WIZZ AIR HOLDINGS PLC
ANNUAL REPORT AND ACCOUNTS
2020

WIZZ AIR AT A GLANCE

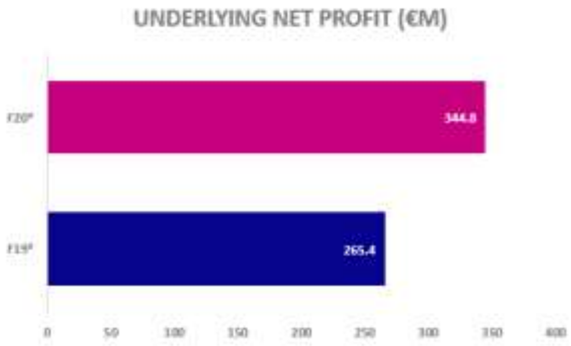
Wizz Air is the leading ultra-low-cost airline in Central and Eastern Europe with a fleet of 121 Airbus aircraft, connecting 155 destinations across 45 countries. At Wizz, our vision is to liberate lives through affordable travel. We operate at the lowest unit cost and the lowest carbon footprint in the European aviation industry and drive profitable growth to create Shareholder value. In March 2020 we operated 703 routes, making Wizz Air the preferred choice of 40 million passengers in the past twelve months.

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.
2020, F20, FY20 and FY 2020 in this document refer to the financial year ended 31 March 2020. 2019, F19, FY19 and FY 2019 refer to the financial year ended 31 March 2019. Equivalent terms are used for prior financial years.

HIGHLIGHTS

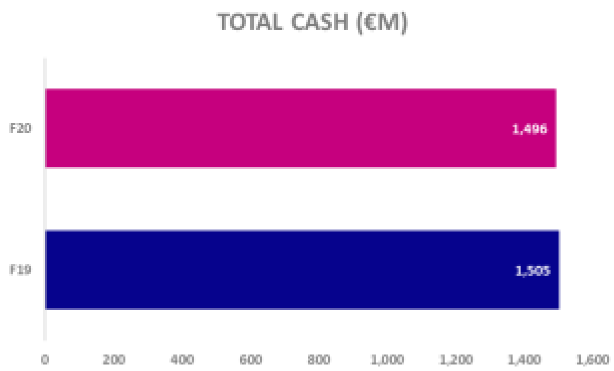
€344.8M UNDERLYING NET PROFIT*



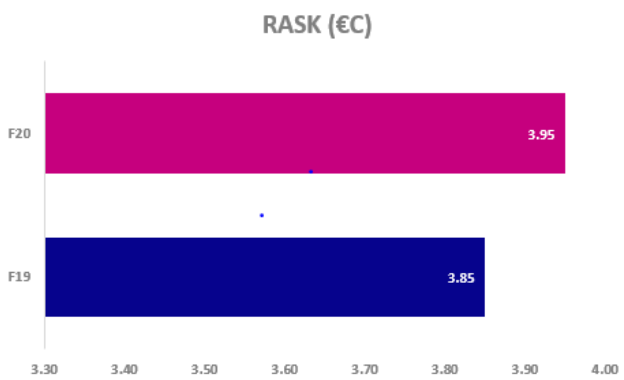
€281.1M STATUTORY NET PROFIT

€2.8B REVENUE

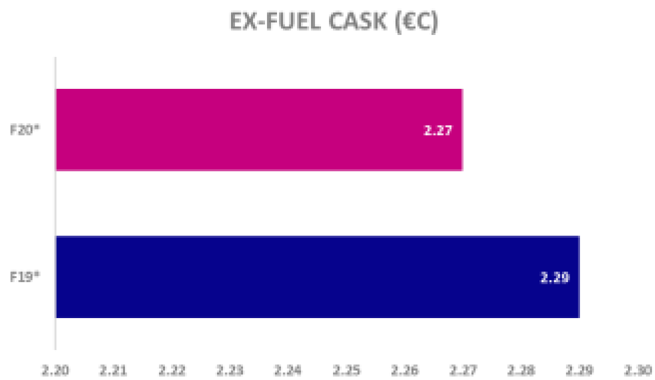
€1.5B TOTAL CASH



3.95 €CENTS RASK**



2.27 €CENTS EX-FUEL CASK**

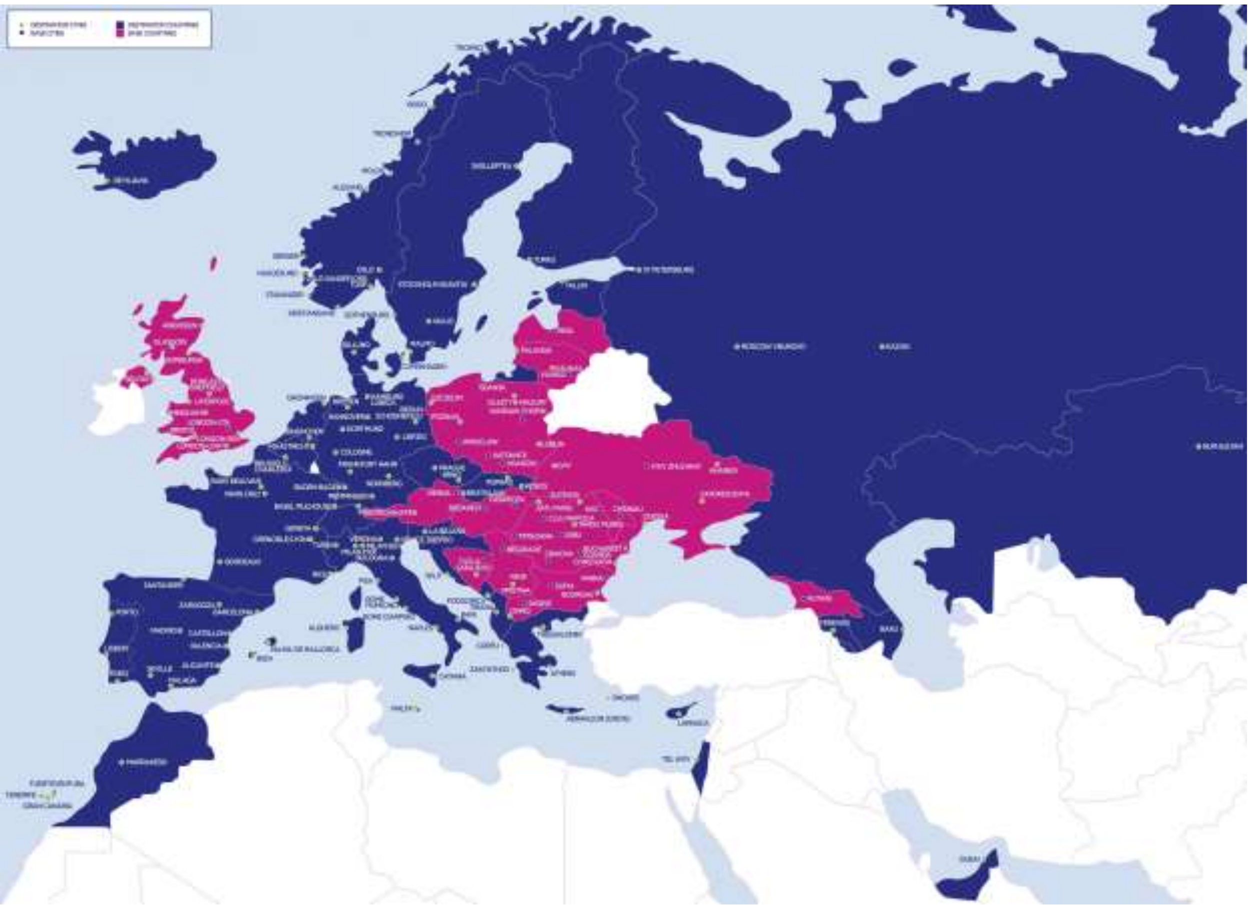


* Year F19 was restated for IFRS 16 (see Note 6 to the financial statements for more details). F20 underlying net profit excludes the impact of hedge losses classified as discontinued (amounting to €63.7 million; see in the Financial Review and in Note 2 for the definition of discontinued hedges) resulting from the impact of COVID-19 in the months of March, April and May 2020. F19 underlying net profit excludes the impact of FX losses from the retrospective adoption of IFRS 16 (amounting to €138.7 million) and excludes the impact of discontinued Wizz Tours operation (€3.7 million). F19 and F20 statutory results include these exceptional expenses and items.

** For definition refer to the Glossary of technical terms on page 22.

GEOGRAPHIES

We fly 703 routes across Europe



Number of routes operated from Central and Eastern Europe (CEE) countries as at 31 March 2020:

Poland	175
Romania	147
Hungary	81
Bulgaria	44
Macedonia	36
Ukraine	34
Lithuania	28
Georgia	20
Serbia	18
Moldova	18
Bosnia and Herzegovina	15
Latvia	12
Kosovo	3
Montenegro	2
Albania	2
Slovenia	1
Croatia	1
Czech Republic	1

Number of routes operated from other European countries (to non-CEE countries) as at 31 March 2020:

Austria	36
United Kingdom	29

WHY INVEST IN WIZZ

ULTRA-LOW COST BY DESIGN

We drive efficiencies in our operations to continue to decrease our unit cost and deliver on our mission of retaining our position as Europe's undisputed airline cost leader. We operate a single-class, unified fleet and focus on high utilisation of our assets. Our flights are sold through our own digital channels wizzair.com and the Wizz app in order to avoid unnecessary distribution costs. We fly to a mix of primary, secondary and regional airports. Our choice of airports has a crucial impact on achieving the lowest cost base.

STIMULATING DEMAND

We are able to stimulate demand significantly by offering the lowest fares. Today we operate 121 A320-family aircraft and have a further 268 A320neo-family aircraft on order, featuring the widest single-aisle cabin with 239 seats. Operating the A320 family provides Wizz Air with maximum flexibility, fuel efficiency and low operating costs.

BALANCE SHEET STRENGTH

We have one of the strongest balance sheets in the industry with €1.5 billion of total cash at the end of March 2020 and are well placed as the airline industry endures unprecedented times due to COVID-19. Our relentless focus on cost is a significant competitive advantage and ensures we remain a stable business, even in challenging times.

PROFITABLE GROWTH

As the leading airline in Central and Eastern Europe with a total market share of 17.5 per cent and a 39.6 per cent market share amongst low-cost carriers, we are driving profitable growth. During FY 2020, we launched 98 new routes and we operate from 25 bases which connect 155 destinations in 45 countries. We will continue to drive Shareholder value by taking advantage of market opportunities as they present themselves in a dynamic industry.

STABLE CUSTOMER BASE IN AN AGILE NETWORK

Our customers belong to a young age group with an average age of 36 years. 87 per cent of travellers are aged 50 or younger. The majority, 65 per cent of them, travel for work or to be reunited with friends and relatives, the most essential reasons to fly. With our point-to-point operation, we have the flexibility to adapt routes to demand. Whilst in a typical year our route change rate is close to 10 per cent, with COVID-19 we expect our route changes could be higher to maximize utilisation and profitability.

THE GREENEST CHOICE OF AIR TRAVEL

By investing in the most modern fleet, Wizz Air continues to operate at the lowest CO_2 emissions per passenger/km amongst all competitor airlines. CO_2 emissions per passenger for fiscal year 2020 were 2.2 per cent lower than last year, at 57.2 grams per passenger/km. Our target and plan is a further 33 per cent reduction by 2030.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The airline industry is facing unprecedented times and challenges due to COVID-19 but the performance of Wizz Air in 2020 provides a strong foundation to underpin the business. Wizz Air once again delivered an outstanding performance against a challenging backdrop in 2020: passenger numbers grew by 15.8 per cent to 40 million, with revenues up 19.1 per cent and a statutory net profit of €281.1 million.

The Company maintained its position as the lowest cost, lowest emission airline in Europe and the leading player in the growing Central and Eastern European market. Wizz Air's financial resilience to the current volatile environment, resulting from our focus and discipline on cost and cash management, stands in stark contrast to the fragility of the vast majority of airlines operating in Europe today. This financial strength, as evidenced by our strong balance sheet, together with the strength of the entire Wizz Air team, makes Wizz Air uniquely positioned to take advantage of a market that will continue to show exciting growth opportunities as and when demand for air travel returns.

Strategy

Wizz Air's strategy has remained constant throughout our 16 years of operation. We deliver high-quality customer experience at the lowest cost, deploying a highly efficient fleet and ensuring that we meet the highest safety, operational and environmental standards. With a future order book of 268 new aircraft, we are confident in our ability that we can further improve customer experience and increase both the diversity of our network and operational and cost competitiveness whilst reducing our carbon footprint by a further 33 per cent by 2030.

An especially important milestone this year was the announcement of Wizz Air Abu Dhabi, our new airline in Abu Dhabi established as a joint venture with Abu Dhabi Developmental Holding Company. Wizz Air Abu Dhabi will bring an entirely new business concept to the UAE market, being both economically and operationally highly efficient as well as environmentally sustainable.

2020 key performance metrics

During the 2020 financial year:

- 98 new routes were added during the year, strengthening Wizz Air's position as the leader in CEE and as one of Europe's strongest and most efficient airlines.
- A memorandum of understanding was signed with Airbus S.A.S. ("Airbus") relating to exercising a part of existing options for the purchase of 20 Airbus A321XLR aircraft. The present order will be delivered over the course of three years starting in 2023 and will allow us to connect even more airports within our wide and diverse network.
- Our balance sheet and liquidity position were further strengthened, with total cash of €1,496.3 million at the end of the financial year.
- Wizz Air was named among the top ten safest low-cost carriers of 2019 in the world by airline safety and product rating agency AirlineRatings.com.

In addition to the above, in April 2020, Wizz Air was deemed an eligible issuer under the UK Government's COVID Corporate Financing Facility (CCFF) and raised £300 million, which further strengthens the Company's already strong balance sheet.

Board changes

As a Board, we are committed to the highest standards of governance and effective oversight in order to protect and create Shareholder value as well as the interests of the many stakeholders in Wizz Air's business. The structure is subject to regular review to ensure that the Board maintains the appropriate balance of skill set, background and experience to enable the Board to oversee the execution of the Company's strategy by management.

In April 2019, we welcomed Mr Andrew Broderick as a non-independent Non-Executive Director to the Board of Wizz Air. Mr Broderick has been a director of Indigo Partners LLC since July 2008 and has served on the board of directors of Frontier Airlines Holdings, Inc., and JetSMART Airlines SpA, as well as an alternate on the board of directors of Volaris since July 2010. His experience from other airlines around the world is particularly beneficial to Wizz Air.

At the same time, Mr John R. Wilson retired from the Board after 15 years' service. As a highly valued Non-Executive Director, Mr Wilson helped to shape Wizz Air's growth and vision from the very beginning and we are grateful for his contribution.

Culture and Stakeholders

The Board and senior management team remain focused on generating Shareholder value by driving profitable growth and achieving one of the highest profit margins in the industry. We also recognise the importance of strong relationships with our many stakeholders in realising our growth plans and we place particular emphasis on our corporate culture. The Company's values are key to Wizz Air's accomplishments to date, and will be an integral part of our continued success.

Customers

We would like to thank all of our customers for their business and their trust. We remain committed to offering the lowest fares and a safe, reliable service, even in the current volatile environment. We will continue to grow our markets by making flying affordable and developing our route network to meet our customers' demand. During 2020, we have undertaken a number of initiatives to ensure superior customer service with enhanced self-service possibilities and we will continue to focus on our mobile-first strategy to ensure a seamless customer experience.

Employees

I would like to take the opportunity to thank our team of aviation professionals for their hard work, dedication and passion for the airline and our customers. They are at the core of the Company's success and are always willing to go the extra mile to deliver best-in-class customer experience. We continue to invest in world-class training for our employees, demonstrated by our unique pilot training programme, among other things, which allows aspiring pilots to obtain a Commercial Pilot's License and become employed at Wizz Air.

I would also like to thank Wizz Air's People Council for its efforts and its help in creating an efficient channel between employees and the Board and senior management, so we can understand what is important to our colleagues and where we need to focus.

Communities

Wizz Air has operations at 155 airports in 45 countries and we strive to foster strong bonds with the communities in all of our markets. We are supporting local community projects, thereby building active relationships between our employees and local residents.

At the same time, we are also conscious of the many economic, social and environmental developments impacting our communities. Therefore, sustainable growth is of key importance to us. As a result of the numerous fuel-saving initiatives and constant modernisation of our fleet, we are proud to have the lowest emission rates in the European aviation industry. The continuous rollout of the game-changing A321neo aircraft means we remain the most environmentally friendly choice of air travel for our passengers.

Looking ahead

As the 2021 financial year begins, we are facing unprecedented challenges in the aviation industry as a result of the COVID-19 pandemic. Maintaining our cash balance remains a top priority. We have one of the strongest balance sheets in the industry with €1.5 billion of total cash to underpin our business. Wizz Air's relentless focus on cost and its low-cost base, especially at a time when the fleet may be operationally restricted, is a significant competitive advantage. Wizz Air's agility will ensure the airline responds swiftly where profitable demand emerges and that we are best placed for a fast return to steady operations and to respond to customer demand appropriately. We are committed to serving our customers and were among the first airlines to restart operations in spring 2020.

We look forward to continuing on our growth path and adapting to the new norm, as we deploy our agile, ultra-low-cost business model to ensure Wizz Air remains a structural winner in the European aviation sector.

William A. Franke
Chairman
5 June 2020

CHIEF EXECUTIVE'S REVIEW

Dear Shareholders,
The financial year 2020 marks another successful period for Wizz Air; we delivered an industry leading growth rate of 16.1 per cent in terms of ASKs and remain one of the most profitable businesses in the industry. The drivers of our success in the past will also be the drivers that will get Wizz Air through the current challenges caused by COVID-19 and will enable us to thrive in the long run: strong financial discipline and a resilient business strategy.

The following section will provide you with an overview of how Wizz Air created Shareholder value and further improved financial performance in the past year, all the while ensuring operational excellence. In addition, the key ingredients of our ultra-low-cost strategy will be outlined which ensure that Wizz Air remains the lowest cost, lowest emission airline in Europe and the leading player in the growing Central and Eastern European market.

Wizz Air's ability to respond to market dynamics rapidly, as well as its industry-leading cost structure, have allowed the business to further diversify its network and drive profitable growth. This has helped ensure that the Group is well placed to face the substantial challenges that the current COVID-19 pandemic is bringing to the airline industry.

Stimulating demand

In the past financial year, Wizz Air continued to successfully stimulate traffic and increase passenger numbers by 15.8 per cent to 40 million at a load factor of 93.6 per cent (an increase of 0.9 percentage points). We remained the undisputed market leader in the CEE region, with a market share of 39.6 per cent in the low-cost sector and 17.5 per cent of the total CEE market, up from 16.3 per cent last year.

During FY 2020, we launched 98 new routes and now operate from 25 bases which connect 155 destinations in 45 countries. We remain confident in the potential of the region and are taking advantage of valuable market opportunities in and beyond CEE. Our new base in Krakow opened in May 2019 with two based Airbus A321 aircraft. In addition, we started operations to two new destinations in CEE (Kazan in Russia and Odessa in Ukraine), as well as to seven new destinations across Western Europe and the Middle East.

As at today, Wizz Air offers services from 23 CEE countries including the 12 CEE countries where we have based aircraft and crews. During the year, the Company started operations to/from 10 new airports, as follows:

New CEE stations

Destination	Country
Krakow	Poland
Kazan	Russia
Odessa	Ukraine

New stations outside CEE

Destination	Country
Bodo	Norway
Molde	Norway
Leipzig	Germany
Edinburgh	United Kingdom
London-Southend	United Kingdom
Eilat-Ramon	Israel
Santander	Spain

Stimulating demand continued

The table below illustrates Wizz Air's market leadership in the low-cost sector, which grew to 39.6%, an increase of 1 per cent year on year. We are the number one carrier in 9 out of 14 CEE countries.

	Number 1		Number 2		Number 3	
Market	Carrier	Share	Airline	Share	Airline	Share
CEE	Wizz Air	39.6%	Ryanair Group	31.9%	Easyjet	6.1%
Poland	Ryanair Group	49.4%	Wizz Air	39.9%	Easyjet	4.1%
Romania	Wizz Air	61.3%	Blue Air	20.3%	Ryanair	15.6%
Hungary	Wizz Air	50.8%	Ryanair	29.0%	Easyjet	7.7%
Bulgaria	Wizz Air	53.3%	Ryanair	33.7%	Easyjet	4.8%
Ukraine	Wizz Air	45.2%	Ryanair	30.7%	Pegasus	8.1%
Lithuania	Ryanair	56.5%	Wizz Air	37.8%	Norwegian Group	5.7%
Latvia	Ryanair	53.1%	Wizz Air	29.2%	Norwegian Group	17.7%
Slovakia	Ryanair	66.3%	Wizz Air	30.4%	flydubai	2.7%
Georgia	Wizz Air	54.1%	flydubai	13.1%	Air Arabia	11.0%
Serbia	Wizz Air	57.1%	Ryanair	10.5%	Easyjet	10.4%
Moldova	Wizz Air	67.0%	FlyOne	33.0%		
Macedonia	Wizz Air	86.8%	Germania	6.4%	Pegasus	4.6%
Bosnia and Herzegovina	Wizz Air	49.3%	Ryanair	12.0%	Pegasus	12.0%

Taking into account all airlines operating to CEE, we maintained our position as the number one carrier with 17.5 per cent market share, up from 16.3 per cent in FY 2019.

	Number 1		Number 2		Number 3	
Market	Carrier	Share	Airline	Share	Airline	Share
CEE	Wizz Air	17.5%	Ryanair	14.1%	LOT Polish Airlines	6.2%
Poland	Ryanair Group	25.9%	LOT Polish Airlines	25.5%	Wizz Air	20.9%
Romania	Wizz Air	38.3%	TAROM	16.0%	Blue Air	12.7%
Ukraine	Ukraine International	37.3%	Wizz Air	12.3%	Ryanair	8.3%
Hungary	Wizz Air	31.8%	Ryanair	18.1%	Lufthansa	6.4%
Bulgaria	Wizz Air	23.1%	Bulgaria Air	14.9%	Ryanair	14.6%
Latvia	airBaltic	60.0%	Ryanair	12.5%	Wizz Air	6.9%
Serbia	Air Serbia	46.2%	Wizz Air	11.1%	Lufthansa	5.9%
Lithuania	Ryanair	31.3%	Wizz Air	21.0%	airBaltic	10.3%
Georgia	Wizz Air	15.5%	Turkish Airlines	12.0%	Georgian Airways	11.4%
Moldova	Air Moldova	41.1%	Wizz Air	22.2%	FlyOne	11.0%
Slovakia	Ryanair	43.0%	Wizz Air	19.7%	Travel Service Group	16.0%
Macedonia	Wizz Air	63.1%	Turkish Airlines	6.9%	Austrian Airlines	6.4%
Bosnia and Herzegovina	Wizz Air	28.1%	Turkish Airlines	12.0%	Austrian Airlines	8.5%

(Source data for both tables: Innovata, April 2019 – March 2020)

Operational excellence

Wizz Air operates the youngest, most fuel-efficient aircraft among European airlines. The 2020 financial year was yet another period of significant investment into our fleet: six A321neos joined the fleet, taking it to 121 aircraft at the end of March 2020.

	March 2020 Actual	March 2021 Planned	March 2022 Planned
A320ceo without winglets (180 seats)	35	31	19
A320ceo with winglets (180 seats)	28	28	28
A320ceo with winglets (186 seats)	9	9	9
A320neo with winglets (186 seats)	0	7	13
A321ceo with winglets (230 seats)	41	41	41
A321neo with winglets (239 seats)	8	15	40
Fleet size	121	131	150
Proportion of seats on A321	47%	49%	60%
Average number of seats per aircraft	201.3	203.1	210.3

Operational excellence continued

The new neo aircraft are powered by Pratt & Whitney GTF engines, feature the widest single-aisle cabin with 239 seats in a single class configuration and deliver close to a 50 per cent reduction in noise footprint compared to previous generation aircraft. In addition, Pratt and Whitney's GTF engine reduces fuel burn by 16 per cent and nitrogen oxide emissions by 50 per cent.

We have also placed an order for 20 A321 XLR aircraft during the last year, which brings our total committed aircraft order to 268 aircraft to be delivered in the next eight years. Reacting to the current market conditions, we also plan to return 32 older leased aircraft in the coming years.

Today, 47 per cent of the Company's total seat capacity is on A321 family aircraft. Our ultra-efficient fleet will ensure that the Company can fulfil its mission to continuously grow our footprint across Central and Eastern Europe and beyond, while remaining the ultimate cost-leader in the industry. Based on the current order book with Airbus and the aircraft return schedule, the fleet will more than double in size by FY 2025.

The table below shows the fleet allocation by country at 31 March 2020 compared to a year earlier:

	Fleet deployment by country		
Year end	March 2020	March 2019	Change
Total	121	112	+9
Romania	27	26	+1
Poland	26	24	+2
Hungary	16	15	+1
United Kingdom	10	9	+1
Bulgaria	8	7	+1
Austria	7	5	+2
Macedonia	5	4	+1
Ukraine	4	4	–
Lithuania	3	3	–
Moldova	3	2	+1
Georgia	3	2	+1
Serbia	2	2	–
Bosnia & Herzegovina	2	2	–
Latvia	2	2	–
Undesignated	3	5	-2

Driving financial performance

In line with the growth in traffic and capacity, we increased revenues by 19.1 per cent to €2,761.3 million and report growth in net profit to €281.1 million and an underlying profit of €344.8 million. We continue to focus on strengthening our model of unbundled services and increased our ancillary revenues by 31.5 per cent. At the same time, we reduced our ex-fuel unit costs by 0.9 per cent, driven by a relentless focus on our cost base. In the current environment, which is characterised by widespread travel restrictions as a result of the coronavirus pandemic, our cash balance is the single most important key performance indicator. With our total cash balance of €1.5 billion, we remain one of the strongest players in the industry and our ultra-low cost base allows us to sustain periods of business interruptions significantly longer than other airlines. Subsequent to the annual close for F20, we were able to further strengthen our balance sheet in April 2020, when we raised £300 million from the Bank of England under the UK Government's COVID Corporate Financing Facility (CCFF), which is a clear vote of confidence in our business.

Ultra-low-cost by design

In the coming year, we will focus on returning to stabilized operations while carefully managing the Company's robust balance sheet amidst the coronavirus pandemic. With our ultra-low-cost business model, we have the ability to take advantage of opportunities which may arise as a result of competitors withdrawing capacity.

Our customer base allows us to plan ahead with more certainty than most of our competitors. Most of our customers belong to a younger age group with an average age of 36 years and 65% of them travel for work or to be reunited with friends and relatives, the most essential reasons to fly. At the same time, we want to ensure passengers travel safely with Wizz in this new environment and we are therefore implementing additional health and safety measures aimed at minimizing the risk of transmission of the coronavirus on our flights, with an emphasis on contactless travel.

Notwithstanding this challenging environment, Wizz Air is on track to launch its operations in Abu Dhabi, the group's first airline established outside of Europe. The airline will initially focus on establishing routes to markets in which Wizz Air has existing, high growth operations in Central and Eastern and Western Europe, to be followed in due course by routes to the Indian subcontinent, the Middle East and Africa. Wizz Air believes that the establishment of a truly ultra-low-cost airline can contribute to the continued growth of Abu Dhabi as a world-class cultural and tourist destination.

Ultra-low-cost by design continued

With our agile infrastructure across all functions, we can ensure that we remain competitive and continue on our growth trajectory as soon as markets normalize. We intend to sustainably grow our business in a scalable way while focusing on delivering Shareholder value in an ever-changing market environment.

Focus on our people

Our people are the core of our business and we remain committed to foster a diverse and inclusive working environment. We are proud to employ aviation professionals from 54 different nationalities and deliver a superior service across our network. The dedication and enthusiasm displayed by them on a daily basis is vital to Wizz Air's success and ensures that our customers feel safe and comfortable on board. Our latest Employee Feedback Survey showed that our employees are highly engaged and that Wizz Air is their employer of choice. The general satisfaction within the WIZZ Team was 79 per cent, which is 19 per cent higher than the average engagement rate measured in Europe.

We continue to deliver world-class training to our people during 2020. From technical trainings for our crew to leadership and soft skills trainings for our office employees, we are focusing on giving the right tools to our employees so they can own their development and progress in their career.

During 2020 we further grew our Pilot Academy - a unique pilot training programme, giving a whole new generation of pilots with little to no previous aviation experience the opportunity to obtain a Commercial Pilot's License and the prospect of working as a pilot for Wizz Air. The programme is based on high-quality pilot training, starting from scratch, with the support of an experienced flight school and in line with Wizz Air's training standards. In the last financial year, we were happy to welcome 71 new cadets into the Pilot Academy and to celebrate the successful graduation of another 24 cadets.

Safety and stability remain our utmost priority. We are aware of the hardships and tragedies of life none of us can prepare for but some have to endure. As an employer, it is important for us that our employees feel safe and secure. That is why, during calendar year 2019, we have introduced WIZZ Aid, an employee emergency fund. It is designed to provide financial support to our colleagues who need urgent medical treatment or suffer from natural or man-made disasters. In addition, the WIZZ People Council, a community of Wizz Air employees, enables an effective two-way communication between the management and employees, to support the decision-making process on matters which affect all employees within the company.

Excellence in our management team

We are focused on managerial excellence in order to execute our strategy and create Shareholder value. In January 2020, we announced that, effective from 1 February 2020, Mr Jourik Hooghe will be appointed as Executive Vice President and Group Chief Financial Officer responsible for Wizz Air's Finance and Supply Chain organisations. Mr Hooghe has a proven track record as a global operating executive with 20 years of experience in strategy, operations and finance for consumer goods and retail businesses. He worked for eighteen years at Procter & Gamble (P&G), a world-leading consumer goods company, where his responsibilities covered various roles in finance. In January 2018, he joined the Adecco Group as Senior Vice President, Group Strategy, Finance and Accounting, where he led the evolution of the company's strategy, step-changed the performance framework and transformed the finance and accounting team into a high-impact, data and technology-driven organisation.

At the same time, Mr Iain Wetherall was appointed to the newly created Chief Investment Officer position reporting to the EVP and Group CFO. His responsibilities extend over corporate finance, strategic analytics and subsidiary financial governance.

Environmental and humanitarian initiatives

Wizz Air is focused on continuous fleet renewal to decrease our CO2 emissions by one third within the next ten years. We have also unveiled our sustainability programme Wizz Cares, which rests on three pillars to address the environmental, the social and the people (including diversity and inclusion) aspects of our business. It is overseen by Wizz Air's Audit & Sustainability Committee and will be further developed in the years to come.

We strive not only to remain the greenest choice of air travel but also to continuously decrease our environmental footprint. We are proud to have the lowest emission rates in the European aviation industry, while also being conscious of the many economic, social and environmental developments impacting our communities.

Environmental and humanitarian initiatives continued

Therefore, we have a number of initiatives which address these, such as 65 different fuel saving initiatives. In the past year, we started reporting our monthly CO2 emissions in order to increase transparency for our stakeholders.

Since the breakout of the coronavirus, we are making use of our aircraft assets in a different way to serve our communities. Starting in March 2020, we have operated over 130 repatriation and cargo flights and transported several tons of protective equipment for local hospitals and healthcare workers.

Focus on digital and offering our customers more

We see digital advancements as a key catalyst to fulfilling our mission of liberating lives through affordable travel and a key driver of our ultra-low-cost-carrier (ULCC) business model. Wizz Air is continuously working on defining exceptional services and value-added products which accompany the customer along their entire journey, all the while remaining a truly digital business. This is equally true for our internal processes and systems which are designed to drive automation and efficiency.

In the past year, the Company focused on the following areas:

- Mobile-first strategy: Today, wizzair.com is Europe's fourth most visited airline website with 194 million sessions in F20. Our mobile application saw an increase in traffic by 40 per cent year-on-year following a full redesign of the booking flow for mobile website view and the mobile app, based on customer research in order to make the process even more intuitive. Furthermore, improvements in Wizz Air's digitally enabled customer self-service, including the introduction of a credit card scanning functionality which allows mobile app customers to enjoy a seamless booking experience have reduced calls into the company's call centres by 27 per cent.
- Self-service and automation: We introduced a hassle–free auto check-in product that gives comfort to the customer of automatically receiving their boarding card before the flight. We also implemented a Flight Share functionality on the WIZZ Application that supports fast journey-share with family and friends. Furthermore, the extension of self-service possibilities for customers allows a faster and more flexible resolution: customers are now able to divide and then manage their bookings per passenger and smooth rebook/refund self-service options were introduced on the website and on the mobile app.
- Travel experience: We introduced an enhanced product recommendation as part of the personalization strategy of our product portfolio. In addition, automated and frequent mobile app push notifications are sent about flight related information to passengers and an Internal Flight Status Tracker was introduced to synchronize information for passengers on various communication channels about their flight status. We are also working on improving the physical customer journey experience: self-bag-drop at the check-in area was introduced at 10+ stations and the WIZZ Priority product experience was improved at airports via updated information screens at airports and training materials for ground handling agents, among other things.

We are also focusing on simplifying our processes, eliminating waste and relentlessly automating core processes to maximize productivity for our employees. Rethinking processes with new, digitally enabled ways of working has allowed Wizz Air to digitize many core processes such as recruitment, slots management, aircraft type changes and customer claims management. Enterprise platforms and digital tools have been introduced which have increased employee productivity by up to 80 per cent in key domains. In addition, cyber security and cloud-first initiatives are ensuring the airline is secure, scalable and reliable from a technology perspective. As we embark on the next financial year, we are seeing unprecedented challenges within the industry and are looking for further digital opportunities to support our customers. Wizz Air will continue to improve its digital communications to help advise our customers on how to stay safe as they return to flying. Building on its strong foundation, the company will accelerate automation initiatives to ensure it remains the industry's ultra-low-cost leader and to be able to scale smoothly with market fluctuation in demand. We will further leverage advanced analytics for improved decision making in this dynamic environment and generate a deeper understanding of our changing marketplace. As we continue our remarkable growth story, we are committed to becoming the most digital ULCC in the industry in order to better serve the evolving expectations of our customers and people.

Especially in these uncertain times, Wizz Air is committed to serving its 40 million passengers in a way that builds trust while maintaining our low-cost leadership. The only way to achieve these goals is by leveraging technology to the fullest. Management of the large number of flight cancellations triggered by COVID-19 led to automation and self-service improvements, including self-service options for rebooking/refund of cancelled flight tickets, which have been simplified to encourage customer self-servicing.

Outlook

The beginning of the new financial year brought significant challenges for the entire airline industry: the coronavirus pandemic led to widespread travel restrictions across Europe and, as a result, brought air travel largely to a halt. Our decisions and actions during these unprecedented times are guided by our commitment to preserve a lean and agile organisation that has a history of outperforming the market. As such, we are focused on maintaining our strong balance sheet, protecting our cash balance and increasing capacity as soon as possible. Our strong liquidity position means that we are able to sustain the business throughout this crisis and take advantage of market opportunities as they arise:

- Wizz Air's balance sheet is one of the strongest in the industry with €1.5 billion of total cash at the end of March 2020.
- Further liquidity has been secured by raising £300 million under the UK Government's COVID Corporate Financing Facility (CCFF) in April 2020.
- Immediate cost mitigation measures put in place include the reduction in third-party spending, overhead and discretionary spending as well as non-essential capital expenditure.
- We reduced the number of employees by 19 per cent in the short term, in order to adjust the size of the company to the current circumstances. However, longer term it is expected that the workforce will be increased as the industry recovers and Wizz Air resumes its growth trajectory.

We are able to scale up operations quickly thanks to our agile setup:

- We can stimulate traffic with low fares due to our ultra-low-cost base.
- The majority of our passengers belong to a younger demographic that travels abroad regularly for work and to visit friends and relatives, which are more sustainable sources of traffic than tourism.
- We are reviewing our aircraft allocation and will react to the new market reality by taking advantage of opportunities across Europe as other carriers withdraw capacity.

Despite difficult conditions, we expect to grow the number of seats by roughly 9 per cent compared to 2020, in line with the growth of the fleet to 131 aircraft by March 2021. While we do not expect a positive development in terms of ASKs and profit margin in the fiscal year 2021, we are not in a position to give guidance on net profit at this point due to the continued uncertainty regarding the duration and impact of the coronavirus pandemic. Company performance in 2021 is largely dependent on the level of flying permitted throughout the summer period, as well as the revenue performance in the second half of the 2021 fiscal year, a period for which the Company, like most airlines, currently has limited visibility.

Nevertheless, we remain confident that Wizz Air will emerge from this crisis as an even more formidable company. Our agility has been clearly demonstrated over the past months, as we have been actively involved in humanitarian missions and operated in geographies outside our markets. Since the breakout of the coronavirus Wizz Air has worked with various governments to offer repatriation flights for their citizens in Europe, Central Asia, North Africa and North America. The Company has also operated a number of flights between China and CEE to deliver medical supplies.

Our fundamental principles remain unchanged and we look towards the future with a firm plan to continue to drive Shareholder value. Wizz Air undoubtedly remains best placed for long-term value creation in the European aviation industry due to its low fare - low cost business model and unique positioning in the growing CEE market. As a result, we are expecting to deliver significant Shareholder value, environmental benefits and employment opportunities in the years to come.

József Váradi
Chief Executive Officer
5 June 2020

SECTION 172 STATEMENT

Companies Act 2006, Section 172(1) provides that "a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company."

The Company has multiple stakeholders. The Board considers the most significant stakeholders groups to be employees, customers, shareholders and investors, suppliers, governments and regulators including the European Union institutions. As part of their induction, the Directors of the Company are briefed on their duties and can access professional advice about them as appropriate.

The following paragraphs summarize how the Directors fulfil their duties, by reference to the relevant sections of the Annual Report.

Decision-making, governance, risk

The Directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the Company. The Company's Management governance structure reflects the highly regulated environment in which the Company operates.

The Board needs assurance that the Company's financial reporting, risk management, governance and internal control processes are operating effectively.

For details of the Company's risks and uncertainties and how the Company manages its risk environment see pages 24-29.

People

The Company is a people business. It has a well-developed structure through which it engages regularly with the workforce. During the year, one of the non-executive directors, Barry Eccleston, continued his activities as director overseeing engagement with employees.

For details on Board oversight of employee engagement see pages 52 and 69-70.

Community and environment

The Company is committed to making sure that everyone, everywhere can benefit from travel at the lowest prices, while keeping in mind the social, economic and environmental impact of our operations. The Company's strategy is built on low fares and a diverse network, supported by efficient and sustainable operations and high-quality customer service.

For further details on corporate responsibility see pages 66-73.

Shareholders

The Board is committed to openly engaging with Shareholders as we recognise the importance of effective dialogue. It is important that Shareholders understand the Company's strategy and objectives.

For further details on Board engagement with Shareholders refer to pages 33-35.

FINANCIAL REVIEW

Wizz Air carried 40 million passengers during the financial year 2020, which represents an increase of 15.8 per cent compared to the previous year. The company grew revenues by 19.1 per cent to €2,761.3 million compared to the previous year. Both figures were negatively impacted by the drop in capacity in March, as a result of the outbreak of the coronavirus pandemic. Notwithstanding this challenge, Wizz Air remained one of the most profitable airlines in Europe and grew capacity measured in terms of available seat kilometres (ASK) by 16.1 per cent and in terms of seats by 14.8 per cent.

At the same time Wizz Air reported a net profit of €281.1 million and an underlying net profit of €344.8 million (compared to €265.4 million underlying net profit in 2019, as restated under IFRS 16). As a result of the impact of COVID-19, the capacity to be operated in the first part of financial year 2021 will be significantly lower than that on which the hedging programme was based and hence certain hedging instruments no longer correspond to future purchases of jet fuel. As such, hedge accounting for these derivatives has been discontinued. They have been classified as 'discontinued hedges' (see Note 2 for the definition of discontinued hedges), and have been charged to the income statement as an exceptional operating cost. In our underlying numbers for 2020 we have excluded the impact of fuel hedge losses classified as discontinued (worth €63.7 million) relating to March, April and May 2020, whereas the underlying profit number does include the effective hedge loss in March of €12.8 million which was the result of the sharp drop in jet fuel prices behind unprecedented demand and supply shocks. Underlying profit is defined in Note 13 to the financial statements.

The Group achieved an increase in unit revenues measured in terms of ASKs, which rose by 2.6 per cent to 3.95 Euro cents, while unit costs grew by 1.1 per cent to 3.44 Euro cents in 2020 from 3.40 Euro cents in 2019. This increase in CASK was principally driven by an increase of 4.8 per cent in fuel CASK (excluding the exceptional item in 2020). CASK excluding fuel expenses decreased by 0.9 per cent to 2.27 Euro cents in 2020 from 2.29 Euro cents in 2019.

Net underlying profit margin was 12.5 per cent in 2020, compared to 11.4 per cent in 2019, 2020 having been impacted by the loss of revenue due to the coronavirus pandemic.

Wizz Air continued to make investments during the financial year, which drive efficiencies and lower costs to enable long-term growth. Significant milestones include:

- The delivery of six Airbus A321neo aircraft, which will further strengthen Wizz Air's position as Europe's ultimate cost leader.
- The announcement of the establishment of Wizz Air Abu Dhabi in partnership with Abu Dhabi Developmental Holding Company PJSC (ADQ), to start in the second half of 2020.
- The order of 20 Airbus A321 XLR aircraft, which will enhance Wizz Air's future growth plans.

The macro variables with significant influence on the financial performance of the Group developed during the year as follows:

	2020	2019	Change
Average jet fuel price ($/metric ton, including into plane premium and impact of effective hedges)	729	724	0.7%
Average USD/EUR rate (including impact of effective hedges)	1.16	1.18	(1.7%)
Year-end USD/EUR rate	1.10	1.12	(1.8%)

Financial overview

Summary statement of comprehensive income
€ million

Continuing operation	2020	2019 (restated)	Change in results
Total revenue	2,761.3	2,319.1	19.1%
Fuel costs *(including exceptional expense in 2020)*	(876.5)	(667.9)	31.2%
Operating expenses excluding fuel	(1,546.5)	(1,293.3)	19.6%
Total operating expenses	(2,423.0)	(1,961.2)	23.5%
Operating profit	338.3	357.9	(5.5%)
Comprising:			
- Operating profit excluding exceptional expense	*402.0*	*357.9*	*12.3%*
- Exceptional expense	*(63.7)*	*–*	
Operating profit margin (excluding exceptional expense)	*14.6%*	*15.4%*	
Net financing expense *(including exceptional expense in 2019)*	(44.2)	(229.0)	
Profit before income tax	294.1	128.9	128.2%
Income tax expense	(13.1)	(2.2)	
Profit from continuing operations	281.1	126.7	121.9%
Loss from discontinued operation	–	(3.7)	
Profit for the year	281.1	123.0	128.5%
Underlying profit after tax	344.8	265.4	29.9%

Adjusted performance measures (Note 13)
€ million

	Profit for the year		
	2020	2019 (restated)	Change
Statutory (IFRS) profit for continuing operations	281.1	126.7	
Adjustment for exceptional items (Note 13):			
Loss from fuel hedges classified as discontinued	63.7	–	
FX loss from the retrospective application of IFRS 16	–	138.7	
Total exceptional adjustments	63.7	138.7	
Underlying profit	344.8	265.4	29.9%
Underlying profit margin	*12.5%*	*11.4%*	1.1 ppts

Earnings per share

Earnings per share, EUR (Note 15)	2020	2019 (restated)	Change
Basic earnings per share from continuing operation	3.76	1.74	116.1%
Diluted earnings per share from continuing operation	2.22	1.01	119.8%
Basic earnings per share	3.76	1.69	122.5%
Diluted earnings per share	2.22	0.98	126.3%
Underlying earnings per share*	2.72	2.10	29.6%

* Excluding the impact of exceptional items, as explained in Note 13 to the financial statements

Return on capital employed and capital structure

Return on capital employed (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 2020 financial year was 20.8% per cent, being a small decline compared to the 21.5% rate for the previous year.

The Company's leverage* was 0.9 at the end of the 2020 financial year, which is broadly flat compared to 2019.

Liquidity* declined from 56.7 per cent at the end of the 2019 financial year to 47.5 per cent a year later.

	2020	2019 (restated)	Change
ROCE*	20.8%	21.5%	(0.7 ppts)
Leverage*	0.9	0.8	0.1 ppt
Liquidity*	47.5%	56.7%	(9.2ppts)

* See the definition of these non-statutory measures and their calculation under Key statistics on page 23.

Financial performance

Revenue

The following table sets out an overview of Wizz Air's revenue items for 2020 and 2019 and the percentage change in those items:

	2020		2019		
	Total (€ million)	Percentage of total revenue	Total (€ million)	Percentage of total revenue	Percentage change
Passenger ticket revenue	1,508.5	54.6%	1,366.1	58.9%	10.4%
Ancillary revenue	1,252.8	45.4%	953.0	41.1%	31.5%
Total revenue	2,761.3	100%	2,319.1	100%	19.1%

Passenger ticket revenue increased by 10.4 per cent to €1,508.5 million, primarily driven by 15.8 per cent higher passenger numbers. The change in Wizz Air's cabin bag policy led to higher ancillary revenues but partly cannibalised passenger ticket revenues. Ticket revenues were also negatively influenced towards the end of the fiscal year by the outbreak of the coronavirus pandemic. Conversely, ancillary (or "non-ticket") revenue grew strongly by 31.5 per cent to €1,252.8 million. Its share of the total revenue increased to 45.4 per cent as a result of the change in the company's cabin bag policy, as well as higher penetration across all products.

Average revenue per passenger rose to €69.0 in 2020 from €67.1 in 2019, representing an increase of 2.8 per cent. Average ticket revenue per passenger decreased from €39.5 in 2019 to €37.7 in 2020 (by 4.6 per cent), while average ancillary revenue per passenger increased to €31.3 from €27.6 (by 13.5 per cent). The increase in ancillary revenue per passenger was due to the impact of the company's change of its cabin bag policy, as well as due to higher customer penetration of existing products such as allocated seating and priority boarding.

Operating expenses

Total operating expenses excluding exceptional expense increased by 20.3 per cent to €2,359.3 million in 2020 from €1,961.2 million in 2019, in line with the capacity increase. CASK grew by 1.1 per cent to 3.44 Euro cents in 2020 from 3.40 Euro cents in 2019. The main driver of this was an increase in the average fuel price.

CASK excluding fuel expenses decreased by 0.9 per cent to 2.27 Euro cents in 2020 from 2.29 Euro cents in 2019.

Financial performance continued

Operating expenses continued

The following table sets out for 2020 and 2019 the expenses relevant for the CASK measure (thus excluding exceptional expense), and the percentage changes in those expenses:

	2020			2019 (restated)			
	Total (€ million)	Percentage of total operating expenses	Unit Cost (€cts/ASK)	Total (€ million)	Percentage of total operating expenses	Unit Cost (€cts/ASK)	Percentage change of total cost
Staff costs	231.8	9.8%	0.33	198.6	10.1%	0.33	16.7%
Fuel costs (excluding exceptional expense)	812.8	34.5%	1.16	667.9	34.1%	1.11	21.7%
Distribution and marketing	44.1	1.9%	0.06	37.8	1.9%	0.06	16.7%
Maintenance, materials and repairs	176.4	7.5%	0.25	134.1	6.8%	0.22	31.5%
Airport, handling and en-route charges	641.6	27.2%	0.92	550.3	28.1%	0.91	16.6%
Depreciation and amortisation	381.4	16.2%	0.55	334.5	17.1%	0.55	14.0%
Net other expenses	71.2	3.0%	0.10	37.9	1.9%	0.06	87.9%
Total operating expenses (excluding exceptional expense)	2,359.3	100%	3.37	1,961.2	100%	3.25	20.3%
Net cost from financial income and expense	44.2		0.06	87.4		0.14	(49.4%)
Total	2,403.5		3.44	2,048.6		3.40	17.3%

Staff costs increased by 16.7 per cent to €231.8 million in 2020, up from €198.6 million in 2019, driven primarily by a 14.1 per cent rise in aircraft block hours.

Fuel expenses (excluding exceptional expense) increased by 21.7 per cent to €812.8 million in 2020, up from €667.9 million in 2019. The main driver for this increase was an ASK growth of 16.1 per cent as well as rising average fuel prices and a stronger US Dollar. The average fuel price, including hedging impact and into-plane premium, paid by Wizz Air in 2020 was US$729 per ton, an increase of 0.7 per cent from the previous year's figure of US$724 per ton. The average euro / US dollar exchange rate, including the impact of hedging, was 1.16 in 2020 compared to a rate of 1.18 in 2019. The impact of effective fuel hedges was €31.8 million loss in 2020 (compared to €43.5 million gain in 2019). In addition, fuel expenses in 2020 included an exceptional expense of €63.7 million which is excluded from this analysis (see Note 13 for more details).

The increase in distribution and marketing costs of 16.7 per cent to €44.1 million in 2020 from €37.8 million in 2019 is in line with FY 2020 ASK growth of 16.1 per cent

Maintenance, materials and repair costs rose by 31.5 per cent to €176.4 million in 2020 from €134.1 million in 2019. This cost increase was the result of the increased numbers of hours flown and the timing of certain maintenance events.

Airport, handling and en-route charges increased by 16.6 per cent to €641.6 million in 2020 from €550.3 million in 2019. This increase is primarily driven by the increase in both flights and passenger numbers, which grew by 12.7 per cent and 15.8 per cent respectively.

Depreciation and amortisation charges increased by 14.0 per cent to €381.4 million in 2020, up from €334.5 million in 2019.

Net other expenses include primarily (i) office overhead and crew related costs other than direct staff costs, (ii) passenger welfare and compensation costs, (iii) aviation and other insurance costs, and (iv) credits that do not classify as revenue from customers. The increase in net other expenses to €71.2 million was primarily driven by more significant credit items in 2019, when compared to 2020, relating to various aircraft asset sale and leaseback transactions and certain supplier contract negotiations.

Financial performance continued

Net financing income and expense

The Group's net financing loss was €44.2 million in 2020 after a loss of €229.0 million in 2019. This aggregate change was driven by improvements both in financial income and expenses and in foreign exchange impacts, as shown in the table below:

€ million	2020	2019 (restated)	Change
Net financial expense	(44.2)	(87.4)	43.1
Net foreign exchange loss	0.1	(3.0)	3.1
Exceptional financial expense	–	(138.7)	138.7
Net financing expense	(44.2)	(229.0)	184.9

See also Note 12 to the financial statements.

Net financial expense decreased significantly because of the higher interest income earned by the Group after converting its bank deposits from Euro to US Dollar on 1 April 2019.

In the 2019 financial year (as restated) the Group had exceptional financial expense of €138.7 million relating to net foreign exchange losses calculated and recognised retrospectively as part of the IFRS 16 restatement of the Group's financial statements. These unrealised losses were caused by the significant appreciation of the US Dollar to the Euro during the 2019 financial year. The same impact was immaterial in 2020 as the Group, following adoption of IFRS 16, actively managed this FX exposure.

Taxation

The Group recorded an income tax expense of €13.1 million in 2020 compared to €2.2 million in 2019. The effective tax rate for the Group in 2020 was 4.4 per cent compared to 1.7 per cent in 2019. The tax charge in 2019 was exceptionally low because, in relation to Swiss income tax, it included both a decrease in deferred tax liabilities and an adjustment to the current tax of prior periods, which were one-off in nature. The main components of the tax charge are local business tax and innovation tax paid in Hungary, and corporate income tax paid in Switzerland and in the United Kingdom.

Profit for the year

The Group generated an underlying net profit for 2020 of €344.8 million, a 29.9 per cent increase from the underlying net profit of €265.4 million in 2019.

Other comprehensive income and expenses

In 2020 the Group had other comprehensive expense of €254.5 million compared to €5.7 million in 2019. This change was driven primarily by the movements in the fair value of open hedge instruments, as reflected in the balance of the cash flow hedging reserve in equity. The significant expense in the 2020 hedge reserve relates to fuel hedges for the 2021-2022 financial years that are in a loss position due to the sharp decline in fuel prices. It excludes the open fuel hedges that were classified as discontinued at 31 March 2020 and were therefore recognised as exceptional expense already in the 2020 financial year.

Cash flows and financial position

Summary statement of cash flows

The following table sets out selected cash flow data and the Group's cash and cash equivalents for 2020 and 2019:

€ million	2020	2019 (restated)	Change
Net cash generated by operating activities	771.9	742.7	29.3
Net cash used in investing activities	(682.4)	(64.0)	(618.4)
Net cash used in financing activities	(93.6)	(342.1)	248.5
Effect of exchange rate fluctuations on cash and cash equivalents	(1.4)	(0.1)	(1.3)
Cash and cash equivalents at the end of the year	1,310.5	1,316.0	(5.5)

Cash flows and financial position continued

Cash flow from operating activities

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

Operating cash flows increased from €742.7 million in 2019 to €771.9 million in 2020 primarily due to the following factors:

- Operating cash flows before adjusting for changes in working capital improved by €107.2 million year-on-year. This was driven primarily by the improved underlying profitability of the business (see earlier).
- The positive contribution of working capital changes to operating cash flows was only €3.5 million in 2020, compared to €83.0 million in 2019, being a reduction of €79.5 million year-on-year. The main driver behind this reduction was the sharp decline in sales due to the coronavirus in the last period of the 2020 financial year. In contrast with 2019, when forward bookings from the growing business supported cash flows by €103.1 million, the same impact was €220.8 million negative on the 2020 cash flows. This significant negative impact was partly offset by two factors: (i) a decrease in receivables - both receivables from customers and from lessors were lower, the latter due to significant refunds of maintenance reserves; and (ii) an increase in payables towards passengers, due primarily to the fact that many of the tickets cancelled shortly before the 2020 year-end were not refunded until after 31 March.

Cash flow from investing activities

Net cash used in investing activities increased to €682.4 million in 2020 from €64.0 million in 2019. The significantly higher investment in 2020 is due to the following factors:

- Advances paid for aircraft (pre-delivery payments, 'PDPs'): The net PDP payments to Airbus net of refunds received were an outflow of €298.2 million in 2020 compared to a net inflow of €71.3 million in 2019. This increase was primarily driven by the Company's delivery schedule and associated PDP commitments with Airbus.
- Purchase of tangibles and intangibles, net of proceeds from the sale of tangible assets: The net outflow was €273.5 million in 2020 compared to only €4.5 million in 2019. The key driver of this significant increase in 2020 is the purchase of several new aircraft (see Note 16 to the financial statements), that were then refinanced through JOLCO lease contracts (see below under financing activities). There were no similar aircraft purchases in 2019.

Cash flow from financing activities

Net cash used in financing activities decreased by €248.5 million year on year resulting from a €93.6 million outflow in 2020 and a €342.1 million outflow in 2019 (the latter as restated under IFRS 16). The significantly lower investment in 2020 was the net of the following two factors:

- Proceeds from new loan: This was nil in 2019 and €297.7 million inflow in 2020, relating to the JOLCO financing raised on several new aircraft.
- Repayment of loans plus interest paid on loans: The cash outflow from these items was €392.8 million in 2020, which is €50.7 million higher than in 2019. These were primarily related to aircraft and spare engine leasing fees paid, presented in this new form under IFRS 16.

Cash flows and financial position continued

Summary statement of balance sheet

The following table sets out summary statements of financial position of the Group for 2020 and 2019:

€ million	2020	2019 (restated)	Change
ASSETS			
Property, plant and equipment	2,553.0	2,067.0	486.0
Restricted cash*	185.9	188.9	(3.1)
Derivative financial instruments*	18.2	31.5	(13.2)
Trade and other receivables*	189.7	285.9	(96.2)
Cash and cash equivalents	1,310.5	1,316.0	(5.5)
Other assets*	101.0	55.2	45.8
Total assets	4,358.1	3,944.4	413.7
EQUITY AND LIABILITIES			
Equity			
Equity	1,234.8	1,206.1	28.7
Liabilities			
Trade and other payables	469.6	320.4	149.2
Borrowings (incl. convertible debt)*	2,039.4	1,841.3	198.1
Deferred income*	185.4	408.7	(223.3)
Derivative financial instruments*	307.8	18.8	289.0
Provisions*	121.1	149.2	(28.1)
Total liabilities	3,123.3	2,738.4	384.9
Total equity and liabilities	4,358.1	3,944.4	413.7

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

Property, plant and equipment increased by €486.0 million as at 31 March 2020 compared to 31 March 2019, primarily driven by the investment made in JOLCO-financed aircraft, the increased PDP balance with Airbus less the decrease in the balance of right-of-use assets (see also Notes 16 and 17 to the financial statements).

Restricted cash (current and non-current) decreased by €3.1 million as at 31 March 2020 compared to the year before. The great majority (95%) of this balance is linked to Wizz Air's aircraft lease contracts, being cash deposits behind letters of credit issued by Wizz Air's banks related primarily to lease security deposits and maintenance reserves.

Derivative financial assets (current and non-current) decreased by €13.2 million as at 31 March 2020 compared to 31 March 2019 (see also Notes 3 and 22 to the financial statements). In 2020 these hedge receivable balances all related to FX hedge instruments.

Trade and other receivables (current and non-current) decreased by €96.2 million as at 31 March 2020 compared to 31 March 2019 (see also Note 21 to the financial statements). The reduction was caused mainly by lower receivables from customers (due to decline in sales during March 2020) and by lower maintenance reserve receivables (due to refunds received from lessors during 2020 following the completion of maintenance events).

Cash and cash equivalents remained largely unchanged over the year and amounted to €1,310.5 million at 31 March 2020.

Trade and other payables increased by €149.2 million as at 31 March 2020 compared to 31 March 2019. The increase was driven primarily by the €132.0 liability recognised towards passengers in 2020 as many of the tickets cancelled shortly before the 2020 year-end were not refunded until after 31 March (2019: nil).

Borrowings (including convertible debt) increased by €198.1 million as at 31 March 2020 compared to 31 March 2019. The increase was driven primarily by the €291.4 million debt recognised at 31 March 2020 in relation to JOLCO lease contracts (see Note 24 to the financial statements).

Deferred income (current and non-current) decreased by €223.3 million as at 31 March 2020 compared to 31 March 2019 (see Note 27 to the financial statements). This was driven by the cancellation of F21 flights (primarily for April and May 2020) and by weaker sales for the summer towards the end of the fiscal year, both due to the coronavirus pandemic.

Derivative financial liabilities (current and non-current) increased by €289.0 million as at 31 March 2020 compared to 31 March 2019 (see Notes 3 and 22 to the financial statements). The €307.8 million liability at 31 March 2020 was all related to fuel hedges. (See also Note 35 on further hedge losses to crystallise in FY21.)

Provisions (current and non-current) decreased by €28.1 million as at 31 March 2020 compared to 31 March 2019 (see Note 30 to the financial statements). The reduction is due mainly to the utilisation of some maintenance provisions in 2020 as the respective maintenance events were performed during the year.

Hedging strategy

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 has been to reduce short-term volatility in earnings and liquidity. 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). However, as a result of uncertainties caused by the coronavirus outbreak, with effect from 24th April, the Company stopped hedging for the net US Dollar liability position driven by the IFRS 16 lease liability.

Details of the current hedging positions (as at 27 May 2020) are set out below:

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

Period covered	F21 10 months	F22 8 months
Exposure (million)	$277	$319
Hedge coverage (million)	$216	$100
Hedge coverage for the period	78%	31%
Weighted average ceiling	$1.1628	$1.1447
Weighted average floor	$1.1243	$1.1003

Fuel hedge coverage

Period covered	F21 10 months	F22 6 months
Exposure in metric tons ('000)	821	895
Coverage in metric tons ('000)	891	370
Hedge coverage for the period	109%	41%
Blended capped rate	$628	$554
Blended floor rate	$572	$503

Adoption of IFRS 16

The Group adopted IFRS 16 from 1 April 2019. This change had significant impact on the financial statements of the Group. The Group applied the full retrospective method of transition and has restated the FY 2019 financial statements in this Annual Report and Accounts. The details and the impacts of this change are explained in Note 2 and Note 6 to the financial statements, respectively.

Jourik Hooghe
Chief Financial Officer
5 June 2020

KEY STATISTICS

	2020	2019	Change*
CAPACITY			
Number of aircraft at end of period	121	112	8.0%
Equivalent aircraft	117.4	103.0	13.9%
Utilisation (block hours per aircraft per day)	12.02	12.03	(0.1%)
Total block hours	516,478	452,550	14.1%
Total flight hours	452,043	394,993	14.4%
Revenue departures	214,207	190,017	12.7%
Average departures per day per aircraft	4.98	5.05	(1.3%)
Seat capacity	42,788,903	37,266,876	14.8%
Average aircraft stage length (km)	1,635	1,618	1.1%
Total ASKs ('000 km)	69,972,524	60,283,961	16.1%
OPERATING DATA			
RPKs (revenue passenger kilometre) ('000 km)	65,680,231	55,993,952	17.3%
Load factor (%)	93.6%	92.8%	0.9ppt
Number of passenger segments	40,027,914	34,566,688	15.8%
Fuel price (US$ per ton, including hedging impact and into-plane premium)	729	724	0.7%
Foreign exchange rate (US$/€ including hedging impact)	1.16	1.18	(1.7%)
FINANCIAL MEASURES (for the Airline only)			
Yield (revenue per RPK, € cents)	4.20	4.14	1.5%
Average revenue per seat (€)	64.5	62.2	3.7%
Average revenue per passenger (€)	69.0	67.1	2.8%
RASK (€ cents)	3.95	3.85	2.6%
CASK (€ cents)**	3.44	3.40	1.1%
Ex-fuel CASK (€ cents)**	2.27	2.29	(0.9%)

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

** CASK measures for 2019 have been restated (see Note 6 to the financial statements).

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: cost per ASK, where cost is defined as operating expenses and financial expenses net of financial income, excluding exceptional items.

Ex-fuel CASK: cost per ASK, where cost is defined as operating expenses and financial expenses net of fuel expenses and financial income, excluding exceptional items.

The definition of 'cost' applied in the CASK measures until the 2019 financial year was based only on operating expenses. Financial income and expenses are now incorporated into the definition of cost because following the adoption of IFRS 16 this results in a more appropriate measure of cost development for the company. The CASK measures for the prior period shown in this report were restated to the current definition.

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.

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.

JOLCO (Japanese Tax Lease) and French Tax Lease: special forms of structured asset financing, involving local tax benefit for Japanese and French investors, respectively.

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.

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

RASK: total revenue divided by ASK.

Underlying net profit (from continuing operation): profit after tax for the year as per IFRS excluding the impact of exceptional items.

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.

Glossary of technical terms continued

Yield: the total revenue per RPK.

Cash and cash equivalents comprise bank balances on current accounts and on deposit accounts that are readily convertible into cash without there being significant risk of a change in value to the Group. Some of these deposits mature within 3-12 months of inception, the balance of which was €282.4 million (in original currency: $310 million) at 31 March 2020. Cash and cash equivalents do not include restricted cash.

Total cash comprises cash and cash equivalents and restricted cash.

Definition and reconciliation of non-statutory financial performance measures

Return on capital employed (ROCE) is operating profit after tax (excluding exceptional items) divided by average capital employed, expressed as a percentage.

Average capital employed is the sum of annual average equity and interest-bearing borrowings (including convertible debt), less annual average cash and cash equivalents.

€ million	2020	2019 (restated)
Operating profit (excluding exceptional expense)	402.0	357.9
Effective tax rate for the year	*4.4%*	*1.7%*
Operating profit after tax (excluding exceptional expense)	384.3	351.8
Average shareholders' equity	1,220.5	1,147.5
Average borrowings	1,940.4	1,635.0
Average cash and cash equivalents	(1,313.3)	(1,147.8)
Average capital employed	1,847.6	1,634.7
ROCE (%)	20.8%	21.5%

Leverage: net debt divided by EBITDA (excluding exceptional items).

Net debt is interest bearing borrowings (including convertible debt) less cash and cash equivalents.

Earnings before interest, tax, depreciation and amortisation (EBITDA) is profit (or loss) before net financing costs (or gain), income tax expense (or credit), depreciation, amortisation and exceptional items.

€ million	2020	2019 (restated)
Operating profit (excluding exceptional expense)	402.0	357.9
Depreciation and amortization	381.4	334.5
EBITDA (excluding exceptional expense)	783.4	692.4
Borrowings	2,039.4	1,841.3
Cash and cash equivalents	(1,310.5)	(1,316.0)
Net debt	728.9	525.3
Leverage	0.9	0.8

Liquidity is cash and cash equivalents divided by last twelve months' revenue, expressed as a percentage.

€ million	2020	2019
Cash and cash equivalents	1,310.5	1,316.0
Revenue	2,761.3	2,319.1
Liquidity	47.5%	56.7%

EMERGING AND PRINCIPAL RISKS AND UNCERTAINTIES

This section of the annual report sets out our risk management process and provides an overview of some of the emerging and principal risks that could, if not appropriately dealt with, affect Wizz Air's future success. Risk management is a dynamic and ever-evolving area and the Company is committed to proactively identify and manage risks effectively.

Our risk management process

The Board is responsible for the Company's risk management and it has delegated to the Audit and Sustainability Committee the task of monitoring the adequacy and effectiveness of the Company's risk management systems. The Company has a comprehensive enterprise risk management (ERM) process to support the achievement of business and strategic goals. As part of our ERM process, risks are identified, analysed for likelihood and impact, and quantified. Risk response is determined depending on the risk type and appetite. As part of this process, the internal Risk Council, involving the Company's senior management team and a number of other senior employees, meets regularly, to consider and update the emerging and principal risks identified. The resulting risk report is then reviewed with the Audit and Sustainability Committee and presented to the Board. These risks, many of which have been the subject of regular reporting and discussion between senior management and the Board for some time, are detailed below. The Board is therefore satisfied that it has carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

Risks relating to the Group

Introduction

The key risks identified by the Risk Committee fall into nine 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, general economic trends 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 expanding network;
- fleet development, ensuring 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, making sure that we remain compliant with regulations affecting our business and operations;
- operations, including safety events and terrorist incidents;
- Black Swan events, including occurrences and threats of epidemics such as COVID-19;
- human resources, ensuring we are able to recruit the right quality and the right number of colleagues to support our ambition to grow and, once recruited, that they remain engaged and motivated and that the Company has in place appropriate succession management for key colleagues; and
- climate risk.

Information technology and cyber risk

During the 2020 financial year, 92 per cent of bookings were made through wizzair.com and mobile applications. We are therefore dependent on our information technology systems to enable and manage ticket reservations, process 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 functional, reliable and secure. While we outsource the hosting and operation of some of these systems to external IT suppliers, we retain an experienced internal team to oversee the operation of these systems and manage the service level. We will continue to review our business-critical systems to ensure that the appropriate level of back-up and reliable recovery procedures are in place. The Company has employed business continuity processes since its beginning and during the 2020 financial year the Company's business continuity plan was comprehensively reviewed and updated to ensure that it remained appropriate and sufficient for the Company's continued growth. The up-to-date state and the operability of the business continuity plan is ensured through regular testing and maintenance.

Risks relating to the Group continued

Information technology and cyber risk continued

Cyber risk is a hugely important consideration for our business and is one of the areas closely monitored by the Board. Our systems could be attacked in a number of ways and with varying outcomes – for example, unavailability of wizzair.com or operations-critical systems or theft of our customers' data that could result in considerable loss of customer confidence. In 2018, leading up to the implementation of the General Data Protection Regulation ("GDPR") we completed a comprehensive review of the Company's data systems architecture and launched a combination of new processes, policies, and technological solutions resulting in an increased data protection at Wizz Air. During the 2020 financial year, we have continued to invest in and strengthen such processes, systems and policies and have engaged a Data Protection Officer. 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 programme for all colleagues is maintained. Our in-house IT security department continues to review emerging threats and the Board will be kept up to date on the actions being taken to safeguard our Company.

External factors

We are an international business and, while we report in Euros, we transact in over 20 currencies. We make a large number of payments in US Dollars. Appreciation of the US Dollar against the Euro may negatively 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 the Board-approved hedging policy. In addition, and recognising the importance of the British Pound as accounting for around 14.8 per cent of the Company's total revenues, we also engage in Euro/British Pound hedging, again in accordance with the Board-approved hedging policy. In all cases, hedging transactions are subject to the approval of the Audit and Sustainability Committee.

During the 2020 financial year fuel accounted for 34.5 per cent of our total Group operating costs (each excluding exceptional expenses) and 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 and Sustainability Committee is involved in and approves each hedging decision.

Financial counterparties. In the past few years, Wizz Air has seen its cash reserves continue to increase. We believe that a strong cash position is a vital foundation for the Company's continued, aggressive growth and its ability to capture commercial opportunities as they arise. Therefore, we actively manage the safeguarding of our financial assets and monitor the viability of our banking and hedging counterparties. In fact, all of the Company's cash is invested in accordance with a Board-approved counterparty risk policy which assigns investment limits to each counterparty based upon its credit rating.

Competition is one of the key risks to our business. Our competitors continuously strive to protect or gain market share in markets in which we operate, perhaps by offering discounted fares or more attractive schedules. Competition can adversely affect our 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. Ultimately, our key competitive strength is our commitment to driving our costs ever lower while delivering a superior service and building a loyal customer base. We firmly believe that in tough market conditions lowest cost ultimately wins and therefore we are relentlessly committed to the strictest cost discipline day in and day out.

We are exposed to global political, economic and epidemic events and trends. An economic downturn affects demand for air travel. Our business extends beyond the borders of the EU and into countries such as Russia and Ukraine and regions including the Caucasus, North Africa and the Middle East. Some of the regions we operate in have in the past experienced, and may also in the future be subject to further potential political and economic instability caused by changes in governments, political deadlock in the legislative process, contested election results, tension and local, regional or international conflicts, 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.

The outcome of the Brexit vote continues to cause significant uncertainty for our business because there is still overall uncertainty on how the exit from the EU will happen after the end of the transition period on 31 December 2020. To ensure we are able to continue to fly a number of routes from the United Kingdom to destinations outside the EU, as well as to enable the Company to capitalise on any consolidation opportunities that might arise in the United Kingdom, we already established Wizz Air UK, an airline licensed in the United Kingdom. We continue a dialogue with various authorities to ensure that there is a general understanding of the need to maintain access to the liberalised market.

Risks relating to the Group continued

External factors continued

Regardless of the outcome of the transition period, we believe diversification of our network and markets is a key part of a sustainable business strategy and we remain confident that CEE is a large addressable market which will continue to provide opportunities for profitable growth should our UK business be adversely affected.

Product development

We compete not just for customers but also for access to infrastructure. Wizz Air enjoys high growth, but to meet our ambitious growth plans we require additional space in airport terminals and additional take-off, landing and airport slots. Certain airports in 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. We are also making sure that, to retain the slots we already have, we maintain close working relationships with the relevant airport authorities and slot co-ordinators and continuously improve our scheduling and slot management systems and processes.

Fleet development

In order to support our growth plans, we require additional aircraft. We put emphasis on new aircraft – we currently operate one of the youngest fleets in Europe with an average age of just 5.4 years. Having a modern and reliable fleet means we can utilise it for over twelve hours a day. For the business it means lower unit operating costs, and for our customers, lower prices. Since early 2019 the Company started to take delivery of the A321neo aircraft and currently operates these narrow body aircraft which are the most efficient technology today and likely to remain that way over the next few years. Our order book with Airbus as at 31 March 2020 comprised 65 A320neo, 183 A321neo and 20 A321XLR aircraft with deliveries scheduled to take place between 2020 and 2026.

A large aircraft order is a significant financial commitment and requires financing. To date, we have financed all of our A320ceo-family aircraft through sale and leaseback arrangements. On the A320neo-family programme the combination of the sale and leaseback, JOLCO and (beyond FY 2020) French Tax Lease financing provides a diversified fleet financing structure at competitive market rates. This will continue to be the case for the upcoming deliveries which are locked in until the end of June 2021. We are confident that, given both the A320 family'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 for the foreseeable future.

With the advance of technology, aircraft computer technology intended to make flight operations safer is becoming more sophisticated and may sometimes fail leading to aircraft being grounded. Similarly, design flaws of aircraft components may lead to costly delays of aircraft delivery. We are in constant dialogue with our key suppliers, Airbus and Pratt & Whitney, to ensure we have sufficient capacity to deliver our planned growth and that crews are trained to the highest standard possible and are adept at using the latest aircraft technology innovations in order to avoid such failures and delays.

Regulatory risks

Even in a liberalised air traffic right environment, aviation remains a highly regulated industry. Wizz Air Hungary relies on an air operator's certificate (AOC) and operating licence issued by Hungary and Wizz Air UK relies on an AOC and operating licence issued by the United Kingdom. In each case, the licences allow the airline to operate air services both within Europe and to and from countries with which Europe has liberalised air traffic agreements. Each operating licence 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 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 operating licences. The Board receives a report at each Board meeting of the level of share ownership by non-qualifying nationals.

In view of the consequences of a no-deal Brexit and as the outcome still remains uncertain, Wizz Air has held discussion with the European Commission and with the Hungarian Civil Aviation Authority and established an ownership and control contingency plan based on a specific EU Aviation Regulation published in March 2019.

A stop notice was published by the Company on 17 April 2018 effectively barring any non-Qualifying Nationals (which from 1 January 2021 will include UK nationals) from purchasing ordinary shares in the Company.

EMERGING AND PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risks relating to the Group continued

Regulatory risks continued

On 3 March 2020, following the conversion by Indigo Hungary LP and Indigo Maple Hill, L.P. of an aggregate of 12,453,300 convertible shares of £0.0001 each into Ordinary Shares on that date, the share register of the Company showed that ownership of Wizz Air's Ordinary Shares by Non-Qualifying Nationals was 44.4%. As a result, the Company's Board of Directors resolved to remove the 17 April 2018 stop notice with immediate effect.

The Company's Board of Directors will continue to monitor the ownership level of Ordinary Shares by Non-Qualifying Nationals and will take actions to re-impose the restriction under the Articles at any time if deemed necessary.

In addition, an investor relations programme aimed at moving the Company's Shareholder base to the EU (excluding the UK) has been initiated. Finally, to the extent the increase of Qualifying Nationals' shareholding would remain insufficient, the Company would implement the disenfranchisement of the voting rights of certain Non-Qualifying National holders of Ordinary Shares, such that, Non-Qualifying Nationals would hold fewer than 49% of those ordinary shares to which voting rights are attached.

Operational risks

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

At Wizz Air, our number one priority is the safety of our 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 four times a year, involving both senior management as well as operational staff, and reviews any issues which have arisen in the previous three months and the actions taken as a consequence. In addition to this, we collect detailed data from all aspects of our operation in order to identify trends, and relevant personnel from our Operations department meet twice a year to discuss any trends identified in their area of operation and how they are being dealt with. We also operate an anonymous safety reporting system, to enable our flight and cabin crew to report safety issues which are a concern to them. The entry standards for our operating crew are high and our own Approved Training Organisation (ATO) ensures that all of our pilots are trained to the highest standards. Wizz Air is a registered International Air Transport Association's Operational Safety Audit (IOSA) programme operator, which helps us to ensure that we have best-in-class airline safety management and control systems and processes.

Our experienced security team has an ongoing programme to ensure that the security of our operations and the airports which we serve meet high standards. 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 passengers, crew, and aircraft could not be guaranteed.

Wizz Air Hungary Ltd. is classified 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. Wizz Air has also joined the campaign launched by the European Union Aviation Safety Agency's (EASA) aiming to reduce the number of unruly passengers on all European flights and protect the passenger's right to a peaceful travel experience.

In October 2018, Wizz Air was awarded the highest 7-star safety ranking from the world's only one-stop airline safety and product rating agency AirlineRatings.com.

In September 2019, Wizz Air was named The Best Low-Cost Carrier of the Year in 2019. The award was handed over at the Aviation Industry Awards Europe gala, part of Air Convention Europe 2019 in Vilnius on 17 September. The award is among the most important and prestigious prizes in the aviation industry. Over 150,000 people cast their votes for commercial airlines in the world. Wizz Air's excellent performance was recognised by awarding the airline with The Best Low-Cost Carrier of the Year prize.

In November 2019, Wizz Air was named the Best Low Cost Airline – Europe 2020 in the annual ranking of AirlineRatings.com, the world's only safety and product rating website. This rating is considered one of the most important and respected in the world of aviation, with outstanding airlines amongst past winners.

Risks relating to the Group continued

Black Swan events, including epidemics

An epidemic or the perception that an epidemic could occur can have a material adverse effect on demand for travel and airlines' operations given restrictions imposed by states, ultimately impacting operating results, financial performance and liquidity. See Going concern and Viability on pages 74-75.

Since February 2020, the worldwide COVID-19 coronavirus epidemic has strongly and negatively impacted not only the airline industry but also the global economy. The Company's crisis management centre has been activated since February 2020. The epidemic was characterized as a pandemic by the World Health Organization on 11 March 2020. The situation has been followed up on a daily basis by senior management and the Company's Board of Directors has been receiving a daily update on the operational, commercial and financial situation of the Company. In addition, extraordinary Board of Directors meetings have been organized monthly since February 2020. Structural measures have been taken by the Company to ensure the health and safety of its passengers and staff and to protect liquidity (including cost savings, workforce cost reductions and working capital interventions). In April the Company's operations were reduced by more than 95%. Since 1 May, 2020 the Company has resumed operations from a number of bases, supported by a new health and safety protocol aiming at minimizing the risk of infection of customers, staff and partners.

Human resources

Wizz Air is a people business. We know 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. We also know we cannot take our people for granted and that competition for the high quality people we seek is keen and may become even more so.

- From time to time, pilots and other personnel 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 November 2018, the opening of our new 3,800-square metre state-of-the-art training centre in Budapest reaffirmed our commitment to training excellence.
- 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 this will remain the case, but we realise that there can be no guarantee. We know we need to ensure 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. The Wizz Air People Council, established in 2018, regularly brings together employees representing all areas of the business and is designed to facilitate an effective two-way communication between the management and employees and to support the decision-making process on matters that affect all of us within the Company, so that Wizz Air can continue to improve both as an airline and as an employer. This effective two-way communication is also facilitated by regular base visits, which are occasions for senior management to spend quality time with employees, both formally and informally.
- Our success to date has been driven also by our key personnel. 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, during the 2020 financial year, we continued to build on the talent management programme rolled-out across the Company's office functions in 2019. 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.

Climate risk

As an airline, we recognise the risk related to oil consumption and CO2 emissions, which are considered a cause of climate change.

Greenhouse gas emissions and their potential impacts relating to climate change are under increasing global regulatory focus. Aviation is already included in the EU Emissions Trading System (EU ETS) and the Company expects to be part of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) when effective. In October 2016, the International Civil Aviation Organisation (ICAO) adopted CORSIA with the intention to create a single global market-based measure to achieve carbon-neutral growth for international aviation after 2020, which can be achieved through airline purchases of carbon offset credits. CORSIA is expected to increase operating costs for airlines that operate internationally.

While the precise impacts of climate-related requirements continue to evolve, the Company takes its responsibility towards the climate very seriously and is undertaking various measures that are expected to help reduce its CO2 emissions over time, such as improving fuel efficiency through operational measures and fleet renewal.

EMERGING AND PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risks relating to the Group continued

Climate risk continued

In June 2019, Wizz Air announced that it operated at the lowest CO2 emissions per passenger amongst all competitor airlines. With 57.2g CO2 per passenger/km in financial year 2020, Wizz Air was the airline with the smallest environmental footprint per passenger. Wizz Air took a proactive step to include the emissions figure into its monthly statistics, adding transparency to allow passengers to have all the necessary information to make responsible choices. Wizz Air's CO2 per passenger/kilometre emissions figure have been on a continuously declining trend over the past years, dropping by 2.2% in financial year 2020 compared to the previous year. With more than 250 Airbus A321NEO aircraft on order, Wizz Air will continue to drive efficiency and improvement in this area with its environmental footprint further decreasing by 1/3 for every passenger over the next decade.

Until new environmental regulations come into force and/or until pending regulations are finalized, future costs to comply with such regulations remain uncertain but are likely to have a significant financial impact on our operating costs and on the aviation industry as a whole over time. We continue to monitor these developments. However, the precise nature of future requirements and their applicability to the Company are hard to predict.

József Váradi
Chief Executive Officer
5 June 2020

GOVERNANCE

CORPORATE GOVERNANCE REPORT

A COMPANY COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE

Chairman's statement on corporate governance

Wizz Air grew its business in F20 by 19.1 per cent in terms of revenues and by 15.8 per cent in terms of the number of customers travelling with the Company. During the course of F20, the Company passed the 40 million passenger per year milestone.

As the Company continues to grow, so the Directors recognise the importance of ensuring that the Company's corporate governance remains of a high standard, to maintain the trust that our investors have placed in the Company.

As Chairman, I am pleased to see the commitment of our Directors to the Company's business, with a number spending much time outside formal Board meetings interacting with the Company's management. During the course of F20, a certain number of directorate changes or re-appointments occurred.

On 16 April 2019, Mr Andrew Broderick was appointed to the Board of the Company as non-independent non-executive director. At the same time, Mr John R. Wilson resigned as a Director of the Company.

Mr Broderick had been a Director of Indigo Partners LLC, a private equity fund focused on air transportation, since July 2008. Mr Broderick has served on the board of directors of Frontier Airlines Holdings, Inc., an airline based in the United States, since January 2018 and JetSMART Airlines SpA, an airline based in Chile, since September 2018. Additionally, he has served as an alternate on the board of directors for Concesionaria Vuela Compañía de Aviación, S.A.B. de C.V., an airline based in Mexico doing business as Volaris, since July 2010. Prior to joining Indigo, Mr Broderick was employed at a macroeconomic hedge fund and a stock-option valuation firm. Mr Broderick holds a B.S. in Economics and a B.A. in Spanish from Arizona State University and a Masters of Business Administration from the Stanford Graduate School of Business.

On 28 January 2020, Mr Simon Duffy's appointment to the Board of the Company as an independent non-executive director, Chairman of the Audit and Sustainability Committee and senior independent non-executive director was extended by one year.

On 28 January 2020, the Board also resolved that in future, all Directors' appointments and re-appointments be effective for a period of one year instead of three years and that all Directors, except for those choosing not to put themselves forward for re-election, would stand for election or re-election by the Company's Shareholders at each annual general meeting. This year Mr Guido Demuynck and Ms Susan Hooper have chosen not to seek re-election.

One of the keys to the Company's success to date has been its agility in responding to opportunities and issues that develop. However, it is important that this agility is matched by a robust governance process over significant decisions. I believe that one of the strengths of the Company's Board is the willingness and ability of the Directors to be involved in strategic discussions and support the Company's management with their decisions in often-challenging timeframes. For example, during F20 the Board continued to discuss on a number of occasions the possible outcomes of the United Kingdom's decision to exit the European Union, or Brexit. During F18, the Board had approved the implementation of an important part of the Company's contingency plan for Brexit, with the establishment of a new airline in the United Kingdom, Wizz Air UK. Wizz Air UK received its Air Operator's Certificate and Operating Licence and started operating on 3 May 2018 further demonstrating Wizz Air's commitment to Europe's single largest aviation market. As well as being part of the Company's Brexit contingency strategy, Wizz Air UK also presents the Company with additional commercial opportunities arising from any future consolidation in the United Kingdom airline market. As at 31 March 2020, Wizz Air UK operated a fleet of 10 aircraft based in London Luton Airport.

During F20, Wizz Air fleet grew past 120 aircraft including six additional game-changing Airbus A321neo. The Airbus A321neo is powered by Pratt & Whitney GTF engines, features the widest single-aisle cabin with 239 seats in a single class configuration and offers Wizz Air maximum flexibility, fuel efficiency and lowest possible operating costs. To sustain this growth, the Wizz Air Pilot Academy programme continued to attract a significant number of trainees in Hungary, Poland, Bulgaria and Romania. The Wizz Air state-of-the-art pilot and cabin crew Wizz Training Centre, inaugurated in Budapest during F19, continued to deliver significant training capability and efficiency in F20. The facility currently operates two full-motion simulators and can train up to 300 flight and cabin crew members on a daily basis.

On 2 March 2020 the Company announced that it had concluded a definitive agreement with Abu Dhabi Developmental Holding Company PJSC (which conducts business under the "ADQ" brand), to jointly establish Wizz Air Abu Dhabi. The new Emirati low-cost airline is set to launch its operations at Abu Dhabi International Airport in the autumn of 2020, bringing low fares paired with a high-quality on-board experience to a range of destinations across Europe, the Middle East, Asia and Africa.

Chairman's statement on corporate governance continued

With such significant developments taking place in the Company's business, it is important the Board continues to understand risks that have the potential to affect adversely the achievement of the Company's strategic objectives. The Company's more structured enterprise risk management system has now been in place for several years, under the oversight of the Audit and Sustainability Committee. The Company's Risk Council reports to the Audit and Sustainability Committee on a quarterly basis, with the risk report being updated following meetings, between the Company's Head of Internal Audit and individual risk owners, with periodic updates then being given to the full Board.

Falling just after the end of F18, the Board took action to ensure that the aggregate shareholdings of a number of Shareholders who were not Qualifying Nationals, as defined in the Company's Articles of Association, did not exceed the Permitted Maximum, also as defined in the Company's Articles of Association. Those measures were withdrawn in March 2020 but, again, this demonstrates that the Board is prepared to take decisive action to ensure the protection of the Company's interests and ongoing compliance with regulatory requirements. In addition to such measures, based on a sector specific regulation issued by the European Union on 14 March 2019, the Company has also developed a no-deal Brexit contingency plan aiming at ensuring its continuous compliance with the ownership and control requirements should the United Kingdom be unable to negotiate a deal with the European Union at the end of the transition period.

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.

The Board has been carrying out an evaluation of its performance during every financial year since the Company's initial public offering in February 2015. The performance evaluation for the financial year ending 31 March 2020 was facilitated by Lintstock, an independent external board evaluation firm. The F20 Board evaluation was conducted during the course of April 2020 and, following collection of the Chairman and the Directors' feedback, led to a series of discussions at Board and Committee levels. The Non-Executive Directors' engagement with management was rated positively on the whole, and the relationship between the Board and the Chief Executive Officer was rated very highly. The management of meetings was rated highly, as well the time spent discussing key issues. It was decided to dedicate an entire Board meeting to longer-term strategic matters every year, and it was also decided to continue organizing Board events, for example base visits, like the one organised in March 2019. Following the performance evaluation, the Board as well as the Board Committees discussed and took account of its outcome.

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 Company welcomed the publication by the FRC of its new UK Corporate Governance Code in July 2018 and its focus on the themes of corporate and board culture, stakeholder engagement and sustainability, which are critical factors for us as we partner with our stakeholders to build an enduring business.

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

The Board complied with the requirements of the Corporate Governance Code (July 2018) during the financial year, save as set out below:

- William A. Franke, the Chairman, does not meet the independence criteria set out in the Corporate Governance Code (Provision 10), given that he is the managing partner of Indigo. In addition, he has also exceeded the nine-year limit imposed by the Code (Provision 19). 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.

Our key Shareholders

As at 31 March 2020, 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 3.00 per cent of the Company's issued Ordinary Shares:

Shareholder	Reported shareholding	Reported number of shares
Indigo Hungary LP	13.5 per cent	11,515,509
Fidelity Management & Research Company	6.7 per cent	5,708,444
Fidelity International	6.0 per cent	5,123,163
Capital Research Global Investors	5.0 per cent	4,296,088
Indigo Maple Hill LP	4.1 per cent	3,484,491
Merian Global Investors (UK) Limited	3.9 per cent	3,318,744
BlackRock Investment Management (UK) Ltd.	3.0 per cent	2,599,214

Between 1 April and 15 May 2020 Fidelity Management & Research Company sold 436,429, Fidelity International 1,593,047, and Capital Research Global Investors 485,460 shares, while BlackRock Investment Management (UK) Ltd. bought 843,414, and Merian Global Investors (UK) Limited 27,000 shares.

Changes in interests that have been notified to the Company pursuant to DTR 5 of the DTRs since 1 May 2019 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 2020, Indigo (Indigo Hungary LP and Indigo Maple Hill LP together) held 17.56 per cent of the Company's issued Ordinary Shares, as well as 17,377 203 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 a general meeting, or who has been removed from office by a resolution of the holders of Ordinary Shares.

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 the Remuneration and Audit Committees shall consist only of independent Directors.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE CONTINUED

Our key Shareholders continued

Our relationship with Indigo continued

Arm's length transactions

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

Provision of information and confidentiality

Indigo shall, subject to the Company's obligations under all applicable laws (including, without limitation, the Listing Rules and the DTRs), be provided with financial, management and/or other information relating to any member of the Group as Indigo (or any of its associates) may reasonably require for the purposes of any internal or external reporting requirements which the relevant party is required by internal compliance, law or regulation to make. Indigo may disclose any such financial, management and/or other information to its associates provided that: (a) Indigo will (and will procure that any associate to whom any information is passed will) keep confidential any such information; (b) such information does not include information relating to any transaction between the Company and Indigo or any of their associates obtained as a result of an Indigo Director's position as a Director; (c) disclosure would not result in the breach by the Company of the 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 31 May 2020, being the latest practicable date prior to the publication of this report:

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

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

Engaging with our Shareholders

Wizz Air recognises the need to engage with its Shareholders.

Over the course of the past year, the Company's Investor Relations department has arranged a number of roadshows, timed around the release of financial results, as well as other meetings with investors. At the 2019 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 and Sustainability 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 and Sustainability Committee and of the Remuneration Committee will attend the 2020 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 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 Remuneration Policy set out on pages 54 to 58, following the Shareholder vote and approval at the 2018 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 including ESG matters and the review of safety issues.

Board membership

Wizz Air's Board currently comprises one Executive and nine Non-Executive Directors, following the resignation of John R. Wilson and the appointment of Andrew Broderick on 16 April 2019. 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 2020 financial year are:

Name	Position	Committee membership (as at 31 March 2020)
Executive Director		
József Váradi	Chief Executive Officer	
Non-Executive Directors		
William A. Franke	Chairman	Nomination Committee
Guido Demuynck	Non-Executive Director	Remuneration Committee
Simon Duffy	Non-Executive Director, Senior Independent Director	Audit and Sustainability Committee, Nomination Committee
Susan Hooper	Non-Executive Director	Audit and Sustainability Committee, Remuneration Committee
Stephen L. Johnson	Non-Executive Director	
John R. Wilson*	Non-Executive Director	
Barry Eccleston	Non-Executive Director	Nomination Committee
Peter Agnefjäll	Non-Executive Director	Audit and Sustainability Committee
Maria Kyriacou	Non-Executive Director	Remuneration Committee
Andrew Broderick**	Non-Executive Director	

* Resigned effective as of 16 April 2019.

** Joined effective as of 16 April 2019.

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 and is Chairman of EnerJet, a Canadian start-up airline. 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. Mr Franke was the 2019 recipient of the Excellence in Leadership Award at the 45th ATW Airline Industry Achievement Awards.

The Board of Directors continued

Board membership continued

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 is currently a non-executive director of JetSMART SpA and he also held board memberships with companies such as Lufthansa Technik Budapest (Supervisory Board, 2001–2003) and Mandala Airlines (Board of Commissioners, 2007–2011). Mr Váradi won the Ernst & Young Hungary "Brave Innovator" award in 2007 and the "Entrepreneur Of The Year" award in 2017. 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.

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 was 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 Telit Communications Plc, a leading company in the IoT (internet of things) sector listed in London. He is a non-executive director of Nordic Entertainment AB (NENT), one of Europe's largest broadcasting companies, and Modern Times Group AB (MTG), a leading esports company. Both NENT and MTG are listed on the Stockholm Exchange. He is chairman of the audit committee at both companies. 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. Ms Hooper is currently a non-executive director of Uber UK, The Rank Group plc and Affinity Water Ltd and is a founding Director of ChapterZero.org.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.

The Board of Directors continued

Board membership continued

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.

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. Mr Wilson retired from the board in April 2019.

Peter Agnefjäll, Non-Executive Director

Mr Agnefjäll joined the Board in July 2018. A Swedish national, Mr Agnefjäll was the President and Chief Executive Officer of IKEA Group from 2013 to 2017. Following his graduation as a Master of Business Administration from the University of Linköping in 1995, Mr Agnefjäll joined IKEA's trainee programme in 1995 and he was subsequently promoted a number of times within the group, including to roles acting as the assistant to former Chief Executive Officers as well as the founder of IKEA, Ingvar Kamprad before finally being promoted to President and Chief Executive Officer. Mr Agnefjäll serves on the board of directors of Orkla ASA, a leading supplier of branded consumer goods listed on the Oslo Stock Exchange. In addition to that he serves on the advisory board of Deichmann Group, a family owned European footwear retailer, and on the supervisory board of Ahold Delhaize, a Dutch retail group listed on Euronext.

Andrew S. Broderick, Non-Executive Director

Mr Broderick joined the Board in April 2019. Mr Broderick is a Managing Director of Indigo Partners LLC, a private equity fund focused on air transportation, which he joined in July 2008. He has served on the board of directors of Frontier Airlines Holdings, Inc., an airline based in the United States, since January 2018 and JetSMART Airlines SpA, an airline based in Chile, since September 2018. Additionally, he has served as an alternate on the board of directors for Concesionaria Vuela Compañía de Aviación, S.A.B. de C.V., an airline based in Mexico doing business as Volaris, since July 2010. Prior to joining Indigo, Mr Broderick was employed at a macroeconomic hedge fund and a stock-option valuation firm. Mr Broderick holds a B.S. in Economics and a B.A. in Spanish from Arizona State University and a Masters of Business Administration from the Stanford Graduate School of Business.

Barry Eccleston, Non-Executive Director

Mr Eccleston joined the Board in May 2018. A British national, Mr Eccleston recently retired as Chief Executive Officer of Airbus Americas Inc., where he was responsible for all aspects of Airbus' commercial airplanes business in North America, a position he held since 2005. Prior to this, Mr Eccleston was VP/GM for Honeywell's Propulsion Systems Enterprise and had earlier served as Honeywell's VP Commercial Aerospace for Europe, Middle East and Africa. Before joining Honeywell in 2002, he was Executive VP of Fairchild Dornier Corporation, a provider of Regional Aircraft. He started his career with Rolls Royce where he held several senior positions, culminating as CEO of International Aero Engines, a joint venture with Pratt & Whitney. Mr Eccleston holds a bachelor's degree in Aeronautical Engineering from Loughborough University and completed the International Executive Program at the IMD in Lausanne, and holds an Honorary Doctorate from Vaughn College of Aeronautics. He past Chairman of the British-American Business Association in Washington DC., past President of The Wings Club of New York, and has served on the Boards of other industry Associations. He is currently an outside director of FLYHT Aerospace Solutions Ltd, a Canadian public company, and a past outside director at Vector Aerospace Corporation in Canada. In Her Majesty The Queen's New Year 2019 Honours List, Mr Eccleston was appointed an O.B.E.

The Board of Directors continued

Board membership continued

Maria Kyriacou, Non-Executive Director

Ms Kyriacou joined the board as an independent non-executive member in September 2018 and was appointed as an additional member of the Remuneration Committee with effect from 25th September 2018. Ms Kyriacou started her career with PwC in their audit and advisory division, before joining the finance team at The Walt Disney Company. She held a number of positions with The Walt Disney Company over a 15 year term culminating in the role of Senior Vice President Digital Media Distribution EMEA. In 2010, Ms Kyriacou was recruited by ITV Studios as Managing Director of Global Entertainment, becoming Managing Director of Global Entertainment and Rest of World Studios before being promoted to President International ITV Studios, part of ITV plc. In February 2020, Ms Kyriacou became President, Viacom International Media Networks U.K., where she oversees the channels and related businesses in 33 territories in Europe including Britain's Channel 5.

External appointments undertaken

Peter Agnefjäll was appointed to the Ahold Delhaize' Supervisory Board on 10th April 2019, following approval of the Company's Board.

Independence

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

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

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

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

c) John R. Wilson was not considered to be an independent Non-Executive Director as he was a principal of Indigo. John R. Wilson retired from the Board as of 16 April 2019.

d) Andrew Broderick, who was appointed effective from 16 April 2019, is not considered to be an independent Non-Executive Director as he is a director of Indigo.

Other than William A. Franke, John R. Wilson, Andrew Broderick and Stephen L. Johnson, the Company regards all of its Non-Executive Directors, namely, Guido Demuynck, Simon Duffy, Susan Hooper, Barry Eccleston, Peter Agnefjäll and Maria Kyriacou, 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.

The Board of Directors continued

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. After John McMahon retired in July 2018, Simon Duffy was appointed as the Company's Senior Independent Non-Executive Director and has been in this position since then.

Independent Non-Executive Director overseeing engagement with employees

In order to strengthen workforce engagement, Wizz Air had decided to appoint an independent non-executive director to oversee engagement with employees. Mr Barry Eccleston, who joined the Board of Wizz Air Holdings Plc on 1 June 2018, was appointed as independent non-executive director overseeing engagement with employees effective from 1 January 2019.

In his role, Mr Eccleston has been ensuring that the employee voice reaches the boardroom. As at 31 March 2020, Mr Eccleston has visited the largest bases in the Wizz Air network, has attended multiple sessions of the Wizz People Council, has organized a meeting between all Wizz People Council members and the Board, has delivered floor talks to Wizz Air office employees in Geneva, in London and in Budapest and has regularly reported back to the Board.

Senior management team

To reflect the Company's growth and structural evolution, effective from 1 January 2019, organisational changes took place with the objectives of enhancing the leadership capacity and strengthening the Group's corporate governance structure. In that respect, József Váradi was appointed to Group Chief Executive Officer at Wizz Air Holdings Plc, assuming responsibility for the overall operations of the Company that include Wizz Air Hungary Ltd. and Wizz Air UK Ltd.

Effective from 1 February 2020, Jourik Hooghe was appointed as Executive Vice President and Group Chief Financial Officer. Mr Hooghe reports to the Company's Chief Executive Officer and is a member of the Company's executive team based in Geneva. He is responsible for Wizz Air's Finance and Supply Chain organisations with the Company's Chief Investment Officer, Chief Supply Chain Officer, Head of Financial Planning and Controlling and Head of Accounting as direct reports. Effective from 1 February 2020, Mr Iain Wetherall was appointed to the newly created Chief Investment Officer position reporting to the EVP and Group CFO.

The Group 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 5 June 2020, the Group's senior management team, in addition to the Group Chief Executive Officer, is:

Wizz Air Holdings Plc:

Name	Position
Diederik Pen	Executive Vice President and Group Chief Operations Officer
Jourik Hooghe	Executive Vice President and Group Chief Financial Officer
Johan Eidhagen	Chief People Officer
Marion Geoffroy	Chief Corporate Officer

Wizz Air Hungary Limited:

Name	Position
Stephen Jones	Deputy Chief Executive Officer and Managing Director
Iain Wetherall	Chief Investment Officer
Heiko Holm	Chief Operations Officer
George Michalopoulos	Chief Commercial Officer
Joel Goldberg	Chief Digital Officer
András Sebők	Chief Supply Chain Officer

Wizz Air UK Limited:

Name	Position
Owain Jones	Managing Director

Senior management team continued

Stephen Jones, Deputy Chief Executive Officer and Managing Director

Mr Jones joined Wizz Air in October 2017 as Deputy Chief Executive Officer and Executive Vice President and was appointed to Deputy Chief Executive Officer and Managing Director as of 1 January 2019. Mr Jones, who is a national of both New Zealand and the United Kingdom, was the Chief Strategy, Network and Alliances Officer at Air New Zealand since 2013 during which time he was responsible for the airline's overall corporate strategy, network development, alliances and sustainability. He oversaw the airline's tightly cost-managed response to significant domestic competition from low cost carriers as well as the turnaround of the airline's international business in the face of severe competition from many Asian, Middle Eastern and low cost carriers in the trans-Tasman market, one of the most competitive markets in the world. Prior to this role, Mr Jones held a number of other roles in Air New Zealand, including general manager of their low cost carrier Freedom Air, general manager of the airline's domestic business unit and Tasman and Pacific Islands business unit as well as general manager of investor relations and financial planning, following the airline's recapitalization in 2003. He also served as Chairman of the Star Alliance Management Board and the Star Alliance Strategy Committee.

Diederik Pen, Executive Vice President and Group Chief Operations Officer

Mr Pen joined Wizz Air in January 2013 as Chief Operations Officer, becoming Accountable Manager in September 2013. He was promoted to Executive Vice President and Chief Operations Officer in April 2017 and to Executive Vice President and Group Chief Operations Officer in January 2019. 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.

Jourik Hooghe, Executive Vice President and Group Chief Financial Officer

Mr Hooghe joined Wizz Air in February 2020 as Executive Vice President and Group Chief Financial Officer. He has 20 years of experience in strategy, operations and finance for consumer goods and retail businesses. He worked for eighteen years at Procter & Gamble (P&G), a world leading consumer goods company, where his responsibilities covered various roles in finance, including Head of Global Strategy and Regional CFO of multi-billion dollar businesses across Europe, India, Middle-East and Africa and Greater China. In January 2018, he joined the Adecco Group as Senior Vice President, Group Strategy, Finance and Accounting, where he led the evolvement of the company's strategy, step-changed the performance framework and transformed the finance and accounting team into a high-impact, data and technology-driven organisation.

Iain Wetherall, Chief Investment Officer

Mr Wetherall joined Wizz Air in July 2011 as Head of Corporate Finance and, following the Company's initial public offering in 2015, he also led the Company's investor relations function before taking on the Head of Financial Planning & Control and Investor Relations in September 2016. Mr Wetherall was appointed to Chief Investment Officer with effect from February 2020. He is a chartered accountant, holds an Advanced Treasury Diploma from the Association of Corporate Treasurers, a Securities and Investment Diploma from the Chartered Institute for Securities and Investments and was a Securities Representative authorized by the Securities and Futures Authority (now Financial Conduct Authority). Prior to Wizz Air, Mr Wetherall gained experience in tax & treasury, corporate finance, mergers & acquisitions, accounting, audit, corporate governance, internal control and consulting in various finance roles for Royal Ahold, PricewaterhouseCoopers, KPMG and Singer & Friedlander Bank Limited.

Johan Eidhagen, Chief People 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 and Chief People Officer effective 1 April 2019. 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.

Heiko Holm, Chief Operations Officer

Mr Holm joined Wizz Air in 2015 as Head of Technical Services. Mr Holm graduated from the University of Applied Sciences in Hamburg, Germany as an Engineer specialized in Aircraft Construction and Design and went on to build a successful career with Lufthansa Technik, ultimately becoming the Director of Operations for Lufthansa Technik in Shenzhen, China, from where he joined Wizz Air.

MANAGEMENT OF THE COMPANY CONTINUED

Senior management team continued

Owain Jones, Managing Director, Wizz Air UK

Mr Jones joined Wizz Air as General Counsel in 2010, was promoted to Chief Corporate Officer in June 2014 and appointed as Managing Director of Wizz Air UK in September 2018. 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.

András Sebők, Chief Supply Chain Officer

Mr Sebők was one of the first employees of Wizz Air, joining in 2004 as Head of Treasury and Controlling and spending 15 years building an extensive career with the airline, overseeing various financial functions such as Treasury, Financial Planning and Controlling, Fleet Acquisition and Corporate Finance. Mr Sebők was promoted to Chief Supply Chain Officer with effect from 1 April 2019 responsible for fleet acquisition, airport development, purchasing and facility management. Before joining Wizz. Mr Sebők worked in various positions in finance including being the CFO of Aeroplex Central Europe. Mr Sebők is Hungarian and holds a degree in Banking, Corporate Finance and Securities Law from Eötvös Loránd University.

Joel Goldberg, Chief Digital Officer

Mr Goldberg joined Wizz Air in October 2018 as Chief Digital Officer, a newly created position. Mr Goldberg is responsible for Wizz Air's E-commerce, Data Analytics and Automation, IT Innovation and IT Infrastructure and Services functions reporting to the company's Deputy Chief Executive Officer. Mr Goldberg was formerly Senior Director Technology, Europe for Nike. Prior to this role, Mr Goldberg worked in executive IT roles at various multinational companies including G4S, APMaersk and DHL Express.

Marion Geoffroy, Chief Corporate Officer

Ms Geoffroy joined Wizz Air as Head of Legal and General Counsel in March 2015. Between 2000 and 2011, Ms Geoffroy held senior leadership roles in the Legal department of Air France-KLM. In 2011, she joined Verlingue Insurance Brokers where she served as General Counsel for 4 years. She was appointed Chief Corporate Officer in September 2018 overseeing the Legal, Data Protection, Public Affairs, Sustainability and Health and Safety departments and also assumes the responsibility of Corporate Secretary. Ms Geoffroy holds a Master of Laws (LL.M.) from Paris XI University (France), a Lawyer-Linguist Master from ISIT (Paris, France), a law degree from Philipps University (Marburg, Germany) and a Master of Laws (LL.M.) from McGill University Institute of Air and Space Law (Montreal, Canada).

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.

In November 2019, the Board approved the extension of the Audit Committee's remit to include the oversight of the Company's sustainability strategy. The Audit Committee was renamed to Audit and Sustainability Committee and its terms of reference were amended as detailed below.

Audit and Sustainability 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) 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 position, 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 and Sustainability 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 and Sustainability 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 present, to discuss its remit and any issues arising from the internal audits carried out. In addition, the Audit and Sustainability Committee shall ensure that the Company's head of the Internal Audit function has the right of direct access to the Chairman, the Audit and Sustainability 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 and Sustainability Committee shall oversee the selection process for new auditors and if auditors resign the Audit and Sustainability 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 and Sustainability 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 and Sustainability 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;

   IV. the effectiveness of the audit process; and

n) reviewing the Group's sustainability strategy and its implementation;

o) examining the extra-financial risks and specifically those relating to environmental, social and societal issues; and

p) coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

The Corporate Governance Code recommends that the Audit and Sustainability Committee (ASC) 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 2020, the membership of the Company's ASC comprised three members, namely Simon Duffy, Susan Hooper and Peter Agnefjäll, all of whom are independent Non-Executive Directors, have appropriate knowledge and understanding of financial matters, and have commercial expertise gained in industries with similar characteristics, giving the ASC as a whole competence relevant to the sector in which the Group operates. No members of the ASC have links with the Company's external auditors. The Company therefore considers that it complies with the Corporate Governance Code recommendation regarding the composition of the ASC.

The Audit and Sustainability 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 and Sustainability Committee. The Company's external auditors and the Chief Financial Officer are invited to attend meetings of the Audit and Sustainability Committee on a regular basis. The Company's Head of Internal Audit, along with the external firm of internal auditors when applicable, also attend the Audit and Sustainability Committee's meetings to report on internal audit matters. Following each meeting, the Chairman of the Audit and Sustainability Committee reports to the Board on the significant items discussed during the Audit and Sustainability Committee's meeting. The Audit and Sustainability Committee met on six occasions during the 2020 financial year (including telephonic meetings). In addition to the formal meetings, the Audit and Sustainability 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 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 2020, the membership of the Company's Remuneration Committee comprised three members, namely Guido Demuynck, Susan Hooper and Maria Kyriacou, all of whom are independent Non-Executive Directors. The Chairman of the Remuneration Committee is Mr Demuynck.

Board Committees continued

Remuneration Committee continued

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 2020 financial year as well as regular contact with management and the Company's advisers.

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 were mostly 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, Simon Duffy and Barry Eccleston. 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 seven meetings of the Nomination Committee during the 2020 financial year and, in between these meetings, members of the Nomination Committee advised senior management on the appointment of Non-Executive Directors and on various senior management appointments, including the EVP and Chief Financial Officer. Interviews of candidates for each of these positions were also conducted by the members of the Nomination Committee. Candidates for the Non-Executive Directors 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 2020 financial year.

	Board attended/total	Audit and Sustainability attended/total	Remuneration attended/total	Nomination attended/total
Executive Director				
József Váradi	11/11	6/6*	6/6*	7/7*
Non-Executive Directors				
William A. Franke	11/11	–	–	7/7
Guido Demuynck	9/11	–	6/6	–
Simon Duffy	10/11	6/6	–	7/7
Susan Hooper	11/11	5/6	4/6	–
Stephen L. Johnson	10/11	–	–	–
John R. Wilson**	–	–	–	–
Barry Eccleston	11/11	–	–	7/7
Peter Agnefjäll	11/11	6/6	–	–
Maria Kyriacou	11/11	–	6/6	–
Andrew Broderick***	9/11	–	–	–

* 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.

** Resigned effective as of 16 April 2019.

*** Joined effective as of 16 April 2019.

Board procedures

At least five 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.

Since the outbreak of COVID-19 in the early months of 2020, the Board has been provided with a daily update from senior management describing the measures taken by the Company from a financial, operational, commercial and safety perspective. Three extraordinary telephonic Board meetings have taken place between the end of February and the end of April 2020.

Prior to Board 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 telephonic 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. 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. 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 except Mr Guido Demuynck and Ms Susan Hooper will offer themselves for re-election at the 2020 annual general meeting.

REPORT OF THE CHAIRMAN OF THE AUDIT AND SUSTAINABILITY 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. A matter of increasing importance for the Company is sustainability, requiring also proper integration into the corporate governance processes of the Company. To ensure the highest focus on this, the Audit Committee was renamed as the Audit and Sustainability Committee. Its duties have been extended accordingly.

With respect to its traditional terms of reference, the Audit and Sustainability Committee continued in 2020 to oversee relevant day-to-day financial issues, including discussions on hedging strategy and approval of hedging transactions, the relationship with external auditors, and the Company's system for enterprise risk management (ERM) to ensure that the Company's risk management processes (including its Internal Audit function) continue to provide robust support for its future growth.

Main activities of the Audit and Sustainability Committee during the 2020 financial year

Risk management

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

As the framework for risk management activities, the Company's ERM programme was operated during the 2020 financial year in line with the process and standards established in the previous three years. Each risk identified was considered in detail in terms 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 was then used to prepare a principal risk report. Each risk owner is required to review each risk at least once a year. The Company's internal Risk Council, comprising the Company's senior management team, reviews the risk register and the principal risk report also at least once a year. The Risk Council then reports to the Audit and Sustainability Committee on, among other things, changes to be made to the principal risk report, including any consequent mitigating actions. The principal risk report, once approved by the Audit and Sustainability Committee, is delivered to the Board.

Despite the Company's established risk management programme, neither the risk register nor the principal risk report addressed the risk of an exogenous, Black Swan event with the potential to prevent the business from operating in the normal way for a sustained period. COVID-19 is an instance of such an event. Nevertheless, the embedded risk management culture helped management respond swiftly to the pandemic, identifying the emerging and principal risks it created and taking appropriate and timely action. Although such Black Swan events are by their nature difficult to identify in advance, management has added a generic instance of such a risk to the risk register and the Board and Audit and Sustainability Committee will regularly assess the Company's preparedness for such an event. Other than this, no significant failings or weaknesses were identified in the systems of risk management or internal control.

The Committee has considered whether, notwithstanding the foregoing, the Company's risk management systems accord with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. After carefully considering the Council's guidance, the Committee concluded that the Company's risk management and internal control systems are in accordance with it.

In addition to the ERM programme, the Company's Internal Audit function prepares a plan of internal audits for the upcoming year, which is approved by the Audit and Sustainability Committee. Internal audits are led by the Head of Internal Audit, who has direct responsibility to the Chairman of the Audit and Sustainability Committee as well as an administrative reporting line to the Company's Chief Financial Officer. The Head of Internal Audit from time to time engages external professional support for the execution of individual audits. While in the past few years the Company worked exclusively with Ernst & Young in this area, during 2020 there was a shift towards relying on more vendors depending on the type of support that the subject matter required. Natural turnover of staff has resulted in a temporary reduction in the capacity of the Internal Audit function and the Committee is working with management to ensure that the function has the appropriate quantity and quality of resources, whether internal or outsourced.

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 and Sustainability Committee for approval. The Chairman then provides the full Board with a report of the internal audit reports completed in a particular period.

Internal Audit then verifies that actions have been taken and controls implemented and reports back to the Audit and Sustainability Committee on the status. The Audit and Sustainability 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 24 to 29 of this annual report.

REPORT OF THE CHAIRMAN OF THE AUDIT AND SUSTAINABILITY COMMITTEE CONTINUED

Main activities of the Audit and Sustainability Committee during the 2019 financial year continued

Financial information

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

Relationship with external auditors

The Chairman of the Audit and Sustainability Committee has regular correspondence and discussions with the engagement partner, Mr Richard Porter, at PricewaterhouseCoopers LLP outside the formal Committee meetings.

The Audit and Sustainability Committee has approved the fees to be paid and the external audit plan for the 2020 financial year and reviewed the reports of the auditors on the half-year review and the annual audit. The audit of the 2020 financial statements and of this annual report, and the review of the half-year financial report, were all completed on time and to a high standard and addressed the key issues arising from the Company's business that could have an impact on the financial statements.

The Audit and Sustainability Committee carefully considered the performance of the external auditors and the effectiveness of the external audit process. It noted that the external auditors were willing to challenge management, robustly but constructively, during the audit process to ensure that all material issues were analysed rigorously, resolved appropriately and presented transparently. The Committee also reviewed the Financial Reporting Council's report dated July 2019 on PricewaterhouseCoopers LLP's audit quality. The Committee considered the comments made by both the Council and PricewaterhouseCoopers LLP and noted the latter's adoption of and investment in a 'Programme to enhance audit quality'.

With the completion of the 2020 audit PricewaterhouseCoopers LLP have been the auditors of the company for 14 years uninterrupted, covering the years ended 31 March 2007 to 31 March 2020. The last external audit services tender was conducted in the summer of 2017, when PricewaterhouseCoopers LLP was reappointed to perform the external audit services for five years (2018-2022).

The Audit and Sustainability Committee will consider the appointment of external auditors for the financial year ending 31 March 2021 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 LLP, the Directors would ask the Shareholders to ratify the appointment of the new auditor at the 2021 annual general meeting.

The Audit and Sustainability Committee ensures the independence of the Company's external auditors. The Audit and Sustainability Committee reviewed the independence letter of the auditors and considered in particular the non-audit services taken from and the non-audit fees paid to the external auditors during the year (see Note 9 to the financial statements). The Audit and Sustainability Committee was satisfied that non-audit services and fees did not compromise the objectivity and independence of the auditors, mainly because: (i) the engagement leaders from the relevant 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.

Importantly, non-audit fees have been on a declining trend for several years, both in terms of absolute amount and as a proportion to audit fees. Additionally, in February 2019 PricewaterhouseCoopers LLP informed the Company that, in response to UK corporate governance developments for audit services, they would stop providing non-audit services to the Company, except for the completion of in-progress engagements until December 2019 the latest. As a result, non-audit fees earned by PricewaterhouseCoopers LLP in the 2020 financial year were materially less than the audit fees.

REPORT OF THE CHAIRMAN OF THE AUDIT AND SUSTAINABILITY COMMITTEE CONTINUED

Main activities of the Audit and Sustainability Committee during the 2019 financial year continued

Relationship with external auditors continued

At the same time audit fees were significantly raised in 2020 compared to 2019. The increase was justified by PricewaterhouseCoopers LLP on the following grounds:

- The adoption of IFRS 16 in the year was a very complex change due to the number and the size of the Group's lease contracts. While IFRS 16 increases the complexity of audits for the Company on a going basis, in 2020 there was also significant one-off effort required in relation to the transition on a full retrospective basis.
- The costs of carrying out external audit work in the UK have risen substantially in recent years. Key examples of regulatory developments that drive external audit effort include (i) more regular and more demanding external quality reviews on audits by the UK regulator (the Audit Quality Review Team of the Financial Reporting Council), and (ii) new requirements for the scope of audits (coming from revisions to auditing standards ISA 220 and ISA 600 and to the UK Corporate Governance Code). There was no base adjustment to the audit fee in the recent years to take account of these developments. The Audit and Sustainability Committee is committed to high-quality audit service and shared the view of PricewaterhouseCoopers LLP that properly resourced and priced audit is the only way of ensuring quality.

Significant matters relating to the annual report

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

- Impact of COVID-19: The pandemic and the consequent grounding of the Group's fleet impacted the annual report in two ways. First, it had a direct impact on the financial statements, resulting in (i) many hedges becoming classified as discontinued, triggering a significant exceptional loss for the year; and (ii) deferred income from sold tickets transforming to a significant extent into liability towards customers following ticket cancellations. Second, the negative impact on liquidity and the uncertainties around future trading prospects required a more robust review of the going concern assumption and the viability statement. The Audit and Sustainability Committee participated in rigorous reviews and analyses of the assumptions and methodologies used by management in undertaking the work required to provide the forecasts to underpin the going concern and viability statements. At the conclusion of this process, which included frequent interaction with the engagement partner of the external auditors, the Committee determined that the positions taken by management on these issues were appropriate.
- Capital commitments and financing: The Committee undertook a detailed review of the Company's capital commitments and their associated financing. It agreed that the commitments were appropriate and necessary to allow the Company to achieve its ambitious growth plans. It also analysed management's financing strategy and noted that management either already had secured or, over the term covered by the viability statement, had clear plans to secure financing on attractive terms that optimised flexibility and minimised costs.
- IFRS 16: The transition in 2020 marked the conclusion of a three-year long programme to prepare for and to execute the most complex and material accounting change in the Company's history. On the basis of the work performed by management and the extensive review by the external auditor in several phases, and the reports issued on these actions, the Audit and Sustainability Committee is confident the numbers reported under IFRS 16, including the restatement of the prior year, are complete and accurate.
- Maintenance accounting: As part of reviewing the reports from management and the auditor on the half-year and the year-end accounts, the Audit and Sustainability Committee satisfied itself that the policy and the procedures applicable to this complex area were followed in the year consistently. As a connected subject, the Audit and Sustainability Committee agreed a restatement was necessary for prior periods in relation to lessor compensation accruals and obtained comfort that the restated position reported in the financial statements is appropriate.

The Audit and Sustainability 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, performance, business model and strategy. In reaching its judgement the Committee reviewed all the issues that had been raised by both management and the external auditors during the audit process and at other times during the year and debated whether they had been fully, fairly and clearly disclosed and discussed in the annual report. The Committee also considered whether appropriate emphasis was placed on each issue. At the conclusion of this process the Committee determined that the annual report taken as a whole is indeed fair, balanced and understandable and recommended it to the Board for approval.

REPORT OF THE CHAIRMAN OF THE AUDIT AND SUSTAINABILITY COMMITTEE CONTINUED

Main activities of the Audit and Sustainability Committee during the 2019 financial year continued

Other matters considered during the year

- Changes in the hedge programme during 2020: Early in the year the Company added GBP-USD hedges to its hedge programme to manage the FX translation exposure on USD-denominated lease liabilities for the aircraft leased by Wizz Air UK. During the year the Company sold some carbon put options with the objective of optimising future carbon costs. Following the grounding of the Group's fleet due to COVID-19, a decision was taken in April 2020 to suspend the IFRS 16 related fair value hedges. The suspension was justified on the basis that the Company's current focus is to protect liquidity rather than reported earnings; and the fair value hedges mitigate primarily unrealised FX impacts but in exchange create cash exposure due to potential margin calls. The Audit and Sustainability Committee supported management's recommendations for these changes.
- Internal Controls Over Financial Reporting: The Audit and Sustainability Committee regularly reviews the Company's system of controls. It does this principally through the internal audit programme whereby it agrees which controls need to be reviewed and tested. It receives routine reports on the outcome of such reviews and tests as well as on management's actions to remedy any identified gaps. Working with internal audit, the Committee also initiated a programme to improve the Company's internal controls over its financial reporting processes (ICOFR). The programme covers 16 groups of processes and controls. As of its final meeting of the 2020 financial year, held in March, the Committee noted that reviews of 14 of them were either completed or in progress. At that point four issues of medium importance and two of high importance had been identified. Management is in the process of remediating the identified shortcomings. However, given the nature of the issues raised, the Committee is satisfied that they do not represent a risk to the integrity of the Company's financial statements.
- Class 1 Circular: The Audit and Sustainability Committee reviewed the Class 1 Circular prepared by management in relation to the purchase order made in June 2019 for twenty new Airbus A321XLR aircraft, was satisfied with its contents and recommended it to the board for approval.
- Cyber security: The Audit and Sustainability Committee regularly reviewed updates from management on the Company's position with respect to cyber security and on the actions implemented or planned to mitigate cyber risks. The Company was independently measured at "Level 2 – Guarded" based on a scale of increasing threat from 1 to 5.
- Sustainability: With its new responsibilities in this area, the Committee oversaw the development of the Company's sustainability strategy, based on the three pillars of environment, people and economy. Working with management, it also initiated a project to develop the Company's Sustainability reporting.

Simon Duffy
Chairman of the Audit and Sustainability Committee

REPORT OF THE CHAIRMAN OF THE NOMINATION COMMITTEE

Wizz Air's Nomination Committee is comprised of three members, namely Simon Duffy, our Senior Independent Non-Executive Director, Barry Eccleston 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.

Main activities of the Nomination Committee during the 2020 financial year

During the 2020 financial year, the Nomination Committee worked on a number of key appointments for the Company.

On 19 December, Mr Jourik Hooghe was appointed as Executive Vice President and Group Chief Financial Officer, effective from 1 February 2020. Mr Iain Wetherall was appointed to the newly created Chief Investment Officer position reporting to the EVP and Group Chief Financial Officer, also effective from 1 February 2020.

On 2 March 2020 the Company announced that it concluded a definitive agreement with Abu Dhabi Developmental Holding Company PJSC, to jointly establish Wizz Air Abu Dhabi, set to launch its operations at Abu Dhabi International Airport in Fall 2020. Mr Kees Van Schaick was appointed to the position of Managing Director of Wizz Air Abu Dhabi.

The Nomination Committee has also been reviewing the composition of the Board in the context of certain Non-Executive Directors reaching the sixth anniversary of their appointments in the coming year and also the need to ensure the periodic refreshment of the Board.

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

Report of the Chairman of the Remuneration Committee

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the financial year ended 31 March 2020. The membership of the Remuneration Committee did not change during the year.

Wizz Air constantly seeks to ensure greater diversity, including gender diversity, throughout the Company and in particular among the Board and senior management, where having several different nationalities is one of its strengths. It is committed to continuously improving diversity at all levels within the Company, up to and including the Board. The Company also constantly seeks to improve employee engagement by actively listening and responding to issues raised by employees. Mr Barry Eccleston continued to act as the independent non-executive director overseeing employee engagement and ensuring that employees' voices reach the boardroom. During the year Mr Eccleston joined the management during base and office visits across the network to respond to employee questions and to participate in employee meetings and discussions. He also joined the Wizz Air People Council, which represents employee matters to management and ensures they are addressed and answered.

The strong leadership during the 2020 financial year of the Board, the Chief Executive Officer and management team has seen the Company deliver strong statutory net profit of €281.1 million, even as the Company dealt with significant developments and the COVID-19 pandemic. The Company remained extremely cost-focused, with its ex-fuel operating unit cost declining 0.9 per cent versus 2019. Wizz Air's share performance and strong market leadership in the CEE region are also reflected in its market share which is 39.6 per cent in the low-cost sector and 17.5 per cent of the total CEE market, up from 16.3 per cent last year.

The Company's Remuneration Policy is designed to incentivise the Chief Executive Officer, currently the Company's sole Executive Director to deliver profitability. The amount of a payment under the Company's short-term incentive plan for 2020 depended solely on one factor, profit after tax.

For 11 of 12 months of the financial year the company's results were on a path to payment above the target level set by the Remuneration Committee at the start of the financial year. The revenue and profit in the 12th month of the short term incentive plan period was materially affected by COVID-19, the governmental travel restrictions and other issues associated with it, none of which could have been foreseen, limited or altered by any action of Wizz Air Management. Additionally, following IFRS rules, €53.8 million discontinued fuel hedge losses related to F21 were provisioned in F20. As a result, the statutory net profit of €281.1 million is below the threshold pay-out of €294 million.

After carefully considering the foregoing and reviewing how management responded to the pandemic, the Remuneration Committee concluded that it would be inappropriate and not in the interests of Shareholders to allow the extraordinary events that occurred in the last month of the financial year to determine the outcome under the STIP. It therefore evaluated all the options available to come to a fair and balanced conclusion as to how to treat the Company's STIP in the context of the strong performance of the Company leading up to COVID-19 and the CEO's subsequent handling of the situation.

At the time of the announcement of its third-quarter results, the Company provided guidance of net income of €350 million to €355 million for the full financial year. The Remuneration Committee used this guidance as the basis for determining the pay-out to the CEO under the STIP and compared it with the underlying net profit of €344.8 million. The Committee then applied a discount of 25 per cent to the outcome of the calculation and decided to delay the pay-out and make it in two stages. The Remuneration Committee has therefore decided to approve a bonus award of €532,714 to the CEO with 50 per cent payable in November 2020 and 50 per cent in May 2021.

The second award under the approved Long-term Incentive Plan was made to officers and to heads of functions in July 2016 and vested in July 2019. 50 per cent of the award was based on relative total shareholder return (TSR) compared to selected European airlines and the other 50 per cent on fully diluted earnings per share growth in the three-year period. 50 per cent of the maximum target vested for the Chief Executive Officer, being 42,635 options. The total market value of the shares on the day of vesting (1 July 2019) was GBP 1,443,621, equivalent to EUR 1,609,060 at the prevailing FX rate. While technically the value of the options crystallized on the date of vesting, the right to this benefit was earned by meeting the targets during the 2017-2019 financial years.

Therefore, total remuneration of the Chief Executive Officer for the year was EUR 2,798,163. The Remuneration Committee believes that this demonstrates that not only are the targets set for management very ambitious, but also that the Company's current Remuneration Policy is appropriate with the outcome properly reflecting the Company's performance during the year.

Report of the Chairman of the Remuneration Committee continued

Following a comprehensive market review in 2018, the Remuneration Committee recommended that the Chief Executive Officer's base salary should be increased by 10 per cent to EUR 664,050 with effect from 1 July 2018. After reviewing the compensation levels in the market in 2019, the Committee determined that the Chief Executive Officer's base salary remained competitive and therefore no changes were proposed for the 2020 financial year.

The Remuneration Committee remains committed to ensuring that the Company's Remuneration Policy is effective in aligning 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, which requires a significant proportion of remuneration to be based on performance and that, while remuneration must be competitive, it should not be more than is necessary to attract, retain and motivate executive management of the quality required to continue to run the Company successfully. This principle is applied consistently throughout the Company for almost all employees. In addition, the Remuneration Committee considers that the policy should not only be easy to understand, but also straightforward and simple to implement and administer in line with our approach to business, which seeks to keep processes and procedures as streamlined and as simple as possible.

Towards the end of the financial year, management and the Directors of the company have given consideration to the implications of the COVID-19 crisis for executive compensation and Board fees. As a result, senior management have decided to implement a pay reduction that will result in a 22% decrease in both base salary and any eventual pay-out under the F21 short-term incentive plan. Senior management took zero salary for the month of April 2020 and a 15 per cent pay cut for the period 1 May 2020 to 31 March 2021, which together result in a 22 per cent annual average reduction in base pay of the senior management and in any pay-out under the short-term incentive payments made as part of the F21 plan. In addition to the 22 per cent reduction in F21, senior management took a 25 per cent pay cut for the last month of the financial year (March 2020). The Directors will replicate the same reduction in remuneration with a 25 per cent reduction in fees for March 2020, zero fees for the month of April 2020 and a 15% reduction in fees for the period 1 May 2020 to 31 March 2021.

Shareholder guidelines recommend that executive directors hold shares granted under remuneration schemes valued at a certain multiple of base salary. This is not a requirement of Wizz Air's remuneration policy. The Company believes it is justified in deviating from this guideline because the sole executive director – the CEO and co-founder – is already significantly aligned to the long-term interests of the company and Shareholders through his ownership of shares valued at approximately EUR 63 million (circa 95 times his present basic annual salary, as of May 29, 2020). This holding far exceeds the level commonly required by Shareholder guidelines and ensures strong alignment between the interests of the CEO and those of Shareholders. The Remuneration Committee therefore believes that the Company is justified in not complying with this particular guideline but it will, as a matter of course, continue to keep the guidelines and all Shareholder feedback under close review.

In conclusion, I would reiterate that Wizz Air continues to be proud of the strong results delivered in the 2020 financial year against a challenging industry background and amidst the outbreak of the COVID-19 pandemic. We remain committed to ensuring that our Remuneration Policy continues to incentivise the delivery of outstanding results and 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 growth strategy and its desire to bring simplicity to all areas of its operation.

Context for Remuneration Policy

The Directors' Remuneration Policy was approved by Shareholders at the annual general meeting held on 24 July 2018 and will apply until the annual general meeting to be held in 2021. This Directors' Remuneration Report sets out the remuneration earned for the 2020 financial year in accordance with the approved Directors' Remuneration Policy and the planned application of our Remuneration Policy for the 2021 financial year.

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

For transparency, we have included the approved Directors' Remuneration Policy in full in this report although there will not be a vote on the Directors' Remuneration Policy at this year's annual general meeting. The Remuneration Policy is also available to view at corporate.wizzair.com.

Remuneration Policy

Introduction

Our principal consideration when determining the Remuneration Policy is to ensure that it both supports our company strategy and business objectives and attracts, retains and motivates executive management of the quality required to run the Company successfully in the long-term interests of Shareholders without paying more than 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, which are designed to be stretching, are set in accordance with the Group's annual operating plan, which is approved in the March board meeting

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 depending 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 as well as selected fast-growing listed companies across Europe of a similar size.

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 are reviewed annually, with any increase being awarded at the discretion of the Remuneration Committee. The Executive Director's salary for the 2020 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 and selected fast-growing listed companies across Europe of a similar size.	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). Free return tickets usable on the route network of the Group, consistent with the number of free tickets made available for all employees.	There are no provisions for the recovery of sums paid or the withholding of any payments relating to benefits.
Pension	Not applicable.	Not applicable. 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. These performance requirements in F21 are set on a quarterly basis to reflect the uncertainty in business conditions arising from COVID-19. For Q1 F21 the performance indicator for the Chief Executive Officer is a cash target. The targets for the upcoming quarters will be set at the beginning of each quarter.	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. The annual bonus is subject to malus and/or clawback in the event of serious misconduct which could have served as a reason for termination of the employment for cause, or the employee was involved in fraud, dishonesty or other type of illegal activity.

Remuneration Policy continued

Executive Director remuneration continued

Future policy table: Executive Directors continued

Element	Purpose and link to strategy	Operation and opportunity	Framework used to assess performance and provisions for the recovery of sums paid
Long-term Incentive Plan (LTIP)	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 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. The Executive Director must be 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. Long-term incentive awards are subject to malus and/or clawback in the event of serious misconduct which could have served as a reason for termination of the employment for cause, or the employee was involved in fraud, dishonesty or other type of illegal activity.

Difference in Remuneration Policy for Executive Directors and employees

Remuneration for the Company's senior management team is aligned to that of the Executive Directors. The amounts of the components vary for the individuals and the levels of the position. Management positions in the company receive remuneration based on market benchmarks that vary between function and local market practices. During the 2020 financial year the Remuneration Committee spent considerable time benchmarking senior management remuneration against the industry and ensuring that the performance criteria set for senior management is well aligned with the areas of focus for the financial year and the overall strategy of the Company.

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 roles of Chairmen of the Audit and Sustainability Committee, the Remuneration Committee, the Board and the Senior Independent Director. Fees for Non-Executive Directors, other than the Chairman, are determined by the Board. Fees for the Chairman are determined by the Remuneration Committee without the Chairman being present. 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 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 2020 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.

Remuneration Policy continued

Illustration of the application of the Remuneration Policy

The bar chart below sets out the annual remuneration package of the Chief Executive Officer for the 2021 financial year at minimum, expected and maximum levels

The remuneration receivable under the LTIP as shown in the table (i) does not assume any share price movement 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.

The Chief Executive Officer has voluntarily accepted a temporary 22 per cent average reduction in base salary for the 2021 financial year from his contracted base salary of €664,050. This reduction impacted also the base for the F21 annual bonus but not for the 2020 LTIP grant. Fixed remuneration is base salary, being €517,406. The annual bonus amount is zero at minimum, €517,406 at the expected level (50 per cent of maximum opportunity of 200 per cent) and €1,034,811 at maximum (200 per cent of base salary). The long-term incentive amount is zero at minimum, €830,063 at the expected level (50 per cent of maximum opportunity of 250 per cent) and €1,660,125 at maximum (250 per cent of base salary).

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 requiring relocation 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 will make any statutory payments it is required to make. In addition, the Remuneration Committee may agree to payment of outplacement counselling costs and disbursements (such as legal costs) if considered to be appropriate and depending 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.

Remuneration Policy continued

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).

In addition, the Remuneration Committee retains the power to adopt shareholding guidelines, mandatory bonus deferral or an additional post-vesting holding period with respect to the LTIP, over the course of the policy period should any or all of these features be considered desirable.

Legacy arrangements

In approving this policy, authority will 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 and (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 vested awards under the Company's previous 2009 international employee share option plan remain eligible for exercise in accordance with their terms.

Shareholder approval of share plans

This policy includes any new employee share plans or amendments to existing share plans approved by shareholders which may be applicable to this policy period.

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), Susan Hooper and Maria Kyriacou.

The Remuneration Committee is responsible for setting the Remuneration Policy for all Executive Directors and the Chairman, including pension rights and any compensation payments, and recommending and monitoring the remuneration of the senior managers. Non-Executive Directors' fees are determined by the full Board. A summary of the Remuneration Committee's terms of reference can be found on our corporate website, corporate.wizzair.com. Further details about the Remuneration Committee are set out on pages 44 to 45 of the Corporate Governance Report.

Annual Report on Remuneration continued

In order to monitor the consistency between the remuneration of the CEO and his direct reports, the Remuneration Committee is frequently updated and consulted on any remuneration changes. All external hires and internal promotions to senior level positions require the prior approval of the Remuneration Committee on their future remuneration package. Only after the approval is received can the offer be extended to the candidate. The Remuneration Committee is also consulted on and needs to approve remuneration changes for existing senior executives. This includes salary revisions linked to new market benchmark information as well as revisions arising from internal organisational changes.

József Váradi, the Chief Executive Officer, Johan Eidhagen the Chief People Officer and Marion Geoffroy, the Chief Corporate Officer and Company Secretary, 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 2020 financial year, Willis Towers Watson received fees totalling GBP 212,396 for advice related to Remuneration Policy, governance, developments in executive pay, benchmarking and performance analysis. Besides these, no other services were provided by Willis Towers Watson to the Company in 2020.

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 2019 annual general meeting the Annual Report on Remuneration and the Chairman's Statement were put forward for an advisory vote. The Directors' Remuneration Policy was put forward to a binding Shareholder vote at the 2018 annual general meeting with the intention that it should apply for three years. Details of the voting outcomes are provided in the table below:

	Annual Report on Remuneration (2019 AGM)		Remuneration Policy (2018 AGM)	
Votes for	46,567,891	87.48%	34,989,350	74.10%
Votes against	6,661,874	12.52%	12,230,322	25.90%
Total votes	53,229,765		47,219,672	
Votes withheld	490,550		7,052,976	

Executive Director's remuneration

Full details of the Chief Executive Officer's remuneration for 2020 are set out below (in Euros):

Single total figure of remuneration table – audited

	József Váradi					
	Fees and salary	Benefits	Bonus	LTIP	Pension	Total
2020	656,389	–	532,714	1,609,060	–	2,798,163
2019	641,411	–	345,321	3,069,706	–	4,056,438

The base salary of the Chief Executive Officer remained unchanged through the financial year, except for a 25 per cent voluntary reduction in the second half of March 2020 in response to COVID-19. There were no benefits provided to the Chief executive Officer other than twelve free return tickets usable on the route network of the Group, the value of which is estimated to be €1,600 altogether. As described on page 52, for the 2020 financial year the Remuneration Committee has approved a bonus of €532,714 for the Chief Executive Officer payable in two instalments in November 2020 and May 2021.

Annual Report on Remuneration continued

Executive Director's remuneration continued

The evaluation of the Chief Executive Officer's personal performance during the 2020 financial year took into account factors common with those applied to all employees as part of Wizz Air's People Cycle, namely leadership, execution, cooperation, innovation and expertise. In the case of the Chief Executive Officer, these factors were considered in the context of two broad categories - building the business and building the organisation. During the 2020 financial year, the business delivered 16.1% capacity growth (in terms of ASKs) and 15.8% passenger growth to 40.0 million PAX, 19.1% revenue growth to €2.8 billion and 29.9 per cent net (underlying) profit growth to €344.8 million. The company announced its plans to set up its third Airline, Wizz Air Abu Dhabi, in a joint venture with Abu Dhabi Developmental Holding Company. The Chief Executive Officer has managed the COVID-19 crisis as it has developed, winding down operations in an efficient and orderly manner due to flight restrictions enforced across all our markets, and focusing on preserving the Company's strong cash position. To manage growth the Chief Executive Officer enhanced the leadership capacity of the company through the appointment of a Chief People Officer, a Chief Investment Officer and the appointment of a new Chief Financial Officer.

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), and it fully vested in July 2018.

The TSR group consisted of the following entities: Ryanair and Easyjet (50 per cent weighting); Air France-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. The targets were met with respect to both performance criteria and therefore all the 73,805 options vested in July 2018.

The 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 the date of grant. Vesting was subject to the same performance criteria as the first award:

- relative total shareholder return (TSR) growth versus selected European airlines (50 per cent weighting); and
- absolute fully diluted earnings per share (EPS) growth of the Company (50 per cent weighting).

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. The first criterion (TSR growth) was fully met, while the second one (EPS growth) was not, and as a result, 42,635 options vested in July 2019 (being 50 per cent of the total 2016 grant).

The CEO did not exercise any of his vested options in the 2020 or 2019 financial year.

The third award under the LTIP (of 250 per cent of base salary) was made to the Chief Executive Officer during the 2018 financial year (June 2017). This award included 70,698 Performance Options, valued at GBP 22.00 per option share at the date of grant. Vesting is due in June 2020 and is subject to the same performance criteria as the first and second award. However, the EPS threshold, target and maximum average annual growth rates were revised versus the June 2016 grant to 25 per cent, 28 per cent and 31 per cent, respectively.

The fourth award under the LTIP (of 250 per cent of base salary) was made to the Chief Executive Officer during the 2019 financial year (May 2018). This award included 40,103 Performance Options, valued at GBP 31.44 per option share at the date of grant. Vesting is due in May 2021 and is subject to the same performance criteria as the previous awards. However, the EPS threshold, target and maximum average annual growth rates were set to 11 per cent, 19 per cent and 26 per cent, respectively.

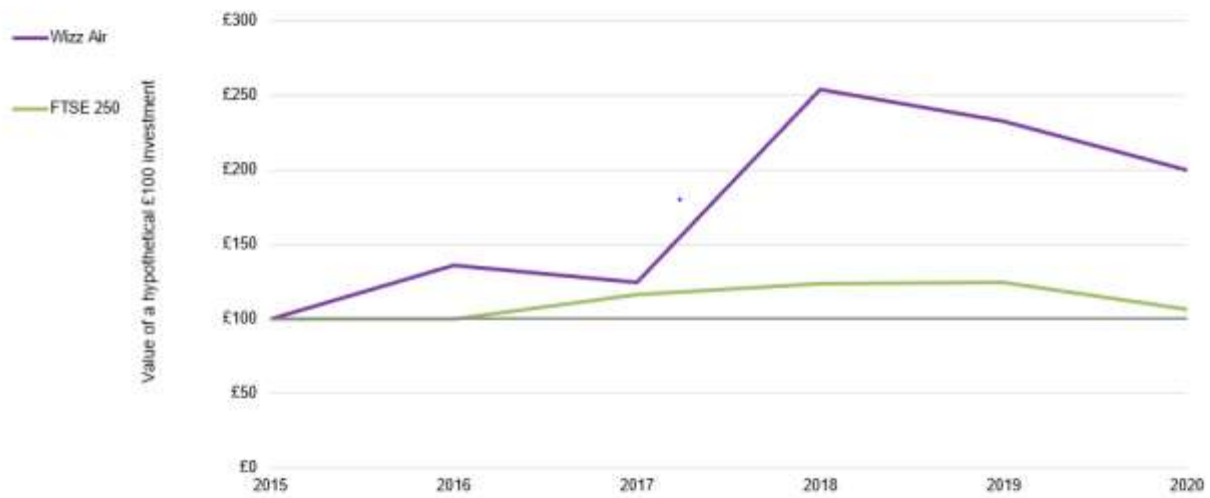
The second LTIP award made in the 2017 financial year (July 2016), and which vested in the 2020 financial year (July 2019), is hereby disclosed as part of the single total figure of remuneration for the 2020 financial year.

The Chief Executive Officer no longer holds any options from the Company's previous employee share option plan (ESOP), under which options were issued in the calendar years 2005-2011.

Annual Report on Remuneration continued

Executive Director's remuneration continued

The following performance graph shows the Company's total shareholder return compared to the FTSE 250 index for the last five 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 five years; FTSE 250 comparison based on one-month – March – 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**
2016	1,812,883	95%	N/A
2017	1,240,812	48%	N/A
2018	1,281,304	58%	N/A
2019	4,056,438	26%	100%
2020	2,798,163	40%	50%

* The bonus percentage for 2019 has been restated. The 52 per cent originally disclosed for 2019 was in comparison to the target level, but correctly should be expressed as the percentage of the maximum possible level.

** There were no options vesting in the 2016-2018 financial years under either the old (ESOP) or the new (LTIP) share option plan.

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

	Chief Executive Officer			Total employees
	2020 (euro)	2019 (euro)	Change	Change**
Salary and fees	664,050	641,411	3.5%	13.1%
Benefits*	–	–	–	6.0%
Bonus	532,714	345,321	54.3%	8.5%
Total remuneration	1,196,764	986,732	21.3%	13.0%

* 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.

The 3.5 per cent increase in the Chief Executive Officer's base salary reflected the combined effect of no salary increase in 2020 and the full-year effect of the 10.0 per cent increase in 2019. The 13.0 per cent higher total employees' base salary vs. 2019 was driven primarily by salary adjustments for the crew. The higher bonus payout in 2020 had a smaller impact on the total employee group than on the Chief Executive Officer as most employees are not entitled to a bonus. Refer to Note 10 to the financial statements.

There were no dividends or share buybacks in either the 2020 or 2019 financial year, and therefore disclosure of 'relative importance of spend on pay' has not been included.

Annual Report on Remuneration continued

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

	Fees and salary €		Benefits		Bonus		LTIP		Pension		Total €	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
William A. Franke	230,104	235,000	-	–	-	–	-	–	-	–	230,104	235,000
Stephen L. Johnson	78,125	60,000	-	–	-	–	-	–	-	–	78,125	60,000
John R. Wilson*	1,333	60,000	-	–	-	–	-	–	-	–	1,333	60,000
Simon Duffy	106,276	90,605	-	–	-	–	-	–	-	–	106,276	90,605
Guido Demuynck	85,365	77,500	-	–	-	–	-	–	-	–	85,365	77,500
Susan Hooper	83,125	65,000	-	–	-	–	-	–	-	–	83,125	65,000
Andrew Broderick**	71,875	–	-	–	-	–	-	–	-	–	71,875	–
Barry Eccleston***	95,625	60,000	-	–	-	–	-	–	-	–	95,625	60,000
Peter Agnefjäll****	83,125	50,645	-	–	-	–	-	–	-	–	83,125	50,645
Maria Kyriacou*****	83,125	40,500	-	–	-	–	-	–	-	–	83,125	40,500
Thierry De Preux******	-	29,583	-	–	-	–	-	–	-	–	-	29,583
John McMahon*******	-	22,581	-	–	-	–	-	–	-	–	-	22,581
Total	918,078	791,414	-	–	-	–	-	–	-	–	918,078	791,414

* Resigned effective as of 16 April 2019.

** Joined as of 16 April 2019.

*** Joined as of 1 June 2018.

**** Joined as of 24 July 2018.

***** Joined as of 25 September 2018.

****** Resigned as of 25 September 2018.

******* Resigned as of 24 July 2018.

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

Total remuneration of Directors for the period was €3,716,241 (2019: €4,847,851). This is the sum of the two single figure tables set out above. The significant decrease versus 2019 was driven primarily by the significantly lower amount of 2016 LTIP options of the Chief Executive Officer vesting in the 2020 financial year (July 2019) versus 2015 LTIP options vesting in the 2019 financial year (July 2018).

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 joined the board of JetSMART SpA in March 2018 as a non-executive director, with the approval of the Board. The Chief Executive Officer does not receive any fee for his role as a non-executive director of JetSMART.

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 Andrew Broderick, Susan Hooper, Peter Agnefjäll and Maria Kyriacou, 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 2020 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]	112,917	15,074,750	17,377,203	15,187,667
József Váradi[2]	–	1,739,144	–	1,739,144
Guido Demuynck	5,250	–	–	5,250
Simon Duffy	7,097	831	–	7,928
Stephen L. Johnson	52,750	–	–	52,750
John R. Wilson[3]	59,083	–	–	59,083
Barry Eccleston	5,000	–	–	5,000

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.

3 Resigned effective as of 16 April 2019.

There has been no change to the interests of each of the Directors set out above since 31 March 2020 to the date of the notice of the 2020 annual general meeting.

Application of the Remuneration Policy in the 2021 financial year

a) Chief Executive Officer's base salary

In January 2019 the Chief Executive Officer's salary was converted from Swiss Francs to Euro as part of the reorganisation of the group structure using the exchange rate at the time. During the financial year 2020 no increase was made to the Chief Executive Officer's base salary. The Remuneration Committee has reviewed and benchmarked the salary components and kept a positive dialogue with the Chief Executive Officer in regards to his compensation. It should be noted that his contract expires in December of 2020 and the Committee is in a constructive dialogue with the Chief Executive Officer regarding a new contract.

b) Short-term Incentive Plan

As a result of the business uncertainty caused by COVID-19, the Remuneration Committee believes it is not appropriate to set an annual target as it would not fit to the requirements of the fast changing environment. As it is important to incentivize the Chief Executive Officer to manage the business around the existing uncertainties, the Remuneration Committee has agreed to proceed with quarterly targets which will be set at the beginning of each quarter by the Remuneration Committee based on the latest business outlook.

During the 2021 financial year the Chief Executive Officer is eligible to receive a cash bonus of up to 200 per cent of his base salary in respect of the full financial year. The bonus will be calculated on a lower base due to the decision to apply a 22% reduction to the Chief Executive Officer's base salary. The Remuneration Committee has agreed to set a Q1 target for the 2021 financial year where the actual cash bonus received will depend on the achievement level of cash at the end June 2020 as the single criteria. For the balance of the 2021 financial year the performance criteria will be decided ahead of each quarter.

Application of the Remuneration Policy in the 2021 financial year continued

c) Long-term Incentive Plan

An award of performance shares of up to 250 per cent of base salary will be made to the Chief Executive Officer in June 2020, after the date of this report. Awards will vest following a three-year performance period with the single performance criteria of relative total shareholder return (TSR) versus selected European airlines

The TSR group will consist of the following entities: Ryanair and Easyjet (50 per cent weighting); AirFrance-KLM, Deutsche Lufthansa, Finnair, IAG and SAS (50 per cent weighting). 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.

d) Chairman and Non-Executive Directors' fees

Since the changes made following the review of the Non-Executive Director's fees in financial year 2019 against external benchmarks, no change has been made to the fees. The Non-Executive Director fee remains at €30,000 per annum and the Board attendance fee at €5,000 for each full Board meeting attended, for the financial year ending 31 March 2021.

Simon Duffy, as Chairman of the Audit and Sustainability 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. Simon Duffy, as Senior Independent Director, receives an additional fee of €10,000 per annum. Barry Eccleston, as Independent Non-Executive Director overseeing engagement with employees will receive an additional fee of €2,500 per event attended.

In addition, William A. Franke, as Chairman, will continue to receive a fee of €235,000 (all inclusive) per annum for taking on that role.

As part of the COVID-19 actions, Non-Executive Directors will, in line with senior management's response to the pandemic, take no fees for the month of April 2020 and reduce all fees by 15 per cent between 1 May 2020 and 31 March 2021.

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 contained 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. Upon a group re-organisation effective from 1 January 2019, the Chief Executive Officer ceased to have a service agreement with WAHL. Mr Váradi became Group Chief Executive Officer and entered into a service agreement with the Geneva branch of the Company. The terms and conditions that applied to the service agreement entered into with WAHL have been restated in his service agreement entered into with the Geneva branch of the Company.

Other disclosures continued

Directors' service agreement and letters of appointment continued

Non-Executive Directors

The Company entered into letters of appointment with each of its Non-Executive Directors on 4 June 2014, other than Ms Susan Hooper, Mr Barry Eccleston, Mr Peter Agnefjäll, Ms Maria Kyriacou and Mr Andrew Broderick, which became effective on completion of the IPO for a term of three years. This term was extended for a further three years, effective from 2 March 2018. Ms Susan Hooper was appointed on 1 March 2016 and her appointment was extended for a further three years on 1 March 2019. Mr Barry Eccleston, Mr Peter Agnefjäll and Ms Maria Kyriacou were respectively appointed on 1 June 2018, 24 July 2018 and 25 September 2018. In April 2019 Mr Andrew S. Broderick was appointed as a non-independent non-executive director for a period 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.

Regarding the length of appointment, early in 2020, the Board agreed to move all director contracts to a one-year term, renewable by Shareholder vote at each Annual General Meeting.

On behalf of the Board

Guido Demuynck
Chairman of the Remuneration Committee
5 June 2020

CORPORATE RESPONSIBILITY

Strong corporate culture supporting our growth

Wizz Air's culture is something of which we are very proud. At its very heart is a common understanding of Wizz Air's mission:

We believe that travel provides opportunities that can make life and the world around us better. That's why, at WIZZ, we're committed to making sure that everyone, everywhere can benefit from travel at the lowest prices possible, and to setting high benchmarks for safety and reliability.

This mission reflects the engagement of every colleague in the Wizz Air team and the pride they take in working at Wizz Air. It is a mission that everyone is working towards every day and is supported by Wizz Air's four corporate values:

- Inclusivity: we collaborate together to achieve our goals;
- Positivity: we are an optimistic, happy, inspired and inspiring team;
- Dedication: we have an entrepreneurial 'can do' attitude: we take individual and collective ownership and are accountable for everything we do;
- Integrity: we hold ourselves to the highest possible standards of business ethics in everything we do.

These values underpin Wizz Air's identity and ambition, as well as those of the WIZZ team. We strive to embed them into every layer of our organisation. Wizz Air is different, Wizz Air is special and, now more than ever, we are determined to ensure we maintain our unique culture.

Our approach

As one of the fastest growing airlines in Europe and the largest low-cost airline in Central and Eastern Europe, Wizz Air's ultra-low cost business model means we are able to offer the lowest fares to our customers and that, in turn, makes flying affordable for more people than ever before and offers the opportunity to travel to as many people as possible. At the same time, we are also conscious of the many economic, social and environmental developments impacting our communities and have launched a number of initiatives to address them. Our initiatives can be summed up in three sustainability pillars: Environment, People and Economy.

In November 2019, the Board approved the extension of the Audit Committee's remit to include the oversight of the Company's sustainability strategy. The Audit Committee was renamed as the Audit and Sustainability Committee and its terms of reference were amended accordingly.

As a consequence, the Audit and Sustainability Committee is now also responsible for:

- reviewing the Group's sustainability strategy and its implementation;
- examining the extra-financial risks and specifically those relating to environmental, social and societal issues; and
- coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

By continuously integrating sustainability into its business and operations as further detailed below, the Company contributes significantly to the UN Sustainable Development Goals that are within its scope of influence.

In February 2020, based on public data, the Company received an 'AA' ESG (Environmental, Social and Governance) rating from MSCI, the second-best available score after triple-A.

WIZZ cares for the environment

WIZZ knows that the aviation industry has a responsibility to minimise its effects on the environment. As such, we are particularly proud to continuously operate at the lowest CO2 emissions per passenger amongst all competitor airlines. Our business model, which continuously assesses and implements innovative technologies, decreases our environmental footprint and, with our order of the 268 ultra-efficient Airbus A320neo Family aircraft that started delivery in March 2019, Wizz Air will continue to drive efficiency and improvement in this area. We aim to reduce our environmental footprint by one third for every passenger over the next decade.

While the ultimate goal is to ensure that by choosing to fly with Wizz Air, our customers are making the greenest choice of air travel available, we are also committed to enhancing transparency across the industry. From June 2019, we started to include our emissions figures in our published monthly statistics, which helps passengers to make more informed and responsible travel decisions.

WIZZ cares for the Environment continued

Maintaining a young and efficient fleet

Since its very first flight in 2004, Wizz Air has always operated the Airbus A320 family of aircraft and currently owns one of the youngest fleets in Europe with an average age of 5.4 years[1]. WIZZ doesn't only have one of the youngest fleets, but also one of the most efficient. The Airbus A321neo, which WIZZ introduced in March 2019, is the most efficient single aisle aircraft with the lowest fuel consumption per seat in its category. The new generation Airbus A321neo aircraft is powered by two Pratt & Whitney geared turbofan engines and features the widest single-aisle cabin with 239 seats in a single class configuration, offering Wizz Air maximum flexibility, fuel efficiency and low operating costs. The A321neo delivers exceptional fuel economics by reducing fuel consumption by 10% compared to the A321ceo, which further translates to a 20% fuel savings compared to the A320ceo aircraft. The A321neo also offers significant environmental benefits with an almost 50 per cent reduction in noise footprint as well as a 50 per cent reduction in nitrogen oxide emissions compared to previous generation aircraft.

Our policy of operating the newest, most efficient aircraft will remain as we continue to grow – fuel efficiency is good for our business, good for the environment and good for our customers, as it means we can continue to offer our lowest fares whilst further decreasing our environmental impact by one third for every passenger over the next decade.

Implementing fuel saving initiatives

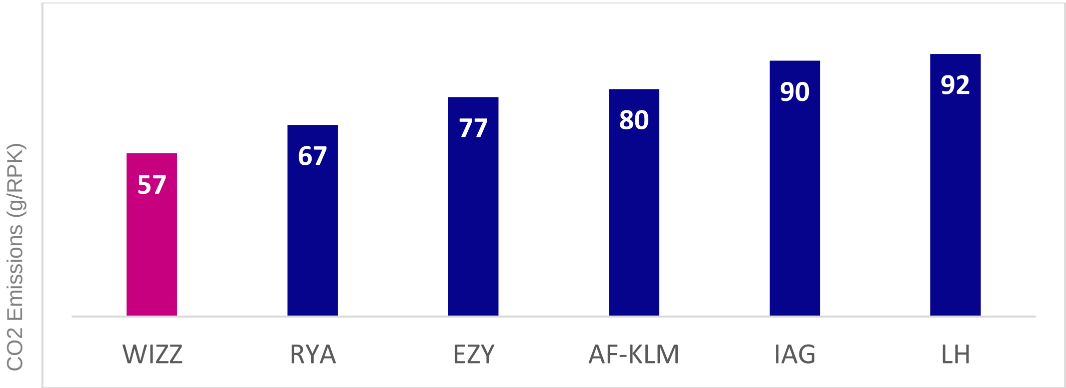
WIZZ is currently implementing over 65 fuel saving initiatives to make sure that we minimise our fuel consumption. Since 2012 we have implemented numerous projects and initiatives, including the optimisation of economic flying speed and descent and the use of zonal drying, which together result in a reduction of almost 100,000 tons of CO2 emissions per year, or over 3% per aircraft per year.

A major initiative is the use of sharklets, a type of blended winglet device, which improve the efficiency of an aircraft and reduce interference drag at the wing. On average, sharklets can reduce the fuel burn by up to 4% when compared to wingtip fences, which can correspond to an annual saving of 900 tonnes of CO_2 per aircraft according to Airbus[2]. At the end of FY20, 71% of Wizz Air's fleet was equipped with sharklets. As we phase out older aircraft and as all our new Airbus A321ceo and A320neo Family aircraft will be delivered with sharklets, 100% of our fleet will be equipped with sharklets by 2024. Furthermore, as the saving potential of sharklets is higher on longer routes, Wizz Air always deploys aircraft equipped with sharklets on longer flights.

An additional way of reducing each customer's environmental footprint is to ensure that, while connecting destinations in a point-to-point network, our aircraft fly with as many passengers on board as possible. This is referred to as the "load factor" and we have seen our load factor continuously improving over the past few years. The average load factor of Wizz Air in the 2020 financial year was 93.5%, increasing from 92.8% in 2019.

As a result of the numerous fuel-saving initiatives and constant modernization of our technology, Wizz Air is proud to have the lowest emissions rating in the European airline industry. In the 2020 financial year, carbon emissions were 57.2 grams per passenger/kilometre, down by 2.2% from 58.5 grams in the prior financial year and almost half the industry average.

Reported CO2 emissions by airline[3]



1 Data of 31 March 2020

2 http://www.airbus.com/newsroom/press-releases/en/2013/10/airbus-launches-sharklet-retrofit-for-in-service-a320-family-aircraft.html

3 Source: Latest available public data: WIZZ FY20; RY CY May2019-Feb2020; EZY FY19; KLM CY2019, IAG CY2019, LH CY2019

WIZZ cares for the Environment continued

Limiting our paper use

The Wizz Air Electronic Flight Bag (EFB) project aims to minimize the number of paper-based documents and increase efficiency in the cockpits of our aircraft. Before we started using EFB, every flight deck of every aircraft in our fleet contained over 25.000 pages of documentation, of which several pages needed to be updated on a regular basis. They are now equipped with two Panasonic FZ-G1 Touchpad tablets, containing all mandatory manuals, as well as informational materials and company-issued documents.

The long-term EFB project also includes the development of an e-loadsheet, as well as connectivity between aircraft avionics and the tablets, which will further reduce paper use. Wizz Air also plans to introduce an electronic quick reference handbook and checklists and to replace the hard-copy operational flight plans and operational logs and forms with electronic versions.

A greener work environment

The Company has introduced various measures aiming at providing employees with a more sustainable office environment such as carpooling, replacement of mineral water supplies with tap water purifiers, removal of single-use plastic glasses, waste selection and promotion of an active lifestyle through specific health and safety initiatives.

The Company has also introduced measures on-board its aircraft such as substitution of single-use plastic fork and straws with wooden items, and management is working with its on-board sales partner to identify further measures such as environmentally friendly sandwich wrappings, food waste minimization and on-board waste separation.

WIZZ cares for the People around us

Wizz Air's operations can affect many people's lives – those of our colleagues, our passengers and the residents of the communities we serve. We stay loyal to our mission that *"We will break down every barrier between people and air travel".*

We are continuously developing our services to enhance our customer experience and to support the communities where we operate, but we also work hard to offer new and outstanding support for career development and opportunities for both current and potential WIZZ employees. We believe our diverse team is the Company's greatest asset. We are therefore committed to engaging with our colleagues and increasing our already high employee satisfaction rate.

Customer satisfaction

We are committed to providing a high-level of satisfaction and effective services for our customers along the entire journey. Our teams are working hard on improving customer communication during disruptions and building innovative thinking across the business, while our exceptionally talented, passionate and skilled cabin and flight crew deliver Wizz Air's excellent brand of customer service directly to our customers. The Company's commitment to delivering outstanding performance across all aspects of customer service and operations has won the airline a number of prestigious accolades this past year, including the ATW Airline of the Year 2020.

Personalisation & online experience

Given our young, digitally native customer base, WIZZ is dedicated to meeting and exceeding expectations through continuous investments in the online experience via wizzair.com and in our apps to make them more personalised and easy to use. Wizz Air's cutting-edge digital distribution channels offer a seamless booking and travel experience, and also keep customers informed throughout every step of their journey. The Wizz Air website is the 6th most visited airline site in the world and the Wizz Air app boasts 95% satisfaction rates during booking and check-in. Wizz Air's focus on building valued, customer-focused services have brought to life several digital products in the past year, such as auto check-in, giving the customer the comfort of receiving the boarding card automatically before a flight, and additional mobile application features, such as credit card scanning and flight share with family and friends.

Disruption management

WIZZ is also aware of the significant impact disruptions can have on customer satisfaction and we are therefore constantly updating our tools in order to inform passengers and local ground handling partners in the most efficient way. In the past year, we have built push notifications and flight status updates into the WIZZ app, improved the handling of lost baggage, as well as introduced a new automated system for hotel and transport arrangements for passengers who have to stay overnight due to flight cancellations. Thanks to Wizz Air's constant efforts to automate disruption communications, the time taken to deliver delay and cancellation messages to customers has decreased by an average of 20 minutes. While notifying customers of such events is critical, it is essential that WIZZ is able to provide immediate, 24-hour assistance and support to passengers undergoing more severe flight disruptions, such as diversions or cancellations. As such, WIZZ has initiated a cooperation with Travelliance in order to supporting recovery procedures during these events.

WIZZ cares for the People around us continued

Ground handling

Our ground handling partners are a large part of and a contributor to the success of the ULCC ecosystem and we are maintaining an open dialogue with all our local partners to improve customer service and communication.

Engaging our employees

We want Wizz Air to be not just a great airline, but a great airline to work for. As of 31 March 2020, Wizz Air employed over 5,300 employees across its network, consisting of approximately 3,430 cabin crew, 1,530 pilots (including rented pilots) and 370 office employees. In order to measure the satisfaction level of our employees, we conduct a regular employee engagement survey, asking for their feedback on major employment topics. From financial year 2021, WIZZ is launching myExperience, an advanced survey platform for measuring employee engagement every three months within the company. This anonymous survey will support us in understanding employee engagement in more depth while helping to define avenues for improvement.

Wizz Air has an established People Council, a community of WIZZ staff representing employees from all areas of the business, including Cabin Operations, Flight Operations and Office. The goal of the People Council is to facilitate an effective two-way communication between management and employees and to support the decision-making process on matters which affect all within the company. All actions and decisions from the monthly People Council meetings are reported back to the employees by their representatives at the end of each month. Since its establishment, the People Council has introduced flexible working in the office, local labour codes in Poland and Latvia, a new Passenger Care Centre to enhance customer communications during flight disruptions, and continuous coverage of crew logistics in the Operations Control Centre. The People Council is also currently working on revising the learning and development strategy for our office staff, introducing health insurance, and improving the quality of crew meals.

As the company continues to grow and the number of operational bases and countries increases, the importance of internal communication increases accordingly. Alongside the People Council, base visits are organised quarterly and attended by members of senior management. These visits offer a platform for sharing strategic insights, long-term goals and updates on questions related to Operations, Crew Planning, and Human Resources. Within the WIZZ offices, monthly floor talks are held by various members of senior management in order to provide relevant updates on the business and answer any questions or concerns raised by employees. Floor talks led by Wizz Air's Chief Executive Officer are held on a quarterly basis, while livestreamed Chief Executive updates are organised on a monthly basis or following an important milestone or announcement.

In July 2019, Workplace by WIZZ, an enterprise connectivity platform, was rolled out organisation-wide and became a key driver of employee engagement, efficient communications and cross-functional collaboration, off-setting the difficulties presented by a geographically dispersed workforce. Workplace has also become the primary touchpoint for employees to openly share their thoughts, ideas and feedback, as well as engage with the WIZZ brand, culture and community through regular business updates, employee recognition initiatives, employee engagement campaigns and livestreamed floor talks and updates from senior management. Since its launch, Workplace has reached over 4,700 weekly active users and has become the single official source of information for all business and employee related matters.

In efforts to further strengthen workforce engagement and encourage an open dialogue with colleagues, Wizz Air appointed Mr Barry Eccleston as the independent non-executive director responsible for overseeing engagement with employees effective from 1 January 2019. In his role, Mr Eccleston ensures the employee voice also reaches the boardroom. As at 31 March 2020, Mr Eccleston has visited the largest bases in the Wizz Air network, has attended multiple sessions of the Wizz People Council, has organized a meeting between all Wizz People Council members and the Board, has delivered floor talks to Wizz Air office employees in Geneva, London and Budapest and has regularly reported back to the Board.

Wizz Air offers a competitive salary and rewards the exceptional performance of a number of employees with its annual Leadership Awards. The winners of the awards receive a number of zero-cost share options which can be exercised after a three-year vesting period. From time to time, employees may receive free tickets for use throughout Wizz Air's network to celebrate exceptional company performance or milestones. Family and friends of employees also benefit from discounted tickets at prices below the commercial rates.

There is also an increasing number of company events throughout the year, which in 2019 included a celebration of Wizz Air's 15th Anniversary, as well as the annual Christmas party, which is now hosted in three different locations to allow for a larger number of employees across the WIZZ network to join. WIZZ also proudly encourages and sponsors its employees to join one of its network running events, including the Budapest Half Marathon, Katowice Half Marathon, Skopje Marathon, Kyiv Marathon, Cluj-Napoca Marathon, Sofia Marathon and the Debrecen Airport Run. Various bases and departments also organise monthly team-building activities and annual away-days, also sponsored by the Company.

WIZZ cares for the People around us continued

Engaging our employees continued

Recruiting and developing talent

Wizz Air is continuously recruiting people who are passionate about the aviation industry. The Company ensures full and fair consideration of applications for all candidates, and continuing training and career development for all employees, promoting diversity in all areas. The company recruited 1,060 new employees in the 2020 financial year, which results in an impressive figure of 2.9 new colleagues joining the company daily.

We invest extensively in the recruitment of talented pilots, via the Wizz Air Cadet Programme, in partnership with BAA Training, which offers young, passionate candidates the required training and a letter of engagement after successful completion. Wizz Air has also launched and is successfully running its own Pilot Academy in Poland, Romania, Bulgaria and Hungary. The Academy provides financial support, including partial sponsorship, to motivated cadets during their initial training. Pilot Academy cadets who successfully graduate from the programme can begin their employment at Wizz Air as Pilot Trainees. WIZZ will also soon be launching a Cabin Crew to Captain programme, whereby it will financially and structurally support aspiring cabin crew members on their journey to becoming Wizz Air pilots.

Flight and cabin crew training is organised by a dedicated in-house training team, which consists of over 359 trainers across the WIZZ network, including standardisation and safety instructors and CRM and CC Line trainers. Training is undertaken in the modern, state-of-the-art training facility in Budapest, equipped with two Airbus A320 CAE 7000XR Series full-flight simulators, a cutting-edge Cabin Emergency Evacuation Trainer, as well as a V9000 Commander Next-Generation Fire Trainer. This training centre is a significant investment by Wizz Air in developing world-class talents and enabling them to achieve their dreams of becoming pilots or cabin crew. It has trained 866 cabin crew and 269 pilots in the last 12 months alone.

Wizz Air recently implemented a new standardized Training & Development programme and Talent Management process for its office employees, allowing for an improved formal, systematic evaluation process based on agreed performance goals and a greater focus on each employee's potential to develop their career with Wizz Air. In the past 12 months, there have been numerous examples of internal career progression at both an employee and management level. These promotions reflect Wizz Air's principle that talent, commitment and results should result in career progression. In November 2018, Wizz Air introduced its WIZZdom Journey Training Programme, which offers training in leadership and soft skills in a classroom setting to both office employees and crew stepping into managerial and office positions. The aim of the programme is to provide our employees with the right tools and development opportunities to excel in their career. In financial year 2020, 208 office employees took part in 674 classroom training days.

In addition to the classroom training, in 2019 Wizz Air implemented a new Learning Management System (SAP SuccessFactors), which serves as a self-service portal, allowing employees to request training, view e-learning content and complete new hire mandatory online training. Wizz Air has also introduced a revised office onboarding process, which allows all new hires to benefit from an intensive first week in the Company and to familiarise themselves with Wizz Air's culture, policies, practices and procedures. This revised onboarding process aims to improve new joiner engagement and increase productivity from day one.

Committing to diversity and equal opportunities

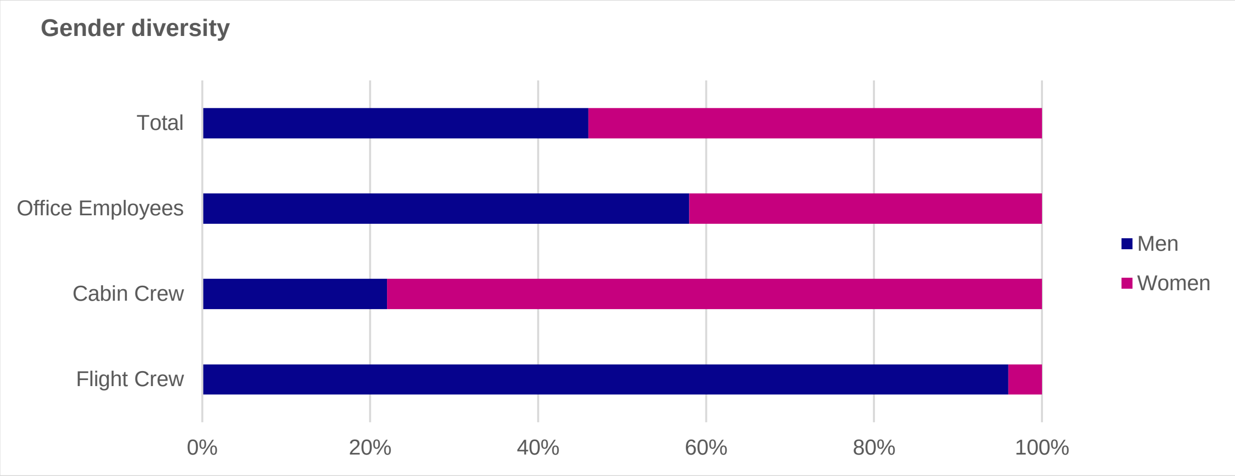
Since Wizz Air's foundation in 2003, the company has treated existing and potential employees fairly, regardless of anything not related to their professional abilities, particularly of their race, gender or age. During the recruitment and selection process, we evaluate professional factors including experience and qualifications in light of the relevant job requirements and this principle remains throughout the employment with Wizz Air. There is no gender pay gap across our business and we expect all of our colleagues to adhere to our diversity and inclusion principles, which are set out in The Wizz Way, our Code of Ethics, along with the expected standards of behaviour for every member of the WIZZ team.

We value diversity: our international team of over 5,300 colleagues brings together more than 56 different nationalities. At Board level, the ten current Directors are from six different countries and the Company's twelve Officers are from ten different countries.

WIZZ cares for the People around us continued

Committing to diversity and equal opportunities continued

Within Wizz Air, the overall male to female ratio is balanced, with 54% of staff being female.



Wizz Air's continues to strive for equal and non-discriminatory opportunities for all and is committed to recruiting both women and men to key positions within its organisation. In this past financial year, in a total of 74 office hires, 62% were women and recruitment advisers are instructed to ensure that there is always at least one female candidate on the short list for senior management positions. On senior management and their direct reports level the female ratio is 24%, and on Officer level it is 8% with a female Chief Corporate Officer, while two of our ten current Directors are female. As the Board searches for additional Directors, it pays particular attention to ensuring increased gender diversity.

A new gender diversity initiative, Women of WIZZ, has also been introduced in order to achieve 25% female representation in pilot positions and more than 30% in senior management within the next decade. To achieve these goals, Wizz Air will be launching an updated Ambassadors programme, which will select pilots to represent the company at public events, in the media and at schools. It is believed that such outreach programs for schools will play an important role in encouraging young girls to pursue a pilot career, while helping to break down common misconceptions about the profession. Furthermore, Wizz Air is encouraging its own staff to become pilots, with its soon to be launched Cabin Crew to Captain initiative. With this initiative, WIZZ aims to incentivise both cabin crew and office staff who wish to retrain as pilots by offering a tailor-made schedule and financing scheme upon joining the Wizz Air Pilot Academy.

WIZZ Foundation and WIZZ Aid

During 2019, Wizz Air established the WIZZ Foundation, an official funding entity set up in Hungary, with the aim of supporting the broader community in four different areas: Health, Education, Child Care and Emergency Aid. The board of trustees consists of four members drawn from Cabin Crew, Flight Crew and Office. In addition to the WIZZ Foundation, Wizz Air also introduced WIZZ Aid, an Employee Emergency Fund which is designed to provide financial support to colleagues who need urgent medical treatment or suffer from natural or man-made disasters.

Reducing fatigue risks

Wizz Air continuously monitors and assesses the risk of fatigue to guarantee safe flight operations. Its Crew Management system incorporates fatigue-related information into its decision-making to improve the identification of fatigue risk. It also generates continuous reports allowing Wizz Air to track and control fatigue in its operations. Fatigue reports are evaluated on a monthly basis by the Safety Action Group and Fatigue Team.

WIZZ cares for the People around us continued

Supporting our communities

Wizz Air understands that affordable air travel is not enough to change the world. That is why we support our colleagues' efforts to work with a variety of charitable activities to help local communities in the WIZZ network. These activities range from collecting donations to helping families, supporting children's medical services, creating better educational conditions, making blood donations and collecting gifts for orphans across the Central and Eastern European region.

Wizz Air also aims to support the personal development of young graduates via its annual Wizz Youth Challenge, organised for three consecutive years since 2017. This case study competition offers an interesting challenge to young graduates all over Europe, giving them a chance to develop a project or idea in a real business environment and present their cases in front of a jury of industry professionals, thereby gaining useful feedback and valuable experience for their further development. The third WIZZ Youth Challenge was held in October 2019. Over 1200 teams of up to 4 students each from all 44 countries of the WIZZ network applied and submitted their solutions to a real-life problem set out by the Company: building a sustainable future for aviation. Each member of the winning team received unlimited travel on the Wizz Air network for a period of one year.

As a company, we keep ourselves lean and efficient – and we strive to give people across our network the chance to do the same. We believe that, just like affordable travel, a healthy and active lifestyle should be available to everyone. We are proud to sponsor several Central and Eastern European running events, including the Budapest Half Marathon, our flagship event, as well as races in Cluj-Napoca, Sofia, Skopje, Kyiv, Katowice and Debrecen.

Cargo and repatriation

During the coronavirus pandemic, Wizz Air offered immediate humanitarian support to those suffering at the hands of the unexpected crisis by launching various cargo and repatriation services for the local Hungarian government. As of 31 March, a total of 11 flights had departed from Budapest to Beijing and Shanghai to collect several tons of surgical masks, ventilators, protective coveralls, face shields, antibacterial skin cleansers and other disinfectants for local hospitals and healthcare workers. Two services were also operated to multiple stations in the United States and Canada to aid the repatriation of over 250 passengers to Budapest.

WIZZ cares for the Economy

WIZZ knows affordable air travel can improve the lives of many travellers, but it's easy to forget how it can also change a destination. Few things are as good for an economy as direct air links – particularly when those air links are provided by Wizz Air's lowest fares and sustainable operations. And as more and more people have access to affordable air travel, these travellers boost the economy of the places they visit.

Creating job opportunities

Wizz Air not only provides job opportunities to over 5,000 aviation professionals within its organisation, but, through our ever-growing network and operations, we also create numerous new jobs at more than 150 destinations. ACI guidelines suggest that 750 on-site jobs need to be created for every 1 million passengers carried per year. Based on this, WIZZ supported the creation of 30,000 local jobs in financial year 2020, by carrying 40 million passengers on its low-fare routes.

Furthermore, in accordance with its ULCC model, Wizz Air chooses to outsource many supporting tasks at all levels of the organisation to local, external partners, working in close collaboration with over 5,000 contracted service providers across its network. In efforts to engage partners who share Wizz Air's sustainability commitments, a Supplier Code of Conduct is soon to be introduced. Specifically, WIZZ is committed to doing business with external providers who:

- Conduct their business in accordance with all applicable laws and regulations.
- Seek to minimise the impact of their operations on the environment
- Work with Wizz Air to identify and act on initiatives which will minimise the negative impact of the business on the environment
- Protect the environment in the communities where they operate
- Commit to reduce and responsibly dispose of waste across their operations

WIZZ cares for the Economy continued

Boosting traffic and tourism

Across Wizz Air's network, there are several locations either where there were no regular air services before Wizz Air or where Wizz Air made a significant difference in traffic numbers. As an example, after Wizz Air opened its base in Varna, Bulgaria in 2017, the airport saw a double-digit rise in passenger numbers, reaching a record of 2.3 million passengers in 2018. In Macedonia, largely thanks to Wizz Air's continued investments, passenger numbers have tripled in the last ten years and interest in flying has been boosted significantly. Another example is the Kutaisi International Airport in Georgia, where in 2018 more than 95% of all passengers were served by Wizz Air. Since the company opened its base in Kutaisi in September 2016, the airport's traffic numbers have almost quadrupled, from 182,000 passengers in 2015 to 874,000 in 2019.

Protecting an honest and fair business

Wizz Air has implemented internal procedures and measures designed to ensure compliance with all relevant anti-corruption regulations. The Company's Anti-Corruption Policy sets out the Company's principles, prohibitions and practical guidelines relating to bribery or corrupt practices, in order to avoid any corrupt or improper business practice, for which there is a policy of zero tolerance, as well as the avoidance of conflicts of interest for employees. These policies are part of the mandatory annual training for all WIZZ employees, ensuring that all employees are up to date.

Modern Slavery Act and Human Trafficking

Wizz Air is committed to acting ethically and to ensuring that our supply chain is free from all forms of modern slavery. As defined by the UK Modern Slavery Act 2015, modern slavery includes the offences of slavery, servitude and forced or compulsory labour as well as human trafficking. To prevent the occurrence of human trafficking on Wizz Air services, cabin crew and ground handling partners throughout our operations are trained to remain vigilant and to recognise victims and behaviours that could indicate human trafficking or exploitation.

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 2020.

Results and dividend

The results for the year are shown on page 91.

The Directors do not recommend the payment of a dividend (2019: nil). The directors consider that currently the existing reserves of the Group can be best utilised in supporting the significant planned future growth of the Group.

Directors

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

- József Váradi
- William A. Franke
- Stephen L. Johnson
- Simon Duffy
- Guido Demuynck
- Susan Hooper
- Barry Eccleston
- Peter Agnefjäll
- Maria Kyriacou
- Andrew S. Broderick (appointed with effect from 16 April 2019)
- John R. Wilson (resigned with effect from 16 April 2019)

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 5 to 23. Emerging and principal risks and uncertainties facing the Group are described on pages 24 to 29. Note 3 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and liquidity and provides details of the risks related to financial instruments held by the Group.

At 31 March 2020, the Group held cash and cash equivalents of €1,310.5 million (total cash of €1,496.3 million including €185.8 million of restricted cash), while net current assets were €250.6 million. In legal terms the only external borrowings of the Group are convertible debt with a balance of €26.7 million, while in accounting terms a further €2,012.7 million are presented as borrowings in relation to future commitments from lease contracts.

The Directors have reviewed financial forecasts including plans to finance future aircraft deliveries. After making enquiries and testing the assumptions against different forecast scenarios, 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.

These enquiries and testing included a base case model of how the operations of the business would return to activity post COVID-19. Wizz Air has been one of the first airlines to restart operations and, whereas the airline was nearly completely grounded in April 2020, in the base case it assumes a gradual increase in operation in May and June, and subsequently to fly the majority of its capacity from July onwards.

In addition, the Directors have also modelled a severe but plausible downside scenario based on a minimal number of flights in April, May and June 2020. For the remainder of F21 only 60 per cent of capacity would be flown, improving to 75 per cent of capacity flown for the remainder of the going concern period from April to June 2021. In this scenario, the Group is still forecasting significant liquidity throughout this period.

Due to the level of uncertainty in the projections and the varying patterns of how the operations of the business could emerge from the pandemic, the Directors also assessed the cash burn rate of the business in the event of a full grounding of the airline for the going concern period. The Directors concluded that, due to a combination of a strong balance sheet going into the pandemic and a low monthly cash burn rate, the business would have sufficient liquidity for more than 12 months even if it remained grounded over that time.

Accordingly, the Directors concluded it was correct to retain the going concern basis in preparing the financial statements.

Viability

In accordance with Provision 31 of the UK Corporate Governance Code (2018), the Directors have assessed the prospects and the viability of the Group over a three-year period to March 2023. The Directors have determined that a three-year period is appropriate because 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 a detailed annual operating plan for the financial year starting in April of that year and then, based on that plan, builds a sufficiently detailed bottom-up forecast for a further two financial years. The Board reviews and analyses several scenarios and sensitivities which vary key parameters. The scenarios also take account of the volatility of the current context and competitive dynamics and align on the most plausible base plan. The scenarios are also used to generate risk mitigation plans to deal with any downside and acceleration plans to capture the upside.

Assessment of viability

The plan takes into account the existing aircraft order book of the Group. This order book underpins the Company's planned growth for several years ahead, which in turn predicates the eventual elimination of travel restrictions and recovery of demand for air travel following the COVID-19 pandemic. The Directors believe that the growth in the fleet can be easily absorbed by strong demand in existing and new markets based on the Company's strengths in terms of 1) the majority of the Company's customers being drawn from the younger demographic segments in Central and Eastern Europe, where travel for work or to visit family and friends is becoming an increasingly essential feature of life; 2) a low cost base offering a sustainable competitive advantage and allowing the Company to sustain low fares to stimulate demand; and 3) agility born of a business model designed to allow the airline to adapt its operations rapidly and flexibly and to serve the most financially and strategically attractive point-to-point connections, all supported by a strong balance sheet.

Although the strategic plan reflects management's and the Directors' best estimate of the future prospects of the business, they have also tested the resilience of the business to unfavourable deviations of certain key variables from the base case scenario. In defining these scenarios, the Directors took into account the emerging and principal risks that could prevent the Group from delivering on its strategy and financial targets, as summarised on pages 24 to 29 in the Strategic Report. In so doing, they paid particular attention to the potential impact of COVID-19 on the business over the next three years and different scenarios in terms of speed of recovery of the business.

The Directors assessed the potential financial impact of these scenarios on the Group and also considered the impact of a decline in unit revenues driven by an increasingly competitive landscape. While several other risks could also impact the Company's financial performance, government restrictions on travel and increased competition in key markets were considered the most important risks in terms of both likelihood and potential impact.

The results of this stress-testing showed that, due to the Group's strong competitive position, its healthy operating cash flows and its existing cash reserves, it would be able to withstand the impact of these downside 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 2023.

Disclosure of information to auditors

The Directors at the date of approval of the financial statements confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that they have taken all the steps they ought to have taken as Directors 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 2021 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 and Officers 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 donations 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 2020, the Company had 85,426,430 Ordinary Shares of £0.0001 each in issue, each with one vote, and 17,377,203 Convertible Shares, which do not entitle the holder to voting rights save in very limited circumstances. There were no shares held in treasury at that date. The rights and obligations attaching to the Company's shares are set out in the articles of association. Holders of Ordinary Shares have the following rights:

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

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

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 2020 financial year 185,960 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. Further 12,453,300 new Ordinary Shares were allotted pursuant to conversion of Convertible Shares.

The aggregate nominal value of the Ordinary Shares allotted for cash in the 2020 financial year was £18.60. The aggregate cash consideration received by the Company for the allotment of the Ordinary Shares was £1,334,925.

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	See Directors' Remuneration Report.
9.8.4(6)	Directors' waivers of future emoluments	See Directors' Remuneration Report.
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
5 June 2020

COMPANY INFORMATION

Registered number
103356

Registered office
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JE4 9WG

Secretary
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44 The Esplanade

St Helier

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JE4 9WG

Independent auditors
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Citigroup Centre

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United Kingdom

J.P. Morgan Cazenove

25 Bank Street

Canary Wharf

London

E14 5JP

United Kingdom

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company Law 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies (Jersey) Law 1991 and the Directors' Remuneration Report complies with the Companies Act 2006 as if the company were a quoted company under the United Kingdom Companies Act 2006.

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

Directors' confirmations

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 40 confirm that, to the best of their knowledge:

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

On behalf of the Board

József Váradi
Director
5 June 2020

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

Report on the audit of the 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 2020 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.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of financial position at 31 March 2020; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall group materiality: €17.5 million (2019: €15.0 million), based on 5% of profit before tax adjusted for exceptional items.

Audit scope

- The group financial statements are a consolidation of Wizz Air Holdings plc, the trading subsidiaries Wizz Air Hungary Kft and Wizz Air UK Limited, a number of insignificant intermediate holding and small trading companies, and companies that have ceased operations.
- The accounting for these entities and the group consolidation is centralised in Hungary where the majority of our audit work was performed.
- Whilst the consolidated results consist of a number of legal entities, due to the internal reporting process, our audit approach is to audit the consolidated results as one component.

Key audit matters

- Accounting for the adoption of IFRS 16 'Leases';
- Aircraft maintenance provisioning;
- Accounting for hedging arrangements and financial derivatives;
- Consideration of the impact of COVID-19; and
- Ability of the group to continue as a going concern.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. 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.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Accounting for the adoption of IFRS 16 'Leases' The group adopted IFRS 16 'Leases' from 1 April 2019 using the fully retrospective method. IFRS 16 requires assets under operating lease arrangements to be recognised in the consolidated statement of financial position for the first time and resulted in right-of-use assets of €1,155.9 million and lease liabilities of €1,396.5 million being recognised on adoption as at 1 April 2018. The right-of-use assets and lease liabilities are calculated based on the discounted future lease payments. These calculations involve assumptions including, but not limited to, determination of the lease payments, expected lease term, consideration of extension options and the discount rate used to determine the liabilities. *Refer to the Accounting policies note (Note 2) and Note 4 for the directors' disclosures of the relevant judgments and estimates involved in determining the impact of the adoption of this standard as well as for details of the relevant changes to the accounting policies applied for the year ended 31 March 2020. Refer to the Audit Committee report on page 49.*	We obtained management's narrative impact assessment in respect of the IFRS 16 adoption and their proposed accounting policies. We assessed the appropriateness of these initial assessments to ensure the proposed treatments were in line with the requirements of the standard. This included a consideration of any exemptions or practical expedients to be exercised. Appropriate amendments to the methodology and accounting policies to be applied were made by management where required. Following the completion of the initial assessment we obtained management's calculations for determining the quantum impact of the adoption of this standard. We tested the mathematical accuracy of the schedules obtained and tested the accuracy of a sample of the input data by agreeing back to supporting lease contracts. We evaluated the integrity of management's system used to perform the calculations. This included assessing the process by which the variable factors within the calculation were estimated and re-performing calculations for a sample of leases (including the right-of-use asset and associated lease liability). We also tested the appropriateness of the other significant assumptions, these included the discount rates and assessment of lease extension options to be used in calculating the value of the lease liabilities. We assessed the methodology applied by the group to determine the rate used to discount future lease payments, and the appropriateness of the external sources of information used for risk-free rates and credit spread and found that the rate was a reasonable approximation of the incremental borrowing rate of the group. Where leases contained an option for early termination or extension, we considered the likelihood of the option being exercised, based on the nature of the assets and the terms including charges in the period under option. We did not find any significant issues in the input data or the calculated right-of-use assets and lease liabilities. The basis for these calculations is consistent with the accounting policy set out in Note 2. Based on the audit procedures performed we concluded that the adoption of new accounting standard has been appropriate, and the relevant disclosures have been made in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Aircraft maintenance provisioning The group operates aircraft which are held under lease arrangements and incurs liabilities for maintenance costs in respect of leased aircraft over the term of the lease. Under the 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. Maintenance provisions of €105.9 million for aircraft maintenance costs in respect of leased aircraft are recorded in the financial statements at 31 March 2020 (refer to Note 30 to the financial statements). At each balance sheet date, the calculation of the maintenance provision includes a number of variable factors and assumptions including: likely utilisation of the aircraft; the expected cost of the heavy maintenance check at the time it is expected to occur; the condition of the aircraft; and the lifespan of life-limited parts. We focused on this area because of an inherent level of management judgement required in calculating the amount of provision needed as a result of the complex and subjective elements around these variable factors and assumptions. *Refer to the Accounting policies note (Note 2) and Note 4 for management's disclosures of the relevant judgments and estimates involved in calculating the maintenance provisions required, as well as Note 30 for specific disclosures relating to the maintenance provisions. Refer to the Audit Committee report on page 49.*	We evaluated the integrity of the maintenance provision system and tested the calculations therein. This included assessing the process by which the variable factors within the provision were estimated through the following procedures: - Comparing the cost assumptions in the maintenance provision system with recent invoices, inspected and approved maintenance plans as well as validated current flight hours and flight cycles to non-financial data sources. - Testing the input data through agreement to underlying lease contracts, focussing specifically on new and amended contracts. - Re-performing calculations. We did not identify any issues in the input data or the calculated maintenance provisions. The basis for these calculations was found to be consistent with prior years and in line with the accounting policy set out in Note 2.

Key audit matter	How our audit addressed the key audit matter
Accounting for hedging arrangements and financial derivatives Given the nature of the business, the group uses derivatives and financial instruments to hedge transactional foreign currency and jet fuel price risks. Following the COVID-19 outbreak, the majority of the group's fleet was grounded from mid-March 2020. The capacity to be operated in the April-May period was expected to be significantly lower than that on which the group hedging programme was originally based. As a consequence, hedge accounting for these derivatives has been discontinued and the associated loss on these instruments of €63.7 million has been charged to the statement of comprehensive income and presented as an exceptional expense within the consolidated statement of comprehensive income. At 31 March 2020, derivative financial assets amounted to €18.2 million and derivative financial liabilities were €307.8 million. We focus on these transactions due to their materiality to the financial position of the group, the level of manual input in monitoring open, closed and settled derivatives and the complexity of the requirements in order to apply hedge accounting. *Refer to the Accounting policies note (Note 2) and Note 4 for management's disclosures of the relevant judgments and estimates involved in the accounting for hedging arrangements and financial derivatives, as well as Note 22 for specific disclosures relating to derivative financial instruments. Refer to the Audit Committee report on page 50.*	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. 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 completeness of the transactions and the cut-off at the year end. We found no material exceptions from these confirmations. We recalculated the year-end fair value of derivatives to test the accuracy and valuation of the fair value using independent data-feeds and noted no significant exceptions. We assessed the appropriateness of hedge accounting for the derivative financial instruments and performed testing procedures over the hedge documentation and effectiveness testing and noted no significant exceptions. We also assessed the counterparty and own credit risk incorporated in the fair value of derivatives and noted no significant issues. We tested management's estimate and judgement on the discontinuance of cash flow hedge accounting due to COVID-19 and verified that the forecast volume of jet fuel hedged as neither highly probable nor expected to occur. We audited management's assessment of losses on the discontinued hedge accounting for the derivatives, which no longer correspond to future purchases of jet fuel following decrease in capacity to be operated due to COVID-19 outbreak. We reviewed the disclosures included in the financial statements in respect of derivative financial instruments and hedge accounting and exceptional expense. We did not identify any significant issues with the measurement or presentation of the group's derivative financial instruments and hedge accounting.

Key audit matter	How our audit addressed the key audit matter
Consideration of the impact of COVID-19 The COVID-19 pandemic in early 2020 has affected individuals and business across the globe, and there has been a significant impact in countries served by the group's routes, with differing local limitations on international and domestic travel being adopted. Given the unprecedented nature of the pandemic, the impact on the airline industry is difficult to predict, but may include a prolonged global recession and changes to consumer behaviour which may impact passenger numbers in both the short term and longer term. The directors have considered the potential impact of the disruptions caused by COVID-19 pandemic on the current and future operations of the group. In doing so, management have made estimates and judgements that are critical to the outcomes of these considerations with a particular focus on fuel hedge effectiveness mentioned in the key audit matter above and the group's ability to continue as a going concern, for the details of which please refer to the key audit matter below. Consideration has also been given to the risk of impairment of fleet assets, the accounting for customer credits relating to cancelled flights, and potential impacts on the maintenance provisions given reduced flying hours. We have focussed on this risk due the evolving nature of the pandemic, the uncertainties involved and the magnitude of any potential impact on the financial statements. *Further details are set out on pages 118 and 142 (Notes 3 and 25 to the financial statements, respectively).*	In assessing management's consideration of the potential impact of COVID-19, we have undertaken the following audit procedures: - We obtained from management their latest assessments that support the Board's assessment and conclusions with respect to the going concern statement; for the details please refer to the key audit matter below; - We discussed with management and the Board the critical estimates and judgements applied in their latest assessments in order to understand and challenge the rationale underlying the factors incorporated and the sensitivities applied as a result of COVID-19; - We inspected the impact assessments provided to evaluate consistency with our understanding of the operations of the group; - We audited the disclosures included in the Annual Report in respect of this risk, including going concern, discontinued hedge accounting and impairment sensitivities and consider them reasonable. The impact of COVID-19 on the group's ability to continue as a going concern is considered in the key audit matter below.

Key audit matter	How our audit addressed the key audit matter
Ability of the group to continue as a Going concern The group has assessed the impact of the aforementioned COVID-19 outbreak on its ability to continue as a going concern. During the year ended 31 March 2020, the group made a profit after tax of €281.1 million and had net current assets of €250.6 million at the year-end (including unrestricted cash and cash equivalents of €1,310.5 million). Despite this position at the year end, the impacts of the COVID-19 outbreak on the airline industry as a whole, including grounded fleets, workforce restructuring and the impact of discontinued fuel hedge accounting, coupled with committed cash outflows in respect of aircraft maintenance and aircraft purchases mean that the group have had to reassess the cashflow forecasts for the twelve-month period from the date of these financial statements. The directors performed a going concern assessment based on their latest expectations regarding timing of routes being restarted, passenger demand on those routes, and the margin implications of flying at a lower than normal capacity, taking into account the levels of funding accessible by the group. The directors' assessment included reviewing downside trading sensitivities and identified mitigating actions that could be taken to reduce cash expenditure if necessary. The directors concluded based on these forecasts and sensitivities, that it was appropriate to prepare the financial statements on a going concern basis. We considered this to be a key audit matter because of the significant level of judgement applied in directors' forecast. *Further details are set out on pages 99, 118 and 142 (Notes 2, 3 and 35 to the financial statements, respectively).*	In assessing the appropriateness of the going concern assumption used in preparing the financial statements, we: - Tested the mathematical accuracy of the directors' cash flow forecast and validated the opening cash position; - Validated the underlying cash flow projections for the group to supporting documents where appropriate; - Performed sensitivity analysis to assess the impact of the key assumptions underlying the forecast such as future flight demand, and the level of cash burn in a no flight scenario; and - Reviewed the completeness and appropriateness of the going concern disclosures in the financial statements. We also engaged internal experts to assist with assessing the completeness of directors' assessment in light of the industry in which it operates. Our conclusion in respect of going concern is set out below on page 87.

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 structure of the group, the accounting processes and controls, and the industry in which it operates.

The group consists of one reporting segment, being the airline business. It includes the results of the legal entities of Wizz Air Holdings plc and its trading subsidiaries, Wizz Air Hungary Kft and Wizz Air UK Limited, which include branch operations in base countries. Whilst the consolidated results consist of a number of legal entities, due to the internal reporting process, our audit approach is to audit the consolidated results as one component. 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 Budapest to meet with management on two occasions during the audit cycle before the COVID-19 breakout and respective travel limitations. This visit involved discussing the audit approach, key audit matters and issues arising from our planning and interim work. Following travel restrictions introduced in March 2020, the UK and Hungarian audit team members had regular catch-ups via video-conference calls. The UK team members also attended the local weekly meetings in Hungary and all Audit Committee meetings in Switzerland via telephone calls. We believe this gave us the evidence we required for our opinion on the group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate 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	€17.5 million (2019: €15.0 million).
How we determined it	5% of profit before tax adjusted for exceptional items.
Rationale for benchmark applied	We believe that profit before tax adjusted for exceptional items is the key measure used by Shareholders in assessing the performance of the group for the year.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.88 million (2019: €0.75 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies (Jersey) Law 1991, ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 24 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 74-75 of the Annual Report 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 to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 79, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group obtained in the course of performing our audit.
- The section of the Annual Report on pages 47 to 50 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 79, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

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.

Other voluntary reporting

Directors' Remuneration Report

The company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the UK Companies Act 2006. The directors have requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the company were a UK Registered quoted company. In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Richard Porter
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Recognized Auditor
London, United Kingdom
5 June 2020

ACCOUNTS AND OTHER INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

Continuing operations	Note	2020 € million	2019 (restated*) € million
Passenger ticket revenue	7,8	1,508.5	1,366.1
Ancillary revenue	7,8	1,252.8	953.0
Total revenue	7,8	2,761.3	2,319.1
Staff costs		(231.8)	(198.6)
Fuel costs		(876.5)	(667.9)
Distribution and marketing		(44.1)	(37.8)
Maintenance materials and repairs		(176.4)	(134.1)
Airport, handling and en-route charges		(641.6)	(550.3)
Depreciation and amortisation		(381.4)	(334.5)
Net other expenses	9	(71.2)	(37.9)
Total operating expenses		(2,423.0)	(1,961.2)
Operating profit	9	338.3	357.9
Comprising:			
- *Operating profit excluding exceptional expense*		*402.0*	*357.9*
- *Exceptional expense*	*13*	*(63.7)*	–
Financial income	12	47.3	6.2
Financial expenses	12	(91.5)	(93.5)
Net foreign exchange gain/(loss)	12	0.1	(3.0)
Exceptional financial expense	13	–	(138.7)
Net financing expense	12	(44.2)	(229.0)
Profit before income tax		294.1	128.9
Income tax expense	14	(13.1)	(2.2)
Profit from continuing operation	5	281.1	126.7
Loss from discontinued operation	5	–	(3.7)
Profit for the year	5	281.1	123.0
Other comprehensive income/(expense) – items that may be subsequently reclassified to profit or loss:			
Net movements in cash flow hedging reserve, net of tax		(254.2)	(6.2)
Currency translation differences		(0.3)	0.5
Other comprehensive income/(expense) for the year, net of tax from continuing operation		(254.5)	(5.7)
Total comprehensive income for the year		26.6	117.3
from continuing operation		26.6	121.0
from discontinued operation		–	(3.7)
Earnings per share from continuing operation (Euro/share)	15	3.76	1.74
Diluted earnings per share from continuing operation (Euro/share)	15	2.22	1.01
Earnings per share (Euro/share)	15	3.76	1.69
Diluted earnings per share (Euro/share)	15	2.22	0.98

* The prior year was restated – refer to Note 6 for more detail.

The Notes on pages 96 to 143 are integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

	Note	2020 € million	2019 (restated*) € million	2018 (restated*) € million
ASSETS				
Non-current assets				
Property, plant and equipment	16	2,553.0	2,067.0	1,840.5
Intangible assets	17	27.2	20.5	17.6
Restricted cash	23	179.7	165.8	159.4
Deferred tax assets	18	3.1	0.6	–
Derivative financial instruments	22	0.9	3.0	2.5
Trade and other receivables	21	19.9	18.2	44.6
Total non-current assets		2,783.7	2,275.0	2,064.4
Current assets				
Inventories	20	70.6	31.7	21.6
Trade and other receivables	21	169.8	267.8	177.8
Current tax prepaid		–	2.4	–
Derivative financial instruments	22	17.3	28.5	31.7
Restricted cash	23	6.1	23.1	2.8
Cash and cash equivalents		1,310.5	1,316.0	979.6
Total current assets		1,574.4	1,669.4	1,213.4
Total assets		4,358.1	3,944.4	3,277.8
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	29	–	–	–
Share premium	29	380.6	379.1	379.1
Reorganisation reserve	29	(193.0)	(193.0)	(193.0)
Equity part of convertible debt	29	8.3	8.3	8.3
Cash flow hedging reserve	29	(241.7)	12.5	18.7
Cumulated translation adjustments		0.2	0.5	–
Retained earnings		1,280.3	998.7	875.7
Total equity		1,234.8	1,206.1	1,088.9
Non-current liabilities				
Borrowings	24	1,671.9	1,510.3	1,190.5
Convertible debt	25	26.4	26.6	26.6
Deferred income	27	13.1	13.6	11.4
Deferred tax liabilities		–	–	7.4
Derivative financial instruments	22	41.3	1.5	0.9
Provisions for other liabilities and charges	30	46.9	45.9	94.8
Total non-current liabilities		1,799.5	1,597.8	1,331.6
Current liabilities				
Trade and other payables	26	469.6	320.4	262.1
Current tax liabilities		–	–	1.8
Borrowings	24	340.8	304.3	211.4
Convertible debt	25	0.3	0.2	0.3
Derivative financial instruments	22	266.5	17.3	12.8
Deferred income	27	172.3	395.1	305.1
Provisions for other liabilities and charges	30	74.3	103.3	63.8
Total current liabilities		1,323.8	1,140.5	857.4
Total liabilities		3,123.3	2,738.3	2,188.9
Total equity and liabilities		4,358.1	3,944.4	3,277.8

* The prior year was restated – refer to Note 6 for more detail.

The Notes on pages 96 to 143 are integral part of these financial statements.

The financial statements on pages 91 to 143 were approved by the Board of Directors and authorised for issue on 5 June 2020 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 2020

	Share capital € million	Share premium € million	Reorganisation reserve € million	Equity part of convertible debt € million	Cash flow hedging reserve € million	Cumulated translation adjustment € million	Retained earnings € million	Total Equity € million
Note	29	29	29	29	29	29	29	
Balance at 1 April 2019 as stated before	–	379.1	(193.0)	8.3	12.5	0.5	1,320.2	1,527.7
IFRS 16 adjustment*	–	–	–	–	–	–	(303.3)	(303.3)
Lessor compensation adjustment*							(18.3)	(18.3)
IFRIC 23 adoption opening adjustment**							(3.7)	(3.7)
Balance at 1 April 2019 (restated)	–	379.1	(193.0)	8.3	12.5	0.5	995.0	1,202.4
Comprehensive income:								
Profit for the year	–	–	–	–	–	–	281.1	281.1
Other comprehensive income/(expense):								
Hedging reserve	–	–	–	–	(254.2)	–	–	(254.2)
Currency translation differences	–	–	–	–	–	(0.3)	–	(0.3)
Total other comprehensive income/(expense)	–	–	–	–	(254.2)	(0.3)	–	(254.5)
Total comprehensive income for the year	–	–	–	–	(254.2)	(0.3)	281.1	26.6
Transactions with owners:								
Proceeds from shares issued (Note 28)	–	1.5	–	–	–	–	–	1.5
Share-based payment charge (Note 27)	–	–	–	–	–	–	4.2	4.2
Total transactions with owners	–	1.5	–	–	–	–	4.2	5.7
Balance at 31 March 2020	–	380.6	(193.0)	8.3	(241.7)	0.2	1,280.3	1,234.8

* The prior year was restated – refer to Note 6 for more detail.

** The Group adopted IFRIC 23 on 1 April 2019 using 'the cumulative effect method'. For more details, refer to Note 2.

The Notes on pages 96 to 143 are integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

Note	Share capital € million	Share premium € million	Reorganisation reserve € million	Equity part of convertible debt € million	Cash flow hedging reserve € million	Cumulated translation adjustment € million	Retained earnings € million	Total equity € million
	29	29	29	29	29	29	29	
Balance at 1 April 2018 as stated before*	–	379.1	(193.0)	8.3	18.7	–	1,025.6	1,238.7
IFRS 16 adjustment**	–	–	–	–	–	–	(140.0)	(140.0)
Lessor compensation adjustment**							(13.0)	(13.0)
Balance at 1 April 2018 (restated)	–	379.1	(193.0)	8.3	18.7	–	872.6	1,085.8
Comprehensive income:								
Profit for the year (restated)	–	–	–	–	–	–	123.0	123.0
Other comprehensive income/(expense):								
Hedging reserve	–	–	–	–	(6.2)	–	–	(6.2)
Currency translation differences	–	–	–	–	–	0.5	–	0.5
Total other comprehensive income/(expense)	–	–	–	–	(6.2)	0.5	–	(5.7)
Total comprehensive income for the year	–	–	–	–	(6.2)	0.5	123.0	117.3
Transactions with owners:								
Proceeds from shares issued (Note 28)	–	–	–	–	–	–	–	–
Share-based payment charge (Note 27)	–	–	–	–	–	–	3.0	3.0
Total transactions with owners	–	–	–	–	–	–	3.0	3.0
Balance at 31 March 2019 (restated)	–	379.1	(193.0)	8.3	12.5	0.5	998.7	1,206.1

* The Group adopted IFRS 15 on 1 April 2018 using the 'cumulative effect method'. The 1 April 2018 retained earnings balance in this table already reflects the impact of this adjustment. For more details, refer to the 2019 Annual Report.

** The prior year was restated – refer to Note 6 for more detail.

The Notes on pages 96 to 143 are integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 € million	2019 (restated*) € million
Cash flows from operating activities			
Profit before income tax**		294.1	125.2
Adjustments for:			
Depreciation	16	374.0	329.2
Amortisation	17	7.5	6.8
Financial income		(3.1)	(15.0)
Financial expenses		120.6	250.1
Gain on sale of property, plant and equipment		(16.2)	(25.7)
Other non-cash expense		-	0.1
Share-based payment charges	28	4.2	3.0
		781.0	673.8
Changes in working capital (excluding the effects of exchange differences on consolidation)			
Decrease / (increase) in trade and other receivables		115.6	(56.8)
Increase in restricted cash		(6.8)	(23.8)
Increase in inventory		(39.0)	(10.1)
Increase in provisions		8.0	3.0
Increase in trade and other payables		146.5	67.5
(Decrease) / increase in deferred income		(220.8)	103.1
Cash generated by operating activities before tax		784.5	756.8
Income tax paid		(12.6)	(14.1)
Net cash generated by operating activities		771.9	742.7
Cash flows from investing activities			
Purchase of aircraft maintenance assets		(155.3)	(133.0)
Purchase of tangible and intangible assets		(296.9)	(61.9)
Proceeds from the sale of tangible assets		23.4	57.4
Advances paid for aircraft	16	(383.4)	0.0
Refund of advances paid for aircraft	16	85.2	71.3
Interest received		44.5	2.2
Net cash used in investing activities		(682.4)	(64.0)
Cash flows from financing activities			
Proceeds from the issue of share capital		1.5	–
Interest paid	2	(87.9)	(92.9)
Proceeds from new loan		297.7	–
Repayment of loans	2	(304.9)	(249.2)
Net cash used in financing activities		(93.6)	(342.1)
Net increase in cash and cash equivalents		(4.1)	336.6
Cash and cash equivalents at the beginning of the year		1,316.0	979.6
Effect of exchange rate fluctuations on cash and cash equivalents		(1.4)	(0.1)
Cash and cash equivalents at the end of the year		1,310.5	1,316.0

* The prior year was restated – refer to Note 6 for more detail.

** Profit before income tax for 2019 does not tie to the same figure in the statement of comprehensive income because the latter does not include the result of the discontinued operation.

The Notes on pages 96 to 143 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 Wizz Air UK Limited and two dormant entities, Dnieper Aviation LLC and Wizz Air Ukraine Airlines LLC.

The Company has a policy of rounding each amount and percentage individually from the fully accurate number to the figure disclosed in the accounts. This results that some amounts and percentages do not total - though such differences are all small.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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

Adoption of IFRS 16 'Leases'

The Group adopted IFRS 16, 'Leases' ('the Standard') as of 1 April 2019 (date of initial application).

Introduction:

IFRS 16 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'.

The Group leases most of its aircraft and spare engines (and until the date of initial application it leased all of its aircraft); therefore, IFRS 16 materially impacts the Group's financial statements. Other than aircraft and spare engines the Group has only a limited number of leases related to offices, flight training simulator building (and earlier also equipment), and maintenance hangar.

Transition:

The Group chose the full retrospective method of transition, as per the Standard. This means that leases existing at the date of transition were recalculated as if the Standard had been applied from their inception. The exception from this rule set by the Standard is that sale and leaseback transactions incurred before transition are not re-assessed. Instead, on the date of transition the balance of deferred credits existing at that date, coming from previous sale and leaseback transactions, was transferred into right-of-use assets.

The financial statements for the financial year starting 1 April 2018 (that is therefore the 'date of transition') are restated. The cumulative impact of the Standard until 1 April 2018 is recognised in the opening (1 April 2018) retained earnings balance.

2. Accounting policies continued

New standards and interpretations continued

Adoption of IFRS 16 'Leases' continued

Practical expedients and other accounting policy choices:

The Group elected to use the following practical expedients permitted by the Standard:

- lease payments associated with short-term leases (contracts with a duration of 12 months or less) and with leases for which the underlying asset is of low value (defined by the Group as below €5,000) are recognised on a straight-line basis over the lease term;
- did not reassess whether a contract that the Group entered into before the date of initial application was a lease or contained a lease - that is, IFRS 16 has only been applied to contracts that were previously classified as leases.

The Group does not have short-term leases. The Group does not apply the Standard to leases of intangible assets.

The Group chose to treat compensations expected to be payable to lessors, either in the form of recurring maintenance reserve payments or compensation payable at lease end, as 'non-lease components' under the Standard. These payments are therefore not included in the measurement of the lease liability. Contractual maintenance obligations which are not dependent on the use of the aircraft or spare engine are recognised in full on commencement of the lease.

Lease extension options

Some of the Group's lease contracts contain lease extension options. The extension option is taken into account in the measurement of the lease liability only when the Group is reasonably certain that it would later exercise the option. Such judgment is relevant both at inception, for the initial measurement of the lease liability, and also for a subsequent remeasurement of the lease liability if the initial judgment is revised at a later date.

Sale and leaseback transactions after transition:

The existing aircraft and spare engine lease contracts were all entered into by the Group through sale and leaseback transactions.

Most of these contracts do not include a repurchase option for Wizz Air. On such contracts, where sale proceeds received are judged to reflect the aircraft's fair value, the gain or loss arising on the disposal is directly recognised in the statement of comprehensive income to the extent that it relates to the rights that have been transferred to the lessor, while the gain or loss that relates to the rights that have been retained by the Group are included in the carrying amount of the right of use asset recognised at commencement of the lease. The Group has not sold any asset above fair value.

Among the sale and leaseback contracts some include a repurchase option for Wizz Air. These leases relate to some of the aircraft that arrived after 1 April 2019 and are commonly referred to as JOLCO (special Japanese tax lease) contracts. Such contracts do not meet the definition of a sale under IFRS 15 Revenue from Contracts with Customers, and therefore are not accounted for as a lease contract under IFRS 16. As a result, the treatment of such contracts for Wizz Air (as the lessee) is to (i) retain the asset as PP&E (as if there was no sale at all) and (ii) recognise a liability under IFRS 9 (as if the sale proceeds received from the lessor were receipts from debt financing).

Foreign exchange:

The lease liability (being a monetary liability) is regularly revalued to reflect the changes in currency exchange rates where the currency of the future lease payments differs from the functional currency of the legal entity having the lease liability. In this respect currently the relevant currency pairs for the Group are the US Dollar to Euro and the US Dollar to British Pound, as most future payments under the aircraft lease contracts of the Group are defined in US Dollar while the functional currency of Wizz Air Hungary Ltd. is the Euro and of Wizz Air UK Limited is the British Pound.

The EUR/USD FX rate was 1.23 on the date of transition and 1.12 on the date of initial application. As a result, a significant foreign exchange loss coming from the revaluation of the lease liability was recognised in the restatement of the 2019 financial year (see in Notes 6 and 12). Going forward, from 1 April 2019, the Group is managing this exposure with natural offset and by the use of derivative financial instruments (see in Note 3).

The initial value of right-of-use assets, where applicable, is determined using historic FX rates. These are non-monetary assets and are not revalued during their life.

2. Accounting policies continued

New standards and interpretations continued

Adoption of IFRS 16 'Leases' continued

Discount rate:

The Group is not able to readily determine the interest rate implicit in its lease contracts, therefore the Group applied its incremental borrowing rate for discounting lease liabilities, as required by paragraph 26 of the Standard. The incremental borrowing rate, in turn, was determined with reference to the market rate of interest observable on financial instruments with appropriate value, term, and currency, and adjusted, as required, to reflect risks specific to the leased asset as well as the risk specific to the entity in the Group leasing the asset. These rates have been calculated for each identified asset, reflecting the underlying lease terms and based on observable inputs. The discount rates are in a range of 2.07% to 2.81% for EUR and 3.63% to 23.37% for USD leasing contracts (the oldest of which are from 2007, resulting a wide range of discount rates mainly due to the financial crisis of 2008).

Right-of-use assets and depreciation:

With respect to depreciation, the requirements of IAS 16 Property, Plant and Equipment are applicable also to the right-of-use assets recognised under IFRS 16. Therefore, in case of aircraft and spare engines, component accounting is required for the right-of-use assets, similar to that applicable to owned aircraft or spare engine assets. The right-of-use assets associated with aircraft and spare engine lease contracts are split into asset components on the basis of value proportions that could be observed on an owned aircraft of the same type and age.

The useful economic life of the asset components that represent the maintenance condition of the aircraft and of its key components is estimated to last until the respective aircraft component does not any longer meet the return conditions defined in the lease contract (at which point the lease-related asset component is derecognised and a maintenance asset is recognised - see also below). The useful economic life of the residual asset component (that is not related to the maintenance condition of the underlying asset) is the lease term.

The asset components related to maintenance condition are depreciated either straight line or based on usage, depending on their nature.

Maintenance accounting:

The Group's policy for heavy maintenance accounting for aircraft and spare engines held under lease agreements is not impacted by IFRS 16. The maintenance assets that are recognised when the respective aircraft component does not any longer meet the return condition defined in the lease contract are also right-of-use assets. The Group continues to recognise asset restoration costs as part of its maintenance accounting policy, applying IAS 37 Provisions, and to present the respective assets as maintenance assets within property, plant and equipment.

Cash flows:

The cash outflows related to leases are presented under cash flows from financing activities; the interest element under interest paid and the rest under repayment of loans. Out of the total amounts presented in these categories in the statement of cash flows the following related to leases under IFRS 16: in 2020 €85.2 million interest and €298.8 million loan repayment; in 2019 €89.4 million interest and €246.1 million loan repayment (see also in Note 6).

Adoption of Interpretation 23 'Uncertainty over Income Tax Treatments' (IFRIC 23)

The Group adopted this interpretation for the first time for its 2020 financial year commencing 1 April 2019. The Group assessed the impact of uncertainty of each of its tax positions separately assuming that the relevant tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. ignored detection risk in the measurement. On this basis the Group concluded that for the tax returns of its Hungarian subsidiaries for the 2015-2019 financial years it is more likely than not that certain expenses would not be accepted by the tax authority as deductible. The cumulative impact of these adjustments is €3.7 million increase to current tax related to the 2015-2019 financial years. The Group applied the modified retrospective approach under IFRIC 23 for recognising this liability and, accordingly, adjusted (reduced) the opening retained earnings as of 1 April 2019 for €3.7 million.

b) Standards early adopted by the Group

There are no standards early adopted by the Group.

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

- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Definition of Material – Amendments to IAS 1 and IAS 8.

The above new accounting standards and interpretations have been published that are not yet effective and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

The Company controls an entity when the Company is exposed, or it has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company controls an entity if the Company has all of the following:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity;
- the ability to use its power over the entity to affect the amount of its returns from the entity.

Subsidiaries are all entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control commences until the date when 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

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 5 to 23. Emerging and principal risks and uncertainties facing the Group are described on pages 24 to 29. Note 3 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and liquidity and provides details of the risks related to financial instruments held by the Group.

At 31 March 2020, the Group held cash and cash equivalents of €1,310.5 million (total cash of €1,496.3 million including €185.8 million of restricted cash), while net current assets were €250.6 million. In legal terms the only external borrowings of the Group are convertible debt with a balance of €26.7 million, while in accounting terms a further €2,012.7 million are presented as borrowings in relation to future commitments from lease contracts.

The Directors have reviewed financial forecasts including plans to finance future aircraft deliveries. After making enquiries and testing the assumptions against different forecast scenarios, 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.

These enquiries and testing included a base case model of how the operations of the business would return to activity post COVID-19. Wizz Air has been one of the first airlines to restart operations and, whereas the airline was nearly completely grounded in April 2020, in the base case it assumes a gradual increase in operation in May and June, and subsequently to fly the majority of its capacity from July onwards.

In addition, the Directors have also modelled a severe but plausible downside scenario based on a minimal number of flights in April, May and June 2020. For the remainder of F21 only 60 per cent of capacity would be flown, improving to 75 per cent of capacity flown for the remainder of the going concern period from April to June 2021. In this scenario, the Group is still forecasting significant liquidity throughout this period.

Due to the level of uncertainty in the projections and the varying patterns of how the operations of the business could emerge from the pandemic, the Directors also assessed the cash burn rate of the business in the event of a full grounding of the airline for the going concern period. The Directors concluded that, due to a combination of a strong balance sheet going into the pandemic and a low monthly cash burn rate, the business would have sufficient liquidity for more than 12 months even if it remained grounded over that time.

Accordingly, the Directors concluded it was correct to retain the going concern basis in preparing the financial statements.

2. Accounting policies continued

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, Wizz Air Ukraine Airlines LLC and Wizz Air UK Limited 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 net foreign exchange gain/loss within net financing income/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) while the functional currency of Wizz Air UK Limited is the British Pound (GBP).

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;
- equity is translated at historical rate (except for the cash-flow hedging reserve within equity);
- 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).

Financial assets and liabilities

The Group classifies its financial assets and liabilities – in line with IFRS 9, 'Financial Instruments' – into the following categories:

Description in the statement of financial position	IFRS 9 Category
Non-current assets	
Restricted cash	Financial assets measured at amortised cost
Trade and other receivables	Financial assets measured at amortised cost
Current assets	
Trade and other receivables	Financial assets measured at amortised cost
Derivative financial instruments	Fair value through profit or loss
Restricted cash	Financial assets measured at amortised cost
Cash and cash equivalents	Financial assets measured at amortised cost
Non-current liabilities	
Borrowings	Financial liabilities measured at amortised cost
Convertible debts	Financial liabilities measured at amortised cost
Current liabilities	
Trade and other payables	Financial liabilities measured at amortised cost
Borrowings	Financial liabilities measured at amortised cost
Convertible debt	Financial liabilities measured at amortised cost
Derivative financial instruments	Fair value through profit or loss

The classification of financial assets depends on the business model for managing the financial assets and contractual cash flow characteristics of the financial assets determined by the management at initial recognition.

a) Financial assets measured at amortised cost

These are non-derivative financial assets held by the Group in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and restricted cash in the statement of financial position. 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 invests excess cash primarily in short-term time deposits.

2. Accounting policies continued

Financial assets and liabilities continued

b) Financial assets measured at fair value through other comprehensive income

These are non-derivative financial assets held by the Group in order both to collect contractual cash flows and sell the financial assets. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets measured at fair value through profit or loss

Financial assets not valued either at amortised cost or at fair value through other comprehensive income are valued at fair value through profit or loss. Derivatives are measured at fair value through profit or loss.

d) Financial liabilities measured at amortised cost

All financial liabilities are measured at amortised cost unless they are measured at fair value through profit or loss. 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. 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.

e) Financial liabilities measured at fair value through profit or loss

Derivatives are measured at fair value through profit and loss by the Group.

The recognition and measurement criteria for each class of asset and liability are described in the relevant accounting policy section.

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 earnings of the Group.

Cash flow hedges

The Group uses zero cost collar and outright forward contracts to hedge commodity and foreign exchange risks related to highly probably future cash flows. Derivatives can only be entered into with counterparties with investment-grade credit rating. The spot and forward elements of forward contracts and the entire value (intrinsic and time value) of options are designated as the hedging instrument.

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.

The Group considers a hedge relationship to be effective if

- an economic relationship exists between the hedged item and the hedging instrument, and there is an expectation that the value of the hedging instrument and the value of the hedged item would move in the opposite direction as a result of the common underlying or hedged risk, and
- the effect of credit risk does not dominate the value changes associated with the hedged risk, and
- the hedge ratio is aligned with the requirements of the Group's risk management strategy.

In line with IFRS 9, as long as the risk management objectives are met, the Group does not de-designate and thereby discontinue a hedging relationship that still meets the risk management objective and continues to meet all other qualifying criteria (after taking into account any rebalancing, if applicable).

The hedge ratio applied by the Group is always 100%. The hedge ratio is defined as the relationship between the quantity of the hedging instrument and the quantity of the hedged item.

2. Accounting policies continued

Financial assets and liabilities continued

Derivative financial instruments and hedging continued

Cash flow hedges continued

When a hedging instrument expires or is sold, terminated or exercised, 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, from an accounting point of view the hedging relationship is discontinued and the cumulative unrealised gain or loss recognised in other comprehensive income is recognised in the statement of comprehensive income immediately.

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 fair value of the hedging instrument is taken to equity within other comprehensive income or expense.

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 fair value is recorded in other comprehensive income, (ii) the ineffective or discontinued portion, if any, are recorded in the statement of comprehensive income.
- The realised gains or losses on the hedging instrument, to the extent it was not previously classified as ineffective or discontinued, are recorded against the respective operating expense line(s) in the statement of comprehensive income.

The calculation method of hedge effectiveness is critical terms match. Hedge effectiveness testing is performed at inception, at each reporting date, and upon a significant change in the circumstances affecting the hedge effectiveness requirements. Such significant change can occur as follows:

- changes in timing of the payment of the hedged item;
- reduction in the total amount or price of the hedged item;
- location differences; and
- a significant change in the credit risk of either party to the hedging relationship.

The ineffective part of changes in fair value, if any, is recorded in the statement of comprehensive income as financial income or expense in the case of FX hedges and as operating income or expense in the case of commodity hedges.

Fair value hedges

Fair value hedge is a hedge of the exposure from changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

The lease liability recognised under IFRS 16 is a monetary liability and most of the future lease payments of the Group behind this liability are denominated in US Dollar. The periodic revaluation of this liability against the Euro and the British Pound (being the functional currencies of the legal entities in which such balances are recognised) could result in very significant unrealised foreign exchange gains and losses.

Besides creating US dollar deposits and using it as natural hedge, starting from 2020 the Group uses FX forward contracts to hedge foreign exchange risks arising from the change of fair value of the lease liabilities.

Where a derivative financial instrument – in this case FX forward – is designated as a hedge of the variability in fair value of a recognised asset or liability, any gain or loss on the derivative financial instrument is recognised immediately in the statement of comprehensive income together with the change in fair value of hedged assets or liabilities that are attributable to the hedged risk.

2. Accounting policies continued

Financial assets and liabilities continued

Derivative financial instruments and hedging continued

Fair value hedges continued

The forward points are recognised in the statement of comprehensive income as interest income or expense in financial income or expense line.

Accordingly:

- Initial recognition: the open position on the derivative instrument is recorded as an asset or liability in the statement of financial position at fair value.
- Subsequent remeasurement of open derivatives: the change in the fair value is recorded as net foreign exchange gain or loss in the statement of comprehensive income.
- The realised gains or losses on the hedging instrument are recorded against the financial income or expense line in the statement of comprehensive income with the exception of forwards points that are recognised as interest income or expense.

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 the accounting treatment of derivatives in the sense that:

- 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 initially recognised at fair value when the Group becomes party to the contractual provisions of the instrument and subsequently measured at their amortised cost using the effective interest rate method less impairment losses.
- The carrying amount of the asset is reduced through recognising the impact of the amortization 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 include amounts receivable from aircraft and spare engine lessors (in the form of security deposits and maintenance reserves paid) and also prepayments, deferred expenses and accrued income (see Note 21). The accrued income within other receivables also comprises 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.

Impairment policy of trade and other receivables

Management reviewed the Group's different customer payment channels and the receivables from these channels. The most significant business case is ticket sales and the various forms of payment for tickets. The vast majority of tickets are paid either by bank cards or with bank transfer, in any case prior to flight. Based on their nature, in practice there is no impairment required for these. The other, less significant business cases involving credit risk are commissions receivable from non-ticket revenue partners and marketing support receivable from airports and other parties.

Management reviewed the historic payment and impairment statistics for the transactions in these channels. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and concluded that the impairment of receivables in these channels does not have a material impact on the financial statements of the Group.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances on current accounts and on deposit accounts that are readily convertible into cash without there being significant risk of a change in value to the Group. Some of these deposits mature within 3-12 months of inception, the balance of which was €282.4 million (in original currency: $310 million) at 31 March 2020.

2. Accounting policies continued

Financial assets and liabilities continued

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 initially recognised at fair value when the Group becomes party to the contractual provisions of the instrument and subsequently 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.

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 measured at amortised cost. 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.

2. Accounting policies continued

Financial assets and liabilities continued

Impairment of financial assets

A loss allowance is recognised on financial assets carried at amortised cost or fair value through other comprehensive income for expected credit losses.

At each reporting date the Group measure the loss allowance for financial assets at an amount equal to the lifetime expected credit losses if the credit risk on a financial asset has increased significantly since initial recognition.

If at the reporting date the credit risk on a financial asset has not increased significantly since initial recognition, the Group measure the loss allowance for that asset at an amount equal to 12-month expected credit losses.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has not increased significantly since initial recognition, the Group measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Group recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

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, reflecting the Group's intention for the period of use in the business, are as follows:

Land and buildings - investments made on leased buildings	3-5 years, being the shorter of useful economic life of the investment and the lease term of the building
Aircraft (A320neo)*	14 years
Aircraft spare engines (V2500 & GTF)	20 years (part of aircraft parts in Note 16)
Aircraft and spare engines – prepaid maintenance	4-10 years (part of aircraft assets in Note 16)
Aircraft maintenance assets (for leased aircraft or spare engine)	1-10 years, or 2,000-10,000 flight cycles in case of aircraft engines, being the shorter of useful economic life and the lease term
Aircraft parts (other than engines)	7 years
Fixtures and fittings (incl. computer hardware)	3-5 years
Right of use assets (from leases)	between one year and the lease term

* The Group does not legally own any aircraft – however, aircraft financed with JOLCO contracts, following IFRS 15 and IFRS 16 requirements, are accounted for as own aircraft (see earlier on the adoption of IFRS 16)

The useful lives stated above correspond to nil residual value except in the case of A320neo aircraft where the 14-year life corresponds to 50% residual value on the asset component excluding the maintenance condition of the aircraft. This aircraft type is otherwise estimated to be capable of flying for 28 years.

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

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.

2. Accounting policies continued

Non-financial assets and liabilities continued

Property, plant and equipment continued

Component accounting

For aircraft and for spare engines purchased, on acquisition, an element of the total cost of the asset is attributed to its service potential, reflecting its maintenance condition. Such 'prepaid maintenance' asset is recognised separately because it has shorter useful economic life than that of the underlying aircraft or spare engine. The prepaid maintenance asset is depreciated until the estimated date of the first heavy maintenance event that will restore the service condition to original level (and thus lend enhancement to future periods). Such 'subsequent costs' are capitalised as aircraft maintenance assets and depreciated over the length of the period benefiting from these enhancements.

The residual cost of the acquisition of the aircraft or spare engine, representing the part of the total asset value that is independent from the service condition of the asset, is depreciated until the end of the estimated useful economic life of the asset.

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

PDPs 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.

Advances paid for aircraft maintenance assets – engine fleet hour 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). Such advance payments are recognised at cost and classified as property, plant and equipment in the statement of financial position. The amount is not depreciated.

The balance of such assets is re-categorised into aircraft maintenance assets within property, plant and equipment 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, except where the asset is expected to have indefinite useful economic life. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software licences	3-8 years
Web and other software development costs	3-5 years
Airport landing rights	Indefinite

2. Accounting policies continued

Non-financial assets and liabilities continued

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.

Emissions Trading Scheme

As of 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 actual 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 purchase prices as a cost. The amount of the shortfall is determined in line with the Group's plans with respect to the utilisation of free allowances. The typical practice of the Group is that in the submission to the authorities it utilizes all the free allowances that are available to it and are allowed to be utilized in that submission based on the applicable rules. For example, as the free allowances received for calendar year 2019 were available already at early 2019, before the deadline for the submission for calendar year 2018, the Group fully utilized these free allowances in the submission for 2018.

The 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 for the allowances that the Group will have to surrender.

The Group from time to time enters into derivative financial instruments linked to traded emission allowances:

- During 2019 the Group entered into some forward purchase contracts that were covering part of the Group's future expected requirements for the purchase/usage of emission allowances. For such forward contracts the Group applies the "own usage" exemption under IFRS 9 meaning that ETS forward contracts are not considered to be financial derivatives for accounting purposes and, as a result, the fair value of the open contracts at year end is not recorded in the Consolidated Statement of Financial Position.
- During 2020 the Group sold some put (purchase) options linked to emission allowances. Under such contracts at inception the buyer of the option pays a premium to Wizz Air for the option received. If at the expiry of the option the buyer exercises its option then on such future date Wizz Air is obliged to buy a fixed amount of allowances at a fixed price. The "own usage" exemption under IFRS 9 cannot be applied to such instruments and therefore the options are classified as fair value through profit or loss. Accordingly, if there are changes in the fair value of the options (that by definition can only be negative) the loss is recognised in the statement of comprehensive income as financial expense. If in a year the Group incurs both income from option premiums and expense from changes in fair value then it presents the net gain or loss under financial income or expense, as applicable.

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 (except where the number of shares to vest depends on the share price performance of the Company, which is a market condition under IFRS 2 and is therefore not updated).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

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 benefit 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).

Revenue

Revenues reported by the Company are disaggregated differently versus IFRS 15.It comprises passenger ticket revenues (being 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, airport check-in fees, fees for various convenience services (priority boarding, extended legroom and reserved seats) and loyalty programme membership fees. 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 when performance obligations have been satisfied (i.e. all the benefits associated with the performance obligation have been transferred to the customer). 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.

The disaggregation of revenues into passenger ticket revenues and ancillary revenues, as applied in the statement of comprehensive income, is a non-IFRS measure (or Alternative Performance Measure). The Group did not change the disaggregation of revenue to that defined under IFRS 15. The existing presentation is considered relevant for the users of the financial statements because (i) it mirrors disclosures presented outside of the financial statements and (ii) it is regularly reviewed by the Chief Operating Decision Maker for evaluating financial performance.

Revenues under IFRS 15 are disaggregated into revenues from contracts with passengers and with other business partners, respectively. These two categories represent revenues that are distinct from a nature, timing and risks point of view. This split, as required under IFRS 15, is presented in Note 8.

Accounting for membership fees

The Group operates the Wizz Discount Club ("WDC") loyalty programme for its customers. Under this programme 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 programme. 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 as an estimate for the future. 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.

2. Accounting policies continued

Maintenance

Aircraft maintenance provisions

For aircraft held under 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. If the condition defined in the lease contract can only be met by performing maintenance, then provision is made for the minimum unavoidable costs of the future maintenance obligation 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. If it is probable that on returning the aircraft compensation will be payable to the lessor, because performing maintenance is not or not any longer planned, then the Group accrues for such obligation in line with the compensation rates defined in the lease contract and recognises the respective expense within operating expenses (maintenance materials and repairs) in the statement of comprehensive income.

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 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 lease agreements, are made to certain 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 (maintenance materials and repairs) in the statement of comprehensive income.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Maintenance continued

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.

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 initially recognised as deferred income but are later, on the delivery of the aircraft that they are connected to, applied to reduce the acquisition cost of the aircraft. If the aircraft is then financed with sale and leaseback transaction then the lower acquisition cost will translate into a higher gain (or smaller loss) on the sale and leaseback transaction.

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.

Net financing expense

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Taxation continued

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.

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 non-recurring 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-IFRS profit measure introduced by the Company to help investors better understand the trading performance of the Group. Underlying profit excludes the effect of exceptional items. This measure might occasionally be used by the Company also in determining the variable remuneration of senior management.

Segment reporting

Operating and reportable segments

The Group is managed as a single business unit that provides low-cost, low-fare passenger air transportation services using a fleet of single aircraft type. The Group has only one reportable segment being its entire route network. The online tour operator business of the Group, marketed under the name Wizz Tours, was discontinued during the 2019 financial year, therefore it is no longer being presented as a separate business segment.

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).

3. Financial risk management continued

Risk analysis continued

Market risks continued

Foreign currency risk continued

The Group chooses the Euro/US Dollar 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%. of the total anticipated US Dollar purchases hedged by the time the respective quarter on a monthly rolling forward basis is reached. This level was not always reached during the current or prior years.

The Hedging Policy defines also the hedging of the GBP/Euro foreign currency rate net exposure in order to mitigate FX risk on the Group's second largest revenue currency. The Group's maximum target coverage on this currency pair is 60% on a rolling twelve-month basis, but in 2020 at year-end there were no open positions.

During the 2020 year a new type of foreign currency exposure was created for the Group by the adoption of IFRS 16. The lease liability recognised under IFRS 16 is a monetary liability and most of the future lease payments of the Group behind this liability are denominated in US Dollar. The periodic revaluation of this liability against the Euro, if not managed, can result in very significant foreign exchange gains and losses, and hence in significant volatility to earnings. The Group, starting from 1 April 2019 has been mitigating these exposures through the implementation of the following risk measures: (i) conversion of Euro bank deposits into US Dollar deposits, thus creating a US Dollar monetary asset offsetting part of the lease liability; and (ii) the entry into Euro/US Dollar FX forwards to cover the residual risk. The amount of such new deposits was US$1,235 million and the notional amount of the FX instruments was US$676 million at the beginning of April 2019, altogether creating the required coverage of US$ 1,911 million. The balance of the forward contracts was actively managed during the year on a roll-forward basis to cover the estimated future net US Dollar liability. During 2020 the focus of the programme shifted from Euro/US Dollar hedges toward British Pound/USD Dollar hedges as part of the net US Dollar liability was linked to Wizz Air UK Limited, the functional currency of which is the British Pound. However, the fair value hedging programme was suspended in April 2020 due to the implications of the corona virus outbreak, as the Group decided not to hedge exposures that do not impact its cash position.

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

At 31 March 2020	EUR **€ million**	USD **€ million**	Other **€ million**	Total **€ million**
Financial assets				
Trade and other receivables	71.7	68.3	13.3	153.3
Derivative financial assets	–	18.3	–	18.3
Cash and cash equivalents	52.2	1,206.1	52.2	1,310.5
Restricted cash	185.5	–	0.3	185.8
Total financial assets	309.4	1,292.7	65.8	1,667.9
Financial liabilities				
Borrowings	484.7	1,528.0	–	2,012.7
Convertible debt	26.7	–	–	26.7
Trade and other payables	200.7	16.5	33.9	251.1
Derivative financial liabilities	–	307.8	–	307.8
Total financial liabilities	712.1	1,852.3	33.9	2,598.3

At 31 March 2019 (restated)	EUR € million	USD € million	Other € million	Total € million
Financial assets				
Trade and other receivables	71.1	116.8	37.9	225.8
Derivative financial assets	–	31.5	–	31.5
Cash and cash equivalents	1,228.0	40.0	48.0	1,316.0
Restricted cash	188.8	–	0.1	188.9
Total financial assets	1,487.9	188.3	86.0	1,762.2
Financial liabilities				
Borrowings	91.7	1,722.8	–	1,814.5
Convertible debt	26.8	–	–	26.8
Trade and other payables	43.4	11.2	20.2	74.7
Derivative financial liabilities	–	18.8	–	18.8
Total financial liabilities	161.9	1,752.8	20.2	1,934.8

As explained earlier in this Note, most of the Group's non US Dollar cash deposits were converted into US Dollar deposits by early April 2019. €1,102 million was converted into US$1,235 million. This is the reason why the distribution of the financial assets of the Group by currency looks substantially different in 2020 compared to 2019.

3. Financial risk management continued

Risk analysis continued

Market risks continued

Foreign currency risk continued

Trade and other receivables in this table, and also in the other disclosures in this Note 3, exclude balances that are not financial instruments, being prepayments, deferred expenses, accrued income, and part of other receivables (see Note 21). Similarly, trade and other payables in this table, and also in the other disclosures in this Note 3, exclude balances that are not financial instruments, being accruals and other payables (see Note 26).

Interest rate risk

The Group has future commitments under certain lease contracts that are based on floating interest rates. The floating nature of the interest charges on the 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.

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 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% on a rolling twelve-month basis and 60% on a rolling 18-month basis. This level was not always reached during the current or prior years.

Hedge transactions during the year

The Group uses non-derivatives, zero-cost collar instruments and outright forward contracts to hedge its foreign exchange exposures and uses zero-cost collar 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 years was as follows:

a) Foreign exchange hedge (USD versus EUR):

   US$2,820.0 million (2019: US$762 million).

b) Foreign exchange hedge (GBP versus EUR):

   £63.9 million (2019: £44.8 million).

c) Foreign exchange hedge (USD versus GBP):

   US$1,466.0 million (2019: nil).

d) Fuel hedge:

   995,000 metric tons (2019: 821,000 metric tons).

3. Financial risk management continued

Risk analysis continued

Market risks continued

Hedge transactions during the year continued

The significant increase in USD FX hedges compared to the prior year was caused by the introduction of FX forward contracts from April 2019 to manage the IFRS 16 related FX exposure (as explained earlier).

The gains and losses during the year arising from the hedge transaction were as follows:

a) Foreign exchange hedge (USD versus EUR):

Cash-flow hedges:

Out of €27.2 million gain (2019: €18.8 million gain) in 2020, €26.4 million gain was recognised on fuel cost and €0.8 million gain as financial income. Out of the €18.8 million gain in 2019, €10.1 million gain was recognised on fuel cost; the rest of the gain (€8.7 million) was originally recognised within lease rental expenses but after the restatement to IFRS 16 it is part of net foreign exchange gains/losses.

Further €1.9 million gain (2019: nil) was recognised within financial income in relation to hedges expiring in April-May 2020, but classified as discontinued due to reduced business activity.

Fair value hedges:

€6.2 million gain recognised within financial income (related to the forward point element of the hedges) and €0.6 million gain recognised within net foreign exchange gains/losses (related to the spot-to-spot element of the hedges). (2019: nil)

b) Foreign exchange hedge (GBP versus EUR):

Zero-cost collar instruments:

€0.5 million loss (2019: €0.2 million loss). GBP foreign exchange hedge affects revenue.

c) Foreign exchange hedge (USD versus GBP)

Forward contracts:

€1.5 million gain recognised within financial income (related to the forward point element of the hedges) and €0.3 million gain recognised within net foreign exchange gains/losses (related to the spot-to-spot element of the hedges) (2019: nil).

d) Fuel hedge:

€31.8 million loss (2019: €43.5 million gain) was recognised within fuel cost related to effective hedges; and €9.9 million loss (2019: nil) was recognised within fuel cost as exceptional operating expense in relation to hedges expiring in March 2020, that were classified as discontinued for hedge accounting.

Further €53.8 million loss (2019: nil) was recognised within fuel cost as exceptional operating expense in relation to hedges expiring in April-May 2020 (i.e. yet open at year end), that were classified as discontinued for hedge accounting.

e) ETS hedge:

During 2020 the Group sold put options in relation to EU ETS quota purchases, and in relation to these recognised net €1.4 million loss under financial expenses, being the net of €1.2 million cash fee received on the sale of the options and €2.6 million fair value loss accumulated on the instruments until the year end.

3. Financial risk management continued

Risk analysis continued

Market risks continued

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 €18.3 million gain (2019: €18.0 million gain). Out of this fair value, €9.3 million gain, including €6.8 million gain on zero-cost collar instruments and €2.5 million gain on forward contracts, was recognised within other comprehensive income and assets. This €9.3 million gain can be analysed further into €7.4 million intrinsic value gain and €1.9 million time value gain components. The €18.0 million gain in 2019 was recognised within other comprehensive income, corresponding to assets of €19.7 million and liabilities of €1.7 million, respectively. Additionally, €1.9 million gain related to hedges classified as discontinued was recognised within financial income and assets (2019: nil) and €7.1 million related to fair value hedges was recognised partly within foreign exchange gain partly within financial income (2019: nil).

For cash-flow hedges, the notional amount of the open positions was US$427.0 million on EUR/USD zero-cost collar instruments (2019: US$463.0 million), US$91.0 million on EUR/USD forward contracts (2019: US$676.0 million) and £0.0 million on GBP/EUR zero-cost collar instruments at the end of the current year (2019: £24.1 million).

The open FX cash-flow hedge positions at year-end can be analysed according to the maturity periods and price ranges of the underlying hedge instruments as follows:

Euro/US Dollar foreign exchange hedge:

At 31 March 2020	F21 12 months	F22 6 months
Maturity profile of notional amount (million)	$436	$82
Weighted average ceiling	$1.1622	$1.1485
Weighted average floor	$1.1263	$1.1039

At 31 March 2019	F20 12 months	F21 6 months
Maturity profile of notional amount (million)	$444	$19
Weighted average ceiling	$1.24	$1.21
Weighted average floor	$1.19	$1.16

Euro/British Pound foreign exchange hedge:

At 31 March 2019	F20 3 months	F21
Maturity profile of notional amount (million)	£24	–
Weighted average ceiling	£0.92	–
Weighted average floor	£0.88	–

There were no open positions on Euro/British Pound hedges at 31 March 2020.

The open positions on fair value hedges at year-end can be analysed according to the maturity periods and price rates of the underlying hedge instruments as follows:

Euro/US Dollar hedges: notional amount of US$221.0 million with 1.11 average contracted FX rate, all expired in April 2020 (2019: notional amount of US$676 million with 1.13 average contracted FX rate, expired during April-July 2019).

British Pound/US Dollar hedges: notional amount of US$170.0 million with 1.29 average contracted FX rate, all expired in April 2020 (2019: nil).

b) Foreign exchange hedge with non-derivatives:

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$3.0 million designated for hedge accounting (2019: US$6.7 million). This amount is part of trade and other receivables on the consolidated statement of financial position.

3. Financial risk management continued

Risk analysis continued

Market risks continued

Hedge year-end open positions continued

c) Fuel hedge:

The fair value of the open positions was a €251.4 million loss (2019: €5.3 million loss) recognised within other comprehensive income corresponding to assets (nil in 2020 and €11.8 million in 2019) and liabilities (€251.4 million in 2020 and €17.1 million in 2019), respectively. The total €251.4 million loss can be analysed further into €337.9 million intrinsic value loss and €85.3 million time value gain components.

In addition, a loss of €53.8 million was recognised within fuel cost as exceptional operating expense in relation to open fuel hedge positions (related to April and May 2020) that were discontinued for hedge accounting.

The notional amount of the open positions was 1,461,000 metric tons (2019: 712,000 metric tons), out of which 170,000 tons related to hedges that were classified as discontinued at year end.

The fuel hedge positions at year-end can be analysed according to the maturity periods and price ranges of the underlying hedge instruments as follows:

At 31 March 2020	F21 12 months	F22 6 months
Maturity profile ('000 metric tons)	1,091	370
Blended capped rate	$632	$554
Blended floor rate	$576	$503

At 31 March 2019	F20 12 months	F21 6 months
Maturity profile ('000 metric tons)	624	88
Blended capped rate	$700	$670
Blended floor rate	$639	$613

During the year the Group realised €254.2 million loss in other comprehensive income in relation to change in the fair value of cash flow hedge open positions and €6.2 million loss in 2019.

d) ETS hedge:

The fair value of the open positions on ETS hedges was €2.6 million loss at the year end (2019: nil).

With respect to cash flow hedging instruments, during the year:

- a loss of €322.8 million was recognised in other comprehensive income due to changes in fair value of the instruments (2019: €55.4 million gain recognised);
- a loss of €66.9 million was transferred out of other comprehensive income to the statement of comprehensive income, partly to offset the fuel price and foreign exchange impacts on the underlying transactions (€5.1 million loss transferred) (2019: €62.1 million gain transferred) partly as a result of hedges having been discontinued from accounting point of view (€61.8 million loss transferred).

Hedge effectiveness

As a result of COVID-19, the capacity to be operated in the 2021 financial year will be significantly lower than that on which the hedging programme was based and hence certain hedging instruments no longer correspond to future purchases of jet fuel or, to a smaller extent, foreign currency purchases. As such, hedge accounting for these derivatives has been discontinued and the associated loss on these instruments of €61.8 million, split between a loss of €63.7 million on fuel price hedges and a gain of €1.9 million on the foreign currency hedges, has been charged to the statement of comprehensive income in 2020.

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.

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, excluding any hedge impacts.

	2020 Difference in profit after tax **€ million**	2019 Difference in profit after tax (restated) € million
Fuel price sensitivity		
Fuel price $100 higher per metric ton	-107.1	-90.0
Fuel price $100 lower per metric ton	+107.1	+90.0
FX rate sensitivity (USD/EUR)		
FX rate 0.05 higher (meaning EUR stronger)	+99.4	+93.7
FX rate 0.05 lower	-108.8	-102.2
FX rate sensitivity (GBP/EUR)		
FX rate 0.03 higher (meaning EUR stronger)	-9.2	-6.0
FX rate 0.03 lower	+10.1	+6.4
FX rate sensitivity (PLN/EUR)		
FX rate 0.15 higher (meaning EUR stronger)	-5.1	-4.5
FX rate 0.15 lower	+5.5	+4.8
Interest rate sensitivity (EUR)		
Interest rate is higher by 100 bps	+13.0	+13.2
Interest rate is lower by 100 bps	-13.0	-13.2

The interest rate sensitivity calculation above considers the effects of varying interest rates on the interest income on bank deposits. Regarding lease rentals on floating rate leases the impact of changing interest rates would be the remeasurement of the lease liability under IFRS 16 and of the corresponding right of used assets. 100 basis points increase/decrease in the reference interest rate would result in €11.2 million increase/ €11.6 million decrease (2019: €11.5 million increase/ €12.0 million decrease) in the lease liability and the RoU asset. This, in turn, would impact future profits on average by €4.2 million (2019: €4.6 million) per year over the remaining lease term, with higher interest rates resulting in lower profits.

The 2019 sensitivities in the table related to FX rates and interest rates have been restated. The changes in the impacts of the USD/EUR FX rate and of interest rates are caused by IFRS 16: the base of the FX impact now excludes lease expenses but includes the lease liability as per IFRS 16; the base of the interest rate impact now excludes floating rate lease expenses. The GBP/EUR and PLN/EUR sensitivities were amended due to corrections in the calculations versus the original disclosure in 2019, not related to IFRS 16.

The table below shows the sensitivity of the Group's other comprehensive income to various markets risks for the current and the prior year. These sensitivities relate to the impact of the market risks on the balance of the cash flow hedging reserve (that includes gains and losses related to open cash flow hedges both for foreign exchange rates and jet fuel price).

	2020 Difference **€ million**	2019 Difference € million
Fuel price sensitivity		
Fuel price $100 higher per metric ton	+117.6	+63.5
Fuel price $100 lower per metric ton	-117.6	-63.5
FX rate sensitivity (USD/EUR)		
FX rate 0.05 higher (meaning EUR stronger)	+10.5	-0.6
FX rate 0.05 lower	-10.5	+0.6
Fuel volume sensitivity (metric tons)		
100,000 metric tons reduction in forecast fuel purchases	+14.4	N/A
100,000 metric tons increase in forecast fuel purchases	-14.4	N/A

The sensitivity analyses for 2020 above were performed with reference to the following market rates, as the base case:

- For profits, annual average rates: jet fuel price $729 per metric ton; EUR/USD FX rate 1.11; EUR/GBP FX rate 0.87; EUR/PLN FX rate 4.30;
- For other comprehensive income, year-end spot rates: jet fuel price $270.0 per metric ton; EUR/USD FX rate 1.10.

3. Financial risk management continued

Risk analysis continued

Liquidity risks

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. In the recent years the Group has been holding a high level of cash funds compared to the needs of the business operations. Nevertheless, the unprecedented impact of COVID-19 on the industry is affecting the liquidity of the Group in 2020 especially in a scenario of prolonged grounding. The Group responded to these special challenges with a number of actions to improve costs and liquidity, the most important ones being as follows:

- Continue to ensure that the flights that are operated deliver positive cash contribution;
- Securing lease financing for aircraft delivery positions until summer 2021;
- Working with suppliers to reduce contracted rates and improve payment terms;
- Reducing discretionary spending and suspending non-essential capital expenditure;
- Reducing the fixed cost of the workforce by aligning reduced working hours and temporarily reduced salary rates (for Directors and Officers see details in the Directors Remuneration Report). In addition, in April 2020, the Group made 1,000 positions redundant, representing a 19 per cent workforce reduction.
- Working with governments to align deferral of certain tax payments and to secure temporary financing – the most important result being the GBP 300 million COVID Corporate Financing Facility raised from the Bank of England in April 2020.

As a result of these measures, Wizz Air is confident in its ability to survive even a potential prolonged grounding well beyond any current estimates for the impact of COVID-19 in Europe.

The Group invested excess cash primarily in EUR and USD denominated short-term time deposits with high quality bank counterparties.

The table below analyses the Group's financial assets and liabilities (receivable or payable either in cash or net settled in case of certain 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 2020	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	118.3	15.1	19.9	–	153.3
Derivative financial assets	10.5	6.9	0.9	–	18.3
Cash and cash equivalents	1,310.5	–	–	–	1,310.5
Restricted cash	0.5	5.6	146.6	33.1	185.8
Total financial assets	1,439.8	27.6	167.4	33.1	1,667.9
Financial liabilities					
Borrowings	108.4	307.3	1,297.5	547.5	2,260.7
Convertible debt	–	2.1	28.7	–	30.8
Trade and other payables	251.1	–	–	–	251.1
Derivative financial liabilities	93.5	173.0	41.3	–	307.8
Financial guarantees	0.7	–	–	–	0.7
Total financial liabilities	453.7	482.4	1,367.5	547.5	2,851.1

3. Financial risk management continued
Risk analysis continued
Liquidity risks continued

At 31 March 2019 (restated)	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	176.3	34.3	10.0	5.20	225.8
Derivative financial assets	10.9	17.6	3.0	–	31.5
Cash and cash equivalents	1,316.0	–	–-	–	1,316.0
Restricted cash	21.0	2.2	117.7	48.0	188.9
Total financial assets	1,524.2	54.1	130.7	53.2	1,762.2
Financial liabilities					
Borrowings	103.9	284.4	1,223.6	513.6	2,125.5
Convertible debt	–	2.1	30.9	–	33.0
Trade and other payables	74.7	–	–	–	74.7
Derivative financial liabilities	3.3	14.0	1.5	–	18.8
Financial guarantees	0.8	–	–	–	0.8
Total financial liabilities	182.7	300.5	1,256.0	513.6	2,252.8

The Group has obligations under financial guarantee contracts as detailed in Note 32. The most significant financial guarantee contracts relate to aircraft leases, hedging, and convertible notes. For these items the respective underlying liabilities are reflected under the appropriate line of the financial liabilities part of the table above (for leases the liability is presented under borrowings). 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. The only guarantee separately disclosed in this table relates to a contract for the provision of public services in Hungary, with respect to which there is no liability recognised in the statement of financial position. This possible obligation is 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.

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 2020	A € million	A- € million	Other € million	Unrated € million	Total € million
Financial assets					
Trade and other receivables	–	–	–	153.3	153.3
Derivative financial assets	10.2	1.0	7.0	–	18.3
Cash and cash equivalents	892.5	271.4	145.7	0.9	1,310.5
Restricted cash	185.6	0.1	0.2	–	185.8
Total financial assets	1,088.2	272,5	152.9	154.2	1,667.9

At 31 March 2019 (restated)	A € million	A- € million	Other € million	Unrated € million	Total € million
Financial assets					
Trade and other receivables	8.2	–	–	217.6	225.8
Derivative financial assets	20.7	10.8	–	–	31.5
Cash and cash equivalents	1,313.3	–	2.4	0.2	1,316.0
Restricted cash	188.7	–	0.1	–	188.9
Total financial assets	1,530.9	10.8	2.6	217.9	1,762.2

3. Financial risk management continued

Risk analysis continued

Credit risk continued

From the unrated category within trade and other receivables the Group has €60.9 million (2019: €100.0 million) receivables from different aircraft lessors in respect of maintenance reserves and lease security deposits paid (see also Note 21). 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 33), management does not consider the credit risk on maintenance reserve receivables to be material. Most of the remaining balance in this category in both years relate to ticket sales receivables from customers and non-ticket revenue receivables from business partners. These balances are spread between a significant number of counterparties and the credit performance in these channels has historically been good.

Within cash and cash equivalents in 2020, out of the €145.7 million in the unrated category €141.2 million relates to cash deposits held with banks with BBB+ rating. The Group did not hold cash at these banks in 2019.

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 2020:

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Assets				
Derivative financial instruments	–	18.2	–	18.2
	–	18.2	–	18.2
Liabilities				
Derivative financial instruments	–	307.8	–	307.8
	–	307.8	–	307.8

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2019:

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Assets				
Derivative financial instruments	–	31.5	–	31.5
	–	31.5	–	31.5
Liabilities				
Derivative financial instruments	–	18.8	–	18.8
	–	18.8	–	18.8

The Group measures its derivative financial instruments at fair value, calculated by the banks involved in the hedging transactions that falls into the Level 2 category. The banks are using generally accepted valuation techniques, principally the Black-Scholes model and discounted cash flow models.

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

Capital management

The Group's objectives when managing capital are (i) to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders, (ii) to secure funds at competitive rates for its future aircraft acquisition commitments (see Note 33) and (iii) to maintain an optimal capital structure to reduce the overall cost of capital.

The current sources of capital for the Group are equity and borrowings. Borrowings include primarily capitalised lease obligations (see Note 24) and, to a small extent, convertible debt (see Note 25).

3. Financial risk management continued

Capital management continued

Wizz Air's strategy is to hold significant cash and liquid funds to mitigate the impact of potential business disruption events and to invest in opportunities as they come along in an increasingly volatile market environment. Accordingly, the Group has so far retained all profits and paid no dividends and financed all its aircraft and most of its spare engine acquisitions through sale and leaseback agreements. This strategy has been delivering great benefits in managing the consequences of COVID-19.

The existing aircraft orders of the Group create a need for raising significant amounts of capital in the following years. The strategy of the Group is to ensure that it has access to various forms of long-term financing, which in turn allows the Group to further reduce its cost of capital and the cost of ownership of its aircraft fleet.

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

a) Maintenance policy

Estimate: For aircraft held under lease agreements, provision is made for the minimum unavoidable costs of specific future maintenance 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.

Estimate: 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.

The bases of these estimates are reviewed annually, and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation of the assets, or changes in the cost of heavy maintenance services.

Judgment: The Group lease by lease makes a judgment whether it would perform future maintenance that would impact the condition of the respective aircraft or spare engine asset in a way that it eliminates the need for paying compensation to the lessor on the re-delivery of the leased asset. When such maintenance is not expected then accrual is made for the compensation due to the lessor in line with the terms of the respective lease contract.

Judgment: The policy adopted by the Group, as summarized above, is only one of the policies available under IFRS in accounting for heavy maintenance for aircraft held under lease agreements. A principal alternative policy involves recognising provisions for future maintenance obligations in accordance with hours flown or similar measure, and not only when lease re-delivery conditions are not met. In the judgment of the directors the policy adopted by the Group, whereby provisions for maintenance are recognised only when lease re-delivery conditions are not met, provides the most reliable and relevant information about the Company's obligations to incur major maintenance expenditure on leased aircraft and at the same time it best reflects the fact that an aircraft has lower maintenance requirements in the early years of its operation.

b) Hedge and derivative accounting

Estimate: The fair value of derivatives (namely the open position of cash flow hedges) is estimated 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.

Estimate: The effectiveness of hedges is tested both prospectively and retrospectively to determine the appropriate accounting treatment of hedge gains and losses. Prospective testing of open hedges requires making certain estimates, the most significant one being for the future expected level of the business activity of the Group. Estimating the expected level of future business activity is particularly critical in periods of high uncertainty like the current corona virus outbreak. See sensitivity analysis in Note 3 under hedges.

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).

Judgment: 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.

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

d) Accounting for aircraft and spare engine assets

Estimate: In accounting for aircraft and spare engine assets, the Group must make estimates about the expected useful lives of the assets, the expected residual values of the assets, and (for the purposes of component accounting) the cost and timing of major future airframe and engine overhauls.

Judgment: When the Group acquires new aircraft and spare engines, it additionally applies the following critical judgments in determining the acquisition cost of these assets:

- Engine contracts typically include the selection of an engine type to be installed on future new aircraft, a commitment to purchase certain number of spare engines, and lump-sum (i.e. not per engine) concessions from the manufacturer. Management recalculates the unit cost of engines by allocating lump-sum credits over all engines ordered and by adjusting costs between installed and spare engines in a way that ensures that identical physical assets have equal acquisition cost.

- Aircraft acquisition costs are recalculated to reflect the impacts of (i) any adjustment on the cost of installed engines (as above); and (ii) concessions received from the manufacturers of other aircraft components under selection agreements. Such acquisition cost has relevance also for leased aircraft when calculating the amount of total gain or loss on the respective sale and leaseback agreement (see next).

Estimate: What regards gains and losses coming from sale and leaseback agreements for aircraft and spare engines, the determination of the amounts to be deferred and to be recognised immediately, respectively, requires estimating the fair value of these assets at the date of the transaction. In determining fair values the Group relies on independent third party valuation reports prepared by specialist aircraft and engine valuation experts.

e) Accounting for leases

During the adoption and the ongoing application of IFRS 16 the following critical judgments and estimates were made by the Group:

Judgment: Some of the Group's lease contracts contain lease extension options. The extension option is taken into account in the measurement of the lease liability only when the Group is reasonably certain that it would later exercise the option. Such judgment is relevant both at inception, for the initial measurement of the lease liability, and also for a subsequent remeasurement of the lease liability if the initial judgment is revised at a later date.

Judgment: The Group takes the view that, as a lessee, it is not able to readily determine the interest rate implicit in its lease contracts. Therefore, it applies its incremental borrowing rate for discounting future lease payments.

Estimate: The Group does not currently have external debt through which its incremental borrowing rate could be observed. The incremental borrowing rate of the Group is at any point in time determined by taking into account the risk-free rate of return (that on the financial markets is applied for debt with similar characteristics), the assumed credit rating of the Group (this is for historic periods when it was not available from rating agencies) and estimating the risk premium associated with that credit rating.

Estimate: The right-of-use assets associated with aircraft and spare engine lease contracts are split into asset components on the basis of value proportions that could be observed on an owned aircraft of the same type and age. The useful economic life of the asset components that represent the maintenance condition of the aircraft and of its key components is estimated to last until the respective aircraft component does not any longer meet the return conditions defined in the lease contract.

f) Income taxes

Judgment: A significant judgment has been made by the Group in relation to the position that the Swiss tax authority would take with respect to the calculation of the income tax base for financial years 2018-2020 for one of the legal entities of the Group. In applying IFRIC 23 the Group applied the 'most likely amount method' and, by relying also on professional advice, took the view that the positions taken by the Group represent also the most likely outcome for the Swiss income tax liabilities.

5. Discontinued operation

In October 2018 the Group decided to cease its online tour operator business line and thus the activity of Wizz Tours Kft. effective from 31 December 2018. This business line was in the past presented as a separate operating segment of the Group (see Note 7) and for the purposes of the current financial statements was classified as discontinued operation under IFRS 5. The results of the discontinued operation are presented as a single loss figure in the statement of comprehensive income.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

5. Discontinued operation continued

The financial information relating to the discontinued operation is set below:

	2020 € million	2019 € million
Revenue	–	7.6
Expenses	–	(11.3)
Loss before income tax	–	(3.7)
Income tax expense		–
Loss from discontinued operation	–	(3.7)
Other comprehensive income/(expense) – items that may be subsequently reclassified to profit or loss:	–	–
Other comprehensive income/(expense) for the year, net of tax from discontinued operation	–	–
Total comprehensive expense for the year from discontinued operation	–	(3.7)

The 2019 expenses and the post-tax loss include €1.9 million loss recognised on the disposal of the assets of the discontinued operation. No assets were sold. Earnings per share for the discontinued operation was antidilutive and for this reason it is not being disclosed.

	2020 € million	2019 € million
Net cash generated by operating activities	–	(4.7)
Net cash used in investing activities	–	(0.5)
Net cash from financing activities	–	5.0
Net decrease in cash and cash equivalents generated by the discontinued operation	–	(0.2)
Cash and cash equivalents at the beginning of the year	–	0.8
Cash and cash equivalents at the end of the year	–	0.6

6. Prior year adjustments/restatements

The Group adopted IFRS 16 on 1 April 2019 (the date of initial application) using the "full retrospective method" of transition. The financial statements for the year ended 31 March 2019 were re-stated to IFRS 16.

The Group is accruing for the compensation payable to lessors related to re-delivery condition of its leased aircraft where it is not expected that such obligations would be avoided by performing maintenance at the re-delivery. The Group in earlier years failed to accrue for these costs on a few of its aircraft leases of shorter tenure. These costs, albeit these are immaterial to any statement of comprehensive income, are now recognised with retrospective effect, as if were accrued from the inception of the respective lease contracts, and the financial statements for the year ended 31 March 2019 were re-stated accordingly.

The consolidated statement of financial position at 31 March 2018 has been restated as follows:

	Balance at 31 March 2018 As previously stated € million	Impact of IFRS16 restatement € million	Impact of lessor compensation restatement € million	Balance a 1 April 2018 As restated € million
Property, plant and equipment	684.5	1,155.9	–	1,840.5
Deferred interest (non-current)	3.4	(3.4)	–	–
Deferred interest (current)	0.2	(0.2)	–	–
Trade and other receivables (non-current)	43.7	0.9	–	44.6
Trade and other receivables (current)	195.4	(17.6)	–	177.8
Retained earnings	1,028.7	(140.0)	(13.0)	875.7
Trade and other payables (current)	249.1	–	13.0	262.1
Deferred income (non-current)	107.3	(95.8)	–	11.4
Deferred income (current)	330.1	(25.0)	–	305.1
Borrowings (non-current)	4.7	1,185.7	–	1,190.5
Borrowings (current)	0.6	210.8	–	211.4

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

6. Prior year adjustments/restatements continued

The consolidated statement of financial position at 31 March 2019 has been restated as follows:

	Balance at 31 March 2019 As previously stated € million	Impact of IFRS16 restatement € million	Impact of lessor compensation restatement € million	Balance at 31 March 2019 As restated € million
Property, plant and equipment	659.3	1,407.6	–	2,067.0
Deferred tax assets	0.1	0.5	–	0.6
Deferred interest non-current	2.3	(2.3)	–	–
Trade and other receivables non-current	17.0	1.2	–	18.2
Trade and other receivables current	287.3	(19.5)	–	267.8
Deferred interest current	0.6	(0.6)	–	–
Retained earnings	1,320.2	(303.3)	(18.3)	998.7
Borrowings non-current	2.1	1,508.1	–	1,510.3
Deferred income non-current	104.2	(90.6)	–	13.6
Deferred tax liabilities	2.2	(2.2)	–	–
Trade and other payables	306.4	(4.3)	18.3	320.4
Borrowings current	0.1	304.1	–	304.3
Deferred income current	420.0	(24.9)	–	395.1

The Consolidated statement of comprehensive income for the year ended 31 March 2019 has been restated as follows:

	2019 As previously stated € million	Impact of IFRS16 restatement € million	Impact of lessor compensation restatement € million	2019 As restated € million
Maintenance materials and repairs	(115.1)	(15.2)	(3.9)	(134.1)
Aircraft rentals	(326.0)	326.0	–	–
Depreciation and amortization	(92.7)	(241.8)	–	(334.5)
Other expenses	(30.9)	(7.0)	–	(37.9)
Financial expenses	(4.1)	(89.4)	–	(93.5)
Net foreign exchange loss	(1.6)	–	(1.4)	(3)
Exceptional financial expense	–	(138.7)	–	(138.7)
Income tax expense	(4.9)	2.7	–	(2.2)
Profit from continuing operation	295.3	(163.3)	(5.3)	126.7
Profit for the year	291.6	(163.3)	(5.3)	123.0

Earnings per share for the year ended 31 March 2019 has been restated as follows:

Euro/ share	As previously stated	Impact of IFRS16 restatement	Impact of lessor compensation restatement	As restated
Earnings per share from continuing operation	4.06	(2.25)	(0.07)	1.74
Diluted earnings per share from continuing operation	2.34	(1.28)	(0.04)	1.01
Earnings per share	4.01	(2.25)	(0.07)	1.69
Diluted earnings per share	2.31	(1.28)	(0.04)	0.98

The Consolidated statement of cash flows for the year ended 31 March 2019 has been restated as follows:

	2019 As previously stated € million	Impact of IFRS16 restatement € million	Impact of lessor compensation restatement € million	2019 As restated € million
Profit before tax	296.6	(166.1)	(5.3)	125.2
Adjustment for depreciation	87.4	241.8	–	329.2
Adjustment for financial income	(6.4)	(8.6)	–	(15.0)
Adjustment for financial expense	5.9	244.2	–	250.1
Impact of change in trade and other receivables	(57.5)	0.7	–	(56.8)
Impact of change in deferred interest	0.7	(0.7)	–	–
Impact of change in trade and other payables	62.2	–	5.3	67.5
Impact of change in deferred income	79.0	24.1	–	103.1
Interest paid	(3.5)	(89.4)	–	(92.9)
Repayment of loans	(3.1)	(246.1)	–	(249.2)

7. Segment information

Reportable segment information

The Chief Operating Decision Maker' of the Group, as defined in IFRS 8 'Operating segments' is the senior management team of the Group.

During 2020 the Group had only one reportable segment being its entire route network. All segment revenue was derived wholly from external customers and, as the Group had a single reportable segment, inter-segment revenue was zero.

In part of the 2019 financial year the Group had also another reportable segment, an online tour operator business under the name Wizz Tours. The airline segment of the Group was selling flight tickets and related services also to Wizz Tours; this intra-group revenue was €6.7 million in 2019, incurred until the closure of the tour operator business with effect from 31 December 2018. For more details on the discontinued operation, please refer to Note 5.

Reconciliation of reportable segment revenue and operating profit to consolidated profit after income tax:

	2020 **€ million**	2019 (restated) € million
Segment revenue	2,761.3	2,319.1
Segment operating expenses	(2,423.0)	(1,961.2)
Segment operating profit	338.3	357.9
Net financing expense	(44.2)	(229.0)
Income tax expense	(13.1)	(2.2)
Profit from continuing operation	281.1	126.7

Entity-wide disclosures

Products and services

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

	2020 **€ million**	2019 € million
Airline passenger ticket revenue	1,508.5	1,366.1
Airline ancillary revenue	1,252.8	953.0
Total segment revenue	2,761.3	2,319.1

These categories are non-IFRS categories meaning that they are not necessarily distinct from a nature, timing and risks point of view; however, management believes that these categories provide clarity over the revenue profile of the Group to the readers of the financial statements and are in line with airline industry practice. The categories as per the definition of IFRS 15 are disclosed in Note 8.

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, reserved seat), loyalty programme membership fees, and from commission on the sale of on-board catering, accommodation, car rental, travel insurance, bus transfers, premium calls and co-branded cards.

Geographic areas

Segment revenue can be analysed by geographic area as follows:

	2020 **€ million**	2019 € million
EU	2,374.0	2,014.7
Other (non-EU)	387.3	304.4
Total revenue from external customers	2,761.3	2,319.1

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

The physical location of non-current assets is not tracked by the Group and is therefore not disclosed by geographic area. This is because (i) by value most assets are associated either with aircraft not yet received (pre-delivery payments) or with existing leased aircraft and spare engines (RoU and maintenance assets), the location of which changes regularly following aircraft capacity allocation decisions; and (ii) the value of the remaining asset categories (land and buildings, fixtures and fittings) is not material within the total non-current assets.

7. Segment information continued

Entity-wide disclosures continued

Geographic areas continued

The distribution of the non-current assets between the two key operating entities of the Group is as follows:

	2020 € million	2019 (restated) € million
Hungarian airline	2,555.0	2,223.2
UK airline	226.9	50.7
Other	1.8	1.1
Total non-current assets	2.783.7	2,275.0

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).

8. Revenue

The split of total revenue presented in the statement of comprehensive income, being passenger ticket revenue and ancillary revenue, is a non-IFRS measure (or Alternative Performance Measure). The Group did not change the disaggregation of revenue to that defined under IFRS 15. The existing presentation is considered relevant for the users of the financial statements because (i) it mirrors disclosures presented outside of the financial statements and (ii) it is regularly reviewed by the Chief Operating Decision Maker for evaluating financial performance of the (now only one) operating segment.

Revenue from contracts with customers can be disaggregated as follows based on IFRS 15:

	2020 €'000	2019 €'000
Revenue from contracts with passengers	2,706.1	2,296.4
Revenue from contracts with other partners	55.2	22.7
Total revenue from contracts with customers	2,761.3	2,319.1

These two categories represent revenues that are distinct from a nature, timing and risks point of view. Revenue from contracts with other partners relate to commissions on the sale of on-board catering, accommodation, car rental, travel insurance, bus transfers, premium calls and co-branded cards.

The contract assets reported in 2020 as part of trade and other receivables amounted to €1.2 million and the contract liabilities (unearned revenues) reported as part of deferred income were €168.4 million. Of the €2,706.1 million revenue recognised in 2020, €395.1 million was included in the contract liability balance at the beginning of the year (see unearned revenue in Note 27). For 2019 the same amount was €304.4 million.

9. Operating profit

Net other expenses

Net other expenses increased from €37.9 million in 2019 (restated) to €71.2 million in 2020, as there were significant credit items in 2019 relating to various aircraft asset sale and leaseback transactions and certain supplier contract negotiations.

Auditors' remuneration

	2020 €'000	2019 €'000
Fees payable to Company's auditors for the audit of the consolidated financial statements	586	318
Audit of financial statements of subsidiaries pursuant to legislation	49	51
Other services relating to taxation	115	293
Audit-related assurance and transaction services	32	65
Total remuneration of auditors	782	727

Fees payable to Company's auditors for the audit of the consolidated financial statements includes amounts in respect of the interim review, and out of pocket expenses.

Inventories

Inventories totalling €11.0 million were recognised as maintenance materials and repairs expense in the year (2019: €7.9 million).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

10. Staff numbers and costs

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

	Number of persons 2020	2019
Non-Executive Directors	9	9
Crew and pilots	4,115	3,931
Administration and other staff	316	321
Total staff number	4,440	4,261

The aggregate compensation of these persons was as follows:

	2020 **€ million**	2019 € million
Wages and salaries	179.8	152.7
Pension costs	8.2	6.6
Social security costs other than pension	16.8	14.1
Share-based payments	4.2	3.0
Subtotal	209.0	176.4
Subcontracted staff costs (rented pilots)	22.8	22.2
Total staff costs	231.8	198.6

11. Directors' emoluments

	2020 **€ million**	2019 € million
Salaries and other short-term benefits	1.9	1.5
Social security costs	0.5	0.2
Share-based payments	0.6	0.6
Directors' services and related expenses	0.4	0.4
Total Directors' emoluments	3.4	2.7

	2020	2019
Directors receiving emoluments	11	12
The number of Directors who in respect of their services received LTIP share options under long-term incentive schemes during the year	1	1

12. Net financing income and expense

	2020 **€ million**	2019 (restated) € million
Interest income	45.4	2.8
Gain on discontinued FX hedges	1.9	0
Other	–	3.4
Financial income	47.3	6.2
Interest expenses:		
Convertible debt	(2.0)	(2.0)
Leases	(86.5)	(89.7)
Other	(3.0)	(1.8)
Financial expenses	(91.5)	(93.5)
Net foreign exchange gain/(loss)	0.1	(3.0)
Exceptional financial expense	–	(138.7)
Net financing expense	(44.2)	(229.0)

Interest income and expense include interest on financial instruments (earned on cash and equivalents and in 2020 also on FX forward hedges) and, under the 'Other' category the effect of the initial discounting of long-term deposits and the later unwinding of such discounting.

Interest income has increased due to the Group converting its bank deposits from Euro to US Dollar on 1 April 2019 and earning higher rate of interest.

In the 2019 financial year (as restated) the Group had exceptional financial expense of €138.7 million relating to net foreign exchange loss calculated and recognised retrospectively as part of the IFRS 16 restatement of the Group's financial statements. This unrealised loss was caused by the significant appreciation of the US Dollar to the Euro during the 2019 financial year, impacting on the net US Dollar liability position of the Group recognised under IFRS 16. The same impact was immaterial in 2020 as the Group, following adoption of IFRS 16, actively managed this FX exposure.

The Group changed the presentation of foreign exchange gains and losses, and combined realised and unrealised foreign exchange gains and losses in one line; the comparative numbers were changed accordingly.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

13. 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 non-recurring items of income or expense that have been shown separately due to the significance of their nature or amount.

In the 2020 financial year the Group had exceptional operating expense of €63.7 million relating to fuel hedges that were classified as discontinued during March 2020 as a consequence of the grounding of the majority of the Group's fleet under the COVID 19 virus situation. In the 2019 financial year the €138.7 million exceptional expense related to foreign exchange loss calculated and recognised retrospectively as part of the IFRS 16 restatement of the Group's financial statements (see also in Note 12). These items were used by management in the determination of the non-IFRS underlying profit measure for the Group – see below.

Underlying profit

	2020 € million	2019 (restated) € million
Profit from continuing operation	281.1	126.7
Adjustment for (exclusion of) exceptional items	63.7	138.7
Underlying profit after tax	344.8	265.4

The tax effects of the adjustments made above are insignificant.

14. Income tax expense

Recognised in the statement of comprehensive income

	2020 € million	2019 (restated) € million
Current tax on profits for the year	4.5	1.4
Adjustment for current tax of prior years	–	(2.9)
Other income-based taxes for the year	10.5	10.4
Adjustment for income-based taxes of prior years	–	1.0
Total current tax expense	15.0	9.9
Deferred tax – decrease in deferred tax liabilities	–	(7.1)
Deferred tax – increase in deferred tax assets	(1.9)	(0.6)
Total deferred tax benefit	(1.9)	(7.7)
Total tax charge	13.1	2.2

The Company, that is Wizz Air Holdings Plc, has a tax rate of 13.97% (2019: 7.8%). The tax rate relates to Switzerland, where the Company is tax resident. The income tax expense is fully attributable to continuing operations.

Reconciliation of effective tax rate

The tax charge for the year (including both current and deferred tax charges and credits) is different to the Company's standard rate of corporation tax of 13.97% (2019: 7.8%). The difference is explained below.

	2020 € million	2019 (restated) € million
Profit before tax	294.1	128.9
Tax at the corporation tax rate of 13.97% (2019: 7.8%)	41.1	10.1
Adjustment for taxes of prior years	–	(1.9)
Decrease in deferred tax liabilities due to reduced Swiss tax rate	(0.1)	(5.3)
Effect of different tax rates of subsidiaries versus the parent company	(38.4)	(12.1)
Other income based foreign tax	10.5	11.4
Total tax charge	13.1	2.2
Effective tax rate	4.4%	1.7%

The effect of different tax rates of subsidiaries is a composition of impacts primarily in Switzerland and the UK, relating to the airline subsidiaries of the Group. The Company paid €12.6 million tax in the year (2019: €14.1 million – this figure has been corrected from the €0.2 million originally stated in the 2019 Annual Report, otherwise this amount was presented and accounted for in the prior year financial statements correctly). Substantially all the profits of the Group in 2020 and 2019 were made by the airline subsidiaries of the Group, and substantially all the tax charges presented in this Note were incurred by these two entities.

Other income based foreign tax represents the "innovation contribution" and the local business tax payable in Hungary in 2020 and 2019 by the Hungarian subsidiaries of the Group, primarily Wizz Air Hungary Kft. Hungarian local business tax and innovation contribution are levied on an adjusted profit basis.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

14. Income tax expense continued

Recognised in the statement of other comprehensive income

	2020 € million	2019 € million
Deferred tax	(0.6)	(0.3)
Total tax charge	(0.6)	(0.3)

Interpretation 23 'Uncertainty over Income Tax Treatments' (IFRIC 23)

The Group has open tax periods in a number of jurisdictions involving uncertainties of different nature and materiality, the most important open ones being for the F18-F20 financial years. The Group assessed the impact of uncertainty of each of its tax positions in line with the requirements of IFRIC 23. The outcome of this assessment was to recognise €3.7 million current income tax liability in 2020 (against opening retained earnings). (There was no liability recognised in 2019 as the Group adopted IFRIC 23 in 2020.) The €3.7 million additional liability relates to uncertain tax positions in certain subsidiary tax returns of the Group for the 2015-2019 financial years. For all other tax returns the Group concluded that it was probable that the tax authority would accept the uncertain tax treatment that has been taken or is expected to be taken in those tax returns and therefore accounted for income taxes consistently with that tax treatment. The final liabilities, as later assessed by the tax authorities, may vary from the amounts that have been recognised by the Group.

15. 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 year.

	2020	2019 (restated)
Profit from the year from continuing operation, € million	281.1	126.7
Profit from the year, € million	281.1	123.0
Weighted average number of Ordinary Shares in issue	74,685,880	72,753,686
Basic earnings per share from continuing operation, €	3.76	1.74
Basic earnings per share, €	3.76	1.69

There were also 17,377,203 Convertible Shares in issue at 31 March 2020 (29,830,503 at March 31, 2019) (see Note 29). These shares are non-participating, i.e. the profit attributable to them is nil. 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 29);
- Convertible Notes (see Note 25); and
- employee share options (see Note 28) (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.

	2020	2019 (restated)
Profit for the year from continuing operation, € million	281.1	126.7
Profit for the year, € million	281.1	123.0
Interest expense on convertible debt (net of tax), € million	2.0	2.0
Profit used to determine diluted earnings per share from continuing **operation, € million**	283.1	128.7
Profit used to determine diluted earnings per share, € million	283.1	125.0
Weighted average number of Ordinary Shares in issue	74,685,880	72,753,686
Adjustment for assumed conversion of convertible instruments	52,572,127	54,372,732
Weighted average number of Ordinary Shares for diluted earnings per share	127,258,007	127,126,418
Diluted earnings per share from continuing operation, €	2.22	1.01
Diluted earnings per share, €	2.22	0.98

Interest expense on convertible debt was all related to the continuing operation. The dilution effect of each class of convertible instrument from the total 52,572,127 dilutive shares in 2020 was the following: Convertible Shares: 27,993,131 shares; convertible debt: 24,246,715 shares and employee share options: 332,281 shares.

15. Earnings per share continued

Underlying earnings per share

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

	2020	2019
Underlying profit for the year (see Note 13), € million	344.8	265.4
Interest expense on convertible debt, € million	2.0	2.0
Profit used to determine underlying earnings per share, € million	346.8	267.3
Weighted average number of Ordinary Shares for underlying earnings per share	127,258,007	127,126,418
Underlying earnings per share, EUR	2.72	2.10

The calculation of the underlying EPS is different from the calculation of the IFRS diluted EPS measure in that for earnings the underlying profit for the year was used (see Note 13) as opposed to the statutory (IFRS) profit for the year. The underlying EPS measure was introduced by the Company to better reflect the underlying earnings performance of the business.

16. Property, plant and equipment

	Land and building € million	Aircraft maintenance assets € million	Aircraft assets and parts € million	Fixtures and fittings € million	Advances paid for aircraft € million	Advances paid for aircraft maintenance assets € million	RoU assets aircraft and spares € million	RoU assets other € million	Total € million
Cost									
At 1 April 2018 (restated)	0.7	351.1	64.3	12.5	331.2	103.6	1,884.3	11.1	2,758.8
Additions	17.1	44.5	31.6	0.9	102.7	76.2	489.8	3.0	765.8
Disposals	–	(12.1)	(26.7)	(0.1)	(174.0)	(10.3)	(88.1)	(6.2)	(317.5)
Transfers	–	30.9	5.0	(5.0)	–	(30.9)	–	–	-
At 31 March 2019 (restated)	17.9	414.3	74.1	8.3	259.9	138.6	2,286.0	7.9	3,207.0
Additions	0.2	46.2	277.1	4.6	383.4	76.3	162.3	3.0	953.1
Disposals	–	(20.0)	(8.4)	(0.2)	(85.2)	-	(25.8)	–	(139.6)
Transfers	–	22.9	12.1	–	(12.1)	(22.9)	–	–	–
At 31 March 2020	18.1	463.4	354.9	12.6	546.0	192.0	2,422.5	10.9	4,020.5
Accumulated depreciation									
At 1 April 2018 (restated)	2.8	160.3	20.6	4.2	–	–	729.5	0.9	918.3
Depreciation charge for the year	1.7	75.3	8.6	0.8	–	–	240.7	0.6	327.7
Disposals	(3.0)	(11.9)	(2.8)	(0.2)	–	–	(88.1)	–	(106.0)
At 31 March 2019 (restated)	1.6	223.7	26.4	4.8	–	–	882.1	1.4	1,140.0
Depreciation charge for the year	1.2	82.2	16.8	0.9	–	–	271.7	1.2	374.0
Disposals	(0.7)	(19.0)	(1.7)	(0.2)	–	–	(25.8)	–	(47.4)
FX translation effect	–	0.1	0.2	–	–	–	–	0.6	0.9
At 31 March 2020	2.1	287.0	41.7	5.5	-	-	1,128.1	3.2	1,467.5
Net book amount									
At 31 March 2020	16.0	176.6	313.4	7.1	546.0	192.0	1,294.3	7.6	2,553.0
At 31 March 2019 (restated)	16.3	190.6	47.8	3.5	259.9	138.6	1,403.9	6.5	2,067.0

Aircraft assets and parts from 2020 include aircraft leased under special Japanese tax lease contracts (‘JOLCO’) as part of sale and leaseback arrangements that under IFRS 16 are not classified as leases.

Other RoU (right-of-use) assets include leased buildings and simulator equipment.

16. Property, plant and equipment continued

Additions to aircraft maintenance assets (€46.2 million in 2020 and €44.5 million in 2019) were fixed assets created primarily against provision, as the Group's aircraft or their main components did not any longer meet the relevant return conditions under lease contracts.

Additions to 'advances paid to aircraft maintenance assets' reflect primarily the advance payments made by the Group to the engine maintenance service provider under fleet hour agreements (FHA).

Additions to 'advances paid for aircraft' represent pre-delivery payments (PDP) made in the year, while disposals in the same category represent PDP refunds received from the manufacturer where the respective aircraft or spare engine was leased (i.e. not purchased) by the Group. During 2019 the balance was reduced and there were no PDP payments made by the Group during the year – hence in the statement of cash flows there was only cash inflow (€71.3 million 'refund of advances paid for aircraft') but there was no cash outflow. The net increase in cost (additions less disposals and transfers) in this table for 2020 of €286.1 million represent the new PDP payments made in the year.

The Group considered potential triggers of impairment of its property, plant and equipment particularly in the context of COVID-19 but did not identify triggers of significant impairment, thus concluded that no impairment is needed, taking into account also that it is expected that the business performance will materially recover during the 2021 financial year.

17. Intangible assets

	Software € million	Licences € million	Total € million
Cost			
At 1 April 2019	25.2	4.7	29.9
Additions	9.9	–	9.9
Disposals	(1.9)	–	(1.9)
At 31 March 2019	33.2	4.7	37.9
Additions	14.1	–	14.1
Disposals	–	–	-
At 31 March 2020	47.3	4.7	52.0
Accumulated amortisation			
At 1 April 2019	12.2	0.1	12.3
Amortisation charge for the year	6.7	0.1	6.8
Disposals	(1.8)	-	(1.8)
At 31 March 2019	17.2	0.2	17.4
Amortisation charge for the year	7.3	0.1	7.4
Disposals	–	–	-
At 31 March 2020	24.5	0.3	24.8
Net book amount			
At 31 March 2020	22.8	4.4	27.2
At 31 March 2019	16.0	4.5	20.5

Out of the licenses, €4.4 million relates to landing slots at London Luton airport, purchased from Monarch Airlines. As these landing slots have no expiry date and are expected to be used in perpetuity, they are considered to have indefinite life and accordingly are not amortized.

The Group considered potential triggers of impairment of its intangible assets particularly in the context of COVID-19 but did not identify triggers of significant impairment, thus concluded that no impairment is needed, taking into account also that it is expected that the business performance will recover during the 2021 financial year.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

18. Tax assets and liabilities

Deferred tax assets and liabilities recognised

	ROU assets and lease liabilities € million	Provisions for other liabilities and charges € million	Property, plant and equipment € million	Advances paid for aircraft maintenance assets € million	Tax loss carry forward € million	Other € million	Total € million
At 1 April 2018	–	(1.9)	(3.0)	(1.6)	–	(0.9)	(7.4)
Charged/(credited) to:							
Profit or loss	2.8	1.4	2.1	1.0	–	0.4	7.7
Other comprehensive income/(expense)	–	–	–	–	–	0.3	0.3
At 31 March 2019 (restated)	2.8	(0.5)	(0.9)	(0.6)	–	(0.2)	0.6
Charged/(credited) to:							
Profit or loss	(0.2)	–	0.5	0.2	1.0	0.4	1.9
Other comprehensive income/(expense)	–	–	–	–	–	0.6	0.6
At 31 March 2020	2.6	(0.5)	(0.4)	(0.4)	1.0	0.8	3.1
Less than one year	–	–	–	–	1.0	0.8	1.8
Greater than one year	2.6	(0.5)	(0.4)	(0.4)	–	–	1.3

* Assets: + / Liabilities: -

The €2.6 million deferred tax asset recognised in relation to IFRS 16 RoU assets and lease liabilities is driven by the fact that the relevant subsidiaries of the Group are not currently applying IFRS 16 for their statutory financial statements and therefore they recognise leasing fees in line with contracts, on a straight-line basis. Under IFRS 16 the lease-related expenses are forward loaded i.e. throughout the lease the Group IFRS financial statements cumulatively include more expense and a lower profit than the tax returns.

The €1.0 million deferred tax asset in 2020 in relation to tax loss carry forward was newly recognised for the Hungarian subsidiary of the Group as there is now evidence that the entity will be able to utilize the respective tax loss to offset future taxable profits.

19. 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	Dormant	Ordinary	100	31 December
Wizz Air Bosnia	Bosnia and Herzegovina	Crew company	Ordinary	100	31 December
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	Dormant	Ordinary	100	31 March
Wizz Aviation Professionals	Moldova	Crew company	Ordinary	100	31 December
WA Pilot Academy Sp. z.o.o.	Poland	Special purpose company	Ordinary	100	31 December
Wizz Air UK Limited	UK	Airline operator	Ordinary	100	31 March
Wizz Air Abu Dhabi Limited	United Arab Emirates	Holding entity	Ordinary	49	31 December

Wizz Air Abu Dhabi Limited is a holding company. It was incorporated in March 2020, but no material transactions happened in the financial year. In May 2020 the Group established Wizz Air Abu Dhabi LLC, a joint venture airline company in the United Arab Emirates as a subsidiary of Wizz Air Abu Dhabi Limited.

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

20. Inventories

	2020 € million	2019 € million
Aircraft consumables	19.9	16.8
Emissions trading scheme ('EU ETS') purchased allowances	50.8	14.9
Total inventories	70.6	31.7

During the year remnant stock with the book value of €0.4 million was written off to maintenance expenses (2019: €0.1 million). There was no write back in either year of any write down of inventory made previously.

21. Trade and other receivables

	2020 € million	2019 (restated) € million
Non-current		
Receivables from lessors	11.0	13.7
Other receivables	8.9	4.5
Non-current trade and other receivables	19.9	18.2
Current		
Trade receivables	83.9	124.1
Receivables from lessors	52.4	87.0
Other receivables	0.9	6.6
Total current other receivables	53.3	93.6
Less: provision for impairment of other receivables	–	–
Other current receivables net	53.3	93.6
Prepayments, deferred expenses and accrued income	32.6	50.1
Current trade and other receivables	169.8	267.8
Total trade and other receivables	189.7	286.0

Trade and other receivables in 2020 included financial instruments in the amount of €153.3 million (in 2019: €225.8 million).

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.

Trade receivables included €29.2 million receivables from contracts with customers (2019: €64.8 million). The decrease in contract assets was driven by the significant decline in sales revenues in March 2020 due to the COVID-19 outbreak.

Impairment of trade and other receivables

	2020 € million	2019 € million
Impaired receivables		
– other receivables	2.6	2.6
Allowances on impaired receivables		
– other receivables	–	–

The Group previously recorded €2.1 million receivables from Warsaw Modlin airport as compensation for damages which was immediately impaired in full. However, the Group is legally claiming the full amount in court. The compensation claimed by Wizz Air, plus interest, was awarded by the District Court of Warsaw in June 2018. However, the airport appealed against the decision and the next hearing is to be scheduled.

22. Derivative financial instruments

	2020 € million	2019 € million
Assets		
Non-current derivatives		
Cash flow hedges	0.9	3.0
Current derivatives		
Fair value hedges	7.1	–
Cash flow hedges	10.2	28.5
Total derivative financial assets	18.2	31.5
Liabilities		
Non-current derivatives		
Cash flow hedges	(41.3)	(1.5)
Current derivatives		
Cash flow hedges	(266.5)	(17.3)
Total derivative financial liabilities	(307.8)	(18.8)

22. Derivative financial instruments continued

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

The net position of assets and liabilities in respect of open cash flow hedges matches the cash flow hedging reserve in the statement of financial position, the reconciling items being (i) deferred tax recognised in the hedging reserve; (ii) the ineffective or discontinued portion of the hedges; and (iii) the impact of hedging with non-derivatives.

Starting from 1 April 2019 the Group started to use fair value hedges as well in order to mitigate change in lease liability value. The value of fair value hedge open positions is recorded immediately in the statement of comprehensive income as financial gain or loss.

The mark-to-market gains (derivative financial assets) were coming from gains on call options bought (as part of zero-cost collar instruments) and FX forward transactions that were in the money at year end. In 2020 these gains related almost exclusively to FX options while in 2019 related both to fuel and FX options.

The mark-to-market losses (derivative financial liabilities) were coming from losses on put options sold (as part of zero-cost collar instruments) that were out of the money at year end. In 2020 and 2019 these losses related almost exclusively to fuel options, and the loss was particularly high in 2020 as the fuel price dropped significantly at the end of the year.

23. Restricted cash

	2020 **€ million**	2019 € million
Non-current financial assets	179.7	165.8
Current financial assets	6.1	23.1
Total restricted cash	185.8	188.9

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.

24. Borrowings

	2020 **€ million**	2019 (restated) € million
Lease liability under IFRS 16	324.3	304.3
Liability related to JOLCO contracts	16.5	–
Total current borrowings	340.8	304.3
Lease liability under IFRS 16	1,397.0	1,510.3
Liability related to JOLCO contracts	274.9	–
Total non-current borrowings	1,671.9	1,510.3
Total borrowings	2,012.7	1,814.5

The reconciliation of the opening lease liability balance to operating lease commitments previously disclosed:

	€ million
Operating lease commitments disclosed as at 31 March 2019	2,550.1
Finance lease liabilities recognised as at 31 March 2019 under IAS 17	2.3
Effect of discounting under IFRS 16	(372.4)
Value of lease commitments with contract signed but service not started	(327.9)
Contract for the lease of intangible asset	(37.6)
Lease liability recognised as at 1 April 2019	1 814.5
Non-current lease liabilities	1,510.3
Current lease liabilities	304.3

Operating lease commitments disclosed in 2019 covered all lease agreements signed until 31 March 2019, including also those leases that commenced only after 31 March 2019. However, under IFRS 16 such contracts (that have not commenced during the year) are not included in the measurement of the lease liability. The €327.9 million in the table represents the amount of lease commitments under such contracts.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

24. Borrowings continued

The maturity profile of borrowings as at 31 March 2020 is as follows:

	IFRS 16 aircraft and engine lease liability **€ million**	IFRS 16 other lease liability **€ million**	JOLCO lease liability **€ million**	Total **€ million**
Payments due:				
Within one year	323.4	0.9	16.5	340.8
Between one and five years	1,078.7	2.0	69.5	1,150.2
More than five years	311.1	5.3	205.3	521.7
Total borrowings	1,713.2	8.2	291.3	2,012.7

The maturity profile of borrowings as at 31 March 2019 is as follows:

	IFRS 16 aircraft and engine lease liability € million (restated)	IFRS 16 other lease liability € million (restated)	JOLCO lease liability € million (restated)	Total € million (restated)
Payments due:				
Within one year	303.2	1.0	–	304.3
Between one and five years	1,026.3	2.3	–	1,028.5
More than five years	478.8	2.9	–	481.7
Total borrowings	1,808.3	6.2	–	1,814.5

25. Convertible debt

	2020 **€ million**	2019 € million
Non-current financial liabilities	26.4	26.6
Current financial liabilities	0.3	0.2
Total convertible debt	26.7	26.8

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 annum, twice a year in February and in August.

Convertible Notes are guaranteed by Wizz Air Hungary Kft. – see Note 32.

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

26. Trade and other payables

	2020 **€ million**	2019 (restated) € million
Current liabilities		
Trade payables	119.1	74.7
Payables to passengers	132.0	–
Other trade payables	12.6	13.7
Accrued expenses	205.9	232.0
Total trade and other payables	469.6	320.4

In 2020 the €132.0 million payables to passengers relate to April-May 2020 flights cancelled shortly before the year end due to COVID-19 and not yet refunded by the Group. It is yet to be seen how much of this amount will be used by customers for re-booking tickets for later dates and how much will need to be refunded by the Group in cash, respectively.

27. Deferred income

	2020 € million	2019 (restated) € million
Non-current financial liabilities		
Deferred income	13.1	13.6
Current financial liabilities		
Unearned revenue	168.4	395.1
Other	3.9	–
	172.3	395.1
Total deferred income	185.4	408.7

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 ('unearned revenue'), the value of membership fees paid but not yet recognised and the current part of the value of supplier credits received. The decrease in unearned revenue was driven by the high number of cancellations shortly before year end and the significant drop in ticket sales in March 2020 due to the corona virus outbreak.

The contract liabilities (unearned revenue) of €168.4 million existing at 31 March 2020 will become revenue during the 2021 financial year (subject to further cancellations that might happen after the year end).

28. Employee benefits

Share-based payments

The share-based payment charge in the financial statements for the year relates to employee share options issued during 2015–2019 under the 2014 Employee Long Term Incentive Plan ('LTIP') of the Group. The expenses (other than social security) recognised in relation to these instruments were €4.2 million (€3.0 million in 2019).

The 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.

Long-term Incentive Plan (LTIP)

Share options issued during the financial year

Terms and conditions:

	Restricted Options	Performance Options
Number of options	39,287	300,084
Exercise price	nil	nil
Vesting period	3 years	3 years
Termination	10 years	10 years

There are no individual performance conditions set for the employees to exercise their options after the three-year vesting period other than that the employee must be in employment with one of the Group entities until and on the date of exercise of the options.

For the Performance Options the performance conditions are set as follows, with 50% weighting for each:

- total shareholder return (TSR) of the Group relative to the TSR of certain selected European airlines over the three-year period following the award; and
- absolute growth in fully diluted earnings per share of the Group, measured over the period from 1 April 2019 to 31 March 2022.

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 €36.38 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 be forfeited due to employee turnover; and (iii) the estimated payout rate for Performance Options.

28. Employee benefits continued

Share-based payments continued

Long-term Incentive Plan (LTIP) continued

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	111,542	810,729
Granted during the year	39,287	300,084
Exercised during the year	(15,247)	(36,213)
Forfeited during the year	(18,250)	(29,619)
Outstanding at the end of the year	117,332	1,044,981
Exercisable at the end of the year	22,624	181,349

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 and therefore by January 2018 all open options got vested.

There are no individual performance conditions set for the employees to exercise their vested options 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.

Share options in issue

The number and weighted average exercise prices of share options are as follows:

	2020 Weighted average exercise price €	2020 Number of options	2019 Weighted average exercise price €	2019 Number of options
Outstanding at the beginning of the year	13.56	182,000	13.22	187,500
Granted during the year	–	–	–	–
Exercised during the year	13.51	(134,500)	2.28	(5,500)
Forfeited during the year	–	–	–	–
Outstanding at the end of the year	13.69	47,500	13.56	182,000
Exercisable at the end of the year	13.69	47,500	13.56	182,000

The exercise price on options outstanding at the year end was €13.69. At the end of the financial year, the outstanding options had a weighted average outstanding contractual life of four years and nine months (2019: five years and seven months).

Taxation

Under the terms of both programmes all taxes payable on share options are the liability of the recipients of these benefits. However, in certain cases the Company or its subsidiaries have 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

29. Capital and reserves

Share capital

Number of shares	2020	2019
In issue at beginning of the year	102,617,673	102,576,674
Issued during the year for cash	185,960	40,999
In issue at end of the year – fully paid	102,803,633	102,617,673
Ordinary Shares	85,426,430	72,787,170
Convertible Shares	17,377,203	29,830,503

Value of shares	2020 £	2020 €	2019 £	2019 €
Authorised				
Equity: 170,000,000 *(2019: 170,000,000)* Ordinary Shares of £0.0001 each and 80,000,000 *(2019: 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: 102,803,633 *(2019: 102,617,673)* shares of £0.0001 each	10,280	11,623	10,262	11,921
Ordinary Shares	8,543	9,659	7,279	8,456
Convertible Shares	1,737	1,964	2,983	3,465

During both 2020 and 2019 the increase in the total number of issued shares was due to the exercise of certain employee share options.

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 17,377,203 Convertible Shares in issue at 31 March 2020, all fully paid (2019: 29,830,503 shares). 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 €173.4 million (as at 31 March 2020) 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 2019 financial year €9.2k increase was recorded in the share premium, all related to conversion of employee share options. The increase in 2020 from the same was €1.5 million.

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 (2019: €8.3 million) is net of attributable transaction costs of €8.3million.

Share-based payment charge

The share-based payment balance of €14.3 million credit (2019: €10.1 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

29. Capital and reserves continued

Capital reserves continued

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative unrealised net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The gross amount of cumulative unrealised change in the fair value of cash flow hedging instruments was €241.7 million loss (2019: €12.6 million gain), while the deferred tax effect was €0.5 million gain (2019: €0.1 million loss).

Retained earnings

There were no dividends paid in 2020 or 2019. Share based payments are credited to retained earnings.

30. Provisions for other liabilities and charges

	Aircraft maintenance € million	Other € million	Total € million
At 1 April 2018	150.7	7.9	158.6
Non-current provisions	94.8	–	94.8
Current provisions	55.9	7.9	63.8
Capitalised within property, plant and equipment	36.2	–	36.2
Charged to comprehensive income	–	4.5	4.5
Used during the year	(48.6)	(1.5)	(50.1)
At 31 March 2019	138.3	10.9	149.2
Non-current provisions	45.9	–	45.9
Current provisions	92.4	10.9	103.3
Capitalised within property, plant and equipment	42.4	–	42.4
Charged to comprehensive income	–	24.4	24.4
Used during the year	(74.8)	(20.0)	(94.8)
At 31 March 2020	105.9	15.3	121.2
Non-current provisions	44.2	2.7	46.9
Current provisions	61.7	12.6	74.3

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 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 decrease in maintenance provisions from 2018 to 2019 and from 2019 to 2020 both related primarily to engine LLP replacements.

Other provisions relate to future liabilities under the Group's customer loyalty programme, all within one year.

31. 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 2020 **€ million**	Fair value 2020 € million	Carrying amount 2019 € million Restated	Fair value 2019 € million Restated
Trade and other receivables due after more than one year	19.9	19.9	18.2	18.2
Restricted cash	185.9	185.9	188.9	188.9
Derivative financial assets	18.2	18.2	31.5	31.5
Trade and other receivables due within one year	169.8	169.8	267.8	267.8
Cash and cash equivalents	1,310.5	1,310.5	1,316.0	1,316.0
Trade and other payables due within one year	(469.6)	(469.6)	(320.4)	(320.4)
Derivative financial liabilities	(307.8)	(307.8)	(18.8)	(18.8)
Convertible debt	(26.7)	(26.7)	(26.8)	(26.8)
Borrowings	(2,012.7)	(2,042.4)	(1,814.5)	(1,912.9)
Net balance of financial instruments (asset)	(1,112.5)	(1,142.2)	(358.1)	(456.5)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31. Financial instruments continued

Fair values continued

Financial assets measured at fair value through profit or loss:

	Carrying amount 2020 **€ million**	Carrying amount 2019 € million Restated
Derivative financial assets	18.2	31.5
Total	18.2	31.5

Financial liabilities measured at fair value through profit or loss:

	Carrying amount 2020 **€ million**	Carrying amount 2019 € million Restated
Derivative financial liabilities	307.8	18.8
Total	307.8	18.8

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 determined by the financial institutions that issued the respective derivative. The financial institutions are using generally accepted valuation techniques, principally the Black-Scholes model and discounted cash flow models.

The fair value of lease liabilities is determined by discounting the future lease cash flows with the discount rate (incremental borrowing rate) prevailing at the year end.

Gains and losses

The following net gains or losses were recognised in the statement of comprehensive income in relation to financial assets measured at amortised cost:

- during the year €35.7 million interest income (2019: €1.7 million income) on cash and cash equivalents;
- during the year €18.8 million unrealised FX gain (2019: €1.5 million gain) on cash and cash equivalents;
- during the year €3.0 million unrealised FX loss (2019: €4.4 million loss) on trade and other receivables.

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 Notes (see Note 25) are denominated in EUR, while the lease liabilities are denominated in EUR and US Dollars.

	2020						2019 (restated)					
	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%	26.7	0.3	–	26.4	–	7.4%	26.8	0.2	–	26.6	-
IFRS16 aircraft and engine lease liability	5.8%	1,713.2	323.4	313.4	765.3	311.1	5.3%	1,808.3	303.2	310.5	715.9	478.8
IFRS16 other lease liability	3.60%	8.2	1.2	0.9	2.4	3.8	4.37%	6.2	0.9	0.9	1.5	2.9
JOLCO lease liability	0.78%	291.3	16.5	52.0	17.5	205.3	–	–	–	–	–	-

Interest earning financial assets

The Group invested excess cash primarily in EUR and USD denominated short-term time deposits on market rate at major banking groups.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

31. Financial instruments continued

Changes in liabilities arising from financing activities

The following table includes changes in net borrowings (including convertible debt) reconciled with their effects on the Consolidated statement of cash flows.

	2020 **€ million**	2019 (restated) € million
Net borrowings at the beginning of the year	1,841.3	1,428.8
Paid interest	(89.1)	(91.2)
New borrowings	297.7	–
Repayment of convertible debt and other borrowings	(304.9)	(249.2)
Change in net borrowings from cash flows	(96.3)	(340.4)
New non-cash borrowings	193.1	526.7
Accrued interest	88.8	91.0
Exchange difference *(unrealised FX)*	12.5	135.2
Net borrowings at the end of the year	2,039.4	1,841.3

Interest paid in the Consolidated Statement of Cash Flows in 2019 contained €1.4 million additional interests not related to net borrowings; these are negative interests incurred on deposits held at different banks.

32. 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 Company in April 2018 provided parent guarantee to the UK Civil Aviation Authority, to guarantee the performance of Wizz Air UK Limited in the context of the UK Operating License application process of Wizz Air UK Limited.

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.

33. Capital commitments

At 31 March 2020 the Group had the following capital commitments:

- a commitment to purchase 268 Airbus aircraft of the A320 family in the period 2020–2026. Of the 268 aircraft 248 relate to the "neo" version of the A320 family (102 from the purchase orders placed in June 2015 and 146 from the purchase order placed in November 2017), while the remaining 20 relate to the "neo XLR" version (from the purchase order placed in June 2019). The total commitment is valued at US$33.5 billion (€30.5 billion) at list prices in 2018 US Dollar terms (as at 31 March 2019: US$31.9 billion (€28.4 billion), valued at 2018 list prices). As at the date of approval of this document 11 of the 268 aircraft are covered by sale and leaseback agreements; and
- a commitment to purchase 36 IAE "neo" (GTF) spare aircraft engines in the period 2020–2026. In July 2016 the Group entered into an engine selection agreement with Pratt & Whitney that, among other matters, included a commitment for the Group to purchase 16 spare engines (of which five were received in the 2019 financial year). In September 2019 the Group restated and amended this engine selection agreement with certain other commitments including a purchase of additional 25 spare engines until 2026. The total commitment is valued at US$569.1 million (€518.4 million) at list prices in 2020 US Dollar terms (as at March 2019: US$218.8 million (€195.2 million), valued at 2019 list prices). As at the date of approval of this document the 36 engines are not yet financed. Only a few of these 36 engines will be delivered in the 2021 financial year.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

34. Contingent liabilities

Legal disputes

European Commission state aid investigations

Between 2011 and 2015, the European Commission has initiated state aid investigations with respect to certain arrangements made between Wizz Air and the following airports, respectively: Timişoara, Cluj-Napoca, Târgu Mureş, Beauvais and Girona. In the context of these investigations, Wizz Air has submitted its legal observations and supporting economic analyses of the relevant arrangements to the European Commission, which are currently under review. The European Commission has given notice that the state aid investigations involving Wizz Air will be assessed on the basis of the 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 response to this notification. In relation to the Timisoara arrangements, the European Commission confirmed on 24 February 2020 that the arrangements did not constitute state aid. We are awaiting decisions in relation to the other airport arrangements mentioned herein above. 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 constitute illegal state aid. None of these ongoing investigations are expected to lead to exposure that is material to the Group.

Claims by Carpatair

Between 2011 and 2013, Carpatair, a regional airline based in Romania, has initiated a number of legal proceedings in Romania alleging that Wizz Air has been receiving state aid from Timişoara airport, demanding that Wizz Air reimburse any such state aid. In addition, Carpatair has initiated an action for damages demanding recovery from Wizz Air of approximately €93 million in alleged damages, which damages claim was dismissed by the Bucharest court of appeals on the basis of the substantive argument that Carpatair lacks an interest in the matter. Technically, the decision by the Bucharest court of appeals remains open to further appeal. Importantly, in light of the favourable European Commission decision on the Timisoara arrangements referred to above, it is expected that the Romanian courts will rule in favour of Wizz Air dismissing the respective requests and claims filed by Carpatair.

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 in accordance with IAS 10, Events after the reporting period. The following important non-adjusting events should be noted, all being direct or indirect consequence of the COVID-19 pandemic:

- Compared to what it estimated at end of March 2020 the Group further reduced its expected capacity utilisation for the 2021 financial year.
- Following from the above, the forecast for fuel consumption in the 2021 financial year was also further reduced, resulting in further hedge instruments being discontinued for hedge accounting. During May 2020 fuel hedges with notional amount of 115,000 metric tons were discontinued, which represented €31.9 million loss in the cash flow hedging reserve at 31 March 2020. (This is on top of the fuel hedges that were classified as discontinued already in March 2020, with a notional amount of 170,000 metric tons.) The forecast of additional 115,000 metric tons gap between the fuel consumption and the notional amount of hedges relates to the period to 31 July, for which the Group has a relatively high degree of confidence. It cannot be excluded that there will be a gap also beyond 31 July but currently the financial impact of this is not expected to be significant. There were also some FX hedges classified as discontinued post 31 March 2020 but the impact of these is not material.
- Due to the flight cancellations made by the Group after the year-end, primarily for May-June 2020, of the unearned revenue balance of €168.4 million that existed at 31 March 2020, further €54.6 million liability was reclassified from deferred income into trade and other payables. It is yet to be seen how much of this amount will be used by customers for re-booking tickets for later dates and how much will need to be refunded by the Group in cash, respectively.
- The Group implemented a range of cost saving and cash-flow improvement measures, including the laying off of app. 1,000 of its employees announced in April 2020.
- To strengthen its liquidity position the Group raised GBP 300 million debt through the UK Government's COVID Corporate Financing Facility ('CCFF') programme.
- In May 2020 the Group established Wizz Air Abu Dhabi LLC, a joint venture airline company in the United Arab Emirates as a subsidiary of Wizz Air Abu Dhabi Limited.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

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 two Directors to the Board of Directors (all in service at 31 March 2020);
- key management personnel (Directors and Officers); and

Indigo, Directors and Officers altogether held 20.0% of the voting shares of the Company at 31 March 2020 (2019: 23.5%).

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 2020 Indigo held 15,000,000 Ordinary Shares (equal to 17.6% of the Company's issued share capital) and 17,377,203 Convertible Shares of the Company (2019: 15,000,000 Ordinary Shares and 29,830,503 Convertible Shares).

Indigo has interest in convertible debt instruments issued by the Company (see Note 25). The Company's liability to Indigo, including principal and accrued interest, was €26.7 million at 31 March 2020 (2019: €26.8 million).

During the year ended 31 March 2020 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 (2019: €2.0 million); and
- fees of €0.2 million (2019: €0.3 million) were paid to Indigo in respect of the remuneration of two of the Directors who were delegated by Indigo to the Board of Directors of the Company.

Transactions with key management personnel

Officers (members of executive management) and Directors of the Board are considered to be key management personnel. The compensation of key management personnel, including Non-Executive Directors, is as follows:

	2020 € million	2019 € million
Salaries and other short-term employee benefits	7.0	5.5
Social security costs	1.9	0.9
Share-based payments	2.9	1.9
Amounts paid to third parties in respect of Directors' service	0.4	0.4
Total key management compensation expense	12.2	8.7

There were no termination benefits paid to any key management personnel in the year or the prior year.

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 15 May 2020 approximately 56.09% 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% 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.