WIZZ AIR HOLDINGS PLC

ANNUAL REPORT AND ACCOUNTS
2018

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

STRATEGIC REPORT

FINANCIAL HIGHLIGHTS

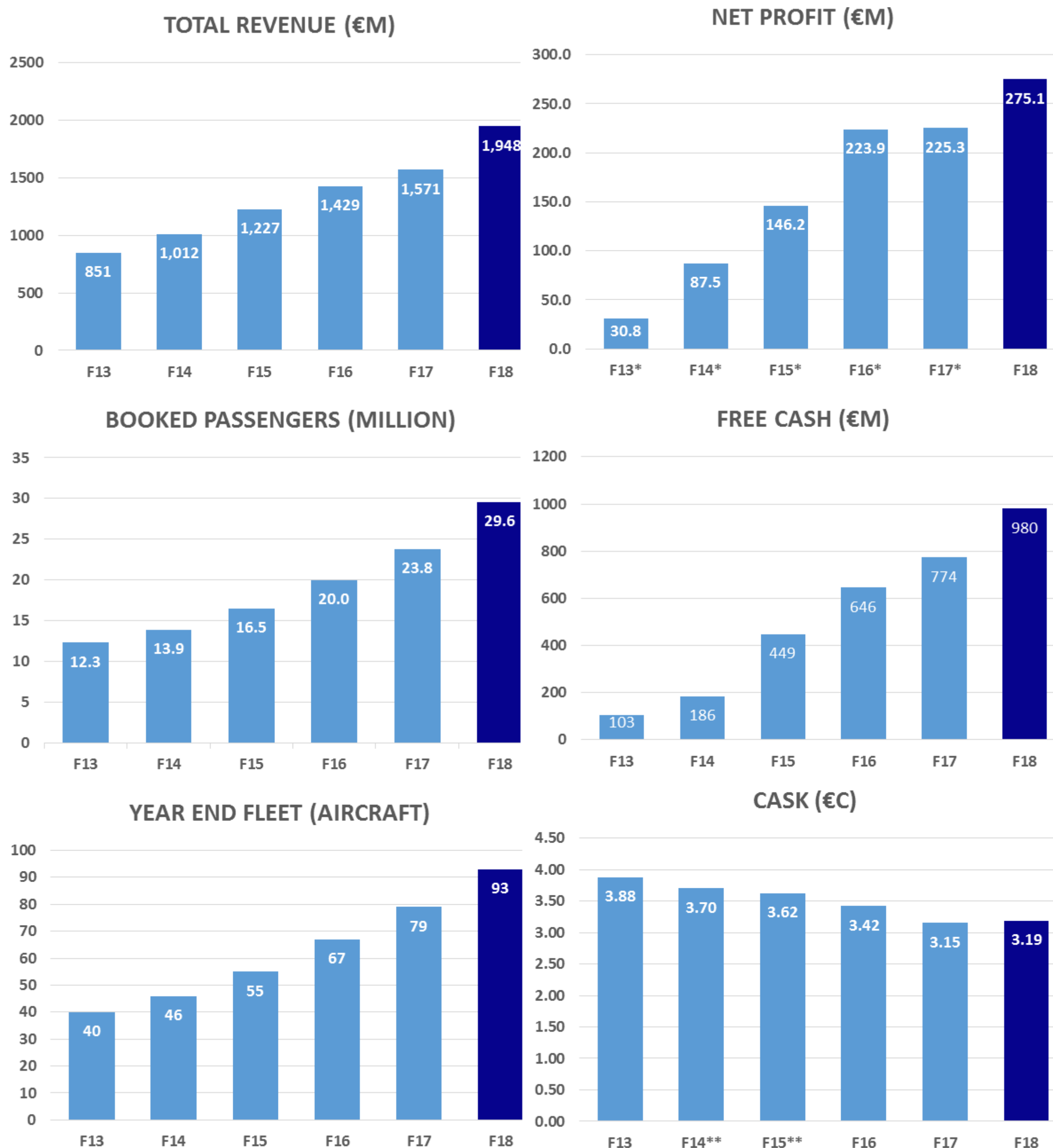
Financial year	2018 € million	2017 € million	Change
Total revenue	**1,948.0**	1,571.2	+24%
Profit for the year*	**275.1**	225.3	+22%
Profit margin	**14.1%**	14.3%	(0.2)ppt

Financial year	2018	2017	Change
Passengers**	**29.6m**	23.8m	+25%
Year-end fleet	**93**	79	+18%
Number of employees (average)***	**3,686**	3,033	+22%

* In 2017 the Company presented two profit measures: the IFRS profit for the period and the 'underlying' profit for the period. The latter included adjustments for exceptional items. As explained in Note 9 to the consolidated financial statements, the adoption of IFRS 9 has removed the principal cause of such exceptional items and the Company is therefore not disclosing a separate underlying profit measure for 2018. The comparison in this table is made to the underlying profit in 2017 as this presents the best like for like measure.

** Booked passengers.

*** Including rented pilots.



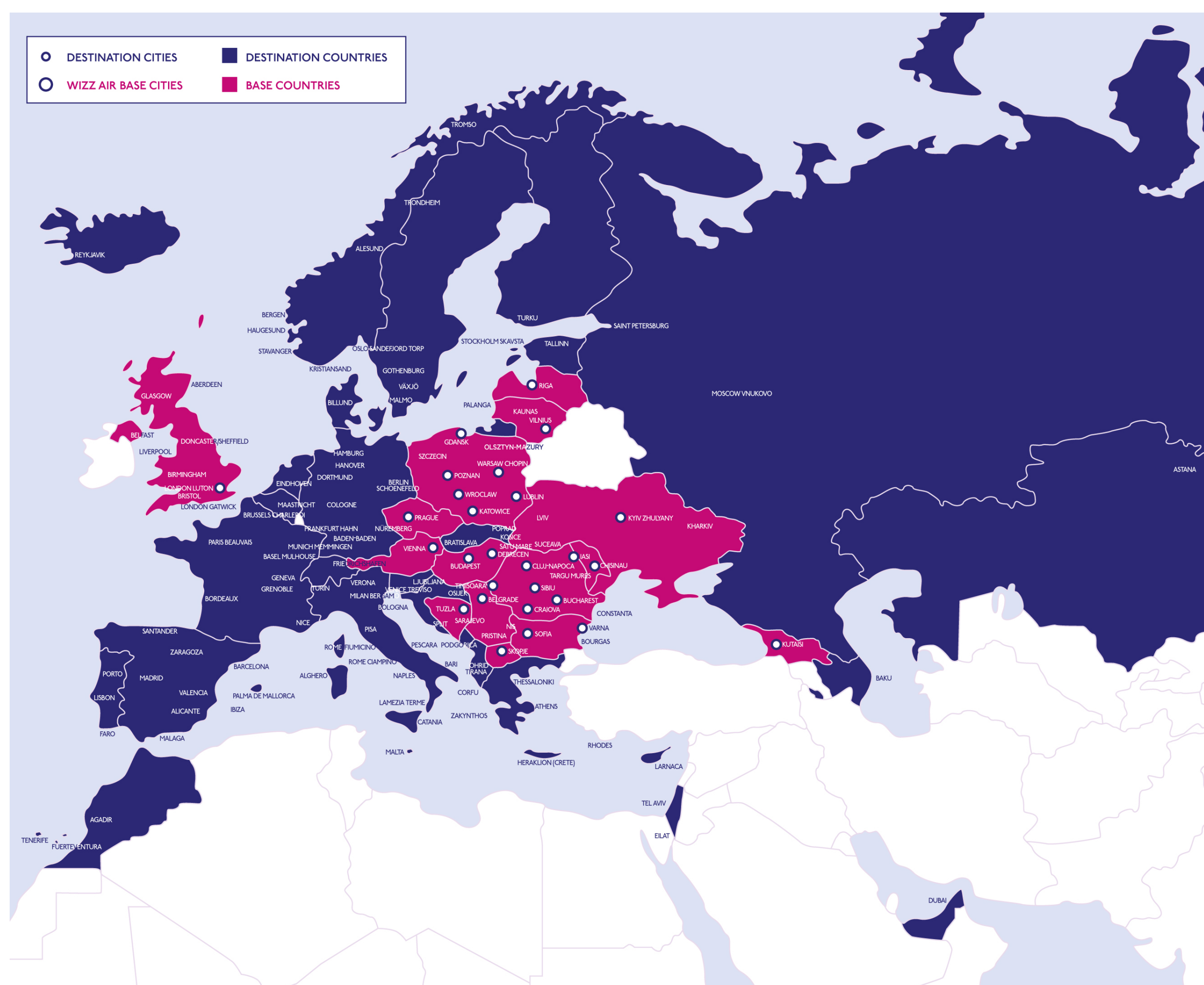
* Years F13 – F17 show 'underlying' net profit, a non-statutory profit measure used by the Company until the F18 financial year when the adoption of IFRS 9 made it obsolete. Further detailed in Note 9.

** F14 and F15 CASK include exceptional items.

2018, **F18**, **FY18** and **FY 2018** in this document refer to the financial year ended 31 March 2018. 2017, F17, FY17 and FY 2017 in this document refer to the financial year ended 31 March 2017. Equivalent terms are used for prior financial years.

COMPANY OVERVIEW

Wizz Air's Presence



Number of routes operated from CEE* countries as at 31 March 2018:

Country	Routes
Poland	143
Romania	117
Hungary	59
Bulgaria	39
Lithuania	29
Macedonia	27
Serbia	18
Ukraine	16
Bosnia and Herzegovina	14
Latvia	12
Czech Republic	8
Moldova	8
Georgia	7
Slovakia	6
Montenegro	2
Slovenia	2
Croatia	1

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

Milestones and Achievements

FY 2018

- Wizz Air started operations in the following new locations: Tirana (Albania), Sarajevo (Bosnia and Herczegovina), Osijek (Croatia), Frankfurt (Germany), Athens (Greece), Astana (Kazakhstan), Prishtina (Kosovo), Agadir (Morocco), Tromso (Norway), Faro (Portugal), St Petersburg (Russia) and Lviv (Ukraine).
- Emphasising its position as Bulgaria's largest airline, Wizz Air announced its title sponsorship of the Sofia Marathon on the eleventh birthday of its Sofia, Bulgaria, base.
- 'WIZZ Youth Challenge" took place during the financial year, a business case-study challenge for students, attracting almost 400 entries from across Europe and beyond, with the final 40 teams attending a two-day final in Budapest.
- Major expansion was announced at London Luton with the opening of the Company's first Western European base in June 2018 and, later, following the acquisition of a portfolio of additional slots and parking stands at London Luton, the application to start a new airline Wizz Air UK Limited, increasing the based fleet to eight aircraft from summer 2018.
- The Company placed an additional order for ten Airbus A321ceo aircraft powered by Pratt & Whitney's V2500 engine to be delivered in 2018 and 2019.
- At the end of 2017 Wizz Air signed, as part of an airline group initiative, its and also Airbus' largest ever A320 family aircraft order, ordering for itself 146 A320neo family aircraft, with deliveries starting in 2021, and securing a stable flow of new aircraft until 2026.
- Wizz Air introduced a new cabin bag policy allowing passengers to bring a large item of hand baggage free of charge.
- The Company continued expanding its ancillary service offering by introducing new services such as the "Fare Lock", "Flexible Travel Partner", and "Trip Planning" platform.
- Wizz Air won the title of European Airline of the Year by Aviation 100 and was also recognized at Sky Awards as Best Low-Cost Airline and Passengers' Most Preferred Choice for its great performance on the Bulgarian market in 2017.
- The Wizz Air Pilot Academy, a part-sponsored cadet training programme, commenced in December 2017 with initial plans to train 150 cadet pilots a year, as part of the Company's strategy to ensure a sufficient supply of pilots of the right quality.
- Vienna was announced as Wizz Air's 27th base and Austria its 44th country in the network starting with five brand new Airbus A320 family aircraft.
- An additional 14 brand new Airbus A320ceo family aircraft joined the Company's fleet, taking the total to 93 aircraft at the end of the financial year.

FY 2019 to date

- Rating agencies Moody's and Fitch initiated coverage of the Company assigning investment grade level, Baa3 and BBB ratings respectively.
- The group's new UK airline, Wizz Air UK Limited, started operations upon successfully receiving its UK Air Operator Certificate and Operating License.

CHAIRMAN'S STATEMENT

Performance Overview

I am delighted to report another strong year at Wizz Air. The 2018 financial year saw the Company yet again achieve market leading growth while continuing to deliver one of the highest profit margins of all European airlines. Despite the challenging business conditions facing the European airline industry during the year, Wizz Air carried 29.6 million passengers, an increase of 24.7% year-on-year. Central to our long-term growth plans is our ability to grow passenger numbers profitably while retaining tight control over costs, which we delivered by growing both revenues and profit. In FY2018, Wizz Air revenues grew 24.0% and net profit grew 22.1%, translating into a net profit margin of 14.1%, a performance which few airlines in Europe can match.

Strategy

Profitable capacity growth and a dedication to achieving the lowest possible operating costs are, and will remain, the key focus for Wizz Air. Together, they allow us to continue to take advantage of the significant growth opportunity in Central and Eastern Europe which remains the Company's core market region. Nonetheless, the Company's agility and cost focus mean that it is well placed to take advantage of commercial opportunities as they arise and which lead in FY2018 to the announcement of two Western European bases in London Luton and Vienna.

The strategy has led to increasing and impressive financial strength which, during FY2018, enabled the Company to deliver a number of other important milestones:

- More than 100 new routes were announced, building our core markets as well as expanding our footprint outside the CEE and widening our customer base.
- Launching a brand new UK airline, Wizz Air UK Limited, confirming our commitment to the UK market and significant investment in Luton.
- Ordering a total of 156 new Airbus A320 family aircraft to ensure an enviable committed pipeline of latest-technology, ultra-efficient aircraft deliveries until 2026 and so providing a firm foundation for future growth.
- Receiving investment-grade ratings from both Moody's and Fitch, confirming the strength and prospects of our business and financial position.

We believe that, as one of Europe's fastest growing airlines and with our unique position in Central and Eastern Europe, our ultra-low-cost base,our ever expanding diversified network the corporate agility which allows us to respond quickly to market opportunities and our commitment to driving our operating costs ever lower, Wizz Air is well placed to continue to grow profitably to meet industry challenges and consolidate its market leading position and, so, continue to deliver significant growth and create long-term value for our stakeholders.

Governance/Board Changes

As a Board, we recognise that our ability to create value for our stakeholders is heavily linked to our commitment to high standards of corporate governance. The Board and I feel we have the right balance of skills, experience and backgrounds to oversee the execution of our strategy and, when necessary, challenge the management team. We have once again carried out an internal evaluation of the Board's performance and, during the 2019 financial year, we shall once again run an externally-facilitated board appraisal process, taking note of highlighted development areas to ensure ongoing high standards.

We are also delighted to have recently announced the appointment of Stephen Jones as Executive Vice President and Deputy Chief Executive Officer. Stephen is responsible for Wizz Air's commercial, marketing and information technology organizations and reports directly to our CEO. His appointment is an important part of the Board's succession planning, which is an important element of good governance, ensuring that we are fully prepared for any departures from key positions. I would also like to take this opportunity to thank Wioletta Rosołowska, who stepped down from the Board in February. We are in the process of a recruitment process for a new non-executive Director and will announce a new appointment in due course.

Culture & Stakeholders

During 2018, the Board and senior management placed increased emphasis on articulating and embedding our corporate culture to ensure WIZZ's values are embraced by and permeate through the entire organisation. As a company, we focus not just on driving superior returns but how we generate those returns. We aim to generate value for all our stakeholders: our customers, our people, our shareholders and the communities in which we operate. In order to promote the long-term success of our business, the Board is firmly aware of the importance of building and maintaining successful relationships with a wide range of stakeholders.

Customers

I would like to take this opportunity to thank all of our customers, old and new, for their continued support. As we expand our network we are delighted that many new customers are able to enjoy our services at incredibly low fares. Enhancing the service we deliver to our customers is a constant focus for senior management and the Board. We continue to undertake initiatives to ensure that our customers enjoy the lowest prices and maximum choice, are taken care of and experience high levels of satisfaction when travelling safely with Wizz Air. As part of this focus, we consistently engage in customer surveys and the results of those surveys are reported to the Board. This gives us a valuable insight into the evolving needs of our ever expanding customer base.

Employees

The energy and commitment of our more than 3,600 colleagues is vital to our success and to fostering a service that our customers are consistently pleased with. It is great to see the level of commitment from our colleagues who consistently go the extra mile to help our customers.

Our annual employee survey helps us understand what is important to our colleagues and where we, as a Board and senior management team, need to focus. As a Board, we are aware that the prospects for long-term success of our business are inextricably linked to the dedication and engagement of our colleagues. I want to thank them once again for all their hard work – without them we would not be in a position to build on the huge successes to date by targeting further growth.

Communities

Wizz Air has operations in over 141 airports in 44 countries and we strive to play an active role in the communities in which we operate. In 2018, we invested in a number of local community projects across Europe, which proved successful and engaging for both our employees and the communities where we have operations.

We also continue to make progress in ensuring our carbon footprint is as small as possible. The Board recognises the key role reducing greenhouse gases will play in our creation of a sustainable aviation industry and, for our stakeholders, can continue to create. Our business model, which dictates that we operate the most efficient, latest-technology aircraft and, indeed, operate them in the most efficient way, means that our emissions decrease as we replace our fleet and, in turn, the carbon footprint of each of our customers.

Looking Ahead

At the end of another hugely successful year for the business, I know that the Board is looking forward to working with the Company's senior management team and all colleagues to build on ouly ultar position as one of the world's few truly ultra low cost airlines. While there remains some uncertainty surrounding the future of European aviation policy, we comply with relevant ownership and control regulations and are confident that we will continue to do so, whatever the United Kingdom's exit from the European Union might bring.

As the 2019 financial year begins we remain very optimistic for the coming twelve months. While market conditions may fluctuate, our strategy remains clear and consistent: driving low operating costs and achieving profitable growth is our priority. With the strength of our balance sheet recognised by our recently received investment grade status, a continued focus on becoming the absolute cost leader amongst European airlines and a committed delivery stream of the latest-technology aircraft for at least the next eight years, we believe that Wizz Air has substantial foundations to drive growth and deliver strong returns for our shareholders.

William A. Franke
Chairman
23 May 2018

CHIEF EXECUTIVE'S REVIEW

The 2018 financial year was another year of investment and driving efficiencies in Wizz Air's operations as we continue to our mission to become Europe's undisputed airline cost leader. This relentless focus on cost means we continue to stimulate the market through the lowest fares, resulting in record passenger numbers of almost 30 million up 25% year on year. A backdrop of high economic growth rates across the CEE and the opportunities created by Wizz Air's ultra-low fares underpins our business which has seen revenues increase by 24% and net profit of a record €275m an increase of 22% year on year. Our cost focus, market leading position in CEE, pipeline of truly game changing Airbus A320neo family technology and balance sheet strength, as reflected in our recently awarded investment grade credit ratings, are the strongest of foundations for Wizz Air to continue to drive profitable growth and achieve one of the best profit margins of all European airlines, ensuring Wizz Air remains one of the most exciting airline businesses in the world.

Central to Wizz Air's ultra-low cost base is our commitment to operating the youngest, most fuel efficient aircraft. Evidence of that commitment in action can be seen in the average age of our fleet, which is just 4.6 years. However, we need to ensure that we continue have access to the latest technology and to have a constant replacement of older aircraft with new and so, in late 2017, we announced a firm order for an additional 72 Airbus A320neo and 74 Airbus A321neo aircraft. These aircraft, adding to our previous order for 110 Airbus A321neo aircraft, will allow us to sustain our cost advantage through cabin innovations, the latest engine technology and other efficiency improvements, while enhancing our customer offering and experience.

Our performance over FY2018 demonstrated the benefits of our fleet, diversified network and continued improvements to our industry-leading ultra-low-cost base coming together to drive fares lower and stimulate ever higher load factors and passenger numbers. In FY 2018, we delivered:

- A revenue increase of 24.0% to €1,948.0 million;
- Growth in ancillary revenue of 24.4% to €815.8 million;
- An underlying net profit increase of 22.1% to €275.1 million;
- A total airline ex-fuel unit cost increase of 0.4% to €2.26 cents per Available Seat Kilometre (ASK);
- A 23.6% increase in capacity offered to the market (as measured by ASKs), as we extended and deepened our network of routes to and from Central and Eastern Europe;
- An increase in our average load factor by 1.3 percentage points to 91.3% in the financial year in addition to the significant capacity expansion; and
- TSR growth of 98.3% since the end of FY 2017.

Strategic progress

We believe that our strategy of building on our diverse network, highly efficient business and operating model, compelling customer proposition, solid finances and sound approach to risk management will result in sustainable growth and continue to drive increasing value for shareholders.

The culture of rigorous cost control is set from the top by management. It affects every aspect of our business and, as a result, Wizz Air has a cost advantage that protects its market share, provides customers with extremely low fares and stimulates demand. Wizz Air's infrastructure, including personnel, processes, systems and relationships with suppliers of outsourced services, is scalable and sufficiently flexible to support Wizz Air's growth plans.

We continue to leverage the know-how, market understanding and cultural awareness of senior management and employees to build fruitful relationships with airport operators, suppliers, governments and regulators in new markets, with the Company being able to present itself as a reliable partner establishing and maintaining long lasting, mutually beneficial partnerships.

The strength of our balance sheet recently recognised by the investment grade ratings from both Fitch and Moody's is a historic milestone in the development of Wizz Air. These ratings will enable Wizz Air not only to access new sources of aircraft financing but also financing at even lower cost than at present. Reducing our aircraft ownership costs will be crucial to delivery our mission of becoming the undisputed cost leader amongst European airlines.

CEE's Leader

Wizz Air continues to be the clear market leader in CEE. In FY2018, we had a market share of over 42% of low-cost airline traffic in the region and more than 16% of the total CEE market. We launched 95 new routes during the 2018 financial year, taking our operating route network to 525 routes from 27 bases, connecting 135 destinations in 44 countries at the end of March 2018, allowing us to reach more new customers throughout Europe than ever before.

Today we operate in 21 of the 22 CEE countries, serving the market by offering a network of 27 bases and 141 destinations in 44 countries. We are confident in the significant growth opportunity that remains in the region and we are convinced that our ultra-low cost business model is best placed to serve and stimulate this market.

CEE's Leader continued

The table below shows the Company's ranking by low-cost market share in each of its CEE base countries:

	Number 1		Number 2		Number 3	
Market	Carrier	Share	Carrier	Share	Carrier	Share
CEE	**Wizz Air**	42.3%	Ryanair	29.8%	EasyJet	6.3%
Poland	Ryanair	49.5%	**Wizz Air**	41.9%	**Norwegian**	3.9%
Romania	**Wizz Air**	56.0%	Blue Air	26.7%	Ryanair	14.4%
Ukraine	**Wizz Air**	56.5%	Pegasus Airlines	18.9%	Ernest Airlines	12.2%
Hungary	**Wizz Air**	56.6%	Ryanair	25.9%	EasyJet	8.0%
Bulgaria	**Wizz Air**	56.4%	Ryanair	35.3%	Norwegian	3.2%
Latvia	Ryanair	52.4%	Wizz Air	30.2%	Norwegian	17.4%
Serbia	**Wizz Air**	56.6%	Ryanair	12.2%	FlyDubai	7.4%
Lithuania	Ryanair	50.7%	**Wizz Air**	45.0%	Norwegian	4.2%
Georgia	**Wizz Air**	48.4%	FlyDubai	29.8%	Air Arabia	12.0%
Moldova	**FlyOne**	58.1%	Wizz Air	41.9%		
Slovakia	Ryanair	62.7%	**Wizz Air**	34.8%	FlyDubai	2.5%
Macedonia	**Wizz Air**	92.0%	Pegasus Airlines	5.1%	FlyDubai	2.9%
Bosnia and Herzegovina	**Wizz Air**	60.2%	FlyDubai	17.1%	Pegasus Airlines	12.6%

The table below shows the Company's ranking by market share in each of its CEE base countries:

	Number 1		Number 2		Number 3	
Market	Carrier	Share	Carrier	Share	Carrier	Share
CEE	**Wizz Air**	16.1%	Ryanair	11.3%	LOT	6.7%
Poland	Ryanair	25.7%	**LOT**	24.6%	**Wizz Air**	21.8%
Romania	**Wizz Air**	35.5%	Blue Air	16.9%	TAROM	15.0%
Ukraine	**Ukraine International**	37.0%	Aeroflot	10.1%	Wizz Air	6.9%
Hungary	**Wizz Air**	32.7%	Ryanair	15.0%	Lufthansa	7.0%
Bulgaria	**Wizz Air**	23.8%	Ryanair	14.9%	Bulgaria Air	10.7%
Latvia	Air Baltic	58.7%	Ryanair	12.7%	Wizz Air	7.4%
Serbia	**Air Serbia**	47.3%	Wizz Air	10.8%	Lufthansa	5.0%
Lithuania	Ryanair	29.7%	**Wizz Air**	26.3%	Air Baltic	9.6%
Georgia	**Georgian Airways**	15.4%	Wizz Air	11.3%	Turkish Airlines	10.9%
Slovakia	Ryanair	32.6%	**Wizz Air**	18.1%	Travel Service	18.0%
Macedonia	**Wizz Air**	59.6%	Austrian Airlines	7.5%	Turkish Airlines	7.4%
Bosnia and Herzegovina	**Wizz Air**	32.8%	Turkish Airlines	12.1%	Austrian Airlines	9.5%

(Source data: Innovata, April 2017 – March 2018.)

The table below shows the fleet allocation by country at 31 March 2018 compared to a year earlier:

	Fleet deployment by country		
Year end	March 2018	March 2017	Change
Total	93	**79**	**+14**
Poland	25	21	+4
Romania	21	21	-
Hungary	12	10	+2
Bulgaria	8	7	+1
Lithuania	4	4	-
Macedonia	4	3	+1
Great Britain	3	-	+3
Bosnia and Herzegovina	2	2	-
Latvia	2	2	-
Serbia	2	1	+1
Ukraine	2	1	+1
Czech Republic	1	1	-
Slovakia	1	1	-
Georgia	1	1	-
Moldova	1	1	-
Undesignated	4	3	+1

Expanding Network

While we remain the market leader in CEE, during 2018, we also continued to grow outside CEE. Our first Western European base opened at London Luton in June 2017 and, shortly afterwards, our entrepreneurial spirit and agility as a business allowed us to secure additional slots and parking stands at London Luton airport and grow that base quickly. By the end of FY2018, our network from London Luton airport consisted of 46 routes, flying to 20 countries and offering 6.9 million seats to customers. In response to the uncertainty created by Brexit, we put in place one of the pillars of our contingency plan with the establishment of Wizz Air UK Limited, a UK-licensed airline which, by the end of June 2018, will be operating 8 aircraft. Later in the financial year, we were also able to take advantage of a market opportunity in Vienna, and announced the establishment of our second Western European base which will start operations in June 2018.

As at today, Wizz Air offers services from 21 CEE countries including the 14 CEE countries where we have based aircraft and crews. During the year the Company started operations to/from 12 new airports, as follows:

New CEE stations		New stations outside CEE	
City	Country	City	Country
Tirana	Albania	Frankfurt	Germany
Sarajevo	Bosnia and Herzegovina	Athens	Greece
Osijek	Croatia	Astana	Kazakhstan
Prishtina	Kosovo	Agadir	Morocco
St Petersburg	Russian Federation	Tromso	Norway
Lviv	Ukraine	Faro	Portugal

Fleet development

During the 2018 financial year, we continued to invest significantly in our fleet by adding ten A321ceo and four A320ceo aircraft, taking our fleet to 93 aircraft at the end of March 2018. Deliveries of the A321ceo aircraft commenced in November 2015 and in just 30 months we are already operating 26 of the type representing 33 per cent. of the Company's total seat capacity. We are excited about the cost savings we are seeing from the A321ceo aircraft, and the continued roll-out of these aircraft across our network is expected to further improve our cost base and competitive edge.

The composition of our fleet at the end of the 2018 financial year and currently anticipated at the end of the next two financial years is as follows:

	March 2018 Actual	March 2019 Planned	March 2020 Planned
A320ceo without winglets (180 seats)	**35**	35	32
A320ceo with winglets (180 seats)	**28**	28	28
A320ceo with winglets (186 seats)	**4**	9	9
A321ceo with winglets (230 seats)	**26**	38	41
A321neo with winglets (239 seats)	**-**	3	20
Fleet size	**93**	113	130
Proportion of seat on A321	**33%**	42%	53%
Average number of seats per aircraft	**194.2**	198.9	205.3

Aircraft Orders

In FY 2016 the Company concluded a purchase agreement with Airbus for 110 firm-order A321neo aircraft and purchase rights for a further 90 of the type. During the 2017 financial year the Company selected and contracted Pratt & Whitney's new technology geared turbofan engines to power these aircraft. The purchase agreement includes uncommitted purchase rights for 75 additional A321neo aircraft as well as ample flexibility with conversion and deferral rights.

Complementing the above transaction, during FY 2018 the Company signed two additional purchase agreements with Airbus. The first was for 10 A321ceo aircraft with deliveries in 2018 and 2019 calendar years responding to the ever-increasing demand for Wizz Air's low fares. The second and historic order at the end of 2017 was the Company's largest ever order of 146 A320neo family aircraft (72 A320neo and 74 A321neo), and as part of an airline group initiative, marked also Airbus' largest ever A320 family aircraft order of 430 units. This exceptional deal secures a continued stable flow of new aircraft starting from 2021 until 2026 at extremely competitive prices.

Fleet development continued

Aircraft Orders continued

We are convinced that the Airbus A320neo and A321neo are game-changer aircraft for Wizz Air, as we continue to grow at an industry-leading rate and expand our market reach across and beyond Europe. Wizz Air now has 256 Airbus A320 family neo aircraft on order and these ultra-efficient, next-step technology aircraft will underpin our growth plans for the next decade as we continue with our mission to be the undisputed cost leader among European airlines.

Based on the estimates of both Airbus and Pratt & Whitney, the A320neo Family will deliver significantly better fuel burn efficiency and even lower unit costs compared to the ceo version, making it the perfect aircraft to underpin the Company's ambitious growth plans and replace older aircraft as they are returned to lessors. The first A321neo is scheduled to be delivered in 2019 and deliveries will continue until the end of 2026. Based on the current order book with Airbus, and lessor return schedule, the fleet will more than double in size from the end of FY 2017 to the end of FY 2024.

Offering our customers more

We know that our customers welcome the opportunity to fly at Wizz Air's lowest fares yet experience a high quality on-board service provided by our dedicated crew. We continue to challenge ourselves to make things easier for our customers, provide the widest choice of travel options fpr our customers and deliver a strong operational performance. Proving our commitment to finding innovative ways of enhancing the customer experience we introduced several new services in the 2018 financial year:

- "WIZZ Priority", an option which includes priority boarding, an additional small cabin bag and guarantee that hand luggage will be placed in the cabin;
- "Fare Lock", a new product helping customers lock-in Wizz Air's low fares for 48 hours and complete their purchase later;
- "Flexible Travel Partner", a service allowing customers to create a new reservation without including all passengers' names at the time of booking; and
- "Trip Planner", a new website search tool which allows passengers to discover new and exciting destinations by offering a choice of flexible filter.

Wizz Air continuously listens to customer feedback, which is why Wizz Air decided to change its cabin baggage policy and allow passengers to bring a large item of hand baggage on all Wizz Air flights for free. We believe that the new hand luggage policy enhances the WIZZ travel experience even further and underlines Wizz Air's commitment to continuously provide excellent consumer experience every step of the customer journey.

Many of our customers are loyal Wizz Air fans who fly with us on multiple occasions each year. Our Wizz Discount Club enables our most loyal customers and their friends and families to benefit from even lower fares than normal, throughout the year. The popularity of the Wizz Discount Club continued with members reaching 1.1 million members by the end of the 2018 financial year further demonstrating how well Wizz Air treats its customers.

The trust customers place in Wizz Air has also been evident from the success of bookings with our partners through wizzair.com; and, the continued growth in ancillary revenues, which represented 41.9% of overall revenue during the year. While knowing that there is always more to do, we are delighted with customer satisfaction scores of 82% for FY 2018.

Developing our people

Without the best people, we would be unable to deliver a high quality service for our customers. That is why we take steps not only to recruit the best but also place a relentless focus on developing our employees. We have developed a number of training and career development initiatives for our employees to help them with their career progression not only through promotions but also helping them move between functions, operations and bases. Our employee feedback survey, which we conduct bi-annually, showed that our employees are highly engaged in their work.

Technology advancements

In line with our commitment to customers, Wizz Air continues to place a relentless focus on technology so that we will continue to serve an evolving customer base. In FY 2018, we made further enhancements in our booking system and website to ensure that customers' experiences are seamless – from the point of booking to their final destination.

By the end of FY 2018 64% of Wizz Air's digital interactions originated from mobile devices. Satisfying millions of travellers, Wizz Air launched brand new mobile applications for iOS and Android. This highly personal mobile experience features a dynamic timeline that offers trip information and ancillary services. additional mobile improvements will be launched this summer to enhance further our customers' journeys. Continuous user research and data-driven experimentation once again fuelled hundreds of digital optimizations, contributing to ever improving conversion rates on ticket and ancillary sales. With mobile applications now in 14 languages and 27 on the web, Wizz Air served close to 300 million sessions to more than 7.4 million users.

Wizz Air remains among the top 10 most visited airline websites in the world with the highest share of mobile visitors. Our mobile app user base doubled again to 7.4 million users in FY 2018. Reaching 3 million followers on Facebook, Wizz Air was the most popular LCC among its European peers.

New digital initiatives in FY 2019 will continue to improve our interaction with an ever growing audience 'on the move'. Our customers continue to change and we need to change with them – and digital development is at the heart of this.

Balanced hedging approach

Wizz Air operates under a clear set of treasury policies approved by the Board and supervised by the Audit Committee. The aim of our hedging policy is to reduce short-term volatility in earnings and liquidity. 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).

Details of the current hedging positions (as at 10 May 2018) are set out below:

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

Period covered	F19 11 months	F20 7 months
Exposure (million)	$1,039	$796
Hedge coverage (million)	$628	$127
Hedge coverage for the period	**55%**	**16%**
Weighted average ceiling	$1.2299	$1.2947
Weighted average floor	$1.1905	$1.2401

Fuel hedge coverage

Period covered	F19 11 months	F20 7 months
Exposure in metric tons ('000)	980	765
Coverage in metric tons ('000)	515	175
Hedge coverage for the period	**53%**	**23%**
Blended capped rate	$604	$643
Blended floor rate	$544	$587

Sensitivities

- Pre-hedging, a one cent movement in the Euro/US Dollar exchange rate impacts the 2019 financial year operating expenses by €7.5 million.
- Pre-hedging, a one penny movement in the Euro/British Pound exchange rate impacts the 2019 financial year operating expenses by €1.7 million.
- Pre-hedging, a $10 (per metric ton) movement in the price of jet fuel impacts the 2019 financial year fuel costs by $10.0 million.

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

Management changes

In July 2017, Wizz Air announced the appointment of Stephen Jones as our Executive Vice President and Deputy Chief Executive Officer, Iain Wetherall as Chief Financial Offer and Heiko Holm as Chief Technical Officer. Stephen has responsibility for Wizz Air's commercial, marketing and information technology organizations with the Company's Chief Commercial Officer, Chief Marketing Officer and Head of Information Technology as direct reports. The promotion of Iain Wetherall to Chief Financial Officer and Heiko Holm to the newly-created Chief Technical Officer position were further examples of Wizz Air's planning for its future significant growth by bringing additional capacity into its senior management team while also leveraging its great talent pool to promote from within.

In November 2017, the Company's leadership capacity was further strengthened by the promotion of Bela Szegedi to take the role of Chief Flight Operations Officer. We are delighted to bring further extensive expertise to the executive management team, which remains an important part of overall succession planning.

Outlook

As FY 2019 financial year begins we remain very optimistic for the coming twelve months. Higher fuel prices are supporting a stronger fare environment and we expect these macro conditions to provide Wizz Air with market share opportunities as weaker carriers withdraw unprofitable capacity. Our ability to drive cost advantage further and offer lower fares across our ever expanding network will lead to an expected 20% increase in passenger numbers to 36 million in FY 2019.

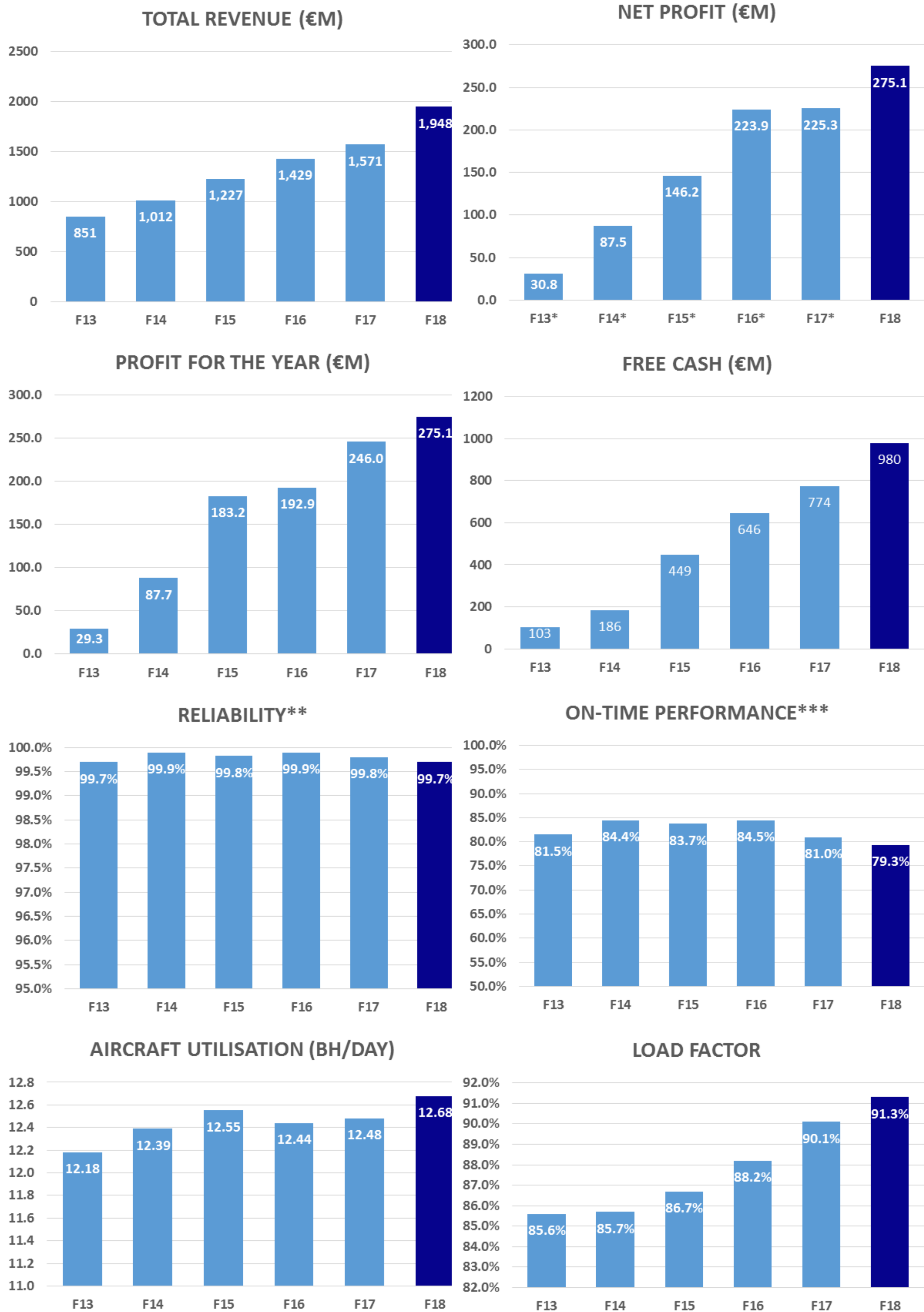
The Company recorded a solid start to FY 2019 with RASK forecast at broadly flat in Q1 year on year, a good performance given the absence of Easter traffic which fell into the last financial year, and although still at an early stage of the financial year, the Group net profit is expected to be in a range of between €310 million and €340 million in FY 2019. As usual, this guidance is dependent on the revenue performance for the all-important summer period as well as the second half of FY 2019, a period for which the Company, like most airlines, currently has limited visibility.

Full year guidance

	2019 Financial Year	Comment
Capacity growth (ASKs)	+ 20%	H1: 21%; H2: 18%
Average stage length	Moderate Increase	-
Load Factor	+ 1%	-
Fuel CASK	+ 15%	Fuel price of $685, €/$ of 1.20
Ex-fuel CASK	- 1%	-
Total CASK	+ 3%	-
RASK	+ 3%	-
Tax rate	6%	-
Net profit	€310-340 million	-

József Váradi
Chief Executive Officer
23 May 2018

SELECTED STATISTICS

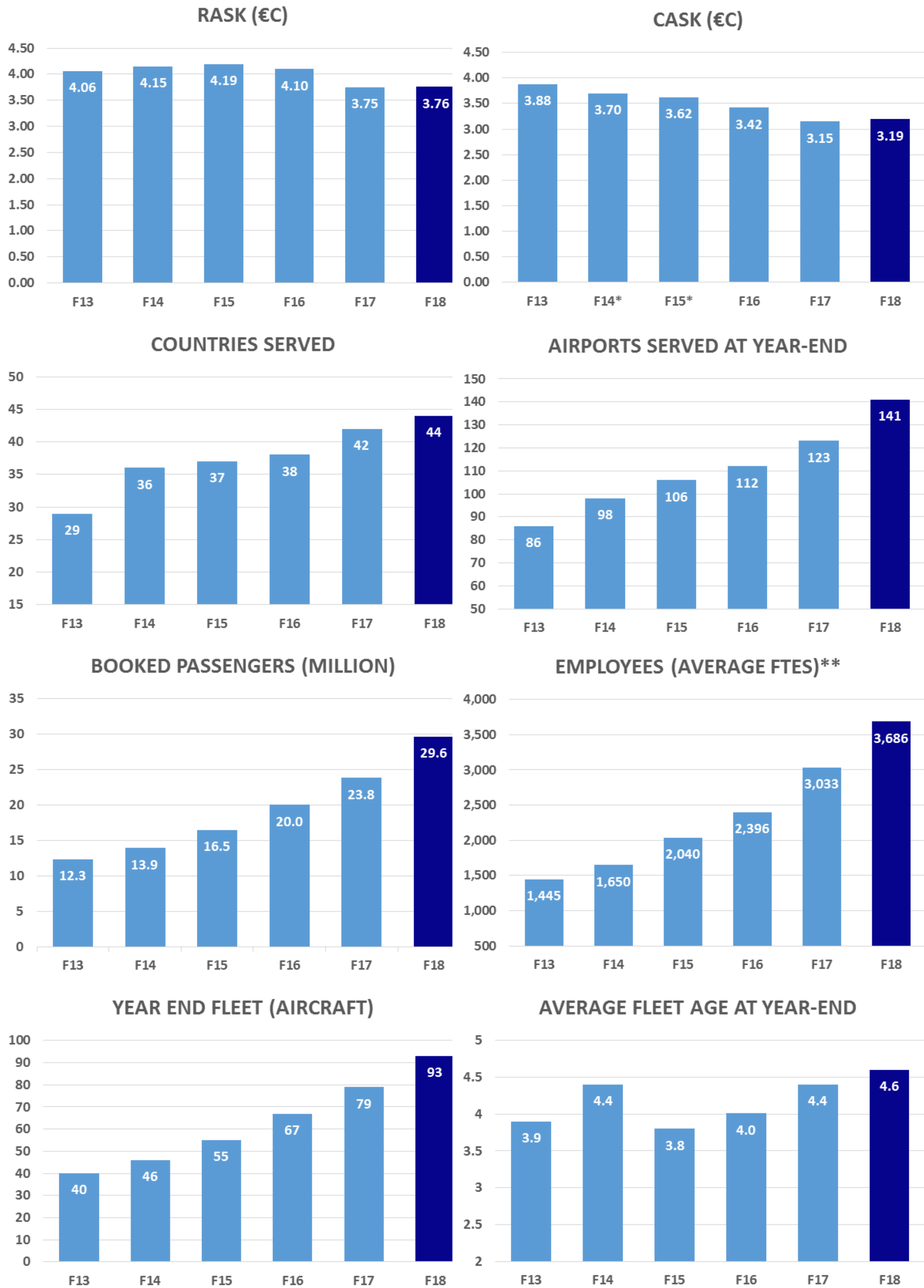


* Years F13 – F17 show 'underlying' net profit, a non-statutory profit measure used by the Company until the F18 financial year when the adoption of IFRS 9 made it obsolete. Further detailed in Note 9.

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

*** On-time performance = (1 - number of delays > 15min/number of revenue flight legs) x 100 per cent. Figures represent A15, arrival + 15 minutes operational performance.

SELECTED STATISTICS CONTINUED



* F14 and F15 CASK include exceptional item.

** Including rented pilots.

FINANCIAL REVIEW

During the 2018 financial year Wizz Air carried 29.6 million passengers, a 24.7 per cent. increase compared to the previous year. Revenues grew to €1,948.0 million, representing a 24.0 per cent. increase compared to the previous year. Wizz Air again successfully balanced the pace of capacity growth and profitability. Capacity growth measured in terms of available seat kilometres (ASK) of 23.6 per cent. and seats of 23.0 per cent while delivering an increase in net profit by 22.1 per cent to €275.1m.

Notwithstanding this fast growth rate we were able to achieve a slight increase in unit revenues measured in terms of ASKs rose by 0.4 per cent to 3.76 Euro cents and unit costs grew by 1.3 per cent. to 3.19 Euro cents in 2018 from 3.15 Euro cents in 2017. This increase in CASK was principally driven by an increase in the average fuel price. CASK excluding fuel expenses was increased by 0.4 per cent to 2.26 Euro cents in 2018 from 2.25 Euro cents in 2017. Net profit margins declined to 14.1%, down from 14.3% in 2017.

Wizz Air continued to invest into growth during the financial with a number of new initiatives undertaken to strengthen our long term growth plans, drive further efficiencies and ultimately lower costs. Significant investments include:

- Two firm orders for 10 Airbus A321ceo and 146 A320neo family aircraft taking the Company's fleet delivery stream to 271 brand new A320 Airbus family aircraft.
- Establishing a new base in London Luton paving the way for a new UK airline, Wizz Air UK Limited, which started operations in May 2018.
- Capitalising on market opportunities in Europe with the purchase of additional overnight stands and slots at London Luton airport, and announced a major investment in Vienna, Austria with a five aircraft base.
- Creating the Wizz Pilot Academy and investment to build one of the largest state-of-the-art crew training facilities in Europe.

Underlying profit after tax (which is the same as IFRS profit after tax in 2018) increased by 22.1 per cent. to €275.1 million in 2018 from €225.3 million in 2017.

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

	2018	2017	Change
Average jet fuel price ($/metric ton, including into plane premium and hedge impact)	**611**	553	+10.4%
Average USD/EUR rate (including hedge impact)	**1.15**	1.10	+4.1%
Year-end USD/EUR rate	**1.23**	1.07	+15.0%

Group Financial overview

Summary statement of comprehensive income
€ million

Continuing operations	Airline 2018	Wizz Tours[1] 2018	Consolidation adjustment	Group 2018	Group 2017	Change in Group results
Passenger ticket revenue	**1,132.2**	**6.1**	**(6.1)**	**1,132.2**	915.5	**23.7%**
Ancillary revenue	**806.8**	**11.9**	**(2.8)**	**815.8**	655.7	**24.4%**
Total revenue	**1,939.0**	**18.0**	**(8.9)**	**1,948.0**	1,571.2	**24.0%**
Staff costs	**147.6**	**0.2**		**147.8**	112.9	**30.9%**
Fuel costs	**479.8**			**479.8**	375.2	**27.9%**
Distribution and marketing	**33.1**	**1.0**		**34.0**	27.9	**22.0%**
Maintenance materials and repairs	**98.6**			**98.6**	74.7	**32.0%**
Aircraft rentals	**276.3**			**276.3**	233.9	**18.1%**
Airport, handling and en-route charges	**465.7**			**465.7**	390.0	**19.4%**
Depreciation and amortisation	**90.6**	**0.1**		**90.7**	57.6	**57.5%**
Other expenses	**54.2**	**17.6**	**(8.9)**	**63.2**	52.4	**20.6%**
Total operating expenses	**1,645.9**	**19.0**	**(8.9)**	**1,656.2**	1,324.5	**25.0%**
Operating profit/(loss)	**293.0**	**(1.0)**	**-**	**291.8**	246.7	**18.3%**
Financial income	**2.8**			**2.8**	0.6	
Financial expenses	**(5.0)**			**(5.0)**	(13.0)	
Net foreign exchange gain/(loss)	**(3.5)**			**(3.6)**	2.6	
Net exceptional financial income	**-**			**-**	18.8	
Net financing income/(expense)	**(5.7)**			**(5.8)**	9.1	
Profit/(loss) before income tax	**287.3**	**(1.0)**		**286.1**	255.8	**11.8%**
Income tax expense	**(11.0)**			**(11.0)**	(9.8)	
Profit/(loss) for the year	**276.4**	**(1.0)**		**275.1**	246.0	**11.8%**

Adjusted performance measures (Note 9)
€ million

	Profit for the year		
	2018	2017	
Statutory (IFRS) profit	**275.1**	246.0	
Exceptional items (Note 9):			
Net gain on fuel caps sold before expiry	**-**	(4.5)	
(Gain)/loss from change in time value of hedges	**-**	(14.3)	
Total exceptional adjustments	**-**	(18.8)	
Unrealised foreign exchange (gains)/losses (Note 10)	**-**	(1.9)	
Underlying profit	**275.1**	225.3	22.1%
Underlying profit margin	***14.1%***	*14.3%*	(0.2)ppts

Earnings per share

Earnings per share (Note 12)	**2018**	2017	Change
Basic earnings per share, EUR	**4.00**	4.30	(0.30)
Diluted earnings per share (statutory), EUR	**2.18**	1.95	0.23
Proforma earnings per share (underlying), EUR	**2.18**	1.79	0.39
Proforma earnings per share (underlying), GBP*	**1.91**	1.53	0.38

* Translated from EUR to GBP at 1.14 for 2018 (rate applicable at 31 March 2018) and at 1.164 for 2017 (rate applicable at 31 March 2017).

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

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

While these factors had relevance until March 2017 they did not have relevance in the current year; therefore, the proforma earnings per share measure is now equal to the diluted earnings per share. The proforma earnings per share measure is being disclosed only because of its relevance in the prior year.

[1] The Group discloses revenues and expenses for its airline and tour operator business units separately. Where a measure is reported for a business unit as opposed to the Group as a whole then this fact is explicitly stated. All other measures and statements relate to the Group as a whole. See also Note 5 to the financial statements.

Return on capital employed and capital structure

ROCE* is a non-statutory performance measure commonly used to measure the financial returns that a business achieves on the capital it uses. ROCE for the 2018 financial year was 16.2 per cent., a decrease of 1.4 percentage points compared to the previous year driven by different levels of growth in earnings before interest and tax (EBIT), shareholder's equity, net cash position, and capitalised leases.

The Company's leverage** fell to a ratio of 1.5 (2017: 1.7) at the end of the 2018 financial year.

The year-on-year comparisons of ROCE and leverage benefited from the translation effect of the weaker US Dollar compared to last year as capitalised US dollar aircraft leases are translated into a lower Euro value.

Liquidity, defined as cash and equivalents as a percentage of the last twelve months' revenue, rose from 49.3 per cent. at the end of the 2017 financial year to 50.3 per cent. a year later.

	2018	2017	Change
ROCE*	**16.2%**	17.6%	1.4 ppts
Leverage**	**1.5**	1.7	(0.2) ppts
Liquidity	**50.3%**	49.3%	1.0 ppts

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

** Leverage: Net debt adjusted to include capitalised operating lease obligations, divided by EBITDAR (earnings before interest, tax, depreciation, amortisation and aircraft rentals). Capitalised lease obligations: annual aircraft lease expenses multiplied by seven as an estimate of the total outstanding obligation.

Financial performance

Revenues and operating expenses are analysed by business segment, compared to the same measures for the 2017 financial year. The remaining measures (financial income and expenses, taxation, other comprehensive income and expense) are analysed for the Group, as the share of the tour operator business unit is immaterial or nil in these measures.

Airline revenue

The following table sets out an overview of Wizz Air's revenue items for 2018 and 2017 and the percentage change in those items:

	2018		2017*		
	Total (€ million)	**Percentage of total revenue**	Total (€ million)	Percentage of total revenue	Percentage change
Passenger ticket revenue	**1,132.2**	**58.4%**	915.5	58.6%	23.7%
Ancillary revenue	**806.8**	**41.6%**	646.4	41.4%	24.8%
Total revenue	**1,939.0**	**100%%**	1,562.0	100%	24.1%

* The 2017 numbers have been restated what regards the split between passenger ticket revenue and ancillary revenue.

The guided modest RASK[1] increase of 0.4 per cent. coupled with the 24.7% higher passenger number were the main drivers for passenger ticket revenue increasing by 23.7% per cent. to €1,132.2 million. At the same time ancillary (or "non-ticket") revenue continued to outperform ticket revenue growth and increased by 24.8 per cent. to €806.8 million.

Average revenue per passenger decreased from €65.7 in 2017 to €65.4 in 2018, a decrease of 0.4 per cent which continued to stimulate higher passenger volumes. Average ticket revenue per passenger declined from €38.5 in 2017 to €38.2 (0.8 per cent.), while average ancillary revenue per passenger was unchanged at €27.2. The slight decrease in average revenue per passenger was due to:

- a decrease in average passenger ticket revenue per passenger in 2018 compared to 2017, which was the result of the Company's' high pace of capacity growth and proactively managing load factors 1.3 percentage points higher to 91.3%; and
- the combined impact of the modification of certain products, the introduction of a free large cabin bag policy, fare lock, flexible travel partner, enhanced priority service, and the increased customer penetration of existing products such as allocated seating and different checked-in luggage sizes.

Airline operating expenses

Total airline operating expenses increased by 25.2 per cent. to €1,645.9 million in 2018 from €1,314.5 million in 2017. Airline CASK[1] grew by 1.3 per cent. to 3.19 Euro cents in 2018 from 3.15 Euro cents in 2017. This increase in CASK was principally driven by an increase in the average fuel price. CASK excluding fuel expenses increased to 2.26 Euro cents in 2018 from 2.25 Euro cents in 2017 driven by the combined effect of higher staff related costs and higher depreciation and amortization expenses offset by further improvement of major cost items such as aircraft leasing, airport, handling and en-route charges.

1 See definition of RASK and CASK in the Glossary of technical terms

Financial performance continued

Airline operating expenses continued

The following table sets out the airline operating expenses for 2018 and 2017 and the percentage changes in those items:

	2018		2017		
	Total (€ million)	Percentage of total operating expenses	Total (€ million)	Percentage of total operating expenses	Percentage change
Staff costs	**147.6**	**9.0%**	112.6	8.6%	31.1%
Fuel costs	**479.8**	**29.2%**	375.2	28.5%	27.9%
Distribution and marketing	**33.1**	**2.0%**	27.0	2.1%	22.3%
Maintenance, materials and repairs	**98.6**	**6.0%**	74.7	5.7%	32.0%
Aircraft rentals	**276.3**	**16.8%**	233.9	17.8%	18.1%
Airport, handling and en-route charges	**465.7**	**28.3%**	390.0	29.7%	19.4%
Depreciation and amortisation	**90.6**	**5.5%**	57.5	4.4%	57.6%
Net other expenses	**54.2**	**3.3%**	43.6	3.3%	24.4%
Total operating expenses	**1,645.9**	**100%**	1,314.5	100%	25.2%

Staff costs increased by 31.1 per cent. to €147.6 million in 2018, up from €112.6 million in 2017. The increase in overall staff costs reflected a 19.7 per cent. rise in aircraft block hours and a structural crew salary increase of 5 per cent.

Fuel expenses increased by 27.9 per cent. to €479.8 million in 2018, up from €375.2 million in 2017. This was mainly driven by an increase of 23.6 per cent. growth in ASKs, a 10.4% increase in the average fuel price (after hedging) offset somewhat by a 4.1 per cent. depreciation of the US Dollar against the Euro. The average fuel price, including hedging impact and into-plane premium, paid by Wizz Air in 2018 was US$611 per ton, an increase of 10.4 per cent. from the previous year's figure of US$553 per ton. The average euro / US dollar rate in 2018, including hedging, was 1.15 compared to a rate of 1.10 in 2017.

Distribution and marketing costs rose 22.3 per cent. to €33.1 million in 2018 from €27.0 million in 2017 which is broadly in line with FY 2018 seat capacity growth of 23.0 per cent.

Maintenance, materials and repair costs increased by 32.0 per cent. to €98.6 million in 2018 from €74.7 million in 2017. This cost increase was the combined result higher 'total component support' payment driven by the increased numbers of hours flown and the timing of certain maintenance events.

Aircraft rental costs increased 18.1 per cent. to €276.3 million in 2018, from €233.9 million in 2017 which was in line with fleet growth (equivalent aircraft grew by 18.2 per cent.).

Airport, handling and en-route charges increased by 19.4 per cent. to €465.7 million in 2018 from €390.0 million in 2017. This category comprised €273.9 million of airport and handling fees and €191.8 million of en-route and navigation charges in 2018 and €224.2 million of airport and handling fees and €165.8 million of en-route and navigation charges in 2017. The cost increase was due to a 18.7 per cent. increase in the number of flights, and a 24.7 per cent. rise in passenger numbers.

Depreciation and amortisation charges increased by 57.6 per cent. to €90.6 million in 2018, up from €57.5 million in 2017 due to higher engine-related maintenance and component depreciation as in the last twelve months new maintenance fixed assets were capitalized and their depreciation started in relation to a significant number of future engine heavy maintenance events.

Net other expenses increased by 24.4 per cent. to €54.2 million in 2018 from €43.6 million in 2017. Other expenses include cancellation and delay related costs of €20.1 million, an increase of 64.8 per cent year-on-year. Extensive fleet growth during the financial year and in the early part of the 2019 financial year led to higher training costs and longer training times for the newly joined crew strengthening the Company's work force.

Airline operating profit

The Airline delivered an operating profit of €293.0 million in 2018, an 18.4 per cent. increase compared to 2017 of €247.4 million.

Wizz Tours

Wizz Tours generates revenue by selling package holidays made up of flight tickets purchased from the airline and hotel accommodation purchased from wholesalers (or bedbanks). Revenues in FY18 were €18.0 million compared to €18.1 million in 2017 and operating expenses were €19.0 million compared to €18.9 million in 2017. Operating expenses in both years comprise primarily the value of the flight tickets and hotel accommodation purchased.

Financial performance continued

Net financing income and expense

The Group's net financing expense was €5.8 million in 2018 after a gain of €9.1 million in 2017. This change was driven primarily by the change in the time value of hedges in 2017, with the net impact of all other items being less significant, as shown in the table below:

€ million	2018	2017	Change
Net FX-related impacts	**(3.6)**	2.6	(6.2)
Change in time value of hedges (exceptional)	**-**	14.3	(14.3)
Fuel cap impacts (including exceptional item in 2017)	**-**	(4.5)	4.5
All other financial income and expenses, net (recurring)	**(2.2)**	(3.3)	1.1
Net financing income and expense*	**(5.8)**	9.1	(14.9)

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

Net FX-related impacts consisted primarily of unrealised FX differences (€3.8 million loss in 2018 and €1.9 million gain in 2017), driven mainly by significant movements in the USD–EUR FX-rate (15.0 per cent. strengthening of the EUR during 2018 and 6.1 per cent. weakening during 2017).

Changes in the time value of hedges, as accounted for under IAS 39, resulted in significant gains in 2017. With the Company's adoption of IFRS 9 from 1 April 2017 subsequent changes in the time value hedges are no longer booked to earnings. Fuel caps resulted in €4.5 million net loss in 2017, there were no fuel caps expiring in 2018.

Taxation

The Group recorded an income tax expense of €11.0 million in 2018 compared to €9.8 million in 2017. The effective tax rate for the Group in 2018 was 3.8 per cent, unchanged compared to 2017. The main components of this charge are local business tax and innovation tax paid in Hungary, and corporate income tax paid in Switzerland.

Profit for the year

The Group generated a profit for 2018 of €275.1 million, an 22.1 per cent. increase from the underlying profit of €225.3 million in 2017.

Other comprehensive income and expenses

In 2018 the Group had other comprehensive income of €10.0 million compared to €15.5 million in 2017. This change was driven by the movements in the balance of the cash flow hedging reserve (in equity).

Cash flows and financial position

Summary statement of cash flows

The following table sets out selected cash flow data and the Company's cash and cash equivalents for 2018 and 2017:

€ million	2018	2017	Change
Net cash generated by operating activities	**416.9**	310.9	106.0
Net cash used in investing activities	**(208.9)**	(179.7)	(29.2)
Net cash used in financing activities	**(2.3)**	(1.8)	(0.5)
Effect of exchange rate fluctuations on cash and cash equivalents	**(0.1)**	(1.0)	0.9
Cash and cash equivalents at the end of the year	**979.6**	774.0	205.6

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 improved from €310.9 million in 2017 to €416.9 million in 2018 primarily due to the following factors:

- Profit before tax and depreciation: Profit before tax in 2018 was €30.3 million higher than in 2017. Depreciation and amortisation expenses were €33.1 million higher in 2018 than in 2017. In 2017 there were also significant non-cash financial income items primarily relating to the time value of hedges. These differences explain most of the €78.0 million increase in operating cash flows year on year before adjusting for changes in working capital.
- Changes in working capital: The movements in working capital items increased 2018 operating cash flows by €44.0 million. The continued strength of the Company's balance sheet meant that less cash collateral on letters of credits were required. Cash collateral balances increased by €10.6 million in 2018 compared to an increase of €52.4 million in 2017.

Cash flow from investing activities

Net cash used in investing activities increased by €29.2 million from a net cash outflow of €179.7 million in 2017 to a net cash outflow of €208.9 million in 2018. The two main drivers of investment in 2018 were:

- Advances paid for aircraft (pre delivery payments, 'PDP'): The net PDP flows (payments paid to Airbus less refunds received) were €124.9 million in 2018, requiring €60.9 million more net cash investment than in 2017.
- Purchase of maintenance assets amounting to €84.1 million in 2018, consisting of maintenance related activities as well as advance payments made in relation to engine heavy maintenance scheduled to be performed in the future.

Cash flow from financing activities

Net cash used in financing activities increased by €0.5 million resulting in a €2.3 million outflow in 2018 from a €1.8 million outflow in 2017.

Summary statement of balance sheet

The following table sets out summary statements of financial position of the Group for 2018 and 2017:

€ million	2018	2017	Change
ASSETS			
Property, plant and equipment	**684.5**	505.7	178.8
Restricted cash*	**162.1**	155.8	6.3
Derivative financial instruments*	**34.1**	10.1	24.0
Trade and other receivables*	**239.0**	208.7	30.3
Cash and cash equivalents	**979.6**	774.0	205.6
Other assets*	**42.7**	42.1	0.6
Total assets	**2,142.1**	1,696.3	445.8
EQUITY AND LIABILITIES			
Equity			
Equity	**1,241.9**	952.5	289.4
Liabilities			
Trade and other payables	**254.7**	197.7	57.0
Convertible debt and other borrowings*	**32.2**	33.0	(0.8)
Deferred income*	**437.4**	388.8	48.6
Derivative financial instruments*	**13.7**	1.8	11.9
Provisions*	**153.0**	113.7	39.3
Other liabilities*	**9.2**	8.9	0.3
Total liabilities	**900.2**	743.8	156.3
Total equity and liabilities	**2,142.1**	1,696.3	445.8

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

Summary statement of balance sheet continued

Property, plant and equipment increased by €178.8 million as at 31 March 2018 compared to 31 March 2017 (see Note 13 to the financial statements). This was driven by investments in the two most important fixed asset categories, as follows: (i) the gross book value of aircraft maintenance assets (including advances paid for these assets) increased by €124.2 million, mainly due to more engines being out of condition under the respective lease contract at the end of 2018 than a year before; (ii) PDPs increased by €125.0 million due to the growing number of future aircraft deliveries and their respective payments as well as the relatively higher PDP of the A321ceo compared to the A320ceo.

Restricted cash (current and non-current) increased by €6.3 million as at 31 March 2018 compared to 31 March 2017.

Derivative financial assets (current and non-current) increased by €24.0 million as at 31 March 2018 compared to 31 March 2017 (see also Notes 3 and 20 to the financial statements). The asset in 2018 relates primarily to mark-to-market gains on open fuel hedges arising from the increase of the jet fuel prices since the inception of the hedges.

Trade and other receivables (current and non-current) increased by €30.3 million as at 31 March 2018 compared to 31 March 2017, which is broadly consistent with the rate of increase of the business (see also Note 18 to the financial statements).

Cash and cash equivalents increased by €205.6 million as at 31 March 2018 compared to 31 March 2017. This change is explained in detail in the cash flow analysis above.

Trade and other payables increased by €57.0 million as at 31 March 2018 compared to 31 March 2017. This rate of increase is broadly consistent with rate of increase for the Group's business during the year.

Deferred income (current and non-current) increased by €48.6 million as at 31 March 2018 compared to 31 March 2017 (see Note 26 to the financial statements). This was driven by the increase in unflown revenues (€44.4 million or 17%), primarily due to the increase in offered seat capacity, somewhat reduced by the Easter-effect (i.e. Easter falling to mid-April in 2017 but to end of March in 2018).

Derivative financial liabilities (current and non-current) increased by €11.9 million as at 31 March 2018 compared to 31 March 2017 (see Notes 3 and 20 to the financial statements). The liability in 2018 relates to losses on open US dollar hedge positions arising from a weaker US$ compared to the Euro since inception of the hedges.

Provisions (current and non-current) increased by €39.3 million as at 31 March 2018 compared to 31 March 2017 (see Note 29 to the financial statements). The increase relates primarily to new provisions made for future heavy maintenance events, particularly engine LLP replacements.

Iain Wetherall
Chief Financial Officer
23 May 2018

KEY STATISTICS

	2018	2017	Change*
CAPACITY			
Number of aircraft at end of period	**93**	79	+17.7%
Equivalent aircraft	**85.3**	72.13	+18.2%
Utilisation (block hours per aircraft per day)	**12.68**	12.48	+1.6%
Total block hours	**394,624**	329,592	+19.7%
Total flight hours	**343,006**	286,188	+19.9%
Revenue departures	**168,208**	141,698	+18.7%
Average departures per day per aircraft	**5.41**	5.37	+0.7%
Seat capacity	**32,438,754**	26,378,840	+23.0%
Average aircraft stage length (km)	**1,589**	1,582	+0.4%
Total ASKs ('000 km)	**51,536,986**	41,690,967	+23.6%
OPERATING DATA			
RPKs (revenue passenger kilometre) ('000 km)	**47,209,679**	37,627,831	+25.5%
Load factor (%)	**91.3**	90.1	+1.3ppt
Number of passenger segments	**29,632,357**	23,764,385	+24.7%
Fuel price (US$ per ton, including hedging impact and into-plane premium)	**611**	553	+10.4%
Foreign exchange rate (US$/€ including hedging impact)	**1.15**	1.10	+5.1%
FINANCIAL MEASURES (for the Airline only)			
Yield (revenue per RPK, € cents)	**4.11**	4.15	(1.2)%
Average revenue per seat (€)	**59.77**	59.21	0.9%
Average revenue per passenger (€)	**65.43**	65.73	(0.4)%
RASK (€ cents)	**3.76**	3.75	0.4%
CASK (€ cents)	**3.19**	3.15	1.3%
Ex-fuel CASK (€ cents)	**2.26**	2.25	0.4%

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

Glossary of technical terms

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

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

CASK: operating expenses per ASK.

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

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

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

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

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

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

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

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

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

RASK: passenger revenue divided by ASK.

Yield: the total revenue per RPK.

PRINCIPAL RISKS AND UNCERTAINTIES

This section of the annual report sets out our risk management process, as well as a short description of some of the key risks that could, if not properly dealt with, affect Wizz Air's future success, although it does not by any means list all risks that might possibly affect our business. Risk management is itself a dynamic and developing area and the Company is committed to ensuring that it employs best practice in order to identify and mitigate risks as best it can.

Our risk management process

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

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

Some areas of the Company's business have always had sophisticated risk analysis and mitigation processes in place. For example, the Company's flight operations are subject to a world-class risk assessment and mitigation programme and the Company's exposure to foreign exchange and fuel price changes is mitigated through a Board-approved hedging programme administered by the Audit Committee. Risks and internal controls relating to financial reporting were subject to a detailed and comprehensive analysis as part of the Company's preparations for its initial public offering in March 2015 and, more recently and during the 2018 financial year, were re-examined as part of the two Class 1 shareholder approval processes relating to the Company's aircraft orders Selected internal controls are re-examined regularly as part of the internal audit programme. The Company's comprehensive enterprise risk management (ERM) process implemented during the course of the 2017 financial year was applied consistently throughout the 2018 financial year, with review meetings facilitated by Ernst & Young and overseen by the Risk Council.

As part of this process, the internal Risk Council, involving the Company's senior management team and a number of other senior employees, meets at least quarterly, to consider and update the principal risks identified. The resulting principal risk report is then reviewed with the Audit Committee and presented to the Board. These principal 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 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 six broad groupings:

- information technology and cyber risk, including website availability, protection of our own and our customers' data and ensuring the availability of operations-critical systems;
- external factors, such as the default of a partner financial institution, fuel cost, foreign exchange rates, competition, 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 ever wider network;
- fleet development, to ensure the Company has the right number of aircraft available at the right time to take advantage of commercial opportunities and grow in a disciplined way;
- regulatory risk, ensuring that we remain compliant with regulations affecting our business and operations;
- operations, including safety events and terrorist incidents; and
- human resources, ensuring we are able to recruit the right number of colleagues of the right quality to continue to grow or, once recruited, that they remain sufficiently engaged and motivated and ensuring that the Company has appropriate succession management for key colleagues in place.

Risks relating to the Group continued

Information technology and cyber risk

Wizz Air is, primarily, an e-business. During the 2018 financial year, 96 per cent. of bookings were made through our website and mobile applications. We are therefore dependent on our information technology systems to receive, process and manage ticket reservations, process credit and debit card payments, check in passengers, manage our traffic network, perform flight operations and engage in other critical business tasks. Our website is our shop window and therefore it is critical that it is secure and reliable. We outsource the hosting and operation of these systems to a number of IT suppliers. However, we retain an experienced internal team to oversee the operation of these systems and include suitable contractual recovery and other key performance standards with each of our key IT suppliers. We have also increased the number of card acquirers and payment service providers that we use, with each provider being an effective back-up for the others. We will continue to review our business-critical systems to ensure that the appropriate level of back-up is in place. The Company has employed business continuity processes since its beginning and our existing processes and procedures ensure that key staff can be relocated to an alternative location should our normal offices become unusable. During the 2018 financial year, the Company's business continuity processes were comprehensively reviewed and updated, to ensure that they remain appropriate and sufficient for the Company's continued growth.

Cyber risk is a hugely important consideration for a business such as ours and is one of the areas on which specific work has been done with the Board over the last year. Our systems could be attacked in a number of ways and with varying outcomes – for example, unavailability of our website or operations-critical systems or theft of our customers' data. Quite apart from immediate commercial loss, any loss of customer data is likely to result in considerable loss of confidence of our customers. Cyber security is a constantly evolving challenge and one of the key issues related to cyber security is our colleagues' awareness of the risk and of the possible ways in which our business could be attacked and, therefore, a comprehensive and compulsory e-learning training course for all colleagues has been implemented. Our in-house IT security department will continue to review emerging threats and the Board will be kept up to date on the actions being taken by the Company to safeguard its systems. More generally, protection of both our own and our customers' data remains a key issue. A cross-functional team drawn from across the Company has been preparing the Company for implementation of the General Data Protection Regulation ("GDPR") in May 2018. The preparations have included a comprehensive review of the Company's data systems architecture as well as existing data protection processes and policies. New processes and policies have been developed and new technological solutions will be implemented to ensure that the Company is compliant with GDPR.

External risks

We are a truly international business and, while we report in Euros, we transact in 20 currencies. We also have to make a large number of payments in US Dollars. Appreciation of the US Dollar against the Euro may impact results and margins. Therefore, to reduce our exposure to currency fluctuations in respect of costs incurred in US Dollars, we engage in Euro/US Dollar hedging in accordance with the Board-approved hedging policy. In addition and recognising the importance of the Pound Sterling as accounting for around 16 per cent. of the Company's total revenues, we also engage in Euro/US Dollar hedging, again in accordance with the Board-approved hedging policy. In all cases, hedging transactions are subject to the approval of the Audit Committee.

Fuel accounted for 29.0 per cent. of our total Group operating cost in the 2018 financial year. A rise in fuel prices could significantly affect our operating costs. We therefore hedge our aviation fuel cost in accordance with a Board-approved hedging policy. The Audit Committee is involved in and approves each hedging decision.

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

Competition is one of the key risks to our business. Our competitors may seek to protect or gain market share in markets in which we operate, perhaps by offering discounted fares or more attractive schedules. Ultimately, our key competitive strength is our commitment to driving our cost ever lower while delivering a superior customer service. We firmly believe that, in a tough market, lowest cost ultimately wins and the necessary cost discipline is something to which we are committed, day in, day out. Competition can, however, adversely affect revenues and so we constantly monitor our competitors' actions and the performance of our route network to ensure that we take both reactive and proactive actions in a timely manner, as required.

Risks relating to the Group continued

External risks continued

We are exposed to political and economic events and trends across Europe and an economic downturn could affect demand for air travel. Our business extends beyond the borders of the EU and into countries such as Russia, Turkey and Ukraine and regions including the Caucasus, North Africa and the Middle East. These and other countries in the region have experienced, and may still be subject to, potential political and economic instability caused by changes in governments, political deadlock in the legislative process, contested election results, tension and conflict between federal and regional authorities as well as between countries, corruption among governmental officials, social and ethnic unrest and currency instability. We maintain close relationships with local authorities and, as an organisation, we are able to react quickly to adverse events.

As with all airlines in Europe, the outcome of the Brexit vote continues to cause significant uncertainty for our business, notwithstanding the agreement-in-principle for an extended transition period. During the 2018 financial year, we established Wizz Air UK, an airline licensed in the United Kingdom, to ensure that we are able to continue to fly a number of routes from the United Kingdom to destinations outside the EU, as well as to position the Company to capitalise on any consolidation opportunities that might arise in the United Kingdom and we continue to speak with various authorities to ensure that there is a general understanding of the need to maintain access to the liberalised market. However, whatever the outcome and while we continue to have a strong United Kingdom business, we have always believed that diversification of our network and our customers is a key part of a sustainable business. That remains the case and we are confident that there remains a large addressable market in CEE which will continue to provide opportunities for profitable growth should our UK business be adversely affected.

Product development

We do not just compete for customers, we compete for access to infrastructure too. Wizz Air enjoys high growth – but as we grow, we need more terminal space, slots and aircraft parking to be able to operate our flights. Certain airports to which we operate may already be or become congested, meaning we may not be able to secure access to those airports at our preferred times and, therefore, when we have slots we need to make sure that we retain them. We therefore ensure that we maintain close working relationships with relevant airport authorities and slot co-ordinators and we are continually improving our system to ensure that slot requests and submissions are made in a timely way.

Fleet development

In order to grow, we need capacity and that means that we need an appropriate supply contract for new aircraft which manufacturers are able to deliver. And the emphasis here is on new aircraft – we currently operate one of the youngest fleets in Europe, with an average age of 4.4 years, and that means we have a more efficient fleet which is more reliable and therefore able to be utilised for over twelve hours a day. For the business, that means lower unit operating costs, and for our customers, lower prices. Our existing order book with Airbus as at 31 March 2018 comprised a further 20 Airbus A320ceo-family aircraft, split into 5 A320ceo and 15 A321ceo deliveries, all of which will be delivered by June 2019. From 2019 we will start to take delivery of the A321neo aircraft ordered at the Paris Air Show in June 2015 and, from 2022, the additional A320neo Family aircraft ordered at the Dubai Airshow in November 2017. We have selected Pratt & Whitney's geared turbofan engine to power A321neo aircraft ordered at the Paris Air Show. However, there have been a number of operational issues connected with the introduction of the geared turbofan engine. While we remain confident in our selection of the geared turbofan engine, we are in constant dialogue with Pratt & Whitney to ensure that we have sufficient capacity to deliver our planned growth.

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

Risks relating to the Group continued

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.

Operational risks

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

At Wizz Air, our number one priority is the safety of our aircraft, passengers and crew. Our aircraft fleet is young and reliable, we use the services of world-class maintenance organisations and we have a strong safety culture. A cross-functional safety council meets 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 sphere of operation and how they are being dealt with. We also operate an anonymous safety reporting system, to allow our flight and cabin crew to report safety issues which are a concern to them. Our entry standards for operating crew are high and our own Approved Training Organisation (ATO) ensures that all of our pilots are trained to the same exacting standards. Wizz Air is registered under the International Air Transport Association's Operational Safety Audit (IOSA). The IOSA programme is the worldwide standard in airline safety evaluation and assesses an airline's safety management and control systems and processes.

Our experienced security team has an ongoing programme to 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 aircraft, passengers and crew cannot be guaranteed. In December 2015, Wizz Air Hungary Ltd. was named as a company of strategic importance by the Hungarian Parliament and, as such, the Company now enjoys enhanced security information and protection under the auspices of the Hungarian Constitution Protection Office.

Human resources

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

- From time to time, pilots and others can be in short supply. We invest a huge amount of time in recruiting pilots and also training them to maintain our high standards. We have added to our existing schemes with CTC Aviation Training and Central European Flight Academy with the announcement during the 2018 financial year of a new part-sponsored pilot training programme, where the Company will provide financial support to cadets together with a job with the Company upon satisfactory completion of the training course.
- We are proud that, to date, we have maintained a good relationship with our employees and we have not experienced industrial unrest. We strive to make sure that this will remain the case, but we realise that there can be no guarantee. We know that we need to ensure that we continue to motivate our colleagues. Feedback is an essential part of this process – both giving and receiving – and we consider direct communication between senior management and other employees as the best way of listening to our employees' concerns and in the 2018 financial year, we once again conducted a company-wide employee survey which saw employee participation rise to 71% and overall employee satisfaction at 78%.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risks relating to the Group continued

Human resources continued

- Our success to date has also depended on a number of key personnel, including our Chief Executive Officer, other senior managers and post holders required by regulation. Our continuing success will depend on having the right people in those key positions. While, in the past, we have successfully recruited for those positions, we recognise that we have a pool of talent within the Company and, during the 2018 financial year, a completely new talent managed programme was trialled in a limited number of departments in the Company. The success of this trial will see the programme rolled-out across the Company's office functions in the coming months. Succession of key personnel is a matter which we take extremely seriously and we shall continue to develop our succession planning processes to ensure that we have colleagues of the right calibre to lead the Company in the future.

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

József Váradi
Chief Executive Officer
23 May 2018

GOVERNANCE

CORPORATE GOVERNANCE REPORT

A COMPANY COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE

Chairman's statement on corporate governance

Wizz Air grew its business by close to 25% in F18, both in terms of the number of customers travelling with the Company as well as its revenues. During the course of F18, the value of the Company increased to a point where it is was, as at the end of F18, in the top 44% of the FTSE 250.

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. Unfortunately, on 9th February 2018, Wioletta Rosołowska decided to step down from her position as a Non-Executive Director owing to her executive business commitments. The Board is currently undertaking a search for the appointment of an additional Non-Executive Director and, while the focus will be on ensuring that the best candidate for the role is selected, the retained search firm has been instructed to bear in mind the Board's determination to increase its gender diversity.

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 F18 the Board has discussed on a number of occasions the possible outcomes of the United Kingdom's decision to exit the European Union, or Brexit. In September 2017, the Board 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. The licensing process for Wizz Air UK was completed in April and, as well as being part of the Company's Brexit contingency strategy, Wizz Air UK may also present the Company with additional commercial opportunities arising from any future consolidation in the United Kingdom airline market.

In November 2017, the Board responded swiftly to an opportunity to complete an exceptional deal at the Dubai International Airshow for 146 additional firm-order Airbus A320neo Family aircraft and which secures the Company's delivery stream until the end of 2026. This additional order was the culmination of a robust, competitive negotiation process between the two major airframe manufacturers, with Airbus finally delivering the best overall mix of aircraft, cost efficiency, support and price. The Board discussed and approved the deal in the context of the Company's long-term strategy and ambitions, allowing the Company to continue to grow at an industry-leading rate and expand its market reach across and beyond Europe.

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 a full financial year, under the oversight of the Audit Committee. The Company's Risk Council reports to the Audit Committee on a quarterly basis, with the risk report being updated following meetings, facilitated by Ernst & Young, between the Company's Head of Internal Audit and individual risk owners, with periodic updates then being given to the full Board.

Although falling just after the end of F18, the Board once again 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 remain in place 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.

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 carried out an evaluation of its performance during the financial year ended 31 March 2018 through an internally facilitated process. The performance evaluation for the financial year ending 31 March 2019 will be externally facilitated and the Board will carry out a competitive tender process for the appointment of an appropriate adviser.

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

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Directors support high standards of corporate governance and it is the policy of the Company to comply with current best practice in UK corporate governance to the extent appropriate for a company of its size. The Board intends that the Company will comply fully with the requirements of the Corporate Governance Code (April 2016) during the 2019 financial year, save as set out below:

a) William A. Franke, the Chairman, does not meet the independence criteria set out in the Corporate Governance Code (section B.1.1), given that he is the managing partner of Indigo. However, given the benefits to the Company of his recognised experience in the airline industry, the Board believes that Mr Franke should continue as Chairman.

b) The underlying principles of the Company's Remuneration Policy were last approved by the Company's Shareholders at the Company's 2015 annual general meeting. A revised policy, described in more detail in the Remuneration Report on pages 50 to 54 and in relation to which the Company consulted with a number of the Company's largest Shareholders, will be put to the Company's Shareholders for approval at the Company's 2018 annual general meeting. The underlying principles of the revised policy remain consistent with the current policy, namely that: (i) remuneration must be competitive whilst not being more than is necessary to attract, retain and motivate executive management of the quality required to continue to run the Company successfully; and (ii) a significant proportion of remuneration remains performance based. The revised policy also now includes provisions allowing the Company to recover sums paid or withhold the payment of any sum as mentioned in paragraph D.1.1. of the Corporate Governance Code. However, the Remuneration Policy currently in effect and as approved at the Company's 2015 annual general meeting does not contain such provisions, although the Company has been transparent with its Shareholders in this respect.

The Board considers that it and the Company have, during the financial year ended 31 March 2018, complied with the Corporate Governance Code (April 2016), save as set out above.

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

Our key Shareholders

As at 31 March 2018, the Company had been notified pursuant to DTR 5 of the Financial Conduct Authority's Disclosure Rules and Transparency Rules (DTRs) that the following Shareholders held more than 3 per cent. of the Company's issued Ordinary Shares:

Shareholder	Reported shareholding	Reported number of shares
Indigo Hungary LP	15.83 per cent.	11,515,509
FMR LLC	7.85 per cent.	5,713,122
The Capital Group Companies, Inc.	5.30 per cent.	3,855,647
FIL Investments International	5.03 per cent.	3,655,801
Indigo Maple Hill LP	4.79 per cent.	3,484,491

As at 4 May 2018, being the latest practicable date before the approval of the annual report and accounts, the Company had been notified that the following Shareholders held more than 3 per cent. of the Company's issued Ordinary Shares:

Shareholder	Reported shareholding	Reported number of shares
Indigo Hungary LP	15.83 per cent.	11,515,509
FMR LLC	7.85 per cent.	5,713,122
The Capital Group Companies, Inc.	5.30 per cent.	3,855,647
FIL Investments International	5.29 per cent.	3,850,665
Indigo Maple Hill LP	4.79 per cent.	3,484,491

Changes in interests that have been notified to the Company pursuant to DTR 5 of the DTRs since 4 May 2018 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 2018, Indigo (Indigo Hungary LP and Indigo Maple Hill LP together) held 20.62 per cent. of the Company's issued Ordinary Shares, as well as 29,830,503 convertible shares of £0.0001 each in the capital of the Company ("Convertible Shares"). The Convertible Shares do not have any right to participate in the Company's profits and are, save in very limited circumstances, non-voting. These limited circumstances include the consideration of a resolution for the winding-up of the Company or the variation of the rights attaching to the Convertible Shares or any variation of the rights attaching to the Ordinary Shares into which the Convertible Shares may be converted.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE CONTINUED

Our key Shareholders continued

Our relationship with Indigo continued

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

According to the Financial Conduct Authority's Listing Rules (the "Listing Rules"), any person who exercises or controls the exercise, on their own or together with any person with whom they are acting in concert, of 30 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of a company are known as "controlling shareholders". During its preparation for its initial public offering in February 2015, the Company discussed with the UK Listing Authority that, in the circumstances, Indigo would be treated as a controlling shareholder of the Company for these purposes. The Listing Rules require companies with controlling shareholders to enter into a written and legally binding agreement, which is intended to ensure that the controlling shareholder complies with certain independence provisions. The agreement must contain undertakings that:

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

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

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

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

Independence

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

Board

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

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

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

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

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 23 May 2018, 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 2017 annual general meeting, attended by all of the Directors, both the Chairman and the Senior Independent Non-Executive Director, along with the Chairmen of the Audit Committee and the Remuneration Committee, were available to answer questions from investors. The Chairman, the Senior Independent Non-Executive Director and the Chairmen of the Audit Committee and the Remuneration Committee will be present at the 2018 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 proposed Remuneration Policy set out on pages 50 to 54, which will be put to a Shareholder vote 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 and the review of safety issues.

Board membership

Wizz Air's Board currently comprises one Executive and eight Non-Executive Directors, following the resignation of Wioletta Rosołowska during F18. While the Directors consider the current structure to be an appropriate Board structure, the Board is actively searching for a further Non-Executive Director, which will restore the Board to ten Directors in total. 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 2018 financial year are:

Name	Position	Committee membership (as at 31 March 2018)
Executive Director		
József Váradi	Chief Executive Officer	
Non-Executive Directors		
William A. Franke	Chairman	Nomination Committee
Thierry de Preux	Non-Executive Director	Remuneration Committee
Guido Demuynck	Non-Executive Director	Remuneration Committee
Simon Duffy	Non-Executive Director	Audit Committee, Nomination Committee
Susan Hooper	Non-Executive Director	Audit Committee, Remuneration Committee
Stephen L. Johnson	Non-Executive Director	
John McMahon	Non-Executive Director, Senior Independent Director	Audit Committee, Nomination Committee
Wioletta Rosołowska	Non-Executive Director*	
John R. Wilson	Non-Executive Director	

* Resigned effective as of 9 February 2018.

William A. Franke, Chairman

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

József Váradi, Chief Executive Officer

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

The Board of Directors continued

Board membership continued

Thierry de Preux, Non-Executive Director

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

Guido Demuynck, Non-Executive Director

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

Simon Duffy, Non-Executive Director

Mr Duffy joined the Board in January 2014. Mr Duffy started his career at NM Rothschild & Sons Ltd and has held positions at Shell International Petroleum Co, Bain & Co, Consolidated Gold Fields Plc, Guinness Plc, Thorn EMI Plc (where he held the position of deputy chairman and group finance director), World Online International B.V. (where he held the position of deputy chairman and chief executive), End2End AS (where he held the position of chief executive), Orange SA (where he held the position of chief financial officer), NTL:Telewest Inc. (where he held the position of executive vice chairman) and Tradus Plc (where he held the position of executive chairman). Mr Duffy has extensive London Stock Exchange non-executive director experience. He has sat on the board of, amongst others, Gartmore Plc, HMV Group Plc, GWR Group Plc and Imperial Tobacco Plc. He is currently chairman of You View TV Ltd., which is a joint venture between British Telecom, TalkTalk and all the leading broadcasters in the United Kingdom. He is a non-executive director of Modern Times Group AB, one of Europe's largest broadcasting companies listed on the Stockholm Exchange, and of Telit Communications Plc, a leading company in the IoT (internet of things) sector listed in London. 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. She is currently a non-executive director of Affinity Water Ltd. and The Rank Group plc, as well as being an advisory board member of LUISS Business School in Rome. Ms Hooper recently became non-executive board member of the Department for Exiting the European Union (DExEU) of the UK. From 2011 to 2014 she was a non-executive director of Whitbread PLC and has held several other non-executive directorships, including at First Choice plc, Transcom SA, Royal and Sun Alliance Group plc and Courtaulds Textiles Plc.

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 McMahon, Non-Executive Director

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

John R. Wilson, Non-Executive Director

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

Independence

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

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

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

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

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

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

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. John McMahon has been appointed as the Company's Senior Independent Non-Executive Director.

Senior management team

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

As at 23 May 2018, the Group's senior management team, in addition to the Chief Executive Officer, is:

Name	Position
Stephen Jones	Executive Vice President and Deputy Chief Executive Officer
Diederik Pen	Executive Vice President and Chief Operations Officer
Iain Wetherall	Chief Financial Officer
Johan Eidhagen	Chief Marketing Officer
Heiko Holm	Chief Technical Officer
Owain Jones	Chief Corporate Officer
George Michalopoulos	Chief Commercial Officer
Bela Szegedi	Chief Flight Operations Officer

Stephen Jones, Executive Vice President and Deputy Chief Executive Officer

Mr. Jones joined Wizz Air in October 2017 as Deputy Chief Executive Officer and Executive Vice President. Mr. Jones is responsible for Wizz Air's commercial, marketing and information technology organizations with the Company's Chief Commercial Officer, Chief Marketing Officer and Head of Information Technology as direct reports. Mr Jones, who is a national of both New Zealand and the United Kingdom, has been 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 since he joined the airline in 2001, 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 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. Mr. Pen is responsible for Wizz Air's ground operations, flight operations, technical services, operations control organizations with the Chief Flight Operations Officer, Chief Technical Officer, Head of Operations Control Centre and Head of Ground Operations as direct reports. He was formerly the chief executive officer and chief operating officer of Martinair Holland. Prior to joining Martinair Holland in 2006, Mr Pen worked for Virgin Blue Airlines in Australia from 2002 to 2006 as head of ground operations, for Brisbane Airport Corporation in Australia as general manager of commercial services and for Amsterdam Airport Schiphol as manager of commercial services. Mr Pen has a master of business administration in business economics from the University of Amsterdam.

Senior management team continued

Iain Wetherall, Chief Financial Officer

Iain 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 promoted to Chief Financial Officer with effect from August 2017 responsible for the accounting and tax, financial planning and controlling, fleet acquisition and corporate finance and purchasing organizations. 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 Marketing Officer

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

Heiko Holm, Chief Technical 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.

Owain Jones, Chief Corporate Officer

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

George Michalopoulos, Chief Commercial Officer

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

Bela Szegedi, Chief Flight Operations Officer

Mr. Szegedi has been with Wizz Air since the start of the operations – he joined as a Direct Entry Captain from MALEV Hungarian Airlines in 2004. He has been involved in Flight Crew Training as Type Rating Instructor since 2005 and as Standardization Instructor since 2013. Mr. Szegedi was promoted to Head of Crew Training in 2015 and Chief Flight Operations Officer in October 2017. Mr. Szegedi holds an engineering degree from the Technical College of Nyiregyhaza in Hungary. He is an active commercial pilot by having built his experience through operations in Africa, Middle East and Europe. Mr. Szegedi is a Senior Examiner for the Airbus 320 fleet and has a total flight time of 16,500 hours.

Board Committees

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

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

Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

Board Committees continued

Audit Committee continued

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

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

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

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

   II. any accounting and audit judgments;

   III. levels of errors identified during the audit; and

   IV. the effectiveness of the audit process.

The Corporate Governance Code recommends that the Audit Committee should comprise at least three members, who should all be independent Non-Executive Directors, and that at least one member should have recent and relevant financial experience. During the financial year ended 31 March 2018, the membership of the Company's Audit Committee comprised three members, namely Simon Duffy, Susan Hooper and John McMahon, all of whom are independent Non-Executive Directors. No members of the Audit Committee have links with the Company's external auditors. Mr Duffy is considered by the Board to have recent and relevant financial experience and is Chairman of the Audit Committee.

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

The Audit Committee formally meets at least three times per year and otherwise as required. The Chief Executive Officer, other Directors and representatives from the Finance function of the Company may attend and speak at meetings of the Audit Committee. The Company's external auditors and the Chief Financial Officer are invited to attend meetings of the Audit Committee on a regular basis. The Company's Head of Internal Audit, along with the retained external firm of internal auditors, also attend the Audit Committee's meetings to report on internal audit matters. Following each meeting, the Chairman of the Audit Committee reports to the Board on the significant items discussed during the Audit Committee's meeting. The Audit Committee met on 11 occasions during the 2018 financial year (including telephonic meetings). In addition to the formal meetings, the Audit Committee is in regular contact with relevant management in connection with, for example, the implementation of the Group's hedging strategy.

Remuneration Committee

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

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

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

The Corporate Governance Code provides that the Remuneration Committee should comprise at least three members, all of whom should be independent Non-Executive Directors. During the financial year ended 31 March 2018, the membership of the Company's Remuneration Committee comprised three members, namely Guido Demuynck, Susan Hooper and Thierry de Preux, all of whom are independent Non-Executive Directors. The Chairman of the Remuneration Committee is Mr Demuynck.

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

The Remuneration Committee meets formally at least twice each year and otherwise as required. There were seven meetings of the Remuneration Committee during the 2018 financial year.

Board Committees continued

Nomination Committee

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

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

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

The Nomination Committee is scheduled to meet formally at least twice a year and otherwise as required. There were six meetings of the Nomination Committee during the 2018 financial year and, in between these meetings, members of the Nomination Committee advised senior management on the appointment of an additional Non-Executive Director and on various senior management appointments, including the Group's Chief Financial Officer. Interviews of candidates for each of these positions were also conducted by the members of the Nomination Committee. Candidates for the Group's Chief Financial Officer position as well as the additional Non-Executive Director were interviewed by the members of the Nomination Committee.

Attendance at Board meetings

The following table sets out the attendance by Director at the Board and Committee meetings held during the 2018 financial year.

	Board attended/total	Audit attended/total	Remuneration attended/total	Nomination attended/total
Executive Director				
József Váradi	9/9	9/11*	7/7*	6/6*
Non-Executive Directors				
William A. Franke	9/9	-	-	6/6
Guido Demuynck	9/9	-	7/7	-
Simon Duffy	9/9	11/11	-	6/6
Thierry de Preux	9/9	-	7/7	-
Susan Hooper	9/9	11/11	7/7	-
Stephen L. Johnson	9/9	-	-	-
John McMahon	8/9	11/11	-	6/6
John R. Wilson	9/9	-	-	-
Wioletta Rosolowska**	6/9	-	-	-

* The Executive Director was invited to attend these various Committee meetings in order to discuss certain matters but did not have a vote. Occasionally also Non-Executive Directors attend meetings of Committees that they are not a member of – these cases are not reflected in this table.

** Wioletta Rosolowska resigned from the Board with effect from 9 February 2018.

There were also special Board committees set up in relation to the final approval of the two Class1 transactions incurred by the Group during the year. The Class1 transactions were related to the ordering by the Group of 10 ceo and 146 neo Airbus A320-family aircraft. The members of the board committees in both cases were Simon Duffy, John R. Wilson and József Váradi, all attending the two meetings.

Board procedures

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

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

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

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

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

Finally, it is proposed that, in accordance with the recommendations of the UK Corporate Governance Code, all Directors will offer themselves for re-election at the 2018 annual general meeting.

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE

Wizz Air has grown significantly and successfully as a result, in part, of constantly re-examining the way it does things and ensuring that its business is run to the best possible standards. The work of the Audit Committee during the 2018 financial year continued to reflect this philosophy. As well as the continued engagement on day-to-day financial issues, including further discussion on hedging strategy and approval of hedging transactions, the Audit Committee also has oversight of the Company's recently-overhauled system for enterprise risk management ("ERM"), to ensure that the Company's risk management processes continue to provide robust support for its future growth.

Main activities of the Audit Committee during the 2018 financial year

Risk management

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

The 2018 financial year was the first financial year during the entirety of which the Company's ERM programme was fully operational. Working with the Company's Internal Audit function during a series of meetings facilitated by Ernst & Young, 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 quarter. 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 quarter. The Risk Council then reports to the Audit 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 Committee, is delivered to the Board.

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 Committee. Internal audits are performed by Ernst & Young and the Head of Internal Audit, who has direct responsibility to the Chairman of the Audit Committee as well as a reporting line to the Company's Chief Executive Officer.

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

Internal Audit then verifies that actions have been taken and controls implemented and reports back to the Audit Committee on the status. The Audit Committee will work to ensure that the Company continues to develop effective risk assessment and management processes.

More information on risk management within the Company is set out on pages 25 to 29 of this annual report.

Financial information

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

Relationship with external auditors

During the 2018 financial year, the Audit Committee oversaw a tender for the provision of statutory audit services to the Group. Although the EU Competition and Market Authority's ("CMA") Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the "CMA Order"), which defines requirements for mandatory tendering of statutory audit services and the responsibility of audit committees in this respect, technically does not apply to the Group given that its holding entity is incorporated outside the EU, the Audit Committee concluded that such a tender process represented best practice and, therefore, the Board resolved that the Group should voluntarily comply with the Order. Following a competitive tender process in which all major auditing firms were invited to participate, PricewaterhouseCoopers were re-appointed as the Company's auditors.

Given the level of tax and other non-audit services required by the Group and the need to ensure auditor independence, the Audit Committee also oversaw a tender for the provision of the Group's tax advisory services. Following a competitive tender process, Deloitte were appointed as the Group's principal tax adviser. The Audit Committee considers that the Group's audit and non-audit services are now properly separated and is confident these measures will continue to ensure the independence, objectivity and value for money of the audit process.

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE CONTINUED

Main activities of the Audit Committee during the 2018 financial year continued

Relationship with external auditors continued

The Audit Committee has approved the fees to be paid and the external audit plan for the 2018 financial year and reviewed the reports of the auditors on the half-year review and the annual audit performed. The Audit Committee was satisfied with the performance of the external auditors and with the effectiveness of the external audit process. The audit of the 2018 financial statements and of this annual report, and the review of the half-year financial report, were all completed in time and to high standard, addressing the key issues.

With the completion of the 2018 audit PricewaterhouseCoopers have been the auditors of the company for 12 years uninterrupted, covering the years ended 31 March 2007 to 31 March 2018.

The Audit Committee will consider the appointment of external auditors for the financial year ending 31 March 2019 and the Directors will propose a resolution in this respect for the forthcoming annual general meeting of the Company. Should the Directors later decide to appoint a firm other than the current auditor PricewaterhouseCoopers, the Directors would ask the shareholders to ratify the appointment of the new auditor at the 2019 annual general meeting.

The Audit Committee ensures the independence of the Company's external auditors. The Audit Committee reviewed the independence letter of the auditors and considered in particular the non-audit fees paid to the external auditors during the year (see Note 6 to the financial statements). While fees paid on tax and other advisory services were higher in 2018 than the audit fees, the Audit Committee was satisfied that this did not compromise the objectivity and independence of the auditors, mainly because: (i) the engagement leaders from the relevant 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. Additionally, as explained earlier, following the replacement of PricewaterhouseCoopers by Deloitte as the Group's principal tax adviser, the non-audit fees earned by PricewaterhouseCoopers will in future be materially less than the audit fees.

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 Committee:

- Maintenance accounting: As part of reviewing the reports from management and the auditor on the half-year and the year-end accounts, the Audit Committee satisfied itself that the policy and the procedures applicable to this complex area were followed in the year consistently, including the regular updates to estimates and judgments and the maintenance of the system supporting the calculations.
- Hedge accounting: The Audit Committee reviewed the reports from management and the auditor on the half-year and the year-end accounts in relation to the adoption of IFRS 9 in financial year, and satisfied itself that the requirements of the new standard were applied properly with respect to hedge accounting.

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

Other matters considered during the year

- Tendering statutory audit and tax advisory services: As explained above, the Audit Committee oversaw the tenders for and was actively involved in the selection of the statutory auditor and the principal tax adviser of the Group, being PricewaterhouseCoopers and Deloitte, respectively.
- Hedging policy: The Audit Committee approved the proposal of management to include foreign currency forwards as hedging instruments for up to 12 months in the Company's hedging policy.
- Class 1 transactions: The Group during the year entered into two aircraft orders that, as per the UK Listing Rules, were classified as 'Class 1' transactions. These transactions required the preparation of a Class 1 Circular for each, supported by legal and financial due diligence, followed by board and shareholder approval. The Audit Committee reviewed the Circulars and the financial due diligence reports prepared by KPMG LLP, was satisfied with their content, and supported the Board in approving the transactions.
- IFRS 16 Leases: The Audit Committee reviewed the implications of the adoption of IFRS 16 by the Group and supported management's recommendation to adopt the standard from its normal due date, being 1 April 2019 for the Group, as opposed to early adopting it.
- IFRS 15 Revenue from Contracts with Customers: The Audit Committee reviewed the implications of the adoption of IFRS 15 by the Group from 1 April 2018 and supported management's recommendation to apply the 'Cumulative Effect Method' of transition for adopting the standard.

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE CONTINUED

Main activities of the Audit Committee during the 2018 financial year continued

Other matters considered during the year continued

- FRC review of the F17 accounts: In January 2018 the Company received notice from the Conduct Committee of the Financial Reporting Council (UK) ('FRC') that the Group's annual report and accounts to 31 March 2017 have been reviewed. The Conduct Committee made some recommendations of relatively smaller significance, and requested further information in the areas of heavy maintenance accounting and hedge accounting. The Audit Committee reviewed and was satisfied with the content of the Company's response that was provided in March 2018. Following this, on 9 May 2018 the Company received a second letter from the FRC in which the FRC confirmed that they closed some of the issues raised in their first letter and made some further questions with respect to the remaining issues. While the Company's response to those remaining questions of the FRC will be due only after the release of this Annual Report, in the meantime the Company has already taken account of some of the recommendations made in the letters and extended its disclosures in the areas of heavy maintenance accounting and hedge accounting.
- Tax matters: Management engaged Deloitte, the new principal tax adviser of the Group, to analyse how the future corporate and tax structure of the Group should look like, with a view to the future expected developments in its business and to the expected changes in the international tax environment. The reports from Deloitte and from management were reviewed by the Audit Committee. This matter is still work in progress and no decision has yet been made for any change.
- GDPR: The Audit Committee reviewed the reports from management on the preparation for ensuring compliance with the EU General Data Protection Regulation ('GDPR') entering into effect from 25 May 2018. The Audit Committee was satisfied with the actions of management in this area.

Simon Duffy
Chairman of the Audit Committee

REPORT OF THE CHAIRMAN OF THE NOMINATION COMMITTEE

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

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

The Company's success to date has been achieved by ensuring that it appoints people of the highest calibre, whether as Directors, management or employees. While the key selection criterion is to ensure that people are appointed on their ability to do their jobs, the Company and the Nomination Committee recognise the importance to the Company of diversity, including gender equality. Unfortunately, Wioletta Rosołowska decided to step down as a Non-Executive Director during the 2018 financial year, owing to her executive commitments. A search for her replacement is ongoing through Korn/Ferry and the Nomination Committee has instructed Korn/Ferry to have regard to the Board's gender diversity when presenting candidate short lists.

The 2019 financial year will also mark the sixth anniversary of the appointments of a number of our non-executive directors. The Nomination Committee will have particular regard to the need for refreshment of the Board, when considering whether the appointments of relevant directors should extend beyond the six year point.

Main activities of the Nomination Committee during the 2018 financial year

During the 2018 financial year, the Nomination Committee worked on a number of key appointments for the Company.

The Nomination Committee, along with other Directors, assisted senior management and the Board with a review of the structure of the Company's senior executive management and its succession planning.

Following the promotion of the Chief Operations Officer to the role of Executive Vice President and Chief Operations Officer last year, the Nomination Committee approved the appointment of a second Executive Vice President to oversee the Company's commercial and technology functions. Following an extensive external search process, Stephen Jones was appointed to the role of Executive Vice President and Deputy Chief Executive Officer with effect from 1 October 2017. The Nomination Committee considers the creation of the Executive Vice President positions to be an important part of the Company's succession planning for the Chief Executive Officer.

Following the departure of the Company's Chief Financial Officer, the Nomination Committee worked with management on the appointment of a new Chief Financial Officer. Reflecting the Company's underlying principle that it searches for the best person for a particular role, an extensive external search was conducted and a number of candidates interviewed. However, the Nomination Committee also recognises that the Company is fortunate to benefit from strong internal talent, as well and, in this case, the Nomination Committee supported senior management's recommendation to promote Iain Wetherall, then the Head of Controlling and Investor Relations, to the position of Chief Financial Officer.

As already noted above, 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 2018.

The 2018 financial year was another year of strong growth for Wizz Air. Once again, we have delivered industry-leading passenger growth, with passenger numbers increasing by 25 per cent and total revenue increasing by 24 per cent. While the competitive environment was a little more benign than the previous year, the Company's operating environment was again challenging, with particularly severe winter weather in Central and Eastern Europe during the last quarter of the financial year and significant disruption once again caused by industrial action by various air traffic control organisations throughout the year. At the same time, management worked on a number of strategic projects to continue to build a strong foundation for the Company's future, including the conclusion of an additional order for 146 Airbus A320neo Family aircraft announced at the Dubai Air Show in November and the start of the licensing process for Wizz Air UK Limited as a standalone airline, which is part of the Company's Brexit contingency planning. The strong leadership during the 2018 financial year of the Board, the Chief Executive Officer and management team has seen the Company deliver record profitability of €275 million, even as the Company dealt with these various challenges and developments. At the same time, the Company remained extremely cost-focused, with its ex-fuel operating unit cost remaining materially flat (0.4 per cent. increase year on year). The relative strength of Wizz Air's performance against its peers was reflected in a share price which, as at 31 March 2018, remained some 183 per cent. higher than the offering price in the Company's initial public offering. Over the year, therefore, the Directors and senior management have ensured that the Company's business has continued to deliver results that have significantly increased Shareholder value, as well as further strengthening the foundations for the Company's future growth.

The Company's Remuneration Policy is designed to incentivise the Chief Executive Officer, currently the Company's sole Executive Director, not only to deliver profitability, but also to continue to drive the Company's unit costs even lower at the same time as delivering a good customer experience. By way of reminder, the amount of a payment under the Company's short term incentive plan depends on a number of factors, including profitability (2/3), on-time performance (1/9), ex-fuel unit operating cost (1/9) and personal performance (1/9). The outcome of the short term incentive plan for the 2018 financial year reflects the Company's performance: while profitability was above target and the reduction in ex-fuel CASK was slightly below target, on-time performance fell below the threshold for any payment, even though this was mainly as a consequence of a number of events beyond the Company's control, including severe winter weather (and the ability of a number of European airports to deal with such weather) and industrial action by various air traffic control organisations throughout the year. Taking these factors into account, the Chief Executive Officer's payment under the short term incentive plan for the financial year 2018 was CHF 796,000, being 116.8 per cent. of annual base salary (and therefore of target bonus) against a maximum bonus opportunity of 200 per cent. of annual base salary. Total remuneration for the year was CHF 1,478,000, or 11 per cent. more than last year, as a result of the Company's record profitability. 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.

The Chief Executive Officer's base salary was last revised in 2015 and, since then, the Company has grown from an airline with 55 aircraft and 2,000 employees to one with 93 aircraft and 3,700 employees – nearly double on both size measures. Over the same period, passengers numbers have grown 79 per cent., profitability has increased 88 per cent. and ex-fuel unit operating cost has remained flat. The Chief Executive Officer's leadership has been key to this growth and, as the Company moves into its next stage of growth with the first of 256 Airbus A320neo Family aircraft which will see the Company become an airline of at least 300 aircraft within the next 8 years, strong leadership will continue to be critical. Following a pay benchmarking exercise the Remuneration Committee has concluded that the Chief Executive Officer's base salary should be increase by 10 per cent. to CHF 750,000 with retrospective effect from 1st April 2018.

Report of the Chairman of the Remuneration Committee continued

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

Whilst the Company is incorporated in Jersey, we have chosen voluntarily to comply in all material respects with the provisions of the UK Companies Act 2006 and related regulations in respect of the Directors' Remuneration Report and Remuneration Policy, underlining the Company's commitment to adopt UK corporate governance best practice. In line with the reporting requirements, our Remuneration Policy will be put forward to a binding Shareholder vote at the 2018 AGM with the intention that it should apply for three years. Following comprehensive review and consultation with major shareholders, the Remuneration Committee is of the view that the Policy continues to achieve the aims set out above .We are therefore not proposing any significant changes at this time, other than to introduce malus and/or clawback provisions to both the short and long-term incentive plans. In addition, in the context of the Company's particular structure in which the company's only Executive Director is a co-founder of the Company and has maintained a significant shareholding, the Committee is of the view that there remains to be a strong alignment with shareholders. However, it is proposed that under our policy the Remuneration Committee adopts the power to increase this alignment through the implementation of shareholding guidelines, mandatory bonus deferral or an additional LTIP post-vesting holding period, over the course of the policy period should it be considered desirable to do so.

In conclusion, I would reiterate that Wizz Air continues to be proud of the strong results delivered in the 2018 financial year against a challenging industry background. We remain committed to ensuring that our Remuneration Policy continues to incentivise delivery of outstanding results in the future, but in a way that appropriately aligns the interests of the Directors and senior management with those of the Company's Shareholders. We believe that the approved Directors' Remuneration Policy does this in a way which is consistent with the Company's current growth phase and its desire to bring simplicity to all areas of its operation. Simplicity of process and practice reflects the Company's strategy to focus on achieving the lowest possible unit operating cost while improving customers' experience.

As a company, we value our Shareholders' feedback, including on remuneration matters. I was pleased that last year's Annual Report on Remuneration received a vote in favour from our Shareholders of 99.7 per cent. We look forward to the continued support of our Shareholders and welcome any questions or suggestions that you may have to further align our Remuneration Policy with the interests of our investors.

Guido Demuynck
Chairman of the Remuneration Committee

Introduction

This Directors' Remuneration Report comprises of the following three sections:

- The Directors' Remuneration Policy (pages 50 to 54) for approval by shareholders at the Company's AGM in July 2018.
- The Annual Report on Remuneration (pages 54 to 59) which sets out the remuneration earned for the 2018 financial year in accordance with the Directors' Remuneration Policy approved by shareholder at the AGM held on 29 September 2015. The current policy, which applies up until the 2018 AGM is outlined in the Company's annual report for the 2015 financial year and is available to view at corporate.wizzair.com.
- The planned application of our Remuneration Policy for the 2019 financial year (pages 59 and 60), following approval at the 2018 AGM.

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.

Remuneration Policy

Introduction

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

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

The aim of the Remuneration Policy is to:

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

Executive Director remuneration

The Chief Executive Officer is currently the Company's sole Executive Director. The Remuneration Committee believes that the Company's Remuneration Policy supports the Company's ultra-low-cost business model by incentivising senior management, including the Chief Executive Officer, to continue to strive to increase the Company's cost advantage while improving the customers' experience. The Chief Executive Officer currently receives a base salary and is eligible for an annual performance bonus of up to 200 per cent. Of base salary and a long-term incentive award of up to 250 per cent. of base salary, with payments 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 2018 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. Currently, these performance requirements relate to Company profitability, on-time performance, operating cost and personal performance.	Performance requirements are determined by the Remuneration Committee annually. They are intended to align the performance of the Executive Directors with the Group's near-term objectives of delivering against its strategy. In particular, the performance requirements incentivise the Executive Directors to focus on cost control to achieve profitability targets, while delivering a reliable service to customers. 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

Long-term Incentive Plan (LTIP) (operating for the first time in the 2016 financial year).	To align the Executive Directors' long-term interests with those of Shareholders. To reward strong financial performance and sustained increase in Shareholder value.	Each year, performance shares may be granted. Awards vest over a three-year period, subject to the achievement of performance targets. The maximum face value of annual awards will be 250 per cent. Of base salary for the Chief Executive Officer and the Executive Director must remain in office when the performance shares vest.	Performance targets are determined by the Remuneration Committee and vesting of the performance shares is subject to performance targets being met over the performance period. If a participant's employment ends before the end of the performance period, any vested and unvested options will normally lapse, save in certain "good leaver" scenarios. 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 of the Company's senior management team follows a similar pattern to that of the Executive Directors, although amounts for each component may vary. Other employees receive remuneration judged by senior management to be appropriate for their position and experience.

Non-Executive Director remuneration

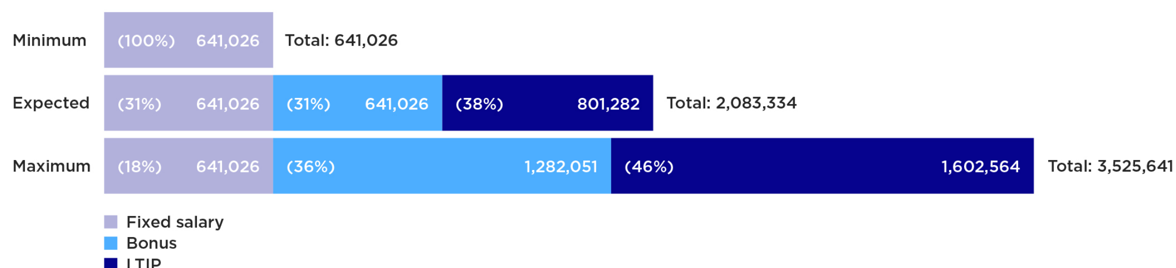
The Non-Executive Directors are only paid fees.

Element	Purpose and link to strategy	Operation and opportunity	Framework used to assess performance and provisions for the recovery of sums paid
Fees	To remunerate Non-Executive Directors to reflect their level of responsibility.	Non-Executive Directors are paid a basic fee, plus an additional amount for each Board meeting attended. Additional fees are paid for the roles of Chairman of the Audit Committee, Remuneration Committee, Chairman of the Board and, with effect from 2019, 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 2018 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, at a minimum, as a reasonable expectation and as a possible maximum (in Euro):



All amounts are determined in Swiss Francs (CHF) that for the purposes of this chart were converted into Euro at the rate of 1.17 CHF for Euro (rate at 31 March 2018).

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.

Fixed remuneration is base salary (May 2018 level annualised, being €641,026). The annual bonus amount is zero at minimum, €641,026 at the expected level (50 per cent. of maximum opportunity of 200 per cent.) and €1,282,051 at maximum (200 per cent. of base salary). The long-term incentive amount is zero at minimum, €801,282 at the expected level (50 per cent. of maximum opportunity of 250 per cent.) and €1,602,564 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 awards under the Company's previous 2009 international employee share option plan remain eligible for vesting and 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), Thierry de Preux, and Susan Hooper.

The Remuneration Committee is responsible for setting the Remuneration Policy for all Executive Directors and the Chairman, including pension rights and any compensation payments, and recommending and monitoring the remuneration of the senior managers. Non-Executive Directors' fees are determined by the full Board. A summary of the Remuneration Committee's terms of reference can be found on our corporate website, corporate.wizzair.com. Further details about the Remuneration Committee are set out on page 41 of the Corporate Governance Report.

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

Annual Report on Remuneration continued

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 2018 financial year, Willis Towers Watson received fees totalling GBP 91.024 for advice related to Remuneration Policy, governance, developments in executive pay, benchmarking and performance analysis.

Willis Towers Watson is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Remuneration Consultants Group Code of Conduct in relation to executive remuneration consulting in the UK. The Remuneration Committee is satisfied that Willis Towers Watson offers impartial and objective advice and brings a high degree of expertise to the Remuneration Committee's discussions.

Shareholders' vote on remuneration

At the 2017 annual general meeting the Annual Report on Remuneration was put forward for an advisory vote. Details of the voting outcomes are provided in the table below:

	Remuneration Policy (2015 AGM)		Annual Report on Remuneration (2017 AGM)	
Votes for	38,578,768	99.63%	47,008,515	93.79%
Votes against	141,517	0.37%	3,114,822	6.21%
Total votes	38,720,285		50,123,337	
Votes withheld	773,017		-	

Executive Director's remuneration

Full details of the Chief Executive Officer's remuneration for 2018 are set out below (in Euros):

Single total figure of remuneration table – audited

	2018					
	Fees and salary	**Benefits**	**Bonus**	**LTIP**	**Pension**	**Total**
József Váradi	**600,762**	**-**	**680,543**	**-**	**-**	**1,281,304**

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

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

Base salary for the CEO remained unchanged for 2018 at CHF 682,000. Exchange rates differences between the 2018 financial year and the 2017 financial year account for the difference in the Euro base salary amount shown in the tables above. Differences in exchange rates in future years may affect the converted Euro figure.

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 €1600 altogether.

Bonus is linked to three important financial and operational KPIs of the Company and to individual performance. The measures, target performance and actual performance for 2018 were the following:

		Target performance				
Measures	Weight	Threshold*	Target**	Maximum***	Actual performance	Payout ratio
Profit (underlying, €m)	67%	225	265	305	275	125%
CASK ex-fuel (€c/ASK)	11%	2.32	2.26	2.20	2.26	100%
On-time performance (delay <15 mins)	11%	76.0%	80.0%	84.0%	75.9%	0%
Individual performance rating	11%	2	2+	1	1	20%
Aggregate payout ratio						**117%**

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

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

*** If the "Maximum" is reached or exceeded then there is 200 per cent. Payment of the target.

Annual Report on Remuneration continued

Executive Director's remuneration continued

The evaluation of the Chief Executive Officer's personal performance during the 2018 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 organization. During the 2018 financial year, the business delivered 24% capacity growth and 25% passenger growth to 30 million PAX, 24% revenue growth €1.95 billion and 22% net profit growth to €275 million, Wizz Air UK was established and obtained its air operator's certificate and operating license in May 2018 and the Company completed an order for 146 additional latest-technology Airbus A320neo Family with Airbus. Reflecting the Company's planned growth, the Chief Executive Officer recruited and inducted Stephen Jones as Deputy Chief Executive Officer and also enhanced the Company's leadership capacity by creating the Chief Technical Officer position which was filled through internal promotion and the Chief Digital Officer position, for which the search is at an advanced stage. Taking these achievements into account, the Chief Executive Officer was awarded a "1" performance rating, together with a small number of other members of the Company's management team.

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

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

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

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

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

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

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 is due in June 2019 and is subject to the same performance criteria as the first award. However, the EPS threshold, target and maximum average annual growth rates were revised slightly versus the July 2015 grant to 14.2 per cent., 17.2 per cent. and 20.2 per cent., respectively.

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.

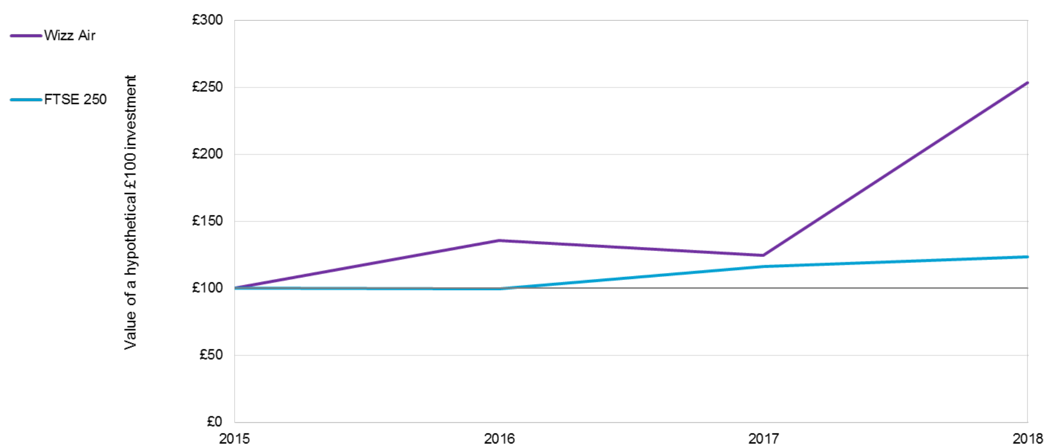
No remuneration is shown for LTIP options in the table above for "single total figure of remuneration", since no shares vested in the 2017 and 2018 financial years. The first LTIP award made in the 2016 financial year (July 2015), and which is due to vest in the 2019 financial year (July 2018,) will be disclosed in the single total figure of remuneration for the 2019 financial year in next year's report.

As outlined in the 2015 annual report, 1,920,075 share options were issued to the Chief Executive Officer during the 2005–2011 calendar years from the previous long-term incentive plan (ESOP) of the Company. Of these, 1,755,075 were exercised during the 2015 financial year. The remaining 165,000 (vested) options were exercised in the 2018 financial year – hence the Chief Executive Offices does not any longer hold options from the ESOP.

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 two financial years following IPO. TSR is defined as share price growth plus reinvested dividends.



Source: DataStream Return Index

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

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

Five-year overview of Chief Executive Officer remuneration

Financial year	Single figure of total remuneration Euro	Performance bonus achieved against maximum possible	LTIP shares vesting against maximum possible*
2014	1,462,212	97%	N/A
2015	1,607,587	91%	N/A
2016	1,812,883	95%	N/A
2017	1,240,812	48%	N/A
2018	1,281,304	58%	N/A

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

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

	Chief Executive Officer			Total employees
	2018 (euro)	2017 (euro)	Change	Change**
Salary and fees	**600,762**	629,622	-4.6%	+6.4%
Benefits	**-**	-	N/A	-20.4%
Bonus	**680,543**	611,191	+11.3%	+84.4%
Total remuneration	**1,281,304**	1,240,812	3.3%	+7.9%

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

** Per employee, excluding the Chief Executive Officer.

The decrease in the Chief Executive Officer's base salary in euro terms was attributable to exchange rate differences between the 2018 financial year and the 2017 financial year.

In 2018 the higher level of payout on the bonus (Short-term Incentive Plan) caused the increase in the total remuneration both for the Chief Executive Officer and for other employees. This impact was stronger for other employees than for the Chief Executive Officer because in 2018 more Officers were entitled to bonus (due to all Officer positions being filled and also one new Officer position being established during 2018).

Total employee remuneration changed from €77.9 million in the 2017 financial year to €106.8 million in the 2018 financial year (see Note 7 to the financial statements), being a 37.0 per cent. increase year-on-year. This was driven also by the 24.4 per cent. increase in employee numbers (excluding rented pilots).

There were no dividends or share buybacks in the 2018 financial year or the 2017 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

	2018					
	Fees and salary €	Benefits	Bonus	LTIP	Pension	Total €
William A. Franke	**72,500**	-	-	-	-	**72,500**
Stephen L. Johnson	**47,500**	-	-	-	-	**47,500**
John R. Wilson	**47,500**	-	-	-	-	**47,500**
Thierry De Preux	**47,500**	-	-	-	-	**47,500**
John McMahon	**45,000**	-	-	-	-	**45,000**
Simon Duffy	**66,250**	-	-	-	-	**66,250**
Guido Demuynck	**60,000**	-	-	-	-	**60,000**
Susan Hooper	**47,500**	-	-	-	-	**47,500**
Wioletta Rosołowska*	**36,429**	-	-	-	-	**36,429**
Total	**470,179**	-	-	-	-	**470,179**

* Joined on 1 June 2016.

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

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

Total remuneration of Directors for the period was €1,751,483 (2017: €1,655,395). This is the sum of the two single figure tables set out above.

Our Conflict of Interest policy prohibits any other employment (for all employees) on top of the employment at Wizz. Therefore in case of the Chief Executive Officer any additional directorship would require specific permission of the Chairman of the Board. The Chief Executive Officer 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.

Directors' shareholdings

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

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

The Company therefore believes that the interests of the Directors are well aligned with those of the Shareholders. Full details of the Directors' and their connected persons' interests in the Company's shares as at 31 March 2018 are set out below:

Annual Report on Remuneration continued

Directors' shareholdings continued

Directors and connected persons' interests in shares – audited

	Direct ownership	Interests		
Director	Number of Ordinary Shares	Number of Ordinary Shares	Number of Convertible Shares	Total Ordinary Share interests
William A. Franke[1]	82,917	15,074,750	29,830,503	15,157,667
József Váradi [2]	10,500	1,925,000	-	1,935,500
Thierry de Preux	51,384	-	-	51,384
Guido Demuynck	5,250	-	-	5,250
Simon Duffy	5,250	-	-	5,250
Stephen L. Johnson	52,750	-	-	52,750
John Mc Mahon	14,750	-	-	14,750
John R. Wilson	59,083	-	-	59,083

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

(2) Mr Váradi is deemed to be interested in the Ordinary Shares held by his family trust companies.

There has been no change to the interests of each of the Directors set out above since 31 March 2018 to the date of the notice of the 2018 annual general meeting.

Application of the Remuneration Policy in the 2019 financial year

a) Chief Executive Officer's base salary

The Chief Executive Officer's salary was last increased in 2015 following the Company's initial public offering. Following a detailed review of his remuneration package relative to pay benchmark peer groups and considering his exceptional performance since the IPO which has seen the Company deliver record profitability and share price growth, the Committee considers that an increase in base salary of 10% from CHF 682,000 to CHF 750,000 to be appropriate.

b) Short-term Incentive Plan

The Chief Executive Officer is eligible to receive a cash bonus of up to 200 per cent. of base salary in respect of the 2019 financial year. The actual cash bonus received will continue to depend on the achievement of certain performance criteria including underlying profit after tax (80 per cent.), on-time performance (10 per cent.) and ex-fuel cost per available seat kilometre (10 per cent.).

The Remuneration Committee believes that the specified performance criteria are sufficiently challenging compared to the Company's business plan. The annual bonus targets are commercially sensitive and therefore will be disclosed in the 2019 Remuneration Report following the completion of the financial year provided that they are no longer commercially sensitive.

c) Long-term Incentive Plan

An award of performance shares of up to 250 per cent. of base salary will be made to the Chief Executive Officer following approval of policy at the 2018 annual general meeting. Awards will vest following a three-year performance period and be subject to the same type of performance criteria as the 2017 award as follows:

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

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

The TSR group will consists 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.

With respect to the EPS growth measure, 25 per cent. of the award will vest for threshold average annual growth of 11 per cent. and 100 per cent. will vest for maximum average annual growth of 29 per cent. Linear interpolation applies for performance between threshold and maximum.

Application of the Remuneration Policy in the 2019 financial year continued

d) Chairman and Non-Executive Directors' fees

Following a review of Non-Executive Director and Chairman fee levels against external pay benchmarks and noting that Non-Executive Director and Chairman fees have remain unchanged since before Wizz Air's initial public offering in 2015, the Board deemed it appropriate to increase the Non-Executive Directorship fee from €25,000 to €30,000 per annum and the Board attendance fee from €2,500 to €5,000 for each Board full Board meeting attended, for the financial year ending 31 March 2019.

Simon Duffy, as Chairman of the Audit Committee, will continue to receive an additional fee of €18,750 per annum for taking on that role. Guido Demuynck, as Chairman of the Remuneration Committee will continue to receive an additional fee of €12,500 per annum for taking on that role. John McMahon, as Senior Independent Director will receive an additional fee of €10,000.

In addition, the Board deemed it appropriate for William A. Franke, as Chairman, to receive a fee of €235,000 (all inclusive) per annum for taking on that role. As noted above, the current Chairman's fee of €75,000 (which comprises of the Non-Executive Directorship fee of €25,000, an additional €25,000 for taking on that role plus meeting attendance fees) has remained unchanged since before Wizz Air's initial public offering in 2015 and, following the benchmarking exercise by WillisTowersWatson, was found to be significantly below even the lowest non-executive Chairman's fee for FTSE 250 companies. Given the significantly greater size, complexity and value of the Company since that date and the increased time commitment of the Chairman to the Company, the increase will bring the Chairman's fee in line with the median, which is consistent with the Company's general policy on pay.

The Non-Executive Directors will also be reimbursed for all proper and reasonable expenses incurred in performing their duties.

Other disclosures

Directors' service agreement and letters of appointment

Executive Director

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

Non-Executive Directors

The Company entered into letters of appointment with each of its Non-Executive Directors on 4 June 2014, other than Ms. Susan Hooper who was appointed as a Non-Executive Director on 1 March 2016, 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. Each Non-Executive Director's appointment may be terminated by the Company or the Non-Executive Director with one month's written notice. Continuation of the appointment is contingent on continued satisfactory performance and re-election at the Company's annual general meetings and the appointment will terminate automatically on the termination of the appointment by the Shareholders or, where Shareholder approval is required for the appointment to continue, the withholding of approval by the Shareholders. Re-appointment will be reviewed annually.

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

On behalf of the Board

Guido Demuynck
Chairman of the Remuneration Committee
23 May 2018

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 in safety and reliability.

This mission reflects the engagement of every colleague in the Wizz Air team and the pride everyone feels at 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 organization. Wizz Air is different, Wizz Air is special and, now more than ever, as we continue to grow at an exceptional rate, maintaining our unique culture is something that we all want to see continue.

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 that 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. However, we are also conscious of the many economic, social and environmental developments impacting our communities and have a number of initiatives. Our initiatives can be summed up in four pillars: Safety, the Environment, Society and Economy.

WIZZ cares for your safety

Since its first flight in 2004, Wizz Air's number one priority has been the safety and security of its operations. We have has devoted time and resources to ensure that our safety culture and safety procedures are world-class and we continuously develop our processes, training programmes and monitoring systems to ensure that they remain so.

Managing safety

Our Safety and Security teams are embedded in our business to ensure the robust management of Wizz Air's safety management system and to maintain constant and open dialogue with our regulatory authorities.

Wizz Air has been registered under the International Air Transport Association (IATA), Operational Safety Audit (IOSA), the global benchmark in airline safety recognition since May 2016. The IOSA program is an internationally recognized and accepted evaluation system which assesses the operational management and control systems of an airline, using over 900 standard criteria. The 15-month IOSA certification period includes training sessions, internal gap analyses and rectifications and an independent audit by an IATA-certified organization.

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.

Dealing with unruly passengers

Wizz Air has a very strict policy against disruptive behaviour on board. Its Unruly Passenger Policy is included in the Cabin Attendant Manuel and all crew members are trained to monitor passenger behaviour in order to detect and prevent possible unruly behaviour and ensure a safe flight. They also receive extensive conflict management and self-defence training. Partnering airport handlers are educated on the relevant parts of the policy and are encouraged to filter people displaying potentially disruptive behaviour in the check-in or at the gate. Passengers who were involved in disruptive behaviour are put on a no-fly list. Wizz Air's Unruly Passenger Policy is regularly revised based on evaluation of the most common issues. In an effort to further discourage unruly behaviour, in particular smoking on board, Wizz Air has started a customer communications campaign, both in airports and aircraft, as well as on our online channels.

WIZZ cares for the environment

WIZZ knows that the aviation industry has a responsibility to take steps to minimise its effects on the environment. Our business model, which continuously assesses and implements innovative technologies, decreases our environmental footprint and, with our order for 256 ultra-efficient Airbus A320neo Family aircraft starting deliveries in 2019, our environmental footprint will continue to decrease.

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 4.4 years[2]. WIZZ has not only one of the youngest fleets, but also one of the most efficient. The Airbus A321ceo, which WIZZ introduced in November 2015, is the most efficient single aisle aircraft with the lowest fuel consumption per seat in its category. The A321ceo is 15% more fuel-efficient compared to other single aisle aircraft currently in service. It also delivers lower CO_2 emissions and lower noise levels.

Most of Wizz Air's fleet of Airbus A320 family aircraft is powered by the V2500 engine offered through IAE International Aero Engines AG. The V2500 engine is the most environmentally friendly engine in its class – offering the lowest total emissions resulting from the lowest fuel burn, and it is also the quietest engine in this sector.3 In 2017, Wizz Air started to implement a modification of the engine computer, which helps us reduce the idle thrust during taxi, thus reducing the environmental impact in the airport perimeter.

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. Wizz Air ordered 110 latest-technology Airbus A321neo aircraft in 2015 and a further 146 Airbus A320neo family aircraft in 2017. The first of these ultra-efficient new aircraft is scheduled for delivery in early 2019, with these new, latest-technology aircraft expected to deliver a fuel burn advantage of 16% per seat compared to even the A321ceo, translating to a cut in carbon emissions by over 5,700 metric tonnes per aircraft per year, and will also cut our aircraft noise footprint by up to 75%.

Implementing fuel saving initiatives

Wizz Air's fleet is not only one of youngest fleets flying in Europe today, it is also highly efficient. Efficiency means lower unit operating costs and this ensures customers are offered the lowest fares. One of the ways that we can reduce each customer's environmental footprint is to ensure that, by offering the lowest prices, 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 2018 financial year was 91.3%, increasing from 90.1% in 2017. We aim to increase this by 1% during the 2019 financial year.

WIZZ is currently implementing over 60 fuel saving initiatives to make sure that we minimise our fuel consumption. While undeniably good for business, it also means that we operate in as environmentally friendly a way as possible. Since 2012 we implemented several projects and initiatives, including the improvement of economic flying speed, descent optimization and zonal drying, which add up nearly 100,000 tons reduction of CO2 emissions per year, or over 3% per aircraft per year.

A major initiative is the use of sharklets a type of Airbus blended winglet devices, intended to 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 may correspond to an annual saving of 900 tonnes of CO_2 per aircraft according to Airbus[4]. At the end of FY18, over 60% of Wizz Air's fleet was equipped with sharklets. This number will grow as we phase out older aircraft and, as all of our brand-new Airbus A321ceo and A320neo Family aircraft will be delivered with sharklets, 100% of our fleet will be equipped with sharklets by 2014. Furthermore, as the saving potential of sharklets is higher on longer routes, Wizz Air always deploys aircraft equipped with sharklets for long distances.

As a result of the numerous fuel-saving initiatives, Wizz Air is proud to have one of the lowest emission rates in European airline industry. In the 2018 Financial Year, our carbon emissions per passenger kilometre were 59.9 grams, down from 61.5 grams in the prior financial year.

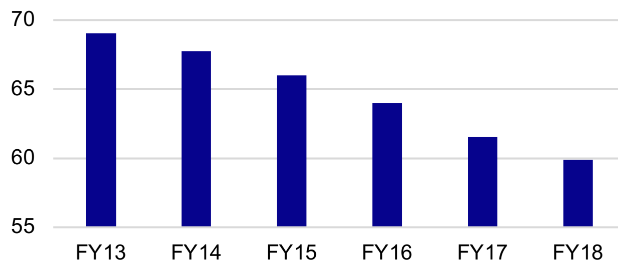
2 Data of 31 March 2018

3 http://i-a-e.com/environment.html

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

WIZZ cares for the environment continued

Implementing fuel saving initiatives continued



Limiting our paper use

The Wizz Air Electronic Flight Bag (EFB) project aims to minimize the amount 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. Now, they are now equipped with 2 Panasonic FZ-G1 Touchpad tablets, containing all mandatory manuals, as well as some 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 useWizz Air also plans to introduce an electronic quick reference handbook and checklists and to replace the hard copy operational flight plan and operational logs and forms with electronic versions as well.

WIZZ cares for the people around us

Wizz Air's operations can affect many people's lives – those of our colleagues, our passengers and residents of the communities we serve. 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 career development support and opportunities for both current and potential WIZZ employees. We believe that our diverse team is the company's greatest asset, therefore, we are committed engaging with our colleagues and increase our already high employee satisfaction rate.

Engaging our employees

We want Wizz Air to be not just a great airline, but a great airline to work for. As at 31 March 2018, Wizz Air employs over 4000 employees across its network, consisting of approximately 2600 cabin crew, 1200 pilots and 300 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. The Employee Feedback Survey carried out in January 2018 had a participation rate of over 70%, and 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%, which is 21% higher than the average engagement rate measured in Europe and 18% higher compared to global results[5]. Overall, 89% of the WIZZ Team is optimistic about the future of our company.

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.

As the company continues to grow and the number of operational bases and countries increases, so the importance of internal communication increases. A regular bi-weekly electronic newsletter is distributed to all employees, containing business updates as well as news about local team events and individual accomplishments of our team members.

As people are Wizz Air's most important asset, we are continuously looking to implemented new initiatives to further engage our team and better their work experience. Over the course of the past years, the company introduced a bigger variety in roster patterns for the Flight Crew, a WIZZ Star Crew recognition program for Cabin Crew and more transparency on open vacancies within the company, amongst many other improvement projects. We are keen that the talented people who make up the WIZZ Team are able to develop their careers at Wizz Air and it is gratifying to see a number of colleagues developing their careers by moving between the operations department and office and vice versa.

5 Based on the 2017 TRENDS IN GLOBAL EMPLOYEE ENGAGEMENT report by Aon: www.aon.com/engagement17

WIZZ cares for the people around us continued

Recruiting and developing talents

Wizz Air is continuously recruiting people who are passionate about the aviation industry. The company recruited 1,125 new employees in the 2018 financial year – an impressive 3.1 new colleagues joining the company daily.

We strongly invest in the recruitment of talented pilots, via the Wizz Air Cadet Program, a partnership with BAA Training, which offers young, passionate candidates the required training and a letter of engagement after successful completion. During the 2018 financial year, Wizz Air took things a stage further with the launch of the Wizz Air Pilot Academy in Poland and later in Romania, which provides financial support, including partial sponsorship, to motivated cadets during their initial training.Pilot Academy cadets who successfully graduate from the program can begin their employment at Wizz Air as Pilot Trainees. The programme will be rolled out across other Wizz Air base countries in the coming months.

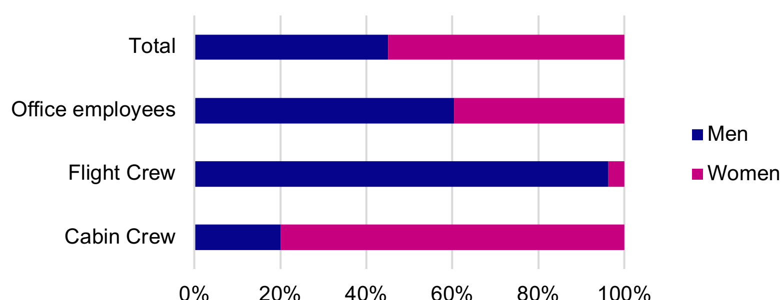
Wizz Air recently implemented a new standardized Training & Development program and Talent Management process for its office employees, allowing for an improved formal, systematic evaluation based on agreed performance goals and a greater focus on each employee's potential to develop their career with Wizz Air. In the past 12 months, there have been several 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.

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 and irrespective of their race, gender or age. During the recruitment and selection process, we evaluate professional factors including experience and qualifications in the light of the relevant job requirements and this principle remains throughout employment with Wizz Air. We expect all of our colleagues to adhere to these same 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 4000 colleagues brings together more than 45 different nationalities. At Board level, the nine current Directors are from six different countries and the Company's Leadership Team of nine Officers are also from six different countries.

Within Wizz Air, the overall male to female ratio is balanced, with 55% women working at Wizz Air.



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 organization. In this past financial year, in a total of 72 office hires, 48.6% were women. Additionally, more than a quarter (28%) of all newly appointed Department Heads were female and recruitment advisers are instructed to ensure that there is always at least one female candidate in the short list for senior management positions.

While we currently have no female Officers within the Leadership Team, one of our nine current Directors is female and, as the Board searches for additional Directors, it pays particular attention to ensuring its increased gender diversity.

WIZZ Foundation

During the 2018 financial year, Wizz Air decided to implement the WIZZ Foundation, an official funding entity set up in Hungary, with the aim of supporting Wizz Air's employees, their family members and the broader community in four different areas: Health, Education, Child Care and Emergency Aid. The board of trustees consists of 3 members drawn from Cabin Crew, Flight Crew and Office.

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 help families in Poland, supporting children's medical services or donating blood in Hungary, creating better education conditions in Romania or giving presents to orphans in Macedonia.

Wizz Air also aims to support the personal development of young graduates via its annual Wizz Youth Challenge, organised for the first time in May 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, gaining useful feedback and valuable experiences for their further development. The second WIZZ Youth Challenge will be held in May 2018. Each member of the winning team receives unlimited travel on the Wizz Air network for a 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. Because 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, and races in Debrecen, Cluj-Napoca, Sofia, Skopje, Kyiv and Katowice. We also actively promote this healthy lifestyle amongst our employees, by offering them the chance to join these events to represent Team WIZZ across Central and Eastern Europe.

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 change a destination too. Few things are as good for an economy as direct air links – particularly when those air links are at Wizz Air's lowest fares. 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 provide job opportunities to over 4000 aviation professionals inside its organisation, but, through our ever-growing network and operations, we also create numerous new jobs at more than 140 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 over 22.000 local jobs in financial year 2018, carrying 29.6 million passengers on its low-fare routes.

Furthermore, in accordance to its ULCC model, Wizz Air chooses to outsource many supporting tasks in all levels of the organisation to local, external partners, working in close collaboration with over 5000 contracted service providers across its network.

Boosting traffic and tourism

Across Wizz Air's network, there are several locations where there were no regular air services before Wizz Air, or where Wizz Air made a significant difference in traffic numbers. After Wizz Air opened its base in Varna, Bulgaria in 2017, the airport saw a double-digit rise in passengers' traffic, reaching almost 2 million passengers. In Macedonia, largely thanks to Wizz Air's continued investments, passenger numbers have tripled in the last ten years and flying interest has boosted. Another example is the Kutaisi International Airport in Georgia, where in 2017 more than 75% 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 more than doubled, from 182,000 passengers in 2015 to 405,000 in 2017.

Protecting 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 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.

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 2018.

Results and dividend

The results for the year are shown on page 78.

The Directors do not recommend the payment of a dividend (2017: 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 up to the date of signing the financial statements are listed below:

- József Váradi
- William A. Franke
- John R. Wilson
- Stephen L. Johnson
- John McMahon
- Thierry de Preux
- Simon Duffy
- Guido Demuynck
- Susan Hooper
- Wioletta Rosolowska (resigned with effect from 9 February 2018)

Going concern

Wizz Air's business activities, financial performance and financial position, together with factors likely to affect its future development and performance, are described in the Strategic Report on pages 4 to 24. Principal risks and uncertainties facing the Group are described on pages 25 to 29. Note 3 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and provides details of the risks related to financial instruments held by the Group.

At 31 March 2018, the Group held cash and cash equivalents of €979.6 million while net current assets were €572.6 million. Other than convertible debt with a balance of €26.9 million the Group has no significant external borrowings.

The Directors have reviewed financial forecasts including plans to finance future aircraft deliveries. After making enquiries, the Directors have satisfied themselves that the Group is expected to be able to meet its commitments and obligations for at least the next twelve months from the date of signing this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Viability

In accordance with provision C.2.2 of the UK Corporate Governance Code (2014), the Directors have assessed the prospects and the viability of the Group over a three-year period to March 2021. The Directors have determined that the three-year period was the appropriate period because (i) Wizz Air has a fast expanding business which gives less certainty of certain key forecasting assumptions over a longer period; and (ii) the Group's strategic planning process traditionally covers three years.

Assessment of prospects

The Group's prospects are assessed by management and the Board primarily through the strategic planning process. This three-year plan takes into account the current position of the Group, includes the fully detailed annual operating plan for the financial year starting (in this case for the year ending March 2019) and then, building on it, a sufficiently detailed bottom-up forecast for further two financial years. The Board participates fully in the process by aligning the key assumptions and the topline financial targets, reviewing and approving the annual operating plan, and reviewing and acknowledging the three-year plan.

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

Viability continued

Assessment of viability

Although the strategic plan reflects management and the Directors' best estimate of the future prospects of the business, they have also tested the resilience of the business to unfavorable deviations of certain key variables from the base case scenario. In defining these scenarios the Directors took into account the principal risks that could prevent the Group from delivering on its strategy and financial targets, as summarised on pages 25 to 29 in the Strategic Report.

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

- there will not be a prolonged grounding of a substantial portion of the aircraft fleet; and
- with regards to the expected departure of the UK from the European Union, the terms of exit will be such that will allow the Group to continue to operate broadly the same network to/from the UK as at present (due also to the new UK airline entity established and successfully licensed by April 2018).

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

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

Viability statement

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2021.

Disclosure of information to auditors

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

Independent auditors

A resolution for the appointment of the auditors of the Company for the financial year ending 31 March 2019 is to be proposed by the Directors at the forthcoming Annual General Meeting.

Indemnities

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

Political donation and expenditure

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

Capital structure

As at 31 March 2018, the Company had 72,746,171 Ordinary Shares of £0.0001 each in issue, each with one vote, and 29,830,503 Convertible Shares, which do not entitle the holder to voting rights save in very limited circumstances. There were no shares held in treasury at that date. The rights and obligations attaching to the Company's shares are set out in the articles of association. Holders of Ordinary Shares have the following rights:

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

Capital structure continued

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

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

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

During the 2018 financial year 341,200 new Ordinary Shares were allotted for cash, all on a non-pre-emptive basis. These were allotted pursuant to the exercise of share options by the employees of the Group.

The aggregate nominal value of the Ordinary Shares allotted for cash in the 2018 financial year was £34. The aggregate cash consideration received by the Company for the allotment of the Ordinary Shares was £1.0 million.

Corporate governance statement

The corporate governance statement, prepared in accordance with rule 7.2 of the UK Listing Authority's Disclosure Guidance and Transparency Rules sourcebook, can be found in the Wizz Air Holdings Plc Corporate Governance Report on page 32. The Wizz Air Holdings plc Corporate Governance Report forms part of this Wizz Air Holdings plc Directors' Report and is incorporated into it by this reference.

Information required by Listing Rule LR 9.8.4C

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

Listing Rule	Information required	Relevant disclosure
9.8.4(1)	Interest capitalised by the Group	N//A
9.8.4(2)	Unaudited financial information as required (LR 9.2.18)	Unaudited financial information was published by the Group in its interim management statements (for Q1 and Q3) and in its half-year results. There have been no changes to the unaudited information previously published.
9.8.4(4)	Long-term incentive plans (LR 9.4.3)	See Directors' Remuneration Report.
9.8.4(5)	Directors' waivers of emoluments	N/A
9.8.4(6)	Directors' waivers of future emoluments	N/A
9.8.4(7)	Non-pro-rata allotments of equity for cash (the Company)	See paragraph headed "Capital structure" in this report.
9.8.4(8)	Non-pro-rata allotments of equity for cash (major subsidiaries)	N/A
9.8.4(10)	Contracts of significance involving a Director	N/A
9.8.4(11)	Contracts of significance involving a controlling shareholder	N/A
9.8.4(12)	Waivers of dividends	N/A
9.8.4(13)	Waivers of future dividends	N/A
9.8.4(14)	Agreement with a controlling shareholder (LR 9.2.2.AR(2)(a))	See Corporate Governance Report.

For and on behalf of the Board

József Váradi
Chief Executive Officer
23 May 2018

COMPANY INFORMATION

Registered number
103356

Registered office
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JE4 9WG

Secretary
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E14 5LB
United Kingdom

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United Kingdom

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Canary Wharf
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E14 5JP
United Kingdom

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

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

On behalf of the Board

József Váradi
Director
23 May 2018

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

Report on the group financial statements

Our opinion

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

- give a true and fair view of the state of the group's affairs as at 31 March 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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 as at 31 March 2018; 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.

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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall group materiality: €14.3 million (2017: €12.7 million), based on 5% of profit before tax.

Audit scope

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

Key audit matters

- Aircraft maintenance provisioning.
- Hedge and derivative accounting.

The scope of our audit and our key audit matters

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

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

Report on the group financial statements continued

Our audit approach continued

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
Aircraft maintenance provisioning	
The group operates aircraft, which are held under operating lease arrangements, and incurs liabilities for maintenance during the term of the lease. Provisions arise from legal and contractual obligations relating to the condition of the aircraft when it is returned to the lessor. The risk is that with the inherent level of management judgement required in calculating the amount of provision together with the complexity of the calculation and the number of variable factors and assumptions, the provision may be inaccurate, incomplete and understated. Maintenance provisions of €150.7 million for aircraft maintenance costs in respect of operating leased aircraft are recorded in the financial statements at 31 March 2018 (refer to Note 29 to the financial statements). For aircraft held under operating lease agreements, the group is contractually committed to either return the aircraft in a certain condition or to compensate the lessor based on the actual condition of the aircraft and its major components upon return. Provision is made for the minimum unavoidable costs of specific future obligations created by the lease at the time when such obligation becomes certain. This is when the respective aircraft component no longer meets the lease re-delivery conditions. Commonly there is a warranty period for components at the start, during which no obligation arises; provisioning only commences after this warranty period. At each balance sheet date, the calculation of the maintenance provision, derived from the maintenance provision system (MPS), includes a number of variable factors and assumptions including: likely utilisation of the aircraft; the expected cost of the heavy maintenance check and the time it is expected to occur; the condition of the aircraft; and the lifespan of life-limited parts.	We evaluated the integrity of the maintenance provision system ("MPS") and tested the calculations therein. This included assessing the process by which the variable factors within the provision were estimated, evaluating the reasonableness of the assumptions, testing the input data and re-performing calculations. We found no significant issues in the MPS input data or the calculated maintenance assets and provisions. The basis for these calculations was found to be consistent with prior periods and in line with the detailed accounting policy set out in Note 2. We compared the cost assumptions in the MPS to recent invoices, inspected and approved maintenance plans as well as validated current flight hours and flight cycles to non-financial data sources. We found no material exceptions from these procedures and estimates. We read new or amended aircraft lease contracts and validated the updated MPS input data. We found no material exceptions from these procedures.

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

Report on the group financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Hedge and derivative accounting	
The group uses derivative and non-derivative (natural hedges) financial instruments to hedge transaction currency and jet fuel price risks. The risk is that because of 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 (e.g. timely tailored documentation, including details of how hedge effectiveness is monitored both prospectively and retrospectively), an error could result in a material misstatement to the financial statements. At 31 March 2018, derivative financial assets amounted to €34.1 million and derivative financial liabilities were €13.7 million. Further details are set out in Notes 2, 3 and 20 to the financial statements. The Directors' review concluded that all requirements had been complied with and that the amounts booked at 31 March 2018 are not materially misstated.	We evaluated the processes, procedures and controls in respect of the group's treasury and other management functions which directly impact the relevant account balances and transactions. We tested management's year-end account reconciliation process, including cut-off procedures. The results of this work allowed us to focus on substantiating the year-end positions recorded in the financial statements. We independently obtained direct confirmations from each of the counterparties to test the cut-off at the year end. We found no material exceptions from these confirmations. We assessed the appropriateness of hedge accounting for the derivative financial instruments and performed testing procedures over the hedge documentation and effectiveness testing and noted no significant exceptions. We tested, using independent data-feeds, the fair values being ascribed to those instruments at the year end and noted no significant exceptions. We also assessed the appropriateness of the disclosures in the financial statements in respect of derivative financial instruments. We did not identify any significant issues with the measurement or presentation of the group's derivative financial instruments and hedge accounting.

How we tailored the audit scope

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

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

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

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

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

Report on the group financial statements continued

Our audit approach continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and 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	€14.3 million (2017: €12.7 million).
How we determined it	5% of profit before income tax.
Rationale for benchmark applied	We believe that profit before income tax is the primary measure used by shareholders in assessing the performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.7 million (2017: €0.6 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	
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 agreed 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.

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.

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

Reporting on other information continued

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) 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 are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on page 25 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 66 and 67 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 in respect of this responsibility.

We agreed to review 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 in accordance with Listing Rule 9.8.6R(3). 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. We have nothing to report.

Other Code Provisions

We are required to report to you if, in our opinion:

- The statement given by the directors, on page 70, 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 44 to 46 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.

We have nothing to report in respect of this responsibility.

Strategic Report and Directors' Report

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 listed 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.

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 set out on page 70, 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.

David Snell
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Recognized Auditor
London, United Kingdom
23 May 2018

ACCOUNTS AND OTHER INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

Continuing operations	Note	2018 € million	2017 € million
Passenger ticket revenue	5	**1,132.2**	915.5
Ancillary revenue	5	**815,8**	655.7
Total revenue	5	**1,948.0**	1,571.2
Staff costs		**(147.8)**	(112.9)
Fuel costs		**(479.8)**	(375.2)
Distribution and marketing		**(34.0)**	(27.9)
Maintenance materials and repairs		**(98.6)**	(74.7)
Aircraft rentals		**(276.3)**	(233.9)
Airport, handling and en-route charges		**(465.7)**	(390.0)
Depreciation and amortisation		**(90.7)**	(57.6)
Net other expenses		**(63.2)**	(52.4)
Total operating expenses		**(1,656.2)**	(1,324.5)
Operating profit	6	**291.8**	246.7
Financial income	10	**2.8**	0.6
Financial expenses	10	**(5.0)**	(13.0)
Net foreign exchange (loss)/gain	10	**(3.6)**	2.6
Net exceptional financial income	9	**-**	18.8
Net financing (expense)/income		**(5.8)**	9.1
Profit before income tax		**286.1**	255.8
Income tax expense	11	**(11.0)**	(9.8)
Profit for the year		**275.1**	246.0
Other comprehensive income – items that may be subsequently reclassified to profit or loss:			
Net movements in cash flow hedging reserve, net of tax		**10.0**	15.5
Currency translation differences		**-**	-
Other comprehensive income for the year, net of tax		**10.0**	15.5
Total comprehensive income for the year		**285.1**	261.6
Earnings per share (Euro/share)	12	**4.00**	4.30
Diluted earnings per share (Euro/share)	12	**2.18**	1.95

The notes on pages 83 to 122 are integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	Note	**2018** **€ million**	2017 € million
ASSETS			
Non-current assets			
Property, plant and equipment	13	**684.5**	505.7
Intangible assets	14	**17.6**	10.3
Restricted cash	22	**159.4**	154.7
Deferred interest	21	**3.4**	4.7
Derivative financial instruments	20	**2.5**	0.1
Trade and other receivables	18	**43.7**	67.3
Total non-current assets		**910.9**	742.7
Current assets			
Inventories	17	**21.6**	24.9
Trade and other receivables	18	**195.4**	141.4
Financial assets available for sale	19	**-**	1.0
Derivative financial instruments	20	**31.7**	10.0
Deferred interest	21	**0.2**	1.2
Restricted cash	22	**2.8**	1.2
Cash and cash equivalents		**979.6**	774.0
Total current assets		**1,231.1**	953.7
Total assets		**2,142.1**	1,696.3
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	28	**-**	-
Share premium	28	**379.1**	378.2
Reorganisation reserve	28	**(193.0)**	(193.0)
Equity part of convertible debt	28	**8.3**	8.3
Cash flow hedging reserve	28	**18.7**	2.6
Retained earnings		**1,028.7**	756.4
Total equity		**1,241.9**	952.5
Non-current liabilities			
Borrowings	23	**4.7**	5.3
Convertible debt	24	**26.6**	26.8
Deferred income	26	**107.3**	107.9
Deferred tax liabilities	15	**7.4**	6.5
Derivative financial instruments	20	**0.9**	0.8
Provisions for other liabilities and charges	29	**94.8**	77.5
Total non-current liabilities		**241.7**	224.7
Current liabilities			
Trade and other payables	25	**254.7**	197.7
Current tax liabilities		**1.8**	2.4
Borrowings	23	**0.6**	0.6
Convertible debt	24	**0.3**	0.3
Derivative financial instruments	20	**12.8**	1.1
Deferred income	26	**330.1**	280.9
Provisions for other liabilities and charges	29	**58.3**	36.2
Total current liabilities		**658.5**	519.1
Total liabilities		**900.2**	743.8
Total equity and liabilities		**2,142.1**	1,696.3

The notes on pages 83 to 122 are integral part of these financial statements.

The financial statements on pages 78 to 122 were approved by the Board of Directors and authorised for issue on 23 May 2018 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 2018

Note	Share capital € million 28	Share premium € million 28	Reorganisation reserve € million 28	Equity part of convertible debt € million 28	Cash flow hedging reserve € million 28	Retained earnings € million	Total equity € million
Balance at 1 April 2017 as stated before	**-**	**378.2**	**(193.0)**	**8.3**	**2.6**	**756.4**	**952.5**
Hedge time value reclassification*	**-**	**-**	**-**	**-**	**6.1**	**(6.1)**	**-**
Balance at 1 April 2017 (restated)	-	378.2	(193)	8.3	8.7	750.3	952.5
Comprehensive income							
Profit for the year	-	-	-	-	-	275.1	275.1
Other comprehensive income							
Hedging reserve	-	-	-	-	10.0	-	10.0
Total other comprehensive income	-	-	-	-	10.0	-	10.0
Total comprehensive income for the year	-	-	-	-	10.0	275.1	285.1
Transactions with owners							
Proceeds from shares issued (Note 28)	-	0.9	-	-	-	-	0.9
Share based payment charge (Note 27)	-	-	-	-	-	3.3	3.3
Total transactions with owners	-	0.9	-	-	-	3.3	4.2
Balance at 31 March 2018	**-**	**379.1**	**(193.0)**	**8.3**	**18.7**	**1,028.7**	**1,241.9**

* The Group adopted IFRS 9 by restating the opening balances of reserves on 1 April 2017. The €6.1 million gain that related to the time value of open hedge instruments was reclassified from retained earnings into the cash flow hedging reserve. This is presented separately from the other movements in reserves in the period.

The notes on pages 83 to 122 are integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

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

The notes on pages 83 to 122 are integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	**2018 € million**	2017 € million
Cash flows from operating activities			
Profit before income tax		**286.1**	255.8
Adjustments for:			
Depreciation	13	**86.9**	55.0
Amortisation	14	**3.8**	2.6
Financial income		**(2.8)**	(21.6)
Financial expense		**8.8**	13.0
Gain on sale of PPE		**(2.2)**	-
Share based payment charges	27	**3.2**	1.0
		383.8	305.8
Changes in working capital (excluding the effects of exchange differences on consolidation)			
Increase in trade and other receivables		**(38.3)**	(7.6)
Increase in restricted cash		**(10.6)**	(52.4)
Decrease in deferred interest		**2.3**	1.3
Decrease/(increase) in inventory		**3.3**	(7.3)
Increase in provisions		**0.4**	0.7
Increase in trade and other payables		**49.5**	21.9
Increase in deferred income		**37.4**	57.6
Cash generated by operating activities before tax		**427.8**	319.9
Income tax paid		**(10.9)**	(9.0)
Net cash generated by operating activities		**416.9**	310.9
Cash flows from investing activities			
Purchase of aircraft maintenance assets		**(84.1)**	(77.7)
Proceeds from the sale of available for sale financial assets		**1.0**	-
Purchases of tangible and intangible assets		**(25.6)**	(38.1)
Proceeds from the sale of tangible assets		**23.8**	-
Advances paid for aircraft		**(219.8)**	(172.7)
Refund of advances paid for aircraft		**94.9**	108.7
Interest received		**0.9**	0.2
Net cash used in investing activities		**(208.9)**	(179.7)
Cash flows from financing activities			
Proceeds from the issue of share capital		**1.0**	1.2
Interest paid		**(2.8)**	(2.4)
Commercial loan repaid		**(0.6)**	(0.5)
Net cash used in financing activities		**(2.3)**	(1.8)
Net increase in cash and cash equivalents		**205.6**	129.4
Cash and cash equivalents at the beginning of the year		**774.0**	645.6
Effect of exchange rate fluctuations on cash and cash equivalents		**(0.1)**	(1.0)
Cash and cash equivalents at the end of the year		**979.6**	774.0

The notes on pages 83 to 122 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 Ltd. and two dormant entities, Dnieper Aviation LLC and Wizz Air Ukraine Airlines LLC.

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

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

New standards and interpretations

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

The Group adopted IFRS 9, 'Financial Instruments' as of 1 April 2017. The adoption of IFRS 9 had the following implications for the Group:

The classification of financial assets and liabilities have been changed, see more details in Accounting Policies section, Financial assets and liabilities part.

Changes in the time value of unexpired hedge instruments are recorded in other comprehensive income. In transitioning from IAS 39 to IFRS 9 the Group restated the 1 April 2017 opening position of reserves but did not restate the prior period financial statements. Accordingly, the €6.1 million gain that related to the time value of open hedge instruments as at 1 April 2017 was reclassified from retained earnings into the cash flow hedging reserve.

A revised impairment policy has been implemented, see more details in Accounting Policies section, Trade and receivables part.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

New standards and interpretations continued

b) Standards early adopted by the Group

There are no other standards early adopted by the Group.

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

- **IFRS 15, Revenue from Contracts with Customers** – deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue and IAS 11, Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

  The Group is adopting IFRS 15 from 1 April 2018. Based on the assessment of management, under IFRS 15 some ancillary revenue types need to be recognised on the date of flight rather than the date of sale, as it was the case until 2018. The Group will apply the 'Cumulative Effect Method' (or modified retrospective method) of transition for adopting IFRS 15, which results in a one-off reduction of retained earnings against an increase in deferred income of approximately €5 million on 1 April 2018 (the date of initial application). Compensations paid to customers would, to some extent, be netted with revenues – however, this is not expected to have a material impact on the financial statements.

- **IFRS 16, Leases** (effective for the accounting periods beginning on or after 1 January 2019) – addresses the classification, measurement and recognition of leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard supersedes IAS 17, Leases and was endorsed by the EU in 2017.

  The Group currently leases all of its aircraft under operating leases; therefore, IFRS 16 brings a very significant change for the Group. An assessment of the estimated impacts of IFRS 16 has been performed by management and is explained below.

The following key issues were considered for the modelling:

Year of adoption:
The date of application is 1 April 2019, the date required by the standard.

Existing leases:
The Group expects that all of its aircraft and spare engine operating leases that will exist at the date of initial application would come on balance sheet under the new rules. Other smaller value operating leases (e.g. offices) were ignored as being immaterial for the purposes of this analysis.

In the modelling for existing leases the full retrospective method of transition was assumed, as per paragraph C5(a) of the standard.

Future aircraft:
New aircraft scheduled to arrive from the beginning of 2019 are not yet financed. For the purposes of this modelling, for the aircraft expected to arrive between January 2019 and March 2020 the following was assumed:

- deliveries of the Airbus A320ceo family (altogether three, in the April–June 2019 period) will be leased in the form of operating leases and under terms similar to those that the Group most recently entered into;
- deliveries of the Airbus A320neo family (out of which three fall into the January–March 2019 period, i.e. prior to the date of initial application of IFRS 16) will be purchased by the Group – hence were ignored for the purposes of this modelling.

Foreign exchange:
Calculations were performed assuming an EUR/USD FX rate of 1.23 for all future transactions and for the date of initial application. No change was assumed to this rate therefore potential foreign exchange gains and losses were not included.

Component accounting:
It was assumed that component accounting is required for the right-of-use assets, similar to that applicable to owned aircraft. Component accounting was not assumed in the analysis prepared a year ago – which explains the more significant retained earnings impact (€0.2 billion, as below) when compared to the disclosure made in the 2017 annual report (€0.1 billion impact).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

New standards and interpretations continued

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

Results of the analysis (not audited data):

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

- right-of-use assets will be recognised in the amount of €1.2 billion at the date of initial application. Deferred credit existing under the current standard in the amount of €0.1 billion will be eliminated and will be part of the €1.2 billion balance of right-of-use assets By the end of the year of initial application (31 March 2020) the balance of right-of-use assets will decrease to €1.0 billion;
- lease liabilities will be recognised in the amount of €1.5 billion at the date of initial application. By the end of the year of initial application the balance will decrease to €1.3 billion;
- retained earnings will be decreased by €0.2 billion – this applies both at the date of initial application and at the end of the year of initial application; and
- the impact on profits for the year of initial application will be a loss of €15–20 million. In 2019–2020 the average age of the Group's fleet (approximately five years) will be around half of the average lease tenure of the fleet (approximately ten years), which makes the earnings impact for the year of initial application relatively limited.

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

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

Foreign currency

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

The functional currency of Dnieper Aviation LLC and Wizz Air Ukraine Airlines LLC is the Ukrainian Hryvnia (UAH) while the functional currency of Wizz Air UK Ltd is English pounds (GBP).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Foreign currency continued

The results and financial position of all the Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

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

The below exchange rates were used for the translation of UAH into Euros in the respective financial years:

	2018	2017
Closing rate	**32.66**	28.96
Average rate for the year	**32.42**	28.42

The below exchange rates were used for the translation of GBP into Euros in the respective financial years:

	2018	2017
Closing rate	**0,876**	N/A
Average rate for the year	**0.883**	N/A

Financial assets and liabilities

The Group adopted IFRS 9, 'Financial Instruments' as of 1 April 2017. The Group determined the classification for financial assets and liabilities under IFRS 9 as follows. The below table also presents for comparison purpose the classification of financial assets and liabilities applied by the Group before 1 April 2017 in line with IAS 39, 'Financial Instruments: Recognition and Measurement'. The change of classification as a result of adopting IFRS 9 did not affect the measurement and the carrying value of financial assets and liabilities.

Description in the statement of financial position	IFRS 9 Category	IAS 39 Category
Non-current assets		
Restricted cash	Financial assets measured at amortised cost	Loans and receivables
Trade and other receivables	Financial assets measured at amortised cost	Loans and receivables
Current assets		
Trade and other receivables	Financial assets measured at amortised cost	Loans and receivables
Financial assets available for sale	Fair value through other comprehensive income	Available-for-sale assets
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss
Restricted cash	Financial assets measured at amortised cost	Loans and receivables
Cash and cash equivalents	Financial assets measured at amortised cost	Loans and receivables
Non-current liabilities		
Borrowings	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost
Convertible debts	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cos
Current liabilities		
Trade and other payables	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost
Borrowings	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost
Convertible debt	Financial liabilities measured at amortised cost	Other financial liabilities measured at amortised cost
Derivative financial instruments	Fair value through profit or loss	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.

2. Accounting policies continued

Financial assets and liabilities continued

a) Financial assets measured at amortised costs

These are non-derivative financial assets hold 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 costs 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.

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

These are non-derivative financial assets hold by the Group in order both to collect contractual cash flows and selling 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 costs or at fair value through 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 costs

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

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income within financial income or expenses. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below). The Group enters into foreign exchange and jet fuel price hedging transactions to minimise the impact of fluctuations in foreign exchange rates and fuel price on the Group. Both types of hedging transactions are cash flow hedges under IFRS 9.

Cash flow hedges

The Group uses zero cost collar and outright forward contracts to hedge commodity and foreign exchange risks. 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.

2. Accounting policies continued

Financial assets and liabilities continued

Derivative financial instruments and hedging continued

Cash flow hedges continued

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.

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%. Hedge ratio is defined as the relationship between the quantity of the hedging instrument and the quantity of the hedged item.

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, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised in the statement of comprehensive income immediately, net of tax, within the cash flow hedging reserve.

Before expiry, the fair value of an option comprises: i) its intrinsic value, being a function of the difference between contracted and market (or spot) prices; and ii) its time value, being the difference between the fair value and the intrinsic value at any point in time. Subject to hedge effectiveness, any increase or decrease in the 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 portion, if any, are recorded as financial income or expense in the statement of comprehensive income.
- The realised gains or losses on the hedging instrument are recorded against the respective operating expense line(s) in the statement of comprehensive income.

The 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 as financial income or expense in the statement of comprehensive income.

2. Accounting policies continued

Financial assets and liabilities continued

Derivative financial instruments and hedging continued

Hedging with non-derivatives

The Group uses its selected financial assets denominated 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 with 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 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 the trade and other receivables account, and the amount of the loss is recognised in the statement of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

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

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

Restricted cash

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

Trade and other payables

Trade and other payables are initially recognised 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Financial assets and liabilities continued

Interest-bearing borrowings continued

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. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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

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

Impairment of financial assets

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Non-financial assets and liabilities

Property, plant and equipment

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

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

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

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

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

Assets received free of charge

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

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

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

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

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

Advances paid for aircraft maintenance assets – engine fleet our agreements (FHA)

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

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

2. Accounting policies continued

Non-financial assets and liabilities continued

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	three to eight years
Web and other software development costs	three to five years
Airport landing rights	indefinite

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

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

Deferred interest

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

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

Impairment of non-financial assets

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Employee benefits

Share based payment transactions

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

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

Provisions

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

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

Revenue

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

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

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

Leases

Finance leases

If the risks and rewards incidental to ownership of an asset are substantially transferred to Wizz Air then it is accounted for as a finance lease. The following five criteria can indicate such situation:

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

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

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Leases continued

Operating leases

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

Sale and leaseback transactions

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

Maintenance

Aircraft maintenance provisions

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

Aircraft maintenance assets

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

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

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

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

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

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

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

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

Other receivables from lessors – maintenance reserve

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

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 recognised as income, spread equally across the shorter of useful economic life and the lease term of the respective aircraft.

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

Net financing costs

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

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

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

Share capital

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

Taxation

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

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

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that are shown separately due to the significance of their nature or amount.

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

Segment reporting

Operating and reportable segments

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

Management information is provided to the senior management team, which (in the context of IFRS 8 'Operating segments') is the Group's Chief Operating Decision Maker (CODM). Resource allocation decisions are made by the CODM for the benefit of the route network as a whole, rather than for individual routes within the network. The performance of the network is assessed primarily based on the operating profit or loss for the period.

3. Financial risk management

Financial risk factors

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

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

Risk analysis

Market risks

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and commitments that are denominated in a currency other than the Euro. The foreign currency exposure of the Group is significant for two reasons: (i) only a small portion of the Group's revenues are denominated in or linked to the US Dollar while a significant portion of the Group's expenses are US Dollar denominated, including fuel, aircraft leases, maintenance reserves and aviation insurance; and (ii) there are various currencies in which the Group has significantly more revenues than expenses, primarily the British Pound (GBP) and – to a smaller extent – the Polish Zloty (PLN).

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

3. Financial risk management continued

Risk analysis continued

Market risks continued

Foreign currency risk continued

The new Hedging Policy defines also the hedging of the GBP/Euro foreign currency rate exposure, as a new measure of risk management. The Group's maximum target coverage on this currency pair is 60% on a rolling twelve-month basis, but there were no hedges open at 31 March 2018.

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

At 31 March 2018	EUR € million	USD € million	Other € million	Total € million
Financial assets				
Trade and other receivables	96.2	118.6	24.3	239.0
Derivative financial assets	-	34.2	-	34.2
Cash	889.4	62.7	27.5	979.6
Restricted cash	161.3	0.7	0.2	162.2
Total financial assets	**1,146.9**	**216.2**	**52.0**	**1,415.1**
Financial liabilities				
Borrowings	5.3	-	-	5.3
Convertible debt	26.9	-	-	26.9
Trade and other payables	191.9	36.2	26.6	254.7
Derivative financial liabilities	-	13.7	-	13.7
Total financial liabilities	**224.1**	**49.9**	**26.6**	**300.6**

At 31 March 2017	EUR € million	USD € million	Other € million	Total € million
Financial assets				
Trade and other receivables	55.0	138.0	15.7	208.7
Financial assets available for sale	-	-	1.0	1.0
Derivative financial assets	-	10.1	-	10.1
Cash	757.8	0.4	15.8	774.0
Restricted cash	154.7	0.9	0.3	155.9
Total financial assets	967.5	149.4	32.8	1,149.7
Financial liabilities				
Borrowings	5.9	-	-	5.9
Convertible debt	27.1	-	-	27.1
Trade and other payables	135.6	35.6	26.5	197.7
Derivative financial liabilities	-	1.9	-	1.9
Total financial liabilities	168.6	37.5	26.5	232.6

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

Interest rate risk

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

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

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

Commodity risks

One of the most significant costs for the Group is jet fuel. The price of jet fuel can be volatile and can directly impact the Group's financial performance. The Group's maximum hedge coverage is 70 per cent. on a rolling twelve-month basis and 60 per cent. on a rolling 18-month basis. The average hedge coverage in F18 was 53 per cent. and 39 per cent. respectively.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

3. Financial risk management continued

Risk analysis continued

Market risks continued

Hedge transactions during the periods

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 periods was as follows:

a) Foreign exchange hedge (USD versus EUR):

   US$517 million (2017: US$333.5 million).

b) Foreign exchange hedge (GBP versus EUR):

   GBP 48 million (2017: nil).

c) Fuel hedge:

   703,000 metric tons (2017: 475,000 metric tons).

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

a) Foreign exchange hedge (USD versus EUR):

   €510.7 million loss (2017: €2.4 million gain). Out of it €7.4 million loss effect on fuel cost (2017: €1.1 million gain), while €3.3 million loss (2017: €1.3 million gain) effect on lease rental cost.

b) Foreign exchange hedge (GBP versus EUR):

   €1.9 million gain (2017: nil). GBP foreign exchange hedge affects revenue.

c) Fuel hedge:

   €24.4 million gain (2017: €5.9 million loss).

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 €12.8 million loss (2017: €5.8 million gain) recognised within other comprehensive income, assets (€0.8 million in 2018 and €5.8 million in 2017) or liabilities (€13.7 million in 2018 and nil 2017), respectively. The €12.8 million loss can be analysed further into €7.5 million intrinsic value loss and €5.3 million time value loss components.

   The notional amount of the open positions was US$726 million (2017: US$297 million). There was no open position on the GBP/Euro zero-cost collar instruments at the end of the current and the prior year.

b) Foreign exchange hedge with non-derivatives:

   The notional amount of the open positions was US$393.4 million (2017: US$238.5 million).

   Non-derivatives are existing financial assets that hedge highly probable foreign currency cash flows in the future and therefore act as a natural hedge. At the end of the year out of its non-derivative financial assets position the Group had US$13.5 million designated for hedge accounting (2017: US$23.6 million). This amount is part of trade and other receivables on the consolidated statement of financial position.

   In preparation for the Company to potentially buy aircraft and bring them on balance sheet the Company altered the settlement process of payable and receivable Pre-Delivery Payments (PDPs) to/from Airbus in March 2018. This change in settlement method will significantly reduce the exposure of the Company's income statement to unpredictable FX gains and losses arising on returned USD deposits. In addition, the change will improve the efficiency of cash management between Airbus and the Company with less cash transactions going backwards and forwards.

   Therefore, the PDP balance kept with Airbus is no longer considered as a natural hedge of future USD cash outflows as it is intended to be kept with Airbus without any commitment and timing of its return. Under a scenario of purchasing aircraft the PDP is a down-payment of the final purchase price of the aircraft, and upon the delivery of the aircraft Airbus will irrevocably retain the PDP. The FX gains or losses in this case would therefore be capitalized as part of the cost of the aircraft asset and depreciated over the life of the aircraft.

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 €33.3 million gain (2017: €2.5 million gain) recognised within other comprehensive income and assets (€33.3 million in 2018 and €4.3 million in 2017) or liabilities (nil in 2018 and €1.8 million in 2017), respectively. The €33.3 million gain can be analysed further into €37.7 million intrinsic value gain and €4.4 million time value loss components.

The notional amount of the open positions was 626,000 metric tons (2017: 598,000 metric tons).

In relation to these open hedge positions the cash flows will occur and the hedge relationships will impact the statement of comprehensive income during the year ending 31 March 2019.

The company had only cash flow hedges in the year. The amounts removed from equity during the year were all recycled to the statement of comprehensive income.
During the year the Group realised €16 million gain (2017: €15.5 million) in other comprehensive income in relation to change in fair value of cash flow hedge open positions and as of 1 April 2017 in amount of €6.1 million time value gain was reclassified from retained earnings as a result of adoption of IFRS 9.

Hedge effectiveness

During the year covered by these financial statements, based on the evaluation of the Group, the hedging transactions did not give rise to material ineffectiveness under IFRS 9. 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.

Sensitivity analysis

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

	2018 Difference in profit after tax (in € million)	2017 Difference in profit after tax (in € million)
Fuel price sensitivity		
Fuel price $100 higher per metric ton	**-77.0**	-67.0
Fuel price $100 lower per metric ton	**+77.0**	+67.0
FX rate sensitivity (USD/EUR)		
FX rate 0.05 higher (meaning EUR stronger)	**+35.4**	+29.8
FX rate 0.05 lower	**-35.4**	-29.8
FX rate sensitivity (GBP/EUR)		
FX rate 0.03 higher (meaning EUR stronger)	**-10.0**	-7.7
FX rate 0.03 lower	**+10.0**	+7.7
FX rate sensitivity (PLN/EUR)		
FX rate 0.15 higher (meaning EUR stronger)	**-5.1**	-4.1
FX rate 0.15 lower	**+5.1**	+4.1
Interest rate sensitivity (EUR)		
Interest rate is higher by 100 bps	**+1.8**	+2.7
Interest rate is lower by 100 bps	**-1.8**	-2.7

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

3. Financial risk management continued

Liquidity risks

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. The Group has an adequate liquidity position. The Group invested excess cash in a conservative way, 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 on cash base or net-settled derivative financial assets and liabilities) into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

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

At 31 March 2018	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	163.9	31.4	42.1	2.6	240.0
Derivative financial assets	15.0	16.7	2.5	-	34.2
Cash	979.6	-	-	-	979.6
Restricted cash	0.1	2.6	105.2	54.3	162.2
Total financial assets	**1,158.6**	**50.7**	**149.8**	**56.9**	**1,416.0**
Financial liabilities					
Borrowings	0.3	0.8	4.0	2.2	7.3
Convertible debt	-	2.1	27.4	-	29.5
Trade and other payables	254.7	-	-	-	254.7
Derivative financial liabilities	2.0	10.8	0.9	-	13.7
Financial guarantees	1,004.3	-	-	-	1,004.3
Total financial liabilities	**1,261.3**	**13.7**	**32.3**	**2.2**	**1,309.5**

At 31 March 2017	Within three months € million	Between three months and one year € million	Between one and five years € million	More than five years € million	Total € million
Financial assets					
Trade and other receivables	124.8	11.8	69.9	4.5	211.0
Financial assets available for sale	1.0	-	-	-	1.0
Derivative financial assets	2.8	7.2	0.1	-	10.1
Cash	774.0	-	-	-	774.0
Restricted cash	0.1	1.0	48.9	105.9	155.9
Total financial assets	902.7	20.0	118.9	110.4	1,152.0
Financial liabilities					
Borrowings	0.3	0.8	4.0	3.3	8.4
Convertible debt	-	2.1	29.5	-	31.6
Trade and other payables	197.7	-	-	-	197.7
Derivative financial liabilities	0.1	0.9	0.9	-	1.8
Financial guarantees	645.6	-	-	-	645.6
Total financial liabilities	843.7	3.8	34.4	3.3	885.1

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

The Company provided guarantees to third parties to guarantee the performance of its airline subsidiary in relation to aircraft lease contracts on a regular basis, and from 2017 also in relation to a contract for the provision of public services in Hungary. These possible obligations are disclosed in the table above, with the shortest maturity under the financial guarantees line. Management does not expect that any payment under these guarantee contracts will be required by the Company.

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

3. Financial risk management continued

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 2018	AAA € million	AA € million	A € million	A- € million	Other € million	Unrated € million	Total € million
Financial assets							
Trade and other receivables	-	3.3	-	-	2.5	233.3	239.1
Derivative financial assets	-	20.1	-	4.3	9.7	-	34.2
Cash and cash equivalents	-	926.5	-	-	51.7	1.3	979.6
Restricted cash	-	162.2	-	-	-	-	162.2
Total financial assets	**-**	**1,112.0**	**-**	**4.3**	**63.9**	**234.6**	**1,414.8**

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

The "Other" column in 2018 includes €52.2 million balance (out of which €50.0 million is bank deposit) with one of the banking partners of the Group, that has BBB rating.

From the unrated category within trade and other receivables the Group has €91.4 million (2017: €110.3 million) receivables from different aircraft lessors in respect of maintenance reserves and lease security deposits paid (see also Note 18). However, given that the Group physically possesses the aircraft owned by the lessors and that the Group has significant future lease payment obligations towards the same lessors (see Note 32), management does not consider the credit risk on maintenance reserve receivables to be material.

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

Fair value estimation

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

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

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2018.

	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Assets				
Derivative financial instruments	-	34.2	-	34.2
	-	34.2	-	34.2
Liabilities				
Derivative financial instruments	-	13.7	-	13.7
	-	13.7	-	13.7

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

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

3. Financial risk management continued

Capital risk management

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

The capital structure of the Group consists of financial liabilities, cash and cash equivalents and equity. Financial liabilities primarily consist of finance leases and convertible debt as disclosed in Notes 23 and 24 respectively. Equity comprises issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. The overall capital risk management strategy of the Group remains unchanged from prior years.

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

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

a) Maintenance policy

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

The cost of heavy maintenance is capitalised and recognised as a tangible fixed asset (and classified as 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 policy adopted by the Company, as summarized above, is only one of the policies available under IFRS in accounting for heavy maintenance for aircraft held under operating 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. The directors believe the policy adopted by the Company 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

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

c) Net presentation of government taxes and other similar levies

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

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

d) Accounting for membership fees

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

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

5. Segment information

Reportable segment information

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

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

	2018 Airline € million	2018 Tour operator € million	2018 Group € million	2017 Airline € million	2017 Tour operator € million	2017 Group € million
Total revenue	**1,939.0**	**18.0**	**1,957.0**	1,562.0	18.1	1,581.0
Less: inter-segment revenue	**(9.0)**	**0.0**	**(9.0)**	(8.8)	-	(8.8)
Revenue from external customers	**1,930.0**	**18.0**	**1,948.0**	1,553.1	18.0	1,571.2
Operating expenses	**(1,645.9)**	**(19.0)**	**(1,656.2)**	(1,314.5)	(18.9)	(1,324.5)
Operating profit/(loss)	**293.0**	**(1.0)**	**291.8**	247.4	(0.8)	246.7
Profit/(loss) after tax	**276.4**	**(1.0)**	**275.1**	246.7	(0.9)	246.0
Underlying profit/(loss) after tax	**276.4**	**(1.0)**	**275.1**	226.1	(0.9)	225.3

In 2018 Financial income, financial expenses, depreciation and amortisation, and income tax expenses reported for the Group in the period are all related to the airline business. There were no material non-cash items in the period for the tour operator business.

Entity-wide disclosures

Products and services

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

	2018 € million	2017 € million
Airline passenger ticket revenue	**1,126.0**	909.3
Airline ancillary revenue	**804.0**	643.9
Tour operator package revenue	**18.0**	18.1
Total revenue from external customers	**1,948.0**	1,571.2

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

Geographic areas

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

	2018 € million	2017 € million
EU	**1,722.2**	1,421.3
Other (non-EU)	**225.8**	149.9
Total revenue from external customers	**1,948.0**	1,571.2

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

Major customers

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

6. Operating profit

Auditors' remuneration

	2018 €'000	2017 €'000
Fees payable to Company's auditors for the audit of the consolidated financial statements	**242**	251
Fees payable to the Company's auditors and their associates for other services		
Audit of financial statements of subsidiaries pursuant to legislation	**39**	39
Other services relating to taxation	**417**	446
Audit-related assurance and transaction services	**-**	-
All other services	**19**	-
Total remuneration of auditors	**717**	736

Inventories

Inventories totalling €5.1 million were recognised as an expense in the year (2017: €3.3 million).

7. Staff numbers and costs

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

	Number of persons	
	2018	2017
Non-Executive Directors	**9**	9
Crew and pilots	**3,113**	2,481
Administration and other staff	**265**	235
Total staff number	**3,387**	2,725

The aggregate compensation of these persons was as follows:

	2018 € million	2017 € million
Wages and salaries	**106.8**	77.9
Pension costs	**5.6**	4.5
Social security costs other than pension	**12.7**	10.5
Share based payments	**3.2**	1.0
Subtotal	**128.3**	93.9
Subcontracted staff costs (rented pilots)	**19.5**	19.0
Total staff costs	**147.8**	112.9

8. Directors' emoluments

	2018 € million	2017 € million
Salaries and other short-term benefits	**1.6**	1.5
Social security costs	**0.2**	0.1
Share based payments	**1.1**	0.4
Directors' services and related expenses	**0.2**	0.2
Total Directors' emoluments	**3.1**	2.2

	2018	2017
Directors receiving emoluments	**10**	10
The number of Directors who in respect of their services received LTIP share options under long-term incentive schemes during the year	**1**	1

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

9. Exceptional items and underlying profit

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Until 31 March 2017 the Group used to identify exceptional items and calculate an underlying profit measure that was different from the statutory profit after tax measure. The principal source of these exceptional items was the change in the time value of open hedges, the accounting for which was passed through the income statement. Following the adoption of IFRS 9, the Group changed its treatment of the change in the time value of such open hedges, recording them as reserve movements rather than through the income statement. As a consequence, unless new material exceptional items arise, from the current year the Group has decided to present only the statutory profit after tax measure in its reporting.

In the 2017 financial year the Group had a net exceptional income of €18.8 million, consisting of: (i) exceptional gain of €14.3 million relating to the change in time value of open hedge positions, particularly on fuel caps; and (ii) exceptional income of €4.5 million relating to closing of fuel cap deals.

The Group had no similar transactions or impacts in 2018. While the Group had some unrealised foreign exchange differences also in 2018, the impact of these was limited (€3.8 million, see in Note 10 below) and therefore this item on its own does not justify determining an underlying profit measure for the year, that would be different from the IFRS profit for the year.

Underlying profit

	2018 € million	2017 € million
Profit for the period	**275.1**	246.0
Adjustments (exclusions):		
Unrealised foreign exchange gain	**-**	(1.9)
Exceptional items net gain	**-**	(18.8)
Sum of adjustments	**-**	(20.7)
Underlying profit after tax	**275.1**	225.3

The tax effects of the adjustments made above are insignificant.

10. Net financing income and expense

	2018 € million	2017 € million
Interest income	**2.8**	0.3
Ineffective hedge gain	**-**	0.3
Financial income	**2.8**	0.6
Interest expense		
Convertible debt	**(1.8)**	(1.2)
Finance lease	**(0.5)**	(0.5)
Other	**(2.7)**	(2.3)
Premium of expired fuel cap deals	**-**	(9.0)
Financial expenses	**(5.0)**	(13.0)
Foreign exchange gain/(loss)		
Realised	**0.2**	0.7
Unrealised	**(3.8)**	1.9
Net foreign exchange (loss)/gain	**(3.6)**	2.6
Net exceptional financial income (Note 9)	**-**	18.8
Net financing (expense)/income	**(5.8)**	9.1

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

The fuel caps premium of €9.0 million in 2017 relates to the option fees for fuel caps expired in the period – these were paid in the 2015 financial year. No fuel cap deals were used by the Group in this year ended in March 2018.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

11. Income tax expense

Recognised in the statement of comprehensive income

	2018 € million	2017 € million
Current year corporate tax	**3.9**	2.6
Other income based taxes	**6.4**	5.6
Deferred tax	**0.7**	1.6
Total tax charge	**11.0**	9.8

The Company has a tax rate of 7.8 per cent. (2017: 7.8 per cent.). The tax rate relates to Switzerland, where the Company is tax resident.

The current tax charge for the year is different to the standard rate of corporation tax of 7.8 per cent. (2017: 7.8 per cent.). The difference is explained below.

Reconciliation of effective tax rate

	2018 € million	2017 € million
Profit before tax	**286.1**	255.8
Tax at the corporation tax rate of 7.8 per cent. (2017: 7.8 per cent.)	**22.3**	20.0
Effect of different tax rate of subsidiaries versus the parent company	**(17.7)**	(15.8)
Other income based foreign tax	**6.4**	5.6
Total tax charge	**11.0**	9.8
Effective tax rate	**3.8%**	3.8%

The Company had no taxable income. Substantially all the profits of the Group in 2018 and 2017 were made by Wizz Air Hungary Kft, the airline subsidiary of the Group, and substantially all the tax charges presented in this Note were incurred by this entity.

Other income based foreign tax represents the “innovation contribution” and the local business tax payable in Hungary in 2018 and 2017 by the Hungarian subsidiaries of the Group, primarily Wizz Air Hungary Kft. Hungarian local business tax and innovation contribution are levied on an adjusted profit basis.

Recognised in the statement of other comprehensive income

	2018 € million	2017 € million
Deferred tax	**0.2**	-
Total tax charge	**0.2**	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

12. Earnings per share

Basic earnings per share

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

	2018	2017
Profit from the year, € million	**275.1**	246.0
Weighted average number of Ordinary Shares in issue	**68,739,736**	57,254,581
Basic earnings per share, EUR	**4.00**	4.30

There were also 29,830,503 Convertible Shares in issue at 31 March 2018 (see Note 28). These shares are non-participating, i.e. the profit attributable to them is €nil. Therefore, these shares are not included in the basic earnings per share calculation above.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary Shares in issue with the weighted average number of Ordinary Shares that could have been issued in the respective year as a result of the conversion of the following convertible instruments of the Group:

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

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

	2018	2017
Profit for the year, € million	**275.1**	246.0
Interest expense on convertible debt (net of tax), € million	**1.8**	1.2
Profit used to determine diluted earnings per share, € million	**277.0**	247.2
Weighted average number of Ordinary Shares in issue	**68,739,736**	57,254,581
Adjustment for assumed conversion of convertible instruments	**58,111,974**	69,514,785
Weighted average number of Ordinary Shares for diluted earnings per share	**126,851,711**	126,769,366
Diluted earnings per share, EUR	**2.18**	1.95

The dilution effect of each class of convertible instrument from the total 58,111,974 dilutive shares in 2018 was the following: Convertible Shares: 33,693,517 shares; convertible debt: 24,246,715 shares; employee share options: 171,743 shares.

Proforma earnings per share

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

	2018	2017
Underlying profit for the year, € million	**275.1**	225.3
Interest expense on convertible debt, € million(1)	**1.8**	1.2
Profit used to determine proforma earnings per share, € million	**277.0**	226.5
Number of shares in issue at year end(2)	**102,576,674**	102,235,474
Adjustment for assumed conversion of convertible debt instruments(3)	**24,246,715**	24,246,715
Adjustment for assumed conversion of employee share options	**187,500**	288,700
Fully diluted number of shares for proforma earnings per share	**127,010,889**	126,770,889
Proforma earnings per share, EUR	**2.18**	1.79

(1) Interest expense on convertible debt is higher in 2018 because in 2017 it was reduced by refunds of interest withholding tax incurred in earlier periods.

(2) The issued share number includes also the 29.8 million Convertible Shares in issue at 31 March 2018 (2017: 44.8 million). See Note 28 for share capital.

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

12. Earnings per share continued

Proforma earnings per share continued

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

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

While these factors had relevance until March 2017 they did not have relevance in the current year; therefore, the proforma earnings per share measure is now equal to the diluted earnings per share. The proforma earnings per share measure is being disclosed only because of its relevance in the prior year.

13. Property, plant and equipment

	Land and buildings € million	Aircraft maintenance assets € million	Aircraft parts € million	Fixtures and fittings € million	Advances paid for aircraft € million	Advances paid for aircraft maintenance assets € million	Total € million
Cost							
At 1 April 2016	7.7	149.1	32.2	5.0	142.3	93.9	430.2
Additions	1.9	69.9	37.3	1.4	172.7	32.6	315.8
Disposals	-	(14.8)	-	(0.2)	(108.7)	-	(123.7)
Transfers	-	51.8	-	-	-	(51.8)	-
At 31 March 2017	9.6	256.0	69.5	6.2	206.3	74.7	622.3
Additions	-	88.2	17.8	6.7	219.8	58.8	391.3
Disposals	(0.1)	(18.3)	(23.0)	(0.3)	(94.8)	(4.5)	(141.0)
Transfers	-	25.5	-	-	-	(25.5)	-
Foreign exchange differences	-	-	(0.1)	-	-	-	(0.1)
At 31 March 2018	**9.5**	**351.4**	**64.2**	**12.6**	**331.3**	**103.5**	**872.5**
Accumulated depreciation							
At 1 April 2016	1.3	63.7	8.1	3.5	-	-	76.6
Depreciation charge for the year	0.7	47.0	6.8	0.5	-	-	55.0
Disposals	-	(14.8)	-	(0.2)	-	-	(15.0)
At 31 March 2017	**2.0**	**95.9**	**14.9**	**3.8**	**-**	**-**	**116.6**
Depreciation charge for the year	0.8	77.2	8,3	0.6	-	-	86.9
Disposals	(0.1)	(12.6)	(2.5)	(0.3)	-	-	(15.5)
At 31 March 2018	**2.7**	**160.5**	**20.7**	**4.1**	**-**	**-**	**188.0**
Net book amount							
At 31 March 2018	**6.8**	**190.9**	**43.5**	**8.5**	**331.3**	**103.5**	**684.5**
At 31 March 2017	7.6	160.1	54.6	2.4	206.3	74.7	505.7

Additions to aircraft parts were €17.8 million (2017: €37.3 million). Most of this increase in 2018 was related to the delivery of a spare engine from IAE.

Additions to aircraft maintenance assets were €88.2 million (2017: €69.9 million). These additions were due to the fact that there were a significant number of engine-related new assets created in both years as engines became out of condition for LLP replacement. 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).

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

	2018 € million	2017 € million
Cost from capitalised finance lease	**7.5**	7.5
Accumulated depreciation	**(2.5)**	(1.8)
Net book amount	**5.0**	5.7

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

14. Intangible assets

	€ million
Cost	
At 1 April 2016	12.5
Additions	7.2
Disposals	(0.9)
At 31 March 2017	18.8
Additions	11.1
Disposals	-
At 31 March 2018	**29.9**
Accumulated amortisation	
At 1 April 2016	6.8
Amortisation charge for the year	2.6
Disposals	(0.9)
At 31 March 2017	8.5
Amortisation charge for the year	3.8
Disposals	-
At 31 March 2018	**12.3**
Net book amount	
At 31 March 2018	**17.6**
At 31 March 2017	10.3

Of the €11.1 million additions during the year €4.5 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.

15. Tax assets and liabilities

Deferred tax liabilities recognised

	Provisions for other liabilities and charges € million	Property, plant and equipment € million	Advances paid for aircraft maintenance assets € million	Other € million	Total € million
At 1 April 2016	2.1	1.4	1.4	-	4.9
Charged/(credited) to:					
Profit or loss	0.1	1.1	(0.2)	0.6	1.6
Other comprehensive income	-	-	-	-	-
At 31 March 2017	2.2	2.5	1.2	0.6	6.5
Charged/(credited) to:					
Profit or loss	(0.3)	0.5	0.4	0.1	0.7
Other comprehensive income	-	-	-	0.2	0.2
At 31 March 2018	**1.9**	**3.0**	**1.6**	**0.9**	**7.4**
Less than one year	**-**	**-**	**-**	**0.9**	**0.9**
Greater than one year	**1.9**	**3.0**	**1.6**	**-**	**6.5**

Deferred tax assets recognised

	Hedging reserve recognised in OCI € million	Total € million
At 1 April 2016	0.2	0.2
Charged to:		
Profit or loss	-	-
Other comprehensive income	(0.2)	(0.2)
At 31 March 2017	-	-
Charged to:		
Profit or loss	-	-
Other comprehensive income	-	-
At 31 March 2018	**-**	**-**
Less than one year	**-**	**-**
Greater than one year	**-**	**-**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

15. Tax assets and liabilities continued

Unrecognised deferred tax assets

Until 31 March 2010 Wizz Air Hungary was Hungarian tax resident and up to this date had accumulated a €30.0 million tax loss in Hungary. This balance remained unchanged at 31 March 2018. This loss can be utilised only to offset profits generated under Hungarian tax residency. The Group does not expect to have profit generated under Hungarian tax residency in the foreseeable future and therefore no deferred tax asset is recognised in this respect.

16. Subsidiaries

The Group has the following subsidiaries:

	Country of incorporation	Principal activity	Class of shares held	Percentage held	Financial year end
Subsidiary undertakings					
Wizz Air Hungary Kft	Hungary	Airline operator	Ordinary	100	31 March
Cabin Crew Professionals Sp. z o.o.	Poland	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	Online tour operator	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

WA Pilot Academy Sp. z.o.o. was newly acquired in the period. Its future purpose is to provide loans to students entering into the Group's cadet school programme in Poland. The acquired company was insignificant – hence the acquisition was not treated as a business combination.

Wizz Air UK Limited was newly registered in the period, with the purpose of establishing airline operations licensed by the UK Civil Aviation Authority.

The liquidation of Wizz Air Polska Sp. z o.o. was finished in the period and the company was deleted from the Polish companies' register.

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

17. Inventories

	2018 € million	2017 € million
Aircraft consumables	**13.6**	13.0
Emission trading scheme purchased allowances	**8.0**	11.9
Total inventories	**21.6**	24.9

During the year remnant stock with the book value of €0.1 million was written off to maintenance expenses (2017: €0.2 million).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

18. Trade and other receivables

	2018 € million	2017 € million
Non-current		
Receivables from lessors	**43.7**	67.3
Non-current trade and other receivables	**43.7**	67.3
Current		
Trade receivables	**81.7**	48.5
Other receivables from lessors	**50.6**	44.6
Other receivables	**2.4**	2.5
Total current other receivables	**53.0**	47.1
Less: provision for impairment of other receivables	**-**	-
Other current receivables net	**54.0**	47.1
Prepayments, deferred expenses and accrued income	**60.7**	45.8
Current trade and other receivables	**195.4**	141.4
Total trade and other receivables	**239.0**	208.7

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

Impairment of trade and other receivables

	2018 € million	2017 € million
Impaired receivables		
– other receivables	**2.8**	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 next hearing is scheduled to 24 May 2018.

19. Financial assets available for sale

	2018 € million	2017 € million
Unit-linked insurance serving as security deposit	**-**	1.0
Total financial assets available for sale	**-**	1.0

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

20. Derivative financial instruments

	2018 € million	2017 € million
Assets		
Non-current derivatives		
Cash flow hedges	**2.5**	0.1
Current derivatives		
Cash flow hedges	**31.7**	10.0
Total derivative financial assets	**34.2**	10.1
Liabilities		
Non-current derivatives		
Cash flow hedges	**(0.9)**	(0.8)
Current derivatives		
Cash flow hedges	**(12.8)**	(1.1)
Total derivative financial liabilities	**(13.7)**	(1.8)

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

20. Derivative financial instruments continued

The cash flow hedges expiring in 2018 had an ineffective portion of nil (2017: €0.3 million).

Until 2017 the net position of assets and liabilities did not match the cash flow hedging reserve in the statement of financial position because: (i) the hedging reserve does not include the time value of open options, only the intrinsic value; and (ii) hedging with non-derivatives has an impact on the hedging reserve.

Starting from 1 April 2018 the Group adopted IFRS 9 and as a consequence the net position of assets and liabilities does not match the cash flow hedging reserve in the statement of financial position only due to hedging with non-derivatives has an impact on the hedging reserve.

The high mark-to-market gain (derivative financial assets) is due to the fact that fuel prices increased by more than 30% between 31 March 2017 and 31 March 2018, so there are significant gain on bought call option (in the money) and only a very minor loss on the puts as they are really out of the money.

The mark-to-market loss (derivative financial liabilities) is due to the foreign exchange hedge: USD lost 15% vs EUR, which means, that the hedges where the Group have a sold USD put at stronger levels, were creating losses

21. Deferred interest

	2018 € million	2017 € million
Non-current		
Deferred PDP interest	**2.4**	2.6
Deferred interest expense	**1.0**	2.1
	3.4	4.7
Current		
Deferred PDP interest	**0.2**	1.2
Total deferred interest	**0.2**	5.9

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

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

22. Restricted cash

	2018 € million	2017 € million
Non-current financial assets	**159.4**	154.7
Current financial assets	**2.8**	1.2
Total restricted cash	**162.2**	155.9

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

Restricted cash during the 2018 and 2017 financial years was held mainly on current account in Euros, earning no interest.

23. Borrowings

	2018 € million	2017 € million
Non-current liabilities		
Finance lease liabilities	**4.7**	5.3
Total non-current borrowings	**4.7**	5.3
Current liabilities		
Finance lease liabilities	**0.6**	0.6
Total current borrowings	**0.6**	0.6
Total borrowings	**5.3**	5.9

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

	2018 € million	2017 € million
Gross finance liabilities – minimum lease payments		
No later than one year	**1.0**	1.0
Later than one year and no later than five years	**4.0**	4.0
Later than five years	**2.3**	3.3
	7.3	8.3
Future finance charges on finance lease liabilities	**(2.0)**	(2.4)
Present value of finance lease liabilities	**5.3**	5.9

	2018 € million	2017 € million
Present value of finance liabilities		
No later than one year	**0.6**	0.6
Later than one year and no later than five years	**3.0**	2.8
Later than five years	**1.7**	2.5
Present value of finance lease liabilities	**5.3**	5.9

The prior year numbers in the last two brackets have been corrected compared to the original disclosure made in 2017.

24. Convertible debt

	2018 € million	2017 € million
Non-current financial liabilities	**26.6**	26.8
Current financial liabilities	**0.3**	0.3
Total convertible debt	**26.9**	27.1

Convertible debt is Convertible Notes held by Indigo Hungary LP and Indigo Maple Hill LP (“Indigo”).

Principal and any accrued interest on the Convertible Notes are convertible into Ordinary Shares in Wizz Air Holdings Plc at conversion factors in the range of €1.0–1.5 for one share. Such Ordinary Shares issued as a result of conversion in certain cases might be subject to restrictions on voting and dividend rights. Until the notes are converted, interest on the notes is payable in cash with a coupon rate of interest of 8 per cent. per annum, twice a year in February and in August.

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

25. Trade and other payables

	2018 € million	2017 € million
Current liabilities		
Trade payables	**60.1**	72.1
Other trade payables	**10.0**	7.2
Accrued expenses	**184.6**	118.4
Total trade and other payables	**254.7**	197.7

26. Deferred income

	2018 € million	2017 € million
Non-current financial liabilities		
Deferred income	**107.3**	107.9
Current financial liabilities		
Unflown revenue	**304.4**	260.0
Other	**25.7**	20.9
	330.1	280.9
Total deferred income	**437.4**	388.8

Non-current deferred income represents the value of benefit for the Group coming from concessions (cash credits and free aircraft components) received from aircraft and certain component suppliers, that will be recognised as a credit (an aircraft rentals expenses decreasing item) on a straight-line basis over the lease term of the respective asset.

Current deferred income represents the value of tickets paid by passengers for which the flight service is yet to be performed and the current part of the value of supplier credits received.

27. Employee benefits

Share based payments

The share based payment charge in the financial statements for the year relates to employee share options issued (i) during 2005–2015 under the 2005 International Employee Share Option Plan ('ESOP') and (ii) during 2015–2017 under the 2014 Employee Long Term Incentive Plan ('LTIP') of the Group.

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.

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

	2018 € million	2017 € million
ESOP options	**0.2**	0.4
LTIP options	**3.0**	0.6
Total share based payments charge	**3.2**	1.0

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

27. Employee benefits continued

Share based payments continued

Long-term Incentive Plan (LTIP)

Share options issued during the financial year

Terms and conditions:

	Restricted Options	Performance Options
Number of options	35,292	282,982
Exercise price	nil	nil
Vesting period	3 years	3 years
Termination	10 years	10 years

There are no individual performance conditions set for the employees to exercise their options after the three-year vesting period other than that the employee must be in employment with one of the Group entities until and on the date of exercise of the options.

For the Performance Options the performance conditions are set as follows, with 50 per cent. weighting for each:

- total shareholder return (TSR) of the Group relative to the TSR of certain selected European airlines over the three-year period following the award; and
- absolute growth in underlying, fully diluted earnings per share of the Group, measured over the period from 1 April 2017 to 31 March 2020.

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 €25.40–37.12 per share, depending on the date of grant. 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.

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	55,250	324,573
Granted during the year	35,292	282,982
Exercised during the year	-	-
Forfeited during the year	5,750	28,250
Outstanding at the end of the year	**84,792**	**579,305**
Exercisable at the end of the year	**-**	**-**

Employee Share Option Plan (ESOP)

Share options issued during the financial year

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

27. Employee benefits continued

Share based payments continued

Employee Share Option Plan (ESOP) continued

Share options in issue

The number and weighted average exercise prices of share options are as follows:

	2018 Weighted average exercise price €	**2018 Number of options**	2017 Weighted average exercise price €	2017 Number of options
Outstanding at the beginning of the year	**7.41**	**528,700**	5.15	1,025,390
Granted during the year	-	-	-	-
Exercised during the year	**4.20**	**(341,200)**	2.76	(482,800)
Forfeited during the year	-	-	2.00	(13,890)
Outstanding at the end of the year	**13.22**	**187,500**	7.41	528,700
Exercisable at the end of the year	**13.22**	**187,500**	2.55	288,700

The range of exercise prices on options outstanding at the year end was €2.24–€13.68 (2017: €2.24–€13.68). At the end of the financial year, the outstanding options had a weighted average outstanding contractual life of six years and seven months (2017: five years and four 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 one of its subsidiaries has a legal obligation to pay the employer social security on the income realised by the recipients. To the extent the additional social security obligations can be estimated, the Group makes a provision for these already during the vesting period of the instruments.

28. Capital and reserves

Share capital

Number of shares	**2018**	2017
In issue at beginning of the year	**102,235,474**	101,752,674
Issued during the year for cash	**341,200**	482,800
Converted during the year from bonds	**-**	-
In issue at end of the year – fully paid	**102,576,674**	102,235,474
Ordinary Shares	**72,746,171**	57,404,971
Convertible Shares	**29,830,503**	44,830,503

Value of shares	**2018 £**	**2018 €**	2017 £	2017 €
Authorised				
Equity: 170,000,000 *(2017: 170,000,000)* Ordinary Shares of £0.0001 each and 80,000,000 *(2017: 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: 102,576,674 *(2017:* 102,235,474*)* shares of £0.0001 each	**10,258**	**13,758**	10,223	13,721
Ordinary Shares	**7,275**	**9,757**	5,740	7,704
Convertible Shares	**2,983**	**4,001**	4,483	6,017

During both 2018 and 2017 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.

28. Capital and reserves continued

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 29,830,503 Convertible Shares in issue at 31 March 2018, all fully paid (2017: 44,830,503). The Convertible Shares are held by Indigo and can be converted into Ordinary Shares of the Company by Indigo on the condition of meeting certain criteria post-conversion regarding the overall shareholding structure of the Company.

Capital reserves

Share premium

Share premium has two main components. €207.2 million was recognised as a result of the Group reorganisation in October 2009. It represents the estimated fair value of the Group at the date of the transaction. The remaining €171.9 million (as at 31 March 2018) 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 2018 financial year €1.0 million increase was recorded in the share premium, all related to conversion of employee share options.

Reorganisation reserve

Reorganisation reserve of €193.0 million was recognised as a result of the Group reorganisation in October 2009. It is equal to the difference between the fair value of the Group at the date of reorganisation (€209.0 million) and the share capital of the Group at the same date (€16.0 million).

Equity part of convertible debt

The equity part of convertible debt in equity comprises the equity component of compound instruments issued by the Company. The amount of the convertible debts classified as equity of €8.3 million (2017: €8.3 million) is net of attributable transaction costs of €0.5 million.

Share based payment charge

The share based payment balance of €7.1 million credit (2017: €3.9 million) corresponds to the recognised cumulative charge of share options and share awards provided to the employees and Directors under long-term incentive schemes. This balance is recognised directly in retained earnings.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative unrealised net change in the 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 €19.0 million gain (2017: €2.6 million gain), while the deferred tax effect was €0.3 million loss (2017: €0.03 million loss).

29. Provisions for other liabilities and charges

	Aircraft maintenance € million	Other € million	Total € million
At 1 April 2016	83.7	1.2	84.9
Non-current provisions	41.2	-	41.2
Current provisions	42.5	1.2	43.7
Capitalised within property, plant and equipment	67.9	-	67.9
Charged to comprehensive income	-	1.2	1.2
Used during the year	(39.8)	(0.5)	(40.3)
At 31 March 2017	111.8	1.9	113.7
Non-current provisions	77.5	-	77.5
Current provisions	34.3	1.9	36.2
Capitalised within property, plant and equipment	87.6	-	87.6
Charged to comprehensive income	-	1.4	1.4
Used during the year	(48.7)	(1.0)	(49.7)
At 31 March 2018	**150.7**	**2.3**	**153.0**
Non-current provisions	94.8	-	94.8
Current provisions	55.9	2.3	58.2

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

29. Provisions for other liabilities and charges continued

Non-current provisions relate to future aircraft maintenance obligations of the Group on leased aircraft and spare engines, falling due beyond one year from the balance sheet date. Current aircraft maintenance provisions relate to heavy maintenance obligations expected to be fulfilled in the coming financial year. The amount of provision reflects management's estimates of the cost of heavy maintenance work that will be required in the future to discharge obligations under the Group's operating lease agreements (see Note 4). Maintenance provisions in relation to engines covered by FHA agreements are netted off with the FHA prepayments made to the engine maintenance service provider in respect of the same group of engines.

The increase in maintenance provisions from 2017 to 2018 relates primarily to new provisions made for engine Life Limited Part (LLP) replacements.

Other provisions relate to future liabilities under the Group's customer loyalty programme, all within one year.

30. Financial instruments

Fair values

The fair values of the financial instruments of the Group together with their carrying amounts shown in the statement of financial position are as follows:

	Carrying amount 2018 € million	**Fair value 2018 € million**	Carrying amount 2017 € million	Fair value 2017 € million
Trade and other receivables due after more than one year	**43.7**	**43.7**	67.3	67.3
Restricted cash	**162.2**	**162.2**	155.9	155.9
Financial assets available for sale	**-**	**-**	1.0	1.0
Derivative financial assets	**34.2**	**34.2**	10.1	10.1
Trade and other receivables due within one year	**195.4**	**195.4**	141.4	141.4
Cash and cash equivalents	**979.6**	**979.6**	774.0	774.0
Trade and other payables due within one year	**(254.7)**	**(254.7)**	(197.7)	(197.7)
Derivative financial liabilities	**(13.7)**	**(13.7)**	(1.9)	(1.9)
Convertible debt	**(26.9)**	**(26.9)**	(27.1)	(27.1)
Borrowings	**(5.3)**	**(5.3)**	(5.9)	(5.9)
Net balance of financial instruments (asset)	**1,114.5**	**1,114.5**	917.1	917.1

The fair value of financial instruments that are not traded in an active market (such as long-term deposits among the non-current other receivables) is determined by estimated discounted cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables. Long-term financial assets and liabilities which are classified as fair value through profit and loss are recognised on fair value.

Trade and other receivables due after more than one year are almost exclusively maintenance reserves, with an average term of approximately four years. The fair value of these assets is determined by discounting at a rate of interest of four-years' US Dollar swap rate prevailing on the last day of the financial year.

The fair value of derivative financial instruments is based on their actual mark-to-market evaluation of the financial institutions.

During the year a €15.6 million gain (2017: €24.5 million loss) was realised on derivative financial assets and liabilities in the income statement.

During the year a €2,000 gain (2017: €16,000 gain) was realised on financial assets available for sale.

Effective interest rates analysis

Interest-bearing financial liabilities

The following table indicates the effective interest rate of the interest-bearing liabilities of the Group on the statement of financial position date and the periods in which they mature. Convertible loans and notes are denominated in EUR, while the other short-term loans are denominated in US Dollars.

	2018						2017					
	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%**	**26.9**	**0.3**	**26.6**	**-**	**-**	7.4%	27.1	0.3	-	26.8	-
Finance lease liability 1	**8.4%**	**2.9**	**0.5**	**0.5**	**1.9**	**-**	8.4%	3.4	0.5	0.5	1.7	0.7
Finance lease liability 2	**7.4%**	**2.4**	**0.1**	**0.1**	**0.5**	**1.7**	7.4%	2.5	0.1	0.1	0.5	1.8

30. Financial instruments continued

Interest earning financial assets

The Group invests excess cash in a conservative way, primarily in in short-term time deposits on market rate at major banking groups.

Changes in liabilities arising from financing activities

The following table includes changes in net borrowings reconciled with their effects on the Consolidated statement of cash flows.

	2018 € million	2017 € million
Net borrowings at the beginning of the year	**33.0**	33.6
Paid interest	**(1.7)**	(1.1)
Repayment of convertible debt and other borrowings	**(0.6)**	(0.5)
Change in net borrowings from cash flows	**(2.3)**	(1.6)
Accrued interest	**1.5**	0.9
Net borrowings at the end of the year	**32.2**	33.0

Interest paid in the Consolidated Statement of Cash Flows also contains €1.1m (2017: €1.3m) additional interests not related to net borrowings; these are negative interests incurred on deposits held at different banks.

31. Financial guarantees

The Company has provided parent guarantees to certain lessors of its aircraft fleet, to guarantee the performance of its airline subsidiaries under the respective lease contracts.

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

The Company has provided parent guarantees to certain hedging counterparties, to guarantee the performance of Wizz Air Hungary Kft, under the respective hedge contracts.

The 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.

32. Lease commitments

The total future minimum lease payments under non-cancellable operating lease rentals are as follows:

	2018 € million	2017 € million
Payments due:		
Within one year	**334.8**	309.7
Between one and five years	**1,307.1**	1,269.5
More than five years	**743.1**	831.1
Total operating lease commitments	**2,385.0**	2,410.3

The majority (97 per cent.) of the commitments relate to aircraft operating lease contracts. The above table includes also the lease costs of those aircraft that are not yet delivered but for which the lease contract was already signed before the statement of financial position date.

The lease payments are not subject to future escalation, but 14 of the aircraft lease contracts are on a floating rate and thus the lease payments for these vary with the US Dollar market rates of interest.

33. Capital commitments

At 31 March 2018 the Group had the following capital commitments:

- a commitment to purchase 276 Airbus aircraft of the A320 family in the period 2018–2026. Of the 276 aircraft 20 relate to the "ceo" version of the A320 family (from purchase orders placed prior to 2015 and in June 2017) while the remaining 256 relate to the "neo" version (110 from the purchase order placed in June 2015 and 146 from the purchase order placed in November 2017). The total commitment is valued at US$34.1 billion (€27.7 billion) at list prices in 2018 US Dollar terms (as at 31 March 2017: US$16.5 billion (€15.4 billion), valued at 2017 list prices). As at the date of approval of this document 20 of the 276 aircraft (all related to the "ceo" version) are covered by a sale and leaseback agreement; and
- a commitment to purchase 19 IAE spare aircraft engines in the period 2018–2024. Of the 19 engines three relate to the "ceo" version of the IAE engines while the remaining 16 to the "neo" version. With regards to the "neo" engines, the Group in July 2016 entered into an engine selection agreement with Pratt & Whitney that, among other matters, included a commitment for the Group to purchase 16 spare engines starting from 2019. The total commitment is valued at US$276.0 million (€224.2 million) at list prices in 2018 US Dollar terms (as at March 2017: US$146.4 million (€136.9 million), valued at 2017 list prices). As at the date of approval of this document the 19 engines are not yet financed.

34. Contingent liabilities

Legal disputes

European Commission state aid investigations

Five of the European Commission's ongoing state aid investigations, which are in their formal phase, concern arrangements between Wizz Air and certain airports to which it flies, namely, Timişoara, Cluj-Napoca, Târgu Mureş, Beauvais and Girona. Wizz Air has submitted its legal observations and supporting economic analyses of these arrangements to the European Commission. Ultimately, an adverse decision by the European Commission could result in a repayment order for the recovery from Wizz Air of any amount determined by the European Commission to be illegal state aid. None of these ongoing investigations are expected to lead to exposure that is material to the Group.

The European Commission has given notice that the state aid investigations involving Wizz Air will be assessed on the basis of new "EU Guidelines on State aid to airports and airlines" which were adopted by the European Commission on 20 February 2014. Where relevant, Wizz Air has made further submissions to the European Commission in connection with this notification.

Claims by Carpatair

Carpatair, a regional airline based in Romania, started a number of cases in the Romanian courts during 2012 and 2013 which relate to Carpatair's allegations that Timişoara airport granted unlawful state aid to Wizz Air pursuant to an agreement between the parties or by virtue of the publicly available scheme of charges published by Timişoara airport. Wizz Air is intervening in the defence of these claims, either in its own right or in support of Timişoara airport. One of these cases determined that state aid existed in the 2010 scheme of charges, but failed to substantiate that decision or to quantify the amount involved. Following this decision, Carpatair began a case in which both Timişoara airport and Wizz Air are named as defendants and, pursuant to which, Carpatair aims to have the alleged state aid under the 2010 scheme of charges quantified and a repayment order issued. Wizz Air understands that the Romanian Chamber of Accounts has issued a decision requiring Timişoara airport to recover from Wizz Air an amount of approximately €3 million in respect of the state aid attributable to the 2010 and 2011 scheme of charges despite there having been no expert quantification of the amount and the airport has now started proceedings which Wizz Air is defending.

34. Contingent liabilities continued

Legal disputes continued

Claims by Carpatair continued

In January 2016 Carpatair filed a new legal action – registered with the Bucharest Tribunal – against Timişoara airport, the Romanian Ministry of Transports, the Ministry of Public Finances representing the Romanian State and Wizz Air. By the said legal action Carpatair asked the court to order the four defendants to pay, jointly, to Carpatair damages preliminarily estimated to amount to €92 million and interest related to the said amount, resulting from alleged state aid granted by Timişoara airport to Wizz Air, from the existence of a marketing agreement between Timişoara airport and Wizz Air and from an abuse of dominant position on the part of Timişoara airport. The court's decision delivered in December 2016 upheld the objection raised by the Company that the Bucharest Tribunal lacked jurisdiction to hear the case and that the case should be heard by the Administrative Litigation Section of the Bucharest Court of Appeals. The case was therefore forwarded to the Bucharest Court of Appeals – Administrative and Fiscal Litigation Section where a hearing was scheduled in May 2017. The Bucharest Court of Appeals decided however that the competent court was the Bucharest Tribunal and sent the case to the High Court to settle the conflict of jurisdiction. On 27 September 2017 the High Court confirmed that the competent court to hear the case was the Bucharest Tribunal. The first hearing took place in April 2018 with no significant developments, the second hearing is set to 18 June 2018.

35. Subsequent events

There were no matters arising, between the statement of financial position date and the date on which these financial statements were approved by the Board of Directors, requiring adjustment or disclosure in accordance with IAS 10, Events after the reporting period, other than the following:

- in April 2018 the Group received investment grade credit ratings from Fitch (rating 'BBB') and from Moody's (rating 'Baa3'); and
- Wizz Air UK Limited, the new airline subsidiary of the Group, was in April 2018 granted an Air Operator's Certificate and Operating Licence by the United Kingdom's Civil Aviation Authority.

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 2018);
- key management personnel (Directors and Officers); and

Indigo, Directors and Officers altogether held 23.8 per cent. of the voting shares of the Company at 31 March 2018 (2017: 23.3 per cent.).

Transactions with related parties

There were no transactions with related parties during the fiscal year except as indicated below.

Transactions with Indigo

During the period Indigo sold 10,740,633 of its existing holding of Ordinary Shares in the Company and converted 15,000,000 of its holding of Convertible Shares into Ordinary Shares of the Company. At 31 March 2018 Indigo held 15,000,000 Ordinary Shares (equal to 20.6 per cent. of the Company's issued share capital) and 29,830,503 Convertible Shares of the Company (2017: 10,740,633 Ordinary Shares and 44,830,503 Convertible Shares).

Indigo has interest in convertible debt instruments issued by the Company (see Note 24). The Company's liability to Indigo, including principal and accrued interest, was €26.9 million at 31 March 2018 (2017: €27.1 million).

During the year ended 31 March 2018 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 (2017: €2.0 million); and
- fees of €0.1 million (2017: €0.1 million) were paid to Indigo in respect of the remuneration of two of the Directors who were delegated by Indigo to the Board of Directors of the Company.Accounts and other information

36. Related parties continued

Transactions with related parties continued

Transactions with key management personnel

Officers (members of executive management) and Directors of the Board are considered to be key management personnel. The compensation of key management personnel, including Non-Executive Directors, is as follows:

	2018 € million	2017 € million
Salaries and other short-term employee benefits	**5.1**	4.3
Social security costs	**1.1**	0.7
Share based payments	**2.3**	0.6
Amounts paid to third parties in respect of Directors' service	**0.2**	0.2
Total key management compensation expense	**8.7**	5.7

The total key management compensation expense was higher than in 2017 primarily because the notional charge for the Long-term Incentive Plan increased due to a number of factors (new annual batch of options issued in 2017, new Officer nominations / promotions in 2017, higher payout ratio expected on performance options, etc).

Transactions with Éden Rent Kft.

Éden Rent Kft is no longer a related party as of 31 March 2018.

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 24 April 2018 approximately 51.8 per cent. of the Ordinary Shares in the Company were owned by Qualifying Nationals. Shareholders and potential investors are reminded that the Group's Hungarian operating licence depends, *inter alia*, on Qualifying Nationals owning more than 50 per cent. of the Ordinary Shares. The Company's articles of association enable the Directors to take action to ensure that the amount of Ordinary Shares held by Non-Qualifying Nationals does not reach a level that could jeopardise the Group's entitlement to continue to hold or enjoy the benefit of any operating licence that benefits the Group.

Qualifying Nationals include: (i) EEA nationals, (ii) nationals of Switzerland and (iii) in respect of any undertaking, an undertaking that satisfies the conditions as to nationality of ownership and control of undertakings granted an operating licence contained in Article 4(f) of the Air Services Regulation, as such conditions may be amended, varied, supplemented or replaced from time to time, or as provided for in any agreement between the EU and any third country (whether or not such undertaking is itself granted an operating licence).

A Non-Qualifying National is any person who is not a Qualifying National in accordance with the definition above.

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