 2012) had been approved by the Directors. This exception related to three Directors, namely Stephen L. Johnson, John R. Wilson and me, who have been nominated to hold office as Non-Executive Directors by Indigo Hungary LP and Indigo Maple Hill L.P. (together, "Indigo"), as contemplated by the relationship agreement entered into by Indigo and Wizz Air and which is described in the section headed "Our key Shareholders" below. The Directors had agreed that, in order to retain appropriate expertise on the Company's Board and its committees, Stephen L. Johnson and John R. Wilson should remain members of the Company's Audit Committee and Remuneration Committee respectively until 2 March 2016 at the latest. As contemplated, Stephen L. Johnson and John R. Wilson stepped down from their respective committee positions with effect from 1 March 2016. At the same time, Susan Hooper was appointed to the Company's Audit Committee and Remuneration Committee, bringing the constitution of those committees in line with the requirements of the UK Corporate Governance Code (September 2014) (the "Corporate Governance Code"). I would like to thank both Mr Johnson and Mr Wilson for their expert and valuable contributions to the committees over the years.

The Company's first year in public life has seen a number of changes in our Shareholders. While we have welcomed new investors to the Company, we have also seen some Shareholders who supported the initial public offering not only retain their holdings but increase them. The Board thanks each and every one of our investors for the faith they have shown in the Company's business and, also, recognises the trust that the Shareholders have placed in the Board and senior management. Over the course of the last year, a large number of meetings with investors were organised by senior management and, in addition, I have also spoken to a number of Shareholders myself. Any concerns or comments raised were fed back to the Board.

Once again, I would stress that the trust that both investors and other stakeholders have placed in the Board is not taken for granted. We will continue to develop our processes to ensure that our policy of ensuring high standards of governance appropriate for the Company is maintained in the future.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Directors support high standards of corporate governance and it is the policy of the Company to comply with current best practice in UK corporate governance to the extent appropriate for a company of its size. The Board intends that the Company will comply fully with the requirements of the Corporate Governance Code (September 2014) during the 2017 financial year, save as set out below:

a) William A. Franke, the Chairman, does not meet the independence criteria set out in the Corporate Governance Code, given that he is the managing partner of Indigo. However, given the benefits to the Company of his recognised experience in the airline industry, the Board believes that Mr Franke should continue as Chairman.

b) The underlying principles of the Company's remuneration policy, described in more detail in the Remuneration Report on pages 49 to 53, are that: (i) remuneration must be competitive whilst not being more than is necessary to attract, retain and motivate executive management of the quality required to continue to run the Company successfully; and (ii) a significant proportion of remuneration remains performance based. Following a period of consultation with a large number of significant Shareholders, the policy was approved by the Company's Shareholders at the Company's 2015 annual general meeting and will remain in place for a period of three years. The policy does not include provisions allowing the Company to recover sums paid or withhold the payment of any sum as mentioned in paragraph D.1.1. of the Corporate Governance Code. The Company believes that the policy as approved by Shareholders reflects the Company's preference to keep all aspects of its business as simple as possible. Nonetheless, the Company has been transparent with its Shareholders in this respect and the Remuneration Committee will continue to review all aspects of the remuneration policy on an ongoing basis to ensure that it continues to align with the Company's and Shareholders' interests.

The Board considers that it and the Company have, during FY16, complied with the Corporate Governance Code, save as set out above and as follows:

c) Stephen L. Johnson, who is not considered to be an independent Non-Executive Director given his past position with Indigo, was a member of the Audit Committee until 1 March 2016. As noted in the Company's annual report for the 2015 financial year, the Board considered that given Mr Johnson's experience and familiarity with the Group, and the fact that the Audit Committee Chairman, Mr Duffy, had at the time been recently appointed to the Board, Mr Johnson should remain on the Audit Committee until 2 March 2016, at the latest. On 1 March 2016, Mr Johnson stepped down from his membership of the Audit Committee and Ms Susan Hooper, an independent Non-Executive Director, was appointed to the Audit Committee. Therefore, until 1 March 2016 and as contemplated in the annual report for the 2015 financial year, the Company did not comply with the provisions of paragraph C.3.1. of the Corporate Governance Code, which requires all members of the Audit Committee to be independent Non-Executive Directors. However, from 1 March 2016, the Company did comply with the provisions of paragraph C.3.1. of the Corporate Governance Code.

d) John R. Wilson, who is not considered to be an independent Non-Executive Director as he is a principal of Indigo, was a member of the Remuneration Committee until 1 March 2016. As noted in the Company's annual report for the 2015 financial year, the Board considered that given Mr Wilson's experience and familiarity with the Group, and the fact that the Remuneration Committee Chairman, Mr Demuynck, had at the time been recently appointed to the Board, Mr Wilson should remain on the Remuneration Committee until 2 March 2016, at the latest. On 1 March 2016, Mr Wilson stepped down from his membership of the Remuneration Committee and Ms Susan Hooper, an independent Non-Executive Director, was appointed to the Remuneration Committee. Therefore, until 1 March 2016, the Company did not comply with the provisions of paragraph D.2.1. of the Corporate Governance Code, which requires all members of the Remuneration Committee to be independent Non-Executive Directors. However, from 1 March 2016, the Company did comply with the provisions of paragraph D.2.1. of the Corporate Governance Code.

e) The general meeting to approve the proposed purchase of 110 Airbus A321neo aircraft from Airbus was convened 13 working days prior to the date of the meeting and therefore the requirement in paragraph E.2.2 of the Corporate Governance Code for the notice of general meetings and related papers to be sent to shareholders at least 14 working days in advance was not met. Given the commercial imperative to conclude the transaction as soon as possible, the Board decided on this occasion to provide for one day less than the 14 working day period.

The Corporate Governance Code is issued by the Financial Reporting Council and is available for review on the Financial Reporting Council's website: www.frc.org.uk.

Our key Shareholders

As at 31 March 2016, the Company had been notified pursuant to DTR 5 of the Financial Conduct Authority's Disclosure Rules and Transparency Rules (the DTRs) that the following Shareholders held more than 3 per cent. of the Company's issued Ordinary Shares:

Shareholder	Shareholding	Reported number of shares
Indigo Hungary LP	14.49 per cent.	8,245,590
FMR LLC	9.97 per cent.	5,673,069
Old Mutual Plc	8.50 per cent.	4,837,683
Indigo Maple Hill LP	4.38 per cent.	2,495,043
PAR Capital Management Inc.	4.34 per cent.	2,470,555
Váradi, J.J.	4.08 per cent.	2,320,500
AGTA Invest Co. Ltd	3.45 per cent.	1,962,208

As at 23 May 2016, being the latest practicable date before the approval of the annual report and accounts, the positions were the same as listed above for 31 March 2016.

Changes in interests that have been notified to the Company pursuant to DTR 5 of the DTRs since 23 May 2016 can be found in the Regulatory News section of the Investor Relations page of the Company's corporate website: http://corporate.wizzair.com/en-GB/investor_relations/news/press_releases.

Our relationship with Indigo

On 31 March 2016, Indigo (Indigo Hungary LP and Indigo Maple Hill L.P. together) held 18.87 per cent. of the Company's issued Ordinary Shares, as well as 44,830,503 convertible shares of £0.0001 each in the capital of the Company ("Convertible Shares"). The Convertible Shares do not have any right to participate in the Company's profits and are, save in very limited circumstances, non-voting. These limited circumstances include the consideration of a resolution for the winding-up of the Company or the variation of the rights attaching to the Convertible Shares or any variation of the rights attaching to the Ordinary Shares into which the Convertible Shares may be converted.

Each Convertible Share may be converted into one Ordinary Share, as long as the ownership of the Company remains compliant with applicable EU ownership and control rules. Indigo also holds a number of convertible notes which may be converted into Ordinary Shares, again provided that the Company's ownership remains compliant with EU ownership and control rules. The terms of these convertible notes are governed by a note purchase agreement dated 24 February 2015 and entered into between the Company, Wizz Air Hungary Ltd. and Indigo. Our Chairman, William A. Franke, is the managing partner of Indigo.

According to the Financial Conduct Authority's Listing Rules (the "Listing Rules"), any person who exercises or controls the exercise, on their own or together with any person with whom they are acting in concert, 30 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of a company are known as "controlling shareholders". The UK Listing Authority takes the view that, in the circumstances, Indigo is a controlling shareholder of the Company for these purposes. The Listing Rules require companies with controlling shareholders to enter into a written and legally binding agreement which is intended to ensure that the controlling shareholder complies with certain independence provisions. The agreement must contain undertakings that:

a) transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;

b) neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and

c) neither the controlling shareholder nor any of its associates will propose or procure the proposal of a Shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Wizz Air entered into a relationship agreement with Indigo dated 24 February 2015. The key terms of this relationship agreement are set out below.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE CONTINUED

Our key Shareholders continued

Our relationship with Indigo continued

Independence

Indigo has undertaken to exercise its voting powers in relation to the Company to ensure that the Company is capable of operating and making decisions for the benefit of the Shareholders of the Company as a whole and independently of Indigo at all times. In addition, Indigo has undertaken that it will not, and will procure that none of its associates will: (a) take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and (b) propose or procure the proposal of a Shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Board

Indigo may nominate: (a) three Directors to the Board if Indigo and its associates hold in excess of 30 per cent. of the fully converted share capital of the Company (i.e. assuming the conversion in full of all Convertible Shares and Convertible Notes); (b) two Directors to the Board if Indigo and its associates hold in excess of 20 per cent. of the fully converted share capital; or (c) one Director to the Board if Indigo and its associates hold in excess of 10 per cent. of the fully converted share capital (each an "Indigo Director"). If Indigo and/or its associates no longer hold at least 30, 20 or 10 per cent., respectively, of the fully converted share capital of the Company, then Indigo has agreed to procure, insofar as it is legally able to do so, that the appropriate number of Indigo Directors resigns from the Board unless a majority of the independent Directors resolve that any Indigo Director should remain on the Board.

Indigo may not nominate any person to be an Indigo Director whose re-election has been proposed to, but not approved by, the holders of Ordinary Shares in general meeting, or who has been removed from office by a resolution of the holders of Ordinary Shares.

Indigo may also nominate one Indigo Director to each of the Audit Committee and the Remuneration Committee until the earlier of: (a) twelve months from Admission; or (b) Indigo and its associates ceasing to hold at least 10 per cent. of the fully converted share capital of the Company.

The Board shall manage the Company independently of Indigo in accordance with the articles of association, the Listing Rules and applicable law. The parties have also agreed that at least half of the Board (excluding the Chairman) shall comprise independent Non-Executive Directors, the Nomination Committee shall consist of a majority of independent Directors and, save as set out in the paragraph above, the Remuneration and Audit Committees shall consist only of independent Directors.

Arm's length transactions

All transactions and relationships between the Company and Indigo or any of their associates shall be conducted at arm's length, on a normal commercial basis and in accordance with the related party transaction rules set out in Chapter 11 of the Listing Rules.

Provision of information and confidentiality

Indigo shall, subject to the Company's obligations under all applicable laws (including, without limitation, the Listing Rules and the DTRs), be provided with financial, management and/or other information relating to any member of the Group as Indigo (or any of its associates) may reasonably require for the purposes of any internal or external reporting requirements which the relevant party is required by internal compliance, law or regulation to make. Indigo may disclose any such financial, management and/or other information to its associates provided that: (a) Indigo will (and will procure that any associate to whom any information is passed will) keep confidential any such information; (b) such information does not include information relating to any transaction between the Company and Indigo or any of their associates obtained as a result of an Indigo Director's position as a Director; (c) disclosure would not result in the breach by the Company of the Disclosure and Transparency Rules or require the Company to make a public announcement; and (d) the name of such persons to whom information is disclosed is added to the Company's insider list.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE CONTINUED

Our key Shareholders continued

Our relationship with Indigo continued

Confirmation regarding compliance

The Board confirms that, since the entry into the relationship agreement, on 24 February 2015, until 24 May 2016, being the latest practicable date prior to the publication of this report:

a) the Company has complied with the independence provisions included in the relationship agreement; and

b) so far as the Company is aware, the independence provisions included in the relationship agreement have been complied with by Indigo.

Engaging with our Shareholders

Wizz Air recognises the need to engage with its Shareholders.

Over the course of the past year, the Company's Investor Relations department has arranged a number of meetings and roadshows, timed around the release of financial results, with investors and the Chairman has had personal meetings with a number of Shareholders. At the 2015 Annual General Meeting, attended by all of the Directors, both the Chairman and the Senior Independent Non-Executive Director, along with the chairmen of the Audit Committee and the Remuneration Committee, were available to answer questions from investors. The Chairman, the Senior Independent Non-Executive Director and the chairmen of the Audit Committee and the Remuneration Committee will be present at the 2016 Annual General Meeting and, again, will be available to answer questions from investors.

A report on investor relations is presented by the Chief Financial Officer and, in the absence of the Chief Financial Officer, the Head of Investor Relations at each Board meeting, during which feedback from meetings held by senior management with investors is provided. The Board is supplied with copies of analysts' and brokers' briefings as they are received.

Reflecting the importance that the Company places on being transparent with its Shareholders, key Shareholders were consulted on certain aspects of the proposed remuneration policy before it was put to a Shareholder vote at the 2015 Annual General Meeting.

MANAGEMENT OF THE COMPANY

The Board of Directors

Effective oversight of Wizz Air's business is the key function of the Board. Key to this oversight is the approval of the Company's long-term strategy and commercial objectives and these matters are reserved to the Board, along with the approval of annual operating and capital expenditure budgets and any changes thereto. Other key areas also reserved to the Board include financial reporting and controls, internal controls, the review and approval of key contracts, Board membership, the remuneration of Directors and senior executive employees, corporate governance and the review of safety issues.

Board membership

Wizz Air's Board currently comprises one Executive and eight Non-Executive Directors, which the Directors consider to be an appropriate Board structure. The current Directors bring a wealth of experience from both the worldwide aviation industry as well as other international industries and so together bring to the Company an appropriate breadth, depth and balance of skills, knowledge, experience and expertise. The Directors who have served since the beginning of the 2016 financial year are:

Name	Position	Committee membership (as at 31 March 2016)
Executive Director		
József Váradi	Chief Executive Officer	
Non-Executive Directors		
William A. Franke	Chairman	Nomination Committee
Thierry de Preux	Non-Executive Director	Remuneration Committee
Guido Demuynck	Non-Executive Director	Remuneration Committee
Simon Duffy	Non-Executive Director	Audit Committee, Nomination Committee
Stephen L. Johnson	Non-Executive Director	
John McMahon	Non-Executive Director, Senior Independent Director	Audit Committee, Nomination Committee
John R. Wilson	Non-Executive Director	
Susan Hooper	Non-Executive Director	Audit Committee, Remuneration Committee

William A. Franke, Chairman

Mr Franke has been Chairman of Wizz Air since 2004. The Chairman's role is to lead the Board and ensure that it operates effectively. Mr Franke is the founder and managing partner of Indigo, a private equity fund focused on air transportation, and chairman of Frontier Airlines, Inc. From 1998 to 2001, Mr Franke was a managing partner of Newbridge Latin America, a private equity fund focused on Latin America. Mr Franke was the chairman and chief executive officer of America West Airlines from 1993 to 2001 and currently serves on the board of directors of Concesionaria Vuela Compañía de Aviación, S.A. de C.V., a Mexican airline that does business as Volaris. He served as chairman of Spirit Airlines Inc., a United States airline, from 2006 to 2013 and Tiger Aviation Pte. Ltd, a Singapore-based airline, from 2004 to 2009, and held directorships in Alpargatas S.A.I.C., an Argentina-based footwear and textiles manufacturer, from 1996 to 2007, and Phelps Dodge Corporation, a mining company, where he served as the lead outside director for several years, from 1980 to 2007. He has in the past served on a number of publicly listed company boards of directors including ON Semiconductor, Valley National Corporation, Southwest Forest Industries and the Circle K Corporation. Mr Franke has both undergraduate and law degrees from Stanford University and an honorary PhD from Northern Arizona University.

József Váradi, Chief Executive Officer

Mr Váradi was one of the founders of Wizz Air in 2003. Mr Váradi worked at Procter & Gamble for ten years between 1991 and 2001, and became sales director for global customers where he was responsible for major clients throughout eleven EU countries. He then joined Malév Hungarian Airlines, the Hungarian state airline, as chief commercial officer in 2001, before serving as its chief executive officer from 2001 to 2003. He has also held board memberships with companies such as Lufthansa Technik Budapest (supervisory board, 2001-2003) and Mandala Airlines (board of commissioners, 2007–2011). In 2007, Mr Váradi won the Ernst & Young Hungary "Brave Innovator" award. Mr Váradi holds a master's degree in economics from the Budapest University of Economic Sciences and a master's degree in law from the University of London.

Thierry de Preux, Non-Executive Director

Mr de Preux was a founding Shareholder of Wizz Air in 2003 and joined the Board in 2012. A qualified chemical engineer, Mr de Preux completed his master of business administration at Harvard Business School and went on to become a general manager at the Nestlé Group. He subsequently spent 17 years as the head of the Swiss division of Korn/Ferry International, where he specialised in board consulting and recruitment. In 2008, Mr de Preux founded the Swiss Board Members Forum, an association including board members of the 20 largest companies on the Swiss Market Index.

The Board of Directors continued

Board membership continued

Guido Demuynck, Non-Executive Director

Mr Demuynck joined the Board in February 2014. Mr Demuynck spent more than 25 years with Koninklijke Philips N.V., holding various roles including general manager, portable audio business line, general manager, audio business group and Marantz, and chief executive, consumer electronics (as a member of the group management committee of Royal Philips Electronics and senior vice president). He then held the positions of board member, responsible for the mobile division, at KPN (Koninklijke) N.V. and chief executive of Kroymans Corporation B.V. and Liquavista B.V. Mr Demuynck is currently a member of the supervisory board and chairman of the remuneration committee of TomTom N.V., a member of the board of directors and of the audit committee of Belgacom N.V., a member of the supervisory board of each of Teleplan International N.V., Divitel Holding B.V. and Aito B.V. and chairman of the audit committee of Belgacom SA. Mr Demuynck has a master's degree in applied economics (magna cum laude) from the University of Antwerp and a master's degree in marketing and distribution (magna cum laude) from the University of Ghent.

Simon Duffy, Non-Executive Director

Mr Duffy joined the Board in January 2014. Mr Duffy started his career at NM Rothschild & Sons Ltd and has held positions at Shell International Petroleum Co, Bain & Co, Consolidated Gold Fields Plc, Guinness Plc, Thorn EMI Plc (where he held the position of deputy chairman and group finance director), World Online International B.V. (where he held the position of deputy chairman and chief executive), End2End AS (where he held the position of chief executive), Orange SA (where he held the position of chief financial officer), NTL:Telewest Inc. (where he held the position of executive vice chairman) and Tradus Plc (where he held the position of executive chairman). Mr Duffy has extensive London Stock Exchange non-executive director experience. He has sat on the board of, amongst others, Gartmore Plc, HMV Group Plc, GWR Group Plc and Imperial Tobacco Plc. He is currently chairman of You View Ltd., which is a joint venture between British Telecom, TalkTalk and all the leading broadcasters in the United Kingdom and chairman of M Blox Inc. He is a non-executive director of Oger Telecom, a Middle East telecommunications company, and of Modern Times Group AB, one of Europe's largest broadcasting companies listed on the Stockholm Exchange, where he is chairman of the audit committee. Mr Duffy has a BA in philosophy, politics and economics from Oxford University and an MBA from Harvard Business School.

Susan Hooper, Non-Executive Director

Ms Hooper was appointed to the Board of Directors as a Non-Executive Director in March 2016 and serves on Wizz Air's Audit and Remuneration committees. A UK national, Ms Hooper was managing director of British Gas Services, leading the service and repair, central heating installations, electrical services and Dyno-Rod business units until November 2014. She joined British Gas from the Acromas Group, where she was chief executive of the travel division, responsible for Saga holidays and hotels, Saga cruises, Spirit of Adventure cruises, Titan Travel and the travel division of the AA. Previously, Ms Hooper held senior roles at Royal Caribbean International, Avis Europe, PepsiCo International, McKinsey & Company and Saatchi & Saatchi. During her time with PepsiCo International, Ms Hooper spent over five years based in Central and Eastern European countries. She is currently a non-executive director of Affinity Water Ltd. and The Rank Group plc, as well as being an advisory board member of LUISS Business School in Rome. From 2011 to 2014 she was a non-executive director of Whitbread PLC and has held several other non-executive directorships, including at First Choice plc, Transcom SA, Royal and Sun Alliance Group plc and Courtaulds Textiles Plc.

Stephen L. Johnson, Non-Executive Director

Mr Johnson joined the Board in 2004, left the Board in 2009 and was re-appointed as a Non-Executive Director in 2011. Mr Johnson is executive vice president, corporate affairs for American Airlines Group Inc. and its principal subsidiary, American Airlines, Inc. Previously, Mr Johnson served as executive vice president, corporate and government affairs for US Airways. Prior to joining US Airways in 2009, Mr Johnson was a partner at Indigo from 2003 to 2009. Between 1995 and 2003, Mr Johnson held a variety of positions with America West Holdings Corporation prior to its merger with US Airways Group, including executive vice president, corporate. Prior to joining America West, Mr Johnson served as senior vice president and general counsel at GPA Group plc, an aircraft leasing company, and as an attorney at Seattle-based law firm Bogle & Gates, where he specialised in corporate and aircraft finance and taxation. Mr Johnson earned his MBA and Juris Doctor from the University of California, Berkeley, and a bachelor of arts in economics from California State University, Sacramento.

The Board of Directors continued

Board membership continued

John McMahon, Non-Executive Director

Mr McMahon has been a member of the Board since 2012. He has almost 30 years of experience in commercial aviation, initially with Aer Lingus, GPA Group and GE Capital Aviation Services before later holding senior management positions at debis AirFinance (now AerCap) and Lloyds TSB Bank. In 2006, he led the initial public offering and New York Stock Exchange listing of Genesis Lease Limited, an aircraft leasing company, where he served as chairman and chief executive officer until its merger with AerCap in 2010. Since then, he has served as a consultant, director and lecturer. His non-executive directorships include Airspeed Limited, BNP Paribas Ireland, Investec Aircraft Syndicate Limited, Turbine Engines Securitization Limited and Waypoint Leasing Limited. Mr McMahon holds a bachelor of engineering degree from the National University of Ireland, Galway, and post-graduate diplomas in accounting and finance (Association of Chartered Certified Accountants) and computer modelling and simulation (Trinity College Dublin). He completed the Advanced Management Program at Harvard Business School and is a Chartered Director of the Institute of Directors.

John R. Wilson, Non-Executive Director

Mr Wilson has been a member of the Board since 2005 and a principal of Indigo since 2004. Mr Wilson is a member of the board of directors of Frontier Airlines, Inc., together with its holding companies, Frontier Airlines Holdings, Inc. and Falcon Acquisition Group, Inc. Prior to that he served at America West Airlines from 1997 to 2004 as the vice president of financial planning and analysis, vice president of operations finance and other senior finance positions. From 1991 to 1997 he was employed by Northwest Airlines where he last served as director of finance for Asian operations based in Tokyo, Japan. Mr Wilson served on the board of Spirit Airlines Inc. from 2009 to 2013 and served on the board of Vuela Compañía de Aviación, S.A.P.I. de C.V. from 2010 to 2012. Mr Wilson has an MBA from the Darden School of Business at the University of Virginia and an undergraduate degree in finance from Texas Tech University.

Independence

The UK Corporate Governance Code recommends that at least half the members (excluding the chairman) of the board of directors of a company with a premium listing should be non-executive directors, determined by the board to be independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment.

The Board has considered the independence of the Company's Non-Executive Directors and has concluded that:

a) William A. Franke, the Chairman, does not meet the independence criteria set out in the Corporate Governance Code, given that he is the managing partner of Indigo (a significant Shareholder). However, given the benefits to the Company of his recognised experience in the airline industry, the Board believes that it is in the Company's best interest that Mr Franke should continue as Chairman of Wizz Air.

b) Stephen L. Johnson is not considered to be an independent Non-Executive Director given his past position with Indigo.

c) John R. Wilson is not considered to be an independent Non-Executive Director as he is a principal of Indigo.

Other than William A. Franke, John R. Wilson and Stephen L. Johnson, the Company regards all of its Non-Executive Directors, namely, Guido Demuynck, Simon Duffy, Thierry de Preux, Susan Hooper and John McMahon, as independent Non-Executive Directors within the meaning of "independent" as defined in the Corporate Governance Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. Accordingly, as an absolute majority of the Directors are independent Non-Executive Directors, the Company complies with the requirement of the Corporate Governance Code that at least half of the board (excluding the chairman) of a company with a premium listing should comprise independent non-executive directors.

Senior Independent Non-Executive Director

The Corporate Governance Code recommends that the Board should appoint one of its independent Non-Executive Directors as the Senior Independent Non-Executive Director. The Senior Independent Non-Executive Director should be available to Shareholders if they have concerns that contact through the normal channels of the Chairman or Chief Executive Officer has failed to resolve or where such contact is inappropriate. John McMahon has been appointed as the Company's Senior Independent Non-Executive Director.

Senior management team

The Chief Executive Officer and senior management team are responsible for the management of the Group's business and implementation of the Group's strategy on a day-to-day basis.

As at 24 May 2016, the Group's senior management team, in addition to the Chief Executive Officer, is:

Name	Position
John Stephenson	Executive Vice President
See note below	Chief Financial Officer*
György Abrán	Chief Commercial Officer
Diederik Pen	Chief Operations Officer
Owain Jones	Chief Corporate Officer
Johan Eidhagen	Chief Marketing Officer
David Morgan	Chief Flight Operations Officer

* As announced by the Company on 2 March 2016, Sonia Jerez Burdeus has been appointed as the Group's Chief Financial Officer. She will take up her post on 1 June 2016.

John Stephenson, Executive Vice President

Mr Stephenson joined Wizz Air as Chief Commercial Officer in 2006, becoming Executive Vice President in 2009. He joined Wizz Air from EasyJet, where he worked from 1997 to 2006 as head of yield management, head of revenue and scheduling, head of network development and, from 2005 to 2006, as acting commercial director. Prior to joining EasyJet, Mr Stephenson worked for MVA Consultancy from 1991 to 1997 as a consultant in the transport and financial fields. Mr Stephenson holds a bachelor of science degree in mathematics for decision making from the University of Brighton.

György Abrán, Chief Commercial Officer

Mr Abrán joined Wizz Air in 2004 as Head of Pricing and Revenue Management and became Chief Commercial Officer in 2009. Mr Abrán joined Wizz Air from McKinsey & Company, where he spent seven years, initially as a business analyst and then as an engagement manager. His experience from McKinsey covers a wide range of geographies and industries and includes around two years of aviation-related engagements. Mr Abrán holds an engineering degree in computer science from the Technical University of Cluj and a master of arts degree in economics from a joint programme of the University of Essex and Central European University.

Diederik Pen, Chief Operations Officer

Mr Pen joined Wizz Air in January 2013 as Chief Operations Officer, becoming Accountable Manager in September 2013. He was formerly the chief executive officer and chief operating officer of Martinair Holland. Prior to joining Martinair Holland in 2006, Mr Pen worked for Virgin Blue Airlines in Australia from 2002 to 2006 as head of ground operations, for Brisbane Airport Corporation in Australia as general manager of commercial services and for Amsterdam Airport Schiphol as manager of commercial services. Mr Pen has a master of business administration in business economics from the University of Amsterdam.

Owain Jones, Chief Corporate Officer

Mr Jones joined Wizz Air as General Counsel in 2010 and was promoted to Chief Corporate Officer in June 2014. Mr Jones is a solicitor of the Supreme Court of England and Wales. Having trained at Nicholson Graham & Jones (1994 to 1996), Mr Jones joined Wilde Sapte (now Dentons LLP) in 1996 as a solicitor in its aviation group, specialising in finance and regulatory matters. He spent time in the firm's Paris and Hong Kong offices before being appointed a partner in 2006, following which he spent three years in the firm's Abu Dhabi office, becoming acting managing partner of the office. He left the firm in 2009 to spend 18 months training for a frozen air transport pilot's licence with CTC Aviation Training. Mr Jones holds a bachelor of law degree from University College London.

Johan Eidhagen, Chief Marketing Officer

Mr Eidhagen joined Wizz Air in January 2015 as Head of Brand and Marketing and was appointed Chief Marketing Officer effective 1 February 2016. Before joining Wizz Air Mr Eidhagen built an extensive sales and marketing career at Nokia, holding several senior global and regional marketing positions. He joined Nokia in 1998 from a background in retail and was head of marketing for the Nordic region until 2004, when he moved to Nokia HQ in Finland to run global marketing services for the entertainment category. Between 2005 and 2007 he was based in New York as the director of marketing for Nokia Multimedia in North America before returning to Finland where he was director and head of marketing for the Nokia Nseries Category. In 2009 he became country manager for Nokia in Sweden and was appointed as managing director for the Scandinavian region in 2011. Mr. Eidhagen is a native of Stockholm and is a DIHM marketing graduate from the IHM Business School in Stockholm.

Senior management team continued

David Morgan, Chief Flight Operations Officer

Captain Morgan was appointed Chief Flight Operations Officer effective 1 February 2016. He joined Wizz Air in 2008 based in Katowice, Poland, and became Fleet Captain in 2010. A year later he was promoted to Wizz Air Chief Pilot. Captain Morgan began his aviation career in the armed forces of the United Kingdom and Australia. His career has taken him around the world including five years as a management pilot at the iconic Royal Flying Doctor Service of Australia and five years for BAE Systems in Saudi Arabia. He is a graduate of the Royal Military Academy Sandhurst.

Board committees

The Directors have established an Audit Committee, a Remuneration Committee and a Nomination Committee. The terms of reference of the committees have been drawn up in accordance with the provisions of the Corporate Governance Code. A summary of the terms of reference of the committees is set out below.

Each committee and each Director has the authority to seek independent professional advice where necessary to discharge their respective duties, in each case at the Company's expense.

Audit Committee

The Audit Committee's duties, as set out in its terms of reference, include:

a) monitoring the integrity of the Company's financial statements of the Company, including its annual and semi-annual reports, interim management statements, preliminary results announcements and any other formal announcement relating to its financial performance;

b) reviewing significant financial reporting issues and judgments which they contain having regard to matters communicated to it by the auditors;

c) where requested by the Board, reviewing the content of the annual report and accounts and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy;

d) keeping under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;

e) reviewing the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;

f) monitoring and reviewing the effectiveness of the Company's Internal Audit function in the context of the Company's overall risk management system;

g) considering and approving the remit of the Internal Audit function and ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit Committee shall also ensure the Internal Audit function has adequate standing and is free from management or other restrictions;

h) meeting the Company's head of the Internal Audit function at least once a year, without management being present, to discuss its remit and any issues arising from the internal audits carried out. In addition, the Audit Committee shall ensure that the Company's head of the Internal Audit function has the right of direct access to the Chairman, the Audit Committee Chairman and the rest of the Audit Committee, and is accountable to the Audit Committee;

i) considering and making recommendations to the Board, to be put to Shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Audit Committee shall oversee the selection process for new auditors and if auditors resign, the Audit Committee shall investigate the issues leading to this and decide whether any action is required;

j) overseeing the relationship with the external auditors including (but not limited to):

    I. assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the external auditors as a whole, including the provisions of any non-audit services; and

    II. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Company (other than in the ordinary course of business) which could adversely affect the auditors' independence and objectivity;

Board committees continued

Audit Committee continued

k) meeting regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Audit Committee shall meet the external auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit;

l) reviewing and approving the annual audit plan and ensuring that it is consistent with the scope of the audit engagement having regard to the seniority, expertise and experience of the audit team; and

m) reviewing the findings of the audit with the external auditors. This shall include but not be limited to the following:

   I. a discussion of any major issues which arose during the audit;

   II. any accounting and audit judgments;

   III. levels of errors identified during the audit; and

   IV. the effectiveness of the audit process.

The Corporate Governance Code recommends that the Audit Committee should comprise at least three members, who should all be independent Non-Executive Directors, and that at least one member should have recent and relevant financial experience. The membership of the Company's Audit Committee comprises three members. Until 1 March 2016, the Audit Committee members were Simon Duffy, Stephen L. Johnson and John McMahon, all of whom apart from Stephen L. Johnson are independent Non-Executive Directors. On 1 March 2016, Mr Johnson stepped down from his membership of the Audit Committee and Susan Hooper, an independent Non-executive Director, was appointed to the Audit Committee. All current members of the Audit Committee are, therefore, independent Non-Executive Directors. No members of the Audit Committee have links with the Company's external auditors. Mr Duffy is considered by the Board to have recent and relevant financial experience and is Chairman of the Audit Committee.

The Company therefore considers that it complies with the Corporate Governance Code recommendation regarding the composition of the Audit Committee.

The Audit Committee formally meets at least three times per year and otherwise as required. The Chief Executive Officer, other Directors and representatives from the Finance function of the Company may attend and speak at meetings of the Audit Committee. The Company's external auditors and the Chief Financial Officer are invited to attend meetings of the Audit Committee on a regular basis. Following each meeting, the Chairman of the Audit Committee reports to the Board on the significant items discussed during the Audit Committee's meeting. The Audit Committee met on seven occasions during the 2016 financial year. In addition to the formal meetings, the Audit Committee is in regular contact with relevant management in connection with, for example, the implementation of the Group's hedging strategy.

Remuneration Committee

The Remuneration Committee is responsible for setting the remuneration policy for all Executive Directors and the Chairman, including pension rights and any compensation payments, and recommending and monitoring the remuneration of the senior managers. Non-Executive Directors' fees are determined by the full Board.

The objective of the Company's remuneration policy is to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to the views of Shareholders and other stakeholders.

The Remuneration Committee is also responsible for making recommendations for the grants of awards under the Company's share option schemes. In accordance with the Remuneration Committee's terms of reference, no Director may participate in discussions relating to his own terms and conditions of remuneration.

The Corporate Governance Code provides that the Remuneration Committee should comprise at least three members, all of whom should be independent Non-Executive Directors. Until 1 March 2016, the membership of the Company's Remuneration Committee comprised three members, namely Guido Demuynck, John R. Wilson and Thierry de Preux, all of whom apart from John R. Wilson are independent Non-Executive Directors. On 1 March 2016, John R. Wilson stepped down from his membership of the Remuneration Committee and Susan Hooper, an independent Non-Executive Director, became a member of the Remuneration Committee. All current members of the Remuneration Committee are, therefore, independent Non-Executive Directors. The Chairman of the Remuneration Committee is Mr Demuynck.

The Company therefore considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Remuneration Committee.

The Remuneration Committee meets formally at least twice each year and otherwise as required. There were six meetings of the Remuneration Committee during the 2016 financial year.

Board committees continued

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, and retirements and appointments of additional and replacement Directors, and will make appropriate recommendations to the Board on such matters. While a number of Directors were initially appointed to the Board under investor appointment rights, the most recent appointments of Simon Duffy, Guido Demuynck and Susan Hooper were conducted through Korn/Ferry, which has no other connections with the Company.

The Corporate Governance Code provides that a majority of the members of the Nomination Committee should be independent Non-Executive Directors. The Company's Nomination Committee is comprised of three members, namely William A. Franke, John McMahon and Simon Duffy. The Chairman of the Nomination Committee is Mr Franke. The Company therefore considers that it complies with the Corporate Governance Code's recommendations regarding the composition of the Nomination Committee.

The Company recognises the importance to the Company of diversity, including gender equality. The Company's Code of Ethics is unequivocal that discriminatory practices will not be tolerated and that people will be judged on the basis of their performance and ability to do their jobs and not on any other basis. The Nomination Committee will work further to ensure that, when the opportunity presents itself, diversity is properly reflected in the Board and in the Company's senior management. The Company believes that this commitment is demonstrated by recent appointments at both Director and senior management level.

The Nomination Committee is scheduled to meet formally at least twice a year and otherwise as required. There were four meetings of the Nomination Committee during the 2016 financial year and, in between these meetings, members of the Nomination Committee advised senior management on the searches for an additional independent Non-Executive Director as well as the Group's Chief Financial Officer. Interviews of candidates for each of these positions were also conducted by the members of the Nomination Committee.

Attendance at Board meetings

The following table sets out the attendance by Director at the Board and committee meetings held during the 2016 financial year.

	Board attended/total	Audit attended/total	Remuneration attended/total	Nomination attended/total
Executive Director				
József Váradi	11/11	7/7*	6/6*	4/4*
Non-Executive Directors				
William A. Franke	11/11	-	-	4/4
Guido Demuynck	11/11	-	6/6	
Simon Duffy	9/11	6/7	-	3/4
Thierry de Preux	11/11	-	6/6	-
Susan Hooper**	-	-	-	-
Stephen L. Johnson***	7/11	6/7	-	-
John McMahon	11/11	7/7	-	4/4
John R. Wilson	11/11	6/7	5/6	-

* The Executive Director was invited to attend these various committee meetings in order to discuss certain matters but did not have a vote.

** Susan Hooper was appointed to the Board with effect from 1 March 2016 and had already notified the Company that she would be unable to join the Board meeting scheduled for 22 March 2016.

*** Stephen L. Johnson attended six out of the seven scheduled Board meetings. He was unable to join three ad hoc telephone meetings owing to prior commitments but provided his views and input in advance.

MANAGEMENT OF THE COMPANY CONTINUED

Board procedures

At least six Board meetings are scheduled during each financial year. At these meetings, the Directors meet with senior executives to receive detailed updates on Wizz Air's business and operations. Prior to these meetings, each Director receives an information pack containing a comprehensive review of the Company's business as well as detailed proposals for approval of transactions and development falling within the Board's remit. The Company believes that this enables each Director properly to discharge his or her responsibilities. At each Board meeting, Directors who have a conflict of interest in any agenda item declare that interest and are not entitled to vote on that agenda item.

A number of key strategic and commercial decisions require Board approval and, as and when any such decision is needed outside the scheduled meeting cycle, an ad hoc telephone Board meeting may be arranged. In general, therefore, it is anticipated that there will be around ten Board meetings in total during each financial year.

Newly appointed Non-Executive Directors meet with the Company's senior management and visit Wizz Air's operational headquarters to ensure that they have a thorough understanding of the Company's business.

Wizz Air maintains directors' and officers' liability insurance. This insurance covers any claim that may be brought against the Directors in the exercise of their duties.

The Company has adopted a Share Dealing Policy that reflects and incorporates the provisions of the UK Listing Authority's Model Code. As a consequence, the Directors as well as certain designated employees must obtain clearance from the Company's Chairman before dealing in the Company's shares and are prohibited from dealing at all during certain periods as set out in the Model Code. The Share Dealing Policy is being updated to reflect the requirements of the EU Market Abuse Regulation which comes into effect on 3 July 2016.

Finally, it is proposed that, in accordance with the recommendations of the UK Corporate Governance Code, all Directors will offer themselves for re-election at the 2016 Annual General Meeting.

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE

Following Wizz Air's initial public offering (IPO) during the last financial year, the Audit Committee's work during the 2016 financial year has been focused on day-to-day financial and risk issues, including further discussion on hedging strategy and approval of hedging transactions.

During the year, the Audit Committee worked with senior management and the Company's Internal Audit function on a project to look at the Company's risk management processes and to ensure that a robust assessment of principal risks was carried out. Over the coming year, the Audit Committee will continue to work on this Board-approved project to develop and implement an enhanced enterprise risk management system for the Company.

Main activities of the Audit Committee during the 2016 financial year

Risk management

The Audit Committee is tasked with ensuring that the Board has adequate oversight of risk management and that it deems the controls sufficient and effective.

The Company's Internal Audit function conducts an annual risk assessment exercise involving senior management from the level of heads of function upwards. Based on this risk assessment exercise, a risk register is compiled showing risk description, inherent risk, mitigating measures and residual risk. Consideration is then given to which areas can be efficiently improved in line with the Company's risk appetite.

This risk register is then used to develop an internal audit plan for the year, which is approved by the Audit Committee. Internal audits are performed by Ernst & Young and the Head of Internal Audit, who has direct responsibility to the Chairman of the Audit Committee as well as a reporting line to the Company's Chief Executive Officer.

Following completion of an internal audit, a report is compiled which sets out the findings, makes recommendations for control improvement and presents the improvement actions undertaken by management. Internal audit reports are submitted and presented to the Audit Committee for approval. The Chairman gives a report of the internal audit reports completed in a particular period to the full Board.

Internal Audit then follows up the completion of the actions and reports back to the Audit Committee on the status. A process for verifying the effective application of the controls that are put in place has also been started. The Audit Committee will work to ensure that the Company continues to develop effective risk assessment and management processes.

As I have noted above, the Audit Committee worked with and advised senior management and the Internal Audit function on a review of the Company's risk management processes. One outcome of this review was the creation of an internal Risk Committee, comprising the Company's Leadership Team and certain other members of senior management. The Risk Committee developed a list of principal risks and mitigating actions which was presented to the Board. The Risk Committee will monitor this list on an ongoing basis and regular updates will be given to the Board both on the identified risks as well as any newly emerging risk. The Company has embarked on the development and implementation of a comprehensive enterprise risk management programme, to position the Company's risk management processes for the next stage of the Company's growth. More information on risk management within the Company is set out on pages 25 to 28 of this annual report.

Financial information

The Audit Committee reviews and approves all interim and final financial statements, as well as the content of the Company's annual report. The Company's external auditors provide the Audit Committee with a briefing on any issues arising. The Audit Committee also reviews and approves any regulatory announcements that are made in connection with such financial information. It is only after the Audit Committee's approval that the statements are put to the Board for approval.

Relationship with external auditors

The Audit Committee was satisfied with the performance of the external auditors and with the effectiveness of the external audit process. The audit of the 2016 financial statements and of this Annual Report, and the review of the half-year financial report were all completed in time and in good quality, addressing the key issues. This was particularly important because 2016 was the first full financial year of the Company with regular reporting to the London Stock Exchange.

The Audit Committee has approved the fees to be paid and the external audit plan for the 2016 financial year and reviewed the report of the auditors on the annual audit performed.

The Audit Committee will consider the appointment of external auditors for the financial year ending 31 March 2017 and the Directors will propose a resolution in this respect for the forthcoming Annual General Meeting of the Company.

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE CONTINUED

Main activities of the Audit Committee during the 2016 financial year continued

Relationship with external auditors continued

The Audit Committee ensures the independence of the Company's external auditors. The Audit Committee reviewed the independence letter of the auditors and considered in particular the non-audit fees paid to the external auditors during the year (see Note 6 to the financial statements). While fees paid on tax advisory services were higher in 2016 than audit fees, the Audit Committee was satisfied that this did not compromise the objectivity and independence of the auditors, mainly because (i) the engagement leaders from the relevant tax departments are not part of the audit team, and (ii) no such services were ordered by the Company that carried self-review threat for the auditor.

Significant matters relating to the annual report

In the course of the preparation of the Company's financial statements, the following issues were considered by the Audit Committee:

- Maintenance accounting: The Audit Committee satisfied itself that the policy and the procedures applicable to this complex area were followed in the year consistently, including the regular updates to estimates and judgments and the maintenance of the system supporting the calculations. The Audit Committee considered in particular the accounting implications of the amendment of the existing Fleet Hour agreements of the Group for the engines of the A320 sub-fleet (effective May 2015). The Audit Committee agreed to the treatment proposed by management. See further details in Note 13 to the financial statements.
- Concessions from component manufacturers: The Audit Committee considered the accounting treatment of concessions from component manufacturers, receivable in exchange for the Group selecting the given component for its future new aircraft deliveries. While these type of arrangements have been in place for many years, the 2016 financial year required particular consideration of the issue as a result of the Group taking its first free spare engine to balance sheet. The Audit Committee reviewed particularly the timing of the recognition of such credits, and agreed to the treatment proposed by management, as specified in the current accounting policy of the Group.
- Hedging: Hedge transactions and hedge accounting continued to be a complex and material area and, accordingly, are a recurring topic on the agenda of the Audit Committee. The 2016 financial year was special in three respects: (i) the continued volatility of the commodity markets, particularly jet fuel; (ii) the significant movements in the time value of hedges, causing volatility to reported earnings; and (iii) the application of hedge accounting to a significant part of the USD denominated monetary assets, as natural hedges, in the interest of reducing the exposure of the Group's earnings to movements in the Euro/USD foreign exchange rates. The adoption of IFRS 9 will enable the Group to eliminate the impact of changes in hedge time value on earnings. In this respect the Audit Committee and management were disappointed to see the continued postponement of the endorsement of IFRS 9 by the EU, due to which the Group was not able to apply IFRS 9 in the preparation of its 2016 financial statements.
- Corporate governance: The Audit Committee considered the implications of the 2014 changes in the Corporate Governance Code on the directors' statements around risk governance and risk assessment, going concern and longer-term viability. The Audit Committee satisfied itself that the required changes in the Company's procedures and in the disclosures in the Annual Report were either implemented during the year or were in the process of being implemented, that were necessary for the Directors to be able to make the statements required by the Corporate Governance Code.

At the request of the Board, the Audit Committee also considered whether the Annual Report taken as a whole was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's position and performance, business model and strategy. The Committee is satisfied that the Annual Report meets these criteria.

Other matters considered during the year

- Tender for outsourced accounting and tax compliance services of the Group: The Group has a significant part of its accounting and tax compliance services outsourced to a third party provider. The services were tendered during the 2016 financial year. Due to the importance of these services for the integrity of the financial reporting of the Group the Audit Committee had oversight of the tender process and was involved in the final decision. The Audit Committee was satisfied that the existing provider, that supported the Company also in its IPO process, was re-appointed on competitive terms.

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE CONTINUED

Main activities of the Audit Committee during the 2016 financial year continued

Other matters considered during the year continued

- Tendering statutory audit services for the Group: It is the policy of the Group to put services to tender regularly so that the cost-competitiveness of the business is maintained, and statutory audit services are no exception. PricewaterhouseCoopers have been the auditors since 2007 and audit services were last tendered in 2011. The Audit Committee is considering whether it will be to the benefit of the Company to tender these services in 2016. The external regulatory framework is complicated and under significant change – both in terms of mandatory tendering and rotation of auditors and in terms of compatibility of audit and non-audit services in the future. The Audit Committee noted that there are EU regulations in place for the mandatory tendering of auditors (Order of the Competition and Markets Authority) - although technically these do not apply to the Company as it is registered in Jersey (Channels Islands) that is not part of the EU. At the time of writing no definitive conclusion has been reached but a decision will be made during the course of the 2017 financial year.
- Preliminary assessment of the implications of the new lease standard (IFRS 16 Leases) for the Group: The new lease accounting standard (IFRS 16 Leases) was issued with an application date of January 2019 (that is April 2019 for the Group). In order to be adopted in the EU, endorsement from the European Financial Advisory Group will be required. It is expected that this will happen by approximately mid 2017. Subject to such endorsement, early adoption is permitted. The new standard will have a material impact on the financial statements of the Group. Management has performed certain analyses with the support of the auditors and the result of this work was reviewed by the Audit Committee. Nevertheless, this subject will require further work, including choices to be made in the future in respect of the year of adoption and the method of transition. The Audit Committee will continue to be involved in these considerations.

Simon Duffy
Chairman of the Audit Committee

REPORT OF THE CHAIRMAN OF THE NOMINATION COMMITTEE

Wizz Air's Nomination Committee is comprised of three members, namely John McMahon, our Senior Independent Non-Executive Director, Simon Duffy and me.

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, and retirements and appointments of additional and replacement Directors, and will make appropriate recommendations to the Board on such matters.

The Company's success to date has been driven by ensuring that it appoints people of the highest calibre, whether as Directors, management or employees. While the key selection criteria is to ensure that people are appointed on their ability to do their jobs, the Company and the Nomination Committee recognise the importance to the Company of diversity, including gender equality, and the appointments on which the Nomination Committee has advised during the 2016 financial year prove that the Company is committed to this principle in practice as well as theory.

Main activities of the Nomination Committee during the 2016 financial year

During the 2016 financial year, the Nomination Committee worked on two key appointments for the Company.

Following the Company's initial public offering in March 2015, the Board decided that it was an appropriate time to add an additional independent non-executive director. The Nomination Committee worked with Korn/Ferry and senior management on the search process and members of the Nomination Committee conducted a number of interviews with candidates. The final candidate, Ms. Susan Hooper, was recommended to the Board for appointment by the Nomination Committee.

The Company also appointed a new Chief Financial Officer during the 2016 financial year. Again, the Nomination Committee, along with other Directors, assisted senior management and the Board with the selection process which was conducted through Heidrick & Struggles and I am delighted that the Company has appointed Sonia Jerez Burdeus, who takes up her position from 01 June 2016. Ms. Jerez brings to the Company significant experience as a chief financial officer and board member of a European low-cost airline and will further strengthen the Company's senior management team as the Company continues to pursue its growth strategy.

The Nomination Committee's ongoing work

The Nomination Committee will continue to work with the Board to ensure that it has the appropriate balance of skills, knowledge and experience and that, where the opportunity presents itself, appointments are made which reflect not only the Company's requirement to retain the best people for a particular role but also the Company's values, including ensuring diversity within the Board and the Company's senior management.

The Nomination Committee and the Board also recognise the importance of ensuring that succession of Directors and senior management is properly managed, to ensure that the Company has the right people available as needed. The Nomination Committee will continue to work with the Board and the Company's senior management to develop and refine succession plans, encouraging and facilitating internal talent development where necessary.

William A. Franke
Chairman of the Nomination Committee

DIRECTORS' REMUNERATION REPORT

Report of the Chairman of the Remuneration Committee

Wizz Air has enjoyed a very successful first full financial year as a listed company. During the 2016 financial year the Company delivered record underlying net profits of €223.9 million, seeing unit operating cost fall by 5.4 per cent. at the same time as revenue growth of 16.4 per cent. The strength of Wizz Air's performance was reflected in a share price which, as at 31 March 2016, was 60 per cent. higher than the offering price in the Company's initial public offering. Over the year, therefore, the Directors and senior management have ensured that the Company's business has delivered results that have significantly increased Shareholder value.

The Remuneration Committee is committed to ensuring that the Company's Remuneration Policy remains an effective way to align the interests of the Directors and senior management with those of the Company's Shareholders and that it provides appropriate incentivisation to continue to deliver shareholder value. However, the Remuneration Committee is also focused on the Company's ultra-low-cost business model, and the governing principle that will continue to be applied is that remuneration must be competitive whilst not being more than is necessary to attract, retain and motivate executive management of the quality required to continue to run the Company successfully, and that a significant proportion of remuneration remains performance based. Indeed, this is a principle which is applied consistently throughout the Company for all employees.

As a company, we value our Shareholders' feedback, including on remuneration matters. I was pleased that, following consultation with a large number of our key Shareholders, the Company's Directors' Remuneration Policy received overwhelming support and approval from our investors.

As contemplated in the approved Directors' Remuneration Policy, successful Company performance is reflected in the remuneration of the Executive Director and senior management. Under our Short-term Incentive Plan, performance against the four measures of underlying profit after tax, ex-fuel cost per available seat kilometre, on-time performance and individual performance assessment resulted in an average payout equivalent to 179 per cent. of the base payout. Further details of the targets for the Short-term Incentive Plan applicable for the 2016 financial year are provided on page 54.

As reported in the Company's annual report for the 2015 financial year, the Remuneration Committee planned to make the first award under the approved Long-term Incentive Plan during the 2016 financial year. This first award was made in July 2015 to officers and to heads of function. The award is due to vest in July 2018 with level of vesting for the major part of the award based on a combination of relative total shareholder return (TSR) performance compared to selected European airlines and fully diluted earnings per share growth.

Whilst the Company is incorporated in Jersey, we have chosen voluntarily to comply in all material respects with the provisions of the UK Companies Act 2006 and related regulations in respect of the Directors' Remuneration Report and Remuneration Policy, underlining the Company's commitment to adopt best UK corporate governance practice. The Directors' Remuneration Policy was approved by Shareholders at the Company's Annual General Meeting in September 2015 with the intention that it should apply for three years. Following a review of the policy during the year, the Remuneration Committee agreed that it remains appropriate and is aligned with the overall strategy of the Company and, therefore, we will not be asking Shareholders to vote on the policy at this year's Annual General Meeting, although there will be an advisory vote on the Annual Report on Remuneration.

Nonetheless, we shall continue to review the Directors' Remuneration Policy to ensure that it remains appropriate and aligned with overall strategy even before it is next due to be put before Shareholders for approval. In order to ensure that this is the case, it is important that the Remuneration Committee has access to expert advice and I am pleased to report that, following a competitive tender process, Willis Towers Watson was appointed to provide this expert advice to the Remuneration Committee.

Report of the Chairman of the Remuneration Committee continued

The 2016 financial year has also seen changes in the constitution of the Remuneration Committee. At the time of the Company's initial public offering in March 2015, the Directors approved an exception to the requirement that all members of the Remuneration Committee should be independent Non-Executive Directors. Specifically, the Directors agreed that Mr John R. Wilson, a Non-Executive Director appointed by Indigo, should remain a member of the Remuneration Committee until 2 March 2016 at the latest, given his valuable contribution to the Remuneration Committee (and its predecessor the Compensation Committee) and wide and expert knowledge of remuneration matters. As contemplated by the Directors, Mr Wilson stepped down from the Remuneration Committee as of 1 March 2016 and I would like to take this opportunity to thank him for his outstanding contribution and wise counsel as a member of the Remuneration Committee. I am delighted to welcome Susan Hooper as the third member of the Remuneration Committee as of 1 March 2016. I am very much looking forward to working with Ms Hooper and her experience both as a senior executive and as a non-executive director of a number of listed companies, and her knowledge of remuneration issues, will be invaluable to the Remuneration Committee in the coming years.

The Remuneration Committee's performance was evaluated by Lintstock Limited as part of the broader Board performance evaluation. The Remuneration Committee's performance was evaluated positively, but with a recognition that the members of the Remuneration Committee would benefit from more regular briefings on shareholder views and the wider remuneration climate. I will therefore be arranging for the Remuneration Committee's advisers, Willis Towers Watson, to requested to make a presentation every six months to the Remuneration Committee, to detail any developing trends and foster discussion of any issues.

In conclusion, I would reiterate that Wizz Air is proud of the outstanding results delivered in the 2016 financial year. We remain committed to ensuring that our Remuneration Policy continues to incentivise delivery of outstanding results in the future, but in a way that appropriately aligns the interests of the Directors and senior management with those of the Company's Shareholders. We believe that the approved Directors' Remuneration Policy does this in a way which is consistent with the Company's current growth phase and its desire to bring simplicity to all areas of its operation. Simplicity of process and practice reflects the Company's strategy to focus on achieving the lowest possible unit operating cost while improving customers' experience.

We look forward to the continued support of our Shareholders and welcome any questions or suggestions that you may have to further align our Remuneration Policy with the interests of our investors.

Guido Demuynck
Chairman of the Remuneration Committee

Introduction

The Directors' Remuneration Policy was approved by Shareholders at the Annual General Meeting held on 29 September 2015. The intention is that the policy, as approved, will apply until the Annual General Meeting to be held in 2018. This Directors' Remuneration Report sets out the remuneration earned for the 2016 financial year in accordance with the approved Directors' Remuneration Policy (pages 49 to 53) and the planned application of our Remuneration Policy for the 2017 financial year (page 57).

The report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended (the Regulations), which the Company has chosen to comply with in all material respects as a matter of best practice.

For transparency, we have included the approved Directors' Remuneration Policy in full in this report although there will not be a vote on the Directors' Remuneration Policy at this year's Annual General Meeting. The definitive Remuneration Policy approved by Shareholders is outlined in the Company's annual report for the 2015 financial year and is available to view at corporate.wizzair.com.

Remuneration Policy

Introduction

Our principal consideration when determining the Remuneration Policy is to ensure that it supports our company strategy and business objectives, as well as to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary.

In the selection of performance measures for both the annual performance bonus and the Long-term Incentive Plan the Remuneration Committee takes into account the Group's strategic objectives and short and long-term business priorities. The performance targets are set in accordance with the Group's annual operating plan and are reviewed annually to ensure that they are sufficiently stretching. In selecting the targets the Remuneration Committee also takes into account analysts' forecasts, economic conditions and the Remuneration Committee's expectation of performance over the relevant period.

The aim of the Remuneration Policy is to:

- attract, retain and motivate executive management without paying more than is necessary;
- incentivise the successful execution of the Company's business strategy; and
- align the Executive Directors' long-term interests with those of Shareholders.

Executive Director remuneration

The Chief Executive Officer is currently the Company's sole Executive Director. The Remuneration Committee believes that the Company's Remuneration Policy supports the Company's ultra-low-cost business model by incentivising senior management, including the Chief Executive Officer, to continue to strive to increase the Company's cost advantage while improving the customers' experience. The Chief Executive Officer currently receives a base salary and is eligible for an annual performance bonus of up to 200 per cent. of base salary and a long-term incentive award of up to 250 per cent. of base salary, with payments being dependent on the Company achieving certain financial and operational targets.

In deciding appropriate remuneration levels, the Remuneration Committee takes into account, among other things, the levels paid at competitor low-cost carriers.

Remuneration Policy continued
Executive Director remuneration continued
Future policy table: Executive Directors

Element	Purpose and link to strategy	Operation and opportunity	Framework used to assess performance and provisions for the recovery of sums paid
Base salary	To provide the core reward for the role. To attract, retain and motivate executive management without paying more than necessary.	Salaries will be reviewed annually, with any increase being awarded at the discretion of the Remuneration Committee. The Executive Director's salary for the 2016 financial year is detailed in the Annual Report on Remuneration. The Remuneration Committee may take into account a number of factors in deciding whether an increase should be made, including benchmarking against selected airlines.	The Remuneration Committee will consider the individual salary of Executive Directors at a meeting each year. There are no provisions for the recovery of sums paid or the withholding of any payment relating to base salary.
Benefits	To attract, retain and motivate executive management without paying more than necessary.	Executive Directors are covered by the Company's group personal accident and life assurance cover, which is in place for all employees (2x salary).	There are no provisions for the recovery of sums paid or the withholding of any payments relating to benefits.
Pension	To attract, retain and motivate executive management without paying more than necessary.	The Company does not provide a pension scheme for the Executive Directors unless contributions are required by law.	Not applicable.
Short-term Incentive Plan	To incentivise the successful execution of the Company's business strategy. To reward the achievement of annual financial and operational goals.	Payments under the Short-term Incentive Plan are made in cash, subject to certain specified performance requirements as determined by the Remuneration Committee being met and up to a maximum bonus set as a percentage of base salary by the Remuneration Committee. The maximum bonus for an Executive Director is 200 per cent. Currently, these performance requirements relate to Company profitability, on-time performance, operating cost and personal performance. The Chief Executive Officer's maximum bonus is currently 200 per cent. of base salary.	Performance requirements are determined by the Remuneration Committee annually. They are intended to align the performance of the Executive Directors with the Group's near-term objectives of delivering against its strategy. In particular, the performance requirements incentivise the Executive Directors to focus on cost control to achieve profitability targets, while delivering a reliable service to customers. There are no provisions for the recovery of sums paid pursuant to the Short-term Incentive Plan.
Long-term Incentive Plan (LTIP) (operating for the first time in the 2016 financial year)	To align the Executive Directors' long-term interests with those of Shareholders. To reward strong financial performance and sustained increase in Shareholder value.	Each year, performance shares may be granted, subject to the achievement of performance targets. Awards normally vest over a three-year period. The maximum face value of annual awards will be 250 per cent. of salary for the Chief Executive Officer and the Executive Director must remain in office when the performance shares vest.	Performance targets are determined by the Remuneration Committee and vesting of the performance shares is subject to performance targets being met over the performance period. If a participant's employment ends before the end of the performance period, any vested and unvested options will normally lapse, save in certain "good leaver" scenarios.

Remuneration Policy continued

Difference in remuneration policy for Executive Directors and employees

Remuneration of the Company's senior management team follows a similar pattern to that of the Executive Directors, although amounts for each component may vary. Other employees receive remuneration judged by senior management to be appropriate for their position and experience.

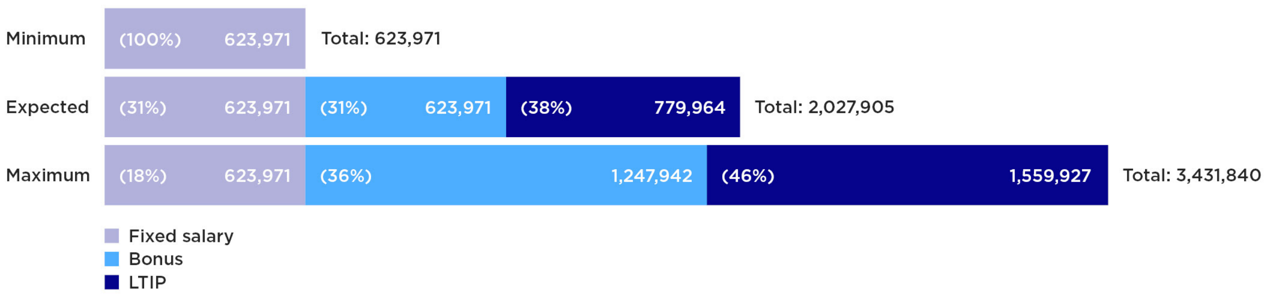
Non-Executive Director remuneration

The Non-Executive Directors are only paid fees.

Element	Purpose and link to strategy	Operation and opportunity	Framework used to assess performance and provisions for the recovery of sums paid
Fees	To remunerate Non-Executive Directors to reflect their level of responsibility.	Non-Executive Directors are paid a basic fee, plus an additional amount for each Board meeting attended. Additional fees are paid for the role of Chairman of the Audit Committee, Chairman of the Remuneration Committee and Chairman of the Board. Fees for Non-Executive Directors, other than the Chairman, are determined by the Board. Fees for the Chairman are determined by the Remuneration Committee. The Remuneration Committee, in relation to the Chairman, and the Board, in relation to the other Non-Executive Directors, retain the flexibility to increase fee levels to ensure that they continue to appropriately reflect the experience of the individual, time commitment of the role and fee levels in comparable companies. The fees paid to the Chairman and other Non-Executive Directors for the 2016 financial year are set out in the Annual Report on Remuneration.	Not applicable; there are no provisions for the recovery of sums paid or the withholding of any payment relating to fees.

Illustration of the application of the Remuneration Policy

The bar chart below sets out the annual remuneration package of the Chief Executive Officer, at a minimum, as a reasonable expectation and as a possible maximum (in Euro):



All amounts are determined in Swiss Francs (CHF) that for the purposes of this chart were converted into Euro at the rate of 1.093 CHF for 1 Euro (rate at 31 March 2016).

The remuneration receivable under the LTIP as shown in the table (i) does not assume any share price appreciation between grant and vesting; and (ii) for the sake of illustration it assumes that no shares would vest in the minimum scenario, 50 per cent. of shares would vest in the expected scenario, and all shares would vest in the maximum scenario.

Fixed remuneration is base salary (May 2016 level annualised, being €623,971). The annual bonus amount is zero at minimum, €623,971 at the expected level (50% of maximum opportunity of 200%) and €1,247,942 at maximum (200% of base salary). The long-term incentive amount is zero at minimum, €779,964 at the expected level (50% of maximum opportunity of 250%) and €1,559,927 at maximum (250% of base salary).

Remuneration Policy continued

Recruitment remuneration

The remuneration package for an incoming Executive Director would reflect the principles set out above, although relocation expenses or allowances (such as school fees) for an Executive Director recruited from abroad may be paid as appropriate.

For the appointment of a new Chairman or Non-Executive Director, fee arrangements will be made in line with the policy as set out above.

Policy on payment for loss of office

In the event of termination of a service contract or letter of appointment of a Director, contractual obligations will be honoured in accordance with the service contract or letter of appointment. The Remuneration Committee will take into consideration the circumstances and reasons for departure, health, length of service and performance. Under this policy, the Remuneration Committee may make any statutory payments it is required to make. In addition, the Remuneration Committee may agree to payment of outpatient counselling costs and disbursements (such as legal costs) if considered to be appropriate and dependent on the circumstances of departure.

There are no pre-determined contractual provisions for Directors regarding compensation in the event of loss of office save for those listed in the table below.

Details of provision	Executive Director	Non-Executive Directors
Notice period	Six months' notice by either party.	One month's notice by either party.
Termination payment	The employing company may terminate the Executive Director's employment with immediate effect by payment in lieu of notice. The Executive Director will be paid a sum equal to six months' base salary if the employing company chooses to enforce the restrictive covenants referenced below. Upon termination of employment other than for cause, the Executive Director is entitled to a severance payment equal to six months' salary in addition to any notice pay or payment in lieu of notice.	Fees and expenses accrued up to termination only.
Post-termination covenants	Post-termination restrictive covenants apply for a period of one year following termination of employment.	Not applicable.

Discretion, flexibility and judgement of the Remuneration Committee

The Remuneration Committee operates the Short-term Incentive Plan and the Long-term Incentive Plan, which include flexibility in a number of areas. These include:

- the timing of awards and payments;
- the size of an award, within the maximum limits;
- the participants of the plan;
- the performance requirements and maximum percentages of salary to be used for the Short-term Incentive Plan and the Long-term Incentive Plan from year to year;
- the performance conditions, performance periods and vesting periods for awards under the Long-term Incentive Plan from year to year;
- the assessment of whether performance requirements and/or conditions have been met;
- the treatment to be applied for a change of control or significant restructuring of the Group;
- the determination of a good/bad leaver for incentive plan purposes and the treatment of awards thereof; and
- the adjustments, if any, required in certain circumstances (e.g. rights issues, corporate restructuring, corporate events and special dividends).

Remuneration Policy continued

Legacy arrangements

In approving this policy, authority is to be given to the Company to honour commitments paid, promised to be paid or awarded to (i) current or former Directors prior to the date of this policy being approved or (ii) to an individual (who subsequently is appointed as a Director of the Company) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, was not in consideration of that individual becoming a Director of the Company, even where such commitments are inconsistent with the provisions of this policy.

Outstanding awards under the Company's previous 2009 international employee share option plan remain eligible for vesting and exercise in accordance with their terms.

Consideration of Shareholder views

The Remuneration Committee and the Board will consider Shareholder feedback received in relation to the Annual General Meeting each year at a meeting immediately following the Annual General Meeting and any action required will be incorporated into the Remuneration Committee's business plan for the ensuing period. This, and any additional feedback received from Shareholders from time to time, will then be considered by the Remuneration Committee and as part of the Company's annual review of remuneration arrangements.

Specific engagement with major Shareholders may be undertaken when a significant change in remuneration policy is proposed.

Annual Report on Remuneration

The members of the Remuneration Committee were Guido Demuynck (Chairman), Thierry de Preux, John R. Wilson (until 1 March 2016) and Susan Hooper (from 1 March 2016).

The Remuneration Committee is responsible for setting the remuneration policy for all Executive Directors and the Chairman, including pension rights and any compensation payments, and recommending and monitoring the remuneration of the senior managers. Non-Executive Directors' fees are determined by the full Board. A summary of the Remuneration Committee's terms of reference can be found on our corporate website, corporate.wizzair.com. Further details about the Remuneration Committee are set out on pages 47 to 48 of the Corporate Governance Report.

József Váradi, the Chief Executive Officer, and Owain Jones, the Chief Corporate Officer, attend meetings by invitation and assist the Remuneration Committee in its deliberations as appropriate, though they are not present when their own compensation is discussed.

The Remuneration Committee is advised by Willis Towers Watson, which was selected following a competitive process led by the Chairman of the Remuneration Committee in 2015. Willis Towers Watson attends Committee meetings as and when required. During FY16, Willis Towers Watson received fees totalling GBP 89,297 for advice related to remuneration policy, governance, developments in executive pay, benchmarking and performance analysis.

Willis Towers Watson is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Remuneration Consultants Group Code of Conduct in relation to executive remuneration consulting in the UK. The Remuneration Committee is satisfied that Willis Towers Watson offers impartial and objective advice and brings a high degree of expertise to the Remuneration Committee's discussions. The Company has no other connection with Willis Towers Watson.

Shareholders' vote on remuneration

At the 2015 Annual General Meeting the Remuneration Policy was put forward for a binding vote and the Annual Report on Remuneration was put forward for an advisory vote. Details of the voting outcomes are provided in the table below:

	Remuneration Policy		Annual Report on Remuneration	
Votes for	38,578,768	99.63%	38,777,578	99.74%
Votes against	141,517	0.37%	101,517	0.26%
Total	38,720,285		38,879,095	
Votes withheld	773,017		614,207	

Annual Report on Remuneration continued

Executive Director's remuneration

Full details of the Chief Executive Officer's remuneration are set out below (in Euros):

Single total figure of remuneration table – audited

	2016					
	Fees and salary	Benefits	Bonus	LTIP	Pension	Total
József Váradi	627,447	-	1,185,436	-	-	**1,812,883**

	2015					
	Fees and salary	Benefits	Bonus	LTIP	Pension	Total
József Váradi	532,507	-	1,075,080	-	-	**1,607,587**

Salary and bonus were paid/are payable in Swiss Francs and were converted into Euros at the average rate applicable for the year (salary) or the rate applicable at the end of the financial year (bonus).

Bonus is linked to three important financial and operational KPIs of the Company and to individual performance. The measures, target performance and actual performance for 2016 were the following:

		Target performance				
Measures	Weight	Threshold*	Target**	Maximum***	Actual performance	Payout ratio
Profit (underlying, €m)	67%	148.0	175.0	201.0	223.9	200%
CASK ex-fuel (€c/ASK)	11%	2.36	2.30	2.24	2.27	150%
On-time performance (delay <15 mins)	11%	76.0%	80.0%	84.0%	82.3%	158%
Individual performance rating	11%	2	2+	1	1	200%
Aggregate payout ratio						**190%**

* There is no payment if the performance is worse than the threshold.

** At "Target" there is 100 per cent. payment (being equal to twelve months' salary in the case of the CEO).

*** If the "Maximum" is reached or exceeded then there is 200 per cent. payment.

As outlined earlier, the first award under the LTIP (of 250 per cent. of base salary) was made to the Chief Executive Officer during the 2016 financial year (July 2015). The award included 73,805 performance options, valued at GBP 15.72 per option share, that was the market price of the Company's shares at the date of grant. The exercise price of the options is nil.

Vesting is due in July 2018 subject to meeting the following performance criteria:

a) relative total shareholder return (TSR) growth versus selected European airlines (50 per cent. weighting); and

b) absolute fully diluted earnings per share (EPS) growth of the Company (50 per cent. weighting).

The TSR group consists of the following entities: Ryanair and EasyJet (50 per cent. weighting); AirFrance-KLM, Air Berlin, Deutsche Lufthansa, Finnair, Flybe, IAG and SAS (50 per cent. weighting). Aer Lingus has been removed from the group following acquisition by IAG and subsequent delisting in September 2015. 25 per cent. of the award will vest for median performance and 100 per cent. of the award will vest for performance equal to or exceeding the upper quartile. There will be no vesting for performance below median and linear interpolation will apply for performance between the median and upper quartile.

With respect to the EPS growth measure, 25 per cent. of the award will vest for threshold average annual growth of 14 per cent., 50 per cent. will vest for target average annual growth of 17 per cent. and 100 per cent. will vest for maximum average annual growth of 20 per cent. Linear interpolation will apply for performance between threshold and target and target and maximum.

No remuneration is shown for LTIP options in the table above for 'single total figure of remuneration', because – as explained above - final vesting of these options is not determined as a result of achievement of performance targets relating to the 2016 financial year.

As outlined in the 2015 annual report, 1,920,075 share options were issued to the Chief Executive Officer during the 2005–2011 calendar years from the previous long-term incentive plan (ESOP) of the Company. Of these, 1,755,075 were exercised during the 2015 financial year. The remaining 165,000 (vested) options had not been exercised as at 31 March 2016 and are exercisable until April 2021.

A performance graph that would show the Company's total shareholder return compared to a selected equity market index is not presented in this report due to the short trading history of the Company's shares. However, a graph is planned for 2017.

In the tables below we provide a five-year overview of the Chief Executive Officer's remuneration and the change in the Chief Executive Officer's remuneration compared to that of all employees.

Annual Report on Remuneration continued

Executive Director's remuneration continued

Five-year overview of Chief Executive Officer remuneration

Financial year	Single figure of total remuneration Euro	Performance bonus achieved against maximum possible	LTIP shares vesting against maximum possible*
2012	764,460	100%	100%
2013	533,398	0%	N/A
2014	1,462,212	97%	N/A
2015	1,607,587	91%	N/A
2016	1,812,883	95%	N/A

* Share options were last time issued to the CEO in the 2012 financial year. The vesting period was three years but there were no performance conditions other than being in employment during the vesting period.

Change in the remuneration of the Chief Executive Officer compared to that of all employees

	Chief Executive Officer			Total employees
	2016	2015	Change	Change**
Salary and fees	627,447	532,507	+17.8%	+8.9%
Benefits	-	-	N/A	+3.5%
Bonus	1,185,436	1,075,080	+10.3%	-41.0%
Total remuneration	**1,812,883**	**1,607,587**	+12.8%	3.6%

* Benefits represented an insignificant part, approximately only 2 per cent., of the employee pay in these two years.

** Per employee, excluding the Chief Executive Officer.

The 41 per cent. decrease year on year in the bonus paid to employees was due to the €1.6 million one-off IPO-related bonus paid in 2015 (see Note 9 to the financial statements). Excluding this impact the change in the per employee total remuneration was +6.8 per cent. instead of the 3.6 per cent. shown in the table. On the other hand, the remuneration of the Chief Executive Officer, when expressed in Euro, was inflated by the appreciation of the Swiss Franc to the Euro year on year – this had an approximately 9 per cent. impact on the salary number in Euro.

Total employee remuneration changed from €55.6 million in the 2015 financial year to €68.6 million in the 2016 financial year (see Note 7 to the financial statements), being a 23.4 per cent. increase year on year. This was driven also by the 19.3 per cent. increase in employee number.

There were no dividends or share buybacks either in the 2016 financial year or the 2015 financial year.

Non-Executive Director remuneration

The Chairman and Non-Executive Directors are paid only Directors' fees, full details of which are set out below:

Single total figure of remuneration table – audited

	2016					
	Fees and salary €	Benefits	Bonus	LTIP	Pension	Total €
William A. Franke	77,500	-	-	-	-	77,500
Stephen L. Johnson	45,000	-	-	-	-	45,000
John R. Wilson	52,500	-	-	-	-	52,500
Thierry De Preux	52,500	-	-	-	-	52,500
John McMahon	52,500	-	-	-	-	52,500
Simon Duffy	72,895	-	-	-	-	72,895
Guido Demuynck	65,000	-	-	-	-	65,000
Susan Hooper*	2,083	-	-	-	-	2,083
Total	**419,978**	**-**	**-**	**-**	**-**	**419,978**

* Joined on 1 March 2016.

Annual Report on Remuneration continued

Non-Executive Director remuneration continued

	2015					
	Fees and salary €	Benefits	Bonus	LTIP	Pension	Total €
William A. Franke	82,500	-	-	-	-	82,500
Stephen L. Johnson	55,000	-	-	-	-	55,000
Heather Lawrence*	27,500	-	-	-	-	27,500
John R. Wilson	57,500	-	-	-	-	57,500
Thierry De Preux	57,500	-	-	-	-	57,500
John McMahon	55,000	-	-	-	-	55,000
John Tierney**	25,168	-	-	-	-	25,168
Simon Duffy	61,102	-	-	-	-	61,102
Guido Demuynck	58,441	-	-	-	-	58,441
Total	**479,711**	**-**	**-**	**-**	**-**	**479,711**

* Retired on 3 October 2014.

** Retired on 6 August 2014.

Total Directors' remuneration (Executive and Non-Executive) (audited)

Total remuneration of Directors for the period was €2,232,861 (2015: €2,087,298). This is the sum of the two single figure tables set out above. The Chief Executive Officer is not a member of any other board.

Directors' shareholdings

The Chief Executive Officer holds a significant shareholding in the Company through a family trust and is also eligible to participate in the Company's Long-term Incentive Plan.

Each of the Non-Executive Directors, other than Susan Hooper, is also a Shareholder in the Company, following awards made under a historic non-executive share scheme and/or the purchase of shares with the relevant Director's own cash. No new share plan awards have been made since July 2013 or will be made in the future under this historic share scheme.

The Company therefore believes that the interests of the Directors are well aligned with those of the Shareholders. Full details of the Directors' and their connected persons' interests in the Company's shares as at 31 March 2016 are set out below:

Directors and connected persons' interests in shares – audited

	Direct ownership	Interests		
Director	Number of Ordinary Shares	Number of Ordinary Shares	Number of Convertible Shares	Total Ordinary Share interests
William A. Franke(1)	82,917	10,815,383	44,830,503	10,898,300
József Váradi(2)	10,500	2,310,000	-	2,320,500
Thierry de Preux	66,384	-	-	66,384
Guido Demuynck	5,250	-	-	5,250
Simon Duffy	5,250	-	-	5,250
Stephen L. Johnson	52,750	-	-	52,750
John Mc Mahon	14,750	-	-	14,750
John R. Wilson	59,083	-	-	59,083

(1) Mr Franke is deemed to be interested in all of the Ordinary Shares and Convertible Shares held by Indigo Hungary LP, Indigo Maple Hill L.P., Indigo Hungary Management LLC and Bigfork Partners LLC for the purposes of section 96B of the Financial Services and Markets Act 2000. Indigo Hungary LP and Indigo Maple Hill L.P. also hold Convertible Notes that, subject to certain conditions, are convertible to Ordinary Shares of the Company.

(2) Mr Váradi is deemed to be interested in the Ordinary Shares held by his family trust companies. Mr Váradi's family trust company also holds 165,000 vested share options with an exercise price of GBP1.90 per share.

There has been no change to the interests of each of the Directors set out above since 31 March 2016 to the date of the notice of the 2016 Annual General Meeting.

Annual Report on Remuneration continued

Application of the Remuneration Policy in the 2017 financial year

a) Chief Executive Officer's base salary

A change of salary, if any, would be confirmed only after the release of this Annual Report.

b) Short-term Incentive Plan

The Chief Executive Officer is eligible to receive a cash bonus of up to 200 per cent. of base salary in respect of the 2017 financial year. The actual cash bonus received will depend on the achievement of certain performance criteria including underlying profit after tax (67 per cent.), on-time performance (11 per cent.), cost per available seat kilometre (11 per cent.) and personal evaluation (11 per cent.).

The Remuneration Committee believes that the specified performance criteria are sufficiently challenging compared to the Company's business plan. The annual bonus targets are commercially sensitive and therefore will be disclosed in the 2017 remuneration report following the completion of the financial year provided that they are no longer commercially sensitive.

c) Long-term Incentive Plan

An award of performance shares of up to 250 per cent. of base salary will be made to the Chief Executive Officer in May 2017. Awards will vest following a three-year performance period and be subject to the same type of same performance criteria as the 2016 award, but details would be confirmed only after the release of this Annual Report.

d) Chairman and Non-Executive Directors' fees

There will be no increases to fees for our Chairman and Non-Executive Directors during the financial year ending 31 March 2017.

As outlined in the FY15 annual report, the Non-Executive Directors receive a fee of €25,000 per annum, plus €2,500 for each full Board meeting attended. Simon Duffy, as Chairman of the Audit Committee, receives an additional fee of €18,750 per annum for taking on that role. Guido Demuynck, as Chairman of the Remuneration Committee, receives an additional fee of €12,500 per annum for taking on that role. William A. Franke, as Chairman, receives an additional fee of €25,000 per annum for taking on that role. The Non-Executive Directors will also be reimbursed for all proper and reasonable expenses incurred in performing their duties.

Other disclosures

Directors' service agreement and letters of appointment

Executive Director

The Chief Executive Officer entered into a new service agreement with the Geneva branch of Wizz Air Hungary Ltd. ("WAHL") on 15 December 2015, for a period of five years, subject to earlier termination upon six months' notice by either party. WAHL also has the right to terminate Mr Váradi's employment with immediate effect by payment in lieu of notice. The service agreement contains post-termination restrictive covenants preventing Mr Váradi from competing with WAHL or any of its business partners in the EU as well as those non-EU countries where WAHL operates, for a period of one year following the termination of his employment. Mr Váradi will be paid a sum equal to six months' base salary if WAHL chooses to enforce these restrictive covenants. Upon termination of employment other than for cause, Mr Váradi is entitled to a severance payment equal to six months' salary, in addition to any notice pay or payment in lieu of notice.

Non-Executive Directors

The Company entered into letters of appointment with each of its Non-Executive Directors on 4 June 2014, which became effective on completion of the IPO for a term of three years. Each Non-Executive Director's appointment may be terminated by the Company or the Non-Executive Director with one month's written notice. Continuation of the appointment is contingent on continued satisfactory performance and re-election at the Company's annual general meetings and the appointment will terminate automatically on the termination of the appointment by the Shareholders or, where Shareholder approval is required for the appointment to continue, the withholding of approval by the Shareholders. Re-appointment will be reviewed annually.

In accordance with the terms of the letters of appointment, each of the Non-Executive Directors is required to allocate sufficient time to discharge their responsibilities effectively. Each letter of appointment contains obligations of confidentiality which have effect during the appointment and after termination thereof.

On behalf of the Board

Guido Demuynck
Chairman of the Remuneration Committee
24 May 2016

CORPORATE RESPONSIBILITY

Wizz Air is a successful company and we consider ourselves to be a regional aviation industry champion in our home markets. However, we recognise that financial performance is not all that it takes to be successful. Wizz Air must also be a responsible company, where business is done ethically and with integrity.

We already have in place our Code of Ethics – The Wizz Way – which sets out how our business is run. But being a responsible company goes further than just business and we are developing a strategy that will set out a framework for our sustainability endeavours and objectives to reach.

The sustainability strategy is being built upon three pillars: our people and how we interact with our colleagues, our passengers and the communities in which we operate; the planet and how we manage our environmental impact; and our focus, already mentioned, of making sure that we conduct our business ethically.

We want our sustainability strategy not only to be achievable but also to contribute genuine value. Although the strategy itself is being finalised, we have already implemented a number of initiatives that we believe embody some of what we want to achieve, for example:

- promoting a healthy lifestyle by sponsoring major running events such as the Skopje Marathon, the Kosice Runway Run, and the Budapest Half-Marathon, engaging with our communities, and encouraging participation of our colleagues by providing travel, accommodation and entry to many of the events;
- encouraging team building amongst colleagues and working to ensure a genuine and unique WIZZ culture through departmental away-days and through the organisation of Company events such as the annual ski event attended by over 150 colleagues and the Christmas party, hosted in Budapest, for over 1,000 colleagues from across the network;
- ensuring that Wizz Air is not only a great airline, but that it also remains a great airline to work for. This year, we carried out our first network-wide feedback survey, to which over 1,500 colleagues responded. Conducted on an anonymous basis, the results will be shared with colleagues and we will work together on any key issues highlighted;
- supporting and promoting community volunteer projects in base cities carried out by local crew;
- personal development of our employees through the introduction of talent assessment and leadership development programmes;
- developing and implementing a large number of fuel-saving initiatives – 55 so far – through which we not only save money but also drive down our emissions and carbon footprint. As an example, our fleet fuel consumption, measured in tonnes per block hour, was 0.5 per cent. lower in the 2016 financial year than in the previous year;
- ensuring that fuel consumption and, so emissions, are kept as low as possible. Our fleet is already one of the youngest, most fuel-efficient in Europe and includes the 230-seat Airbus A321ceo – the most efficient single aisle aircraft in operation. In 2015, we concluded an agreement with Airbus to purchase 110 Airbus A321neo aircraft, with uncommitted purchase rights for a further 90 aircraft. Our commitment to operating the latest technology aircraft means that, as we continue to grow, our environmental footprint will be as small as possible; and
- making sure that we remain efficient in all other aspects of our operation. During the 2016 financial year, we moved our Budapest operational headquarters to the Laurus office complex, an A-grade office building employing environmentally-efficient technology to provide a superior working environment and able to offer the Company the space needed for its continued growth over the coming decade. The office's location at a major public transport interchange midway between the airport and downtown means that more of our colleagues can use public transport, resulting in fewer and shorter car journeys as well as making the company even more attractive for prospective employees.

These initiatives are very much the start of what we aim to achieve. We want Wizz Air to be recognised not only as a great airline to fly with, but also as a company that adds real value to its employees' careers and the communities in which it operates, and with a real concern for the environment.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for Wizz Air Holdings plc ("the Company") and its subsidiaries ("the Group") for the year ended 31 March 2016.

Results and dividend

The results for the year are shown on page 72.

The Directors do not recommend the payment of a dividend (2015: nil).

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed below:

- József Váradi
- William A. Franke
- John R. Wilson
- Stephen L. Johnson
- John McMahon
- Thierry de Preux
- Simon Duffy
- Guido Demuynck
- Susan Hooper (appointed with effect from 1 March 2016)

Going concern

Wizz Air's business activities, financial performance and financial position, together with factors likely to affect its future development and performance, are described in the Strategic Report on pages 4 to 24. Principal risks and uncertainties facing the Group are described on pages 25 to 28. Note 3 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and provides details of the risks related to financial instruments held by the Group.

At 31 March 2016, the Group held cash and cash equivalents of €645.6 million while net current assets were €328.7 million. Other than convertible debt with a balance of €27.2 million the Group has no significant external borrowings.

The Directors have reviewed financial forecasts including plans to finance future aircraft deliveries. After making enquiries, the Directors have satisfied themselves that the Group will be able to operate within the level of its liquid resources for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Viability

In accordance with provision C.2.2 of the UK Corporate Governance Code (2014), the Directors have assessed the prospects and the viability of the Group over a three-year period to March 2019. The Directors have determined that the three-year period was the appropriate period because (i) Wizz Air has a fast expanding business which gives less certainty of certain key forecasting assumptions over a longer period; and (ii) the Group's strategic planning process traditionally covers three years.

Assessment of prospects

The Group's prospects are assessed by management and the Board primarily through the strategic planning process. This three-year plan takes into account the current position of the Group, includes the fully detailed annual operating plan for the financial year starting (in this case for the year ending March 2017) and then, building on it, a sufficiently detailed bottom-up forecast for further two financial years. The Board participates fully in the process by aligning the key assumptions and the topline financial targets, reviewing and approving the annual operating plan, and reviewing and acknowledging the three-year plan.

The plan takes into account the existing aircraft order book of the Group that defines a programmed growth for several years ahead. Financing of future aircraft deliveries is already substantially secured until the end of 2018 (with lease contracts for some deliveries and with letters of intent for some others). The Directors believe that the growth assumptions are justified also from the demand side, as the Group continues to execute its core strategy: have lower cost than any of its competitors, and with low prices stimulate further demand for its services both in existing and new markets.

Viability continued

Assessment of viability

Although the strategic plan reflects management and the Directors' best estimate of the future prospects of the business, they have also tested the resilience of the business to unfavorable deviations of certain key variables from the base case scenario. In defining these scenarios the Directors took into account the principal risks that could prevent the Group from delivering on its strategy and financial targets, as summarised on pages 26 to 28 in the Strategic Report.

As part of this assessment, the Directors made the following key assumptions / caveats:

- there will not be a prolonged grounding of a substantial portion of the aircraft fleet; and
- if the UK in June 2016 votes to leave the European Union, the terms of exit will be such that will allow the Group to continue to operate broadly the same network to/from the UK as at present.

The Directors assessed the potential financial impacts of severe but plausible scenarios that the Group could experience. The scenarios included significant increase in jet fuel prices, significant strengthening of the US Dollar to the Euro, decreasing unit revenues, increasing crew costs, and a combination of these factors. While several risks can impact revenues, increased competition in key markets was considered the most important risk both in terms of likelihood and potential impact.

The results of the testing showed that, due to the strong competitive position, operating cash flows and existing reserves of the Group, it would be able to withstand the impact of these scenarios over the period of the financial forecasts.

Viability statement

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2019.

Disclosure of information to auditors

The Directors at the date of approval of the financial statements confirmed that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

A resolution for the appointment of the auditors of the Company for the financial year ending 31 March 2017 is to be proposed by the Directors at the forthcoming Annual General Meeting.

Indemnities

Wizz Air maintains directors' and officers' liability insurance. This insurance covers any claim that may be brought against the Directors in the exercise of their duties. Wizz Air has also provided customary third-party indemnities to its Directors, to the extent permitted under Jersey law.

Political donation and expenditure

Wizz Air works constructively with all levels of government across its network, regardless of political affiliation. Wizz Air believes in the right of individuals to engage in the democratic process; however, Wizz Air itself does not make any political donations and does not incur any political expenditure.

Capital structure

As at 31 March 2016, the Company had 56,922,171 Ordinary Shares of £0.0001 each in issue, each with one vote, and 44,830,503 Convertible Shares, which do not entitle the holder to voting rights save in very limited circumstances. There were no shares held in treasury at that date. The rights and obligations attaching to the Company's shares are set out in the articles of association. Holders of Ordinary Shares have the following rights:

a) subject to any rights or restrictions as to voting attached to any Ordinary Shares, on a show of hands, each Shareholder present in person shall have one vote, and on a poll each Shareholder present in person or by proxy shall have one vote for every Ordinary Share of which he is the holder;

b) a certificated share may be transferred by means of an instrument in writing, either by the usual transfer form or in any other form that the Board approves, signed by or on behalf of the person transferring the Ordinary Shares and, unless the Ordinary Shares are fully paid, by or on behalf of the person acquiring the Ordinary Shares. Ordinary Shares in uncertificated form may be transferred by means of the relevant system;

Capital structure continued

c) the right to receive dividends on a pari passu basis; and

d) on a winding-up, the liquidator may divide amongst the members in specie the whole or any part of the assets of the Company.

During the 2016 financial year 642,056 new Ordinary Shares were allotted for cash, all on a non-pre-emptive basis. These were allotted pursuant to the exercise of share options by the employees of the Group.

The aggregate nominal value of the Ordinary Shares allotted for cash in the 2016 financial year was £64. The aggregate cash consideration received by the Company for the allotment of the Ordinary Shares was £1.2 million.

In addition, an aggregate of 4,000,000 Convertible Shares held by Indigo were converted into Ordinary Shares.

Information required by Listing Rule LR 9.8.4C

In compliance with Listing Rule 9.8.4C, the Company discloses the following information:

Listing Rule	Information required	Relevant disclosure
9.8.4(1)	Interest capitalised by the Group	N//A
9.8.4(2)	Unaudited financial information as required (LR 9.2.18)	Unaudited financial information was published by the Group in its interim management statements (for Q1 and Q3) and in its half-year results. There have been no changes to the unaudited information previously published. The Company issued a profit forecast for the 2016 financial year in the Class 1 Circular dated 15 November 2015, prepared in connection with the Airbus purchase order. The Company expected to report 'a net profit for the full year (excluding unusual and exceptional items) in the range of €190 million to €200 million'. The actual underlying net profit for the year was €223.9 million. The main driver of the higher than forecasted profit is that the actual unhedged fuel price was only $407/ton in the last seven months of the financial year, while the forecast assumed $550/ton. Actual demand turned out to be broadly in line with the plan.
9.8.4(4)	Long-term incentive plans (LR 9.4.3)	See Directors' Remuneration Report.
9.8.4(5)	Directors' waivers of emoluments	N/A
9.8.4(6)	Directors' waivers of future emoluments	N/A
9.8.4(7)	Non-pro-rata allotments of equity for cash (the Company)	See paragraph headed "Capital structure" in this report.
9.8.4(8)	Non-pro-rata allotments of equity for cash (major subsidiaries)	N/A
9.8.4(10)	Contracts of significance involving a Director	N/A
9.8.4(11)	Contracts of significance involving a controlling shareholder	N/A
9.8.4(12)	Waivers of dividends	N/A
9.8.4(13)	Waivers of future dividends	N/A
9.8.4(14)	Agreement with a controlling shareholder (LR 9.2.2.AR(2)(a))	See Corporate Governance Report.

For and on behalf of the Board

József Váradi
Chief Executive Officer
24 May 2016

COMPANY INFORMATION

Registered number
103356

Registered office
44 The Esplanade
St Helier
Jersey
JE4 9WG

Secretary
Elian Corporate Services (Jersey) Limited
44 The Esplanade
St Helier
Jersey
JE4 9WG

Independent auditors
PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH
United Kingdom

Principal bankers
Citibank
Citigroup Centre
25 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Share registrar
Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES

Financial public relations
FTI Consulting
200 Aldersgate Street
London EC1A 4HD
United Kingdom

Principal legal advisers
Latham and Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

Joint corporate brokers
Barclays Bank PLC
1 Churchill Place
London E14 5HP
United Kingdom

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991 and the Directors' Remuneration Report complies with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in Jersey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 35 to 37 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained in the annual report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

József Váradi
Director
24 May 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WIZZ AIR HOLDINGS PLC

Report on the group financial statements

Our opinion

In our opinion, Wizz Air Holdings plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 March 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Consolidated statement of financial position as at 31 March 2016;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of cash flows for the year then ended;
- the Consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

Our audit approach

Overview

Materiality

- Overall group materiality: €10.1 million which represents 5% of profit before tax.

Audit scope

- The group financial statements are a consolidation of Wizz Air Holdings plc, the trading subsidiary Wizz Air Hungary Kft and a number of insignificant intermediate holding, small trading, dormant and ceased operation companies.
- The accounting for these entities and the group consolidation is largely centralised in Hungary where the majority of our audit work was performed.
- Our audit scope comprised an audit of Wizz Air Holdings plc and the complete financial information of Wizz Air Hungary Kft, being the significant components.

Areas of focus

- Aircraft maintenance provisioning.
- Hedge and derivative accounting.
- Net presentation of government taxes and other similar levies.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Report on the group financial statements continued

Our audit approach continued

The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Aircraft maintenance provisioning The group operates aircraft, which are held under operating lease arrangements, and incurs liabilities for maintenance during the term of the lease. Provisions arise from legal and contractual obligations relating to the condition of the aircraft when it is returned to the lessor. Maintenance provisions of €83.7 million for aircraft maintenance costs in respect of operating leased aircraft are recorded in the financial statements at 31 March 2016 (refer to note 29 to the financial statements). For aircraft held under operating lease agreements, the group is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the aircraft and its major components upon return. Provision is made for the minimum unavoidable costs of specific future obligations created by the lease at the time when such obligation becomes certain. This is when the respective aircraft component no longer meets the lease re-delivery conditions. Commonly there is a warranty period for components at the start, during which no obligation arises; provisioning only commences after this warranty period. At each balance sheet date, the calculation of the maintenance provision, derived from the maintenance provision system (MPS), includes a number of variable factors and assumptions including: likely utilisation of the aircraft; the expected cost of the heavy maintenance check and the time it is expected to occur; the condition of the aircraft; and the lifespan of life-limited parts. Modifications to these contracts represents changes in accounting estimates and are adjusted prospectively. A focus for the audit was to confirm that all amendments to the Fleet Hour Agreement (FHA) which modifies the number of hours before heavy maintenance are required and impacts future costs, are updated in the MPS as a change in estimate. The company leases a large volume of aircraft and has received a certain number of spare engines free of charge, the value of which was allocated to all engines proportionately and released over their lease period (netted against the aircraft rental expense). As the aircraft and spare engines are received by the company over a period of time, the deferred income for the discount and spare engine asset value is recognised at the time the aircraft is received. We focused on maintenance provisioning because of the inherent level of management judgement required in calculating the amount of provision that is considered appropriate as a result of the complex and subjective elements around these variable factors and assumptions.	We evaluated the integrity of the maintenance provision system (MPS) and tested the calculations therein. This included assessing the process by which the variable factors within the provision were estimated, evaluating the reasonableness of the assumptions, testing the input data and re-performing calculations. We found no significant issues in the MPS input data or the calculated maintenance assets and provisions. The basis for these calculations was found to be consistent with prior periods and in line with the detailed accounting policy set out in note 2. We compared the cost assumptions in the MPS to recent invoices, inspected future flight schedules and approved maintenance plans as well as validated current flight hours and flight cycles to non-financial data sources. We found no material exceptions from these procedures and estimates. We read new or amended aircraft lease contracts and validated the updated MPS input data. We focused our testing on the current year amendments to the Fleet Hour Agreement (FHA). Specifically this year, we focused our testing on the accounting for additional spare engine credits. We agreed the fair value of the engine credits to market value and ensured the appropriate accounting as spare engines were received. We found no material exceptions from these procedures. We tested modifications to the original purchase agreement with Airbus and IAE. Our testing of the changes from MPS to the amended purchase agreement found no material exceptions from these modifications and changes in estimates.

Report on the group financial statements continued

Our audit approach continued

The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Hedge and derivative accounting The group uses derivative financial instruments (options) to hedge transaction currency (comprising fuel, leasing and maintenance US dollar payments) and jet fuel price risks. At 31 March 2016, derivative financial assets amounted to €1.7 million and derivative financial liabilities were €17.6 million. Further details are set out in notes 2, 3 and 20 to the financial statements. We focused on these balances because of their materiality to the financial position of the group, the level of manual involvement in monitoring open, closed and settled derivatives and the complexity of the requirements in order to apply hedge accounting (e.g. timely tailored documentation, including details of how hedge effectiveness is monitored both prospectively and retrospectively).	We evaluated the processes, procedures and controls in respect of the group's treasury and other management functions which directly impact the relevant account balances and transactions. We tested management's year-end account reconciliation process, including cut-off procedures. The results of this work allowed us to focus on substantiating the year-end positions recorded in the financial statements. We independently obtained direct confirmations from each of the counterparties to test the cut-off at the year end. We found no material exceptions from these confirmations. We assessed the appropriateness of hedge accounting for the derivative financial instruments and adequate hedge documentation and effectiveness testing was found to be in place. We tested, using independent data-feeds, the fair values being ascribed to those instruments at the year end and noted no significant exceptions. We also assessed the appropriateness of the disclosures in the financial statements in respect of derivative financial instruments. We did not identify any significant issues with the measurement or presentation of the group's derivative financial instruments.
Net presentation of government taxes and other similar levies The group assesses all charges levied by airports and government authorities to ensure that any amounts recovered from passengers in respect of these charges are appropriately classified within the income statement. The group's accounting policy stipulates that where charges levied by airports or government authorities on a per passenger basis represent a tax in fact or substance, such amounts are presented on a net basis in the consolidated income statement (revenue and airport handling and en-route charges lines). Given the variability of these charges and the number of airports and jurisdictions within which the group operates, the assessment of whether these items constitute taxes in nature is an inherently more complex area, requiring a level of judgement. As such, we focused on whether these charges had been accurately assessed and classified within the financial statements.	We read significant new or amended airport contracts to validate the correct accounting treatment of tax or tax-like items. We found that the treatment adopted was consistent with the criteria set out in the group's accounting policies. We tested charges levied by airports and government authorities to ensure appropriate recognition within the income statement. Our work did not identify any inappropriate netted amounts within revenue or airport handling and en-route charges financial statement line items. In addition, we analysed the costs per passenger, investigating significant variances from prior years to identify potential non-compliance with the group's accounting policy. We found no material exceptions from these procedures.

Report on the group financial statements continued

Our audit approach continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group operates through Wizz Air Holdings plc and its trading subsidiary Wizz Air Hungary Kft, which includes branch operations in base countries. The group financial statements are a consolidation of these entities and a number of insignificant intermediate holding, small trading, dormant and ceased operation companies. The accounting for these entities and the group consolidation is centralised in Hungary.

Our audit scope comprised an audit of Wizz Air Holdings plc and the complete financial information of Wizz Air Hungary Kft, being the significant components.

The audit is performed by a single engagement team comprising individuals based in the UK and in Hungary. The operations are audited by applying their collective knowledge and understanding of the group and its financial reporting processes and controls.

In addition to the standard audit work performed by the engagement team based in Hungary, the UK team members visited the Budapest's management team three times during the audit cycle. These visits involved discussing the audit approach, areas of focus and issues arising from our work. The UK team members also attended the local clearance meeting in Hungary and all Audit Committee meetings in Switzerland, either in person or via telephone call. This gave us the evidence we required for our opinion on the group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

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

Overall group materiality	€10.1 million (2016: €9.6 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	Consistent with the prior year, we applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.4 million (2016: €0.4 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

The directors have complied with provision C.1.3 of the UK Corporate Governance Code ('the Code') and provided a statement in relation to going concern, set out in the Directors' report. The directors have requested that we review the statement on going concern as if the Company were a UK registered company. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Other required and voluntary reporting

Consistency of other information

Opinion on Strategic Report and Directors' report

The directors voluntarily prepare a Strategic Report and Directors' Report in accordance with the provisions of the United Kingdom Companies Act 2006. The directors have requested that we express an opinion on the consistency of that information with the financial statements in accordance with the United Kingdom Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

▸ information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or • otherwise misleading.	We have no exceptions to report.
▸ the statement given by the directors on page 63, in accordance with provision C.1.1 of the Code, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.	We have no exceptions to report.
▸ the section of the Annual Report on pages 43 to 45, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

▸ the directors' confirmation on page 25 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
▸ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
▸ the directors' explanation on pages 59 to 60 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and we have also reviewed the statement the directors have made in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Other required and voluntary reporting continued

Adequacy of information and explanations received

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

The Corporate Governance Statement includes the information with respect to internal control and risk management systems and about share capital structures required by the Disclosure Rules and Transparency Rules of the Financial Conduct Authority. The directors have requested that we report on the consistency of that information with the financial statements.

In our opinion, the information given in the Corporate Governance Statement set out on page 43 with respect to internal control and risk management systems and on pages 60 to 61 about share capital structures is consistent with the financial statements.

Directors' remuneration

The directors voluntarily prepare a Directors' remuneration report in accordance with the provisions of the United Kingdom Companies Act 2006. The directors have requested that we audit the part of the Directors' remuneration report specified by the United Kingdom Companies Act 2006.

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the United Kingdom Companies Act 2006.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 63, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

Responsibilities for the financial statements and the audit continued

What an audit of financial statements involves continued

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Snell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 May 2016

ACCOUNTS AND OTHER INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

Continuing operations	Note	2016 € million	2015 € million
Passenger ticket revenue	5	**894.9**	793.8
Ancillary revenue	5	**534.2**	433.5
Total revenue	5	**1,429.1**	1,227.3
Staff costs		**(101.4)**	(83.4)
Fuel costs		**(401.5)**	(396.6)
Distribution and marketing		**(23.5)**	(18.8)
Maintenance materials and repairs		**(77.5)**	(62.0)
Aircraft rentals		**(176.2)**	(137.1)
Airport, handling and en-route charges		**(343.1)**	(297.7)
Depreciation and amortisation		**(28.8)**	(33.9)
Other expenses		**(41.7)**	(30.5)
Total operating expenses		**(1,193.6)**	(1,060.0)
Operating profit	6	**235.5**	167.3
Comprising			
– operating profit excluding exceptional items		**235.5**	170.1
– exceptional expense	9	**-**	(2.8)
Financial income	10	**2.0**	1.8
Financial expenses	10	**(8.0)**	(5.6)
Net foreign exchange (loss)/gain	10	**(11.8)**	16.2
Net exceptional financial (expense)/income	9	**(16.3)**	12.0
Net financing (expense)/income		**(34.1)**	24.4
Profit before income tax		**201.4**	191.7
Income tax expense	11	**(8.5)**	(8.5)
Profit for the year		**192.9**	183.2
Other comprehensive income /(expense) – items that may be subsequently reclassified to profit or loss:			
Net movements in cash flow hedging reserve, net of tax		**33.2**	(43.0)
Currency translation differences		**-**	(8.7)
Other comprehensive income /(expense) for the year, net of tax		**33.2**	(51.7)
Total comprehensive income for the year		**226.1**	131.5
Earnings per share (Euro/share)	12	**3.62**	14.43
Diluted earnings per share (Euro/share)	12	**1.54**	6.91

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Note	**2016 € million**	2015 € million
ASSETS			
Non-current assets			
Property, plant and equipment	13	**353.6**	247.1
Intangible assets	14	**5.7**	3.2
Restricted cash	22	**100.0**	70.4
Deferred tax assets	15	**0.2**	0.7
Deferred interest	21	**6.0**	7.7
Derivative financial instruments	20	**-**	22.1
Trade and other receivables	18	**71.2**	80.3
Total non-current assets		**536.8**	431.5
Current assets			
Inventories	17	**17.6**	8.8
Trade and other receivables	18	**126.5**	87.6
Financial assets available for sale	19	**1.0**	1.0
Derivative financial instruments	20	**1.7**	38.6
Deferred interest	21	**1.2**	1.2
Restricted cash	22	**1.6**	3.2
Cash and cash equivalents		**645.6**	448.6
Total current assets		**795.1**	589.0
Total assets		**1,331.8**	1,020.5
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	28	**-**	-
Share premium	28	**377.0**	375.4
Reorganisation reserve	28	**(193.0)**	(193.0)
Equity part of convertible debt	28	**8.3**	8.3
Cash flow hedging reserve	28	**(13.0)**	(46.1)
Retained earnings		**509.4**	315.3
Total equity		**688.8**	459.9
Non-current liabilities			
Borrowings	23	**5.9**	3.8
Convertible debt	24	**26.9**	27.0
Deferred income	26	**96.6**	74.2
Deferred tax liabilities	15	**4.9**	4.1
Derivative financial instruments	20	**1.2**	1.8
Provisions for other liabilities and charges	29	**41.2**	44.9
Total non-current liabilities		**176.7**	155.8
Current liabilities			
Trade and other payables	25	**177.3**	123.9
Current tax liabilities		**3.2**	4.1
Borrowings	23	**0.5**	0.4
Convertible debt	24	**0.3**	0.3
Derivative financial instruments	20	**16.4**	79.9
Deferred income	26	**225.0**	188.7
Provisions for other liabilities and charges	29	**43.7**	7.5
Total current liabilities		**466.4**	404.8
Total liabilities		**643.1**	560.6
Total equity and liabilities		**1,331.8**	1,020.5

The financial statements on pages 72 to 114 were approved by the Board of Directors and authorised for issue on 24 May 2016 and were signed on behalf of the Board.

József Váradi
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

Note	Share capital € million 28	Share premium € million 28	Reorganisation reserve € million 28	Equity part of convertible debt € million	Cash flow hedging reserve € million	Cumulated translation adjustments € million	Retained earnings € million	Total equity € million
Balance at 1 April 2015	-	375.4	(193.0)	8.3	(46.1)	-	315.3	459.9
Comprehensive income								
Profit for the year	-	-	-	-	-	-	192.9	192.9
Other comprehensive income								
Hedging reserve	-	-	-	-	33.2	-	-	33.2
Currency translation differences	-	-	-	-	-	-	-	-
Recycling of currency translation difference on closure of the subsidiary operation	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	33.2	-	-	33.2
Total comprehensive income for the year	-	-	-	-	33.2	-	192.9	226.1
Transactions with owners								
Proceeds from shares issued (Note 28)	-	1.6	-	-	-	-	-	1.6
Convertible debt conversion	-	-	-	-	-	-	-	-
Share based payment charge (Note 27)	-	-	-	-	-	-	1.2	1.2
Total transactions with owners	-	1.6	-	-	-	-	1.2	2.8
Balance at 31 March 2016	**-**	**377.0**	**(193.0)**	**8.3**	**(13.0)**	**-**	**509.4**	**688.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

For the year ended 31 March 2015

Note	Share capital € million 28	Share premium € million 28	Reorganisation reserve € million 28	Equity part of convertible debt € million	Cash flow hedging reserve € million	Cumulated translation adjustments € million	Retained earnings € million	Total equity € million
Balance at 1 April 2014	-	207.1	(193.0)	11.1	(3.1)	8.7	129.1	159.9
Comprehensive income								
Profit for the year	-	-	-	-	-	-	183.2	183.2
Other comprehensive income								
Hedging reserve	-	-	-	-	(43.0)	-	-	(43.0)
Currency translation differences	-	-	-	-	-	5.8	-	5.8
Recycling of currency translation difference on closure of the subsidiary operation (Note 9)	-	-	-	-	-	(14.5)	-	(14.5)
Total other comprehensive income	-	-	-	-	(43.0)	(8.7)	-	(51.7)
Total comprehensive income for the year	-	-	-	-	(43.0)	(8.7)	183.2	131.5
Transactions with owners								
Proceeds from shares issued on IPO (Note 28)	-	149.1	-	-	-	-	-	149.1
Convertible debt conversion	-	19.2	-	(2.8)	-	-	2.8	19.2
Share based payment charge (Note 27)	-	-	-	-	-	-	0.2	0.2
Total transactions with owners	-	168.3	-	(2.8)	-	-	3.0	168.5
Balance at 31 March 2015	-	375.4	(193.0)	8.3	(46.1)	-	315.3	459.9

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Note	2016 € million	2015 € million
Cash flows from operating activities			
Profit before tax		**201.4**	191.7
Adjustments for:			
Depreciation	13	**26.8**	32.5
Amortisation	14	**2.0**	1.4
Financial income		**(2.0)**	(44.2)
Financial expense		**47.3**	8.1
Share based payment charges	7	**1.2**	0.2
		276.8	189.7
Changes in working capital (excluding the effects of exchange differences on consolidation)			
Increase in trade and other receivables		**(32.0)**	(35.9)
Increase in restricted cash		**(31.7)**	(24.4)
Increase in derivative assets		**-**	(25.9)
Decrease/(increase)/ in deferred interest		**1.5**	(0.3)
Increase in inventory		**(8.8)**	(2.6)
(Decrease)/increase in provisions		**(0.4)**	1.0
Increase in trade and other payables		**47.1**	17.5
Increase in deferred income		**45.0**	59.1
Cash generated by operating activities before tax		**297.5**	178.2
Comprising			
– cash flow excluding exceptional item		**297.5**	177.2
– exceptional item	9	**-**	1.0
Income tax paid		**(8.6)**	(4.2)
Net cash generated by operating activities		**288.9**	174.0
Cash flows from investing activities			
Purchase of aircraft maintenance assets		**(42.7)**	(36.3)
Purchases of tangible and intangible assets		**(12.4)**	(7.3)
Advances paid for aircraft		**(116.7)**	(74.6)
Refund of advances paid for aircraft		**80.9**	68.2
Interest received		**0.2**	0.2
Net cash used in investing activities		**(90.6)**	(49.8)
Cash flows from financing activities			
Proceeds from the issue of share capital		**1.6**	149.1
Interest paid		**(2.8)**	(3.7)
Commercial loan repaid		**(0.4)**	(6.1)
Net cash (used in)/generated from financing activities		**(1.7)**	139.3
Net increase in cash and cash equivalents		**196.5**	263.5
Cash and cash equivalents at the beginning of the year		**448.6**	185.6
Effect of exchange rate fluctuations on cash and cash equivalents		**0.5**	(0.5)
Cash and cash equivalents at the end of the year		**645.6**	448.6

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. General information

Wizz Air Holdings plc ("the Company") is a public company incorporated in Jersey under the address 44 The Esplanade, St Helier, Jersey JE4 9WG. The Company is managed from Switzerland. The Company and its subsidiaries (together referred to as "the Group" or "Wizz Air") provide low-cost, low-fare passenger air transportation services on scheduled short-haul and medium-haul point-to-point routes across Europe and the Middle East.

2. Accounting policies

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below.

Basis of preparation

These consolidated financial statements consolidate those of the Company and its subsidiaries. The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs" and IFRS IC interpretations).

Based on the exemption provided in Article 105 (11) of the Companies (Jersey) Law 1991 the Company does not present its individual financial statements and related notes.

The financial statements are presented in Euros which is the functional currency of all companies in the Group with the exception of Dnieper Aviation LLC and Wizz Air Ukraine Airlines LLC for which the functional currency is the Ukrainian Hryvnia (national currency of Ukraine).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of the consolidated financial statements in conformity with IFRS legislates the use of certain critical accounting estimates and requires management to exercise judgements in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, on areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

New standards and interpretations

a) Standards, amendments and interpretations effective and adopted by the Group

The following new IFRSs and amendments are mandatory for financial periods beginning on or after 1 January 2015 and have therefore been adopted by the Group as of 1 April 2015.

- Amendment to IFRS 2, Share-based payment – clarifies the definition of 'vesting condition' and now distinguishes between 'performance condition' and 'service condition'.
- Amendment to IFRS 3, Business combinations – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date. It is also clarified that IFRS 3 does not apply to the accounting for the formation of any joint arrangement.
- Amendment to IFRS 8, Operating segments – requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.
- Amendment to IFRS 13, Fair value measurement – confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. It also clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9.
- Amendment to IAS 16, Property, plant and equipment and IAS 38, Intangible assets – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts.
- Amendment to IAS 24, Related party disclosures – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.

2. Accounting policies continued

New standards and interpretations continued

a) Standards, amendments and interpretations effective and adopted by the Group continued

- Amendment to IAS 40, Investment property – clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination.
- Amendment to IAS 19, Employee benefits - clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. Under the previous version of IAS 19, most entities deducted the contributions from the cost of the benefits earned in the year the contributions were paid. However, the treatment under the 2011 revised standard was not so clear. It could be quite complex to apply, as it requires an estimation of the future contributions receivable and an allocation over future service periods. To provide relief, changes were made to IAS 19. These allow contributions that are linked to service, but that do not vary with the length of employee service (e.g. a fixed per cent of salary), to be deducted from the cost of benefits earned in the period that the service is provided. Therefore many entities will be able to (but not be required) continue accounting for employee contributions using their existing accounting policy. The Group anticipates that the adoption of the above standards will not have a material effect on its results or financial position.

b) Standards early adopted by the Group

There are no standards early adopted by the Group.

c) Interpretations and standards that are not yet effective and have not been early adopted by the Group

- IFRS 9, 'Financial instruments'- addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income or expense and fair value through profit or loss. IFRS 9 allows changes in the time value of options to be recognised in other comprehensive income, as opposed to the statement of comprehensive income under IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard has not been adopted by the European Union, but is expected to be effective for accounting periods beginning on or after 1 January 2018 with early adoption permitted.
- IFRS 14, 'Regulatory deferral accounts' (effective for annual periods beginning on or after 1 January 2016) – specifies the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.
- IFRS 15, 'Revenue from contracts with customers' – deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement.
- IFRS 16, 'Leases' (effective for the accounting periods beginning on or after 1 January 2019) – addresses the classification, measurement and recognition of leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard supersedes IAS 17 'Leases' and is subject to EU endorsement.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods except that (i) IFRS 9 will impact both the measurement and disclosures of financial instruments; (ii) IFRS 15 may have an impact on revenue recognition and related disclosures; and (iii) IFRS 16 will require all lease contracts of the Group to be recognised on the balance sheet, as well as significant new, enhanced disclosures. At this stage the Directors are not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessment of the impact of these standards over the next twelve months.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Basis of consolidation

Subsidiaries are all entities controlled by the Company. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The results of all the subsidiaries are consolidated up to 31 March which is the financial year end of the Company.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in business for the foreseeable future. This assumption is based on the Directors' assessment of the Group's financial performance and position to date, together with a review of its forecasts, in light of the risks to which the Group is exposed.

Foreign currency

The Group's presentational currency is the Euro. The functional currency of all the Group entities with the exception of Dnieper Aviation LLC and Wizz Air Ukraine Airlines LLC is the Euro. Transactions in foreign currencies are translated into functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Euros at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income as financial income or expense. Non-monetary assets and liabilities denominated in foreign currencies and which are recognised at their historical cost are translated into Euros at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and which are stated at fair value are translated into Euros at exchange rates ruling at the dates the fair value was determined.

The functional currency of Dnieper Aviation LLC and Wizz Air Ukraine Airlines LLC is the Ukrainian Hryvnia (UAH). The results and financial position of all the Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustments).

The below exchange rates were used for the translation in the respective financial years:

	Year ended 31 March 2016	Year ended 31 March 2015
	UAH/EUR	UAH/EUR
Closing rate	**29.69**	25.45
Average rate for the year	**29.26**	25.12

2. Accounting policies continued

Financial assets and liabilities

The Group classifies its financial assets and liabilities – in line with IAS 39 'Financial instruments: recognition and measurement' – into the following categories:

Description in the statement of financial position	Category
Non-current assets	
Restricted cash	Loans and receivables
Trade and other receivables	Loans and receivables
Current assets	
Trade and other receivables	Loans and receivables
Financial assets available for sale	Available-for-sale assets
Derivative financial instruments	Fair value through profit or loss
Restricted cash	Loans and receivables
Cash and cash equivalents	Loans and receivables
Non-current liabilities	
Borrowings	Other financial liabilities measured at amortised cost
Convertible debts	Other financial liabilities measured at amortised cost
Current liabilities	
Trade and other payables	Other financial liabilities measured at amortised cost
Borrowings	Other financial liabilities measured at amortised cost
Convertible debt	Other financial liabilities measured at amortised cost
Derivative financial instruments	Fair value through profit or loss

The classification of financial assets depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets. Derivatives (assets or liabilities) are also categorised as held for trading unless they are designated as hedges.

b) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date, that are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, cash and cash equivalents and restricted cash in the statement of financial position.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the statement of financial position date. Available-for-sale financial assets are subsequently carried at fair value.

d) Other financial liabilities measured at amortised costs

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market.

They are included in current liabilities, except for maturities greater than twelve months after the statement of financial position date that are classified as non-current liabilities. The Group's other financial liabilities comprise trade and other payables and interest-bearing loans and borrowings (including convertible debt) in the statement of financial position.

The Group invests excess cash in a conservative way, primarily in short-term time deposits and money market funds. Management does not, in the short term, plan to have held-to-maturity investments. The recognition and measurement criteria are described in the relevant accounting policy section.

2. Accounting policies continued

Financial assets and liabilities continued

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income, within financial income or expenses. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below). The Group enters into foreign exchange and jet fuel price hedging transactions to minimise the impact of fluctuations in foreign exchange rates and fuel price on the Group. Both types of hedging transactions are cash flow hedges under IAS 39.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any unrealised gain or loss on the derivative financial instrument is recognised directly in the hedging reserve within other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the statement of comprehensive income as financial income or expenses.

The associated cumulative gain or loss on the effective part is removed from other comprehensive income and recognised in the statement of comprehensive income in the respective operating expense line(s) in the same period or periods as the hedged forecast transaction. When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the hedged transaction is recognised in the statement of comprehensive income. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised in the statement of comprehensive income immediately, net of tax, within the cash flow hedging reserve.

Before expiry, the fair value of an option comprises i) its intrinsic value, being a function of the difference between contracted and market (or spot) prices; and ii) its time value, being the difference of the fair value and the intrinsic value at any point in time. Subject to hedge effectiveness, any increase or decrease in the intrinsic value of the hedging instrument is taken to equity within other comprehensive income or expense. However, any increase or decrease in the time value of the hedging instrument is recognised immediately in the statement of comprehensive income as financial income or expense. This reflects the fact that variations in the time value of an option are required to be excluded from the hedge relationship in accordance with IAS 39 'Financial instruments: recognition and measurement'.

Accordingly:

- initial recognition: the open position on the derivative hedging instrument is recorded as an asset or liability in the statement of financial position at fair value;
- subsequent remeasurement of unexpired options: (i) the effective portion of changes in the intrinsic element of the fair value is recorded in other comprehensive income, (ii) changes in the time value element of the fair value, or the ineffective portion, if any, are recorded as financial income or expense in the statement of comprehensive income; and
- the realised gains or losses on the hedging instrument are recorded against the respective operating expense line(s) in the statement of comprehensive income.

The ineffective portion is determined in line with IAS 39, applying the 80–125 per cent. rule. The ineffective part of changes in fair value, if any, is recorded as financial income or expense in the statement of comprehensive income.

2. Accounting policies continued

Financial assets and liabilities continued

Derivative financial instruments and hedging continued

Hedging with non-derivatives

The Group uses its selected financial assets denominated US Dollar to hedge highly probable future expenses in US Dollar. Starting from January 2016 the Group applies hedge accounting to part of its non-derivate financial assets, in the interest of reducing the amount of unrealised foreign exchange gains or losses resulting from the periodic revaluation of these assets.

The accounting treatment of non-derivatives designated as hedging instruments is identical to cash flow hedges with derivatives, that is:

- the unrealised gains or losses on hedging instruments are recorded as an asset or liability in the statement of financial position at fair value, and the effective portion of changes in the fair value is recorded in other comprehensive income; and
- the realised gains or losses on the hedging instruments are recorded against the respective expense line(s) in the statement of comprehensive income.

Trade and other receivables

Trade and other receivables are stated at their amortised cost using the effective interest rate method less impairment losses.

The carrying amount of the asset is reduced through the trade and other receivables account, and the amount of the loss is recognised in the statement of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

Other receivables also comprise insurance claims related to events that are covered by insurance contracts. The Group recognises the income in the financial statements only from those insurance claims which, based on management's judgment, are virtually certain to be received by the Group.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits repayable on demand or which mature within three months of inception, less any overdrafts repayable on demand. Cash held in money market funds is also included in cash and cash equivalents. Cash and cash equivalents do not include restricted cash. Cash and cash equivalents are netted only when right of offset has been obtained.

Restricted cash

Restricted cash represents cash deposits held by the banks that cover letters of credit, issued by the same bank, to certain suppliers. Restricted cash is split between non-current and current assets depending on the maturity period of the underlying letters of credit.

Trade and other payables

Trade and other payables are stated at amortised cost using the effective interest rate method. Trade and other payables comprise balances payable to suppliers, authorities and employees.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income as a financial expense over the period of the borrowings on an effective interest rate basis. Financial expenses include also withholding tax paid on the interest if according to the loan agreement the payment of withholding tax is the liability of the Group.

Convertible debt

Convertible debt instruments that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound instruments. Transaction costs that relate to the issue of a compound instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The liability component is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component of the compound instrument is calculated as the excess of the issue proceeds over the value of the liability component.

2. Accounting policies continued

Financial assets and liabilities continued

Classification of compound instruments issued by the Group

Compound instruments issued by the Group are treated as equity (i.e. forming part of Shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or it is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a compound instrument that contains both equity and financial liability components exists these components are separated by recognising the liability at fair value and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with compound instruments that are classified in equity are dividends and are recorded directly in equity.

Impairment of financial assets

Impairment losses are recognised on financial assets carried at amortised cost where there is objective evidence that a loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows, discounted at the original effective interest rate.

If, subsequently, the amount of the impairment loss decreases, and the decrease can be related objectively to an event that occurred after the impairment was recognised, the appropriate portion of the loss is reversed. Both impairment losses and reversals are recognised in the statement of comprehensive income as components of financial income or expenses, except in the case of impairment of available-for-sale financial assets where the impairment and its reversal may be charged to other comprehensive income under certain circumstances.

Current trade and other receivables are discounted where the effect is material.

Non-financial assets and liabilities

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income on a straight-line basis to write off cost to residual value over the estimated useful economic lives of each part of an item of property, plant and equipment. In the case of certain aircraft maintenance assets, the useful economic life of the asset can be defined in terms of flight hours or flight cycles, and in this case the depreciation charge is determined based on the actual number of flight hours or flight cycles. The estimated useful lives are as follows:

Land and buildings	three to five years, being the shorter of useful economic life and the lease term
Aircraft maintenance assets	two to seven years, being the shorter of useful economic life and the lease term
Aircraft parts	seven years
Fixtures and fittings	three years

The residual values and useful lives are re-assessed annually.

2. Accounting policies continued

Non-financial assets and liabilities continued

Assets received free of charge

In certain cases the Group receives assets free of charge. These are treated as non-cash items in the statement of cash flows.

Advances paid for aircraft – pre-delivery payments (PDP)

Pre-delivery payments (PDP) are paid by the Group to aircraft and engine manufacturers for financing the production of the ordered aircraft or spare engine as determined by the contractual terms. Such advance payments for aircraft or spare engines are recognised at cost and classified as property, plant and equipment in the statement of financial position. The amount is not depreciated.

The Group may enter into sale and leaseback arrangements with lessors to finance future aircraft or spare engine deliveries. These arrangements are structured such that the right and the commitment to purchase the aircraft or spare engine are assigned to the lessor only on the date of delivery (a "delivery date assignment"); as such, the recognition and classification of the PDP balance does not change when the sale and leaseback contracts are signed. On the delivery of the aircraft or spare engine the lessor pays the full purchase price of the asset to the manufacturer and the Group receives from the manufacturer a refund of the PDPs paid. At this moment the fixed asset is de-recognised from the statement of financial position and any gain or loss arising is transferred to the statement of comprehensive income as an operating income or expense.

In some instances PDPs are paid – in the name of the Group – by the lessors directly to the aircraft manufacturer. These PDPs are also recognised by the Group in the statement of financial position as advances paid for aircraft and as received loans until the delivery of the aircraft. In the statement of cash flows these PDPs and loans are treated as non-cash items and are eliminated both from advances paid for aircrafts/refund of advances paid for aircraft and commercial loan lines.

Advances paid for aircraft maintenance assets (FHA)

Advances paid for aircraft maintenance assets represent advance payments made in relation to heavy maintenance scheduled to be performed in the future (for the definition of heavy maintenance see the accounting policy section on maintenance). Such advance payments are made by the Group particularly to the engine maintenance service provider under fleet hour agreements (FHA). The balance of such assets is re-categorised into aircraft maintenance assets at the time when the aircraft maintenance asset is recognised in respect of the same component and the same heavy maintenance event. This is when the component no longer meets the conditions set out in the lease agreement. Advances paid for aircraft maintenance are not depreciated.

In the statement of cash flows the FHA payments are shown under the purchase of maintenance assets line together with other aircraft maintenance asset purchases.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Web development costs are capitalised to the extent they are expected to generate future economic benefits and meet the other criteria described in IAS 38 'Intangible assets'.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful economic lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software licences	three to eight years
Web and other software development costs	three to five years

Inventories

Inventories (mainly spares) are purchased for internal use and are stated at cost unless impaired or at net realisable value if any items are to be sold or scrapped. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated selling expense. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Non-financial assets and liabilities continued

Emissions Trading Scheme

As of January 1, 2012 the scope of the EU Emissions Trading Scheme 2008/101/EC (EU ETS) covers airlines. The Group is required to formally report its annual emissions to the relevant authorities and surrender emission allowances (EUAs) equivalent to the emission made during the year. Surrendered allowances are a combination of the free allowances granted by the authorities and allowances purchased by the Group from other parties. The Group follows the "cost method" of booking the allowances: the free allowances have nil-cost value so therefore are not recognised as an asset; allowances purchased in the market are recorded at the purchase price in inventory. The Group is given free allowances by the competent authorities, and the net economic impact to the Group is therefore represented by the shortfall between the actual carbon emitted and the free allowances given to the Group for that period. The shortfall is recorded at forward prices as a cost.

Application of this accounting treatment means that the statement of comprehensive income and the statement of financial position reflect the net economic impact and are not grossed up to reflect the full obligation.

Deferred interest

The Group enters into sale and leaseback agreements to finance future aircraft or spare engine deliveries. In some cases it enters also into arrangements to finance the PDPs of such deliveries. Interest accrued on loans to finance the PDPs on aircraft or spare engines is initially recognised under property plant and equipment (advances paid for aircraft). When the leased aircraft or spare engine is delivered, the PDP interest balance is reclassified within the statement of financial position from property, plant and equipment into deferred interest. From this point forward the interest is amortised to the statement of comprehensive income during the term of the respective lease contract.

The Group recognises in the deferred interest line also the effect of the discounting adjustment of non-current receivables.

Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Employee benefits

Share based payment transactions

The Group operates an equity-settled share option programme that allows Group employees to acquire shares in the Company. The options are granted by the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted at any measurement date so that the cumulative expense to date reflects the actual number of share options that are expected to vest.

The share award programme allows the Directors of the Company to acquire shares in the Company at nominal value. The fair value of the awards granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which there are restrictions in place in respect of the transfer of the award shares by the Directors.

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability (please see further details of aircraft maintenance provisions in the accounting policy section on maintenance).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Revenue

Revenue comprises the invoiced value of flight seats and ancillary revenues.

Passenger ticket revenue arises from the sale of flight seats and is recognised net of government taxes in the period in which the service is provided, that being when the airplane has departed. Where charges levied by airports or government authorities on a per passenger basis represent a government tax in fact or in substance, then such amounts are presented on a net basis in the statement of comprehensive income (netted between revenue and airport, handling and en-route charges lines). Unearned revenue represents flight seats sold but not yet flown and is included in deferred income. Refunds made to passengers are recorded as reductions in revenue.

Ancillary revenue arises from the sale of other services made by the Group and from commissions earned in relation to services sold on behalf of other parties. Revenues from other services comprise mainly baggage charges, booking/payment handling fees, airport check-in fees, fees for various convenience services (priority boarding, extended legroom, reserved seat), loyalty programme membership fees, and hotel and other services sold by the tour operator unit of the Group. Commission revenue arises in relation to the sale of on-board catering, accommodation, car rental, travel insurance, bus transfers, premium calls and co-branded credit cards. Ancillary revenues are recognised as revenue on the date that the right to receive consideration occurs which is the date when the underlying service was provided. This, depending on the type of service, might be either the date of sale, the date of flight or (in the case of membership fees) over the period of membership.

Leases

Finance leases

If the risks and rewards incidental to ownership of an asset are substantially transferred to Wizz Air then it is accounted for as a finance lease. The Group analyses five criteria as follows:

- transfer of ownership of the asset at the end of lease term;
- option to purchase the asset at sufficiently below fair value; therefore, it is reasonably certain that the option will be exercised;
- major part of assets' economic life is at the lessee;
- the asset is so special that it can be used only by the lessee; and
- present value of minimum lease payments is substantially all of the fair value of the asset.

Management uses the above criteria as guidelines for its analyses; however, the substance of a transaction is always considered during the assessment.

Management assesses each leasing contract individually at initial recognition based on the above discussed criteria.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

Sale and leaseback transactions

The Group enters into transactions whereby it assigns to a third party the right to acquire new aircraft or spare engines. On delivery of the aircraft or spare engine, the Group will lease the aircraft or spare engine back through an operating lease from the same party. Any gain arising on disposal, where the price that the aircraft is sold for is above fair value, is recognised initially in deferred income and then amortised on a straight-line basis over the lease term of the asset.

Maintenance

Aircraft maintenance provisions

For aircraft held under operating lease agreements, the Group is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the aircraft and its major components upon return. Provision is made for the minimum unavoidable costs of specific future obligations created by the lease at the time when such obligation becomes certain. This is when the respective aircraft component no longer meets the lease re-delivery conditions. The provision is used through the completion of a maintenance event such that the component again meets the re-delivery conditions.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Maintenance continued

Aircraft maintenance assets

Heavy maintenance relates to the overhaul of engines and associated components, the replacement of life limited parts, the replacement of landing gears and the non-routine airframe inspection and rectification works. Under normal operating conditions heavy maintenance relates to work expected to be performed no more frequently than every two to four years.

The cost of heavy maintenance is capitalised and recognised as a tangible fixed asset (and classified as "aircraft maintenance assets") at the earlier of (a) the time the lease re-delivery condition is no longer met (see above under aircraft maintenance provisions) or (b) when maintenance including enhancement is carried out. Other maintenance costs are expensed as incurred.

Such maintenance assets are depreciated over the period the Group benefits from the asset which is the shorter of (a) the estimated period until the next date when the lease re-delivery condition is no longer met or (b) the end of the asset's operational life or (c) the end of the lease.

For engines and associated components, depreciation is charged on the basis of flight hours or cycles, while for other aircraft maintenance assets depreciation is charged evenly over the period the Group expects to derive benefit from the asset.

Components of newly leased aircraft such as life limited parts and engines are not accounted for as separate assets, and the inherent benefit of these assets which are utilised in the period from inception of the lease until the time the assets no longer meet the lease re-delivery condition is reflected in the payments made to the lessor over the life of the lease.

Aircraft maintenance assets are non-monetary items. Non-Euro amounts are translated on inception to Euro and are not retranslated.

The recognition of aircraft maintenance assets against provisions for other liabilities and charges in the statement of financial position is a transaction not involving cash flows. In the statement of cash flows the spending on these assets is presented as "purchase of aircraft maintenance assets" in the period when cash actually flows out of the Group. This can happen either before or after the recognition of the asset, depending on the exact facts and circumstances associated with the relevant asset or assets.

Please refer also to the property, plant and equipment section of accounting policies.

Other receivables from lessors – maintenance reserve

Payments for aircraft and engine maintenance, as stipulated in the respective operating lease agreements, are made to the lessors as a security for the performance of future heavy maintenance works. The payments are recorded as receivables from the lessors until the respective maintenance event occurs and the reimbursement with the lessor is finalised. Any payment that is not expected to be reimbursed by the lessor is recognised within operating expenses (aircraft rentals) in the statement of comprehensive income.

Other

The Group enters into agreements with maintenance service providers that guarantee the maintenance of major components at a rate defined in the contract, the prime example being fleet hour agreements (FHAs) for aircraft engines. Such FHAs cover the cost of both scheduled and unscheduled engine overhauls. FHA payments are accounted for as follows:

- Payments for scheduled maintenance work are recognised as advances paid for aircraft maintenance assets until the maintenance asset for the respective engine overhaul is created. After this point any further FHA payments are either used to settle previously established aircraft maintenance provisions (to the extent a provision for the respective FHA contract exists) or, in the absence of a provision, are added to the amount previously capitalised within property, plant and equipment as advances paid for aircraft maintenance assets.
- Payments that are made to provide guaranteed coverage for the performance of unscheduled maintenance events are considered as insurance payments and are expensed as incurred.

Please refer to the property, plant and equipment section of accounting policies.

2. Accounting policies continued

Supplier credits

The Group receives certain assets (cash contributions or aircraft spares) for nil consideration in connection with its acquisition of aircraft and of major aircraft parts.

Cash contributions or aircraft spares received are recognised as an asset in the statement of financial position. The corresponding credits are recognised as income, spread equally across the shorter of useful economic life and the lease term of the respective aircraft.

In certain cases the concessions receivable from a component manufacturer are linked to the Group's commitment to purchase a number of new aircraft with the manufacturer's components installed on those. In such case, in substance, the right to the concessions is earned by the Group through the delivery of the respective aircraft. In certain cases the concessions might be delivered by the component manufacturer later than the date when the respective aircraft is taken by the Group. If so, then the right earned for the concession is recognised at the date of the aircraft delivery as part of trade and other receivables, with a corresponding credit to deferred income. Following this, the credits are amortised on a straight-line basis over the lease term of the respective asset, decreasing aircraft rental expenses.

Net financing costs

Net financing costs comprise interest payable, finance charges on finance leases, interest receivable on funds invested and foreign exchange gains and losses that are recognised in the statement of comprehensive income.

Interest income and interest payable are recognised in the statement of comprehensive income using the effective interest method.

Non-cash elements of financial income and expenses are eliminated from the statement of cash flows as an adjusting item whereas cash elements, e.g. realised foreign exchange gains and losses, are included in the statement of cash flows.

Share capital

Ordinary shares are classified as equity. Qualifying transaction costs directly attributable to the issuing of new shares are debited to equity, reducing the share premium arising on the issue of shares.

Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised to the extent that it is probable that sufficient future taxable profits will be available against which the asset can be utilised.

2. Accounting policies continued

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are non-recurring material items of income or expense that are shown separately due to the significance of their nature or amount. Underlying profit after tax excludes the effect of unrealised foreign exchange gains and losses.

Segment reporting

Operating and reportable segments

The Group is managed as a single business unit that provides low-cost, low-fare passenger air transportation services using a fleet of single aircraft type. The Group has only one reportable segment being its entire route network. Management information is provided to the Executive Management Team which is the Group's Chief Operating Decision Maker ('CODM'). Resource allocation decisions are made by the CODM for the benefit of the route network as a whole, rather than for individual routes within the network. The performance of the network is assessed primarily based on the operating profit or loss for the period.

3. Financial risk management

Financial risk factors

The Group is exposed to market risks relating to fluctuations in commodity prices, interest rates and currency exchange rates. The objective of financial risk management at Wizz Air is to minimise the impact of commodity price, interest rate and foreign exchange rate fluctuations on the Group's earnings, cash flows and equity. To manage commodity and foreign exchange risks, Wizz Air uses various derivative financial instruments, including foreign currency and commodity zero cost collar contracts.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, fuel price risk, credit risk, use of derivative financial instruments, adherence to hedge accounting, and hedge coverage levels. The Board has mandated the Audit Committee of the Board to supervise the hedging activity of the Group and the compliance with the policies approved by the Board.

Risk analysis

Market risks

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and commitments that are denominated in a currency other than the Euro. The main currency that gives rise to foreign currency risk related to purchases is primarily the US Dollar (USD), while the currencies giving rise to foreign currency risk related to sales revenues are primarily the British Pound (GBP) and the Polish Zloty (PLN).

The foreign currency exposure is significant as only a small portion of the Group's revenues are denominated or linked to the USD while a significant portion of the Group's expenses are USD denominated, including fuel, aircraft leases, maintenance reserves and aviation insurance.

The Group chooses the Euro/USD foreign currency rate as the underlying foreign currency pair in its foreign currency rate hedging strategies. The main objective is to cover the Group's ongoing USD cash flow requirements. The Group's maximum hedge coverage level is 75 per cent. of the total anticipated USD purchases hedged by the time the respective quarter on monthly rolling forward basis is reached. This maximum target hedge coverage level was 70 per cent. until 31 March 2014 and increased to 75 per cent. during the year ended 31 March 2016. These levels were not always maintained during the current or prior years.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

3. Financial risk management continued

Risk analysis continued

Market risks continued

Foreign currency risk continued

The table below analyses the financial instruments by the currencies of future receipts and payments as follows:

At 31 March 2016	EUR € million	USD € million	Other € million	Total € million
Financial assets				
Trade and other receivables	65.9	121.0	10.8	197.7
Financial assets available for sale	-	-	1.0	1.0
Derivative financial assets	-	1.7	-	1.7
Cash	615.0	6.2	24.4	645.6
Restricted cash	100.6	0.9	0.1	101.6
Total financial assets	**781.5**	**129.8**	**36.3**	**947.6**
Financial liabilities				
Borrowings	6.4	-	-	6.4
Convertible debt	27.2	-	-	27.2
Trade and other payables	138.2	18.8	20.3	177.3
Derivative financial liabilities	-	17.6	-	17.6
Total financial liabilities	**171.8**	**36.4**	**20.3**	**228.5**

At 31 March 2015	EUR € million	USD € million	Other € million	Total € million
Financial assets				
Trade and other receivables	38.3	112.0	17.6	167.9
Financial assets available for sale	-	-	1.0	1.0
Derivative financial assets	-	60.7	-	60.7
Cash	426.3	0.3	22.0	448.6
Restricted cash	2.0	71.5	0.1	73.6
Total financial assets	466.6	244.5	40.7	751.8
Financial liabilities				
Borrowings	4.2	-	-	4.2
Convertible debt	27.3	-	-	27.3
Trade and other payables	80.2	26.6	17.1	123.9
Derivative financial liabilities	-	81.7	-	81.7
Total financial liabilities	111.7	108.3	17.1	237.1

As explained in the paragraph on foreign currency in the accounting policy, monetary assets and liabilities denominated in foreign currencies (that is currencies other than the Euro) are translated into Euro at the statement of financial position date at the exchange rates ruling at that date, and foreign exchange differences arising on the translation are recognised in the statement of comprehensive income as financial income of expense. If the net balance of monetary assets and liabilities denominated in foreign currencies is high then this translation process can result in material volatility to financial income and expense, and thus to earnings.

Historically the Group had a high balance of net monetary assets denominated in US Dollar and this resulted in significant unrealised foreign exchange gains (as in 2015) and losses (as in 2016). By the end of the 2016 financial year the US Dollar monetary asset-liability position of the Group became materially balanced, therefore starting from financial year 2017 there are no material movements expected in this area. This is not visible from the table above that shows a net asset balance of US Dollar denominated financial instruments of €93.4 million in 2016. The two positions can be reconciled as follows:

- the balance of trade and other receivables at 31 March 2016 includes USD 34.5 million that has been designated for hedge accounting and therefore is not subject to foreign currency revaluation – see under ‘foreign exchange hedge with non-derivatives later in this Note 3; and
- at 31 March 2016 the Group had provisions of €60.2 million denominated in US Dollars (as part of the total €83.7 million balance reported in Note 29). Provisions are not financial instruments and therefore their balance is not included in the table above.

3. Financial risk management continued

Risk analysis continued

Market risks continued

Interest rate risk

The Group has future commitments under certain operating lease contracts that are based on floating interest rates. The floating nature of the interest charges on the operating leases exposes the Group to interest rate risk. Interest rates charged on convertible debt liabilities and on short and long-term loans to finance the deposits of aircraft are not sensitive to interest rate movements as they are fixed until maturity. See Notes 23 and 24.

The Group is also exposed to interest rate risk in relation to the valuation of financial instruments as they are carried at fair value.

The Group has not used financial derivatives to hedge its interest rate risk during the year. The Directors may in the future consider hedging interest rate risk to reduce the potential Group earnings volatility arising from fluctuations in interest rates.

Commodity risks

One of the most significant costs for the Group is jet fuel. The price of jet fuel can be volatile and can directly impact the Group's financial performance. The Group's maximum hedge coverage level under its hedge programme is 75 per cent. of the total anticipated fuel purchases hedged by the time the respective quarter on a monthly rolling forward basis is reached. The hedge coverage level during the year ended 31 March 2015 averaged 70 per cent.

Hedge transactions during the periods

The Group uses non-derivatives and zero cost collar instruments to hedge its foreign exchange exposures and uses zero cost collar and outright cap instruments to hedge its jet fuel exposures. The time horizon of the hedging programme with derivatives is a usually up to a maximum of 18 months; however, this horizon can be exceeded at the Board's discretion. The volume of hedge transactions expired during the periods was as follows:

a) Foreign exchange hedge (USD versus EUR):

   USD 339.0 million (2015: USD 390.0 million).

b) Fuel hedge:

   439,500 metric tons (2015: 306,000 metric tons).

Hedge year-end open positions

At the end of the year and the prior year the Group had the following open hedge positions:

a) Foreign exchange hedge with derivatives:

   The fair value of the open positions was €4.8 million gain (2015: €37.5 million gain) recognised within other comprehensive income, current assets or current liabilities, respectively.

   The notional amount of the open positions was USD 313.5 million (2015: USD 297.0 million).

b) Foreign exchange hedge with non-derivatives:

   The notional amount of the open positions was USD 190.5 million (2015: USD 132.0 million).

   Non-derivatives are existing financial assets that hedge highly probable foreign currency cash flows in the future, therefore act as a natural hedge. During the year out of its non-derivative financial assets the Group designated USD 34.5 million for hedge accounting (2015: nil). The rest of the open positions relate to expected PDP refunds (USD 156.0 million in 2016 and USD 132.0 million in 2015), for which no hedge accounting is applied.

c) Fuel hedge:

   The fair value of the open positions was €11.4 million loss (2015: €84.4 million loss) recognised within other comprehensive income and current assets or liabilities, respectively.

   The notional amount of the open positions was 449,000 metric tons (2015: 888,500 metric tons).

In relation to these open hedge positions the cash flows will occur and the hedge relationships will impact the statement of comprehensive income during the years ending 31 March 2017.

Hedge effectiveness

During the year covered by these financial statements, based on the evaluation of the Group, the hedging transactions did not give rise to material ineffectiveness under IAS 39. As explained below in the credit risk section, in the opinion of the management none of the hedge counterparties had a material change in their credit status that would have influenced the effectiveness of the hedging transactions.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

3. Financial risk management continued

Risk analysis continued

Market risks continued

Sensitivity analysis

The table below shows the sensitivity of the Group's profits to various markets risks for the current and the prior year.

	2016 Difference in profit after tax (in € million)	2015 Difference in profit after tax (in € million)
Fuel price sensitivity		
Fuel price $100 higher per metric tonne	**-56.6**	-41.9
Fuel price $100 lower per metric tonne	**+56.6**	+41.9
FX rate sensitivity (USD/EUR)		
FX rate 0.05 higher (meaning EUR stronger)	**+28.0**	+21.0
FX rate 0.05 lower	**-28.0**	-21.0
FX rate sensitivity (GBP/EUR)		
FX rate 0.03 higher (meaning EUR stronger)	**-8.6**	-5.4
FX rate 0.03 lower	**+8.6**	+5.4
FX rate sensitivity (PLN/EUR)		
FX rate 0.15 higher (meaning EUR stronger)	**-4.1**	-3.5
FX rate 0.15 lower	**+4.1**	+3.5
Interest rate sensitivity (EUR)		
Interest rate is higher by 100 bps	**+2.3**	+0.9
Interest rate is lower by 100 bps	**-2.3**	+0.5

The interest rate sensitivity calculation considers the effects of varying interest rates on the interest income on bank deposits and on the expense from floating lease rentals.

The impact of these macro-economic variables on equity is the same as the impact on profit after tax, except for the fuel price and for the USD/EUR FX rate variables where the equity impact would also include the change in the fair value of the derivative financial instruments that are open at the year end. The fair value of these instruments was provided by the hedge counterparties and management has not calculated the theoretical value of these instruments for other scenarios.

Liquidity risks

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. The Group has an adequate liquidity position. The Group invests excess cash in a conservative way, primarily in AAA-rated money market funds and also in short-term time deposits with high quality bank counterparties.

The table below analyses the Group's financial assets and liabilities (receivable or payable either on cash base or net-settled derivative financial assets and liabilities) into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts disclosed in the table below are the contractual undiscounted cash flows except for derivatives where fair values are presented. Therefore, for certain asset and liability categories the amounts presented in this table can be different from the respective amounts presented in the statement of financial position.

At 31 March 2016	Within three months € million	Between three months and one year € million	Between one and five years € million	More than five years € million	Total € million
Financial assets					
Trade and other receivables	104.3	22.2	72.3	0.7	199.5
Financial assets available for sale	-	1.0	-	-	1.0
Derivative financial assets	0.8	0.9	-	-	1.7
Cash	645.6	-	-	-	645.6
Restricted cash	0.9	0.7	18.6	81.4	101.6
Total financial assets	**751.6**	**24.8**	**90.9**	**82.1**	**949.4**
Financial liabilities					
Borrowings	0.3	0.8	4.0	4.3	9.4
Convertible debt	-	2.1	31.7	-	33.8
Trade and other payables	177.3	-	-	-	177.3
Derivative financial liabilities	12.6	3.8	1.2	-	17.6
Financial guarantees	711.2	-	-	-	711.2
Total financial liabilities	**901.4**	**6.7**	**36.9**	**4.3**	**949.3**

3. Financial risk management continued

Liquidity risks continued

At 31 March 2015	Within three months € million	Between three months and one year € million	Between one and five years € million	More than five years € million	Total € million
Financial assets					
Trade and other receivables	80.9	5.9	81.8	2.5	171.1
Financial assets available for sale	-	1.0	-	-	1.0
Derivative financial assets	8.6	30.0	22.1	-	60.7
Cash	448.6	-	-	-	448.6
Restricted cash	2.9	0.3	16.4	54.0	73.6
Total financial assets	541.0	37.2	120.3	56.5	755.0
Financial liabilities					
Borrowings	0.2	0.5	2.9	2.2	5.8
Convertible debt	-	2.1	33.8	-	35.9
Trade and other payables	123.9	-	-	-	123.9
Derivative financial liabilities	33.9	46.0	1.8	-	81.7
Financial guarantees	624.7	-	-	-	624.7
Total financial liabilities	782.7	48.6	38.5	2.2	872.0

The Group has obligations under financial guarantee contracts as detailed in Note 31.

The Company provides guarantees in relation to aircraft lease contracts to guarantee the performance of its airline subsidiaries. These possible obligations are disclosed in the table above, with the shortest maturity under the financial guarantees line. Management does not expect that any payment under these guarantee contracts will be required in the future because the respective subsidiaries have so far paid all their liabilities under the lease contracts and are expected to do so also in the future.

Other financial guarantee contracts relate to hedging, aircraft pre-delivery payments, and convertible loans and notes. The respective liabilities are reflected under the appropriate line of the financial liabilities part of the table above. Since the liability itself is already reflected in the table, it would not be appropriate to include also the financial guarantee provided by another Group entity for the same obligation.

Credit risk

The Group's exposure to credit risk from individual customers is limited as the large majority of the payments for flight tickets are collected before the service is provided.

However, the Group has significant banking, hedging, aircraft manufacturer and card acquiring relationships that represent counterparty credit risk. The Group analysed the creditworthiness of the relevant business partners in order to assess the likelihood of non-performance of liabilities due to the Group. The credit quality of the Group's financial assets is assessed by reference to external credit ratings (published by Standard & Poor's) of the counterparties as follows:

At 31 March 2016	AAA € million	AA € million	A € million	A- € million	Other € million	Unrated € million	Total € million
Financial assets							
Trade and other receivables	-	-	-	-	18.6	179.1	197.7
Derivative financial assets	-	-	1.6	0.1	-	-	1.7
Financial assets available for sale	-	1.0	-	-	-	-	1.0
Cash	547.5	-	96.8	-	-	1.3	645.6
Restricted cash	-	-	101.0	-	-	0.6	101.6
Total financial assets	**547.5**	**1.0**	**199.4**	**0.1**	**18.6**	**181.0**	**947.6**

At 31 March 2015	AAA € million	AA € million	A € million	A- € million	Other € million	Unrated € million	Total € million
Financial assets							
Trade and other receivables	-	-	-	0.5	14.7	152.7	167.9
Derivative financial assets	22.3	-	35.9	2.5	-	-	60.7
Financial assets available for sale	-	-	1.0	-	-	-	1.0
Cash	357.7	-	89.9	-	-	1.0	448.6
Restricted cash	-	-	71.8	1.7	-	0.1	73.6
Total financial assets	380.0	-	198.6	4.7	14.7	153.8	751.8

3. Financial risk management continued

Credit risk continued

The "Other" column shows the receivables from the Group's main credit card acquirer. This partner has a credit rating of two on a scale of four (one being the best), provided by Dun & Bradstreet.

From the unrated category within trade and other receivables the Group has €97.3 million (2015: €86.8 million) receivables from different aircraft lessors in respect of maintenance reserves and lease security deposits paid (see also Note 19). However, given that the Group physically possesses the aircraft owned by the lessors and that the Group has significant future lease payment obligations towards the same lessors (see Note 32), management does not consider the credit risk on maintenance reserve receivables to be material.

Based on the information above management does not consider the counterparty risk of either party being material and therefore no fair value adjustment was applied to the respective cash or receivable balances.

Fair value estimation

The Group classifies its financial instruments based on the technique used for determining fair value into the following categories:

Level 1: Fair value is determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value is determined based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value is determined based on inputs that are not based on observable market data (that is, on unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2016.

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Assets				
Financial assets available for sale	1.0	-	-	1.0
Derivative financial instruments	-	1.7	-	1.7
	1.0	1.7	-	2.7
Liabilities				
Derivative financial instruments	-	17.6	-	17.6
	-	17.6	-	17.6

Financial assets available for sale represents a unit linked insurance invested in government bonds by the insurer. These government bonds are traded in an active market therefore it falls into the Level 1 category.

The Group measures its derivative financial instruments at fair value, calculated with a technique by the banks involved in the hedging transactions that falls into the Level 2 category.

All the other financial assets and financial liabilities are measured at amortised cost.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders, to provide benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of financial liabilities, cash and cash equivalents and equity. Financial liabilities primarily consist of commercial loans relating to aircraft financing and convertible debt as disclosed in Notes 23 and 24 respectively. Equity comprises issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. Since the financial year beginning on 1 April 2007, the Group's growth has been financed entirely out of cash from operations and commercial debt with financial institutions. The overall capital risk management strategy remains unchanged from prior years.

Management reviews the Group's cost of capital on an ongoing basis as well as the risks associated with each capital instrument and makes recommendations to the Board for approval.

4. Critical accounting estimates and judgments made in applying the Group's accounting policies

a) Maintenance policy

For aircraft held under operating lease agreements, provision is made for the minimum unavoidable costs of specific future obligations created by the lease at the time when such obligation becomes certain. The amount of the provision involves making estimates of the cost of the heavy maintenance work that is required to discharge the obligation, including any end of lease costs.

The cost of heavy maintenance is capitalised and recognised as a tangible fixed asset (and classified as "aircraft maintenance asset") at the earlier of (a) the time the lease re-delivery condition is no longer met or (b) when maintenance including enhancement is carried out. The calculation of the depreciation charge on such assets involves making estimates for the future utilisation of the aircraft and in case of engines also of the future operating conditions of the engine.

b) Hedge and derivative accounting

Fair value of derivatives (namely open position of cash flow hedges) is determined by the contracting financial institutions as per their industry practice. As required, the fair values ascribed to those instruments are verified also by management using high-level models. Further, the effectiveness of hedges is tested both prospectively and retrospectively to determine the appropriate accounting treatment of hedge gains and losses.

c) Net presentation of government taxes and other similar levies

The Group's accounting policy stipulates that where charges levied by airports or government authorities on a per passenger basis represent a government tax in fact or in substance, then such amounts are presented on a net basis in the statement of comprehensive income (netted between revenue and airport, handling and en-route charges lines).

Management reviews all passenger-based charges levied by airports and government authorities to ensure that any amounts recovered from passengers in respect of these charges are appropriately classified within the statement of comprehensive income. Given the variability of these charges and the number of airports and jurisdictions within which the Group operates, the assessment of whether these items constitute taxes in nature is an inherently complex area, requiring a level of judgement.

5. Segment information

Reportable segment information

The 'chief operating decision maker' of the Group, as defined in IFRS 8 Segment reporting, is the executive management team of the Group.

The Group has only one reportable segment being its entire route network. All segment revenue is derived wholly from external customers and, as the Group has a single reportable segment, inter-segment revenue is zero.

	2016 € million	2015 € million
Segment revenue	**1,429.1**	1,227.3
Segment operating profit	**235.5**	167.3

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

5. Segment information continued

Reportable segment information continued

Reconciliation of reportable segment operating profit to consolidated profit or loss after income tax:

	2016 € million	2015 € million
Segment operating profit	**235.5**	167.3
Financial income and expenses (net)	**(34.1)**	24.4
Income tax expense	**(8.5)**	(8.5)
Consolidated profit after income tax	**192.9**	183.2

Entity-wide disclosures

Products and services

Revenue from external customers can be analysed by groups of similar services as follows:

	2016 € million	2015 € million
Passenger ticket revenue	**894.9**	793.8
Ancillary revenues	**534.2**	433.5
Total revenue from external customers	**1,429.1**	1,227.3

Ancillary revenues arise mainly from baggage charges, booking/payment handling fees, airport check-in fees, fees for various convenience services (priority boarding, extended legroom, reserved seat), loyalty programme membership fees, and from commission on the sale of on-board catering, accommodation, car rental, travel insurance, bus transfers, premium calls and co-branded cards, all directly attributable to the low-fare business.

Geographic areas

Revenue from external customers can be analysed by geographic areas as follows:

	2016 € million	2015 € million
Jersey (country of domicile)	**-**	-
EU	**1,322.9**	1,116.2
Other (non-EU)	**106.2**	111.1
Total revenue from external customers	**1,429.1**	1,227.3

Revenue was allocated to geographic areas based on the location of the first departure airport on each ticket booking.

Major customers

The Group derives the vast majority of its revenues from its passengers and sells most of its tickets directly to the passengers as final customers rather than through corporate intermediaries (tour operators, travel agents or similar). Therefore the Group does not have any major corporate customers.

6. Operating profit

Auditors' remuneration

	2016 €'000	2015 €'000
Fees payable to Company's auditors for the audit of the parent company and consolidated financial statements	**225**	204
Fees payable to the Company's auditors and their associates for other services		
Audit of financial statements of subsidiaries pursuant to legislation	**39**	39
Other services relating to taxation	**436**	443
Audit-related assurance and transaction services	**-**	610
All other services	**18**	13
Total remuneration of auditors	**718**	1,309

Audit-related assurance and transaction services in the prior year were related primarily to the preparation of the Company for its IPO which was completed during March 2015.

Inventories

Inventories totalling €3.8 million were recognised as an expense in the year (2015: €4.1 million).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

7. Staff numbers and costs

The average monthly number of persons employed during the year, including Non-Executive Directors but excluding subcontracted staff such as rented pilots, analysed by category, was as follows:

	Number of persons	
	2016	2015
Non-Executive Directors	**7**	7
Crew and pilots	**2,028**	1,676
Administration and other staff	**215**	203
Total staff number	**2,250**	1,886

The aggregate compensation of these persons was as follows:

	2016 € million	2015 € million
Wages and salaries	**68.6**	55.6
Pension costs	**4.2**	5.1
Social security costs other than pension	**8.4**	7.6
Share based payments	**1.2**	0.3
Subtotal	**82.4**	68.6
Subcontracted staff costs (rented pilots)	**19.0**	14.9
Total staff costs	**101.4**	83.5

8. Directors' emoluments

	2016 € million	2015 € million
Salaries and other short-term benefits	**2.1**	1.9
Social security costs	**0.2**	1.5
Share based payments	**0.3**	0.2
Directors' services and related expenses	**0.2**	0.2
Total Directors' emoluments	**2.8**	3.8

	2016	2015
Directors receiving emoluments	**9**	10
The number of Directors who in respect of their services received LTIP share options under long-term incentive schemes during the year	**1**	-

Social security costs were high in 2015 primarily because of the vesting of the share options held by the Chief Executive Officer, and the exercise of most of these options. These costs were not accrued earlier during the vesting period of the options because until 2014 it was not assumed that Swiss social security would apply to the exercise of most of these options.

9. Exceptional items and underlying profit

Exceptional items

In the 2016 financial year the Group had a net exceptional expense of €16.3 million from the following:

- €16.3 million of net financial expense, consisting of: (i) exceptional expense of €25.0 million relating to the change in time value of open hedge positions, particularly fuel caps; (ii) exceptional income of €8.7 million relating to realised foreign exchange gain arising on a one-off replacement of USD 75.6 million bank deposits behind collaterals with Euro deposits.

In the 2015 financial year the Group had an exceptional income of €9.2 million from the following:

- €2.8 million of operating expenses in relation to the IPO of the Company. These consisted of (i) €1.6 million within staff costs for a one-off IPO bonus for employees other than senior management; and (ii) €1.2 million within other expenses for advisory fees incurred in relation to the IPO.
- €12.0 million of net financial income, consisting of: (i) an exceptional income of €14.5 million relating to the recycling of the balance of the cumulated translation adjustment account from equity to the statement of comprehensive income. This balance had been accumulated in relation to Wizz Air Ukraine, and the Company announced in March 2015 that the operations of this subsidiary would be discontinued which then happened in April 2015; and (ii) an exceptional expense of €2.5 million arising on the extension of the Company's convertible debt in August 2015 (see Note 25).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

9. Exceptional items and underlying profit continued

Exceptional items continued

The financial income and expense items are non-cash therefore are not impacting the statement of cash flows. The cash flow impact of the €2.8 million of IPO-related operating expenses is not significant in either year and is therefore not presented as an exceptional item in the statement of cash flows. The €1.0 million exceptional cash inflow in the statement of cash flows for 2014 relates to a settlement received from the main credit card acquirer of the Group, related to prior years (€6.3 million total settlement, of which €5.3 million was received in the 2014 financial year and the remaining €1.0 million in 2015).

These items were used by management in the determination of the non-GAAP underlying profit measure for the Group – see below.

Underlying profit

	2016 € million	2015 € million
Profit for the period	**192.9**	183.2
Adjustments (exclusions):		
Unrealised foreign exchange loss/(gain)	**14.7**	(27.8)
Exceptional items net loss/(gain)	**16.3**	(9.2)
Sum of adjustments	**31.0**	(37.0)
Underlying profit after tax	**223.9**	146.2

On top of the exceptional items listed in Note 9, unrealised foreign exchange gains and losses are also excluded from the calculation of underlying profit. These are non-cash translation differences that arise primarily on the revaluation of the significant net US Dollar monetary asset position of the Group.

This had material impact particularly in the 2015 financial year due to the significant strengthening of the US Dollar against the Euro in the period. The unrealised loss in 2016 relates primarily to the conversion of USD 75.6 million collaterals into Euro – this transaction alone resulted in €8.7 million realised foreign exchange gain on one hand and €12.4 million unrealised foreign exchange loss on the other hand (the latter being the reversal of the unrealised gains recognised on these assets since their initial recognition). That is, the net foreign exchange impact of this conversion in 2016 was €3.7 million loss – all included in the adjustments in the table above.

By the end of the 2016 financial year the US Dollar monetary asset-liability position of the Group became materially balanced, therefore starting from financial year 2017 there are no material movements expected in this area.

The tax effects of the adjustments made above are insignificant.

10. Net financing income and expense

	2016 € million	2015 € million
Interest income	**1.0**	1.0
Ineffective hedge gain	**1.0**	0.8
Financial income	**2.0**	1.8
Interest expense		
Convertible debt	**(1.6)**	(4.5)
Finance lease	**(0.4)**	(0.4)
Other	**(0.7)**	(0.7)
Premium of expired fuel cap deals	**(5.3)**	-
Financial expenses	**(8.0)**	(5.6)
Foreign exchange (loss)/gain		
Realised	**2.9**	(11.6)
Unrealised	**(14.7)**	27.8
Net foreign exchange (loss)/gain	**(11.8)**	16.2
Net exceptional financial (expense)/income (Note 9)	**(16.3)**	12.0
Net financing (expense)/income	**(34.1)**	24.4

10. Net financing income and expense continued

Interest income and expense contain interest on financial instruments and the effect of the initial discounting of long-term deposits and the later unwinding of such discounting. Interest expense includes also withholding tax paid in Switzerland on the interest accrued on convertible loans. This withholding tax for these instruments is the liability of the Group according to the terms of the respective loan agreements.

Interest expense on convertible debt is lower in 2016 because (i) a significant part of the convertible debt was converted into shares in 2015, linked to the IPO of the Company; (ii) interest rates were also reduced during 2015; and (iii) Swiss withholding tax of €0.4 million previously incurred on convertible debt was now recovered and credited to interest expenses.

The fuel caps premium of €5.3 million in 2016 relates to the option fees for fuel caps expired in the period – these were paid in the 2015 financial year.

Out of the unrealised foreign exchange loss of €14.7 million in 2016 €12.4 million was caused by the replacement of US Dollar bank deposits behind collaterals with Euro deposits. This is because the unrealised foreign exchange gain recognised on these assets until March 2015 now had to be reversed due to their de-recognition – see also in Note 9.

For the year ended 31 March 2015 the net realised foreign exchange loss of €11.6 million was primarily driven by the devaluation of the Ukrainian Hryvnia and by the strengthening of the US Dollar against the Euro. The net unrealised foreign exchange gain of €27.8 million was primarily driven by the strengthening of the US Dollar against the Euro, impacting through the revaluation of the net US Dollar monetary asset position of the Group.

11. Income tax expense

Recognised in the statement of comprehensive income

	2016 € million	2015 € million
Current year corporate tax	**2.3**	1.9
Other income based taxes	**5.4**	5.3
Deferred tax	**0.8**	1.3
Total tax charge	**8.5**	8.5

The Company has a tax rate of 7.8 per cent. (2015: 7.8 per cent.). The tax rate relates to Switzerland, where the Company is tax resident.

The current tax charge for the year is different to the standard rate of corporation tax of 7.8 per cent. (2015: 7.8 per cent.). The difference is explained below.

Reconciliation of effective tax rate

	2016 € million	2015 € million
Profit before tax	**201.4**	191.7
Tax at the corporation tax rate of 7.8 per cent. (2015: 7.8 per cent.)	**15.7**	14.9
Effect of different tax rate of subsidiaries versus the parent company	**(12.6)**	(11.7)
Other income based foreign tax	**5.4**	5.3
Total tax charge	**8.5**	8.5
Effective tax rate	**4.2%**	4.4%

The Company had no taxable income. Substantially all the profits of the Group in 2016 and 2015 were made by Wizz Air Hungary Kft, the airline subsidiary of the Group, and substantially all the tax charges presented in this Note were incurred by this entity.

Other income based foreign tax represents the "innovation contribution" and the local business tax payable in Hungary in 2016 and 2015 by the Hungarian subsidiaries of the Group, primarily Wizz Air Hungary Kft. Hungarian local business tax and innovation contribution are levied on an adjusted profit basis.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

12. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during each period.

	2016	2015
Profit from the year, € million	**192.9**	183.2
Weighted average number of Ordinary Shares in issue	**53,344,145**	12,693,373
Basic earnings per share, EUR	**3.62**	14.43

There were also 44,830,503 Convertible Shares in issue at 31 March 2016 (see Note 28). These shares are non-participating, i.e. the profit attributable to them is €nil. Therefore these shares are not included in the basic earnings per share calculation above.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary Shares in issue with the weighted average number of Ordinary Shares that could have been issued in the respective year as a result of the conversion of various convertible instruments. In this respect the period prior to IPO (in March 2015) and post IPO have different characteristics, as explained below, which causes the significant difference between the fully diluted share numbers between the two years.

Period prior to IPO:

- Convertible notes and loans: Not all of the shares which would have been issued on full conversion of the convertible debt instruments have been included in the diluted earnings per share calculation as there were contractual restrictions limiting the number which could be converted. These restrictions were in place to ensure that the Group remains owned and controlled by a majority of EU nationals.
- Employee share options: Conversion of employee share options was not assumed because the completion of an IPO by the Company was one of the vesting conditions that was not met before March 2015 – see Note 28 for further details.

Period post IPO:

- Convertible Shares: The Convertible Shares that were issued on the IPO as a result of the conversion of some of the convertible loans and notes were included in the diluted earnings per share calculation.
- Convertible notes remaining after IPO: These can be converted at the option of the holder into Ordinary Shares, although these might be subject to restrictions on voting and dividend rights.
- Employee share options: Vested share options are included in the calculation. Since the IPO there are no further criteria in place that would limit the exercisability of vested share options.

The profit for the year has been adjusted for the purposes of calculating diluted earnings per share in respect of the interest charge relating to the debt which could have been converted into shares.

	2016	2015
Profit for the year, € million	**192.9**	183.2
Interest expense on convertible debt (net of tax), € million	**1.6**	1.0
Profit used to determine diluted earnings per share, € million	**194.5**	184.2
Weighted average number of Ordinary Shares in issue	**53,344,145**	12,693,373
Adjustment for assumed conversion of convertible instruments	**73,208,656**	13,940,632
Weighted average number of Ordinary Shares for diluted earnings per share	**126,552,801**	26,634,005
Diluted earnings per share, EUR	**1.54**	6.91

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

12. Earnings per share continued

Proforma earnings per share

The proforma earnings per share is a fully diluted non-IFRS measure defined by the Company, calculated as follows:

	2016	2015
Underlying profit for the year, € million	**223.9**	146.2
Interest expense on convertible debt, € million(1)	**1.6**	4.5
Profit used to determine proforma earnings per share, € million	**225.4**	150.7
Number of shares in issue at year end(2)	**101,752,674**	101,110,618
Adjustment for assumed conversion of convertible debt instruments(3)	**24,246,715**	24,246,716
Adjustment for assumed conversion of employee share options	**765,390**	1,117,446
Fully diluted number of shares for proforma earnings per share	**126,764,779**	126,474,780
Proforma earnings per share, EUR	**1.78**	1.19

(1) Interest expense on convertible debt is lower in 2016 because interest rates were reduced during 2015 and a significant part of the debt was converted into shares on IPO in 2015.

(2) The issued share number includes also the 44.8 million Convertible Shares in issue at 31 March 2016 (2015: 48.8 million). See Note 28 for share capital.

(3) Interest outstanding on convertible notes in issue at year end is not taken into account for conversion because it is more likely to be paid in cash than converted into shares (as it was the case also in the past).

The calculation of the proforma underlying EPS is different from the calculation of the IFRS diluted EPS measure in the following:

- For earnings the underlying profit for the year was used (see Note 10), as opposed to the statutory (IFRS) profit for the year.
- For the fully diluted number of shares, (i) year-end position was taken rather than the weighted average for the year and (ii) all convertible debts were taken into account for their dilution impact as at the year end. By contrast, the IFRS diluted EPS measure takes a weighted average position for the year and includes only those convertible debt instruments that could be converted by the holder without any restriction.

The proforma EPS measure was introduced by the Company to better reflect the underlying earnings and the underlying equity structure, particularly to remove the distortion that was caused by the special conversion restrictions existing for convertible debt until the IPO in March 2015. The latter issue was relevant last for the 2015 financial year. In the 2016 financial year the same instruments were place both during the year and at the end of the year; therefore, the fully diluted share number was almost the same in the diluted EPS calculation as in the proforma EPS calculation.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

13. Property, plant and equipment

	Land and buildings € million	Aircraft maintenance assets € million	Aircraft parts € million	Fixtures and fittings € million	Advances paid for aircraft € million	Advances paid for aircraft maintenance assets € million	Total € million
Cost							
At 1 April 2014	5.0	118.5	11.6	3.3	110.3	25.4	274.1
Additions	-	29.4	4.6	1.8	79.9	25.9	141.6
Disposals	-	(30.8)	-	(0.1)	(83.7)	-	(114.6)
Transfers	-	5.4	-	-	-	(5.4)	-
Foreign exchange differences	-	(0.1)	(0.1)	-	-	-	(0.2)
At 31 March 2015	5.0	122.4	16.1	5.0	106.5	45.9	300.9
Additions	2.7	41.1	16.2	1.0	116.7	37.5	215.2
Disposals	-	(3.9)	-	(1.0)	(80.9)	-	(85.8)
Transfers	-	(10.5)	-	-	-	10.5	-
Foreign exchange differences	-	-	(0.1)	-	-	-	(0.1)
At 31 March 2016	**7.7**	**149.1**	**32.2**	**5**	**142.3**	**93.9**	**430.2**
Accumulated depreciation							
At 1 April 2014	0.4	45.8	3.4	2.7	-	-	52.3
Depreciation charge for the year	0.4	29.7	1.9	0.5	-	-	32.5
Disposals	-	(30.8)	-	(0.1)	-	-	(30.9)
Foreign exchange differences	-	-	-	(0.1)	-	-	(0.1)
At 31 March 2015	0.8	44.7	5.3	3.0	-	-	53.8
Depreciation charge for the year	0.5	22.9	2.8	0.6	-	-	26.8
Disposals	-	(3.9)	-	(0.1)	-	-	(4.0)
Foreign exchange differences	-	-	-	-	-	-	-
At 31 March 2016	**1.3**	**63.7**	**8.1**	**3.5**	**-**	**-**	**76.6**
Net book amount							
At 31 March 2016	**6.4**	**85.4**	**24.1**	**1.5**	**142.3**	**93.9**	**353.6**
At 31 March 2015	4.2	77.7	10.8	2.0	106.5	45.9	247.1

Additions to aircraft parts were €16.2 million. Approximately half of this increase was related to the delivery of a spare engine from IAE. This is the first owned spare engine of the Group – the others are all leased under operating lease contracts.

In May 2015 the Group entered into an amendment of its existing IAE Fleet Hour Agreement (FHA) that covers the scheduled and unscheduled maintenance of its aircraft engines. The reason for the change was that the type of IAE engines used by the Group (V2500 family) have had better operational performance than originally expected by the parties – sufficient empirical evidence now exists that demonstrate that engines can stay on-wing longer before they need to be taken into the shop for a scheduled shop visit. This change was reflected in a revised engine maintenance plan of the Group, supported by the amendment of the FHA with IAE.

Many of the engines of the Group that were in May 2015 'out of condition' under the lease return conditions of the respective aircraft lease agreement became 'in condition' as a consequence of these changes. The aircraft maintenance assets that existed for these engines were de-recognised and their net book value was transferred to advances paid for aircraft maintenance assets – as reflected in the net €10.5 million 'reverse direction' transfer between the two asset categories in 2015. Depreciation for these de-recognised assets ceased in May 2015 – that resulted in the lower depreciation charge for aircraft maintenance assets in 2016 when compared to 2015. A new asset is recognised and depreciation is re-commenced when the engine becomes 'out of condition' for its lease contract under the new amended FHA and the revised maintenance plan.

Land and buildings includes the following amounts where the Group is a lessee under a finance lease:

	2016 € million	2015 € million
Cost from capitalised finance lease	**7.5**	4.8
Accumulated depreciation	**(1.2)**	(0.7)
Net book amount	**6.3**	4.1

14. Intangible assets

	Software licences and web development € million
Cost	
At 1 April 2014	6.9
Additions	1.6
At 31 March 2015	8.5
Additions	4.6
Disposals	(0.6)
At 31 March 2016	**12.5**
Accumulated amortisation	
At 1 April 2014	3.9
Amortisation charge for the year	1.4
At 31 March 2015	5.3
Amortisation charge for the year	2.0
Disposals	(0.5)
At 31 March 2016	**6.8**
Net book amount	
At 31 March 2016	**5.7**
At 31 March 2015	3.2

15. Tax assets and liabilities

Deferred tax liabilities recognised

	Provisions for other liabilities and charges € million	Property, plant and equipment € million	Advances paid for aircraft maintenance assets € million	Other € million	Total € million
At 1 April 2014	1.2	1.1	0.4	0.1	2.8
Charged to:					
Profit or loss	0.5	0.2	0.3	0.3	1.3
Other comprehensive income	-	-	-	-	-
At 31 March 2015	1.7	1.3	0.7	0.4	4.1
Charged/(credited) to:					
Profit or loss	0.4	0.1	0.7	(0.4)	0.8
Other comprehensive income	-	-	-	-	-
At 31 March 2016	**2.1**	**1.4**	**1.4**	**-**	**4.9**
Less than one year	**-**	**-**	**-**	**-**	**-**
Greater than one year	**2.1**	**1.4**	**1.4**	**-**	**4.9**

Deferred tax assets recognised

	Hedging reserve recognised in OCI € million	Total € million
At 1 April 2014	-	-
Credited to:		
Profit or loss	-	-
Other comprehensive income	0.7	0.7
At 31 March 2015	0.7	0.7
Charged to:		
Profit or loss	-	-
Other comprehensive income	(0.5)	(0.5)
At 31 March 2016	**0.2**	**0.2**
Less than one year	**0.2**	**0.2**
Greater than one year	**-**	**-**

Unrecognised deferred tax assets

Until 31 March 2010 Wizz Air Hungary was Hungarian tax resident and up to this date had accumulated €30.0 million tax loss in Hungary. This balance remained unchanged at 31 March 2016. This loss can be utilised only to offset profits generated under Hungarian tax residency. The Group does not expect to have profit generated under Hungarian tax residency in the foreseeable future and therefore no deferred tax asset is recognised in this respect.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

16. Subsidiaries

The Group has the following subsidiaries:

	Country of incorporation	Principal activity	Class of shares held	Percentage held	Financial year end
Subsidiary undertakings					
Wizz Air Hungary Kft	Hungary	Airline operator	Ordinary	100%	31 March
Cabin Crew Professionals Sp. z.o.o.	Poland	Crew company	Ordinary	100%	31 December
Wizz Air Bosnia	Bosnia and Herzegovina	Crew company	Ordinary	100%	31 December
Wizz Air Polska Sp. z.o.o.	Poland	Dormant	Ordinary	100%	31 March
Wizz Air Netherland Holding B.V.	Netherland	Dormant	Ordinary	100%	31 March
Dnieper Aviation LLC	Ukraine	Dormant	Ordinary	100%	31 December
Wizz Air Ukraine Airlines LLC	Ukraine	Dormant	Ordinary	100%	31 December
Wizz Tours Kft.	Hungary	Online tour operator	Ordinary	100%	31 March

Wizz Air Polska Sp. z.o.o is under solvent liquidation since 2012.

Wizz Air Ukraine Airlines LLC discontinued airline operations in April 2015.

Wizz Tours Kft. was founded in April 2015 and started its operation in October 2015.

Certain subsidiaries have a financial year end different from the Group's financial year due to the requirements of local legislation.

17. Inventories

	2016 € million	2015 € million
Aircraft consumables	**10.6**	7.5
Emission trading scheme purchased allowances	**7.0**	1.3
Total inventories	**17.6**	8.8

18. Trade and other receivables

	2016 € million	2015 € million
Non-current		
Receivables from lessors	**68.6**	80.3
Other receivables	**2.6**	-
Non-current trade and other receivables	**71.2**	80.3
Current		
Trade receivables	**57.5**	42.0
Other receivables from lessors	**28.7**	7.4
Other receivables	**4.6**	2.7
Total current other receivables	**33.3**	10.1
Less: provision for impairment of other receivables	**-**	-
Other current receivables net	**33.3**	10.1
Prepayments, deferred expenses and accrued income	**35.7**	35.5
Current trade and other receivables	**126.5**	87.6
Total trade and other receivables	**197.7**	167.9

Receivables from lessors (both current and non-current) represent the deposits provided by Wizz Air to lessors as security in relation to the lease contracts and in relation to the funding of future maintenance events.

Impairment of trade and other receivables

	2016 € million	2015 € million
Impaired receivables		
– other receivables	**-**	-
Allowances on impaired receivables		
– other receivables	**-**	-

After considering all of the available objective evidence, the Group made full impairment for all receivables that are overdue by more than 60 days. All receivables are due within 60 days.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

19. Financial assets available for sale

	2016 € million	2015 € million
Unit linked insurance serving as security deposit	**1.0**	1.0
Total financial assets available for sale	**1.0**	1.0

Financial assets available for sale represent a unit linked insurance product which is invested in government bonds by the insurer. This insurance serves as a security for the acquirer bank which collects card payments for the Group. The Group was required to place a security deposit of 300 million Hungarian Forints (approximately one million EUR) behind this insurance. This amount is restricted until September 2016.

20. Derivative financial instruments

	2016 € million	2015 € million
Assets		
Non-current derivatives		
Cash flow hedges	**-**	22.1
Current derivatives		
Cash flow hedges	**1.7**	38.6
Total derivative financial assets	**1.7**	60.7
Liabilities		
Non-current derivatives		
Cash flow hedges	**(1.2)**	(1.8)
Current derivatives		
Cash flow hedges	**(16.4)**	(79.9)
Total derivative financial liabilities	**(17.6)**	(81.7)

The derivative financial instruments represent cash flow hedges (see also Note 3). The full value of a hedging derivative is classified as a current asset or current liability if the remaining maturity of the hedged item is less than twelve months.

The cash flow hedges expiring in 2016 had an ineffective portion of €1.0 million (2015: €0.8 million).

The balance of derivative assets decreased versus 2015 for the following reasons: (i) At the end of the 2015 financial year the Group had significant receivables from open Fx collars that were entered into before the heavy appreciation of the US Dollar to the Euro during 2014. These instruments were all settled during the 2016 financial year, and by 31 March 2016 the contracted rates of the open Fx collars were very close to the market spot rate. (ii) The 31 March 2015 balance included €22.6 million in relation to the fair value of fuel caps while by 31 March 2016 the fair value reduced to €0.8 million. The reduction is mainly due to change in time value - as discussed in Note 9, the Group recognised €25.0 million financial expense (classified as exceptional item) relating to the change in time value of open hedge positions, particularly fuel caps.

The balance of derivative liabilities decreased versus 2015 because at 31 March 2016 the majority of the open fuel hedge instruments were caps (for which the Group does not have a liability when market rates are below the capped rate), while at 31 March 2015 the majority of open fuel hedge instruments were collars (for which the Group had significant liability due to the market rates for jet fuel at the time being significantly below the floor rates of the collars).

The net position of assets and liabilities does match the cash flow hedging reserve in the statement of financial position because (i) the hedging reserve does not include the time value of open options, only the intrinsic value; (ii) hedging with non-derivatives has an impact on the hedging reserve (2016 only); and (iii) the balance of derivative assets is influenced also by the cash deposits paid in relation to fuel caps (purchase options) open at the end of the year.

21. Deferred interest

	2016 € million	2015 € million
Non-current		
Deferred PDP interest	**3.7**	4.9
Deferred interest expense	**2.3**	2.8
	6.0	7.7
Current		
Deferred PDP interest	**1.2**	1.2
Total deferred interest	**7.2**	8.9

Deferred interest expense represents the deferred initial discount adjustments calculated for non-current receivables.

Deferred PDP interest is the deferred part of PDP interest expenses incurred on leased aircraft or spare engines. Such interest relates to aircraft or spare engine PDP payments financed by third parties, and is initially recognised under property, plant and equipment (advances paid for aircraft). When the leased aircraft or spare engine is delivered, PDP interest is reclassified to deferred interest expense. It is then amortised on a straight-line basis over the lease term of the respective asset and the amortisation charge is recognised in the statement of comprehensive income as aircraft rental expense.

22. Restricted cash

	2016 € million	2015 € million
Non-current financial assets	**100.0**	70.4
Current financial assets	**1.6**	3.2
Total restricted cash	**101.6**	73.6

Restricted cash for the Group comprises cash in bank, against which there are letters of credit issued or other restrictions in place governing the use of that cash, resulting from agreements with aircraft lessors or other business partners. Restricted cash is excluded from cash and cash equivalents in the cash flow statement.

Restricted cash during the 2016 financial year was held mainly on current account in Euro, earning no interest.

23. Borrowings

	2016 € million	2015 € million
Non-current liabilities		
Finance lease liabilities	**5.9**	3.8
Total non-current borrowings	**5.9**	3.8
Current liabilities		
Finance lease liabilities	**0.5**	0.4
Total current borrowings	**0.5**	0.4
Total borrowings	**6.4**	4.2

Finance lease liabilities relate to an aircraft flight simulator asset and a maintenance hangar building leased by the Group. The latter lease started from September 2015, causing the increase of liability versus the prior year.

	2016 € million	2015 € million
Gross finance liabilities – minimum lease payments		
No later than one year	**1.0**	0.7
Later than one year and no later than five years	**4.0**	2.9
Later than five years	**4.3**	2.2
	9.3	5.8
Future finance charges on finance lease liabilities	**(2.9)**	(1.6)
Present value of finance lease liabilities	**6.4**	4.2

	2016 € million	2015 € million
Present value of finance liabilities		
No later than one year	**0.5**	0.4
Later than one year and no later than five years	**2.5**	1.9
Later than five years	**3.4**	1.9
Present value of finance lease liabilities	**6.4**	4.2

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

24. Convertible debt

	2016 € million	2015 € million
Non-current financial liabilities	**26.9**	27.0
Current financial liabilities	**0.3**	0.3
Total convertible debt	**27.2**	27.3

Convertible debt are convertible notes held by Indigo Hungary LP and Indigo Maple Hill LP ('Indigo').

Principal and any accrued interest on the convertible notes are convertible into Ordinary Shares in Wizz Air Holdings Plc at conversion factors in the range of €1.0–1.5 for one share. Until the notes are converted, interest on the notes is payable in cash with a coupon rate of interest of 8 per cent per annum, twice a year in February and in August.

Convertible notes are guaranteed by Wizz Air Hungary Kft – see Note 31.

For more information about the Group's exposure to interest rate risk, see Note 3.

25. Trade and other payables

	2016 € million	2015 € million
Current liabilities		
Trade payables	**46.2**	38.6
Other trade payables	**6.4**	6.2
Accrued expenses	**124.7**	79.1
Total trade and other payables	**177.3**	123.9

26. Deferred income

	2016 € million	2015 € million
Non-current financial liabilities		
Deferred income	**96.6**	74.2
Current financial liabilities		
Unflown revenue	**207.7**	175.9
Other	**17.3**	12.8
	225.0	188.7
Total deferred income	**321.6**	262.9

Non-current deferred income represents the value of benefit for the Group coming from assets (cash credits and free aircraft components) received from aircraft and certain component suppliers for nil consideration, that will be recognised as a credit (an aircraft rentals expenses decreasing item) on a straight-line basis over the lease term of the respective asset.

Current deferred income represents the value of tickets paid by passengers for which the flight service is yet to be performed and the current part of the value of assets received for nil consideration.

27. Employee benefits

Share based payments

The share based payment charge in the financial statements for the year relates to three types of instruments that are in issue at 31 March 2016: share awards issued to Directors of the Board during 2006-2013 and employee share options issued (i) during until January 2015 under the 2005 International Employee Share Option Plan ('ESOP') and (ii) in July 2015 under the 2014 Employee Long Term Incentive Plan ('LTIP') of the Group.

The awards and options are classified as equity-settled share based payments. The Company issues new shares for any options exercised, irrespective of the method of exercise. The fair value of the awards and options is recognised as staff cost over the estimated vesting period with a corresponding charge to equity.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

27. Employee benefits continued

Share based payments continued

The expenses (other than social security) recognised in relation to these instruments were the following:

	2016 € million	2015 € million
Director share awards	**0.1**	0.1
ESOP options	**0.4**	0.1
LTIP options	**0.7**	0.0
Total share based payments charge	**1.2**	0.2

Long Term Incentive Plan (LTIP)

Options issued during the financial year

Terms and conditions:

	Restricted options	Performance options
Number of options	33,250	228,389
Exercise price	nil	nil
Vesting period	3 years	3 years
Termination	10 years	10 years

There are no individual performance conditions set for the employees to exercise their options after the three-year vesting period other than that the employee must be in employment with one of the Group entities until and on the date of exercise of the options.

For the Performance Options the performance conditions are set as follows, with 50% weighting for each:

- total shareholder return ('TSR') of the Group relative to the TSR of certain selected European airlines over the three-year period following the award; and
- absolute growth in underlying, fully diluted earnings per share of the Group, measured over the period from 1 April 2015 to 31 March 2018.

The percentage of Performance Options that will vest will be determined on a pro-rata basis ('payout rate'), to the extent that the target levels for these performance conditions will be met by the Group.

The fair value of options granted was determined by using the Black-Scholes model, resulting in €22.20 per share. The total cost of the grant was determined based on (i) the fair value of options; (ii) the number of options expected to vest; and (iii) the estimated payout rate for Performance Options.

Share options in issue

The number of LTIP share options in issue at year end is as follows:

	Restricted options	Performance options
Outstanding at the beginning of the year	-	-
Granted during the year	33,250	228,389
Exercised during the year	-	-
Forfeited during the year	(2,500)	(26,741)
Outstanding at the end of the year	30,750	201,648
Exercisable at the end of the year	-	-

Employee Share Option Plan (ESOP)

Share options issued during the financial year

Terms and conditions:

	2016	2015/A	2015/B
Number of options	**nil**	20,000	220,000
Exercise price		€8.39	€13.68
Vesting period		3 years	3 years
Termination		10 years	10 years

There are no individual performance conditions set for the employees to exercise their options after the three-year vesting period other than that the employees must be in employment with one of the Group entities until and on the date of exercise of the options.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

27. Employee benefits continued

Share based payments continued

Employee Share Option Plan (ESOP) continued

Share options in issue

The number and weighted average exercise prices of share options are as follows:

	2016 Weighted average exercise price €	2016 Number of options	2015 Weighted average exercise price €	2015 Number of options
Outstanding at the beginning of the year	**4.11**	**1,667,446**	2.33	5,241,733
Granted during the year	**-**	**-**	13.24	240,000
Exercised during the year	**2.51**	**(642,056)**	2.18	(3,779,287)
Forfeited during the year	**-**	**-**	2.36	(35,000)
Outstanding at the end of the year	**5.15**	**1,025,390**	4.11	1,667,446
Exercisable at the end of the year	**2.74**	**765,390**	2.44	1,117,446

The range of exercise prices on options outstanding at the year end was €2.00-€13.68 (2015: €1.50-€13.68). At the end of the financial year, the outstanding options had a weighted average outstanding contractual life of four years and seven months (2015: five years and seven months).

Non-Executive Director share award programme

371,832 shares were awarded to Directors during 2006-2013. Of these shares 174,082 were granted to persons who were not any longer a Director of the Company at 31 March 2016.

The shares were awarded subject to restrictions such as the Directors may not sell, assign, transfer, pledge, exchange, encumber or dispose of any of the award shares for a period of three years or until an IPO, whichever is later. These restrictions expired for all award shares by 31 March 2016 except 37,000 shares awarded in July 2013, for which the restrictions will expire in July 2016.

Taxation

Under the terms of each of the three programmes all taxes payable on share options and awards are the liability of the recipients of these benefits. However, in certain cases the Company or one of its subsidiaries has legal obligation to pay the employer social security on the income realised by the recipients. To the extent the additional social security obligations can be estimated, the Group makes a provision for these already during the vesting period of the instruments.

28. Capital and reserves

Share capital

Number of shares	2016	2015
In issue at beginning of the year	**101,110,618**	8,740,468
Issued during the year for cash	**642,056**	13,358,107
Converted during the year from bonds	**-**	79,012,043
In issue at end of the year – fully paid	**101,752,674**	101,110,618
Ordinary Shares	**56,922,171**	52,280,115
Convertible Shares	**44,830,503**	48,830,503

	2016 £	2016 €	2015 £	2015 €
Authorised				
Equity: 170,000,000 Ordinary Shares of £0.0001 each and 80,000,000 non-voting, non-participating Convertible Shares of £0.0001 each *(2015: same)*	**25,000**	**34,415**	25,000	34,415
Allotted, called up and fully paid				
Equity: 101,752,674 *(2015: 101,110,618)* shares of £0.0001 each	**10,175**	**13,661**	10,111	13,574
Ordinary Shares	**5,692**	**7,642**	5,228	7,019
Convertible Shares	**4,483**	**6,019**	4,883	6,555

During 2016 the increase in the total number of issued shares was due to the exercise of certain employee share options. Separately, Indigo converted 4,000,000 of Convertible Shares into Ordinary Shares. During 2016 the increase in the number of issued shares was caused by: (i) shares issued as part of the IPO of the Company in March 2015; (ii) conversion of convertible debt instruments in March 2015 into Ordinary and Convertible Shares; and (iii) the exercise of certain employee share options.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

28. Capital and reserves continued

Ordinary Shares

The holders of Ordinary Shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Convertible Shares

In March 2015, linked to the listing of the Company's shares on the London Stock Exchange, certain convertible loans and notes (including accrued interest) were converted into non-voting non-participating Convertible Shares of the Company. There were 44,830,503 Convertible Shares in issue at 31 March 2016, all fully paid (2015: 48,830,503). The Convertible Shares are held by Indigo and can be converted into Ordinary Shares of the Company by Indigo on the condition of meeting certain criteria post conversion regarding the overall shareholding structure of the Company.

Capital reserves

Share premium

Share premium has two main components. €207.0 million was recognised as a result of the Group reorganisation in October 2009. It represents the estimated fair value of the Group at the date of the transaction. The remaining €170.0 million (as at 31 March 2016) was recognised as a result of new share issues made since October 2009. These new share issues comprised the primary offering on the initial public offering of the Company's shares on the London Stock Exchange in March 2015, the conversion of some of the convertible debt instruments into shares and the conversion of certain employee share options into shares. Within this, during the 2016 financial year €1.6 million increase was recorded in the share premium, all related to conversion of employee share options.

Reorganisation reserve

Reorganisation reserve of €193.0 million was recognised as a result of the Group reorganisation in October 2009. It is equal to the difference between the fair value of the Group at the date of reorganisation (€209.0 million) and the share capital of the Group at the same date (€16.0 million).

Equity part of convertible debt

The equity part of convertible debt in equity comprises the equity component of compound instruments issued by the Company. The amount of the convertible debts classified as equity of €8.3 million (2015: €8.3 million) is net of attributable transaction costs of €0.5 million.

Share based payment charge

The share based payment balance of €2.9 million credit (2015: €1.7 million credit) corresponds to the recognised cumulative charge of share options and share awards provided to the employees and Directors under long-term incentive schemes. This balance is recognised directly in retained earnings.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative unrealised net change in the intrinsic part of the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

29. Provisions for other liabilities and charges

	Aircraft maintenance € million	Other € million	Total € million
At 1 April 2014	26.9	0.7	27.6
Capitalised within property, plant and equipment	26.5	-	26.5
Charged to comprehensive income	-	1.5	1.5
Used during the year	(2.8)	(0.4)	(3.2)
At 31 March 2015	50.6	1.8	52.4
Non-current provisions	44.9	-	44.9
Current provisions	5.7	1.8	7.5
Capitalised within property, plant and equipment	41.0	-	41.0
Charged to comprehensive income	-	0.8	0.8
Used during the year	(7.9)	(1.4)	(9.3)
At 31 March 2016	**83.7**	**1.2**	**84.9**
Non-current provisions	41.2	-	41.2
Current provisions	42.5	1.2	43.7

29. Provisions for other liabilities and charges continued

Non-current provisions relate to future aircraft maintenance obligations of the Group on leased aircraft and spare engines, falling due beyond one year from the balance sheet date. Current aircraft maintenance provisions relate to heavy maintenance obligations expected to be fulfilled in the coming financial year. The amount of provision reflects management's estimates of the cost of heavy maintenance work that will be required in the future to discharge obligations under the Group's operating lease agreements (see Note 4). Maintenance provisions in relation to engines covered by FHA agreements are netted off with the FHA prepayments made to the engine maintenance service provider in respect of the same group of engines.

The increase in current maintenance provisions from 2015 to 2016 relates primarily to new provisions made for engine Life Limited Part (LLP) replacements most of which fall due in the 2017 financial year.

Other provisions relate to future liabilities under the Group's customer loyalty programme, all within one year.

30. Financial instruments

Fair values

The fair values of the financial instruments of the Group together with their carrying amounts shown in the statement of financial position are as follows:

	Carrying amount 2016 € million	**Fair value 2016 € million**	Carrying amount 2015 € million	Fair value 2015 € million
Trade and other receivables due after more than one year	**71.2**	**71.2**	83.4	80.3
Restricted cash	**101.6**	**101.6**	73.6	73.6
Financial assets available for sale	**1.0**	**1.0**	1.0	1.0
Derivative financial assets	**1.7**	**1.7**	60.7	60.7
Trade and other receivables due within one year	**126.5**	**126.5**	87.6	87.6
Cash and cash equivalents	**645.6**	**645.6**	448.6	448.6
Trade and other payables due within one year	**(177.3)**	**(177.3)**	(123.9)	(123.9)
Derivative financial liabilities	**(17.6)**	**(17.6)**	(81.7)	(81.7)
Convertible debt	**(27.2)**	**(27.2)**	(27.3)	(27.3)
Borrowings	**(6.4)**	**(6.4)**	(4.2)	(4.2)
Net balance of financial instruments (asset)	**719.1**	**719.1**	517.8	514.7

The fair value of financial instruments that are not traded in an active market (such as long-term deposits among the non-current other receivables) is determined by estimated discounted cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables. Long-term financial assets and liabilities which are classified as fair value through profit and loss are recognised on fair value.

Trade and other receivables due after more than one year are almost exclusively maintenance reserves, with an average term of approximately four years. The fair value of these assets is determined by discounting at a rate of interest of four years' USD swap rate prevailing on the last day of the financial year.

The fair value of derivative financial instruments is based on their actual mark-to-market evaluation of the financial institutions.

During the year a €71.0 million loss (2015: €7.2 million loss) was realised on derivative financial assets and liabilities in the income statement.

During the year a €48,000 loss (2015: €26,000 gain) was realised on financial assets available for sale.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

30. Financial instruments continued

Effective interest rates analysis

Interest-bearing financial liabilities

The following table indicates the effective interest rate of the interest-bearing liabilities of the Group on the statement of financial position date and the periods in which they mature. Convertible loans and notes are denominated in EUR, while the other short-term loans are denominated in USD.

	2016						2015					
	Effective interest rate	**Total € million**	**Within one year € million**	**One to two years € million**	**Two to five years € million**	**Above five years € million**	Effective interest rate	Total € million	Within one year € million	One to two years € million	Two to five years € million	Above five years € million
Convertible notes	**7.4%**	**27.2**	**0.3**	**-**	**26.9**	**-**	7.4%	27.3	0.3	-	27.0	-
Finance lease liability 1	**8.4%**	**3.8**	**0.4**	**0.4**	**1.6**	**1.4**	8.4%	4.2	0.4	0.4	1.5	1.9
Finance lease liability 2	**7.4%**	**2.6**	**0.1**	**0.1**	**0.4**	**2.0**	-	-	-	-	-	-

Interest earning financial assets

The Group invests excess cash in a conservative way, primarily in AAA-rated money market funds and also in short-term time deposits on market rate.

31. Financial guarantees

The Company has provided parent guarantees to certain lessors of its aircraft fleet, to guarantee the performance of its airline subsidiaries under the respective lease contracts.

The Company has provided parent guarantees to certain hedging counterparties, to guarantee the performance of Wizz Air Hungary Kft, under the respective hedge contracts.

The note purchase agreement (for convertible notes) contains a guarantee and indemnity, pursuant to which Wizz Air Hungary Kft, *inter alia*, guarantees to Indigo Hungary LP and Indigo Maple Hill LP the punctual performance by the Company of its obligations under the note purchase agreement.

32. Lease commitments

The total future minimum lease payments under non-cancellable operating lease rentals are as follows:

	2016 € million	2015 € million
Payments due:		
Within one year	**244.8**	218.7
Between one and five years	**950.1**	817.7
More than five years	**563.5**	455.8
Total operating lease commitments	**1,758.3**	1,492.2

The majority (97%) of the commitments relate to aircraft operating lease contracts. The above table includes also the lease costs of those aircraft that are not yet delivered but for which the lease contract was already signed before the statement of financial position date.

The lease payments are not subject to future escalation, but five of the aircraft lease contracts are on floating rate and thus the lease payments for these vary with the USD market rates of interest.

33. Capital commitments

At 31 March 2016 the Group had the following capital commitments:

- commitment to purchase 144 Airbus aircraft of the A320 family in the period 2016–2024. Of the 144 aircraft 34 relate to the 'ceo' version of the A320 family (from purchase orders placed prior to 2015) while the remaining 110 to the 'neo' version (from the purchase order placed in June 2015). The total commitment is valued at USD 17.5 billion (€15.5 billion) at list prices in 2016 USD terms (as at 31 March 2015: USD 5.9 billion (€5.5 billion), valued at 2015 list prices). As at the date of approval of this document 13 of the 144 aircraft are covered by sale and leaseback agreement; and
- commitment to purchase six IAE aircraft spare engines in the period 2016–2018. The commitment is valued at USD 63.8 million (€56.2 million) at list prices in 2016 USD terms (as at March 2015: USD 74.6 million (€69.6 million), valued at 2015 list prices). As at the date of approval of this document the six engines are not yet financed.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

34. Contingent liabilities

Legal disputes

European Commission state aid investigations

Six of the European Commission's on-going state aid investigations which are in their formal phase concern arrangements between Wizz Air and certain airports to which it flies, namely, Timişoara, Cluj-Napoca, Targu Mures, Beauvais, Girona and Lübeck. Wizz Air has submitted its legal observations and supporting economic analyses of these arrangements to the European Commission. Ultimately, an adverse decision by the European Commission could result in a repayment order for the recovery from Wizz Air of any amount determined by the European Commission to be illegal state aid. None of these on-going investigations are expected to lead to exposure that is material to the Group.

The European Commission has given notice that the state aid investigations involving Wizz Air will be assessed on the basis of new "EU Guidelines on State aid to airports and airlines" which were adopted by the European Commission on 20 February 2014. Where relevant, Wizz Air has made further submissions to the European Commission in connection with this notification.

Claims by Carpatair

Carpatair, a regional airline based in Romania, started a number of cases in the Romanian courts during 2012 and 2013 which relate to Carpatair's allegations that Timişoara airport granted unlawful state aid to Wizz Air pursuant to an agreement between the parties or by virtue of the publicly available scheme of charges published by Timişoara airport. Wizz Air is intervening in the defence of these claims, either in its own right or in support of Timişoara airport. One of these cases determined that state aid existed in the 2010 scheme of charges, but failed to substantiate that decision or to quantify the amount involved. Following this decision, Carpatair began a case in which both Timişoara airport and Wizz Air are named as defendants and, pursuant to which, Carpatair aims to have the alleged state aid under the 2010 scheme of charges quantified and a repayment order issued. Wizz Air understands that the Romanian Chamber of Accounts has issued a decision requiring Timişoara airport to recover from Wizz Air an amount of approximately €3 million in respect of the state aid attributable to the 2010 and 2011 scheme of charges despite there having been no expert quantification of the amount and the airport has now started proceedings which Wizz Air is defending.

In January 2016 Carpatair filed a new legal action – registered with the Bucharest Tribunal – against Timisoara Airport, the Romanian Ministry of Transports and Wizz Air. The legal action was sent by the court to Wizz Air on 22 April 2016. By the said legal action Carpatair asks the court to order the three defendants to pay, jointly, to Carpatair damages preliminarily estimated to amount to €92 million and interest related to the said amount, resulting from an alleged state aid granted by Timisoara Airport to Wizz Air, from the existence of a marketing agreement between Timisoara Airport and Wizz Air and from an abuse of dominant position on the part of Timisoara Airport.

Wizz Air is currently reviewing the substance of the new legal action and will submit its defense in due course. Management estimates that the maximum potential exposure for these cases could be in the region of €113 million (including the €3 million and the 92 million specifically mentioned above). No provision has been made by the Group in relation to these issues because there is currently no reason to believe that the Group will incur charges from these cases.

35. Subsequent events

There were no matters arising, between the statement of financial position date and the date on which these financial statements were approved by the Board of Directors, requiring adjustment or disclosure in accordance with IAS 10, 'Events after the reporting period', other than the following:

- The Group entered into Letter of Intent with various lessors for sale and leaseback financing of 21 of its future aircraft to be delivered in the period between July 2017 and July 2018.

36. Related parties

Identity of related parties

Related parties are:

- Indigo Hungary LP and Indigo Maple Hill LP (collectively referred to as "Indigo" here), because it appointed three Directors to the Board of Directors (all in service at 31 March 2016); and
- key management personnel (Directors and Officers).

These related parties held 24.7 per cent. of the voting shares of the Company at 31 March 2016 (2015: 20.5 per cent.).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

36. Related parties continued

Transactions with related parties

There were no transactions with related parties during the fiscal year except as indicated below.

Transactions with Indigo

At 31 March 2016 Indigo held 10,740,633 of Ordinary Shares (equal to 18.9 per cent. of the Company's issued share capital) and 44,830,503 of Convertible Shares of the Company (2015: 6,740,633 Ordinary Shares and 48,830,503 Convertible Shares).

Indigo has interest in convertible debt instruments issued by the Company (see Note 24). The Company's liability to Indigo, including principal and accrued interest, was €27.2 million at 31 March 2016 (2015: €27.3 million).

During the year ended 31 March 2016 the Company entered into transactions with Indigo as follows:

- Indigo converted 4,000,000 Convertible Shares into the Company's Ordinary Shares;
- the Company recognised interest expense on convertible debt instruments held by Indigo in the amount of €2.0 million (2015: €3.9 million); and
- fees of €0.1 million (2015: €0.1 million) were paid to Indigo in respect of the remuneration of two of the Directors who were delegated by Indigo to the Board of Directors of the Company.

Transactions with key management personnel

Officers (members of executive management) and Directors of the Board are considered to be key management personnel. The compensation of key management personnel, including Non-Executive Directors, is as follows:

	2016 € million	2015 € million
Salaries and other short-term employee benefits	**6.6**	6.0
Social security costs	**1.3**	3.2
Share based payments	**0.9**	0.2
Amounts paid to third parties in respect of Directors' service	**0.2**	0.2
Total key management compensation expense	**9.1**	9.6

Social security costs were exceptionally high in financial year 2015 because of the vesting of most of the share options held by the Officers, and the exercise of most of these vested options. These social security costs were not accrued earlier during the vesting period of the options because until 2014 it was not assumed that Swiss social security would apply to the exercise of most of these options.

37. Ultimate controlling party

In the opinion of the Directors there is no individual controlling party in relation to the Company's issued Ordinary Shares.

As at 8 April 2016 approximately 53.3% of the Ordinary Shares in the Company were owned by Qualifying Nationals. Shareholders and potential investors are reminded that the Group's Hungarian operating licence depends, *inter alia*, on Qualifying Nationals owning more than 50 per cent. of the Ordinary Shares. The Company's articles of association enable the Directors to take action to ensure that the amount of Ordinary Shares held by Non-Qualifying Nationals does not reach a level that could jeopardise the Group's entitlement to continue to hold or enjoy the benefit of any operating licence that benefits the Group.

Qualifying Nationals include: (i) EEA Nationals, (ii) nationals of Switzerland and (iii) in respect of any undertaking, an undertaking that satisfies the conditions as to nationality of ownership and control of undertakings granted an operating licence contained in Article 4(f) of the Air Services Regulation, as such conditions may be amended, varied, supplemented or replaced from time to time, or as provided for in any agreement between the EU and any third country (whether or not such undertaking is itself granted an operating licence).

A Non-Qualifying National is any person who is not a Qualifying National in accordance with the definition above.

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