

Wizz Air Holdings Plc

2017 Annual Report and Notice of Annual General Meeting

Geneva, 25 May 2017: 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 2017 Annual Report and Notice of its Annual General Meeting of shareholders ("AGM" or "Meeting").

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

Documents:

- ▶ Annual Report in respect of the financial year ended 31 March 2017 (the "2017 Annual Report")
- ▶ Notice of AGM
- ▶ Form of Proxy

Copies of the 2017 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/>.

The Company's AGM will be held at 1.00pm (CET) on Tuesday 18 July 2017 at World Trade Center I. Route de l'Aéroport 10, 1216 Cointrin, Geneva, Switzerland. The voting results of all resolutions proposed at the Meeting will be announced immediately after the Meeting.

In compliance with DTR 6.3.5, the following information is extracted from the 2017 Annual Report and should be read together with the Company's final results announcement issued on 25 May 2017 which can be found at <http://corporate.wizzair.com/en-GB/> (the "2017 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 2017 Annual Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following responsibility statement is extracted from the Statement of Directors' Responsibilities on page 67 of the 2017 Annual Report and is repeated herein solely for the purpose of complying with DTR 6.3.5. The statement relates to the full 2017

Annual Report and not the extracted information provided in this announcement or the 2017 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 36 to 38 confirm that, to the best of their knowledge:

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

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties set out below are extracted from the pages 26 to 30 of the 2017 Annual Report and are repeated herein solely for the purpose of complying with DTR 6.3.5:

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

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

Our risk management process

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

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

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

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

and implemented by management during the course of the 2017 financial year, working with Ernst & Young and overseen by the Audit Committee.

Following the completion and implementation of the ERM process, the Company has a more robust process in place to review and monitor both existing and new risks that may arise. In order to ensure that the principles and methodology underpinning the ERM process and the ERM manual enjoyed a common understanding throughout the Company, a comprehensive and practical training programme was rolled out across the Company from senior management down, with the actual training being tailored to each colleague's position in the risk management process. A formal internal Risk Council was established, involving the Company's senior management team and a number of other senior employees on a regular basis, to consider and update the risks identified in the risk universe. The new ERM methodology was then used to assess these various risks with the relevant risk owners on either a quantitative or qualitative basis, as appropriate. The outcome of the ERM methodology employed for each risk leads to a decision as to whether to transfer, avoid, reduce or accept the particular risk. The resulting principal risk report was then reviewed with the Audit Committee and presented to the Board. The principal risk report will be comprehensively reviewed by the Risk Council at least every quarter and will form the basis of regular, specific risk reports to the Audit Committee, with any changes to the principal risk report and emerging risks being highlighted. These key risks, many of which were already the subject of regular reporting and discussion between senior management and the Board, are detailed below. In addition, and as part of the Company's regular mid-term planning process, management has, where appropriately measurable, provided financial models of the possible effects of some of these key risks to the Board. The Board is therefore satisfied that it has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

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

The new ERM system enhances and develops the Company's risk management activities and internal control processes and puts them in a framework appropriate not only for the coming year but the coming decade.

Risks relating to the Group

Introduction

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

- ▶ **information technology and cyber risk**, including website availability, protection of our own and our customers' data and ensuring the availability of operations-critical systems;
- ▶ **external factors**, such as the default of a partner financial institution, fuel cost, foreign exchange rates, competition and geopolitical risk;
- ▶ **product development**, making sure that we are making the best use of our capacity and ensuring that we have access to the right airport infrastructure at the right price so that we can keep on delivering the superior Wizz Air service at low fares across an ever wider network;



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- ▶ **fleet development**, to ensure the Company has the right number of aircraft available at the right time to take advantage of commercial opportunities and grow in a disciplined way;
- ▶ **regulatory risk**, ensuring that we remain compliant with regulations affecting our business and operations;
- ▶ **operations**, including safety events and terrorist incidents; and
- ▶ **human resources**, ensuring we are able to recruit the right number of colleagues of the right quality to continue to grow or, once recruited, that they remain sufficiently engaged and motivated and ensuring that the Company has appropriate succession management for key colleagues in place.

Information technology and cyber risk

Wizz Air is, primarily, an e-business. During the 2017 financial year, 95 per cent. of bookings were made through our website and mobile applications. We are therefore dependent on our information technology systems to receive, process and manage ticket reservations, process credit and debit card payments, check in passengers, manage our traffic network, perform flight operations and engage in other critical business tasks. Our website is our shop window and therefore it is critical that it is secure and reliable. We outsource the hosting and operation of these systems to a number of IT suppliers. However, we retain an experienced internal team to oversee the operation of these systems and include suitable contractual recovery and other key performance standards with each of our key IT suppliers. We have also increased the number of card acquirers and payment service providers that we use, with each provider being an effective back-up for the others. We will continue to review our business-critical systems to ensure that the appropriate level of back-up is in place. The Company has employed business continuity processes since its beginning and our existing processes and procedures ensure that key staff can be relocated to an alternative location should our normal offices become unusable. As a project for the 2018 financial year, these business continuity processes will be comprehensively reviewed and, where necessary, updated to ensure that they remain appropriate and sufficient for the Company's continued growth.

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

External risks

We are a truly international business and, while we report in Euros, we transact in 20 currencies. We also have to make a large number of payments in US Dollars. Appreciation of the US Dollar against the Euro may impact results and margins. Therefore, to reduce our exposure to currency fluctuations in respect of costs incurred in US Dollars, we engage in Euro/US Dollar hedging in accordance with a Board-approved hedging policy. In addition and recognising the importance of the Pound Sterling as accounting for around 20 per cent. of the Company's total revenues, the Company's Board-approved hedging policy was amended during the course of the 2017 financial year to allow for the possibility of hedging Pound Sterling against the Euro. In all cases, hedging transactions are subject to the approval of the Audit Committee.

Fuel accounted for 28.3 per cent. of our total Group operating cost in the 2017 financial year. A rise in fuel prices could significantly affect our operating costs. We therefore hedge our aviation fuel cost in accordance with a Board-approved hedging policy. The Audit Committee is involved in and approves each hedging decision.

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

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

We are exposed to political and economic events and trends in CEE and elsewhere. Our business extends beyond the borders of the EU and into countries such as Russia, Turkey and Ukraine and regions including the Caucasus, North Africa and the Middle East. These and other countries in the region have experienced, and may still be subject to, potential political and economic instability caused by changes in governments, political deadlock in the legislative process, contested election results, tension and conflict between federal and regional authorities, corruption among governmental officials, social and ethnic unrest and currency instability. We maintain



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close relationships with local authorities and, as an organisation, we are able to react quickly to adverse events.

Like all European airlines, we have prospered in a liberalised regulatory environment which makes the free movement of people throughout the European Union a reality.

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

However, whatever the outcome and while we continue to have a strong United Kingdom business, we have always believed that diversification of our network and our customers is a key part of a sustainable business. That remains the case and we are confident that there remains a large addressable market in CEE which will continue to provide opportunities for profitable growth should our UK business be adversely affected.

Product development

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

Fleet development

Our planned growth means we need planned aircraft deliveries. Wizz Air has big plans – we will continue to grow and we will continue to be ready to respond to competitive challenges. However, in order to do so, we need capacity and that means that we need an appropriate supply contract for new aircraft which manufacturers are able to deliver. And the emphasis here is on new aircraft – we currently operate one of the youngest fleets in Europe, with an average age of 4.4 years, and that means we have a more efficient fleet which is more reliable and therefore able to be utilised for over twelve hours a day. For the business, that means lower unit operating costs, and for

our customers, lower prices. Our existing order book with Airbus as at 31 March 2017 comprised a further 23 Airbus A320ceo-family aircraft, split into eight A320ceo and 15 A321ceo deliveries, all of which will be delivered before the end of 2018. From 2019 onwards, we will start to take delivery of the A321neo aircraft ordered at the Paris Air Show in June 2015. We have selected Pratt & Whitney's geared turbofan engine to power our A321neo deliveries. However, there have been a number of operational issues connected with the introduction of the geared turbofan engine. This is always a risk with groundbreaking new technology but the advantage is that, once solved, the new technology offers a step change in efficiency and the prospect of development and optimisation in the years ahead. While we remain confident in our selection of the geared turbofan engine, we are in constant dialogue with Pratt & Whitney to ensure that we have sufficient capacity to deliver our planned growth.

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

Regulatory risks

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

Operational risks

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

At Wizz Air, our number one priority is the safety of our aircraft, passengers and crew. Our aircraft fleet is young and reliable, we use the services of world-class maintenance organisations and we have a strong safety culture. A cross-functional safety council meets twice a year, involving both senior management as well as operational staff, and reviews any issues which have arisen in the past six months and



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the actions taken as a consequence. In addition to this, we collect detailed data from all aspects of our operation in order to identify.

Operational risks continued

Trends and relevant personnel from our Operations department meet twice a year to discuss any trends identified in their sphere of operation and how they are being dealt with. We also operate an anonymous safety reporting system, to allow our flight and cabin crew to report safety issues which are a concern to them. Our entry standards for operating crew are high and our own Approved Training Organisation (ATO) ensures that all of our pilots are trained to the same exacting standards. In July 2016, Wizz Air achieved registration under the International Air Transport Association's Operational Safety Audit (IOSA). The IOSA programme is the worldwide standard in airline safety evaluation and assesses an airline's safety management and control systems and processes.

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

Human resources

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

- ▶ From time to time, pilots and others can be in short supply. We invest a huge amount of time in recruiting pilots and also training them to maintain our high standards. In order to ensure the future availability of pilots of the right calibre, we have recently announced a five-year training partnership with CTC Aviation Training and Central.
- ▶ European Flight Academy to provide cadet pilots to Wizz Air. We have also introduced an innovative scheme which allows pilots who are currently turboprop captains to transition quickly to a position with Wizz Air.
- ▶ We are proud that, to date, we have maintained a good relationship with our employees and we have not experienced industrial unrest. We strive to make sure that this will remain the case, but we realise that there can be no guarantee. We know that we need to ensure that we continue to motivate our colleagues. Feedback is an essential part of this process – both giving and receiving – and we consider direct communication between senior management and other employees as the best way of listening to our employees' concerns. Visits by senior management to each of our operating bases are organised at least annually.



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Following on from last year's online and in-person employee feedback programme, follow-up surveys relating to a number of matters that arose were conducted with our colleagues from Flight Operations and Cabin Operations and a number of improvement actions were implemented.

- ▶ Our success to date has also depended on a number of key personnel, including our Chief Executive Officer, other senior managers and post holders required by regulation. Our continuing success will depend on having the right people in those key positions. While, in the past, we have successfully recruited for those positions, we recognise that we have a pool of talent within the Company and have recently started a talent assessment and leadership development programme for our staff. Succession of key personnel is a matter which we take extremely seriously and we shall continue to develop our succession planning processes to ensure that we have colleagues of the right calibre to lead the Company in the future.

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Wizz Air is the largest low-cost airline in Central and Eastern Europe, operates a fleet of 81 Airbus A320 and Airbus A321 aircraft, and offers more than 500 routes from 28 bases, connecting 141 destinations across 42 countries. At Wizz Air, a team of approximately 3,000 aviation professionals delivers superior service and very low ticket prices making Wizz Air the preferred choice of 23 million passengers in 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. Wizz Air is registered under the International Air Transport Association (IATA), Operational Safety Audit (IOSA), the global benchmark in airline safety recognition. 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, as well as 2016 Low Cost Airline of the Year by the Center for Aviation (CAPA), a leading provider of independent aviation market intelligence.

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