

## Wizz Air Holdings Plc

### 2016 Annual Report and Notice of Annual General Meeting

**Geneva, 25 May 2016:** Wizz Air Holdings Plc ("Wizz Air" or the "Company"), the largest low-cost airline in Central and Eastern Europe, announces that it has today published its annual report and accounts for the financial year ended 31 March 2016 (the "2016 Annual Report") and notice of its annual general meeting of shareholders ("AGM") to be held at 1.00 p.m. (CET) on Tuesday, 19 July 2016 at the Crowne Plaza Hotel at 75-77 Avenue Louis Casai, 1216 Cointrin, Geneva, Switzerland. The voting results of all resolutions proposed at the AGM will be announced immediately after the meeting.

The documents listed below have been posted to shareholders and, as required under the UK Listing Rules, will be submitted to the Financial Conduct Authority for publication through the National Storage Mechanism where they will shortly be available for inspection at [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm).

Documents:

- 2016 Annual Report
- Notice of AGM
- Form of Proxy

Copies of the 2016 Annual Report and Notice of AGM are also available on the 'Investor Relations' section of the Company's website at <http://corporate.wizzair.com/en-GB/>.

In compliance with DTR 6.3.5, the following information is extracted from the 2016 Annual Report and should be read together with the Company's final results announcement issued on 25 May 2016 which can be found at <http://corporate.wizzair.com/en-GB/> (the "2016 Final Results Announcement"). Together these constitute the information required to be communicated to the media in unedited full text through a Regulatory Information Service. This information is not a substitute for reading the full 2016 Annual Report.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following responsibility statement is extracted from the Statement of Directors' Responsibilities on page 63 of the 2016 Annual Report and is repeated here solely for the purpose of complying with DTR 6.3.5. The statement relates to the full 2016 Annual Report and not the extracted information presented in this announcement or the 2016 Final Results Announcement:

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

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

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

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

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

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

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

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

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The risks and uncertainties set out below are extracted from the pages 25 to 28 of the 2016 Annual Report and are repeated here solely for the purpose of complying with DTR 6.3.5:

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

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

### **Our risk management process**

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

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

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

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

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

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

## Risks relating to the Group

### Introduction

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

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

### Information technology and cyber risk

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

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

### External risks

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

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

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

We are exposed to political and economic events and trends in CEE and elsewhere. Our business extends beyond the borders of the EU and into countries such as Russia, Turkey and Ukraine and regions including the Caucasus, North Africa and the Middle East. These and other countries in the region have experienced,

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

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

### Product development

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

### Fleet development

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

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

### Operational risks

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

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

Our experienced Security team has an ongoing programme to check that the security of our operations and the airports which we serve meet high standards. We know that the proper management of risk means that we must anticipate and deal with issues in advance. Our Security team also maintains close contact with relevant authorities in order to assess any potential security or other threats to our operations. Any

serious threat will be escalated to senior management. We have in the past suspended operations to destinations where the safety of our aircraft, passengers and crew cannot be guaranteed. In December 2015, Wizz Air Hungary Ltd. was named as a company of strategic importance by the Hungarian Parliament and, as such, the Company now enjoys enhanced security information and protection under the auspices of the Hungarian Constitution Protection Office.

#### Human resources

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

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

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#### ABOUT WIZZ AIR

Wizz Air is the largest low-cost airline in Central and Eastern Europe, operates a fleet of 68 Airbus A320 and Airbus A321 aircraft, and offers more than 420 routes from 25 bases, connecting 124 destinations across 39 countries. At Wizz Air, a team of approximately 2,600 aviation professionals delivers superior service and very low ticket prices making Wizz Air the preferred choice of 20 million passengers in the financial year ended 31 March 2016. Wizz Air is listed on the London Stock Exchange under the ticker WIZZ and is included in the FTSE 250 and FTSE All-Share Indices. The company was recently named 2016 Value Airline of the Year by the editors of Air Transport World, one of the leading airline trade magazines.

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