WIZZ AIR HOLDINGS PLC

ANNUAL REPORT AND ACCOUNTS

2017

CONTENTS

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	2017 € million	2016 € million	Change
Total revenue	**1,571.2**	1,429.1	+10%
Profit for the year	**246.0**	192.9	+28%
Underlying profit after tax*	**225.3**	223.9	+1%

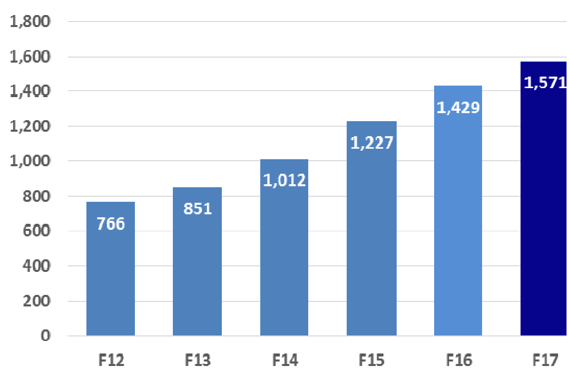
Financial year	2017	2016	Change
Passengers**	**23.8m**	20.0m	+19%
Year-end fleet	**79**	67	+18%
Number of employees (average)***	**3,033**	2,396	+27%

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

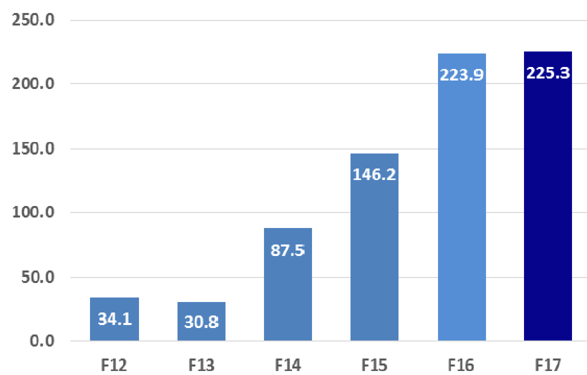
** Booked passengers.

*** Including rented pilots.

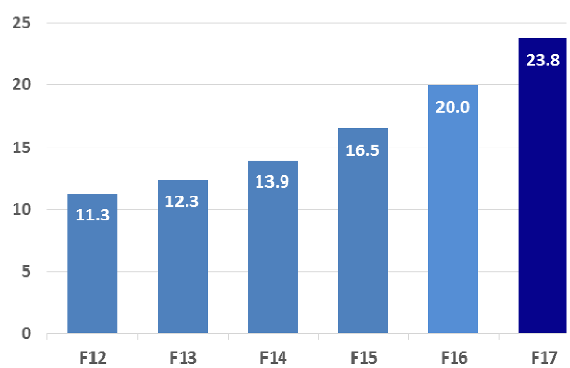
TOTAL REVENUE (€M)



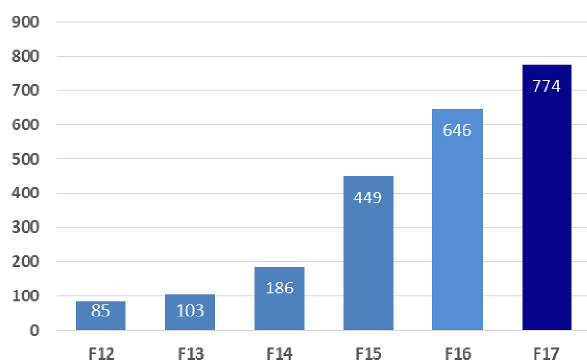
UNDERLYING NET PROFIT (€M)



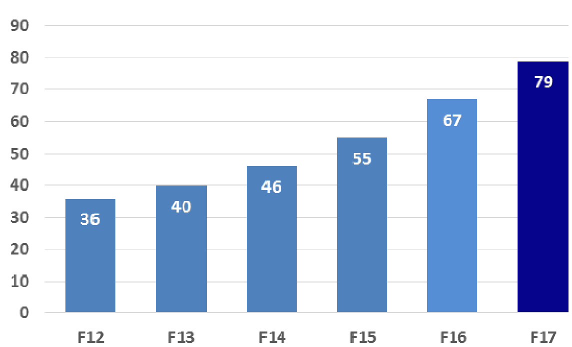
BOOKED PASSENGERS (MILLIONS)



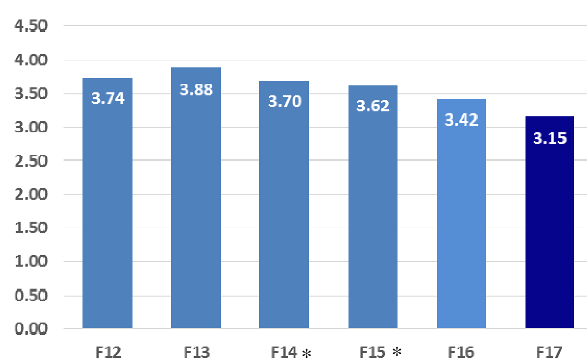
FREE CASH (€M)



YEAR-END FLEET (AIRCRAFT)



CASK (€C - AIRLINE)



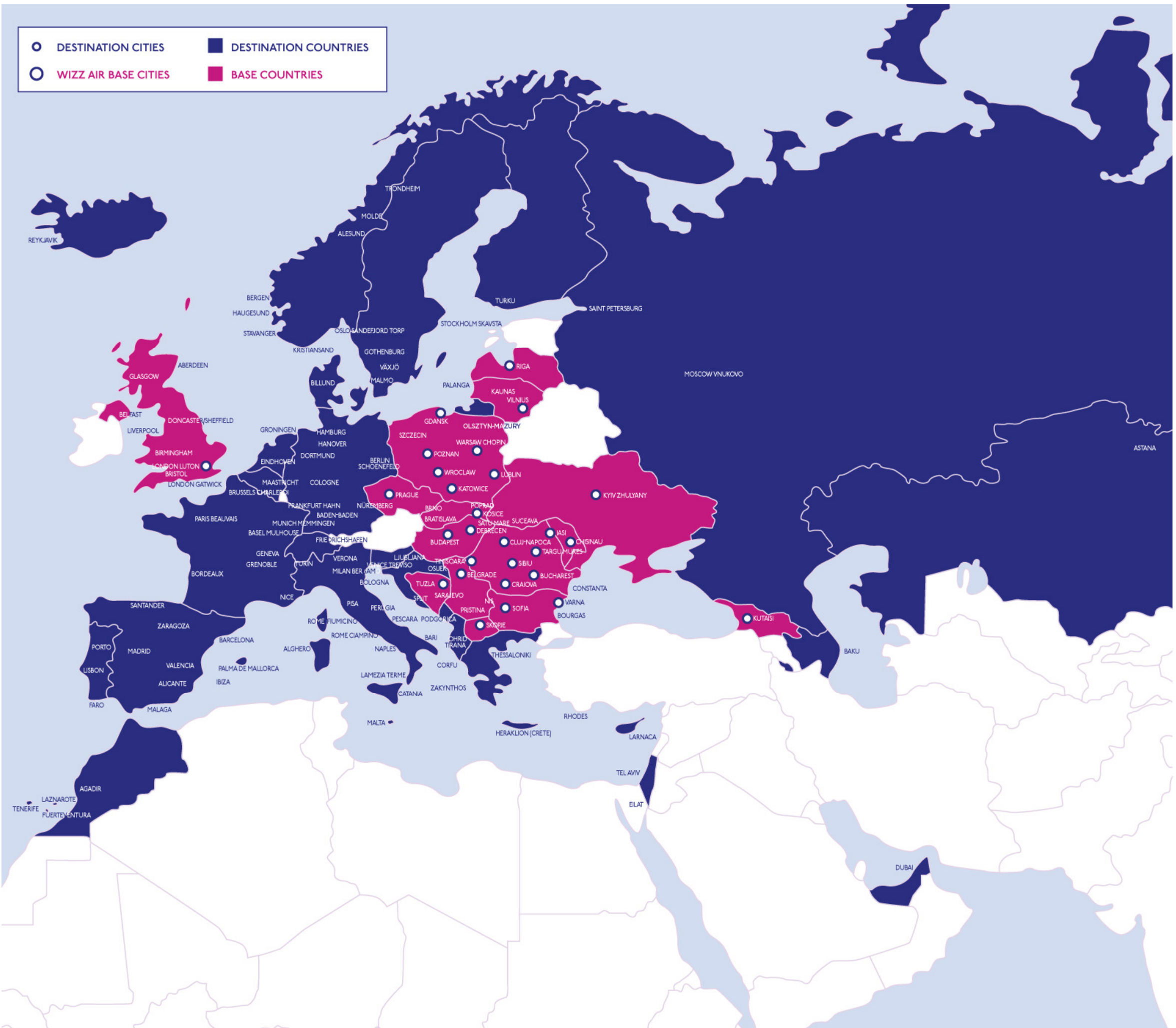
* F14 and F15 include exceptional items.

2017, **F17**, **FY17** and **FY 2017** in this document refer to the financial year ended 31 March 2017.

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

Equivalent terms are used for prior financial years.

Our presence across Europe



Number of routes operated from CEE* countries as at 31 March 2017:

Poland	136
Romania	129
Hungary	55
Bulgaria	32
Lithuania	28
Macedonia	25
Bosnia and Herzegovina	16
Serbia	16
Czech Republic	9
Latvia	9
Ukraine	9
Moldova	7
Georgia	6
Slovakia	4
Montenegro	2
Slovenia	2
Croatia	1

* Central and Eastern Europe, or CEE, is a region comprised of Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, 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.
- 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.
- Wizz Air's first aircraft order was placed with Airbus to acquire twelve A320 aircraft.
- 2.1 million passengers were carried and Wizz Air had eight aircraft in its fleet at the 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.
- 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 and operated 86 routes at the year end.
- A third order was placed with Airbus to acquire a further 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 a further 50 (later reduced to 30) A320 aircraft.
- A 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.

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.

History of the Group continued

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. Wizz Air operated 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 the 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.

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 (United KIngdom), Palanga (Lithuania), Bratislava (Slovakia), Kaunas (Lithuania), Ibiza (Spain) and Porto (Portugal).
- Stable growth requires a stable source of professional pilots and Wizz Air launched its Cadet Pilot programme in September to train and eventually hire new pilots for its growing fleet.

History of the Group continued

FY 2016 continued

- New bases were opened in Tuzla (Bosnia and Herzegovina) and Kosice (Slovakia) in June 2015, Lublin (Poland) in September 2015, and Debrecen (Hungary) in December 2015.
- The Company concluded a purchase agreement with Airbus for 110 A321neo aircraft, with deliveries commencing in 2019.
- Wizz Air reached the cumulative 100 million passengers carried milestone.
- Wizz Tours (online tour operator business unit), which was previously outsourced was brought in house.
- In November 2015 the first A321ceo aircraft was delivered to the fleet followed by a further three aircraft by the end of March 2016, taking the Company's fleet to 67 by the end of the financial year.

FY 2017

- Wizz Air announced new bases in London Luton (United Kingdom) and Varna (Bulgaria) with commencement dates in June 2017 and July 2017 respectively.
- New bases were opened in Sibiu (Romania) in July 2016, Iasi (Romania) in August 2016, Kutaisi (Georgia) in September 2016 and Chisinau (Moldova) in March 2017, taking the total number of operating bases to 26 by the end of the financial year. The eighth Polish airport, Olsztyn-Mazury, was added to the already extensive Polish network.
- Wizz Air announced the start of operations from Lviv, its second Ukrainian airport, commencing April 2017, consolidating its position as the pioneer and largest low-cost carrier operating in Ukraine.
- After already being the second largest airline operating from London Luton, Wizz Air announced the launch of operations from London Gatwick airport, with a flight to Bucharest, connecting the Romanian capital with both the South London and South England catchment areas.
- Wizz Air won a public tender process issued by the Hungarian state to launch five unserved routes between the Western Balkans and Budapest.
- The brand new wizzair.com website was launched across all platforms, which was the first airline website to introduce the 'three click express booking' function for registered customers.
- Wizz Air was the proud supporter of the Polish and Hungarian national football teams and launched charter flights bringing the fans to several European Championship games.
- Pratt & Whitney's new technology geared turbofan engines were selected to supply the order of 110 Airbus A321neo aircraft with deliveries commencing in 2019.
- Wizz Air launched a new cadet programme in co-operation with flight schools in Europe as part of its programme to ensure the future flow of highly qualified pilots entering the Company.
- A second simulator, this time an A320 fixed base simulator, was installed in Budapest, together with additional in-house training facilities for the Wizz Air crew.
- Wizz Air received the Low Cost Airline of the Year award from CAPA (a leading specialist aviation consulting firm) and was named the Value Airline of the Year 2016 by Air Transport World.
- Wizz Air was registered under the International Air Transport Association (IATA) Operational Safety Audit (IOSA), the global benchmark in airline safety recognition.
- An additional twelve A321ceo aircraft joined the Company's fleet, taking the total to 79 aircraft at the end of the financial year.

FY 2018 to date

- Wizz Air added Astana in Kazakhstan as a destination increasing its network to 42 countries.
- Emphasising its position as Bulgaria's largest airline, Wizz Air announced its title sponsorship of the Sofia Marathon on the eleventh birthday of its Sofia, Bulgaria, base.
- Wizz Air launched the 'WIZZ Youth Challenge', a business case-study challenge for students, attracting almost 400 entries from across Europe and beyond, with the final 40 teams attending a two-day final in Budapest.

CHAIRMAN'S STATEMENT

I am delighted to report that Wizz Air's 2017 financial year saw the Company achieve another year of market leading growth while continuing to deliver one of the highest profit margins of all European airlines. Despite the challenging business conditions facing the European airline industry during the year, Wizz Air carried 23.8 million passengers, an increase of 18.9 per cent. year-on-year. The Company generated an underlying net profit of €225.3 million, an increase of 0.6 per cent. year-on-year, which translates to an underlying net profit margin of 14.3 per cent., a performance which few airlines in Europe can match.

Capacity growth and a dedication to achieving the lowest possible operating costs are, and will remain, the key focus for Wizz Air. Together, they allow Wizz Air to continue to take advantage of the significant growth opportunity in Central and Eastern Europe and to strengthen our market leading position as Central and Eastern Europe's largest low-cost carrier. We believe that our unique position in Central and Eastern Europe, ultra-low-cost base, diversified point-to-point network and ability to adjust capacity quickly altogether place Wizz Air in an enviable position to meet industry challenges and continue to deliver significant growth and create long-term value for our Shareholders.

Wizz Air's business achieved a number of key milestones during the 2017 financial year, including:

- continuing to grow and diversify our network by opening four new bases and announcing two future base openings, including our first in the United Kingdom, and launching 113 new routes. Wizz Air now offers more than 500 routes from 28 bases, connecting 141 destinations across 42 countries;
- the delivery of a further twelve brand new A321ceo aircraft, increasing our fleet of Airbus A320-family aircraft to 79 and the average seat count per aircraft to 190 at the end of the financial year; and
- driving load factors higher with an impressive 1.9 percentage point increase year-on-year to 90.1 per cent.

Customers

I would like to take this opportunity to thank all of our customers for their continued support. As we expand our network we are delighted that many new customers throughout the region will be able to enjoy our services at incredibly low fares. Enhancing the service we deliver to our customers is a constant focus for us. In the last twelve months we have undertaken a number of initiatives including the launch of our new wizzair.com website and the introduction of a simple three-step booking process for registered customers. Now more than ever before, it's faster and simpler to book the lowest fare flights with Wizz Air.

Employees

Our team of over 3,000 aviation professionals delivered a superior service to the 23.8 million customers who flew with us over the last twelve months. Our colleagues' dedication, passion and enthusiasm for the airline and our customers makes the airline what it is today. I want to thank them once again for all their hard work – without them we would not have achieved our success to date nor will we realise the growth which we are targeting in the future.

Board of Directors

I would also like to thank the Board for its continued support and hard work in what has been another successful year for the Company. During the year, we welcomed Ms Wioletta Rosołowska to the Board as a Non-Executive Director. Ms Rosołowska has had an accomplished career in Central and Eastern Europe specialising in the consumer and marketing sector and she brings valuable and relevant experience and consumer insights to the Board. I know that the Board is looking forward to working with the Company's senior management team and all colleagues in what will be another year of exciting growth.

Looking ahead

As the 2018 financial year begins we remain very optimistic for the coming twelve months. Growth will continue to be a top priority for us and, with an ever stronger balance sheet, a continued focus on driving operating costs lower, one of the youngest, most efficient fleets in Europe and an underpenetrated market in Central and Eastern Europe, we believe we can continue to deliver improving returns for our Shareholders.

William A. Franke
Chairman
24 May 2017

CHIEF EXECUTIVE'S REVIEW

Financial performance

The 2017 financial year delivered profitable growth, with passenger numbers increasing by 18.9 per cent. year-on-year to 23.8 million. The trading environment experienced in FY 2017 of very low fares and increasing fuel prices unquestionably favoured our ultra-low-cost business model and we were able to increase our growth rate, strengthen our number one position in CEE and also maintain one of the highest profit margins of any European carrier. Our market leading position, with the combination of one of the highest growth rates and profit margins of all European airlines, makes Wizz Air one of the most exciting airline businesses in Europe.

Operating the most efficient aircraft with the latest technology has always been a key foundation stone of Wizz Air's ultra-low cost base. Our fleet currently has an average age of just 4.4 years, one of the youngest in Europe. We continue to build on that foundation with a delivery stream of brand new A321ceo aircraft which deliver double digit cost savings compared to A320ceo aircraft. At the end of FY 2017 we operated 16 A321ceo aircraft, representing a quarter of the airline's seat capacity, which gives us a clear cost advantage compared to most of our rivals.

The resilience of our ultra-low cost business model, which we are convinced is the best model for stimulating air travel in CEE, combined with our growing diversified network and our ever stronger balance sheet places Wizz Air in a unique position to exploit the significant market opportunity that exists in a market of over 300 million people.

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

- ticket revenues that increased by 2.3 per cent. to €915.5 million;
- ancillary revenue that increased by 22.7 per cent. to €655.7 million;
- total airline unit cost that decreased by 7.8 per cent. to €3.15 cents per Available Seat Kilometre (ASK);
- a 19.7 per cent. increase in the capacity offered to the market (as measured by 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 1.9 percentage points to 90.1 per cent. in the financial year, despite significant capacity expansion.

Strategic progress

The Company is convinced that its strategy of building on its strong network, highly efficient model, compelling customer proposition, solid finances and sound risk management policies will enable it to deliver sustainable growth and returns for Shareholders.

Wizz Air's management team enforces rigorous cost control in all aspects of the Group's business and has created a company-wide business culture that is keenly focused on driving costs lower. The Company believes that this cost advantage protects Wizz Air's market position, enables it to offer some of the lowest ticket prices in its markets, stimulates demand in its markets and supports continued profitable growth.

With its ultra-low-cost structure, innovative unbundled pricing strategy, leading market position among low-cost carriers in CEE and track record of expansion in CEE and beyond, the Company believes that it is well positioned to continue to grow profitably. Wizz Air's infrastructure, including personnel, processes, systems and relationships with suppliers of outsourced services, is scalable and sufficiently flexible to support Wizz Air's growth plans.

The Company believes that Wizz Air is a "pioneering" airline in the markets in which it operates by seeking to bring the low-cost carrier concept and Western European aviation standards into currently under-served new Eastern markets and is at the forefront of airline innovation in these new markets. Wizz Air has a strong track record of working with regulators to develop appropriate regulatory structures in non-EU countries. Wizz Air has been able to leverage the know-how, market understanding and cultural awareness of its senior management team and employees to build strong relationships with airport operators, suppliers, governments and regulators in new markets and is able to present itself as a reliable partner that, to date, has never exited from a country where it has established an operating base.

Strengthened leadership in CEE

Wizz Air continues to be the clear market leader in Central and Eastern Europe, maintaining our market share of over 39 per cent. of low-cost airline traffic. The expansion of our network with 113 new routes launched in FY 2017 has allowed us to strengthen our position, reaching new customers throughout the region.

Today we operate in 19 of the 21 CEE countries, serving the market by offering a network of 28 bases and 141 destinations in 42 countries. With a low propensity to travel and low-cost market penetration currently at 40.4 per cent. *(source data: Innovata, April 2016 – March 2017)*, there remains a significant opportunity for Wizz Air and we continue to believe that the ultra-low-cost business model is best placed to serve this market. Wherever we operate, Wizz Air brings safe, reliable operations, low fares, hassle-free services and a distinctive brand designed to appeal to the whole market.

As a result, Wizz Air's aggregate market share in CEE was 39.1 per cent. in the 2017 financial year and we are the number one or number two low-cost airline in all but one of our CEE base countries. The table below shows the Company's ranking by low-cost market share in each of its CEE base countries.

	Number 1		Number 2		Number 3	
Market	Carrier	Share	Carrier	Share	Carrier	Share
CEE	**Wizz Air**	39.08%	Ryanair	32.20%	Easyjet	6.21%
Poland	Ryanair	51.61%	**Wizz Air**	39.49%	Easyjet	4.12%
Romania	**Wizz Air**	54.76%	Blue Air	26.31%	Ryanair	16.37%
Ukraine	**Wizz Air**	43.00%	Pegasus Airlines	25.46%	Flydubai	20.90%
Czech Republic	EasyJet	28.01%	Ryanair	19.47%	**Wizz Air**	12.20%
Hungary	**Wizz Air**	49.34%	Ryanair	25.80%	Easyjet	8.47%
Bulgaria	**Wizz Air**	59.55%	Ryanair	29.53%	Easyjet	6.12%
Latvia	Ryanair	57.05%	**Wizz Air**	29.30%	Norwegian	13.41%
Serbia	**Wizz Air**	64.24%	Pegasus Airlines	7.91%	Ryanair	7.43%
Lithuania	Ryanair	53.26%	**Wizz Air**	42.32%	Norwegian	4.20%
Georgia	**Wizz Air**	34.61%	Flydubai	30.68%	Pegasus Airlines	19.35%
Slovakia	Ryanair	75.37%	**Wizz Air**	20.89%	Flydubai	3.74%
Macedonia	**Wizz Air**	89.51%	Pegasus Airlines	7.66%	Flydubai	2.83%
Bosnia and Herzegovina	**Wizz Air**	47.70%	Pegasus Airlines	19.30%	Flydubai	13.78%

Source data: Innovata, April 2016 – March 2017.

The table below shows the fleet allocation by country at 31 March 2017 compared to a year earlier.

	Fleet deployment by country		
Year end	March 2017	March 2016	Change
Total	**79**	**67**	**+12**
Poland	21	19	+2
Romania	21	15	+6
Hungary	10	10	0
Bulgaria	7	6	+1
Lithuania	4	4	0
Macedonia	3	3	0
Bosnia and Herzegovina	2	1	+1
Latvia	2	2	0
Czech Republic	1	1	0
Serbia	1	1	0
Slovakia	1	1	0
Ukraine	1	1	0
Georgia	1	0	+1
Moldova	1	0	+1
Undesignated	3	3	0

Strengthened leadership in CEE continued

The Company offers services from 19 CEE countries including the 14 CEE countries where it has base aircraft and crews. The Company opened four new CEE bases and started flights from further four new CEE airports in the 2017 financial year as well as ten new destinations outside of CEE, as follows:

New CEE stations		New stations outside CEE	
City	Country	City	Country
Podgorica	Montenegro	Hanover	Germany
Olsztyn-Mazury	Poland	Lamezia Terme	Italy
Satu Mare	Romania	Eilat - Ovda	Israel
Suceava	Romania	Lanzarote	Spain
		Fuerteventura	Spain
		Ibiza	Spain
		Santander	Spain
		Porto	Portugal
		Växjö	Sweden
		London Gatwick	UK

Fleet development securing long-term growth

During the 2017 financial year, we continued to invest significantly in our fleet by adding twelve A321ceo aircraft, taking our fleet to 79 aircraft at the end of March 2017. Deliveries of the A321ceo commenced in November 2015 and in just 18 months we are already operating 16 of the type representing 24.5 per cent. of the Company's total seat capacity. We are excited about the cost savings we are seeing from the A321ceo aircraft, and the continued roll-out of these aircraft across our network is expected to further improve our cost base and competitive edge.

The composition of our fleet at the end of the 2017 financial year and currently anticipated at the end of the next two financial years is as follows:

	March 2017 Actual	March 2018 Planned	March 2019 Planned
A320ceo without winglets (180 seats)	**35**	35	28
A320ceo with winglets (180 seats)	**28**	28	28
A320ceo with winglets (186 seats)	**-**	3	9
A321ceo with winglets (230 seats)	**16**	25	31
A321neo with winglets (239 seats)	**-**	-	3
Fleet size	**79**	91	99
Share of fleet with winglets	**55.7%**	61.5%	71.7%
Average number of seats per aircraft	**190**	194	198

A321neo

In FY 2016 the Company concluded a purchase agreement with Airbus for 110 firm-order A321neo aircraft and purchase rights for a further 90 of the type. During the 2017 financial year the Company selected and contracted Pratt & Whitney's new technology geared turbofan engines to power these aircraft.

We anticipate that, based on the estimates of both Airbus and Pratt & Whitney, the A321neo will deliver significantly better fuel burn efficiency and even lower unit costs compared to the ceo version, making it the perfect aircraft to underpin the Company's ambitious growth plans and replace older aircraft as they are returned to lessors. Our first A321neo is scheduled to be delivered in 2019 and deliveries will continue until the end of 2024. The purchase agreement includes uncommitted purchase rights for 90 additional A321neo aircraft as well as certain conversion rights to receive the smaller A320neo, providing the flexibility needed to match aircraft deliveries with the Company's capacity needs.

Based on our current order book with Airbus, and lessor return schedule, our fleet will nearly double in size from the end of FY 2017 to the end of FY 2024.

Improving the customer experience

New routes and base operations

We launched 113 new routes during the 2017 financial year, taking our route network to 486 routes from 28 bases, connecting 141 destinations in 42 countries at the end of March 2017.

Our markets are also reacting very well to the emergence of air travel within CEE with the Company launching 13 new routes connecting CEE countries in FY 2017. This trend is continuing into FY 2018 with the Company commencing operations on five previously unserved Western Balkan routes between Budapest and Kosovo, Montenegro, Bosnia and Herzegovina, Macedonia and Albania. In addition to connecting CEE countries we are also experiencing significant demand on the two domestic routes launched in Romania and Bulgaria.

Improving the customer experience continued

Offering our customers more

We know that our customers welcome the opportunity to fly at Wizz Air's lowest prices yet experience the great on-board service provided by our dedicated crew. We also know that many of our customers also welcome the opportunity to tailor their travel experience to their requirements by adding additional services. We took a look at what our customers are buying and decided to make it easier and cheaper for them to buy some of the most popular additional services together, with the "WIZZ Go" bundle, which offers a discount over the "Basic Fare" and the prices of the included additional services when bought separately.

Many of our customers are loyal Wizz Air fans who fly with us on multiple occasions each year. Our Wizz Discount Club enables our most loyal customers and their friends and families to benefit from even lower fares than normal, throughout the year. No wonder it's popular: membership of the Wizz Discount Club reached 1.05 million members by the end of the 2017 financial year, representing a 29 per cent. growth compared to the 2016 financial year.

Our customers have always enjoyed the convenience of being able to book accommodation and car hire, along with other travel services, with our partners through wizzair.com. But, demonstrating our commitment always to give our customers more, for less, we launched our own inclusive package tour operator Wizz Tours, in 2015. The opportunity to book flights and accommodation at the same time, in a single package and at a discounted price, is proving increasingly popular – Wizz Tours' revenues increased fourfold to €18.1 million in the 2017 financial year.

None of this means that we've taken any less interest in ancillary revenue, though, which continues to be a very important part of the Company's business model. For the financial year ended 31 March 2017, total ancillary revenues represented 41.8 per cent of overall airline revenue, up from 37.4 percent in the previous financial year.

Technology advancements

In FY 2017 Wizz Air launched the new wizzair.com website across all platforms through a mobile-first phased roll-out in May and August. The new responsive design caters for the needs of Wizz Air's young and mobile savvy audience, through a clean and fast one-page booking process. The introduction of our unique three-click express booking functionality enables an even faster booking experience. Throughout the year hundreds of major and minor digital optimizations contributed to a record high conversion rate on ticket and ancillary sales.

With a website now available in 24 languages and 11 on the app, Wizz Air served over 200 million sessions to more than 50 million users. Wizz Air is the eighth most visited airline website in the world with one of the highest (56%) share of mobile visitors. Our mobile app user base more than doubled to 3.7 million users in FY 2017. With 1.8 million followers on Facebook, Wizz Air has by far most fans per available seat among its peers in Europe. New digital initiatives in the next financial year will further strengthen the engagement with our ever more connected customers.

Balanced hedging approach

Wizz Air operates under a clear set of treasury policies approved by the Board and supervised by the Audit Committee. The aim of our 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 an 18-month hedge horizon). Recently, the Company started to hedge it largest non-EUR revenue currency, GBP against EUR in order to smooth out potential future volatility due to Brexit. Unlike for the US Dollar, there is no minimum coverage set, while the maximum is 60% of projected net GBP exposure on rolling twelve-month basis.

Details of the current hedging positions (as at 15 May 2017) are set out below:

Foreign exchange (FX) hedge coverage of Euro/US Dollar

Period covered	**F18** 11 months	**F19** 7 months
Exposure (million)	$787	$488
Hedge coverage (million)	$396	$135
Hedge coverage for the period	**50%**	**28%**
Weighted average ceiling	$1.13	$1.09
Weighted average floor	$1.09	$1.07

Balanced hedging approach continued

Foreign exchange (FX) hedge coverage of Euro/British Pound

Period covered	F18 11 months	F19*
Exposure (million)	£170	N/A
Hedge coverage (million)	£48	N/A
Hedge coverage for the period	**28%**	**N/A**
Weighted average floor	0.860	N/A
Weighted average ceiling	0.827	N/A

*GBP hedging program is applicable on a twelve-month horizon, started in April 2017, so currently covering F18 only.

Fuel hedge coverage

Period covered	F18 11 months	F19 7 months
Exposure in metric tons ('000)	831	508
Coverage in metric tons ('000)	551	127
Hedge coverage for the period	**66%**	**25%**
Blended capped rate	$526	$545
Blended floor rate	$482	$496

Sensitivities

- Pre-hedging, a one cent movement in the Euro/US Dollar exchange rate impacts the 2018 financial year operating expenses by €6.9 million.
- Pre-hedging, a one penny movement in the Euro/British Pound exchange rate impacts the 2018 financial year operating expenses by €2.3 million.
- Pre-hedging, a $10 (per metric ton) movement in the price of jet fuel impacts the 2018 financial year fuel costs by $8.3 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 twelve to eighteen months.

Management changes

There were a number of management changes throughout the year.

John Stephenson, the Group's Executive Vice President and Gyorgy Abran, Chief Commercial Officer stepped down from their positions in August 2016. I would like to take this opportunity to thank John and Gyorgy for their significant contribution they have made to the Company over the last 10-12 years, respectively. They played a central role in building Wizz Air into the leading low cost carrier in CEE and one of the strongest airlines in Europe. We wish them all the best in the future.

As announced earlier in the year Sonia Jerez Burdeus stepped down from her position of Chief Financial Officer in order to relocate back to Spain. I would like to thank her once again for her contribution during the time that she was with us. We are making good progress in recruiting her replacement and will make a further announcement in due course.

During the 2017 financial year George Michalopoulos, Chief Commercial Officer and Jozsef Ujhelyi, Chief Flight Operations Officer, were promoted to their current roles and Diederik Pen was promoted to become Executive Vice President & Chief Operations Officer, reflecting the importance of the Operations function to the success of Wizz Air. I would like to congratulate each of them on their appointments and wish them well as their careers continue to develop at Wizz Air. Between them, Diederik, George and Jozsef have collectively been with Wizz Air for over 25 years, which demonstrates the continuity and depth of experience within the Wizz Air management team, something which the Company is fortunate to be able to call upon as it continues its fast growth in the coming years.

Outlook

2018 financial year

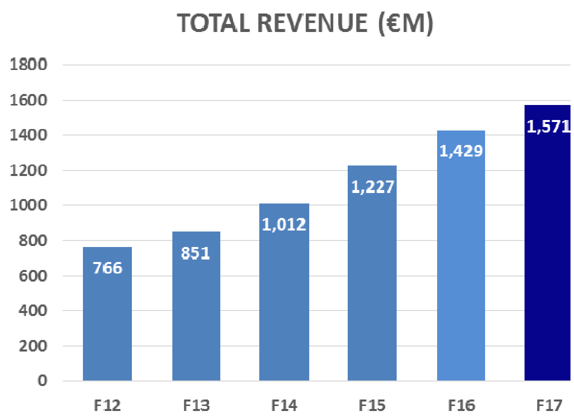
In FY2018 growth continues as a top priority with increase in capacity by around 23% targeting to carry nearly 30 million passengers. The Company recorded a strong start to FY2018 due to the timing of Easter, and although still at an early stage of the financial year, currently the Group net profit is expected to be in a range between €250 million and €270 million in FY2018. This guidance is heavily caveated by the revenue performance for the all-important summer period as well as the second half of FY2018, a period for which the Company currently have limited visibility.

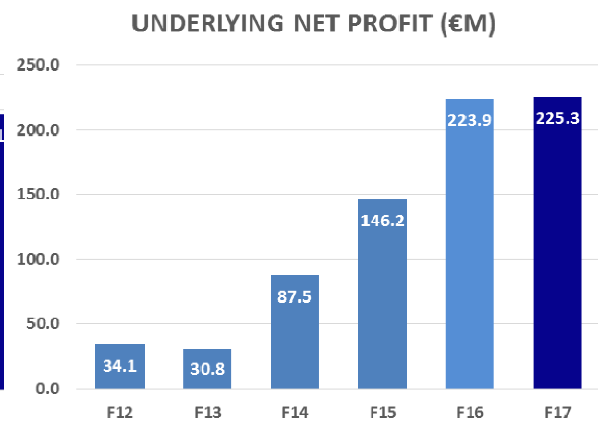
Full year guidance

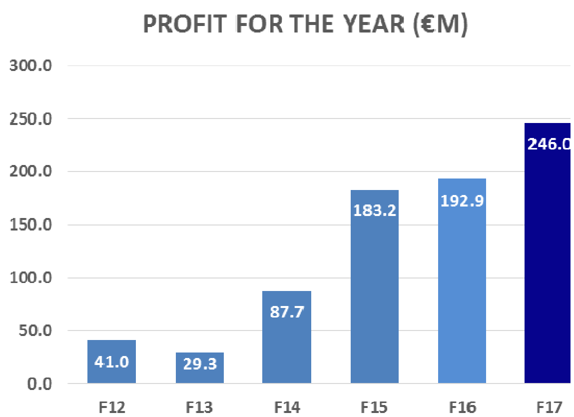
	2018 Financial Year	Comment
Capacity growth (ASKs)	23%	Throughout the financial year
Average stage length	Modest increase	-
Load Factor	+1%	-
Fuel CASK	+10%	Assumes spot price of $515/MT
Ex-fuel CASK	Broadly flat	Assumes $/€ 1.11
Total CASK	+3%	-
RASK	Low single digit increase	Stable fuel prices leading to stable fares
Tax rate	6%	-
Net profit	€250 - 270 million	-

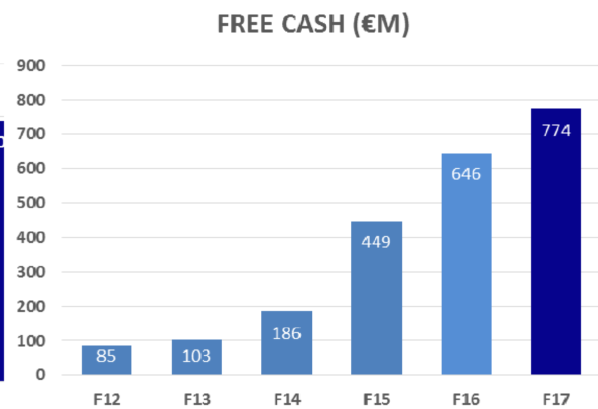
József Váradi
Chief Executive Officer
24 May 2017

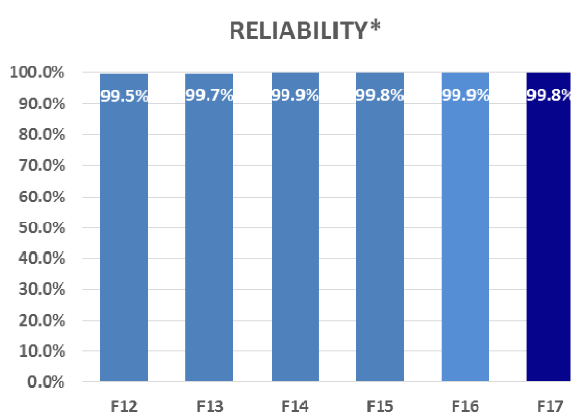
SELECTED STATISTICS

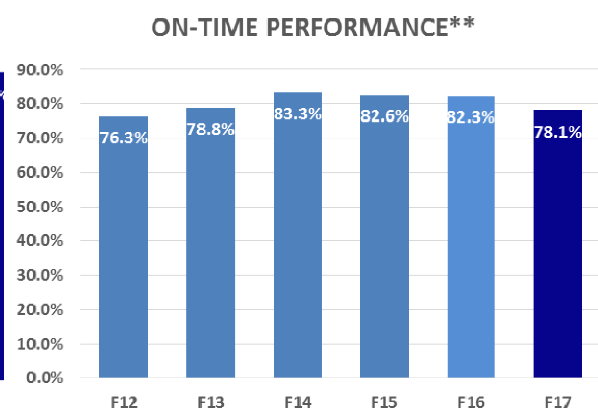


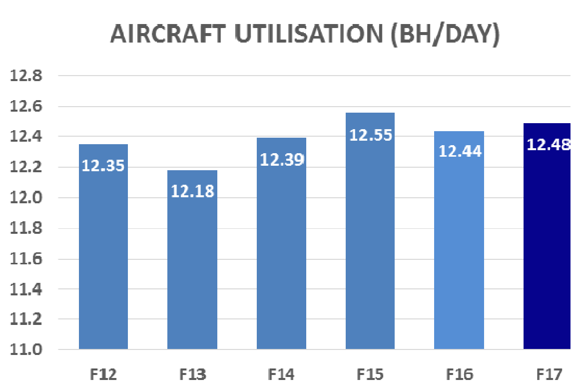


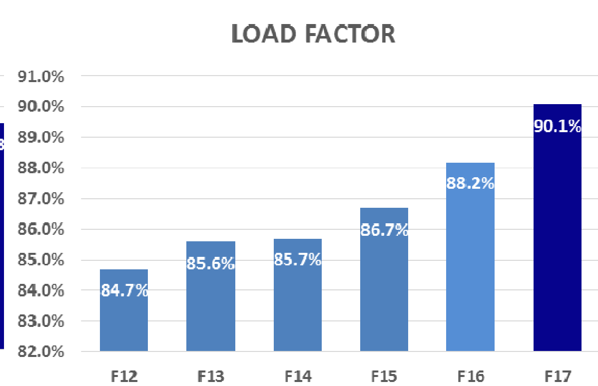










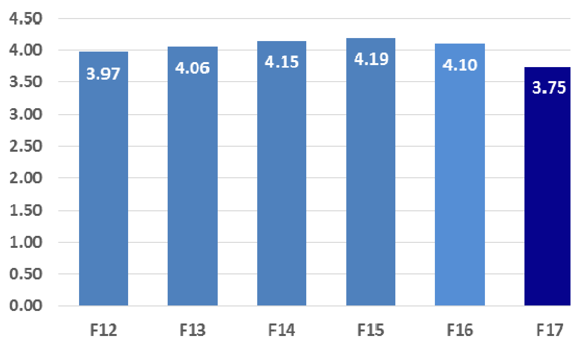


* Reliability = (1 - number of operational cancellations/number of revenue flight legs) x 100 per cent.

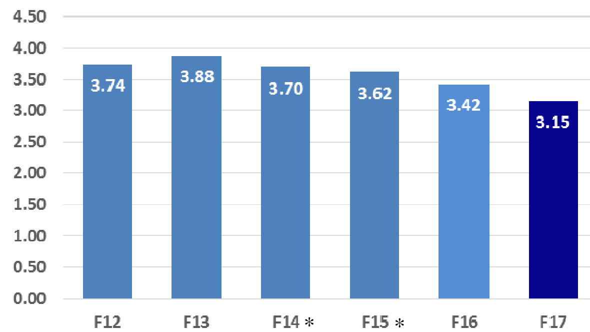
** On-time performance = (1 - number of delays > 15min/number of revenue flight legs) x 100 per cent. The decline in 2017 was due to the operating environment being more challenging than in the previous years, with unusually severe winter weather in CEE and with an increase in disruption caused by industrial action by various air traffic control and airport organisations.

SELECTED STATISTICS CONTINUED

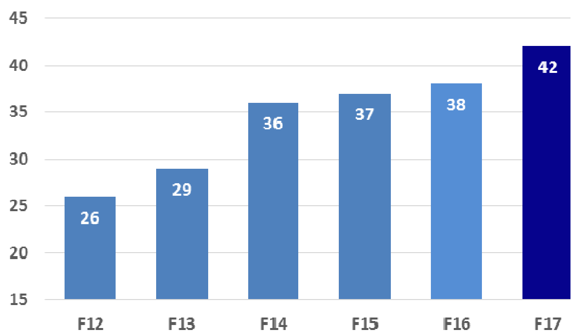
RASK (€C - AIRLINE)



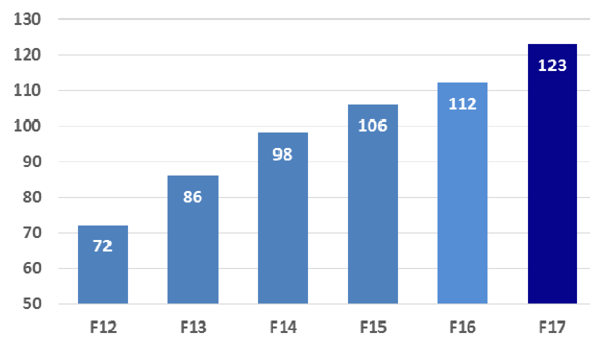
CASK (€C - AIRLINE)



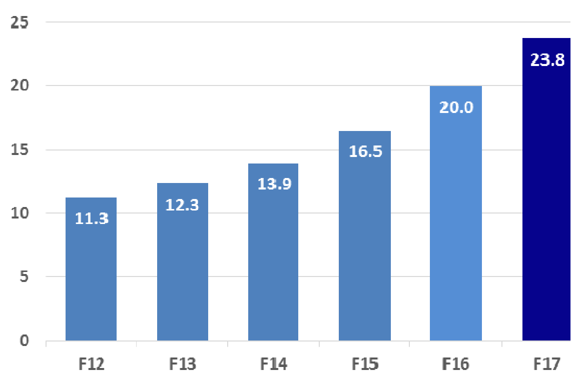
COUNTRIES SERVED



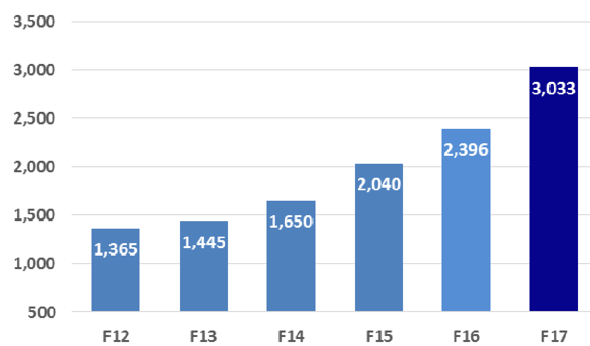
AIRPORTS SERVED AT YEAR END



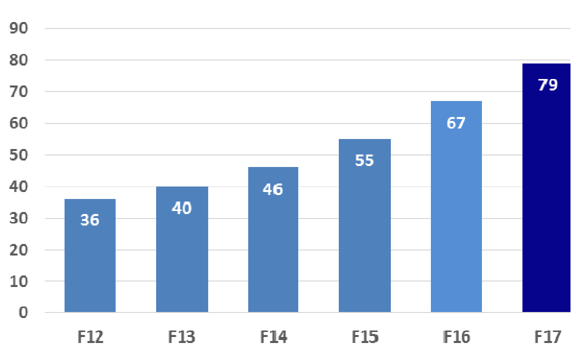
BOOKED PASSENGERS (MILLIONS)



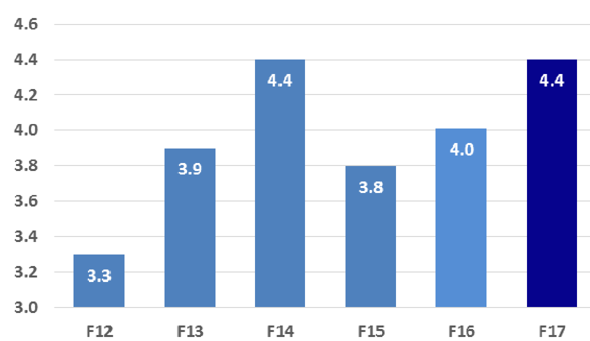
EMPLOYEES (AVERAGE)**



YEAR-END FLEET (AIRCRAFT)



AVERAGE FLEET AGE AT YEAR END



* F14 and F15 include exceptional item.

** Including rented pilots.

FINANCIAL REVIEW

During the 2017 financial year Wizz Air carried 23.8 million passengers, an 18.9 per cent. increase compared to the previous year. Revenue grew to €1,571.2 million, representing a 9.9 per cent. increase compared to the previous year. Wizz Air recorded a balanced capacity growth measured in terms of available seat kilometres (ASK) of 19.7 per cent. and seats of 16.4 per cent.

As indicated throughout the 2017 financial year, most airlines, including Wizz Air, added capacity in response to lower fuel prices. During the 2017 financial year Wizz Air collected ca. 20% of its revenues in British Pounds, which leading up to the UK referendum to leave the European Union and right after the actual vote has devalued significantly against the Euro. In addition the peculiarity of the 2017 financial year was that both Easter holidays of 2016 and 2017 calendar years fell outside of the 2017 financial year, resulting in related additional revenues materializing in the 2016 and 2018 financial years. The combined effect of the above mentioned events resulted in revenue per ASK decreasing by 8.5 per cent. in 2017 compared to the previous financial year.

Despite the UK's decision to leave the European Union ("Brexit"), there are no signs of demand weakness on routes to/from the UK. The negative translation effect on British pound revenues due to Brexit in the 2017 financial year is estimated at €17 million, which was partially offset by the positive translation effect on British pound costs. The Company continues to examine the terms on which Brexit might materialize, the potential implications of these to Wizz Air's business, and take actions that are considered necessary.

Unit costs further improved as lower fuel prices complemented by a healthy fuel hedging position resulted in fuel unit cost (per ASK) declining 21.9 per cent. This, combined with another strong performance on non-fuel cost, which declined 0.6 per cent., delivered a total unit cost decline of 7.8 per cent.

The profit for the year was €246.0 million and included a €20.7 million net gain from unrealised FX gains and exceptional items. These comprised unrealised foreign exchange gains of €1.9 million and a gain from the change in the time value of hedge positions of €14.3 million, and a €4.5 million net gain on fuel caps sold before expiry.

The income tax expense for the year was €9.8 million (2016: €8.5 million) giving an effective tax rate for the Group of 3.8 per cent. (2016: 4.2 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.

Underlying profit after tax increased by 0.6 per cent. to €225.3 million in 2017 from €223.9 million in 2016.

	2017	2016	Change
Average jet fuel price ($/metric ton, including into plane premium and hedge impact)	**553**	740	-25.2%
Average USD/EUR rate (including hedge impact)	**1.10**	1.20	-8.0%
Year-end USD/EUR rate	**1.07**	1.14	-6.1%

Group Financial overview

Summary statement of comprehensive income
€ million

Continuing operations	Airline 2017	Wizz Tours[1] 2017	Consolidation adjustment	Group 2017	Group 2016	Change in Group results
Passenger ticket revenue	**909.3**	**6.3**		**915.5**	894.9	**2.3%**
Ancillary revenue	**652.7**	**11.8**	**(8.9)**	**655.7**	534.2	**22.7%**
Total revenue	**1,562.0**	**18.1**	**(8.9)**	**1,571.2**	1,429.1	**9.9%**
Staff costs	**112.6**	**0.3**		**112.9**	101.4	**11.3%**
Fuel costs	**375.2**			**375.2**	401.5	**(6.6)%**
Distribution and marketing	**27.0**	**0.9**		**27.9**	23.5	**18.7%**
Maintenance materials and repairs	**74.7**			**74.7**	77.5	**(3.6)%**
Aircraft rentals	**233.9**			**233.9**	176.2	**32.8%**
Airport, handling and en-route charges	**390.0**			**390.0**	343.1	**13.7%**
Depreciation and amortisation	**57.5**			**57.6**	28.8	**100.0%**
Other expenses	**43.6**	**17.8**	**(8.9)**	**52.4**	41.7	**25.7%**
Total operating expenses	**1,314.5**	**18.9**	**(8.9)**	**1,324.5**	1,193.6	**11.0%**
Operating profit	**247.4**	**(0.8)**		**246.7**	235.5	**4.8%**
Financial income	**0.6**			**0.6**	2.0	
Financial expenses	**(13.0)**			**(13.0)**	(8.0)	
Net foreign exchange gain/(loss)	**2.6**			**2.6**	(11.8)	
Net exceptional financial income/(expense)	**18.8**			**18.8**	(16.3)	
Net financing income/(expense)	**9.0**			**9.1**	(34.1)	
Profit before income tax	**256.4**	**(0.9)**		**255.8**	201.4	**27.0%**
Income tax expense	**(9.8)**			**(9.8)**	(8.5)	
Profit for the year	**246.7**	**(0.9)**		**246.0**	192.9	**27.5%**

Adjusted performance measures (Note 9) € million	Profit for the year 2017	2016
Statutory (IFRS) profit	**246.0**	192.9
Exceptional items (Note 9):		
Net gain on fuel caps sold before expiry	**(4.5)**	-
Realised FX gain on conversion of deposits	**-**	(8.7)
(Gain)/loss from change in time value of hedges	**(14.3)**	25.0
Total exceptional adjustments	**(18.8)**	16.3
Unrealised foreign exchange (gains)/losses (Note 10)	**(1.9)**	14.7
Underlying profit	**225.3**	223.9
Underlying profit margin	***14.3%***	*15.7%*

Earnings per share

Earnings per share (Note 12)	2017	2016
Basic earnings per share, EUR	**4.30**	3.62
Diluted earnings per share (statutory), EUR	**1.95**	1.54
Proforma earnings per share (underlying), EUR	**1.79**	1.78
Proforma earnings per share (underlying), GBP*	**1.53**	1.41

* Translated from EUR to GBP at 1.164 for 2017 (rate applicable at 31 March 2017) and at 1.263 for 2016 (rate applicable at 31 March 2016).

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:

- for earnings the underlying profit for the year is used, as opposed to the statutory (IFRS) profit for the year; and
- for the fully diluted number of shares the year-end position was taken rather than the weighted average for the year.

[1] Starting from the 2017 financial year the Company introduced separate reporting for its airline and tour operator business units. Where a measure is reported for a business unit as opposed to the Group as a whole then this fact is explicitly stated. All other measures and statements relate to the Group as a whole. See also Note 5 to the financial statements.

Return on capital employed and capital structure

ROCE** is a non-statutory performance measure commonly used to measure the financial returns that a business achieves on the capital it uses. ROCE for the 2017 financial year was 17.6 per cent., a decrease of 4.8 percentage points compared to the previous year driven by varying level of growth in 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 1.7 from 1.4 at the end of the 2017 financial year.

The year-on-year comparisons of ROCE and leverage were negatively impacted by the translation effect of the stronger US Dollar compared to last year as capitalised US dollar aircraft leases are translated into a higher Euro value.

Liquidity, defined as cash and equivalents as a percentage of the last twelve months' revenue, rose from 45.2 per cent. at the end of the 2016 financial year to 49.3 per cent. a year later.

	2017	2016	Change
ROCE**	**17.6%**	22.4%	(4.8) ppts
Leverage	**1.7**	1.4	0.3 pts
Liquidity	**49.3%**	45.2%	4.1 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

Starting from 2017, revenues and operating expenses are analysed by business segment, compared to the same measures for the 2016 financial year. In the 2016 Annual Report these analyses were done for the Group as a whole. Therefore revenues, certain expenses, and certain KPIs for 2016 (for the Airline) are different in this report from the corresponding numbers presented in the 2016 report (for the Group). The remaining measures (financial income and expenses, taxation, other comprehensive income and expense) are continued to be analysed for the Group, as the share of the tour operator business unit is immaterial or nil in these measures.

Airline revenue

The following table sets out an overview of Wizz Air's revenue items for 2017 and 2016 and the percentage change in those items:

	2017		2016		
	Total (€ million)	**Percentage of total revenue**	Total (€ million)	Percentage of total revenue	Percentage change
Passenger ticket revenue	**909.3**	**58.2%**	893.5	62.6%	1.8%
Ancillary revenue	**652.7**	**41.8%**	533.8	37.4%	22.3%
Total revenue	**1,562.0**	**100%**	1,427.4	100%	9.4%

The decline in RASK by 8.5 per cent. was the main driver for passenger ticket revenue increasing by only 1.8 per cent. to €909.3 million, while ancillary (or "non-ticket") revenue increased by 22.3 per cent. to €652.7 million.

Average revenue per passenger decreased from €71.4 in 2016 to €65.7 in 2017, a decrease of 8.0 per cent which helped stimulate more passenger volumes. Average passenger ticket revenue per passenger declined from €44.7 in 2016 to €38.3 (-14.4 per cent.), while average ancillary revenue per passenger increased from €26.7 in 2016 to €27.5 in 2017, an increase of €0.8 per passenger or 2.8 per cent. This slight decrease in average revenue per passenger was due to:

- a decrease in average passenger ticket revenue per passenger in 2017 compared to 2016, which was the result of lower input prices feeding into lower fares even though load factors increased by 1.9 percentage points to 90.1%; and
- the combined impact of the modification of certain products, the introduction of new services ('Go Fare'), and the adaptation of customers to some of the longer standing products such as allocated seating and different checked-in luggage sizes.

Airline operating expenses

Total airline operating expenses increased by 10.3 per cent. to €1,314.5 million in 2017 from €1,191.2 million in 2016. Airline CASK declined by 7.8 per cent. to 3.15 Euro cents in 2017 from 3.42 Euro cents in 2016. This reduction in CASK was principally driven by a reduction in the average fuel price and continued improvement of the airport mix. CASK excluding fuel expenses decreased to 2.25 Euro cents in 2017 from 2.27 Euro cents in 2016 driven by the combined effect of further improvement of major cost items (maintenance, airport, handling and en-route charges) set off by increasing aircraft rentals.

Financial performance continued

Airline operating expenses continued

The following table sets out the airline operating expenses for 2017 and 2016 and the percentage changes in those items:

	2017		2016		
	Total (€ million)	Percentage of total operating expenses	Total (€ million)	Percentage of total operating expenses	Percentage change
Staff costs	**112.6**	**8.6%**	102.1	8.6%	10.3%
Fuel costs	**375.2**	**28.5%**	401.5	33.7%	(6.6)%
Distribution and marketing	**27.0**	**2.1%**	23.3	2.0%	16.0%
Maintenance, materials and repairs	**74.7**	**5.7%**	77.5	6.5%	(3.6)%
Aircraft rentals	**233.9**	**17.8%**	176.2	14.8%	32.8%
Airport, handling and en-route charges	**390.0**	**29.7%**	343.1	28.8%	13.7%
Depreciation and amortisation	**57.5**	**4.4%**	28.8	2.4%	99.9%
Other expenses	**43.6**	**3.3%**	38.8	3.3%	12.3%
Total operating expenses	**1,314.5**	**100%**	1,191.2	100%	10.3%

Staff costs increased by 10.3 per cent. to €112.6 million in 2017, up from €102.1 million in 2016. The increase in overall staff costs reflected a 15.7 per cent. rise in aircraft block hours and reduced bonus payments made compared to the previous year as certain profitability targets were not reached.

Fuel expenses decreased by 6.6 per cent. to €375.2 million in 2017, down from €401.5 million in 2016. Although there was an increase of 19.7 per cent. growth in ASKs, and an 8.0 per cent. appreciation of the US Dollar against the Euro after hedging (moving from an average 1.20 rate in 2016 to 1.10 in 2017), it has been offset by a 1.6 per cent. reduction in fuel consumption per block hour and a 25.2 per cent. decline in the average fuel price (after hedging). The average fuel price (including hedging impact and into-plane premium) paid by Wizz Air in 2017 was US$553 per ton, a decline of 25.2 per cent. from the previous year's figure of US$740 per ton.

Distribution and marketing costs rose 16.0 per cent. to €27.0 million in 2017 from €23.3 million in 2016. This increase is modestly lower than the passenger growth of 18.9 per cent. during the same period.

Maintenance, materials and repair costs decreased by 3.6 per cent. to €74.7 million in 2017 from €77.5 million in 2016. This cost decrease was the combined result of several renegotiated maintenance contracts with third party providers and the timing of certain maintenance events.

Aircraft rental costs increased 32.8 per cent. to €233.9 million in 2017, from €176.2 million in 2016. This increase was largely due to fleet growth (equivalent aircraft expanded by 15.3 per cent.), an increasing average lease rate due to the A321 aircraft joining the fleet and the appreciation of the US Dollar to the Euro which was 8.0 per cent. stronger than the previous year (after hedging impact).

Airport, handling and en-route charges increased by 13.7 per cent. to €390.0 million in 2017 from €343.1 million in 2016. This category comprised €224.2 million of airport and handling fees and €165.8 million of en-route and navigation charges in 2017 and €193.9 million of airport and handling fees and €149.3 million of en-route and navigation charges in 2016. The cost increase was primarily due to a 12.9 per cent. increase in the number of flights, and an 18.9 per cent. rise in passenger numbers.

Depreciation and amortisation charges increased by 99.9 per cent. to €57.5 million in 2017, up from €28.8 million in 2016 as the airline is preparing to return older leased aircraft back to lessors and engine maintenance programs are required. See Note 13 to the financial statements for more details.

Other expenses increased by 12.3 per cent. to €43.6 million in 2017 from €38.8 million in 2016. Other expenses include cancellation and delay related costs of €12.2 million, an increase of 92.5 per cent year-on-year. The European airline industry is experiencing a significant increase in customer compensation costs – to levels that the Company believes is disproportionate to the Company's very low fares, especially as the Company only cancelled 214 flights out of a total of 141,698 flights in the financial year. With the exception of cancellation and delay related costs the Company delivered a strong cost performance on all other areas in this line item.

Airline operating profit

As a result of the foregoing factors, the Airline made an operating profit in respect of its airlines operations of €247.4 million in 2017, a 4.8 per cent. increase from the operating profit of €236.1 million made in 2016.

Wizz Tours

Wizz Tours generates revenue by selling package holidays made up of flight tickets purchased from the airline and hotel accommodation purchased from wholesalers (bedbanks). Revenue grew by 364.1 per cent. in the 2017 financial year to €18.1 million from €3.9 million in 2016 financial year. Operating costs in the same period increased from €4.5 million to €18.9 million.

Financial performance continued

Net financing income and expense

The Group's net financing income resulted in a net gain of €9.1 million in 2017 after an expense of €34.1 million in 2016. This significant change was driven primarily by the change in the time value of hedges, with the net impact of all other items being limited, as shown in the table below:

€ million	**2017**	2016	Change
Net FX-related impacts (including exceptional item in 2016)	**2.6**	(3.1)	5.7
Change in time value of hedges (exceptional)	**14.3**	(25.0)	39.3
Fuel cap impacts (including exceptional item in 2017)	**(4.5)**	(5.3)	(0.9)
All other financial income and expenses, net (recurring)	**(3.3)**	(0.7)	(2.7)
Net financing income and expense*	**9.1**	(34.1)	43.2

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

Changes in the time value of hedges, as accounted for under IAS 39, resulted in significant gains and losses in the two years, respectively. Such changes will stop impacting earnings from the 2018 financial year as the Group adopted IFRS 9 from 1 April 2017.

Fuel caps impacted the two years similarly, after taking into account for 2017 the one-off impacts of the closure of caps in September 2016. By that date all caps expired or were sold, so there will be no further impacts from these instruments in future years.

The remaining recurring items had relatively limited impacts. The €2.7 million higher net financial income and expenses in 2017 was caused by (i) the lower interest yield environment; (ii) some gains in 2016 coming from ineffective fuel hedges; and (iii) the net impact of discounting long-term financial assets.

Taxation

The Group recorded an income tax expense of €9.8 million in 2017, slightly higher than the €8.5 million in 2016. The effective tax rate for the Group was 3.8 per cent. in 2017 and 4.2 per cent. in 2016. The reduction in the effective tax rate reflects the impact of Hungarian local taxes, the tax base of which is different from the corporate tax base – particularly given that financial income and expenses are not in the scope of these taxes.

Profit for the year

As a result of the foregoing factors, the Group generated an IFRS profit for 2017 of €246.0 million, a 27.5 per cent. increase from the profit of €192.9 million in 2016.

Other comprehensive income and expense

In 2017 the Group had other comprehensive income of €15.5 million compared to €33.2 million in 2016. This change was driven by the movements in the balance of the cash flow hedging reserve (in equity) in the two years. This situation arises when, based on the spot prices at year end there is an overall more favourable position on the Group's open hedge instruments than a year before.

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 2017 and 2016:

€ million	**2017**	2016	Change
Net cash generated by operating activities	**310.9**	288.9	22.0
Net cash used in investing activities	**(179.7)**	(90.6)	(89.1)
Net cash used in financing activities	**(1.8)**	(1.7)	(0.1)
Effect of exchange rate fluctuations on cash and cash equivalents	**(1.0)**	0.5	(1.5)
Cash and cash equivalents at the end of the year	**774.0**	645.6	128.5

Cash flows and financial position continued

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.

Operating cash flows improved from €288.9 million in 2016 to €310.9 million in 2017 primarily due to the following factors:

- Profit before tax and depreciation: Profit before tax in 2017 was €54.4 million higher than in 2016. However, this increase in the profits was almost exclusively due to the impacts from financial income and expense items that are non-cash. (It is for similar reasons that on an 'underlying' basis there was only a small increase in profits from 2016 to 2017, as shown earlier.) On the other hand, depreciation and amortisation expenses were €28.8 million higher in 2017 – this almost alone explains the €29.0 million increase in operating cash flows before adjusting for changes in working capital.
- Changes in working capital: The movements in working capital items helped the 2016 operating cash flows by €20.7 million, while the same impact was only €14.1 million for 2017. This is a relatively small difference between the two years when compared to the absolute size of the respective asset and liability balances. There are two differences between the two years that are worth noting as contributors: (i) the restricted cash balance increased by €20.8 million more during 2017 than in 2016; and (ii) the trade and other payables balance increased by €25.2 million less during 2017 than in 2016 (primarily because the increase in 2016 was particularly high).

Cash flow from investing activities

Net cash used in investing activities increased by €89.1 million from a net cash outflow of €90.6 million in 2016 to a net cash outflow of €179.7 million in 2017. There are three contributors to the higher investments in 2017:

- Aircraft maintenance assets: There was €35.0 million more invested into aircraft maintenance assets in 2017 than in 2016, caused primarily by the increase in the number of engine LLP replacements performed in the year (there was one such event in 2016 and nine in 2017).
- Purchases of tangible assets: The Group invested €25.7 million more into tangible assets in 2017 than in 2016 due primarily to more spare engines being purchased.
- Advances paid for aircraft (pre delivery payments, 'PDP'): The net PDP flows (payments paid to Airbus less refunds received) required €28.3 million more cash investment in 2017 than in 2016.

Cash flow from financing activities

Net cash used in financing activities were immaterial and increased by only €0.1 million to a €1.8 million outflow in 2017 from a €1.7 million outflow in 2016.

Summary statement of balance sheet

The following table sets out summary statements of financial position of the Group for 2017 and 2016:

€ million	**2017**	2016	Change
ASSETS			
Property, plant and equipment	**505.7**	353.6	152.1
Restricted cash*	**155.8**	101.6	54.2
Derivative financial instruments*	**10.1**	1.7	8.4
Trade and other receivables*	**208.7**	197.7	11.0
Cash and cash equivalents	**774.0**	645.6	128.4
Other assets*	**42.1**	31.7	10.4
Total assets	**1,696.3**	1,331.8	364.5
EQUITY AND LIABILITIES			
Equity			
Equity	**952.5**	688.8	263.7
Liabilities			
Trade and other payables	**197.7**	177.3	20.4
Convertible debt and other borrowings*	**33.0**	33.6	(0.6)
Deferred income*	**388.8**	321.6	67.2
Derivative financial instruments*	**1.8**	17.6	(15.8)
Provisions*	**113.7**	84.9	28.8
Other liabilities*	**8.9**	8.1	0.8
Total liabilities	**743.8**	643.1	100.7
Total equity and liabilities	**1,696.3**	1,331.8	364.5

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

Summary statement of balance sheet continued

Property, plant and equipment increased by €152.1 million as at 31 March 2017 compared to 31 March 2016 (see Note 13 to the financial statements). This was driven by investments in all the important fixed asset categories, as follows: (i) the gross book value of aircraft maintenance assets (including advances paid for these assets) increased by €87.7 million, mainly due to more engines being out of condition under the respective lease contract at the end of 2017 than a year before; (ii) PDPs increased by €64.0 million due to the growing number of aircraft deliveries and their respective payments as well as the relatively higher PDP of the A321ceo compared to the A320ceo; and (iii) investment into aircraft parts in the amount of €37.3 million, with most of this related to the delivery of several spare engines during the year.

Restricted cash (current and non-current) increased by €54.2 million as at 31 March 2017 compared to 31 March 2016. 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 instruments (current and non-current) increased by €8.4 million as at 31 March 2017 compared to 31 March 2016 (see Notes 3 and 20 to the financial statements). The receivable from open hedge instruments at the end of 2016 was close to nil (rather there were payable positions, see below), but at the end of 2017 there were few million Euro receivables both on the open foreign exchange and fuel hedges. .

Trade and other receivables (current and non-current) increased by €11.0 million as at 31 March 2017 compared to 31 March 2016 (see Note 18 to the financial statements).

Cash and cash equivalents increased by €128.4 million as at 31 March 2017 compared to 31 March 2016. This change is explained in detail in the cash flow analysis above.

Trade and other payables increased by €20.4 million as at 31 March 2017 compared to 31 March 2016. This rate of increase is broadly consistent with rate of increase for the Group’s business during the year.

Deferred income (current and non-current) increased by €67.2 million as at 31 March 2017 compared to 31 March 2016 (see Note 26 to the financial statements). This was driven primarily by the increase in unflown revenues (€52.3 million), itself primarily due to the increase in offered seat capacity, and to a smaller extent by the concessions received from aircraft and component manufacturers during the year.

Derivative financial liabilities (current and non-current) decreased by €15.8 million as at 31 March 2017 compared to 31 March 2016 (see Notes 3 and 20 to the financial statements). At the end of 2016 the Group had primarily payable positions (and only very small receivables) in relation to its open foreign exchange and fuel hedge instruments, but this situation reversed by the end of 2017 (having primarily receivables on both foreign exchange and fuel, with only very small fuel-related payables).

Provisions (current and non-current) increased by €28.8 million as at 31 March 2017 compared to 31 March 2016 (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 2017

KEY STATISTICS

	2017	2016	Change*
CAPACITY			
Number of aircraft at end of period	**79**	67	17.9%
Equivalent aircraft	**72.13**	62.57	15.3%
Utilisation (block hours per aircraft per day)	**12.48**	12.44	0.4%
Total block hours	**329,592**	284,894	15.7%
Total flight hours	**286,188**	246,930	15.9%
Revenue departures	**141,698**	125,501	12.9%
Average departures per day per aircraft	**5.37**	5.48	(2.1)%
Seat capacity	**26,378,840**	22,654,100	16.4%
Average aircraft stage length (km)	**1,582**	1,538	2.8%
Total ASKs ('000 km)	**41,690,967**	34,844,016	19.7%
OPERATING DATA			
RPKs (revenue passenger kilometre) ('000 km)	**37,627,831**	30,786,117	22.2%
Load factor (%)	**90.1**	88.2	1.9ppt
Number of passenger segments	**23,764,385**	19,981,377	18.9%
Fuel price (US$ per ton, including hedging impact and into-plane premium)	**553**	740	(25.2)%
Foreign exchange rate (US$/€ including hedging impact)	**1.10**	1.20	(8.0)%
FINANCIAL MEASURES (for the Airline only)**			
Yield (revenue per RPK, € cents)	**4.15**	4.64	(10.5)%
Average revenue per seat (€)	**59.21**	63.01	(6.0)%
Average revenue per passenger (€)	**65.73**	71.43	(8.0)%
RASK (€ cents)	**3.75**	4.10	(8.5)%
CASK (€ cents)	**3.15**	3.42	(7.8)%
Ex-fuel CASK (€ cents)	**2.25**	2.27	(0.6)%

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

** These measures in the 2016 Annual Report were presented for the Group as a whole.

Glossary of technical terms

Available seat kilometres (ASK): available seat kilometres, the number of seats available for scheduled passengers multiplied by the number of kilometres those seats were flown.

Block hours: each hour from the moment an aircraft's brakes are released at the departure airport's parking place for the purpose of starting a flight until the moment the aircraft's brakes are applied at the arrival airport's parking place.

CASK: operating cost per ASK.

EBITDAR: profit (or loss) before net financing costs (or gain), income tax expense (or credit), depreciation, amortisation and aircraft rentals.

Equivalent aircraft: the number of aircraft available to Wizz Air in a particular period, reduced on a per aircraft basis to reflect any proportion of the relevant period that an aircraft has been unavailable.

Ex-fuel CASK: operating cost net of fuel expenses per ASK.

Flight hours: each hour from the moment the aircraft takes off from the runway for the purposes of flight until the moment the aircraft lands at the runway of the arrival airport.

Leverage: net debt adjusted to include capitalised operating lease obligations divided by earnings before interest, tax, depreciation, amortisation and aircraft rentals.

Load factor: the number of seats sold divided by the number of seats available.

PDP: the pre-delivery payments under the Group's aircraft purchase arrangements.

Utilisation: the total block hours for a period divided by the total number of aircraft in the fleet during the period and the number of days in the relevant period.

Revenue passenger kilometres (RPK): revenue passenger kilometres, the number of seat kilometres flown by passengers who paid for their tickets.

RASK: passenger revenue divided by ASK.

Yield: the total revenue per RPK.

PRINCIPAL RISKS AND UNCERTAINTIES

Wizz Air operates in a dynamic, fast-paced and competitive industry. The Company's success to date reflects not only its ability to identify and capitalise upon opportunities, but also its ability to react and deal effectively with risks and challenges. The aviation industry is one where reputations and businesses can be lost quickly if a risk is not anticipated and dealt with effectively and the Company is committed to ensuring that it employs best practice in order to identify and mitigate risks as best it can.

This section of the annual 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 by the Head of Internal Audit 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.

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, recognised that as the Company continues to grow quickly, a more structured process of risk management was required.

Some areas of the Company's business have always had 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, however, a comprehensive enterprise risk management (ERM) process appropriate for the Company's business was developed and implemented by management during the course of the 2017 financial year, working with Ernst & Young and overseen by the Audit Committee.

Following the completion and implementation of the ERM process, the Company has a more robust process in place to review and monitor both existing and new risks that may arise. In order to ensure that the principles and methodology underpinning the ERM process and the ERM manual enjoyed a common understanding throughout the Company, a comprehensive and practical training programme was rolled out across the Company from senior management down, with the actual training being tailored to each colleague's position in the risk management process. A formal internal Risk Council was established, involving the Company's senior management team and a number of other senior employees on a regular basis, to consider and update the risks identified in the risk universe. The new ERM methodology was then used to assess these various risks with the relevant risk owners on either a quantitative or qualitative basis, as appropriate. The outcome of the ERM methodology employed for each risk leads to a decision as to whether to transfer, avoid, reduce or accept the particular risk. The resulting principal risk report was then reviewed with the Audit Committee and presented to the Board. The principal risk report will be comprehensively reviewed by the Risk Council at least every quarter and will form the basis of regular, specific risk reports to the Audit Committee, with any changes to the principal risk report and emerging risks being highlighted. 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 has, 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.

Our risk management process continued

The Board also reviewed the effectiveness of the risk management and internal control systems of the Company. The following action points were defined and implemented: (i) a more formal communication and reporting line between the Chairman of the Audit Committee and the Head of Internal Audit was set-up; and (ii) in order to give more time for the proper review of the outcome of internal audits and to follow-up on any issues raised, additional meetings of the Committee are being held during the year focusing on internal audit matters.

The new ERM system 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.

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 the default of a partner financial institution, 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;
- regulatory risk, ensuring that we remain compliant with regulations affecting our business and operations;
- operations, including safety events and terrorist incidents; and
- human resources, ensuring we are able to recruit the right number of colleagues of the right quality to continue to grow or, once recruited, that they remain sufficiently engaged and motivated and ensuring that the Company has appropriate succession management for key colleagues in place.

Information technology and cyber risk

Wizz Air is, primarily, an e-business. During the 2017 financial year, 95 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. The Company has employed business continuity processes since its beginning and our existing processes and procedures ensure that key staff can be relocated to an alternative location should our normal offices become unusable. As a project for the 2018 financial year, these business continuity processes will be comprehensively reviewed and, where necessary, updated to ensure that they remain appropriate and sufficient for the Company's continued growth.

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 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. Cyber security is a constantly evolving challenge and one of the key issues related to cyber security is our colleagues' awareness of the risk and of the possible ways in which our business could be attacked and, therefore, a comprehensive and compulsory e-learning training course for all colleagues has been implemented. Our in-house IT security department will continue to review emerging threats and the Board will be kept up to date on the actions being taken by the Company to safeguard its systems. More generally, protection of both our own and our customers' data remains a key issue. The Company is preparing itself for the implementation of the General Data Protection Regulation in May 2018 through a cross-functional working group which will review the Company's existing, comprehensive data protection processes and policies. The Board will be kept updated on the Company's preparations for this step change in the Company's data protection obligations.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risks relating to the Group continued

External risks

We are a truly international business and, while we report in Euros, we transact in 20 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. In addition and recognising the importance of the Pound Sterling as accounting for around 20 per cent. of the Company's total revenues, the Company's Board-approved hedging policy was amended during the course of the 2017 financial year to allow for the possibility of hedging Pound Sterling against the Euro. In all cases, hedging transactions are subject to the approval of the Audit Committee.

Fuel accounted for 28.3 per cent. of our total Group operating cost in the 2017 financial year. 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.

In the past few years, Wizz Air has seen its cash reserves increase considerably. We believe that a strong cash position is a vital foundation for the Company's continued, aggressive growth and ability to deal with and/or take advantage of competitive situations when they arise. However, the security of our cash and the financial strength of our hedging counterparties is something that we actively manage. In particular, all of the Company's cash is invested in accordance with a Board-approved counterparty risk policy which assigns certain investment limits for each counterparty based upon its credit rating.

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. 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 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.

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. As with all airlines in Europe, the outcome of the Brexit vote has created significant uncertainty for our business. While demand on our routes to and from the United Kingdom has not weakened, the weakness of the Pound Sterling following the Brexit vote has adversely affected the Euro value of the revenue. However, the most critical issue facing the Company and all European airlines is the lack of clarity on how the Brexit negotiations will affect access to the liberalised market between the United Kingdom and the rest of the European Union. Wizz Air firmly believes that the liberalised air market has significant benefits for both the United Kingdom and the European Union and urges all parties to settle as a matter of priority on the continuation of access to the liberalised market. However, whatever the outcome and while we continue to 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 should our UK business be adversely affected.

Risks relating to the Group continued

Product development

We do not just compete for customers, we compete for access to infrastructure too. Wizz Air enjoys high growth – 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 which manufacturers are able to deliver. And the emphasis here is on new aircraft – we currently operate one of the youngest fleets in Europe, with an average age of 4.4 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 2017 comprised a further 23 Airbus A320ceo-family aircraft, split into eight A320ceo and 15 A321ceo deliveries, 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. We have selected Pratt & Whitney's geared turbofan engine to power our A321neo deliveries. However, there have been a number of operational issues connected with the introduction of the geared turbofan engine. This is always a risk with groundbreaking new technology but the advantage is that, once solved, the new technology offers a step change in efficiency and the prospect of development and optimisation in the years ahead. While we remain confident in our selection of the geared turbofan engine, we are in constant dialogue with Pratt & Whitney to ensure that we have sufficient capacity to deliver our planned 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 fully committed sale and leaseback financing. 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.

Regulatory risks

Ensuring compliance. Even in a liberalised air traffic right environment, aviation remains a highly regulated industry. Wizz Air relies on an air operator's certificate (AOC) and operating licence issued by Hungary in order to exercise the right to operate air services both within Europe and to and from countries with which Europe has liberalised air traffic agreements. The AOC requires the Company to be majority owned and effectively controlled by qualifying nationals, which currently means nationals of the European Economic Area and Switzerland. If the Company ceases to be majority owned and effectively controlled by qualifying nationals, then its AOC and operating licence – and, so, its right to operate its business – could be at risk. The Company therefore closely monitors the nationality of its Shareholders. The Board has set a limit (permitted maximum) of 49% of its issued Ordinary Shares for ownership by non-qualifying nationals and the Board has the power to take action in relation to non-qualifying Shareholder shareholdings to protect the Company's AOC and operating licence. During the course of the 2017 financial year, the Board exercised some of these powers, placing a temporary ban on the further acquisition of Ordinary Shares by non-qualifying Shareholders to stop the permitted maximum being exceeded. The Board receives a report at each Board meeting of the level of share ownership by non-qualifying nationals.

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

Risks relating to the Group continued

Operational risks continued

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. In July 2016, Wizz Air achieved registration under the International Air Transport Association's Operational Safety Audit (IOSA). The IOSA programme is the worldwide standard in airline safety evaluation and assesses an airline's safety management and control systems and processes.

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 at least annually. Following on from last year's online and in-person employee feedback programme, follow-up surveys relating to a number of matters that arose were conducted with our colleagues from Flight Operations and Cabin Operations and a number of improvement actions were implemented.
- 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. Succession of key personnel is a matter which we take extremely seriously and we shall continue to develop our succession planning processes to ensure that we have colleagues of the right calibre to lead the Company in the future.

This Strategic report has been signed off on behalf of the Board by

József Váradi
Chief Executive Officer
24 May 2017

GOVERNANCE

CORPORATE GOVERNANCE REPORT

A COMPANY COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE

Chairman's statement on corporate governance

Wizz Air is a company which continues to grow at a market-leading rate. Wizz Air's Directors recognise the trust that investors have placed in the Company's business and continue to ensure high standards of corporate governance.

Continuing the Board's development to reflect the Company's standing as a FTSE 250 company, I was delighted to welcome Wioletta Rosołowska as an additional Non-Executive Director shortly before the Company's annual general meeting, with effect from 1 June 2016. Wioletta brings to the Board extremely relevant, extensive Central and Eastern European consumer and marketing experience gained during her ongoing, successful executive career.

As I reported in last year's annual report, the Directors participated in a performance evaluation of the Board, its Committees and individual Directors and a number of actions were implemented as a result. For example, Directors were given the opportunity to spend a number of days visiting the Company's office in Budapest as well as its base in Warsaw to speak with management and employees, as well as experience a number of areas of the Company's business from crew training to ramp handling. The Board also has a renewed focus on the Company's strategy, essential as the business continues to grow rapidly, with the existing aircraft orders projecting an airline of at least 150 aircraft by the end of 2024. The Board will repeat the performance evaluation with reference to the financial year ended 31 March 2017 through an internally facilitated process to ensure that actions arising from the previous evaluation were implemented appropriately and to ensure that processes continue to develop to support the Company's growth in the future.

One key example of the continuous review and development of processes is the development of a more structured enterprise risk management system, which has now been completed and the results presented to the Board. The Company's Audit Committee and management worked with Ernst & Young to implement this enterprise risk management system, with the participation of a newly created Risk Council involving the Company's Chief Executive Officer, all other officers and a number of heads of functions. The enterprise risk management system has been embedded in the Company's culture through comprehensive training at all management levels and ongoing training will ensure that the principles continue to be applied in the Company's risk management processes and as the Company encounters and deals with new issues in the future.

Trading in the Company's shares over the financial year ended 31 March 2017 resulted in a number of changes in the Company's shareholders. Following an increase in the shareholdings of a number of shareholders who were not Qualifying Nationals, as defined in the Company's Articles of Association, the Board took certain measures to ensure that the aggregate of those shareholdings did not exceed the Permitted Maximum, also as defined in the Company's Articles of Association. Those measures have now been removed, although the Company continues to monitor closely such shareholdings on a regular basis. This demonstrates that, where required, the Board is prepared to take decisive action to ensure the protection of the Company's interests and ongoing compliance with regulatory requirements.

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 and in a manner which is appropriate for the Company's continued fast rate of growth.

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 (April 2016) during the 2018 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 50 to 54, 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 the financial year ended 31 March 2017, complied with the Corporate Governance Code (September 2014), save as set out above.

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 2017, the Company had been notified pursuant to DTR 5 of the Financial Conduct Authority's Disclosure Rules and Transparency Rules (DTRs) that the following Shareholders held more than 3 per cent. of the Company's issued Ordinary Shares:

Shareholder	Reported shareholding	Reported number of shares
Indigo Hungary LP	14.49 per cent.	8,245,590
FMR LLC	9.97 per cent.	5,713,122
Indigo Maple Hill LP	4.38 per cent.	2,495,043
Váradi, J.J.	3.52 per cent.	2,020,500
AGTA Invest Co. Ltd	3.75 per cent.	1,962,208

As at 23 May 2017, 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 2017.

Changes in interests that have been notified to the Company pursuant to DTR 5 of the DTRs since 23 May 2017 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 2017, Indigo (Indigo Hungary LP and Indigo Maple Hill LP together) held 18.7 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.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE CONTINUED

Our key Shareholders continued

Our relationship with Indigo continued

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, of 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". During its preparation for its initial public offering in February 2015, the Company discussed with the UK Listing Authority that, in the circumstances, Indigo would be treated as 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.

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.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE CONTINUED

Our key Shareholders continued

Our relationship with Indigo continued

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 DTRs 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.

Confirmation regarding compliance

The Board confirms that, since the entry into the relationship agreement, on 24 February 2015, until 24 May 2017, being the latest practicable date prior to the publication of this report:

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

e) 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 roadshows, timed around the release of financial results, as well as other meetings with investors. At the 2016 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 2017 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 nine 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 during the 2017 financial year are:

Name	Position	Committee membership (as at 31 March 2017)
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
Susan Hooper	Non-Executive Director	Audit Committee, Remuneration Committee
Stephen L. Johnson	Non-Executive Director	
John McMahon	Non-Executive Director, Senior Independent Director	Audit Committee, Nomination Committee
Wioletta Rosołowska	Non-Executive Director*	
John R. Wilson	Non-Executive Director	

*Appointment effective as of 1 June 2016.

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. He is currently chairman of Frontier Airlines, Inc and JetSMART SpA.. 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 was a member of the supervisory board and chairman of the remuneration committee of TomTom N.V. and of Divitel Holding B.V.. He is a member of the board of directors, member of the remuneration committee and chairman of the audit committee of Proximus N.V. (previously Belgacom), a member of the supervisory board of Teleplan International N.V. and Aito B.V.. 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 TV Ltd., which is a joint venture between British Telecom, TalkTalk and all the leading broadcasters in the United Kingdom. He is a non-executive director of Oger Telecom and of Millicom International Cellular, both telecommunications companies, 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. Ms Hooper recently became non-executive board member of the Department for Exiting the European Union (DExEU) of the UK. 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 more than 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.

Wioletta Rosołowska, Non-Executive Director

Ms Rosołowska was appointed to the Board in 2016. A Polish national, Ms Rosołowska is the country manager for L'Oréal in Poland. Having started her career at Saatchi & Saatchi, she then moved to Tchibo GmbH, initially as a marketing specialist and then progressing over her 20-year career with the company to become a member of its executive board with particular responsibility for the Central and Eastern Europe region as well as Turkey and Israel. Ms Rosołowska has also had non-executive director experience on the Board of Bank Pekao S.A., part of the Unicredit group, and as a member of the bank's nominations and compensation committees.

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 Frontier Group Holdings, Inc. Mr. Wilson is also a member of the board of directors of JetSMART SpA.. Prior to joining Indigo 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 in 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:

f) 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.

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

h) 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, John McMahon and Wioletta Rosołowska, 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 the 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 2017, the Group's senior management team, in addition to the Chief Executive Officer, is:

Name	Position
Diederik Pen	Chief Operations Officer and Executive Vice President
See note below	Chief Financial Officer*
Johan Eidhagen	Chief Marketing Officer
Owain Jones	Chief Corporate Officer
George Michalopoulos	Chief Commercial Officer
József Ujhelyi	Chief Flight Operations Officer

* As announced by the Company on 13 December 2016, Sonia Jerez Burdeus left the Company on 13 March 2017 following a change in personal circumstances. A search for her replacement, led by Korn/Ferry, is ongoing and, in the meantime, the Chief Executive Officer has assumed direct responsibility for the Company's Finance department.

Diederik Pen, Chief Operations Officer and Executive Vice President

Mr Pen joined Wizz Air in January 2013 as Chief Operations Officer, becoming Accountable Manager in September 2013. He was promoted to Chief Operations Officer and Executive Vice President in April 2017. 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.

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.

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 laws degree from University College London.

George Michalopoulos, Chief Commercial Officer

Mr. Michalopoulos joined Wizz Air in 2010 as Head of Pricing and Revenue Management and was then promoted to Head of Network Development, Scheduling and Sales in May 2015. Prior to Wizz Air, Mr Michalopoulos built an extensive commercial and revenue career at Flybaboo and Blu-Express. Mr Michalopoulos holds both Bachelor and Master of Science degrees in Management Science and Engineering from Stanford University.

József Ujhelyi, Chief Flight Operations Officer

Mr Ujhelyi joined Wizz Air in 2004 as Head of Purchasing and Commercial Partners, and has since been heading various commercial departments in the organisation over the past twelve years. Mr Ujhelyi was the Head of Airport Development since 2012 and was appointed Chief Flight Operations Officer on 1 July 2016. Prior to Wizz Air, Mr Ujhelyi built an extensive commercial and management career at Malév Hungarian Airlines and Procter and Gamble. Mr Ujhelyi holds a diploma in Traffic and Transportation Engineering from the Budapest University of Technology and Economics.

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 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 provision 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. During the financial year ended 31 March 2017, the membership of the Company's Audit Committee comprised three members, namely Simon Duffy, Susan Hooper and John McMahon, all of whom are 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. The Company's Head of Internal Audit, along with the retained external firm of internal auditors, also attend the Audit Committee's meetings to report on internal audit matters. 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 ten occasions during the 2017 financial year (including telephonic meetings). 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. During the financial year ended 31 March 2017, the membership of the Company's Remuneration Committee comprised three members, namely Guido Demuynck, Susan Hooper and Thierry de Preux, all of whom are 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 2017 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, Susan Hooper and Wioletta Rosołowska 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 six meetings of the Nomination Committee during the 2017 financial year and, in between these meetings, members of the Nomination Committee advised senior management on the appointment of an additional Non-Executive Director and on various senior management appointments, including the Group's Chief Financial Officer. Interviews of candidates for each of these positions were also conducted by the members of the Nomination Committee. Candidates for the Group's Chief Financial Officer position as well as the additional Non-Executive Director were interviewed 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 2017 financial year.

	Board attended/total	Audit attended/total	Remuneration attended/total	Nomination attended/total
Executive Director				
József Váradi	7/7	9/10*	6/6*	6/6*
Non-Executive Directors				
William A. Franke	7/7	-	-	6/6
Guido Demuynck	6/7	-	6/6	-
Simon Duffy	6/7	10/10	-	6/6
Thierry de Preux	7/7	-	6/6	-
Susan Hooper	6/7	-	6/6	-
Stephen L. Johnson	5/7	10/10	-	-
John McMahon	7/7	10/10	-	6/6
John R. Wilson	6/7	-	5/6	-
Wioletta Rosolowska**	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. Occasionally also Non-Executive Directors attend meetings of Committees that they are not a member of – these cases are not reflected in this table.

** Wioletta Rosolowska was appointed to the Board with effect from 1 June 2016.

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 and to discuss the Company's strategy. 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 developments 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 was updated to reflect the requirements of the EU Market Abuse Regulation which came 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 2017 annual general meeting.

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE

Wizz Air has grown significantly and successfully as a result, in part, of constantly re-examining the way it does things and ensuring that its business is run to the best possible standards. The work of the Audit Committee during the 2017 financial year reflects this philosophy. As well as the continued engagement on day-to-day financial issues, including further discussion on hedging strategy and approval of hedging transactions, the Audit Committee has worked closely with the Company's Internal Audit function together with external advisers to run an effective programme of internal audits and to overhaul completely the Company's system for enterprise risk management (ERM), to ensure that the Company's risk management processes continue to provide a strong foundation for its future growth.

Main activities of the Audit Committee during the 2017 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. Following implementation of the new ERM framework, the assessment of each risk involves consideration of the inherent risk, existing mitigating measures and residual risk, along with a determination of how that risk should be dealt with in accordance with the Company's risk appetite. The resulting risk register is then used to prepare a principal risk report. A new, internal Risk Council, comprising the Company's senior management team as well as a number of other senior members of management, reviews the risk register and the principal risk report at least once a quarter. The Risk Council then reports to the Audit Committee on, among other things, changes to be made to the principal risk report. The principal risk report, once approved by the Audit Committee, is delivered to the Board.

The risk register is also used to develop an Internal Audit plan for the upcoming 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 verifies that actions have been taken and controls implemented and reports back to the Audit Committee on the status. The Audit Committee will work to ensure that the Company continues to develop effective risk assessment and management processes.

More information on risk management within the Company is set out on pages 26 to 30 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 has approved the fees to be paid and the external audit plan for the 2017 financial year and reviewed the reports of the auditors on the half-year review and the annual audit performed.

Taking into account the above, and the result of the AQR review (see later), 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 2017 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.

The Audit Committee will consider the appointment of external auditors for the financial year ending 31 March 2018 and the Directors will propose a resolution in this respect for the forthcoming annual general meeting of the Company. Should the Directors later decide to appoint a firm other than the current auditor PricewaterhouseCoopers, the Directors would ask the shareholders to ratify the appointment of the new auditor at the 2018 annual general meeting.

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 and other advisory services were higher in 2017 than the 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

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE CONTINUED

Main activities of the Audit Committee during the 2017 financial year continued

Relationship with external auditors continued

advisory 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: As part of reviewing the reports from management and the auditor on the half-year and the year-end accounts, 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.
- Membership revenues: Until 2016 the Group recognised membership revenues arising from the Wizz Discount Club (WDC) customer loyalty program on a straight-line basis over the twelve-month period of the membership. During the year management presented its analysis showing that the actual pattern of customers taking benefit of the program is different from being straight line, and proposed that going forward membership revenues would be better recognised based on the actual historic usage pattern. The Audit Committee approved this change in estimate for the purposes of accounting for membership revenues, on the condition that management should review the applicability of the pattern at least once every year (see Note 4 for more information).
- Segment reporting: The Audit Committee satisfied itself that starting from the 2017 financial year it was appropriate to introduce separate presentation for the results of the airline and the online tour operator business units of the Group. This applies both for segment reporting disclosures under IFRS 8 and for the business analysis of revenues, operating expenses and certain KPIs in the Strategic Report.

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

- FRC AQR review: During the year the Audit Quality Review (AQR) team of the UK Financial Reporting Council (FRC) reviewed the audit of the 2016 financial statements of the Group, that had been performed by PricewaterhouseCoopers LLP UK. The AQR team monitors the quality of the audit work of statutory auditors and audit firms in the UK, that audit Public Interest Entities (PIEs) and certain other entities. The overall assessment of the audit found that there were no significant areas of concern. The report from the AQR was received and reviewed by the Audit Committee and the Committee was satisfied with the good result of the review. The recommendations from the review have been incorporated into the audit of the 2017 financial statements.
- New accounting standards: There were important developments during the year in relation to three new IFRSs that will have a material impact on the financial statements of the Group. In order of importance:
  - IFRS 16 Leases: The standard is awaiting endorsement by the EU, that is currently expected by the end of 2017. The Committee has not taken a position whether to adopt the standard early (from 1 April 2018) or from the date required by the standard (1 April 2019). The Committee has reviewed management's preliminary analysis of the potential impacts of the standard on the financial statements of the Group and approved the related disclosure – see Note 2 (Accounting policies) to the financial statements.
  - IFRS 9 Financial instruments: The Committee supported management's proposal to early adopt IFRS 9 starting from 1 April 2017. IFRS 9 enables the Group to eliminate the impact on earnings resulting from changes in the time value of hedges. The change in the time value of hedges was the last transaction of recurring nature that the Group classified as exceptional item in its financial statements. Therefore the adoption of IFRS 9 means that, commencing from the 2018 financial year, it is expected that the Group will not have any exceptional items and therefore it can discontinue the presentation of underlying earnings which differ from IFRS earnings.
  - IFRS 15 Revenue from contracts with customers: The Committee reviewed management's preliminary assessment for the implications of this standard and supported management's recommendation to adopt it from the standard date, that is 1 April 2018.

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE CONTINUED

Main activities of the Audit Committee during the 2017 financial year continued

Other matters considered during the year continued

- Hedging Policy update: In January 2017 management proposed and the Committee approved the following changes to the Groups' Hedging Policy:
  - The maximum hedge coverage levels allowed by the Policy were increased by 10 per cent. both on jet fuel and on FX hedges. This means moving from 60 to 70 per cent. on a rolling twelve-month basis, and moving from 50 to 60 per cent. on a rolling 18-month basis. For the closest quarter the maximum level allowed by the Policy was increased from 75 to 85 per cent..
  - Implement new hedging instruments for short dated exposures, particularly fuel and FX swaps with a tenure of 1-3 months.
  - Introduce FX hedging for the GBP/EUR currency pair, with a view to the significant GBP long position of the Group and the increased volatility of GBP FX rates following the Brexit vote.
- Tendering statutory audit services for the Group: The EU Competition and Market Authority's ("CMA") Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the "CMA Order") defines requirements for mandatory tendering of statutory audit services, and the responsibility of audit committees in this respect. It applies to EU-incorporated companies in FTSE 350 companies for financial years beginning on or after January 1, 2015. The CMA Order technically does not apply to the Group given that its holding entity is incorporated outside the EU. At the same time, while the 'comply-or-explain' provision in the UK Corporate Governance Code on audit tendering continues to apply to the Company for the current year it has been withdrawn in the version of the Corporate Governance Code which applies to the 2018 financial year. Nevertheless, the Audit Committee confirms that the Group is willing to voluntarily comply with the Order. The Audit Committee also confirms that the Group complied with the provisions of the CMA Order in its 2017 financial year. PricewaterhouseCoopers have been the auditors since 2007 and audit services were last tendered in 2011. Management proposed and the Committee approved the plan that during the 2018 financial year the statutory audit services for the Group will be tendered. The tendering process will also ensure that audit and non-audit services will be properly separated. The Committee trusts that these measures will overall support the independence, objectivity and value for money of the audit process.
- Tax matters: The Committee reviewed management's analysis (i) of the significant developments in the international tax environment in the last 1-2 years (including the OECD BEPS measures), and (ii) of the Swiss 'Corporate Tax Reform III.' initiative, which has since then been suspended in its current form as a result of a public referendum in Switzerland. The Committee is satisfied that currently there are no explicit impacts of these changes on the tax position of the Group and therefore that immediate changes are not required. However, together with management the Committee will continue to monitor developments closely.

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 achieved by ensuring that it appoints people of the highest calibre, whether as Directors, management or employees. While the key selection criterion 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 2017 financial year demonstrate that the Company is committed to this principle in practice as well as theory.

Main activities of the Nomination Committee during the 2017 financial year

During the 2017 financial year, the Nomination Committee worked on a number of key appointments for the Company.

Having reviewed its composition, 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 Wioletta Rosołowska, was recommended to the Board for appointment by the Nomination Committee.

The Nomination Committee, along with other Directors, has also assisted senior management and the Board with a review of the structure of the Company's senior executive management and its succession planning. Following the departure of the Company's Chief Financial Officer, the Nomination Committee is working with management on the appointment of a new Chief Financial Officer. Reflecting the importance of the Company's Operations function to the ongoing success of the Company, Mr Diederik Pen was promoted, with the support of the Nomination Committee, to the position of Executive Vice President and Chief Operations Officer.

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's second full financial year as a listed company was more challenging than the first. While demand remained strong, the lower fuel price and increased competition fed through to lower fares and, in June 2016, the United Kingdom voted in a referendum to withdraw from its membership of the European Union, causing a significant fall in the value of the British Pound, which accounts for approximately 20 per cent. of the Company's revenues. The operating environment was equally challenging, with the Company having to deal with unusually severe winter weather in Eastern Europe and a massive increase in disruption caused by industrial action by various air traffic control and airport organisations throughout the year. Nonetheless, during the 2017 financial year the Company delivered industry-leading passenger growth of 18.9 per cent. and increase of total revenue of 9.9 per cent., translating to underlying net profits of €225.3 million. At the same time, the Company remained extremely cost-focused, with its operating unit cost falling by 7.8 per cent. The relative strength of Wizz Air's performance against its peers was reflected in a share price which, as at 31 March 2017, remained some 43 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 continued to deliver results that have significantly increased Shareholder value, despite the challenging industry conditions.

The Remuneration Committee remains 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 also remains 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 almost all employees.

As a company, we value our Shareholders' feedback, including on remuneration matters. I was pleased that last year's Annual Report on Remuneration received a vote in favour from our Shareholders of 99.3 per cent.

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 (CASK), on-time performance and individual performance assessment resulted in an average payout equivalent to 84.9 per cent. of the target payout.

The first award under the approved Long-term Incentive Plan was made during the 2016 financial year (in July 2015) to officers and to heads of function. This 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. The second award was made during the 2017 financial year (in June 2016) with similar performance conditions to that of the 2016 award. This award is due to vest in June 2019. Further details of the performance conditions attached to these awards are provided on page 55.

Following a review of the Company's Remuneration Policy during the year, the Remuneration Committee agreed that it remains appropriate and is aligned with the overall strategy of the Company and, therefore, no changes will be made in the year ahead. We last increased the base salary for the CEO in the 2016 financial year following a comprehensive market review. The Committee has determined that the CEO's base salary remains competitive and therefore no changes were proposed for the 2017 financial year and are not proposed for the 2018 financial year.

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 UK corporate governance best 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. 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. In line with the reporting requirements, our Remuneration Policy will be put forward to a binding Shareholder vote at the 2018 AGM following a comprehensive review and consultation with Shareholders.

Report of the Chairman of the Remuneration Committee continued

In conclusion, I would reiterate that Wizz Air continues to be proud of the strong results delivered in the 2017 financial year against a challenging industry background. 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 2017 financial year in accordance with the approved Directors' Remuneration Policy (pages 50 to 54) and the planned application of our Remuneration Policy for the 2018 financial year (pages 58 and 59).

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 (with some minor updates to wording to provide clarification and an updated scenario chart), 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 2017 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 the Chief Executive Officer is 200 per cent. of base salary. Currently, these performance requirements relate to Company profitability, on-time performance, operating cost and personal performance.	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. Awards normally vest over a three-year period, subject to the achievement of performance targets. The maximum face value of annual awards will be 250 per cent. of base 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.

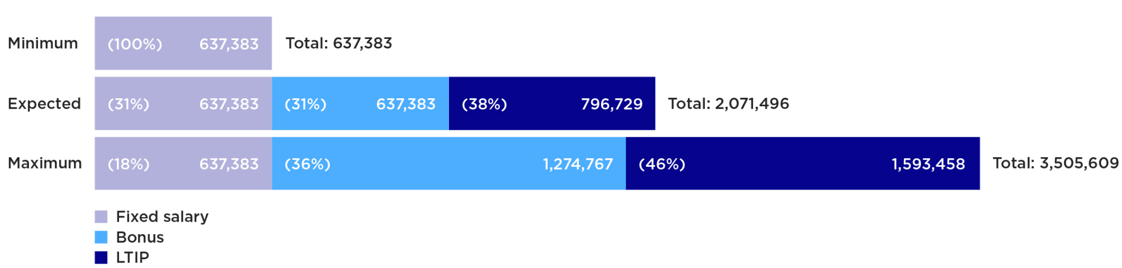
Non-Executive Director remuneration

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 2017 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 1.070 CHF for Euro (rate at 31 March 2017).

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 2017 level annualised, being €637,383). The annual bonus amount is zero at minimum, €637,383 at the expected level (50 per cent. of maximum opportunity of 200 per cent.) and €1,274,767 at maximum (200 per cent. of base salary). The long-term incentive amount is zero at minimum, €796,729 at the expected level (50 per cent. of maximum opportunity of 250 per cent.) and €1,593,458 at maximum (250 per cent. 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.

No such payment for loss of office was made by the Group in the year or the prior year. No payments of any nature were made to past directors.

Discretion, flexibility and judgment 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, and Susan Hooper.

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 page 41 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 tender process led by the Chairman of the Remuneration Committee in 2015. Willis Towers Watson attends Committee meetings as and when required. During the 2017 financial year, Willis Towers Watson received fees totalling GBP 101,496 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.

Shareholders' vote on remuneration

At the 2016 annual general meeting 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 (2015 AGM)		Annual Report on Remuneration (2016 AGM)	
Votes for	38,578,768	99.63%	40,227,451	99.31%
Votes against	141,517	0.37%	278,241	0.69%
Total	38,720,285		40,505,692	
Votes withheld	773,017		236,259	

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

	2017					
	Fees and salary	Benefits	Bonus	LTIP	Pension	Total
József Váradi	629,622	-	611,191	-	-	**1,240,812**

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

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).

Base salary for the CEO remained unchanged for 2017 at CHF 682,000.

There were no benefits provided to the Chief Executive Officer other than six free return tickets usable on the route network of the Group, the value of which is estimated to be €800 altogether.

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 2017 were the following:

		Target performance				
Measures	Weight	Threshold*	Target**	Maximum***	Actual performance	Payout ratio
Profit (underlying, €m)	67%	214.0	252.0	290.0	225.3	65%
CASK ex-fuel (€c/ASK)	11%	2.38	2.32	2.26	2.25	200%
On-time performance (delay <15 mins)	11%	76.0%	80.0%	84.0%	78.13%	77%
Individual performance rating	11%	2	2+	1	1	200%
Aggregate payout ratio						**96%**

* There is no payment if the performance is worse than the "Threshold". At "Threshold" there is 50 per cent. payment of the target

** 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 of the target.

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.

A second award under the LTIP (of 250 per cent. of base salary) was made to the Chief Executive Officer during the 2017 financial year (June 2016). This award included 85,270 Performance Options, valued at GBP 14.80 per option share at date of grant. Vesting is due in June 2019 and is subject to the same performance criteria as the first award. However, the EPS threshold, target and maximum average annual growth rates were revised slightly versus the July 2015 grant to 14.2 per cent., 17.2 per cent. and 20.2 per cent. respectively.

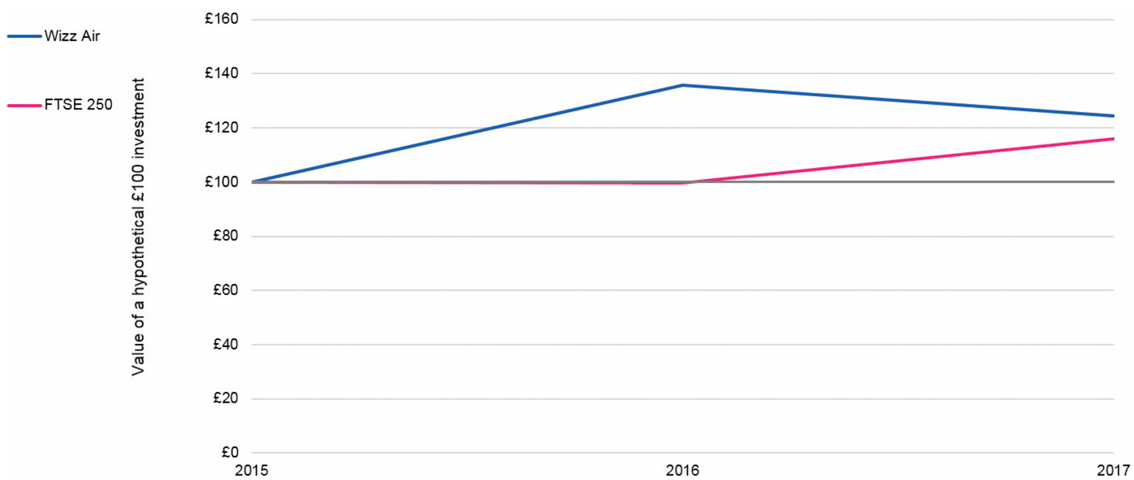
No remuneration is shown for LTIP options in the table above for "single total figure of remuneration", because – as explained above – final vesting of these options is not determined as a result of achievement of performance targets relating to the 2016 financial year or 2017 financial year.

Annual Report on Remuneration continued

Executive Director's remuneration continued

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 any time until April 2021.

The following performance graph shows the Company's total shareholder return compared to the FTSE 250 index for the last two financial years following IPO. TSR is defined as share price growth plus reinvested dividends.



Source: DataStream Return Index

1 Growth in the value of a hypothetical £100 holding over three years FTSE 250 comparison based on one month average of trading day values. Source: DataStream.

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.

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*
2013	533,398	-	N/A
2014	1,462,212	97%	N/A
2015	1,607,587	91%	N/A
2016	1,812,883	95%	N/A
2017	1,240,812	48%	N/A

* Share options were last 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 other employees

	Chief Executive Officer			Total employees
	2017	2016	Change	Change**
Salary and fees	**629,622**	627,447	+0.3%	+1.9%
Benefits	**-**	-	N/A	-55.8%
Bonus	**611,191**	1,185,436	-48.4%	-63.7%
Total remuneration	**1,240,812**	1,812,883	-31.6%	-2.9%

* Benefits represented an insignificant part, approximately only 1 per cent., of the employee pay in these two years.

** Per employee, excluding the Chief Executive Officer.

Annual Report on Remuneration continued

Executive Director's remuneration continued

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

In 2017 the lower level of payout on the bonus (Short-term Incentive Plan) caused the decrease in the total remuneration both for the Chief Executive Officer and for other employees. This impact was stronger for other employees than for the Chief Executive Officer because (i) two Officer positions were unfilled at the end of the year hence no bonus was payable for these; and (ii) not only the aggregate amount of the bonus got lower but also the total number of employees increased during the year, most of whom are not entitled for bonus.

Total employee remuneration changed from €68.6 million in the 2016 financial year to €77.9 million in the 2017 financial year (see Note 7 to the financial statements), being a 13.5 per cent. increase year-on-year. This was driven also by the 21.1 per cent. increase in employee numbers (excluding rented pilots).

There were no dividends or share buybacks either in the 2017 financial year or the 2016 financial year, and therefore disclosure of 'relative importance of spend on pay' has not been included.

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

	2017					
	Fees and salary €	**Benefits**	**Bonus**	**LTIP**	**Pension**	**Total €**
William A. Franke	**67,500**	-	-	-	-	**67,500**
Stephen L. Johnson	**37,500**	-	-	-	-	**37,500**
John R. Wilson	**40,000**	-	-	-	-	**40,000**
Thierry De Preux	**42,500**	-	-	-	-	**42,500**
John McMahon	**42,500**	-	-	-	-	**42,500**
Simon Duffy	**58,750**	-	-	-	-	**58,750**
Guido Demuynck	**52,500**	-	-	-	-	**52,500**
Susan Hooper	**40,000**	-	-	-	-	**40,000**
Wioletta Rosołowska*	**33,333**	-	-	-	-	**33,333**
Total	**414,583**	-	-	-	-	**414,583**

* Joined on 1 June 2016.

	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.

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

Total remuneration of Directors for the period was €1,655,395 (2016: €2,232,861). This is the sum of the two single figure tables set out above.

Our Conflict of Interest policy prohibits any other employment (for all employees) on top of the employment at Wizz. Therefore in case of the Chief Executive Officer any additional directorship would require specific permission of the Chairman of the Board. The Chief Executive Officer is not a member of any other board.

Annual Report on Remuneration continued

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 and Wioletta Rosołowska, 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 2017 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	2,020,500	-	2,031,000
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 LP, 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 LP 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 2017 to the date of the notice of the 2017 annual general meeting.

Application of the Remuneration Policy in the 2018 financial year

a) Chief Executive Officer's base salary

The Committee has determined that the CEO's base salary remains competitive and, therefore, no changes are proposed for the 2018 financial year.

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 2018 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.), ex-fuel 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 2018 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 around June 2017 and after the date of this report. Awards will vest following a three-year performance period and be subject to the same type of performance criteria as the 2016 award, and details will be confirmed after the date of grant.

Annual Report on Remuneration continued

Application of the Remuneration Policy in the 2018 financial year continued

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 2018.

As outlined in the 2015 financial year 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 both during the appointment and after termination.

On behalf of the Board

Guido Demuynck
Chairman of the Remuneration Committee
24 May 2017

CORPORATE RESPONSIBILITY

OUR APPROACH

Wizz Air is the largest low-cost airline in Central and Eastern Europe. That means that we play a large part in the lives of many people – whether our customers or our colleagues – as well as being important to the communities which we serve. We appreciate and value that position, but that means that we appreciate that we must ensure that our business approach not only provides the opportunity to travel to more and more people but also takes account of economic, environmental and social developments affecting our communities and our people.

Responsibility for the environment

Wizz Air believes that our industry has to be responsible for the environments in which we operate. We also believe that there are many things that we can do that are not only good for business, but also good for the environment. That's why we are always looking at opportunities to use the latest, innovative technologies that not only deliver operational efficiencies but also reduce our environmental footprint.

Operating the most modern, most efficient aircraft

One of the cornerstones of Wizz Air business model has always been the operation of the latest technology, most efficient aircraft. We currently, as at 31st March 2017, operate a fleet of 79 Airbus A320 and Airbus A321ceo aircraft, with an average age of just 4.4 years – one of the youngest in Europe. The Airbus A321ceo, a type of which we currently operate 16 with a further 15 to be delivered before the end of 2018, is already today's most efficient single-aisle aircraft. All of our new-delivery aircraft are equipped with sharklets, which deliver an average 3.9% in-flight fuel saving compared to standard wing-fence aircraft. However, in 2019, we will receive the first of the 110 Airbus A321neo aircraft which we have on order, equipped with next- generation Pratt & Whitney PW1100G geared turbofan engines. The technology in these engines is new and disruptive to the market and according to manufacturer's estimates, should deliver the lowest specific fuel consumption in its category and a reduction of 15 percent in fuel burn compared to today's single aisle aircraft, as well as lower CO_2 emissions and lower noise levels.

Fuel saving initiatives

Wizz Air currently has over 60 fuel saving initiatives which are either in the research and development phase or are already embedded in our operations, such as cost index optimisation or the use of thrust reversers. What's good for business is good for the environment – less fuel consumed means fewer emissions.

Contributing to the economy

Wizz brings the opportunity to travel at the lowest fares to its millions of passengers. Giving affordable access to our customers to explore the wider world, or to travel quickly and cheaply to see friends and relatives or to develop their careers abroad, improves lives. But more than this, Wizz Air is often the first airline at an airport to offer international flights connecting cities throughout Europe. And that, in turn, means more visitors, boosting both local tourism as well as business links.

As a result, Wizz Air does not only provide job opportunities to each of the more than 3,000 aviation professionals already working in the Wizz team, but through our continuously developing network and operations we support numerous workplaces at our 141 destinations.

Indeed, based on the research of ACI Europe, every 1 million carried passengers per year supports 750 local jobs, meaning that the 24 million passengers we carried in the 2017 financial year Wizz supported over 18,000 jobs.

Responsibility for our colleagues and our community

It may sound a cliché, but we know that at Wizz Air it's true: our people are the most important element of Wizz Air's success. We support our colleagues with new, outstanding career opportunities in this exciting industry. We are immensely proud of the diverse Wizz team and ensure that we engage with and take feedback from our colleagues, to increase our already high employee satisfaction rate. For our customers, we are continuously developing our services to enhance the WIZZ customer experience.

Responsibility for our colleagues and our community continued

Wizz promotes an active lifestyle

Wizz Air, as the largest low-cost airline in Central and Eastern Europe, is proud to promote an active lifestyle. Since our very first flight in 2004, Wizz Air has been democratising air travel. Our motto back in 2004 was that "Now We Can All Fly" – and we believe that, just as with air travel, an active lifestyle should also be available for everyone. That's why Wizz announced its title sponsorship of the Budapest Half Marathon, Skopje Marathon and Kyiv Marathon in 2014 and added the Cluj-Napoca Marathon to its sponsored sports events in 2016. In April 2017, we announced that we would be sponsoring the Sofia Marathon. The number of participants in the events has been continuously increasing, with more and more runners coming from all over the world – including an ever increasing number of Wizz colleagues.

Wizz supports communities

Wizz knows that the opportunity for more and more people to afford to fly is changing the world for the better. But we also know that we can do more to support the communities that we serve! That's why we support charity activities, initiated by our cabin crew, to support their local communities. These activities range from helping struggling families in Poland, supporting children's medical services in Hungary, creating better educational conditions in Romania and Latvia or giving presents to orphans in Macedonia.

The care and attention of our cabin crews is making life better – not just above the clouds!

Diversity and equal opportunities

Wizz Air is an equal opportunity employer. We are committed to treating our potential and current employees fairly, regardless of race, gender, age, marital status and anything else not related to our employees' ability to do their jobs. This principle is enshrined in our code of ethics, The Wizz Way. Compliance with The Wizz Way is expected of all colleagues in the Wizz team. By way of example, we value diversity and employ more than 3,000 colleagues of 39 nationalities.

The male to female ratio is balanced. We currently have 1,838 women and 1,495 men working at Wizz.

Male/female ratio within Wizz	m:1,495 / f:1,838
Male/female ratio – function head level	m:20 / f:4
Male/female ratio within the management team and the Board of Directors	Management team: m:26 / f:4 Board: m:8 / f:2

Employee relations

Wizz feedback survey

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 whom we seek is keen and may become even more so.

Wizz Air has always valued genuine engagement with employees. We believe that this engagement is self-evident in the commitment shown by colleagues day-in, day-out – whether it's office colleagues going the extra mile or the passion for outstanding service of our cabin crew. In May 2016 Wizz Air conducted the Wizz Feedback Survey to measure the satisfaction level of its employees and ask for their feedback on the major employment topics. The survey confirmed that our colleagues are highly engaged and consider Wizz as an employer of choice.

The general satisfaction of the Wizz team is 85 percent, which is 25 percent higher than the average engagement rate measured in Europe and 20 percent higher compared to the global results.[2]

Recruitment and career

As a fast-growing company Wizz Air is continuously recruiting to find new colleagues passionate about the aviation industry, whether they are talents early in their career or experienced professionals with significant expertise and successful track records.

The Company recruits an average of 500 new employees each year. We also pride ourselves on the possibility for internal career development for colleagues and the number of promotions within the Company last year once again demonstrated that commitment, dedication and hard work are recognised in the best ways possible – career and personal development.

2 Based on the 2016 Trends in Global Employee Engagement report by Aon.
http://www.aon.com/attachments/human-capital-consulting/2016-Employee-Engagement-Trends-Infographic.pdf

Employee relations continued

Company events

Wizz Air believes that the engagement of its employees is key to keep on achieving outstanding business results. Thus, besides providing motivating tasks and professional challenges daily, the airline puts a great emphasis on building a community.

Some events recently enjoyed by the Wizz team include:

- A Wizz Christmas party, which was attended by over 1,000 colleagues.
- Visits by senior management to each of our operating bases, with an opportunity for feedback to be given by colleagues.
- Team building events to develop co-operation within departments and between different functions.

Running events

It is an old saying that a healthy body helps a healthy mind, but it's something that we certainly believe at Wizz. That's why we encourage our employees to lead a healthy lifestyle – including participating in a number of running events sponsored by WIZZ. These include the Budapest Half Marathon, Kyiv City Marathon and Skopje Marathon, and they are also provided with the opportunity of taking part in the Budapest Runway Run and Kosice Runway Run, two of the most unusual running events for aviation enthusiasts.

Representing the Wizz brand

At Wizz we believe that all of our employees represent the Company, every day.

That's why we are delighted that Wizz Air has a strong brand which all members of the Wizz team can be proud of.

However, we also need a team of people who represent the very best of the Wizz spirit. These people are the WIZZ Ambassadors. The Wizz Ambassador programme programme was launched in 2011 and currently, 24 colleagues from cabin operations elected through a public Facebook vote represent Wizz at schools, events, press conferences, recruiting trips and more. They represent their base, their country and the Company as the face of Wizz.

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 2017.

Results and dividend

The results for the year are shown on page 76.

The Directors do not recommend the payment of a dividend (2016: 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
- Wioletta Rosolowska (appointed with effect from 1 June 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 25. Principal risks and uncertainties facing the Group are described on pages 27 to 30. 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 2017, the Group held cash and cash equivalents of €774.0 million while net current assets were €434.5 million. Other than convertible debt with a balance of €27.1 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 is expected to be able to meet its commitments and obligations for at least the next twelve months from the date of signing this report. 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 2020. 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 2018) 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 secured with lease contracts until the end of 2018. The Directors believe that the growth assumptions are justified also from the demand side, as the Group continues to execute its core strategy, that is to 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 27 to 30 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
- with regards to the expected departure of the UK from 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 and weakening of the British Pound to the Euro, decreasing unit revenues, increasing crew costs, potential delays in the supply of the new A320neo aircraft family from Airbus, 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 2020.

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 2018 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 57,404,971 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;

Capital structure continued

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;

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 2017 financial year 482,800 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 2017 financial year was £48. The aggregate cash consideration received by the Company for the allotment of the Ordinary Shares was £1.0 million.

Corporate governance statement

The corporate governance statement, prepared in accordance with rule 7.2 of the UK Listing Authority's Disclosure Guidance and Transparency Rules sourcebook, can be found in the Wizz Air Holdings Plc Corporate Governance Report on page 33. The Wizz Air Holdings plc Corporate Governance Report forms part of this Wizz Air Holdings plc Directors' Report and is incorporated into it by this reference.

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.
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 2017

COMPANY INFORMATION

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103356

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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 36 to 38 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, balanced and understandable review of the position 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 2017

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 2017 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 2017;
- 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: €12.7 million which represents 5% of profit before income tax.

Audit scope

- The group financial statements are a consolidation of Wizz Air Holdings plc, the trading subsidiaries Wizz Air Hungary Kft, Wizz Tours 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 component.

Areas of focus

- Aircraft maintenance provisioning.
- Hedge and derivative accounting.

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.

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

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. The risk is that with the inherent level of management judgement required in calculating the amount of provision together with the complexity of the calculation of a number of variable factors and assumptions, the provision may be understated. Maintenance provisions of €111.8 million for aircraft maintenance costs in respect of operating leased aircraft are recorded in the financial statements at 31 March 2017 (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. The provision booked by Management was considered appropriate in the Directors' view.	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 found no material exceptions from these procedures.

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

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. The risk is that because of their materiality to the financial position of the Group and the level of manual input 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), an error could result in a material misstatement to the financial statements. At 31 March 2017, derivative financial assets amounted to €10.1 million and derivative financial liabilities were €1.8 million. Further details are set out in notes 2, 3 and 20 to the financial statements. The Directors' review concluded that the amounts booked at 31 March 2017 are not materially misstated.	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.

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 has two reporting segments which comprise the airline and tour operator businesses. The airline segment consists of Wizz Air Holdings plc and its trading subsidiary Wizz Air Hungary Kft, which includes branch operations in base countries. The Tour reporting segment consists of the Wizz Tours operations which sells travel packages to external customers. The airline segment contributes over 98% of profit before income tax. Therefore, our audit scope comprised an audit of Wizz Air Holdings plc and the complete financial information of Wizz Air Hungary Kft, being the only significant components. The accounting for these entities and the group consolidation is centralised in Hungary.

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.

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

Report on the group financial statements continued

Our audit approach continued

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	€12.7 million (2016: €10.1 million).
How we determined it	5% of profit before income tax.
Rationale for benchmark applied	We believe that profit before income tax is the primary measure used by shareholders in assessing the performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.6 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.

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

Other required and voluntary reporting continued

Consistency of other information continued

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 67, in accordance with provision C.1.1 of the UK Corporate Governance Code (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 44 to 46, 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 pages 26 and 27 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 page 63 and 64 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.

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

Other required and voluntary reporting continued

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

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 the Directors' statement 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.

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.

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.

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 Guidance and Transparency Rules sourcebook of the Financial Conduct Authority. The directors have requested that we report on the consistency of that information with the financial statements.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 67, 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.

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

Responsibilities for the financial statements and the audit continued

What an audit of financial statements involves continued

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.

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
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Recognised Auditor
London, United Kingdom
24 May 2017

ACCOUNTS AND OTHER INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

Continuing operations	Note	2017 € million	2016 € million
Passenger ticket revenue	5	**915.5**	894.9
Ancillary revenue	5	**655.7**	534.2
Total revenue	5	**1,571.2**	1,429.1
Staff costs		**(112.9)**	(101.4)
Fuel costs		**(375.2)**	(401.5)
Distribution and marketing		**(27.9)**	(23.5)
Maintenance materials and repairs		**(74.7)**	(77.5)
Aircraft rentals		**(233.9)**	(176.2)
Airport, handling and en-route charges		**(390.0)**	(343.1)
Depreciation and amortisation		**(57.6)**	(28.8)
Other expenses		**(52.4)**	(41.7)
Total operating expenses		**(1,324.5)**	(1,193.6)
Operating profit	6	**246.7**	235.5
Financial income	10	**0.6**	2.0
Financial expenses	10	**(13.0)**	(8.0)
Net foreign exchange gain/(loss)	10	**2.6**	(11.8)
Net exceptional financial income/(expense)	9	**18.8**	(16.3)
Net financing income/(expense)		**9.1**	(34.1)
Profit before income tax		**255.8**	201.4
Income tax expense	11	**(9.8)**	(8.5)
Profit for the year		**246.0**	192.9
Other comprehensive income – items that may be subsequently reclassified to profit or loss:			
Net movements in cash flow hedging reserve, net of tax		**15.5**	33.2
Currency translation differences		**-**	-
Other comprehensive income for the year, net of tax		**15.5**	33.2
Total comprehensive income for the year		**261.6**	226.1
Earnings per share (Euro/share)	12	**4.30**	3.62
Diluted earnings per share (Euro/share)	12	**1.95**	1.54

The notes on pages 81 to 119 are internal part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

	Note	**2017 € million**	2016 € million
ASSETS			
Non-current assets			
Property, plant and equipment	13	**505.7**	353.6
Intangible assets	14	**10.3**	5.7
Restricted cash	22	**154.7**	100.0
Deferred tax assets	15	**-**	0.2
Deferred interest	21	**4.7**	6.0
Derivative financial instruments	20	**0.1**	-
Trade and other receivables	18	**67.3**	71.2
Total non-current assets		**742.7**	536.8
Current assets			
Inventories	17	**24.9**	17.6
Trade and other receivables	18	**141.4**	126.5
Financial assets available for sale	19	**1.0**	1.0
Derivative financial instruments	20	**10.0**	1.7
Deferred interest	21	**1.2**	1.2
Restricted cash	22	**1.2**	1.6
Cash and cash equivalents		**774.0**	645.6
Total current assets		**953.7**	795.1
Total assets		**1,696.3**	1,331.8
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	28	**-**	-
Share premium	28	**378.2**	377.0
Reorganisation reserve	28	**(193.0)**	(193.0)
Equity part of convertible debt	28	**8.3**	8.3
Cash flow hedging reserve	28	**2.6**	(13.0)
Retained earnings		**756.4**	509.4
Total equity		**952.5**	688.8
Non-current liabilities			
Borrowings	23	**5.3**	5.9
Convertible debt	24	**26.8**	26.9
Deferred income	26	**107.9**	96.6
Deferred tax liabilities	15	**6.5**	4.9
Derivative financial instruments	20	**0.8**	1.2
Provisions for other liabilities and charges	29	**77.5**	41.2
Total non-current liabilities		**224.7**	176.7
Current liabilities			
Trade and other payables	25	**197.7**	177.3
Current tax liabilities		**2.4**	3.2
Borrowings	23	**0.6**	0.5
Convertible debt	24	**0.3**	0.3
Derivative financial instruments	20	**1.1**	16.4
Deferred income	26	**280.9**	225.0
Provisions for other liabilities and charges	29	**36.2**	43.7
Total current liabilities		**519.1**	466.4
Total liabilities		**743.8**	643.1
Total equity and liabilities		**1,696.3**	1,331.8

The notes on pages 81 to 119 are integral part of these financial statements.

The financial statements on pages 76 to 119 were approved by the Board of Directors and authorised for issue on 24 May 2017 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 2017

Note	Share capital € million 28	Share premium € million 28	Reorganisation reserve € million 28	Equity part of convertible debt € million	Cash flow hedging reserve € million	Retained earnings € million	Total equity € million
Balance at 1 April 2016	-	377.0	(193.0)	8.3	(13.0)	509.4	688.8
Comprehensive income							
Profit for the year	-	-	-	-	-	246.0	246.0
Other comprehensive income							
Hedging reserve	-	-	-	-	15.5	-	15.5
Total other comprehensive income	-	-	-	-	15.5	-	15.5
Total comprehensive income for the year	-	-	-	-	15.5	246.0	261.6
Transactions with owners							
Proceeds from shares issued (Note 28)	-	1.2	-	-	-	-	1.2
Share based payment charge (Note 27)	-	-	-	-	-	1.0	1.0
Total transactions with owners	-	1.2	-	-	-	1.0	2.2
Balance at 31 March 2017	-	**378.2**	**(193.0)**	**8.3**	**2.6**	**756.4**	**952.5**

The notes on pages 81 to 119 are integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

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	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
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
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**

The notes on pages 81 to 119 are integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 € million	2016 € million
Cash flows from operating activities			
Profit before tax		**255.8**	201.4
Adjustments for:			
Depreciation	13	**55.0**	26.8
Amortisation	14	**2.6**	2.0
Financial income		**(21.6)**	(2.0)
Financial expense		**13.0**	47.3
Share based payment charges	7	**1.0**	1.2
		305.8	276.8
Changes in working capital (excluding the effects of exchange differences on consolidation)			
Increase in trade and other receivables		**(7.6)**	(32.0)
Increase in restricted cash		**(52.4)**	(31.7)
Decrease in deferred interest		**1.3**	1.5
Increase in inventory		**(7.3)**	(8.8)
Increase/(decrease) in provisions		**0.7**	(0.4)
Increase in trade and other payables		**21.9**	47.1
Increase in deferred income		**57.6**	45.0
Cash generated by operating activities before tax		**319.9**	297.5
Income tax paid		**(9.0)**	(8.6)
Net cash generated by operating activities		**310.9**	288.9
Cash flows from investing activities			
Purchase of aircraft maintenance assets		**(77.7)**	(42.7)
Purchases of tangible and intangible assets		**(38.1)**	(12.4)
Advances paid for aircraft		**(172.7)**	(116.7)
Refund of advances paid for aircraft		**108.7**	80.9
Interest received		**0.2**	0.2
Net cash used in investing activities		**(179.7)**	(90.6)
Cash flows from financing activities			
Proceeds from the issue of share capital		**1.2**	1.6
Interest paid		**(2.4)**	(2.8)
Commercial loan repaid		**(0.5)**	(0.4)
Net cash used in financing activities		**(1.8)**	(1.7)
Net increase in cash and cash equivalents		**129.4**	196.5
Cash and cash equivalents at the beginning of the year		**645.6**	448.6
Effect of exchange rate fluctuations on cash and cash equivalents		**(1.0)**	0.5
Cash and cash equivalents at the end of the year		**774.0**	645.6

The notes on pages 81 to 119 are integral part of these financial statements.

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 (other than two dormant entities).

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 judgments in the process of applying the Group's accounting policies. The areas involving a high degree of judgment or complexity or 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 2016 and have therefore been adopted by the Group as of 1 April 2016.

- **Amendment to IFRS 11, Joint Arrangements** – accounting for acquisitions of interests in joint operations.
- **Amendment to IAS 16 and IAS 38, Property, Plant and Equipment and Intangible Assets** – clarifications of acceptable methods of depreciation and amortisation.
- **Annual improvements to IFRS 2012–2014 cycle** – requires disclosure of the judgments 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 IAS 1, Presentation of Financial Statements** – disclosure initiative.
- **Amendment to IAS 7, Statement of Cash Flows** – disclosure initiative.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

New standards and interpretations continued

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 is effective for accounting periods beginning on or after 1 January 2018 with early adoption permitted.

  The Group is adopting IFRS 9 from 1 April 2017. The key impact of the adoption will be that changes in the time value of hedges will be recognised in other comprehensive income as opposed to the statement of comprehensive income. Changes in the time value of hedges were material in last two financial years and, given the volume of hedging activity of the Group, are expected to be material also in the future. However, the size and the direction of these changes will depend on changes in market prices; therefore, it is not possible to make an estimate for the expected impact.

- **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.

  The Group will adopt IFRS 15 from 1 April 2018. Based on the preliminary assessment of management, under IFRS 15 some ancillary revenue types will need to be recognised on the date of flight rather than the date of sale, as currently, which will result in a one-off reduction of revenues in the range of €6–7 million in the year of adoption.

- **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 Group currently leases all of its aircraft under operating leases; therefore, IFRS 16 brings a very significant change for the Group. The standard is not yet endorsed by the EU and therefore only a preliminary modelling assessment has been performed by management.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

New standards and interpretations continued

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

The following key issues were considered for the modelling:

Year of adoption:

Whether early adoption (from 1 April 2018) will be an option available for the Group will depend on the timing of the EU endorsement. In the current modelling, early adoption was not assumed. The assumed date of application is 1 April 2019. That is the date required by the standard.

Existing leases:

The Group expects that all of its operating leases that will exist at the date of initial application would need to be reclassified under the new rules. Considering all variations, the standard allows three methods for implementing the new rules for existing leases:

- a full retrospective approach, as per paragraph C5(a) of the standard; and
- modified retrospective approaches, as per paragraph C5(b) of the standard, with further variations permitted for the determination of the initial amount of the right-of-use asset, as per paragraphs C8(b)(i) and C8(b)(ii), respectively.

These three methods were each modelled, assuming a consistent application to all leases existing at the date of initial application (1 April 2019).

Future aircraft:

New aircraft scheduled to arrive from the beginning of 2019 are not yet financed. For the purposes of this modelling it was assumed that aircraft deliveries in 2019 and beyond will also be financed in the form of operating leases and under terms similar to those that the Group most recently entered into.

Foreign exchange:

Calculations were performed assuming an EUR/USD FX rate of 1.08 for the date of initial application and not assuming any change to this rate during the year of initial application (ending 31 March 2020).

Incremental rate of borrowing:

The current incremental rate of borrowing of the Group for aircraft financing is estimated to be 4 per cent, and this rate was assumed also in these calculations (in the second and third scenarios) for the date of initial application.

The impact in the year of initial application can be summarised as follows:

- right-of-use assets would be recognised in the amount of €1.2–1.4 billion at the date of initial application, depending on the transition method used. By the end of the year of initial application (31 March 2020) the balance would increase to €1.4–1.6 billion;
- lease liabilities would be recognised in the amount of €1.4–1.5 billion at the date of initial application, depending on the transition method used. By the end of the year of initial application the balance would increase to €1.7–1.8 billion;
- retained earnings would be decreased by the range of €100 million maximum – this applies both at the date of initial application and at the end of the year of initial application; and
- the impact on profits for the year of initial application will be a loss ranging between €5-30 million, depending on the transition method used. In 2019–2020 the average age of the Group's fleet (approximately five years) will be around half of the average lease tenure of the fleet (approximately ten years), which makes the earnings impact for the year of initial application relatively limited (€10 million or below) in two of the three transition scenarios.

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 of UAH into Euros in the respective financial years:

	2017	2016
Closing rate	**28.96**	29.69
Average rate for the year	**28.42**	29.26

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

These 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, which 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

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 between 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.
- 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

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 in US Dollars to hedge highly probable future expenses in US Dollar. 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 also include 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

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 of the relevant asset categories 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

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/refunds of advances paid for aircraft and commercial loan lines.

Advances paid for aircraft maintenance assets – engine fleet our agreements (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 average price method 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 1 January 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 emissions 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; and 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 also enters 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 dispose 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).

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 and reserved seats), 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 when customers take benefit of a paid 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 following five criteria can indicate such situation:

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

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 material items of income or expense that are shown separately due to the significance of their nature or amount.

Underlying profit after tax is a non-statutory profit measure introduced by the Company to help investors better understand the trading performance of the Group. It is a measure used by the Company also in determining the variable remuneration of senior management (see Short-term Incentive Plan or annual bonus in the Directors' Remuneration Report). Underlying profit excludes the effect of exceptional items and of unrealised foreign exchange gains and losses. These items, for various reasons, had significant impact particularly during the 2015-2017 financial years. Going forward the Company expects that it will not incur exceptional items of recurring nature so there would be no difference between IFRS and underlying earnings.

Segment reporting

Operating and reportable segments

The Group has two reportable segments: the airline and the tour operator business units, marketed under the Wizz Air and Wizz Tours brand names, respectively. Wizz Air sells flight tickets and related services to external customers and, to a smaller extent, to Wizz Tours. Wizz Tours sells travel packages to external customers covering the network of Wizz Air.

Management information is provided to the senior management team, which (in the context of IFRS 8 'Operating segments') 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 foreign currency exposure of the Group is significant for two reasons: (i) only a small portion of the Group's revenues are denominated in or linked to the US Dollar while a significant portion of the Group's expenses are US Dollar denominated, including fuel, aircraft leases, maintenance reserves and aviation insurance; and (ii) there are various currencies in which the Group has significantly more revenues than expenses, primarily the British Pound (GBP) and – to a smaller extent - the Polish Zloty (PLN).

The Group chooses the Euro/USD foreign currency rate as the major underlying foreign currency pair in its foreign currency rate hedging strategies. The main objective is to cover the Group's ongoing US Dollar cash flow requirements. The Group's maximum hedge coverage level is 85 per cent. of the total anticipated US Dollar purchases hedged by the time the respective quarter on a monthly rolling forward basis is reached. This maximum target hedge coverage level was 75 per cent. until January 2017 when it was increased to 85 per cent. as a result of the revision of the Group's Hedging Policy in January 2017. These levels were not always reached during the current or prior years.

The new Hedging Policy defines also the hedging of the GBP/Euro foreign currency rate exposure, as a new measure of risk management. The Group's maximum target coverage on this currency pair is 60% on a rolling twelve-month basis, but no transaction was made until 31 March 2017.

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 2017	EUR € million	USD € million	Other € million	Total € million
Financial assets				
Trade and other receivables	55.0	138.0	15.7	208.7
Financial assets available for sale	-	-	1.0	1.0
Derivative financial assets	-	10.1	-	10.1
Cash	757.8	0.4	15.8	774.0
Restricted cash	154.7	0.9	0.3	155.9
Total financial assets	**967.5**	**149.4**	**32.8**	**1,149.7**
Financial liabilities				
Borrowings	5.9	-	-	5.9
Convertible debt	27.1	-	-	27.1
Trade and other payables	135.6	35.6	26.5	197.7
Derivative financial liabilities	-	1.9	-	1.9
Total financial liabilities	**168.6**	**37.5**	**26.5**	**232.6**

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

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 Euros 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 Dollars 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 foreign exchange gains or losses incurred by the Group. This balanced position is not visible from the table above that shows a net asset balance of US Dollar denominated financial instruments of €111.9 million in 2017. The two positions can be reconciled as follows:

- the 2017 balance of trade and other receivables denominated in US Dollars includes €22.1 million that has been designated for hedge accounting and therefore its foreign currency revaluation is not impacting financial income or expenses – see under 'foreign exchange hedge with non-derivatives' later in this Note 3; and
- at 31 March 2017 the Group had provisions of €84.5 million denominated in US Dollars (as part of the total €113.7 million balance reported in Note 29). Provisions are not financial instruments and therefore their balance is not included in the table above but are subject to foreign currency revaluation.

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 is 70 per cent. on a rolling twelve-month basis and 60 per cent. on a rolling 18-month basis. These represent 10 percentage point increase versus earlier levels as a result of the revision of the Group's Hedging Policy in January 2017. The average hedge coverage in F17 was 51 per cent. and 38 per cent. respectively.

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 usually up to a maximum of 18 months; however, this horizon can be exceeded at the Board's discretion. The volume of hedge transactions that expired during the periods was as follows:

a) Foreign exchange hedge (USD versus EUR):

   US$333.5 million (2016: US$339.0 million).

b) Fuel hedge:

   475,000 metric tons (2016: 439,500 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 a €5.8 million gain (2016: €4.8 million) recognised within other comprehensive income, current assets or current liabilities, respectively.

   The notional amount of the open positions was US$297 million (2016: US$313.5 million).

b) Foreign exchange hedge with non-derivatives:

   The notional amount of the open positions was US$238.5 million (2016: US$190.5 million).

   Non-derivatives are existing financial assets that hedge highly probable foreign currency cash flows in the future and therefore act as a natural hedge. At the end of the year out of its non-derivative financial assets position the Group had US$23.6 million designated for hedge accounting (2016: US$34.5 million). The rest of the open positions relate to expected PDP refunds (2017: US$214.9 million; 2016: US$156.0 million) for which no hedge accounting is applied.

c) Fuel hedge:

   The fair value of the open positions was a €2.5 million gain (2016: €11.4 million loss) recognised within other comprehensive income and current assets or liabilities, respectively.

   The notional amount of the open positions was 598,000 metric tons (2016: 449,000 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 year ending 31 March 2018.

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.

	2017 Difference in profit after tax (in € million)	2016 Difference in profit after tax (in € million)
Fuel price sensitivity		
Fuel price $100 higher per metric ton	**-67.0**	-56.6
Fuel price $100 lower per metric ton	**+67.0**	+56.6
FX rate sensitivity (USD/EUR)		
FX rate 0.05 higher (meaning EUR stronger)	**+29.8**	+28.0
FX rate 0.05 lower	**-29.8**	-28.0
FX rate sensitivity (GBP/EUR)		
FX rate 0.03 higher (meaning EUR stronger)	**-7.7**	-8.6
FX rate 0.03 lower	**+7.7**	+8.6
FX rate sensitivity (PLN/EUR)		
FX rate 0.15 higher (meaning EUR stronger)	**-4.1**	-4.1
FX rate 0.15 lower	**+4.1**	+4.1
Interest rate sensitivity (EUR)		
Interest rate is higher by 100 bps	**+2.7**	+2.3
Interest rate is lower by 100 bps	**-2.7**	-2.3

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. In previous years, the Group invested excess cash (EUR) in a conservative way, primarily in AAA-rated money market funds and also in short-term time deposits with high quality bank counterparties. In F17, as EUR yields went deeper into negative territory, management – supported by the Board – decided to withdraw all funds from money market funds and placed it in plain vanilla deposit structures with various 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 2017	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	124.8	11.8	69.9	4.5	211.0
Financial assets available for sale	1.0	-	-	-	1.0
Derivative financial assets	2.8	7.2	0.1	-	10.1
Cash	774.0	-	-	-	774.0
Restricted cash	0.1	1.0	48.9	105.9	155.9
Total financial assets	**902.7**	**20.0**	**118.9**	**110.4**	**1,152.0**
Financial liabilities					
Borrowings	0.3	0.8	4.0	3.3	8.4
Convertible debt	-	2.1	29.5	-	31.6
Trade and other payables	197.7	-	-	-	197.7
Derivative financial liabilities	0.1	0.9	0.9	-	1.8
Financial guarantees	645.6	-	-	-	645.6
Total financial liabilities	**843.7**	**3.8**	**34.4**	**3.3**	**885.1**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

3. Financial risk management continued

Liquidity risks continued

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

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

The Company provided guarantees to third parties to guarantee the performance of its airline subsidiary in relation to aircraft lease contracts on a regular basis, and from 2017 also in relation to a contract for the provision of public services in Hungary. 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 by the Company.

Other financial guarantee contracts relate to hedging, and convertible 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 or similar institutions) of the counterparties as follows:

At 31 March 2017	AAA € million	AA € million	A € million	A- € million	Other € million	Unrated € million	Total € million
Financial assets							
Trade and other receivables	-	-	1.6	-	2.0	205.1	208.6
Derivative financial assets	-	-	6.5	2.1	1.5	-	10.0
Financial assets available for sale	-	1.0	-	-	-	-	1.0
Cash and cash equivalents	0.5	-	622.5	100.0	50.7	0.3	774.0
Restricted cash	-	-	155.9	-	-	-	155.9
Total financial assets	**0.5**	**1.0**	**786.4**	**102.1**	**54.2**	**205.4**	**1,149.6**

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 and cash equivalents	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

3. Financial risk management continued

Credit risk continued

The "Other" column in 2017 includes €52.2 million balance (out of which €50.0 million is bank deposit) with one of the banking partners of the Group, that has BBB rating.

The analysis demonstrates the shift in the Group's cash management strategy from money-market funds (MMF) towards bank deposits during the 2017 financial year. While at the beginning of the year most of Group's free cash was held in AAA-rated MMFs, by the end of the year due to pressures in the yield-environment these funds were fully moved into bank deposits, most of these being A-rated.

From the unrated category within trade and other receivables the Group has €110.3 million (2016: €97.3 million) receivables from different aircraft lessors in respect of maintenance reserves and lease security deposits paid (see also Note 18). 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 2017.

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Assets				
Financial assets available for sale	1.0	-	-	1.0
Derivative financial instruments	-	10.1	-	10.1
	1.0	10.1	-	11.1
Liabilities				
Derivative financial instruments	-	1.9	-	1.9
	-	1.9	-	1.9

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

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 an "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 the case of engines also of the future operating conditions of the engine.

b) Hedge and derivative accounting

Fair value of derivatives (namely the 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 the revenue and the 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 judgment.

d) Accounting for membership fees

The Group operates the Wizz Discount Club (WDC) loyalty program for its customers. Under this program customers can pay an annual membership fee, with the key benefit that during most of the twelve-month membership period they get access to special fares that are lower than the standard ticket prices.

The Group recognises the revenue from the membership fees following the pattern of customers taking benefits from the program. This pattern is determined by management once a year, on the basis of the actual distribution of member flights in the preceding twelve months, and then applied prospectively. It is unlikely that there would be a material change in the pattern within one year, because the underlying fact patterns (for customers to buy membership, to buy tickets and then to fly those tickets) are reasonably stable.

The WDC program was introduced by the Group in 2012 and had insignificant impact initially. Management used to recognise membership revenues on a straight-line basis in the twelve-month membership period. In the last few years the number of members and thus also the level of membership revenues picked up, and it also became visible that the actual pattern how customers take the membership benefits is significantly different from the straight-line method. Therefore, starting from 2017 management started to apply a revenue recognition pattern matching the historic pattern of how customers were taking the benefits of the program. This change in estimates, combined with some other changes related to this area, resulted in €7.9 million additional revenue for 2017.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

5. Segment information

Reportable segment information

The 'chief operating decision maker' (CODM) of the Group, as defined in IFRS 8 'Operating segments' is the senior management team of the Group.

The Group has two reportable segments: the airline and the tour operator business units, marketed under the Wizz Air and Wizz Tours brand names, respectively. Wizz Air sells flight tickets and related services to external customers and, to a smaller extent, to Wizz Tours. Wizz Tours sells travel packages to external customers covering the network of Wizz Air.

The Group classified the tour operator business as a separate reportable segment starting from 1 April 2016. The Wizz Tours brand was launched already in 2013 but initially the travel packages were sold by a third-party tour operator partner. During this period the financial impact of the tour operator activity was insignificant. The Group started its own tour operator activity in October 2015. Therefore, no comparative information is reported for the prior period.

	2017 Airline € million	**2017 Tour operator € million**	**2017 Group € million**
Total revenue	**1,562.0**	**18.1**	**1,581.0**
Less: inter-segment revenue	**(8.8)**	**-**	**(8.8)**
Revenue from external customers	**1,553.1**	**18.0**	**1,571.2**
Operating expenses	**1,314.5**	**18.9**	**1,324.5**
Operating profit/(loss)	**247.4**	**(0.8)**	**246.7**
Profit/(loss) after tax	**246.7**	**(0.9)**	**246.0**
Underlying profit/(loss) after tax	**226.1**	**(0.9)**	**225.3**

Financial income, financial expenses, depreciation and amortisation, and income tax expenses reported for the Group in the period are all related to the airline business, except for an aggregate of €54,000 of financial expenses and income tax expense incurred by the tour operator business, which explains the €0.1 million difference between operating loss and loss after tax in the table. There were no material non-cash items in the period for the tour operator business.

Entity-wide disclosures

Products and services

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

	2017 € million	2016 € million
Airline passenger ticket revenue	**909.3**	894.9
Airline ancillary revenue	**643.9**	534.2
Tour operator package revenue	**18.1**	-
Total revenue from external customers	**1,571.2**	1,429.1

Airline ancillary revenues arise mainly from baggage charges, booking/payment handling fees, airport check-in fees, fees for various convenience services (priority boarding, extended legroom and reserved seats), 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 area as follows:

	2017 € million	2016 € million
Jersey (country of domicile)	**-**	-
EU	**1,421.3**	1,322.9
Other (non-EU)	**149.9**	106.2
Total revenue from external customers	**1,571.2**	1,429.1

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

6. Operating profit

Auditors' remuneration

	2017 €'000	2016 €'000
Fees payable to Company's auditors for the audit of the parent company and consolidated financial statements	**251**	225
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	**446**	436
Audit-related assurance and transaction services	**-**	-
All other services	**-**	18
Total remuneration of auditors	**736**	718

Inventories

Inventories totalling €3.3 million were recognised as an expense in the year (2016: €3.8 million).

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	
	2017	2016
Non-Executive Directors	**9**	7
Crew and pilots	**2,481**	2,028
Administration and other staff	**235**	215
Total staff number	**2,725**	2,250

The aggregate compensation of these persons was as follows:

	2017 € million	2016 € million
Wages and salaries	**77.9**	68.6
Pension costs	**4.5**	4.2
Social security costs other than pension	**10.5**	8.4
Share based payments	**1.0**	1.2
Subtotal	**93.9**	82.4
Subcontracted staff costs (rented pilots)	**19.0**	19.0
Total staff costs	**112.9**	101.4

8. Directors' emoluments

	2017 € million	2016 € million
Salaries and other short-term benefits	**1.5**	2.1
Social security costs	**0.1**	0.2
Share based payments	**0.4**	0.3
Directors' services and related expenses	**0.2**	0.2
Total Directors' emoluments	**2.2**	2.8

	2017	2016
Directors receiving emoluments	**10**	9
The number of Directors who in respect of their services received LTIP share options under long-term incentive schemes during the year	**1**	1

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

9. Exceptional items and underlying profit

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 material items of income or expense that have been shown separately due to the significance of their nature or amount. In the 2017 and 2016 financial years all items classified by the Group as exceptional related to financial income or expenses.

In the 2017 financial year the Group had a net exceptional income of €18.8 million, consisting of: (i) exceptional gain of €14.3 million relating to the change in time value of open hedge positions, particularly on fuel caps; and (ii) exceptional income of €4.5 million relating to closing of fuel cap deals. According to the contracts the fuel caps had their expiry dates in the second half of the financial year (October 2016 to February 2017) however they were sold in order to enable the Group to enter into new deals (zero cost collars) at more favourable rates, without breaching the fuel hedge coverage limits set in the Hedging Policy of the Group. The net €4.5 million gain consisted of time value gain of €16.8 million (coming from the reversal of time value losses previously accumulated on these instruments), the writing off of option fee costs of €12.4 million, and sale proceeds of €0.2 million.

In the 2016 financial year the Group had an exceptional expense of €16.3 million, consisting of: (i) exceptional expense of €25.0 million relating to the change in time value of open hedge positions, particularly on fuel caps; and (ii) exceptional income of €8.7 million relating to a realised foreign exchange gain arising on a one-off replacement of US$75.6 million bank deposits behind collaterals with Euro deposits.

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

Underlying profit

	2017 € million	2016 € million
Profit for the period	**246.0**	192.9
Adjustments (exclusions):		
Unrealised foreign exchange (gain)/loss	**(1.9)**	14.7
Exceptional items net (gain)/loss	**(18.8)**	16.3
Sum of adjustments	**(20.7)**	31.0
Underlying profit after tax	**225.3**	223.9

On top of the exceptional items explained above, 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 net US Dollar monetary asset position of the Group, that used to be material until 2016.

The unrealised loss of €14.7 million in 2016 related primarily to the conversion of US$75.6 million collaterals into Euros. This transaction alone resulted in an €8.7 million realised foreign exchange gain on one hand (explained above among exceptional items) and a €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 a €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 in this area.

The tax effects of the adjustments made above are insignificant.

10. Net financing income and expense

	2017 € million	2016 € million
Interest income	**0.3**	1.0
Ineffective hedge gain	**0.3**	1.0
Financial income	**0.6**	2.0
Interest expense		
Convertible debt	**(1.2)**	(1.6)
Finance lease	**(0.5)**	(0.4)
Other	**(2.3)**	(0.7)
Premium of expired fuel cap deals	**(9.0)**	(5.3)
Financial expenses	**(13.0)**	(8.0)
Foreign exchange gain/(loss)		
Realised	**0.7**	2.9
Unrealised	**1.9**	(14.7)
Net foreign exchange gain/(loss)	**2.6**	(11.8)
Net exceptional financial income/(expense) (Note 9)	**18.8**	(16.3)
Net financing income/(expense)	**9.1**	(34.1)

10. Net financing income and expense continued

Interest income and expense contain interest on financial instruments and, under the 'Other' category the effect of the initial discounting of long-term deposits and the later unwinding of such discounting.

The fuel caps premium of €9.0 million in 2017 and €5.3 million in 2016 relate to the option fees for fuel caps expired in the periods – 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 had to be reversed due to their de-recognition – see also in Note 9.

11. Income tax expense

Recognised in the statement of comprehensive income

	2017 € million	2016 € million
Current year corporate tax	**2.6**	2.3
Other income based taxes	**5.6**	5.4
Deferred tax	**1.6**	0.8
Total tax charge	**9.8**	8.5

The Company has a tax rate of 7.8 per cent. (2016: 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. (2016: 7.8 per cent.). The difference is explained below.

Reconciliation of effective tax rate

	2017 € million	2016 € million
Profit before tax	**255.8**	201.4
Tax at the corporation tax rate of 7.8 per cent. (2016: 7.8 per cent.)	**20.0**	15.7
Effect of different tax rate of subsidiaries versus the parent company	**(15.8)**	(12.6)
Other income based foreign tax	**5.6**	5.4
Total tax charge	**9.8**	8.5
Effective tax rate	**3.8%**	4.2%

The Company had no taxable income. Substantially all the profits of the Group in 2017 and 2016 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 2017 and 2016 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.

Recognised in the statement of other comprehensive income

	2017 € million	2016 € million
Current year corporate tax	**-**	-
Other income based taxes	**-**	-
Deferred tax	**-**	0.1
Total tax charge	**-**	0.1

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.

	2017	2016
Profit from the year, € million	**246.0**	192.9
Weighted average number of Ordinary Shares in issue	**57,254,581**	53,344,145
Basic earnings per share, EUR	**4.30**	3.62

There were also 44,830,503 Convertible Shares in issue at 31 March 2017 (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 the following convertible instruments of the Group:

- Convertible Shares (see Note 28);
- Convertible Notes (see Note 24); and
- employee share options (see Note 27) (vested share options are included in the calculation).

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.

	2017	2016
Profit for the year, € million	**246.0**	192.9
Interest expense on convertible debt (net of tax), € million	**1.2**	1.6
Profit used to determine diluted earnings per share, € million	**247.2**	194.5
Weighted average number of Ordinary Shares in issue	**57,254,581**	53,344,145
Adjustment for assumed conversion of convertible instruments	**69,514,785**	73,208,656
Weighted average number of Ordinary Shares for diluted earnings per share	**126,769,366**	126,552,801
Diluted earnings per share, EUR	**1.95**	1.54

Proforma earnings per share

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

	2017	2016
Underlying profit for the year, € million	**225.3**	223.9
Interest expense on convertible debt, € million(1)	**1.2**	1.6
Profit used to determine proforma earnings per share, € million	**226.5**	225.4
Number of shares in issue at year end(2)	**102,235,474**	101,752,674
Adjustment for assumed conversion of convertible debt instruments(3)	**24,246,715**	24,246,715
Adjustment for assumed conversion of employee share options	**288,700**	765,390
Fully diluted number of shares for proforma earnings per share	**126,770,889**	126,764,779
Proforma earnings per share, EUR	**1.79**	1.78

(1) Interest expense on convertible debt is lower in 2016 because of the refund of interest withholding tax incurred in earlier periods.

(2) The issued share number includes also the 44.8 million Convertible Shares in issue at 31 March 2017 (2016: 44.8 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).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

12. Earnings per share continued

Proforma earnings per share continued

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 9), as opposed to the statutory (IFRS) profit for the year; and
- for the fully diluted number of shares the year-end position was taken rather than the weighted average for the year.

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 caused by the special conversion restrictions existing for convertible debt until the IPO in March 2015. The latter issue was relevant last in 2015. Since the 2016 financial year the same instruments were in place both during the year and at the end of the year; therefore, the fully diluted share number was materially the same in the diluted and proforma EPS calculations.

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 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	5.0	142.3	93.9	430.2
Additions	1.9	69.9	37.3	1.4	172.7	32.6	315.8
Disposals	-	(14.8)	-	(0.2)	(108.7)	-	(123.7)
Transfers	-	51.8	-	-	-	(51.8)	-
Foreign exchange differences	-	-	-	-	-	-	-
At 31 March 2017	**9.6**	**256.0**	**69.5**	**6.2**	**206.3**	**74.7**	**622.3**
Accumulated depreciation							
At 1 April 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
Depreciation charge for the year	0.7	47.0	6.8	0.5	-	-	55.0
Disposals	-	(14.8)	-	(0.2)	-	-	(15.0)
Foreign exchange differences	-	-	-	-	-	-	-
At 31 March 2017	**2.0**	**95.9**	**14.9**	**3.8**	**-**	**-**	**116.6**
Net book amount							
At 31 March 2017	**7.6**	**160.1**	**54.6**	**2.4**	**206.3**	**74.7**	**505.7**
At 31 March 2016	6.4	85.4	24.1	1.5	142.3	93.9	353.6

Additions to aircraft parts were €37.3 million (2016: €16.2 million). Most of this increase was related to the delivery of various spare engines from IAE.

Additions to aircraft maintenance assets were €69.9 million (2016: 41.1 million). The increase is due to the fact that there were significantly more engine-related new assets created in 2017 because: (i) there were more engines becoming out of condition for LLP replacement than in 2016; (ii) in 2016 the Company revised its engine maintenance plan combined with a new IAE FHA agreement (see the 2016 report for details) and as a result only a few engines became out of condition for shop visit in that period – instead most of these became out of condition in 2017; and (iii) the Group has a few engines that require second shop visit and these all became out of condition (and partly already went through the shop visit) in 2017.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

13. Property, plant and equipment continued

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

	2017 € million	2016 € million
Cost from capitalised finance lease	**7.5**	7.5
Accumulated depreciation	**(1.8)**	(1.2)
Net book amount	**5.7**	6.3

14. Intangible assets

	Software licences and web development € million
Cost	
At 1 April 2015	8.5
Additions	4.6
Disposals	(0.6)
At 31 March 2016	12.5
Additions	7.2
Disposals	(0.9)
At 31 March 2017	**18.8**
Accumulated amortisation	
At 1 April 2015	5.3
Amortisation charge for the year	2.0
Disposals	(0.5)
At 31 March 2016	6.8
Amortisation charge for the year	2.6
Disposals	(0.9)
At 31 March 2017	**8.5**
Net book amount	
At 31 March 2017	**10.3**
At 31 March 2016	5.7

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 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
Charged/(credited) to:					
Profit or loss	0.1	1.1	(0.2)	0.6	1.6
Other comprehensive income	-	-	-	-	
At 31 March 2017	**2.2**	**2.5**	**1.2**	**0.6**	**6.5**
Less than one year	**-**	**-**	**-**	**0.6**	**0.6**
Greater than one year	**2.2**	**2.5**	**1.2**	**-**	**5.9**

Deferred tax assets recognised

	Hedging reserve recognised in OCI € million	Total € million
At 1 April 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
Charged to:		
Profit or loss	-	-
Other comprehensive income	(0.2)	(0.2)
At 31 March 2017	**-**	**-**
Less than one year	**-**	**-**
Greater than one year	**-**	**-**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

15. Tax assets and liabilities continued

Unrecognised deferred tax assets

Until 31 March 2010 Wizz Air Hungary was Hungarian tax resident and up to this date had accumulated a €30.0 million tax loss in Hungary. This balance remained unchanged at 31 March 2017. 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.

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.	Netherlands	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 Aviation Professionals	Moldova	Crew company	Ordinary	100	31 December

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

Wizz Air Ukraine Airlines LLC discontinued airline operations in 2015.

Wizz Aviation Professionals was registered in January 2017. Its purpose is to provide crew services to Wizz Air Hungary in the territory of Moldova.

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

17. Inventories

	2017 € million	2016 € million
Aircraft consumables	**13.0**	10.6
Emission trading scheme purchased allowances	**11.9**	7.0
Total inventories	**24.9**	17.6

During the year remnant stock with the book value of €0.2 million was written off to maintenance expenses (2016: nil).

18. Trade and other receivables

	2017 € million	2016 € million
Non-current		
Receivables from lessors	**67.3**	68.6
Other receivables	**-**	2.6
Non-current trade and other receivables	**67.3**	71.2
Current		
Trade receivables	**48.5**	57.5
Other receivables from lessors	**44.6**	28.7
Other receivables	**2.5**	4.6
Total current other receivables	**47.1**	33.3
Less: provision for impairment of other receivables	**-**	-
Other current receivables net	**47.1**	33.3
Prepayments, deferred expenses and accrued income	**45.8**	35.7
Current trade and other receivables	**141.4**	126.5
Total trade and other receivables	**208.7**	197.7

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

18. Trade and other receivables continued

Impairment of trade and other receivables

	2017 € million	2016 € 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.

19. Financial assets available for sale

	2017 € million	2016 € 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.

20. Derivative financial instruments

	2017 € million	2016 € million
Assets		
Non-current derivatives		
Cash flow hedges	**0.1**	-
Current derivatives		
Cash flow hedges	**10.0**	1.7
Total derivative financial assets	**10.1**	1.7
Liabilities		
Non-current derivatives		
Cash flow hedges	**(0.8)**	(1.2)
Current derivatives		
Cash flow hedges	**(1.1)**	(16.4)
Total derivative financial liabilities	**(1.8)**	(17.6)

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 2017 had an ineffective portion of €0.3 million (2016: €1.0 million).

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; and (ii) hedging with non-derivatives has an impact on the hedging reserve.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

21. Deferred interest

	2017 € million	2016 € million
Non-current		
Deferred PDP interest	**2.6**	3.7
Deferred interest expense	**2.1**	2.3
	4.7	6.0
Current		
Deferred PDP interest	**1.2**	1.2
Total deferred interest	**5.9**	7.2

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

	2017 € million	2016 € million
Non-current financial assets	**154.7**	100.0
Current financial assets	**1.2**	1.6
Total restricted cash	**155.9**	101.6

Restricted cash 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. The increase versus 2016 was related to letters of credit issued to lessors for maintenance reserves and lease security deposits.

Restricted cash during the 2017 financial year was held mainly on current account in Euros, earning no interest.

23. Borrowings

	2017 € million	2016 € million
Non-current liabilities		
Finance lease liabilities	**5.3**	5.9
Total non-current borrowings	**5.3**	5.9
Current liabilities		
Finance lease liabilities	**0.6**	0.5
Total current borrowings	**0.6**	0.5
Total borrowings	**5.9**	6.4

Finance lease liabilities relate to an aircraft flight simulator asset and a maintenance hangar building leased by the Group.

	2017 € million	2016 € million
Gross finance liabilities – minimum lease payments		
No later than one year	**1.0**	1.0
Later than one year and no later than five years	**4.0**	4.0
Later than five years	**3.3**	4.3
	8.3	9.3
Future finance charges on finance lease liabilities	**(2.4)**	(2.9)
Present value of finance lease liabilities	**5.9**	6.4

	2017 € million	2016 € million
Present value of finance liabilities		
No later than one year	**0.6**	0.5
Later than one year and no later than five years	**0.6**	2.5
Later than five years	**4.7**	3.4
Present value of finance lease liabilities	**5.9**	6.4

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

24. Convertible debt

	2017 € million	2016 € million
Non-current financial liabilities	**26.8**	26.9
Current financial liabilities	**0.3**	0.3
Total convertible debt	**27.1**	27.2

Convertible debt is 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. Such Ordinary Shares issued as a result of conversion in certain cases might be subject to restrictions on voting and dividend rights. 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

	2017 € million	2016 € million
Current liabilities		
Trade payables	**72.1**	46.2
Other trade payables	**7.2**	6.4
Accrued expenses	**118.4**	124.7
Total trade and other payables	**197.7**	177.3

26. Deferred income

	2017 € million	2016 € million
Non-current financial liabilities		
Deferred income	**107.9**	96.6
Current financial liabilities		
Unflown revenue	**260.0**	207.7
Other	**20.9**	17.3
	280.9	225.0
Total deferred income	**388.8**	321.6

Non-current deferred income represents the value of benefit for the Group coming from concessions (cash credits and free aircraft components) received from aircraft and certain component suppliers, 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 supplier credits received.

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 2017: share awards issued to Directors of the Board during 2006-2013, and employee share options issued (i) during 2005-2015 under the 2005 International Employee Share Option Plan ('ESOP') and (ii) in July 2015 and 2016 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.

27. Employee benefits continued

Share based payments continued

The expenses (other than social security) recognised in relation to these instruments were the following:

	2017 € million	2016 € million
Director share awards	-	0.1
ESOP options	**0.4**	0.4
LTIP options	**0.6**	0.7
Total share based payments charge	**1.0**	1.2

Long-term Incentive Plan (LTIP)

Share options issued during the financial year

Terms and conditions:

	Restricted Options	Performance Options
Number of options	30,000	218,770
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 per cent. 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 2016 to 31 March 2019.

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 €17.89 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	30,750	201,648
Granted during the year	30,000	218,770
Exercised during the year	-	-
Forfeited during the year	(5,500)	(95,845)
Outstanding at the end of the year	**55,250**	**324,573**
Exercisable at the end of the year	**-**	**-**

Employee Share Option Plan (ESOP)

Share options issued during the financial year

There were no share options issued either during the year or in the prior year. The last options under the ESOP were issued in January 2015.

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:

	2017 Weighted average exercise price €	2017 Number of options	2016 Weighted average exercise price €	2016 Number of options
Outstanding at the beginning of the year	**5.15**	**1,025,390**	4.11	1,667,446
Granted during the year	**-**	**-**	-	-
Exercised during the year	**2.76**	**(482,800)**	2.51	(642,056)
Forfeited during the year	**2.00**	**(13,890)**	-	-
Outstanding at the end of the year	**7.41**	**528,700**	5.15	1,025,390
Exercisable at the end of the year	**2.55**	**288,700**	2.74	765,390

The range of exercise prices on options outstanding at the year end was €2.50–€13.68 (2016: €2.00–€13.68). At the end of the financial year, the outstanding options had a weighted average outstanding contractual life of two years and eight months (2016: four 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 no longer a Director of the Company at 31 March 2017.

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 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 a 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	2017	2016
In issue at beginning of the year	**101,752,674**	101,110,618
Issued during the year for cash	**482,800**	642,056
Converted during the year from bonds	**-**	-
In issue at end of the year – fully paid	**102,235,474**	101,752,674
Ordinary Shares	**57,404,971**	56,922,171
Convertible Shares	**44,830,503**	44,830,503

	2017 £	2017 €	2016 £	2016 €
Authorised				
Equity: 170,000,000 *(2016: 170,000,000)* Ordinary Shares of £0.0001 each and 80,000,000 *(2016: 80,000,000)* non-voting, non-participating Convertible Shares of £0.0001 each	**25,000**	**34,415**	25,000	34,415
Allotted, called up and fully paid				
Equity: 102,235,474 *(2016: 101,752,674)* shares of £0.0001 each	**10,223**	**13,721**	10,175	13,661
Ordinary Shares	**5,740**	**7,704**	5,692	7,642
Convertible Shares	**4,483**	**6,017**	4,483	6,019

During both 2017 and 2016 the increase in the total number of issued shares was due to 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 2017, all fully paid (2016: 44,830,503). 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. €207.2 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 €171.0 million (as at 31 March 2017) 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 2017 financial year €1.2 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 (2016: €8.3 million) is net of attributable transaction costs of €0.5 million.

Share based payment charge

The share based payment balance of €3.9 million credit (2016: €2.9 million) 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 2015	50.6	1.8	52.4
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
Capitalised within property, plant and equipment	67.9	-	67.9
Charged to comprehensive income	-	1.2	1.2
Used during the year	(39.8)	(0.5)	(40.3)
At 31 March 2017	**111.8**	**1.9**	**113.7**
Non-current provisions	77.5	-	77.5
Current provisions	34.3	1.9	36.2

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

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 2016 to 2017 relates primarily to new provisions made for engine Life Limited Part (LLP) replacements.

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 2017 € million	**Fair value 2017 € million**	Carrying amount 2016 € million	Fair value 2016 € million
Trade and other receivables due after more than one year	**67.3**	**67.3**	71.2	71.2
Restricted cash	**155.9**	**155.9**	101.6	101.6
Financial assets available for sale	**1.0**	**1.0**	1.0	1.0
Derivative financial assets	**10.1**	**10.1**	1.7	1.7
Trade and other receivables due within one year	**141.4**	**141.4**	126.5	126.5
Cash and cash equivalents	**774.0**	**774.0**	645.6	645.6
Trade and other payables due within one year	**(197.7)**	**(197.7)**	(177.3)	(177.3)
Derivative financial liabilities	**(1.9)**	**(1.9)**	(17.6)	(17.6)
Convertible debt	**(27.1)**	**(27.1)**	(27.2)	(27.2)
Borrowings	**(5.9)**	**(5.9)**	(6.4)	(6.4)
Net balance of financial instruments (asset)	**917.1**	**917.1**	719.1	719.1

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' US Dollar 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 €24.5 million loss (2016: €71.0 million) was realised on derivative financial assets and liabilities in the income statement.

During the year a €16,000 gain (2016: €48,000 loss) 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 US Dollars.

	2017						2016					
	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%**	**27.1**	**0.3**	**-**	**26.8**	**-**	7.4%	27.2	0.3	-	26.9	-
Finance lease liability 1	**8.4%**	**3.4**	**0.5**	**0.5**	**1.7**	**0.7**	8.4%	3.8	0.4	0.4	1.6	1.4
Finance lease liability 2	**7.4%**	**2.5**	**0.1**	**0.1**	**0.5**	**1.8**	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 in short-term time deposits on market rate at major banking groups.

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 guarantee to the Hungarian Government, to guarantee the performance of its airline subsidiary in relation to a public services contract for the scheduled transport of passengers between Hungary and five West-Balkan countries.

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:

	2017 € million	2016 € million
Payments due:		
Within one year	**309.7**	244.8
Between one and five years	**1,269.5**	950.1
More than five years	**831.1**	563.5
Total operating lease commitments	**2,410.3**	1,758.3

The majority (99 per cent.) 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 nine of the aircraft lease contracts are on a floating rate and thus the lease payments for these vary with the US Dollar market rates of interest.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

33. Capital commitments

At 31 March 2017 the Group had the following capital commitments:

- a commitment to purchase 133 Airbus aircraft of the A320 family in the period 2017–2024. Of the 133 aircraft 23 relate to the "ceo" version of the A320 family (from purchase orders placed prior to 2015) while the remaining 110 relate to the "neo" version (from the purchase order placed in June 2015). The total commitment is valued at US$16.5 billion (€15.4 billion) at list prices in 2017 US Dollar terms (as at 31 March 2016: US$17.5 billion (€15.5 billion), valued at 2016 list prices). As at the date of approval of this document 23 of the 133 aircraft are covered by a sale and leaseback agreement; and
- a commitment to purchase 18 IAE spare aircraft engines in the period 2017–2024. Of the 18 engines two relate to the "ceo" version of the IAE engines (from purchase orders placed prior to 2015) while the remaining 16 to the "neo" version. With regards to the "neo" engines, the Group in July 2016 entered into an engine selection agreement with Pratt & Whitney that, among other matters, included a commitment for the Group to purchase 16 spare engines starting from 2019. The total commitment is valued at US$146.4 million (€136.9 million) at list prices in 2017 US Dollar terms (as at March 2016: US$63.8 million (€56.2 million), valued at 2016 list prices, related to six engines at the time). As at the date of approval of this document the 18 engines are not yet financed.

34. Contingent liabilities

Legal disputes

European Commission state aid investigations

Six of the European Commission's ongoing 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, Târgu Mureş, Beauvais and Girona. 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 ongoing 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 Timişoara airport, the Romanian Ministry of Transports, the Ministry of Public Finances representing the Romanian State and Wizz Air. By the said legal action Carpatair asked the court to order the four defendants to pay, jointly, to Carpatair damages preliminarily estimated to amount to €92 million and interest related to the said amount, resulting from alleged state aid granted by Timişoara airport to Wizz Air, from the existence of a marketing agreement between Timişoara airport and Wizz Air and from an abuse of dominant position on the part of Timişoara airport.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

34. Contingent liabilities continued

Legal disputes continued

Claims by Carpatair continued

The court's decision delivered on 20 December 2016 upheld the objection raised by the Company that the Bucharest Tribunal lacked jurisdiction to hear the case and that the case should be heard by the Administrative Litigation Section of the Bucharest Court of Appeals. The case was therefore forwarded to the Bucharest Court of Appeals – Administrative and Fiscal Litigation Section where a hearing is scheduled on 18 May 2017.

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.

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 2017);
- key management personnel (Directors and Officers); and
- Éden Rent Kft., one of the logistics suppliers of the Group, because one of the Officers of the Group due to equity investment has joint control over this entity.

Indigo, Directors and Officers altogether held 23.3 per cent. of the voting shares of the Company at 31 March 2017 (2016: 24.7 per cent.).

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 2017 Indigo held 10,740,633 Ordinary Shares (equal to 18.7 per cent. of the Company's issued share capital) and 44,830,503 Convertible Shares of the Company (2016: 10,740,633 Ordinary Shares and 44,830,503 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 €27.1 million at 31 March 2017 (2016: €27.2 million).

During the year ended 31 March 2017 the Company entered into transactions with Indigo as follows:

- the Company recognised interest expense on convertible debt instruments held by Indigo in the amount of €2.0 million (2016: €2.0 million); and
- fees of €0.1 million (2016: €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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

36. Related parties continued

Transactions with related parties continued

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:

	2017 € million	2016 € million
Salaries and other short-term employee benefits	**4.3**	6.6
Social security costs	**0.7**	1.3
Share based payments	**0.6**	0.9
Amounts paid to third parties in respect of Directors' service	**0.2**	0.2
Total key management compensation expense	**5.7**	9.1

The total key management compensation expense was lower than in 2016 primarily because under the Short-term Incentive Plan there was significantly lower payout to Officers in 2017 than in 2016.

Transactions with Éden Rent Kft.

During the year ended 31 March 2017 the Group recognised operating expenses in the amount of €3.0 million in relation to services provided by Éden Rent Kft. (2016: €2.4 million).

The Group had trade liabilities towards Éden Rent Kft. in the amount of €0.2 million at 31 March 2017 (2016: €0.1 million).

The contract with Éden Rent Kft. for transportation services has six months termination notice. Assuming normal operations of the Group, this is equivalent to approximately €1.5 million purchase commitment existing at 31 March 2017 (2016: €1.2m).

The relationship with Éden Rent Kft. is subject to the Group's Conflict of Interest policy and, in accordance with that policy, the relevant Officer is excluded from all discussions and decisions related to this supplier.

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 28 April 2017 approximately 51.6 per cent. 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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