RYANAIR HOLDINGS PLC
Form 20-F
July 31, 2008
Table of Contents

As filed with the United States Securities and Exchange Commission on July 31, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended: March 31, 2008

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report: _________

For the transition period from ______ to ______

Commission file number: 0-29304

Ryanair Holdings plc

(Exact name of registrant as specified in its charter)

Ryanair Holdings plc

(Translation of registrant s name into English)

Republic of Ireland

(Jurisdiction of incorporation or organization)

c/o Ryanair Limited

Corporate Head Office

Dublin Airport

County Dublin, Ireland

(Address of principal executive offices)

Please see Item 4. Information on the Company herein.

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing five Ordinary Shares	**Nasdaq National Market**
Ordinary Shares, par value 0.635 euro cents per Share	**Nasdaq National Market (not for trading but only in connection with the registration of the American Depositary Shares)**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Table of Contents

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

1,490,804,671 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ¨ No x

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board x Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ¨ No ¨

TABLE OF CONTENTS

Table of Contents

Table of Contents

Presentation of Financial and Certain Other Information

As used herein, the term Ryanair Holdings refers to Ryanair Holdings plc. The term the Company refers to Ryanair Holdings together with its consolidated subsidiaries. The terms Ryanair Limited and Ryanair refer to Ryanair Limited, a wholly-owned subsidiary of Ryanair Holdings, together with its consolidated subsidiaries. The term fiscal year refers to the 12-month period ended on March 31 of the quoted year. All references to Ireland herein are references to the Republic of Ireland. All references to the U.K. herein are references to the United Kingdom and all references to the United States or U.S. herein are references to the United States of America. References to U.S. dollars, dollars, $ or U. cents are to the currency of the United States, references to U.K. pounds sterling, sterling and U.K.£ are to the currency of the U.K. and references to , euro and euro cents are to the euro, the common currency of fifteen member states of the European Union (the EU), including Ireland. Various amounts and percentages set out in this annual report on Form 20-F have been rounded and accordingly may not total.

The Company owns or otherwise has rights to the trademark Ryanair® in certain jurisdictions. See Item 4. Information on the Company Trademarks. This report also makes reference to trade names and trademarks of companies other than the Company.

The Company publishes its annual and interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). Additionally, in accordance with its legal obligation to comply with the International Accounting Standards Regulation (EC 1606 (2002)), which applies throughout the EU, the consolidated financial statements are also prepared in accordance with International Financial Reporting Standards as adopted by the EU. Accordingly, the Company s consolidated financial statements and the selected IFRS financial data included herein, comply with International Financial Reporting Standards as issued by the IASB and also International Financial Reporting Standards as adopted by the EU, in each case as in effect for the year ended and as at March 31, 2008 (collectively referred to as IFRS throughout). Prior to April 1, 2005, the Company prepared its financial statements in accordance with Irish generally accepted accounting principles (Irish GAAP). The Company s financial information as of and for the year ended March 31, 2005 contained herein has been restated in IFRS. The Company has not restated its financial information as of any date or for any period prior to March 31, 2005 in IFRS and, accordingly, no such earlier IFRS financial information is contained herein.

The Company publishes its consolidated financial statements in euro. Solely for the convenience of the reader, this report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the converted amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated or at any other rate. Unless otherwise indicated, such U.S. dollar amounts have been translated from euro at a rate of 1.00=$1.5812, or $1.00= 0.6324, the Noon Buying Rate in New York City for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 31, 2008. The Noon Buying Rate for euro on July 30, 2008 was 1.00=$1.5589 or $1.00= 0.6414. See Item 3. Key Information Exchange Rates for information regarding historical rates of exchange relevant to the Company, and Item 5. Operating and Financial Review and Prospects and Item 11. Quantitative and Qualitative Disclosure About Market Risk for a discussion of the effects of changes in exchange rates on the Company.

In prior years, the SEC required Ryanair Holdings to reconcile net income and shareholders equity from its Irish GAAP or IFRS financial statements to generally accepted accounting principles in the United States (U.S. GAAP) and to present certain supplemental disclosures in accordance with U.S. GAAP. The SEC no longer imposes this requirement with respect to financial statements prepared in accordance with the International Financial Reporting Standards published by the IASB, and, accordingly, no U.S. GAAP financial information is provided below as of March 31, 2008 or for the year then ended.

Table of Contents

Cautionary Statement Regarding Forward-Looking Information

Except for the historical statements and discussions contained herein, statements contained in this report constitute forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act), and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements may include words such as expect, estimate, project, anticipate, should, intend and similar expressions or variations on such expressions. Any filing made by the Company with the U.S. Securities and Exchange Commission (the SEC) may include forward-looking statements. In addition, other written or oral statements which constitute forward-looking statements have been made and may in the future be made by or on behalf of the Company, including statements concerning its future operating and financial performance, the Company s share of new and existing markets, general industry and economic trends and the Company s performance relative thereto and the Company s expectations as to requirements for capital expenditures and regulatory matters. The Company s business is to provide a low-fares airline service in Europe, and its outlook is predominately based on its interpretation of what it considers to be the key economic factors affecting that business and the European economy. Forward-looking statements with regard to the Company s business rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside the Company s control, that could cause actual results to differ materially from such statements. It is not reasonably possible to itemize all of the many factors and specific events that could affect the outlook and results of an airline operating in the European economy. Among the factors that are subject to change and could significantly impact Ryanair s expected results are the airline pricing environment, fuel costs, competition from new and existing carriers, market prices for replacement aircraft and aircraft maintenance services, aircraft availability, costs associated with environmental, safety and security measures, terrorist attacks, actions of the Irish, U.K., EU and other governments and their respective regulatory agencies, fluctuations in currency exchange rates and interest rates, airport handling and access charges, litigation, labor relations, the economic environment of the airline industry, the general economic environment in Ireland, the U.K. and elsewhere in Europe, the general willingness of passengers to travel and other factors discussed herein. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

PART I

Item 1. ***Identity of Directors, Senior Management and Advisers***

Not applicable.

Item 2. ***Offer Statistics and Expected Timetable***

Not applicable.

Item 3. ***Key Information***

THE COMPANY

Ryanair operates a low-fares, scheduled passenger airline serving short-haul, point-to-point routes in Europe and Morocco from its bases at Dublin, London (Stansted and Luton), Glasgow (Prestwick), Brussels (Charleroi), Frankfurt (Hahn), Milan (Bergamo), Stockholm (Skvasta), Rome (Ciampino), Barcelona (Girona), Nottingham East Midlands, Liverpool, Shannon, Pisa, Cork, Marseille, Madrid, Bremen, Dusseldorf (Weeze), Bristol, Alicante, Valencia, Belfast, Bournemouth and Birmingham airports, which together are referred to as Ryanair s bases of operations or Ryanair s bases. The Bournemouth and Birmingham bases were opened in April 2008, and Ryanair plans to open a base at Kerry in July 2008, and bases at Edinburgh and Reus in the fall of 2008. Ryanair pioneered the low-fares operating model in Europe in the early 1990s. As of June 30, 2008, the Company offered over 1,100 scheduled short-haul flights per day serving 147 locations throughout Europe and Morocco, including 26 locations in the U.K. and Ireland, with an operating fleet of 166 aircraft flying approximately 712 routes. The Company also holds a 29.8% interest in Aer Lingus, which it has acquired through market purchases following Aer Lingus partial privatization in 2006. The European Commission has prevented Ryanair from acquiring a majority stake in Aer Lingus pursuant to a decision that the Company is in the process of appealing. For additional information, see Item 8. Financial Information Other Financial Information Legal Proceedings Aer Lingus Merger Decision.

A detailed description of the Company s business can be found in Item 4. Information on the Company.

Table of Contents

SELECTED FINANCIAL DATA

The following tables set forth certain of the Company s selected consolidated financial information as of and for the periods indicated and should be read in conjunction with (a) the audited consolidated financial statements of the Company and related notes thereto included in Item 18 and (b) Item 5. Operating and Financial Review and Prospects.

In prior years, the SEC required Ryanair Holdings to reconcile net income and shareholders equity from its Irish GAAP or IFRS financial statements to U.S. GAAP, and to present certain supplemental disclosures in accordance with U.S. GAAP. The SEC no longer imposes this requirement with respect to financial statements prepared in accordance with the International Financial Reporting Standards published by the IASB, and, accordingly, no U.S. GAAP financial information is provided below as of March 31, 2008 or for the year then ended.

Selected Financial Data Presented in IFRS

Profit and Loss Account Data:

IFRS	2008(a)	2008	2007	2006	2005
	Fiscal year ended March 31, (in thousands, except per-Ordinary Share data)				
Total operating revenues	$ 4,291,095	2,713,822	2,236,895	1,692,530	1,319,037
Total operating expenses	(3,441,864)	(2,176,742)	(1,765,150)	(1,317,484)	(978,299)
Operating income	849,231	537,080	471,745	375,046	340,738
Net interest (expense) income	(20,763)	(13,131)	(19,893)	(35,739)	(29,287)
Other non-operating (expense) income	(134,437)	(85,022)	(815)	(419)	(2,255)
Profit before taxation	694,031	438,927	451,037	338,888	309,196
Taxation	(76,244)	(48,219)	(15,437)	(32,176)	(29,153)
Profit after taxation	$ 617,787	390,708	435,600	306,712	280,043
Ryanair Holdings basic earnings per Ordinary Share (U.S. cents)/(euro cents)(b)	40.86	25.84	28.20	20.00	18.43
Ryanair Holdings diluted earnings per Ordinary Share (U.S. cents)/(euro cents)(b)	40.51	25.62	27.97	19.87	18.33

Balance Sheet Data:

IFRS	2008(a)	2008	2007	2006	2005
	As of March 31, (in thousands)				
Cash and cash equivalents	$ 2,325,706	1,470,849	1,346,419	1,439,004	872,258
Total assets	10,005,124	6,327,551	5,763,687	4,634,219	3,818,153

Long-term debt, including capital lease obligations	3,583,782	2,266,495	1,862,066	1,677,728	1,414,857
Shareholders equity	$ 3,956,469	2,502,194	2,539,773	1,991,985	1,734,503
Issued share capital	$ 14,965	9,465	9,822	9,790	9,675

Cash Flow Statement Data:

	Fiscal year ended March 31,				
IFRS	2008(a)	2008	2007	2006	2005
			(in thousands)		
Net cash inflow from operating activities	$ 1,113,008	703,901	900,837	610,570	511,203
Net cash (outflow) from investing activities	(1,094,681)	(692,310)	(1,188,993)	(337,285)	(850,462)
Net cash inflow from financing activities	178,421	112,839	195,571	293,461	467,257
Increase (decrease) in cash	$ 196,748	124,430	(92,585)	566,746	127,998

(a) Dollar amounts are translated from euro solely for convenience at the Noon Buying Rate on March 31, 2008, of 1.00=$1.5812 or $1.00= 0.6324.

(b) All per-Ordinary Share amounts have been adjusted to reflect the 2-for-1 split of Ordinary Shares (and ADRs) that occurred on February 26, 2007. For additional information, see Item 10. Additional Information Description of Capital Stock.

2

Table of Contents

Selected Financial Data Presented in US. GAAP

Profit and Loss Account Data:

US. GAAP	2007	2006	2005	2004
	Fiscal year ended March 31, (in thousands, except per-Ordinary Share data)			
Total operating revenues	2,236,895	1,692,530	1,319,037	1,074,224
Total operating expenses	(1,766,917)	(1,316,401)	(980,365)	(822,769)
Operating income	469,978	376,129	338,672	251,455
Net interest (expense) income	(20,779)	(27,767)	(21,442)	(16,460)
Other non-operating (expense) income	(815)	(419)	(2,255)	3,217
Income before taxation	448,384	347,943	314,975	238,212
Taxation	(15,105)	(33,111)	(31,561)	(22,782)
Net Income	433,279	314,832	283,414	215,430
Basic earnings per Ordinary Share (U.S. cents)/(euro cents)(a)	28.05	20.53	18.65	14.22
Diluted earnings per Ordinary Share (U.S. cents)/(euro cents)(a)	27.82	20.40	18.55	14.08

Balance Sheet Data:

US. GAAP	2007	2006	2005	2004
	As of March 31, (in thousands)			
Cash and cash equivalents	1,346,419	1,439,004	872,258	744,605
Total assets	5,731,567	4,672,907	3,870,392	2,961,891
Long-term debt, including capital lease obligations	1,862,066	1,677,728	1,414,857	952,981
Shareholders equity	2,567,522	2,020,447	1,629,819	1,356,281

Cash Flow Statement Data:

US. GAAP	2007	2006	2005	2004
	Fiscal year ended March 31, (in thousands)			
Net cash inflow from operating activities	880,727	617,071	516,648	447,177
Net cash (outflow) from investing activities	(1,168,883)	(343,786)	(855,907)	(361,512)
Net cash inflow from financing activities	195,571	293,461	467,257	121,734
Increase in cash and cash equivalents	(92,585)	566,746	127,998	207,129
Cash and cash equivalents at beginning of year	1,439,004	872,258	744,260	537,476
Cash and cash equivalents at end of year	1,346,419	1,439,004	872,258	744,605

(a)

All per-Ordinary Share amounts have been adjusted to reflect the 2-for-1 split of Ordinary Shares (and ADRs) that occurred on February 26, 2007. For additional information, see Item 10. Additional Information Description of Capital Stock.

Table of Contents

EXCHANGE RATES

The following table sets forth, for the periods indicated, certain information concerning the exchange rate between (i) the U.S. dollar and the euro, (ii) the U.K. pound sterling and the euro, and (iii) the U.K. pound sterling and the U.S. dollar. Such rates are provided solely for the convenience of the reader and are not necessarily the rates used by the Company in the preparation of its consolidated financial statements included in Item 18. No representation is made that any of such currencies could have been, or could be, converted into any of the other such currency at such rates or at any other rate.

U.S. dollars per 1.00(a)

Year ended December 31,	End of Period	Average(b)	Low	High
2003	1.260	1.141		
2004	1.354	1.248		
2005	1.184	1.239		
2006	1.319	1.256		
2007	1.458	1.371		
Month ended				
January 31, 2008			1.445	1.488
February 29, 2008			1.448	1.522
March 31, 2008			1.519	1.581
April 30, 2008			1.557	1.599
May 31, 2008			1.539	1.579
June 30, 2008			1.538	1.576
Period ended July 30, 2008			1.558	1.593

U.K. pounds sterling per 1.00(c)

Year ended December 31,	End of Period	Average(b)	Low	High
2003	0.706	0.694		
2004	0.708	0.679		
2005	0.689	0.682		
2006	0.674	0.682		
2007	0.735	0.685		
Month ended				
January 31, 2008			0.735	0.760
February 29, 2008			0.743	0.764
March 31, 2008			0.762	0.796
April 30, 2008			0.785	0.809
May 31, 2008			0.781	0.802
June 30, 2008			0.786	0.799
Period ended July 30, 2008			0.785	0.799

Table of Contents

U.K. pounds sterling per U.S.$1.00(d)

Year ended December 31,	**End of Period**	**Average(b)**	**Low**	**High**
2003	0.560	0.608		
2004	0.522	0.545		
2005	0.581	0.551		
2006	0.511	0.543		
2007	0.504	0.500		
Month ended				
January 31, 2008			0.503	0.514
February 29, 2008			0.502	0.515
March 31, 2008			0.493	0.505
April 30, 2008			0.501	0.510
May 31, 2008			0.504	0.514
June 30, 2008			0.502	0.514
Period ended July 30, 2008			0.499	0.508

(a) Based on the Noon Buying Rate for euro.
(b) The average of the relevant exchange rates on the last business day of each month during the relevant period.
(c) Based on the composite exchange rate as quoted at 5 p.m., New York time, by Bloomberg.
(d) Based on the Noon Buying Rate for U.K. pounds sterling.

As of July 30, 2008, the exchange rate between the U.S. dollar and the euro was 1.00=$1.5589, or 1.00=$0.6414; the exchange rate between the U.K. pound sterling and the euro was U.K.£1.00= 1.2714, or 1.00=U.K.£0.7865; and the exchange rate between the U.K. pound sterling and the U.S. dollar was U.K.£1.00=$1.9802, or $1.00=U.K.£0.5050. For a discussion of the impact of exchange rate fluctuations on the Company s results of operations, see Item 11. Quantitative and Qualitative Disclosures About Market Risk.

Table of Contents

SELECTED OPERATING AND OTHER DATA

The following tables set forth certain operating data of Ryanair for each of the fiscal years shown. Such data are derived from the Company s consolidated financial statements prepared in accordance with IFRS, and certain other data, and are not audited. For definitions of the terms used in this table, see the Glossary in Appendix A.

Operating Data:

	Fiscal Year ended March 31,			
	2008	**2007**	**2006**	**2005**
Average Yield per RPM ( )	0.065	0.070	0.070	0.076
Average Yield per ASM ( )	0.054	0.059	0.058	0.063
Average Fuel Cost per U.S. Gallon ( )	1.674	1.826	1.479	1.060
Cost per ASM (CASM) ( )	0.051	0.054	0.052	0.053
Break-even Load Factor	79%	77%	75%	70%
Operating Margin	20%	21%	22%	25%
Total Break-even Load Factor(a)	67%	66%	65%	63%
Average Booked Passenger Fare ( )	43.70	44.10	41.23	40.85
Ancillary Revenue per Booked Passenger ( )	9.58	8.52	7.45	6.92

Other Data:

	Fiscal Year ended March 31,			
	2008	**2007**	**2006**	**2005**
Revenue Passengers Booked	50,931,723	42,509,112	34,768,813	27,593,923
Revenue Passenger Miles (RPMs)	34,452,733,067	26,943,689,231	20,342,377,824	14,917,764,323
Available Seat Miles (ASMs)	41,342,195,458	32,043,022,051	24,282,100,345	17,812,432,791
Booked Passenger Load Factor	82%	82%	83%	84%
Average Length of Passenger Haul (miles)	662	621	585	541
Sectors Flown	330,598	272,889	227,316	187,470
Number of Airports Served at Period End	147	123	111	95
Average Daily Flight Hour Utilization (hours)	9.87	9.77	9.60	9.32
Employees at Period End	5,920	4,462	3,453	2,717
Employees per Aircraft at Period End	36	34	35	31
Booked Passengers per Employee at Period End	8,603	9,527	10,069	10,156

(a) Total Break-even Load Factor is calculated on the basis of total costs and revenues, including the costs and revenues from all ancillary services.

Table of Contents

RISK FACTORS

Risks Related to the Company

Changes in Fuel Costs and Fuel Availability Affect the Company s Results and Increase the Likelihood that the Company May Incur Losses. Jet fuel costs are subject to wide fluctuations as a result of many economic and political factors and events occurring throughout the world that Ryanair can neither control nor accurately predict, including increases in demand, sudden disruptions in and other concerns about global supply, as well as market speculation. Fuel prices increased substantially in fiscal years 2008 and 2007 and are currently at or near historical highs, which will have a significant impact on Ryanair s costs, and in turn, on its operating results. As international prices for jet fuel are denominated in U.S. dollars, Ryanair s fuel costs are also subject to certain exchange rate risks. Substantial price increases, adverse exchange rates or the unavailability of adequate supplies, including, without limitation, any such events resulting from prolonged hostilities in the Middle East or other oil-producing regions, or the suspension of production by any significant producer, could have a material adverse effect on Ryanair s profitability. In the event of a fuel shortage resulting from a disruption of oil imports or otherwise, additional increases in fuel prices or a curtailment of scheduled services could result.

While Ryanair historically entered into arrangements providing for substantial protection against fluctuations in fuel prices, generally through forward contracts covering 12-18 months of anticipated jet fuel requirements, Ryanair (like many other airlines) has, in recent periods, entered into such hedging arrangements on a much more selective basis. Nonetheless, in light of the oil price spike of 2008, Ryanair has significantly increased its hedging for the period from September to December 2008. At July 25, 2008, Ryanair had entered into forward jet fuel (jet kerosene) contracts covering approximately 90% of its estimated requirements for September 2008, at prices equivalent to approximately $129 per barrel of Brent crude oil, and 80% of its estimated requirements for the period from October 2008 through December 2008 at prices equivalent to approximately $124 per barrel. Ryanair has not otherwise entered into material agreements to seek to fix the price of a material quantity of fuel, including for periods beyond December 2008, and the Company may be significantly exposed to risks arising from fluctuations in the price of fuel, especially in light of the recent significant increases. Depending on oil price movements over the coming weeks, the Company expects to hedge its fuel requirements for the fourth quarter of its 2009 fiscal year. The Company s outlook for the current fiscal year, to March 2009, remains entirely dependent on fuel prices. If average fuel prices in the 2009 fiscal year remain at or near current levels, the Company will incur losses, which may be significant, unless it is able to offset the negative impact of fuel prices by increasing fares above their current levels. Given the generally deteriorating economic environment in Ireland, the United Kingdom, and elsewhere in Europe, as well as the Company s significant expansion plans, which will tend to have a negative impact on yields, the Company does not expect to be able to implement such fare increases in the near term and, in fact, the Company currently intends to respond to high fuel costs and the threat of recession by reducing fares. The combination of declining fares and increased fuel costs is likely to have a material adverse effect on the Company s financial condition and results of operations. Even if the average oil price (for Brent crude oil) is $130 per barrel in the 2009 fiscal year, the Company s management currently estimates that, if the euro-U.S. dollar exchange rate remains at or near the July 30, 2008 level of 1.00=$1.5589, the Company will, at best, break even, and is likely to incur significant losses. See The Company May Not Be Successful in Raising Fares to Offset Increased Business Costs below.

No assurances whatsoever can be given about trends in fuel prices and average fuel prices for the year, or for future years, may be significantly higher than current prices. Every $1 movement in the price of a barrel of Brent crude oil will impact Ryanair s net income by approximately 4 million, taking into account Ryanair s hedging program for the fiscal year ended March 31, 2009. There can be no assurance, however in this regard, and the impact of fuel prices may be even more pronounced. There cannot be any assurance that Ryanair s current or any future arrangements will be adequate to protect Ryanair from further increases in the price of fuel, that Ryanair will not incur losses due to high fuel prices, alone or in combination with other factors, or that fuel prices will ever decline from their current high levels. See Item 11. Quantitative and Qualitative Disclosures About Market Risk Fuel Price Exposure and Hedging. Because of Ryanair s low fares and its no-fuel-surcharges policy, as well as the Company s significant expansion plans, which will tend to have a negative impact on yields, its ability to pass on increased fuel costs to passengers through increased fares or otherwise is limited. Moreover, the anticipated expansion of Ryanair s fleet will result in an increase, in absolute terms, in Ryanair s aggregate fuel costs.

Based upon Ryanair s fuel consumption for the 2008 fiscal year, a change of one U.S. cent in the average annual price per gallon of aviation fuel would have caused a change of approximately 3.6 million in the Company s annual fuel costs (or a change of approximately 10 million for each $1.00 change in the price of one barrel of Brent crude oil). Ryanair s fuel costs in the 2008 fiscal year, after giving effect to the Company s fuel hedging activities, increased by 14.1% over the comparable period ended March 31, 2007, to 791.3 million, primarily due to an increase in the number of sectors flown and the average sector length as a result of the

7

Table of Contents

expansion of Ryanair s fleet and route network, offset in part by the positive impact on fuel costs of the strengthening of the euro against the dollar and a decrease in the average hedged price of fuel. Ryanair estimates that its fuel cost would have been approximately 915.8 million in the 2008 fiscal year, compared to 688.7 million in the 2007 fiscal year had Ryanair not had any hedging arrangements in place in the 2008 fiscal year.

The Company May Not Be Successful in Raising Fares to Offset Increased Business Costs. Ryanair operates a low-fares airline. The success of its business model depends on its ability to control costs so as to deliver low fares while at the same time earning a profit. However, the company currently faces an environment of weakening economic demand and high jet fuel costs. In this environment, Ryanair will be able to generate profits only if it is able to increase its fares. However, the Company s significant expansion plans may have a negative impact on yields, and, moreover, (i) it faces price competition from other airlines; and (ii) its passengers expect to pay low fares for its no-frills service. See The Company Faces Significant Price and Other Pressures in a Highly Competitive Environment below. As a result, Ryanair does not currently intend to increase fares, but will instead meet the threat of falling consumer demand by reducing fares to gain market share. This strategy is extremely likely to lead to losses, which may be significant, in the short term. Since late 2007, economic conditions have deteriorated in Ireland, in the United Kingdom and elsewhere in Europe. See The Company is Dependent on the Ireland-U.K. Market below. Even taking into account the Company s plans to reduce fares, the Company is likely to face pressure on its fares and yields as a result of the changed economic circumstances of its passengers. If the Company is not able to increase its fares and yields to temper the significant inflation in its input costs, particularly fuel costs, the Company s results of operations are likely to be materially adversely affected and it is likely that the Company will incur losses even greater than those that it might otherwise incur. Every 1% movement in average fares tends to impact Ryanair s net income by approximately 26 million.

Terrorism in the United Kingdom or Elsewhere in Europe Could Have a Material Detrimental Effect on the Company. On August 10, 2006, U.K. security authorities arrested and subsequently charged eight individuals in connection with an alleged plot to attack aircraft operating on transatlantic routes. As a result of these arrests, U.K. authorities introduced increased security measures, which resulted in all passengers being body-searched, and a ban on the transportation in carry-on baggage of certain liquids and gels. The introduction of these measures led to passengers suffering severe delays while passing through these airport security checks. As a result, Ryanair cancelled 279 flights in the days following the incident and refunded a total of 2.7 million in fares to approximately 40,000 passengers. In the days following the arrests, Ryanair also suffered reductions in bookings estimated to have resulted in the loss of approximately 1.9 million of additional revenue. As in the past, the Company reacted to these adverse events by initiating system-wide fare sales to stimulate demand for air travel.

On September 1, 2006, Ryanair filed a claim for 4.6 million in compensation against the U.K. Department of Transport under section 93 of the U.K. Transport Act 2000. Section 93 of the act provides for compensation for airlines in cases in which the department has issued directions under the act that have led to financial damages to the airlines. The case, which is to be heard in the London High Court, is currently adjourned pending the outcome of consultation by the Department of Transport on membership of the UK National Aviation Security Council.

In addition, reservations on Ryanair s flights to London dropped materially for a number of days in the immediate aftermath of the terrorist attacks in London on July 7, 2005. Although the terrorist attack in Glasgow on June 30, 2007 (in which a car filled with explosives was driven into the Glasgow airport) and the failed terrorist attacks in London on July 21, 2005 and June 29, 2007 had no material impact on bookings, there can be no assurance that future such attacks will not affect our passenger traffic. In the 2008 fiscal year, flights into and out of London accounted for 18.6 million, or approximately 37%, of passengers traveling on the Company s network. In the 2007 and 2006 fiscal years, flights into and out of London accounted for 18.9 million passengers and 17.5 million passengers, respectively, or approximately 44% and 50%, respectively, of passengers traveling on the Company s network.

Future acts of terrorism or significant terrorist threats, particularly in London or other markets that are significant to Ryanair, could have a material adverse effect on the Company s profitability or financial condition should the public s willingness to travel to and from those markets be reduced as a result. See also Risks Related to the Airline Industry The 2001 Terrorist Attacks on the United States Had a Severe Negative Impact on the International Airline Industry.

The Company is Subject to Legal Proceedings Alleging State Aid at Certain Airports. In December 2002, the European Commission announced the launch of an investigation into the April 2001 agreement between Ryanair and Brussels (Charleroi) airport and the airport s owner, the government of the Walloon Region of Belgium. The agreement enabled the Company to launch new routes and base up to four aircraft at Brussels (Charleroi).

Table of Contents

In February 2004, the European Commission found that a portion of the arrangements between Ryanair, the airport and the region constituted state aid, and therefore ordered Ryanair to repay the amount of the benefit received in connection with those arrangements. In May 2004, Ryanair appealed the decision of the European Commission to the European Court of First Instance (CFI), requesting that the decision be annulled. The CFI heard Ryanair s appeal in March 2008 and Ryanair is awaiting the decision of the court. In addition, in April 2004, the Walloon Region wrote to Ryanair requesting repayment of all amounts that had been deemed illegal, although it acknowledged Ryanair s right to offset against these amounts certain costs incurred in relation to the establishment of the base, in accordance with the European Commission s decision. In September 2004, the Walloon Region issued a formal demand that Ryanair repay a total of approximately 4 million, excluding any interest that may be due. Ryanair believes that no repayment is due when such offsets are taken into account, although it has placed this amount in escrow pending the outcome of its appeal.

In May 2005, the Walloon Region initiated a new proceeding currently pending before the Irish High Court to recover a further 2.3 million in start-up costs that had been reimbursed to Ryanair in connection with its establishment of the base. Ryanair does not believe any such payment is due and is currently defending the action. For additional details on this matter, please see Item 8. Financial Information Other Financial Information Legal Proceedings.

On September 6, 2005, the European Commission announced new guidelines on the financing of airports and provision of start-up aid to airlines by certain publicly-owned airports based on the European Commission s finding in the Charleroi case. See Item 8. Financial Information Consolidated Financial Information Legal Proceedings.

In an unrelated, though similar, matter, in July 2003, a Strasbourg court ruled (on the basis of a complaint by the Air France Group (Air France)) that marketing support granted by the Strasbourg Chamber of Commerce to Ryanair in connection with its launch of services from Strasbourg to London (Stansted) constituted state aid. The judgment took effect on September 24, 2003 and was upheld on appeal. As a result of the initial decision of the Strasbourg court to annul Ryanair s contract with Strasbourg Airport, Ryanair decided to close the Strasbourg route and instead opened a route from Baden-Karlsruhe in Germany to London (Stansted) (Baden airport is located some 40 kilometers from Strasbourg).

Ryanair is facing similar legal challenges by third parties (mainly competing airlines) with respect to agreements with certain other airports. In 2007 and 2008, the European Commission announced that it had started investigations of airport agreements at the Hamburg (Lubeck), Tampere, Berlin (Schonefeld), Alghero, Pau, Bratislava and Dortmund airports; however, Ryanair has only limited operations to and from the first six of these airports and does not operate flights to or from Dortmund. On June 17, 2008, the European Commission launched a further investigation into Ryanair s agreements at Frankfurt (Hahn) airport, which is a significant base for Ryanair. The European Commission announced in a public statement that its initial investigation had found that the airport might have acted like a private market investor but that it had insufficient evidence to reach a conclusion and therefore had elected to open a formal investigation. The formal investigation is ongoing and is expected to last between a year and 18 months. However, complaints by Lufthansa about Ryanair s cost base have been rejected by German courts.

Adverse rulings in these or similar cases could be used as precedents by other competitors to challenge Ryanair s agreements with other publicly-owned airports and could cause Ryanair to strongly reconsider its growth strategy in relation to public or state-owned airports across Europe. This could in turn lead to a scaling-back of Ryanair s growth strategy due to the smaller number of privately-owned airports available for development. No assurance can be given as to the outcome of these proceedings, nor as to whether any unfavorable outcomes may, individually or in the aggregate, have a material adverse effect on the results of operation or financial condition of the Company.

The Company Faces Significant Price and Other Pressures in a Highly Competitive Environment. Ryanair operates in a highly competitive marketplace, with a large number of new entrants, traditional airlines and charter airlines competing throughout the route network. Airlines compete primarily with respect to fare levels, frequency and dependability of service, name recognition, passenger amenities (such as access to frequent flyer programs) and the availability and convenience of other passenger services. Unlike Ryanair, certain of Ryanair s competitors are state-owned or state-controlled flag carriers and in some cases may have greater name recognition and resources and may have received or may receive in the future significant amounts of subsidies and other state aid from their respective governments. In addition, the EU-US Open Skies Agreement, which was signed in April 2007 and entered into effect in March 2008, allows U.S. carriers to offer services in the intra-EU market, which will result in increased competition. See Item 4. Information on the Company Government Regulation Liberalization of the EU Air Transportation Market.

Table of Contents

The airline industry is highly susceptible to price discounting, in part because airlines incur very low marginal costs for providing service to passengers occupying otherwise unsold seats. The number of new-entrant low-fares airlines and traditional carriers offering lower, more competitive fares in direct competition with Ryanair across its route network has increased significantly as a result of the liberalization of the EU air transport market and greater public acceptance of the low-fares model. Increasing price competition and the resulting lower fares, combined with the continuing increases in the Company s capacity in recent years (including an increase of approximately 21% during the 2008 fiscal year) have combined to put downward pressure on the Company s yields. Ryanair s yield per available seat mile (ASM) increased by 1.7% in the 2007 fiscal year and decreased by 7.8% in the 2008 fiscal year.

Although Ryanair intends to compete vigorously and to assert its rights against any predatory pricing or other conduct, price competition among airlines could reduce the level of fares or passenger traffic on the Company s routes to the point where profitability may not be achieved.

In addition to traditional competition among airline companies and charter operators who have entered the low fares market, the industry also faces some limited competition from ground (including high speed rail systems such as the TGV in France) and sea transportation alternatives, as businesses and recreational travelers seek lower-cost or more comfortable or convenient substitutes for air travel.

The Company Will Incur Significant Costs Acquiring New Aircraft. Ryanair s continued growth is dependent upon its ability to acquire additional aircraft to meet additional capacity needs and to replace aging aircraft.

Ryanair expects to have at least 195 aircraft (assuming that the planned disposal of 17 such aircraft is completed on schedule) in its fleet by March 31, 2009. With the Company s current orders for aircraft it is obligated to buy (i.e., firm orders) under its contracts with The Boeing Company (Boeing), the Company expects to increase the size of its fleet to consist of 265 Boeing 737-800 next generation aircraft by December 2012 (assuming that the planned disposal or return of operating lease aircraft at the end of the contracting lease period is completed on schedule), and may elect to enlarge its fleet further by exercising any of the 107 options to purchase new aircraft it currently has for periods through fiscal 2014 under its agreements with Boeing. For additional information on the Company s aircraft fleet and expansion plans, see Item 4. Information on the Company Aircraft and Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources. There can be no assurance that this planned expansion will not outpace the growth of passenger traffic on Ryanair s routes, or that traffic growth will not prove to be greater than the expanded fleet can accommodate; in either case, such developments could have a material adverse effect on the Company s business, results of operations and financial condition.

Ryanair plans to finance its existing firm-order aircraft through a combination of new bank loan facilities supported by a guarantee from the Export-Import Bank of the United States (ExIm Bank) and similar to those already in place, bank debt provided by commercial bankers, operating and finance leases via sale-and-leaseback transactions, Enhanced Equipment Trust Certificates and cash flow generated from the Company s operations. However, due to the significant general deterioration in the availability of bank credit facilities over the last year, no assurance can be given that such financing will be available to Ryanair, or that the terms of any such financing will be favorable. Any inability of the Company to obtain financing for the new aircraft on advantageous terms could have a material adverse effect on its business, results of operations and financial condition.

In addition, the financing of new and existing Boeing 737-800 aircraft has already and will continue to significantly increase the total amount of the Company s outstanding debt and the payments it is obliged to make to service such debt. Furthermore, Ryanair s ability to draw down funds under its existing bank loan facilities to pay for aircraft as they are delivered is subject to various conditions imposed by the counterparties to such bank loan facilities and related loan guarantees, and any future financing is expected to be subject to similar conditions. The Company currently has a preliminary commitment from the ExIm Bank to provide a loan guarantee covering 37 of the 135 firm-order aircraft. The Company has financing mandates in place covering the next 71 firm-order aircraft deliveries through a combination of committed bank loan facilities, operating leases and Japanese Operating Leases with Call Options (JOLCOs). For additional details on Ryanair s financings, see Item

5. Operating and Financial Review and Prospects Liquidity and Capital Resources.

The Company s Rapid Growth May Expose it to Risks. Ryanair s operations have grown rapidly since it pioneered the low-fares operating model in Europe in the early 1990s. See Item 5. Operating and Financial Review and Prospects History. During the 2008 fiscal year, Ryanair announced 201 new routes and added destinations in two new countries, Switzerland and Romania, which are serviced by routes originating in the

Table of Contents

U.K., Ireland, Spain, Sweden and Italy. Ryanair intends to continue to expand its fleet and add new destinations and additional flights, which are expected to increase Ryanair s booked passenger volumes in the 2009 fiscal year to approximately 58 million passengers, an increase of approximately 14% over the 2008 fiscal year level of approximately 51 million passengers, although no assurance can be given that these targets will in fact be met. If growth in passenger traffic and Ryanair s revenues do not keep pace with the planned expansion of its fleet, Ryanair could suffer from overcapacity and its results of operations and financial condition (including its ability to fund scheduled aircraft purchases and related debt) could be materially adversely affected. Ryanair has also entered into significant derivative transactions intended to hedge its current aircraft acquisition-related debt obligations. These derivative transactions expose Ryanair to certain risks and could have adverse effects on its results of operations and financial condition. See Item 11. Quantitative and Qualitative Disclosures About Market Risk.

The expansion of Ryanair s fleet and operations, in addition to other factors, may also strain existing management resources and related operational, financial, management information and information technology systems, including Ryanair s Internet-based reservation system, to the point that they may no longer be adequate to support Ryanair s operations. This would require Ryanair to make significant additional expenditures. This expansion will also require additional skilled personnel, equipment facilities and systems. An inability to hire skilled personnel or to secure the required equipment and facilities efficiently and in a cost-effective manner may adversely affect Ryanair s ability to achieve growth plans and sustain or increase its profitability.

Ryanair s New Routes and Expanded Operations may have an Adverse Financial Impact on its Results. Currently, a substantial number of low-fares carriers operate routes that compete with Ryanair s and the Company expects Ryanair to face further intense competition. See Item 4. Information on the Company Industry Overview European Market.

When Ryanair commences new routes, its load factors initially tend to be lower than those on its established routes and its advertising and other promotional costs tend to be higher, which may result in initial losses that could have a material negative impact on the Company s results of operations as well as require a substantial amount of cash to fund. In addition, there can be no assurance that Ryanair s low-fares service will be accepted on new routes. Ryanair also periodically runs special promotional fare campaigns, in particular in connection with the opening of new routes. Promotional fares may have the effect of increasing load factors and reducing Ryanair s yield and passenger revenues on such routes during the periods that they are in effect. See Item 4. Information on the Company Route System, Scheduling and Fares. Ryanair expects to have other substantial cash needs as it expands, including as regards the cash required to fund aircraft purchases or aircraft deposits related to the acquisition of additional Boeing 737-800s. There can be no assurance that the Company will have sufficient cash to make such expenditures and investments, and to the extent Ryanair is unable to expand its route system successfully, its future revenue and earnings growth will in turn be limited.

Ryanair s Continued Growth is Dependent on Access to Suitable Airports; Charges for Airport Access are Subject to Increase. Airline traffic at certain European airports is regulated by a system of grandfathered slot allocations. Each slot represents authorization to take-off and land at the particular airport during a specified time period. Although the majority of Ryanair s bases currently have no slot allocations, traffic at a minority of the airports Ryanair serves, including its primary bases are currently regulated through slot allocations. Applicable EU regulations would appear to prohibit the buying or selling of slots for cash, although media reports indicate that the buying and selling of slots may be happening at certain airports in Europe, including London Heathrow. Regardless of any such sales, there can be no assurance that Ryanair will be able to obtain a sufficient number of slots at slot-controlled airports that it may wish to serve in the future at the time it needs them or on acceptable terms. There can also be no assurance that its non-slot bases or the other non-slot airports Ryanair serves will continue to operate without slot allocations in the future. See Item 4. Information on the Company Government Regulation Slots. Airports may impose other operating restrictions such as curfews, limits on aircraft noise levels, mandatory flight paths, runway restrictions and limits on the number of average daily departures. Such restrictions may limit the ability of Ryanair to provide service to or increase service at such airports.

Ryanair s future growth is also materially dependent on its ability to access suitable airports located in its targeted geographic markets at costs that are consistent with Ryanair s low-fares strategy. Any condition that denies, limits or delays Ryanair s access to airports it serves or seeks to serve in the future would constrain Ryanair s ability to grow. A change in the terms of Ryanair s access to these facilities or any increase in the relevant charges paid by Ryanair as a result of the expiration or termination of such arrangements and Ryanair s failure to renegotiate comparable terms or rates could have a material adverse effect on the Company s financial condition and results of operations. For example, in March 2007 the discount arrangement formerly in place at

London (Stansted) airport terminated, subjecting Ryanair to an average increase in charges of approximately 100%. This increase in charges had, as expected, a negative impact on yields and passenger volumes. In addition, in September 2006, the Dublin Airport Authority (DAA) announced that it was planning to build a new terminal (Terminal 2) at Dublin Airport at a cost of approximately 800 million. This capital expenditure will mean that charges at Dublin Airport will increase significantly, possibly doubling from their current level, leading to increased fares and consequently having an adverse impact on yields and passenger volumes at Dublin Airport. Ryanair has responded to these charge increases by reducing capacity in winter periods in which the charge increases make operating at previous capacity more difficult.

The company has recently announced capacity reductions, primarily at Dublin and London (Stansted) airports, the two most expensive airports in terms of airport charges that Ryanair serves. As a result of these airports high charges, certain routes are not economically viable to operate during the winter when the company typically experiences lower load factors and fares. Accordingly, the company has announced its intention to ground 15 aircraft at London (Stansted) from November 1, 2008 through March 31, 2009 (last year Ryanair grounded 7 aircraft during the winter) and a further four aircraft at Dublin airport during the same period.

In addition the company has also announced that from November 1, 2008 to December 19th, 2008, it will close its base at Valencia. Furthermore, Ryanair has announced that it will temporarily suspend services to Budapest, Basel, Palma, Salzburg, Krakow and Rzeszow this winter. As a result of these capacity reductions, Ryanair expects that total passengers booked this year will rise by approximately 14%, bringing the total number of passengers booked to approximately 58 million, lower than the 16% growth, or 59 million booked passengers, previously forecast.

See Item 4. Information on the Company Airport Operations Airport Charges. See also The Company Is Subject to Legal Proceedings Alleging State Aid at Certain Airports.

The Company s Acquisition of 29.8% of Aer Lingus and Subsequent Failure to Conclude a Complete Acquisition of Aer Lingus Could Expose the Company to Risk. During the year ended March 31, 2007, the Company acquired 25.2% of Aer Lingus. The Company increased its holding to 29.3% during the year ended March 31, 2008, and, subsequent to the year-end, it increased its stake to 29.8%, at a total aggregate cost of 403.0 million. Following the acquisition of its initial stake, and upon the approval of the Company s shareholders, management proposed to effect a tender offer to acquire the entire share capital of Aer Lingus. This acquisition proposal was, however, blocked by the European Commission on alleged competition grounds. The EU Commissioner for Competition, Neelie Kroes, said on June 27, 2007 that, Since Ryanair is not in a position to exert de jure or de facto control over Aer Lingus, the European Commission is not in a position to require Ryanair to divest its minority shareholding, which is, by the way, not a controlling stake . In October 2007, the European Commission also reached a formal decision that it would not force Ryanair to sell its shares in Aer Lingus. However, Aer Lingus has appealed this decision before the CFI and the CFI may overturn the decision. Moreover, the policy of the European Commission may change in the future so as to require such a forced disposition. In January 2008, the CFI heard an application by Aer Lingus for interim measures limiting Ryanair s voting rights, pending a decision of the CFI on Aer Lingus appeal of the European Commission s decision not to force Ryanair to sell the Aer Lingus shares. In March 2008, the court dismissed Aer Lingus application for interim measures. If eventually forced to dispose of its stake in Aer Lingus, Ryanair could suffer significant losses due to the negative impact on attainable prices of the forced sale of such a significant portion of Aer Lingus shares. Ryanair s own appeal to the European Commission decision blocking the tender offer remains pending. During the 2008 fiscal year, Ryanair recognized an impairment charge of 91.6 million on its Aer Lingus shareholding, reflecting the fall in Aer Lingus share price from the dates of purchase to March 31, 2008. Subsequently, in the first quarter of the 2009 fiscal year, the Company recognized a further impairment charge of $93.6 million. Generally deteriorating conditions in the airline industry affect the Company not only directly, but also indirectly, because the value of its stake in Aer Lingus can rise and fall as the share price fluctuates.

Labor Relations Could Expose the Company to Risk. A variety of factors, including, but not limited to, the Company s recent profitability, may make it more difficult for Ryanair to maintain its current base salary levels and current employee productivity and compensation arrangements. Consequently, there can be no assurance that Ryanair s existing employee compensation arrangements may not be subject to change or modification at any time. However, given deterioration in the economic prospects of the Company, the Company has sought to freeze certain employees pay and eliminate redundant positions. These steps may lead to deteriorations in labor relations in the Company and could impact the

Company s business or results of operations.

The Company completed the retirement of its entire fleet of Boeing 737-200A aircraft based in Dublin in December 2005 and replaced them with Boeing 737-800 aircraft. As a result of the retirement of the Boeing 737-200A aircraft, Ryanair required its pilots who lacked the necessary training to undergo a conversion training process to enable them to fly the new Boeing 737-800 aircraft. Starting in the fall of 2004, Ryanair made a number of written offers to its Dublin-based pilots to enable them to participate in a re-training process in order to obtain the correct type-rating for flying the Boeing 737-800 aircraft. All of these pilots have now been trained on the Boeing 737-800 aircraft, either by paying in advance the 15,000 cost of the conversion training, or by executing a five-year bond, under which the training is provided free of charge unless the pilots do not maintain their employment with Ryanair for a period of at least five years, in which case they are obligated to reimburse Ryanair for the training costs.

In the Irish High Court, 64 pilots (only 13 of whom remain in the Company s employment) have initiated proceedings claiming that the terms of the bond referred to above infringed their freedom of association rights and their right to allow trade unions to negotiate on their behalf.

Ryanair currently negotiates with groups of employees, including its pilots, through Employee Representation Committees, regarding pay, work practices and conditions of employment, including conducting formal binding negotiations with these internally elected collective bargaining units. Ryanair considers its relationships with its employees to be good, although it has once in the past experienced work stoppages by a group of baggage handlers. In addition, in the United Kingdom, the British Airline Pilots Association (BALPA) in 2001 unsuccessfully sought to represent Ryanair s U.K.-based pilots in their negotiations with the Company. BALPA may request that a new ballot on representation be undertaken among Ryanair s U.K. pilot body, which, if successful, would allow the U.K. pilots to be represented by BALPA in negotiations over pilot salaries and working conditions. For additional details, see Item 6. Directors, Senior Management and Employees Employees and Labor Relations.

If any future occurrence were to limit Ryanair s flexibility in dealing with its employees or alter the public s perception of Ryanair generally, this could have a material adverse effect on the Company s business, operating results and financial condition.

The Company is Dependent on the Ireland-U.K. Market. For the fiscal years ended March 31, 2008 and 2007, passengers on Ryanair s routes between Ireland and the U.K. accounted for 15.2% and 15.4%, respectively, of total passenger revenues, with routes between Dublin and London accounting for 4.9% of total passenger revenues in the 2008 and 2007 fiscal years, and the Dublin-London (Stansted) route alone accounting for 2.4% of such totals. Ryanair s business is likely to be adversely affected by any circumstance causing a reduction in general demand for air transportation services between Ireland and the U.K., including, but not limited to, adverse changes in local economic conditions. In recent quarters, Ireland and the U.K. have experienced declining (or in Ireland s case, negative) growth and increasing inflation. These factors are likely to impact demand for air travel and the Company cannot offer any assurances in regards to the performance of its business model under changed economic conditions.

Political disruptions or violence (including terrorism) in Ireland or the U.K. or significant price increases linked to increases in airport access costs or taxes imposed on air passengers in Ireland or the U.K. could also have a material adverse effect on the Company s business. See Terrorism in the United Kingdom or Elsewhere in Europe Could have a Material Detrimental Effect on the Company above. In addition, so long as the Company s operations remain dependent on routes between Ireland and the U.K., the Company s future operations will be adversely affected if there is increased competition in this market. See Item 4. Information on the Company Industry Overview Ireland-U.K. and Continental European Market.

The Company is Dependent on Third-Party Service Providers. Ryanair currently assigns its heavy airframe maintenance overhauls, engine overhauls and rotable repairs to outside contractors approved under the terms of Part 145, the European regulatory standard for aircraft maintenance established by the European Aviation Safety Agency (Part 145). The Company also assigns its passenger and aircraft handling and ground handling services at airports other than Dublin and those served by Ryanair in Spain to established third-party providers. See Item 4. Information on the Company Maintenance and Repairs Heavy Maintenance and Item 4. Information on the Company Airport Operations Airport Handling Services.

The loss or expiration of any of Ryanair s third-party service contracts or any inability to renew them or negotiate replacement contracts with other service providers at comparable rates could have a material adverse effect on the Company s results of operations. Ryanair will need to enter into airport services agreements in any new markets it enters, and there can be no assurance that it will be able to obtain the necessary facilities and services at competitive rates in new markets. In addition, although Ryanair seeks to monitor the performance of third parties that provide passenger and aircraft handling services, the efficiency, timeliness and quality of contract performance by third-party providers are largely beyond Ryanair s direct control. Ryanair expects to be dependent on such third-party arrangements for the foreseeable future.

Table of Contents

The Company is Dependent on Key Personnel. The Company s success depends to a significant extent upon the efforts and abilities of its senior management team, including Michael O Leary, the Chief Executive of Ryanair, and key financial, commercial, operating and maintenance personnel. Mr. O Leary s current contract may be terminated by either party upon 12 months notice. See Item 6. Directors, Senior Management and Employees Compensation of Directors and Senior Management Employment Agreements. The Company s success also depends on the ability of its executive officers and other members of senior management to operate and manage effectively, both independently and as a group. Although the Company s employment agreements with Mr. O Leary and some of its other senior executives contain non-competition and non-disclosure provisions, there can be no assurance that these provisions will be enforceable in whole or in part. Competition for highly qualified personnel is intense, and either the loss of any executive officer, senior manager or other key employee without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect upon the Company s business, operating results and financial condition.

The Company Faces Risks Related to its Internet Reservations Operations. As of July 31, 2008, approximately 99% of Ryanair s daily flight reservations were made through its website. Although the Company has established a contingency program whereby the website is hosted in three separate locations, each of these locations accesses the same booking engine, located at a single center, in order to make reservations.

A back-up booking engine is available to Ryanair to support its existing platform in the event of a breakdown in this facility. However, there can be no assurance that Ryanair would not suffer a significant loss of reservations in the event of a major breakdown of these systems, which, in turn, could have a material adverse affect on the Company s operating results or financial condition.

In addition, in March 2006, Ryanair also commenced its Check N Go Internet check-in service. Check N Go is part of a package of measures intended to improve service by reducing airfares as well as reducing check-in and boarding gate lines. See Item 4. Information on the Company Reservations/Ryanair.com. The Company has rolled this system out across its network, although passengers departing from Malta or Romania, or to or from Morocco, cannot make use of the system. Any disruptions to the Internet check-in service as a result of a breakdown in the relevant computer systems or otherwise could have a material adverse impact on these service improvement efforts and make passengers less likely to use these services, and, as a result, negatively affect the Company s operating results.

Risks Related to the Airline Industry

EU Regulation on Passenger Compensation Could Significantly Increase Related Costs. The EU has passed legislation for compensating airline passengers who have been denied boarding on a flight for which they hold a valid ticket (Regulation (EC) No. 261/2004). This legislation, which came into force on February 17, 2005, imposes fixed levels of compensation to be paid to passengers in the event of cancelled flights, except when the airline can prove that such a cancellation is caused by extraordinary circumstances, such as weather, air-traffic control delays or safety issues. The regulation calls for compensation of 250, 400 or 600 per passenger, depending on the length of the flight. As Ryanair s average flight length is less than 1,500 km the upper limit for short-haul flights the amount payable is generally 250 per passenger, per occurrence. Passengers subject to long delays (in excess of two hours for short-haul flights) are also entitled to assistance including meals, drinks and telephone calls, as well as hotel accommodations if the delay extends overnight. For delays of over five hours, the airline is also required to offer the option of a refund of the cost of the unused ticket. This legislation has had no material financial impact on the Company to date; however, there can be no assurance that the Company will not incur a significant increase in costs in the future due to the impact of this legislation, if Ryanair experiences an increase in cancelled flights, which could occur as a result of factors beyond its control.

Implementation of the Montreal Convention for Lost, Damaged or Delayed Luggage Could Also Increase Costs. The Montreal Convention on the Unification of Certain Rules for International Air Carriage was adopted in May 1999. The Convention consolidated, updated and has replaced all previous agreements on air carrier liability, including the 1929 Warsaw Convention. The Convention came into force in all EU countries on June 28, 2004. Passengers can now claim up to 1,000 Special Drawing Rights (SDRs) (currently approximately 1,037) for lost, damaged or delayed luggage. Passengers submitting baggage claims will have to provide evidence to back up these claims. This compares to the previous weight-based compensation system under the 1929 Warsaw Convention, which limited liability for lost, damaged or delayed luggage to 17 SDRs (currently approximately 18) per kilogram of checked hold baggage.

Table of Contents

Although Ryanair has a record of losing fewer bags than many other major European carriers, and the Convention s coming into force has had no material impact on the Company to date, there can be no assurance that the Company will not incur a significant increase in costs in connection with lost baggage, which could have an adverse effect on the Company s operating costs and in turn reduce its profitability.

Proposed Regulation of Emissions Trading Could Increase Costs. On July 8, 2008, the European Parliament voted in favor of proposed legislation to add aviation to the European Emissions Trading Scheme. This scheme, which has thus far applied mainly to energy producers, is a cap-and-trade system for carbon emissions to encourage industries to reduce their CO2 emissions. Under the proposed legislation, airlines would be granted initial credits based on historical emissions and their shares of the total aviation market. Any shortage of credits will have to be purchased in the open market. The cost and amount of such credits that Ryanair would have to buy in 2012 have yet to be determined. The proposed legislation still needs to be approved by the European Council of Ministers, which is not likely to happen before October 2008. Should this legislation be passed in its current form, it is likely to have a seriously negative impact on the European airline industry, including Ryanair, despite the fact that Ryanair is the most environmentally efficient producer. The European aviation industry is currently lobbying the Council of Ministers to amend or scrap the legislation as much higher oil prices will result in capacity being removed from the market, thus lowering CO2 emissions. Ryanair and other European airlines also argue that the legislation will have little or no impact on the environment but will simply increase the cost of travelling and reduce passenger volumes. If the legislation is approved, there can be no assurance that Ryanair will be able to obtain sufficient carbon credits, or that the cost of the credits will not have an material adverse effect on the Company s business, operating results and financial condition.

The Company is Dependent on the Continued Acceptance of Low-fares Airlines. In past years, accidents or other safety-related incidents involving certain low-fares airlines have had a negative impact on the public s acceptance of such airlines. Any adverse event potentially relating to the safety or reliability of low-fares airlines (including accidents or negative reports from regulatory authorities) could adversely impact the public s perception of, and confidence in, low-fares airlines like Ryanair, and could have a material adverse effect on the Company s financial condition and results of operations.

The 2001 Terrorist Attacks on the United States Had a Severe Negative Impact on the International Airline Industry. The terrorist attacks on the United States on September 11, 2001, in which four commercial aircraft were hijacked, had a severe negative impact on the international airline industry, particularly on U.S. carriers and carriers operating international service to and from the U.S. Although carriers such as Ryanair that operate exclusively in Europe have generally been spared from such material adverse impacts on their businesses to date, the cost to all commercial airlines of insurance coverage for certain third-party liabilities arising from acts of war or terrorism has increased dramatically since the September 11 attacks. See Item 4. Information on the Company Insurance. In addition, Ryanair s insurers have indicated that the scope of the Company s current act-of-war-related insurance may exclude certain types of catastrophic incidents, such as biological, chemical or dirty bomb attacks. This could result in the Company s seeking alternative coverage, including government insurance or self-insurance, which could lead to further increases in costs. Although Ryanair, to date, has passed on the increased insurance costs to passengers by means of a special insurance levy on each ticket, there can be no assurance that it will continue to be successful in doing so. In response to the dramatic drop in revenue and expected increases in costs, airlines in the U.S. and certain European carriers with significant U.S. operations have sought, and in certain cases, already received, governmental assistance in the form of financial aid. Ryanair does not fly to the United States, and although it experienced a decline of approximately 10% in reservations in the week following the September 11, 2001 terrorist attacks, the number of flight bookings had returned to normal levels by the end of September 2001.

Because a substantial portion of airline travel (both business and personal) is discretionary and because Ryanair is substantially dependent on discretionary air travel, any prolonged general reduction in airline passenger traffic may adversely affect the Company. Similarly, any significant increase in expenses related to security, insurance or related costs could have a material adverse effect on the Company. Any further terrorist attacks in the U.S. or in Europe, particularly in London or other markets that are significant to Ryanair, any significant military actions by the United States or EU nations (such as the current war in Iraq) or any related economic downturn, would be likely to have a material adverse effect on demand for air travel and thus on Ryanair s business, operating results and financial condition. See also Risks Related to the Company Further Terrorist Attacks in London and Other Destinations Could Have a Detrimental Effect on the Company.

The Company Faces the Risk of Loss and Liability. Ryanair is exposed to potential catastrophic losses that may be incurred in the event of an aircraft accident or terrorist incident. Any such accident or incident could involve costs related to the repair or replacement of a damaged aircraft and its consequent temporary or permanent loss from service. In addition, an accident or incident could result in significant legal claims against the Company from injured passengers and others who experienced injury as a result of the accident or incident, including ground victims. Ryanair currently maintains passenger liability insurance, employer liability insurance, aircraft insurance for aircraft loss or damage and other business insurance in amounts per occurrence that are consistent with industry standards. Ryanair currently believes its insurance coverage is adequate (although not comprehensive). However, there can be no assurance that the amount of insurance coverage will not need to be increased, that insurance premiums will not increase significantly or that Ryanair will not be forced to bear substantial losses from any accidents not covered by its insurance. Airline insurance costs increased dramatically following the September 2001 terrorist attacks on the United States. See The 2001 Terrorist Attacks on the United States Had a Severe Negative Impact on the International Airline Industry above. Substantial claims resulting from an accident in excess of related insurance coverage could have a material adverse effect on the Company s results of operations and financial condition. Moreover, any aircraft accident, even if fully insured, could lead to the public perception that Ryanair s aircraft were less safe or reliable than those operated by other airlines, which could have a material adverse effect on Ryanair s business.

EU Regulation No. 2027/97, as amended by Regulation No. 889/2002, governs air carrier liability. See Item 4. Information on the Company Insurance for details of this regulation. This regulation increased the potential exposure of air carriers, such as Ryanair, and although Ryanair has extended its liability insurance to meet the requirements of the regulation, no assurance can be given that other laws, regulations or policies will not be applied, modified or amended in a manner that has a material adverse effect on Ryanair s business, operating results and financial condition.

Airline Industry Margins are Subject to Significant Uncertainty. The airline industry is characterized by high fixed costs and by revenues that generally exhibit substantially greater elasticity than costs. Although fuel accounted for 36.4% of total costs in the 2008 fiscal year, management anticipates that this percentage will significantly increase. See Changes in Fuel Costs and Fuel Availability Affect the Company s Results and Increase the Likelihood that the Company May Incur Losses above. The operating costs of each flight do not vary significantly with the number of passengers flown and, therefore, a relatively small change in the number of passengers or in fare pricing or traffic mix could have a disproportionate effect on operating and financial results. Accordingly, a relatively minor shortfall from expected revenue levels could have a material adverse effect on the Company s growth or financial performance. See Item 5. Operating and Financial Review and Prospects. The very low marginal costs incurred for providing services to passengers occupying otherwise unsold seats are also a factor in the industry s high susceptibility to price discounting. See The Company Faces Significant Price and Other Pressures in a Highly Competitive Environment above.

Safety-Related Undertakings Could Affect the Company s Results. Aviation authorities in Europe and the United States periodically require or suggest that airlines implement certain safety-related procedures on their aircraft. In recent years, the U.S. Federal Aviation Administration (the FAA) has required a number of such procedures with regard to Boeing 737 aircraft, including checks of rear pressure bulkheads and flight control modules, redesign of the rudder control system and limitations on certain operating procedures. Ryanair s policy is to implement any such required procedures in accordance with FAA guidance, and to perform such procedures in close collaboration with Boeing. To date, all such procedures have been conducted as part of Ryanair s standard maintenance program and have not interrupted flight schedules or required any material increases in Ryanair s maintenance expenses. However, there can be no assurance that the FAA or other regulatory authorities will not recommend or require other safety-related undertakings or that such undertakings would not adversely impact the Company s operating results or financial condition.

There also can be no assurance that new regulations will not be implemented in the future that would apply to Ryanair s aircraft and result in an increase in Ryanair s cost of maintenance or other costs beyond management s current estimates. In addition, should Ryanair s aircraft cease to be sufficiently reliable or should any public perception develop that Ryanair s aircraft are less than completely reliable, the Company s business could be materially adversely affected.

Currency Fluctuations Affect the Company s Results. Although the Company is headquartered in Ireland, a significant portion of its operations is conducted in the U.K. Consequently, the Company has significant operating revenues and operating expenses, as well as assets and liabilities, denominated in U.K. pounds sterling. In addition, fuel, aircraft, insurance and some maintenance obligations are denominated in U.S. dollars. The Company s results of operations and financial condition can therefore be significantly affected by fluctuations in the respective values of the

U.K. pound sterling and the U.S. dollar. Ryanair is particularly subject to direct exchange rate risks between the euro and the U.S. dollar because a significant portion of its operating costs are incurred in U.S. dollars and none of its revenues are denominated in U.S. dollars. Although the Company

Table of Contents

engages in foreign currency hedging transactions between the euro and the U.S. dollar, between the euro and the U.K. pound sterling, and between the U.K. pound sterling and the U.S. dollar, hedging activities cannot be expected to eliminate currency risks. See Item 11. Quantitative and Qualitative Discussion About Market Risk.

Risks Related to Ownership of the Company s Ordinary Shares or ADRs

EU Rules Impose Restrictions on the Ownership of Ryanair Holdings Ordinary Shares by Non-EU Nationals, and the Company Has Instituted a Ban on the Purchase of Ordinary Shares by Non-EU Nationals. EU Regulation No. 2407/92 requires that, in order to obtain and retain an operating license, an EU air carrier must be majority-owned and effectively controlled by EU nationals. The regulation does not specify what level of share ownership will confer effective control on a holder or holders of shares. The board of directors of Ryanair Holdings is given certain powers under Ryanair Holdings articles of association (the Articles) to take action to ensure that the number of shares held in Ryanair Holdings by non-EU nationals (Affected Shares) does not reach a level that could jeopardize the Company s entitlement to continue to hold or enjoy the benefit of any license, permit, consent or privilege which it holds or enjoys and which enables it to carry on business as an air carrier. The directors will, from time to time, set a Permitted Maximum on the number of the Company s Ordinary Shares that may be owned by non-EU nationals at such level as they believe will comply with EU law. The Permitted Maximum is currently set at 49.9%. In addition, under certain circumstances, the directors can take action to safeguard the Company s ability to operate by identifying those shares, American Depositary Shares (ADSs) or Affected Shares which give rise to the need to take action and treat such shares, the American Depositary Receipts (ADRs) evidencing such ADSs, or Affected Shares as Restricted Shares. The Board of Directors may, under certain circumstances, deprive holders of Restricted Shares of their rights to attend, vote and speak at general meetings, and/or require such holders to dispose of their Restricted Shares to an EU national within as little as 21 days. The directors are also given the power to transfer such shares themselves if a holder fails to comply. In 2002, the Company implemented measures to restrict the ability of non-EU nationals to purchase Ordinary Shares, and non-EU nationals are currently effectively barred from purchasing Ordinary Shares, and will remain so for as long as these restrictions remain in place. There can be no assurance that these restrictions will ever be lifted. See Item 10. Additional Information Limitations on Share Ownership by Non-EU Nationals for a detailed discussion of the restrictions on share ownership and the current ban on share purchases by non-EU nationals.

As of June 30, 2008, EU nationals owned at least 56.0% of Ryanair Holdings Ordinary Shares (assuming conversion of all outstanding ADRs into Ordinary Shares).

Holders of Ordinary Shares are Currently Unable to Convert those Shares into American Depositary Receipts. In an effort to increase the percentage of its share capital held by EU nationals, on June 26, 2001, Ryanair Holdings instructed The Bank of New York, the depositary for its ADR program, to suspend the issuance of new ADRs in exchange for the deposit of Ordinary Shares until further notice to its shareholders. Holders of Ordinary Shares cannot convert their Ordinary Shares into ADRs during this suspension, and there can be no assurance that the suspension will ever be lifted. See also EU Rules Impose Restrictions on the Ownership of Ryanair Holdings Ordinary Shares by Non-EU nationals and the Company has Instituted a Ban on the Purchase of Ordinary Shares by Non-EU Nationals above.

The Company s Results of Operations May Fluctuate Significantly. The Company s results of operations have varied significantly from quarter to quarter, and management expects these variations to continue. See Item 5. Operating and Financial Review and Prospects Quarterly Fluctuations. Among the factors causing these variations are the airline industry s sensitivity to general economic conditions and the seasonal nature of air travel, as well as trends in airlines costs, and especially fuel costs. Because a substantial portion of airline travel (both business and personal) is discretionary, the industry tends to experience adverse financial results during general economic downturns. The Company is substantially dependent on discretionary air travel.

The trading price of Ryanair Holdings Ordinary Shares and ADRs may be subject to wide fluctuations in response to quarterly variations in the Company s operating results and the operating results of other airlines. In addition, the global stock markets from time to time experience extreme price and volume fluctuations that affect the market prices of many airline company stocks. These broad market fluctuations may adversely affect the market price of the Ordinary Shares and ADRs.

Ryanair Holdings Does Not Intend to Pay Dividends. Since its organization as the holding company for Ryanair in 1996, Ryanair Holdings has not declared or paid dividends on its Ordinary Shares, and does not anticipate paying any cash or share dividends on its Ordinary Shares in the foreseeable future. See Item 8. Financial Information Other Financial Information Dividend Policy. As a holding company, Ryanair Holdings does not have any material assets other than interests in the shares of Ryanair.

Item 4. ***Information on the Company***

INTRODUCTION

The Company operates a low-fares scheduled passenger airline serving short-haul, point-to-point routes between Ireland, the U.K., Continental Europe and Morocco. Incorporated in 1984, Ryanair Limited began to introduce a low-fares operating model under a new management team in the early 1990s. See Item 5. Operating and Financial Review and Prospects History. At June 30, 2008, with its operating fleet of 166 new Boeing 737-800 next generation aircraft, Ryanair Limited offered more than 1,100 scheduled short-haul flights per day serving 147 locations throughout Europe and Morocco, including 26 in the U.K. and Ireland. See Route System, Scheduling and Fares Route System and Scheduling for more details of Ryanair s route network. See Item 5. Operating and Financial Review and Prospects Seasonal Fluctuations for information about the seasonality of Ryanair s business. Ryanair Holdings was incorporated in 1997 as a holding company for Ryanair Limited.

Offering widely available low fares, Ryanair booked 49 million passengers during the 2007 calendar year. On the basis of the U.K. Airports Annual Statement of Movements, Passengers and Cargo (the CAA Statistics) published by the Civil Aviation Authority (CAA) in the 2007 calendar year, Ryanair had the leading market share (in terms of passenger volume) on most of its scheduled routes between Ireland and provincial cities in the U.K. and carried approximately 45.5% of all scheduled passenger traffic between Dublin and London, a share favorably comparable to the approximately 34.2% share of Aer Lingus, its next largest competitor on the U.K.-Ireland routes. According to the CAA Statistics, Ryanair has also achieved competitive market share results on the routes it has launched from the U.K. to continental Europe from the dates it began service on these routes.

By generating an average booked passenger load factor of approximately 82% and average scheduled passenger yield of 0.054 per ASM and focusing on maintaining low operating costs (0.051 per ASM), Ryanair achieved a net margin of 18% on total revenues of 2,713.8 million in the 2008 fiscal year. See Item 5. Operating and Financial Review and Prospects and the Glossary in Appendix A.

The market s acceptance of Ryanair s low-fares service is reflected in the Ryanair Effect Ryanair s history of stimulating significant annual passenger traffic growth on the new routes on which it has commenced service since 1991. On the basis of the CAA Statistics and statistics released by the International Civil Aviation Organization (the ICAO), the number of scheduled airline passengers traveling between Dublin and London increased from 1.7 million passengers in 1991 to 4.3 million passengers in the 2007 calendar year. Most international routes Ryanair has begun serving since 1991 have recorded significant traffic growth in the period following Ryanair s commencement of service, with Ryanair capturing the largest portion of such growth on each such route. A variety of factors contributed to this increase in air passenger traffic, including the relative strength of the Irish, U.K. and European economies. However, management believes that the most significant factors driving such growth across all its European routes have been Ryanair s low-fares policy and its superiority to its competitors in terms of flight punctuality, levels of lost baggage and rates of cancellations.

The address of Ryanair Holdings registered office is: c/o Ryanair Limited, Corporate Head Office, Dublin Airport, County Dublin, Ireland. The Company s contact person regarding this Annual Report on Form 20-F is: Howard Millar, Chief Financial Officer (same address as above). The telephone number is +353-1-812-1212 and the facsimile number is +353-1-812-1213. Under its current Articles of Association, Ryanair Holdings has an unlimited corporate duration.

STRATEGY

Ryanair s objective is to firmly establish itself as Europe s leading scheduled passenger airline through continued improvements and expanded offerings of its low-fares service. In the highly challenging current operating environment, Ryanair seeks to offer low fares that generate increased passenger traffic while maintaining a continuous focus on cost-containment and operating efficiencies. The key elements of Ryanair s long-term strategy are:

Low Fares. Ryanair s low fares are designed to stimulate demand, particularly from fare-conscious leisure and business travelers who might otherwise use alternative forms of transportation or choose not to travel at all.

Table of Contents

Ryanair sells seats on a one-way basis, thus eliminating minimum stay requirements from all travel on Ryanair scheduled services. Ryanair sets fares on the basis of the demand for particular flights and by reference to the period remaining to the date of departure of the flight, with higher fares charged on flights with higher levels of demand and for bookings made nearer to the date of departure. Ryanair also periodically runs special promotional fare campaigns. See Route System, Scheduling and Fares Low and Widely Available Fares below.

Customer Service. Ryanair s strategy is to deliver the best customer service performance in its peer group. According to reports by the Association of European Airlines (AEA) and the airlines own published statistics, Ryanair has achieved better punctuality, fewer lost bags and fewer cancellations than all of the rest of its peer group in Europe. Ryanair achieves this by focusing strongly on the execution of these services and by operating from un-congested airports. Ryanair conducts a daily conference call with Ryanair and airport personnel at each of its base airports, during which the reasons for each flight delay and baggage short-shipment are discussed in detail and logged to ensure that the root cause is identified and rectified. Customer satisfaction is measured by regular online, mystery passenger and employee surveys.

Frequent Point-to-Point Flights on Short-Haul Routes. Ryanair provides frequent point-to-point service on short-haul routes to secondary and regional airports in and around major population centers and travel destinations. In the 2008 fiscal year, Ryanair flew an average route length of 662 kilometers and average flight duration of approximately 1.57 hours. Short-haul routes allow Ryanair to offer its low fares and frequent service, while eliminating the need to provide unnecessary frills , like in-flight meals and movies, otherwise expected by customers on longer flights. Point-to-point flying (as opposed to hub-and-spoke service) allows Ryanair to offer direct, non-stop routes and avoid the costs of providing through service for connecting passengers, including baggage transfer and transit passenger assistance.

In choosing its routes, Ryanair favors secondary airports with convenient transportation to major population centers and regional airports. Secondary and regional airports are generally less congested than major airports and, as a result, can be expected to provide higher rates of on-time departures, faster turnaround times (the time an aircraft spends at a gate loading and unloading passengers), fewer terminal delays and more competitive airport access and handling costs. Ryanair s on time performance record (arrivals within 15 minutes of schedule) for the 2007 calendar year was 88%. According to 2007 data from Ryanair, Aer Lingus, easyJet and the AEA, Ryanair s on time performance record exceeded that of its principal competitors, including Aer Lingus (approximately 78%), Air France (approximately 82%), British Airways (approximately 65%), easyJet (approximately 74%), Lufthansa (approximately 81%), and SAS (approximately 81%). Faster turnaround times are a key element in Ryanair s efforts to maximize aircraft utilization. Ryanair s average scheduled turnaround time for the 2008 fiscal year was approximately 25 minutes. Secondary and regional airports also generally do not maintain slot requirements or other operating restrictions that can increase operating expenses and limit the number of allowed take-offs and landings.

Low Operating Costs. Management believes that Ryanair s operating costs are among the lowest of any European scheduled passenger airline. Ryanair strives to reduce or control four of the primary expenses involved in running a major scheduled airline: (i) aircraft equipment costs; (ii) personnel costs; (iii) customer service costs; and (iv) airport access and handling costs:

Aircraft Equipment Costs. Ryanair s primary strategy for controlling aircraft acquisition costs is to narrow its fleet of aircraft to a single type. Ryanair currently operates only next generation Boeing 737-800s. Ryanair s acquisition of the Boeing 737-800s has already and will continue to significantly increase the size of its fleet and thus significantly increase its aircraft equipment and related costs (on an aggregate basis). However, the purchase of aircraft from a single manufacturer enables Ryanair to limit the costs associated with personnel training, maintenance and, the purchase and storage of spare parts, while also affording the Company greater flexibility in the scheduling of crews and equipment. Management also believes that the terms of its Boeing contracts are very favorable to Ryanair. See Aircraft below for additional information on Ryanair s fleet.

Personnel Costs. Ryanair endeavors to control its labor costs by seeking to continually improve the productivity of its already highly productive work force. Compensation for employees emphasizes productivity-based pay incentives. These incentives include discretionary sales bonuses for onboard sales of products for flight attendants and payments based on the number of hours or sectors flown by pilots and flight attendants within limits set by industry standards or regulations fixing maximum working hours.

Customer Service Costs. Ryanair has entered into agreements on competitive terms with third-party contractors at certain airports for ticketing, passenger and aircraft handling, and other services that

Table of Contents

management believes can be more cost-efficiently provided by third parties. Management attempts to obtain competitive rates for such services by negotiating fixed-price, multi-year contracts. The development of its own Internet booking facility and reservations center has allowed Ryanair to eliminate travel agent commissions. Ryanair generates virtually all of its scheduled passenger revenues through direct sales via its website.

Airport Access and Handling Costs. Ryanair attempts to control airport access and service charges by focusing on airports that offer competitive prices. Management believes that Ryanair s record of delivering a consistently high volume of passenger traffic growth at many airports has allowed it to negotiate favorable contracts with such airports for access to their facilities. Ryanair further endeavors to reduce its airport charges by opting, when practicable, for less expensive gate locations as well as outdoor boarding stairs rather than more expensive jetways.

Taking Advantage of the Internet. In 2000, Ryanair converted its host reservation system to a new system called Flightspeed, which it operates under a 10-year hosting agreement with Navitaire to use its Open Skies reservation system (Open Skies). As part of the implementation of the new reservation system, Open Skies developed an Internet booking facility called Skylights. The Ryanair system allows Internet users to access its host reservation system and to make and pay for confirmed reservations in real time through Ryanair s Ryanair.com website. Since the launch of the Skylights system, Ryanair has heavily promoted its website through newspaper, radio and television advertising. As a result, Internet bookings have grown rapidly, accounting for approximately 99% of all reservations on a daily basis as of June 2008. On February 22, 2008, Ryanair upgraded from the Open Skies reservation system to the New Skies reservation system because New Skies is more scalable and will offer more flexibility for future system enhancements and to accommodate the planned growth of Ryanair.

In addition, in March 2006, Ryanair introduced its Internet check-in service, Check N Go, and the Company plans to introduce a kiosk-based check-in systems at its main base at London Stansted in August 2008.

Commitment to Safety and Quality Maintenance. Safety is the primary priority of Ryanair and its management. This commitment begins with the hiring and training of Ryanair s pilots, flight attendants and maintenance personnel and includes a policy of maintaining its aircraft in accordance with the highest European airline industry standards. Ryanair has not had a single incident involving major injury to a passenger or a member of its flight crew in its 23-year operating history. Although Ryanair seeks to maintain its fleet in a cost-effective manner, management does not seek to extend Ryanair s low-cost operating strategy to the areas of safety, maintenance, training or quality assurance. Routine aircraft maintenance and repair services are performed primarily by Ryanair, at Ryanair s main bases, but are also performed at other airports by maintenance contractors approved under the terms of Part 145. Ryanair currently contracts with other parties who perform heavy airframe maintenance, engine overhaul services and rotable repairs. These contractors also provide similar services to a number of other airlines, including British Airways and Aer Lingus. Ryanair assigns a Part 145 certified mechanic to oversee heavy maintenance and authorize engine overhauls performed by other parties.

Enhancement of Operating Results through Ancillary Services. Ryanair provides various ancillary services and engages in other activities connected with its core air passenger service, including non-flight scheduled services, the in-flight sale of beverages, food and merchandise and Internet-related services. As part of its non-flight services, Ryanair distributes accommodation, travel insurance and car rentals, principally through its website. Management believes that providing these services through the Internet allows Ryanair to increase sales, while at the same time reducing costs on a per-unit basis.

For the 2008 fiscal year, ancillary services accounted for 18.0% of Ryanair s total operating revenues, as compared to 16.2% of such revenues in the 2007 fiscal year. See Ancillary Services below and Item 5. Operating and Financial Review and Prospects Results of Operations Fiscal Year 2008 Compared with Fiscal Year 2007 Ancillary Revenues for additional information.

Focused Criteria for Growth. Building on its success in the Ireland-U.K. market and its expansion of service to continental Europe and Morocco, Ryanair intends to follow a manageable growth plan targeting specific markets. Ryanair believes it will have opportunities for continued growth by: (i) initiating additional routes in the EU; (ii) initiating additional routes in countries party to a European Common Aviation Agreement with the EU that are currently served by higher-cost, higher-fare carriers; (iii) increasing the frequency of service on its existing routes; (iv) starting new domestic routes within individual EU countries; (v) considering acquisition opportunities that may become available in the future; (vi) connecting airports within its existing route network (triangulation); (vi) establishing new bases in continental Europe; and (vii) initiating new routes not currently served by any carrier.

Table of Contents

During the 2007 fiscal year, the Company s shareholders approved the decision to purchase the entire share capital of Aer Lingus and, as a result, Ryanair has acquired a 29.8% interest at a cost of 403.0 million, as of July 3, 2008. The Company s proposed tender offer for all of the shares of Aer Lingus was blocked by the European Commission on alleged competition grounds. Ryanair has filed an appeal of the European Commission s decision with the CFI. See Item 8. Financial Information Other Financial Information Legal Proceedings Aer Lingus Merger Decision.

Responding to Current Challenges. In recent periods, and with increased effect in the 2009 fiscal year, Ryanair s low-cost, low-fares model has faced pressure due to significantly increased fuel costs and general inflation and reduced growth in the economies in which it operates. The Company aims to meet these challenges by (i) selectively grounding aircraft, including 20 aircraft that the Company intends to ground over the 2008-2009 winter season; (ii) disposing of aircraft (increasing its disposals from six in the 2008 fiscal year to approximately 17 in the 2009 fiscal year; and (iii) controlling labor and other costs, including through wage freezes and selective redundancies. There can be no assurance that the Company will be successful in doing these things or that doing so will allow the Company earn profits in any period. See Item 3. Key Information Risk Factors Risks Related to the Company Changes in Fuel Costs and Fuel Availability Affect the Company s Results and Increase the Likelihood that the Company May Incur Losses and The Company May Not Be Successful in Raising Fares to Offset Increased Business Costs.

The company has recently announced capacity reductions, primarily at Dublin and London (Stansted) airports, the two most expensive airports in terms of airport charges that Ryanair serves. As a result of these airports high charges, certain routes are not economically viable to operate during the winter when the company typically experiences lower load factors and fares. Accordingly, the company has announced its intention to ground 15 aircraft at London (Stansted) from November 1, 2008 through March 31, 2009 (last year Ryanair grounded 7 aircraft during the winter) and a further four aircraft at Dublin airport during the same period.

In addition the company has also announced that from November 1, 2008 to December 19th, 2008, it will close its base at Valencia. Furthermore, Ryanair has announced that it will temporarily suspend services to Budapest, Basel, Palma, Salzburg, Krakow and Rzeszow this winter. As a result of these capacity reductions, Ryanair expects that total passengers booked this year will rise by approximately 14%, bringing the total number of passengers booked to approximately 58 million, lower than the 16% growth, or 59 million booked passengers, previously forecast.

ROUTE SYSTEM, SCHEDULING AND FARES

Route System and Scheduling

As of June 30, 2008, the Company offers over 1,100 scheduled short-haul flights per day serving 147 locations throughout Europe and Morocco, including 26 locations in the U.K. and Ireland, and flying approximately 712 routes.

The following table lists Ryanair s top ten routes during the 2008 fiscal year by number of passengers, including the date service commenced on each such route and how many round-trip flights are scheduled on each such route per day. These routes in the aggregate accounted for 10.5% of the Company s scheduled passenger volume in the 2008 fiscal year.

Route Served

	Date service commenced	**Round trip flights scheduled per day**
Between Dublin and London (Stansted)	Nov-88	9
Between Dublin and London (Gatwick)	Nov-94	6
Between London (Stansted) and Rome (Ciampino)	Apr-02	5
Between Glasgow (Prestwick) and London (Stansted)	Oct-95	4
Between London (Stansted) and Milan (Bergamo)	Apr-02	4
Between Dublin and Manchester	May-94	4
Between London (Stansted) and Frankfurt (Hahn)	Apr-99	4
Between Dublin and London (Luton)	Jan-86	4
Between Dublin and Cork	Nov-05	5
Between London (Stansted) and Barcelona (Girona)	Feb-03	4

Table of Contents

See Note 17, Analysis of operating revenues and segmental analysis, to the consolidated financial statements included in Item 18 for more information regarding the geographical sources of the Company s revenue.

Management s objective is to schedule a sufficient number of flights per day on each of Ryanair s routes to satisfy demand for Ryanair s low-fares service. Ryanair schedules departures on its most popular routes at frequent intervals, normally between approximately 6:00 a.m. and 11:00 p.m. Management regularly reviews the need for adjustments in the number of flights on all of its routes.

During the 2008 fiscal year, Ryanair announced 201 new routes and added destinations in two new countries, Switzerland and Romania, which are serviced by routes originating in the U.K., Ireland, Spain, Sweden and Italy.

Low and Widely Available Fares

Ryanair offers low fares, with prices generally varying on the basis of advance booking, seat availability and demand. Ryanair sells seats on a one-way basis, thus removing minimum stay requirements from all travel on Ryanair scheduled services. All tickets can be changed, subject to certain conditions, including fee payment and applicable upgrade charges. However, tickets are non-cancelable and non-refundable and must be paid for at the time of reservation.

Ryanair s discounted fares are capacity controlled in that Ryanair allocates a specific number of seats on each flight to each fare category to accommodate projected demand for seats at each fare level leading up to flight time. Ryanair generally makes its lowest fares widely available by allocating a majority of its seat inventory to its lowest fare categories. Management believes that its unrestricted fares as well as its advance-purchase fares are attractive to both business and leisure travelers.

When launching a new route, Ryanair s policy is to price its lowest fare so that it will be significantly lower than other carriers lowest fares, but still provide a satisfactory operating margin.

Ryanair also periodically runs special promotional fare campaigns, in particular in connection with the opening of new routes, and endeavors to always offer the lowest fare on any route it serves. Ryanair offers weekday one-way fares starting at 1 on many of its routes, and offers lower-fare trips on certain routes from time to time. Promotional fares may have the effect of increasing load factors and reducing Ryanair s yield and passenger revenues on the relevant routes during the periods they are in effect. Ryanair expects to continue to offer significant fare promotions to stimulate demand in periods of lower activity or during off-peak times for the foreseeable future.

MARKETING AND ADVERTISING

Ryanair s primary marketing strategy is to emphasize its widely available low fares and price guarantee. In doing so, Ryanair primarily advertises its services in national and regional newspapers, as well as through controversial and topical advertising, press conferences, publicity stunts Other marketing activities include the distribution of advertising and promotional material and cooperative advertising campaigns with other travel-related entities, including local tourist boards.

RESERVATIONS ON RYANAIR.COM

Passenger airlines generally rely on travel agents for a significant portion of their ticket sales and pay travel agents a commission for their services. Following the introduction of its Internet-based reservations and ticketing service, which now allows passengers to make reservations and purchase tickets directly through the Company s website, Ryanair s reliance on travel agents has been eliminated. See Strategy Taking Advantage of the Internet above for additional information.

On February 22, 2008, Ryanair upgraded from the Open Skies reservation system to the New Skies reservation system. The upgrade to New Skies was required in order to facilitate the continued expansion of the airline. The existing Open Skies system had been developed in the 1990s and was approaching its capacity in terms of the total number of passenger transactions processed each year. The New Skies system is much more scalable and will be able to cope with the planned growth of Ryanair. In addition, New Skies will also give the Company the ability to offer more enhancements to passengers, as the new platform is far more flexible in terms of future development.

Similar to our previous Open Skies agreement, under the agreement with Navitaire, the New Skies system will serve as Ryanair s core seating inventory and booking system. In return for access to these system functions, Ryanair will pay transaction fees that are generally based on the number of passenger seat journeys booked through the system. As part of the transition to New Skies, Navitaire will retain a back-up booking engine to support its existing operations in the event of a breakdown in the main New Skies system. Over the last several years, Ryanair has introduced a number of Internet-based customer service enhancements such as Internet check-in and priority boarding service. These enhancements are focused on reducing waiting time at airports and speeding a passenger s journey from arrival at the airport to boarding. Ryanair has also introduced a checked-bag fee and an airport check-in fee, which are payable on the Internet and are aimed at reducing the number of bags carried by passengers in order to reduce ongoing handling costs. As a result of the introduction of the New Skies system, Ryanair intends to continue to deliver further passenger service enhancements by introducing Internet-based facilities to enable passengers to manage their own bookings.

AIRCRAFT

Aircraft

As of June 30, 2008, Ryanair s operating fleet was composed of 166 Boeing 737-800 next generation aircraft, each having 189 seats. Ryanair s fleet totaled 163 Boeing 737-800s at March 31, 2008. The Company expects to have an operating fleet comprising 195 Boeing 737-800s at March 31, 2009 (assuming that the planned disposal of 17 such aircraft is completed on schedule).

Between March 1999 and June 30, 2008, Ryanair took delivery of 176 new Boeing 737-800 next generation aircraft under its contracts with Boeing (and disposed of ten such aircraft). The new Boeing 737-800s share certain basic characteristics with Ryanair s prior fleet of Boeing 737-200A aircraft, all of which were retired by December 2005. However, the new aircraft are larger (seating up to 189 passengers, as compared to 130 in the Boeing 737-200As), capable of longer flights without refueling and incorporate more advanced aviation technology. The Boeing 737-800s also comply with Chapter 3 noise reduction requirements established by the ICAO, which took effect in the EU in 2002.

Ryanair entered into a series of agreements with Boeing for Boeing 737-800 next generation aircraft starting in 1998. As of January 2005, 89 firm-order aircraft remained to be delivered under those agreements, and the Company had options to purchase an additional 123 aircraft. On February 24, 2005, the Company announced that it had entered into a new agreement with Boeing for the purchase of a further 70 new Boeing 737-800s, as well as purchase options for an additional 70 such aircraft.

Under the terms of the 2005 Boeing contract, while the basic price per aircraft that was applicable under the prior contracts continued to apply to the firm-order aircraft that remained to be delivered and purchase options outstanding thereunder, these firm-order and option aircraft became subject to the commercial and other terms applicable to the firm-order aircraft under the 2005 Boeing contract, including benefiting from more favorable price concessions.

In addition, as part of the 2005 contract with Boeing, the Company ensured that winglets, or wing-tip extensions, manufactured by Aviation Partners Boeing (APB) would be incorporated into all aircraft to be delivered to the Company under its contracts with Boeing from January 2006 onwards. The cost of these winglets is included in the net price of each aircraft. APB agreed to supply the winglets at a discounted rate for all of the Boeing 737-800s delivered to Ryanair prior to January 2006. The cost of retrofitting these winglets has been borne by Ryanair and the retrofitting has been carried out during routine maintenance at the Company s facility at Glasgow (Prestwick). Ryanair has completed the process of installing winglets on all of its existing aircraft and all future aircraft will also be fitted with winglets. The winglets are attached to the existing wings and improve the aerodynamics of the aircraft; as a result, the aircraft consume less fuel per flight-hour. The winglet modification program has proved effective, with better aircraft performance and a reduction of approximately 4% in each aircraft s consumption of fuel per hour flown.

Table of Contents

Beginning in June 2005, the Company exercised a number of purchase options to acquire new Boeing 737-800 aircraft. The exercise of these purchase options is documented in the table below.

Date Purchase Option Exercised	No. of Aircraft	Delivery Dates Agreed Upon
June 2005	5	Feb. 2007 to May 2007
October 2005	9	Sept. 2007 to Nov. 2007
June 2006	10	March 2008 to June 2008
August 2006	32	Sept. 2008 to June 2009
April 2007	27	Sept. 2009 to March 2010
June 2008	3	June 2010

Ryanair currently expects to take delivery of an additional 135 aircraft under its contracts with Boeing. These deliveries will increase the size of Ryanair s fleet to 265 by December 2012 (assuming that the planned disposal or return of 36 such aircraft is completed on schedule), or more should Ryanair choose to exercise any of the additional 107 options to purchase aircraft remaining under its existing purchase contracts with Boeing.

Ryanair has entered into agreements with third parties to sell 25 Boeing 737-800s in accordance with the table below. Ten of these aircraft have already been delivered. Depending on market conditions and various other considerations, Ryanair expects to dispose of 21 further aircraft (in addition to those listed in the table below) during the period to December 2012.

Sale Agreement Dated	Aircraft Model Year	No. of Aircraft	Delivered Aircraft	Estimated Disposal Periods
May 2007	1999	5	5	Sept. 2007 to Dec. 2007
July 2007	2000, 2001 & 2002	15	5	Mar. 2008 to Apr. 2009
May 2008	2002	5		Nov. 2008 to Mar. 2009

For additional details on the Boeing contracts, scheduled aircraft deliveries and related expenditures and their financing, see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources. Furthermore, following the strengthening of the euro against the Dollar over the last number of years, the absolute cost in euro terms of aircraft has been substantially reduced.

Management believes that the purchase of the additional new Boeing 737-800 aircraft will allow Ryanair to continue to grow over the next five years. Management also believes that the significant size of its orders allowed Ryanair to obtain favorable purchase terms, guaranteed deliveries and a standard configuration for all of the aircraft it purchased.

The Boeing 737 is the world s most widely-used commercial aircraft and exists in a number of generations, the Boeing 737-800s being the most recent. Management believes that spare parts and cockpit crews qualified to fly these aircraft are likely to be more widely available on favorable terms than similar resources for other types of aircraft. Management believes that its strategy of having reduced its fleet to one aircraft type enables Ryanair to limit the costs associated with personnel training, the purchase and storage of spare parts, and maintenance. Furthermore this strategy affords Ryanair greater flexibility in the scheduling of crews and equipment. The Boeing 737-800s are fitted with CFM 56-7B26 engines and have advanced CAT III Autoland capability, advanced traffic collision avoidance systems, and enhanced ground-proximity warning systems.

At March 31, 2008, the average aircraft age of the Company s Boeing 737-800 fleet was 2.8 years, and no aircraft was more than eight years old.

Training and Regulatory Compliance

Ryanair currently owns and operates four Boeing 737-800 flight simulators for pilot training, the first of which was delivered in 2002. The simulators were purchased from CAE Electronics Ltd. of Quebec, Canada (CAE). The second simulator was delivered in 2004, while the third and fourth simulators were delivered in the 2008 fiscal year. In September 2006, Ryanair entered into a new contract with CAE to purchase five B737NG Level B flight simulators. The first two of these simulators are expected to be delivered in the 2009 fiscal year. This contract also provides Ryanair with an option to purchase another five such simulators. The gross price of each simulator is approximately $8 million, not taking into account certain price concessions provided by the seller in the form of credit memoranda and discounts.

Management believes that Ryanair is currently in compliance with all applicable regulations and EU directives concerning its fleet of Boeing 737-800 aircraft and will comply with any regulations or EU directives that may come into effect in the future. However, there can be no assurance that the FAA or other regulatory authorities will not recommend or require other safety-related undertakings that could adversely impact the Company s results of operations or financial condition. See Item 3. Key Information Risk Factors Safety-Related Undertakings Could Affect the Company s Results.

ANCILLARY SERVICES

Ryanair provides various ancillary services and engages in other activities connected with its core air passenger service, including non-flight scheduled services, Internet-related services, and the in-flight sale of beverages, food and merchandise.

As part of its non-flight scheduled and Internet-related services, Ryanair distributes accommodation services and travel insurance through both its website and its telephone reservation offices. Ryanair also sells bus and rail tickets onboard its aircraft and through its website. Ryanair incentivizes ground service providers at all of the airports it serves to levy correct excess baggage charges for any baggage that exceeds Ryanair s published baggage allowances, and to collect these charges in accordance with Ryanair s standard terms and conditions. The Company also charges customers a fixed fee to defray the administrative costs incurred in processing debit and credit card transactions. Since September 20, 2007, all passengers using desk check-in facilities have been required to pay an airport check-in fee (currently set at 5/ £4 per flight). Excess baggage charges, debit and credit transaction processing fees are recorded as components of non-flight scheduled revenue.

In addition, Ryanair has a contract with the Hertz Corporation (Hertz), pursuant to which Hertz handles all car rental services purchased through Ryanair s website or telephone reservation system. Hertz pays a per passenger fee to Ryanair. For hotel services, Ryanair has a contract with Expedia Private Label (Expedia), pursuant to which Expedia handles all aspects of such services and pays a fee to Ryanair.

Management believes that providing these services through the Internet allows Ryanair to increase sales, while at the same time reducing costs on a per-unit basis. Ryanair also has agreements with MBNA and GE Capital Bank (GE Capital), both issuers of Visa credit cards. Pursuant to these agreements, Ryanair promotes Ryanair-branded credit cards issued by MBNA and GE Capital onboard its aircraft, on its Internet site, and via direct marketing at airports served by Ryanair in the U.K., Ireland, Poland and Sweden. The MBNA agreement relates to Irish residents only and the GE Capital agreement relates to UK, Swedish and Polish residents only. Ryanair generates revenues from MBNA and GE Capital on the basis of the number of cards issued and the revenues generated through the use of the credit cards.

In April 2008, Ryanair entered into a contract with On Air, a provider of mobile voice and data solutions for aircraft, for the provision of an in-flight communications service that will allow Ryanair passengers to use mobile phone and electronic communication devices such as Blackberries while onboard Ryanair aircraft. Ryanair will pay a fee for use of the equipment and bear the cost of its installation on Ryanair aircraft. Ryanair will receive commissions on mobile calls made, and text messages and emails sent using the service, which will be billed to customers based on international roaming rates. Ryanair has yet to receive regulatory approval for this new system but plans to launch a six-month trial of the system starting in late July 2008. If the trial is successful, Ryanair plans to install this equipment on all of its aircraft. See Item 5. Operating and Financial Review and Prospects Results of Operations Fiscal Year 2007 Compared with Fiscal Year 2006 Ancillary Revenues for additional information.

MAINTENANCE AND REPAIRS

General

As part of its commitment to safety, Ryanair endeavors to hire qualified maintenance personnel, provide proper training to such personnel and maintain its aircraft in accordance with European industry standards. While Ryanair seeks to maintain its fleet in a cost-effective manner, management does not seek to extend Ryanair s low-cost operating strategy to the areas of maintenance, training or quality control.

Ryanair s quality assurance department deals with oversight of all maintenance activities in accordance with Part 145. The European Aviation Safety Agency (EASA), which established Part 145, came into being on September 28, 2003, through the adoption of Regulation (EC) No. 1592/2002 of the European Parliament, and its standards superseded the previous Joint Aviation Authority (JAA) requirements. See Government Regulation Regulatory Authorities.

Table of Contents

Ryanair is itself an EASA Part 145-approved maintenance contractor and provides its own routine aircraft maintenance and repair services on its aircraft other than scheduled heavy maintenance. Ryanair also performs certain checks on its aircraft, including pre-flight, daily and transit checks at some of its bases, as well as A-checks at its Dublin facility. Since December 2003, Ryanair has operated a two-bay hangar facility at its base at Glasgow (Prestwick) in Scotland, where it carries out A-checks and C-checks on the fleet of Boeing 737-800 aircraft. The facility is capable of performing two C-checks per week, enabling Ryanair to perform the majority of the maintenance required on its Boeing 737-800 fleet in-house.

Maintenance and repair services that may become necessary while an aircraft is located at one of the other airports served by Ryanair are provided by other Part 145-approved contract maintenance providers. Aircraft return each evening to Ryanair s bases, where they are examined by Ryanair s approved engineers (or, in the case of Brussels (Charleroi), Stockholm (Skvasta), Rome (Ciampino), Frankfurt (Hahn), Milan (Bergamo), Marseille, Barcelona (Girona), Madrid and Dusseldorf (Weeze), by local Part 145-approved companies).

Heavy Maintenance

As noted above, while Ryanair is now able to carry out the majority of the maintenance work required on its Boeing 737-800 fleet itself, Ryanair contracts with outside maintenance providers for some heavy maintenance services that it cannot accommodate in its own facilities. Ryanair currently has short-term, ad hoc contracts with reputable Part 145-approved suppliers of heavy maintenance in the U.K. and Europe, such as ATC Lasham, for the carrying-out of the heavy maintenance overhauls currently required on its relatively new fleet. Ryanair is also currently negotiating with an Eastern European airport to build a three-bay facility to accommodate the additional maintenance requirements that will arise as the airline takes delivery of the remaining aircraft it has on order. This facility is expected to be operational by the winter of 2009.

Ryanair contracts out engine overhaul service for its Boeing 737-800 aircraft to General Electric Engine Services of Cardiff, Wales, a Part 145-approved contractor, pursuant to a 10-year agreement, with an option for a 10-year extension, signed in 2004. This comprehensive maintenance contract provides for the repair and overhaul of the CFM56-7 series engines fitted to the first 155 of Ryanair s Boeing 737-800 aircraft, the provision of spare parts and general technical support for the fleet of engines. On June 30, 2008, the Company finalized a contract for a similar level of coverage and support for the engines on all of its aircraft that have been or are scheduled to be delivered as well as any option aircraft delivered pursuant to the Company s current contracts with Boeing over the period through December 2011. By contracting with Part 145-approved maintenance providers, management believes it is better able to control the quality of its aircraft and engine maintenance. Ryanair assigns a Part 145-certified mechanic to oversee all heavy maintenance and to authorize all engine overhauls performed by third parties. Maintenance providers are also monitored closely by the national authorities under EASA and national regulations.

Ryanair expects to be dependent on third-party service contracts, particularly for engine and component maintenance, for the foreseeable future, notwithstanding the additional capabilities provided by its maintenance facility at Glasgow (Prestwick). See Item 3. Key Information Risk Factors Risks Related to the Company The Company Is Dependent on Third Party Service Providers.

SAFETY RECORD

During its 23-year operating history, Ryanair has not had a single incident involving major injury to a passenger or a member of its flight crew. Ryanair manifests its commitment to safe operations through its safety training procedures, its investment in safety-related equipment and its adoption of an internal confidential reporting system for safety issues. The Company s board of directors also has an air safety committee to review and discuss air safety and related issues.

Ryanair s flight training is oriented towards accident prevention and covers all aspects of flight operations. Ryanair maintains full control of the content and delivery of all of its flight crew training, both initial and recurrent. All training programs are approved by the Irish Aviation Authority (the IAA), which regularly audits both operation control standards and flight crew training standards for compliance with JAA requirements (JARs).

All of the Boeing 737-800s that Ryanair has bought or committed to buy are certified for Category IIIA landings (automatic landings with minimum horizontal visibility of 200 meters and no vertical visibility).

Ryanair has a comprehensive and documented safety management system. Management encourages flight crews to report any safety-related issues through the Safety Alert Initial Report reporting program or to use the confidential reporting system, which is available through Ryanair s Flight Safety Offices. The confidential reporting system affords flight crews the opportunity to report directly to senior management any event, error or discrepancy in flight operations that they do not wish to report through standard reporting channels. The confidential reporting system is designed to increase management s awareness of problems that may be encountered by flight crews in their day-to-day operations. Management uses the information reported through all reporting systems to modify operating procedures and improve flight operation standards.

Ryanair has installed an Operational Flight Data Monitoring (OFDM) system on each of its Boeing 737-800 aircraft, which automatically provides a confidential report on the procedures followed by pilots. The purpose of this system is to monitor operational trends and inform management of any instance of an operational limit being exceeded. By analyzing these reports, management is able to identify potential areas of risk and take steps to rectify any deviations from normal operating procedures, thereby ensuring adherence to Ryanair s flight safety standards.

AIRPORT OPERATIONS

Airport Handling Services

Ryanair provides its own aircraft and passenger handling and ticketing services at Dublin Airport. Third parties provide these services to Ryanair at most other airports it serves. Servisair plc provides Ryanair s ticketing, passenger and aircraft handling and ground handling services at many of these airports in Ireland and the U.K. (excluding London Stansted Airport where these services are provided primarily by Swissport Ltd.), while similar services in continental Europe are generally provided by the local airport authorities, either directly or through sub-contractors. Management attempts to obtain competitive rates for such services by negotiating multi-year contracts at fixed prices, although some may have periodic increases linked to inflation. These contracts are generally scheduled to expire in one to five years, unless renewed, and certain of them may be terminated by either party before their expiry upon prior notice. Ryanair will need to enter into similar agreements in any new markets it may enter. See Item 3. Key Information Risk Factors Risks Related to the Company The Company Is Dependent on Third Party Service Providers.

Airport Charges

As with other airlines, Ryanair must pay airport charges each time it lands and accesses facilities at the airports it serves. Depending on the policy of the individual airport, such charges can include landing fees, passenger loading fees, security fees and parking fees. Ryanair attempts to negotiate discounted fees by delivering annual increases in passenger traffic, and opts, when practicable, for less expensive facilities, such as less convenient gates and the use of outdoor boarding stairs rather than more expensive jetways. Nevertheless, there can be no assurance that the airports Ryanair uses will not impose higher airport charges in the future and that any such increases would not adversely affect the Company s operations.

The Irish Commission for Aviation Regulation (CAR) is currently responsible for regulating charges at Dublin Airport. In late September 2005, the CAR approved an increase in airport charges of more than 22% (effective January 1, 2006). On March 30, 2006, following an appeal by the DAA, charges at Dublin Airport were increased by an additional 3%. On September 5, 2006, the CAR announced the launch of a public consultation to review and obtain feedback on the levels of airport charges at Dublin Airport. In September 2007, the CAR announced its decision not to change the cap on airport charges, but appeared to allow approximately 1.2 billion of additional planned capital expenditures (which includes approximately 800 million for the new terminal) to be counted towards the regulated asset base (which would enable the DAA to substantially increase charges from 2010 onwards). Ryanair challenged this decision in the Irish High Court but was unsuccessful. The High Court did however confirm that the CAR s decision was a determination within the meaning of the Aviation Regulation Act 2001 and that

Ryanair is therefore entitled to appeal this decision to an Independent Appeals Panel established by the Minister for Transport. Ryanair has requested that the minister establish the panel. In April 2008, the DAA announced a further 8% increase in charges, despite the fact that traffic and the DAA s profits had increased above the DAA s own forecasts. Ryanair believes that this pricing is abusive and has complained to the Irish Competition Authority.

In March 2007, the discount arrangement formerly in place at London (Stansted) airport terminated, subjecting Ryanair to an average increase in charges of approximately 100%. The increase in these charges, which was passed on in the form of higher ticket prices, had a negative impact on yields and passenger volumes

Table of Contents

in the winter, resulting in Ryanair s decision to ground seven aircraft. Ryanair responded to the increases by filing complaints with the U.K. Office of Fair Trading (OFT) and the U.K. Competition Commission (Competition Commission), calling for the break-up of the British Airports Authority plc (BAA) monopoly and the introduction of competition in the London airports market. The OFT referred the matter to the Competition Commission, whose preliminary findings were released in April 2008. The Competition Commission found that the common ownership by BAA of the three main airports in London affects competition and that a light touch approach by the Civil Aviation Authority was adversely impacting competition. The Competition Commission is considering the breakup of BAA, as well as introducing competing terminals in the London airports, although no assurance can be given regarding any decisions or actions that the Competition Commission may or may not pursue.

In July 2004, the Irish government enacted the State Airports Act 2004 (the State Airports Act), which contemplates the break-up of Aer Rianta, the Irish airport authority, into three competing airports at Dublin, Cork, and Shannon managed by independent airport authorities under state ownership. Under the State Airports Act, Aer Rianta was re-named the DAA as of October 1, 2004.

On February 12, 2004, the European Commission ruled that certain concessions granted to Ryanair by the Walloon Government in connection with its operations in Brussels (Charleroi) constituted state aid. Ryanair appealed the decision of the European Commission to the CFI requesting that the decision be annulled. The CFI heard Ryanair s appeal in March 2008. Ryanair is awaiting the decision of the court. The Walloon Region also initiated proceedings in 2005 to recover start-up costs that had been reimbursed to Ryanair in connection with its establishment of the Brussels (Charleroi) base. This case is pending before the Irish High Court. Several competing airlines have challenged other agreements between Ryanair and publicly-owned airports. Air France challenged Ryanair s agreement with Strasbourg Airport, leading to the cancellation of the London to Strasbourg route. In July 2006, Air France announced that it was challenging Ryanair s arrangement with Marseille Airport for the use of a low-cost facility. Separate similar proceedings relating to a number of other European airports are currently pending in lower courts. As Ryanair currently benefits from similar concessions on a number of its routes, negative outcomes in these proceedings could have a material adverse effect on its airport charges and profitability. In addition, on September 6, 2005, the European Commission announced new guidelines on the financing of airports and the provision of start-up aid to airlines by certain publicly-owned airports. On June 17, 2008, the European Commission launched a further investigation into Ryanair s agreements at Frankfurt (Hahn) airport, which is a significant base for Ryanair. The European Commission announced in a public statement that its initial investigation had found that the airport might have acted like a private market investor but that it had insufficient evidence to reach a conclusion and therefore had elected to open a formal investigation. The formal investigation is ongoing and is expected to last between a year and 18 months. However, complaints by Lufthansa about Ryanair s cost base have been previously rejected by German courts. See Item 3. Risk Factors Risks Related to the Company The Company Is Subject to Legal Proceedings Alleging State Aid at Certain Airports and Item 8. Financial Information Other Financial Information Legal Proceedings.

Following the December 2003 publication of the U.K. government s White Paper on Airport Capacity in the Southeast of England, BAA in 2004 announced plans to spend up to U.K.£4 billion on a multi-year project to construct a second runway and additional terminal facilities at London (Stansted) airport, with a target opening date of 2013. The project is subject to regulatory approvals and pending legal challenges, and remains in the planning stage. Ryanair and other airlines using London (Stansted) support the principle of a second runway at London (Stansted) but are opposed to this development because they believe that the financing of what they consider to be an overblown project will lead to airport costs approximately doubling again from current levels. Any such increases could mean that low-fares airlines will not be able to grow at London (Stansted) and their existing operations could be at risk. BAA has failed to consult with users of London (Stansted) on the project, and Ryanair intends to oppose these attempts by BAA to proceed with a U.K.£4 billion project when, in Ryanair s opinion, a second runway and a terminal extension should not cost more than U.K.£1 billion.

When the DAA first announced plans to build a second terminal (Terminal 2) at Dublin Airport, it estimated that the proposed expansion would cost 170 200 million. Ryanair supported a development of this scale; however, in September 2006, the DAA announced that the construction of Terminal 2 would cost approximately 600 million. Ryanair believes the true cost of what the DAA has proposed to be in excess of 800 million, and opposes expansion at what it believes to be an excessive cost. On August 29, 2007 the planning authority approved a planning application from the DAA for the building of Terminal 2, a second runway, and other facilities. The new construction is subject to a capacity restriction of 32 million passengers, and the runway is subject to limits in its hours of operation. The approval will mean that charges at Dublin Airport will increase significantly, possibly doubling from their current level. Ryanair sought a judicial review of

the planning approval. However, this appeal was not successful. The doubling of airport charges, as a result of this development, could have an adverse impact on yields and passenger volumes at Dublin Airport, as the Company may be forced to reduce capacity to compensate for the increased charges. See Item 3. Risk Factors Risks Related to the Company Ryanair s Continued Growth is Dependent on Access to Suitable Airports; Charges for Airport Access are Subject to Increase.

FUEL

The cost of jet fuel accounted for 36.4% and 39.3% of Ryanair s total operating expenses in the fiscal years ended March 31, 2008 and 2007, respectively (in each case this accounts for costs after giving effect to the Company s fuel hedging activities but excludes de-icing costs, which accounted for 0.7% of total fuel costs in the fiscal years ended March 31, 2008 and 2007, respectively). Jet fuel costs increased substantially in the fiscal years ended March 31, 2008 and 2007 and are currently at historical highs. The future availability and cost of jet fuel cannot be predicted with any degree of certainty, and because of Ryanair s low-fares policy, its ability to pass on increased fuel costs to passengers through increased fares or otherwise is limited. Jet fuel prices are dependent on crude oil prices, which are quoted in U.S. dollars. If the value of the U.S. dollar, which is at or near historical lows, rises against the euro, Ryanair s fuel costs, expressed in euro, may increase even absent any increase in the U.S.-dollar price of crude oil. Ryanair has entered into limited foreign currency swaps to hedge against some currency fluctuations. See Item 11. Quantitative and Qualitative Disclosures About Market Risk Foreign Currency Exposure and Hedging.

Ryanair historically entered into arrangements providing for substantial protection against fluctuations in fuel prices, generally through forward contracts covering 12-18 months of anticipated jet fuel requirements. In more recent periods, the Company has entered into hedging arrangements on a more selective basis. However, in light of the recent significant and unpredictable increases and decreases in oil prices, the Company has decided to increase its fuel hedging and it has hedged 80% 90% of its expected requirements for the period from September to December 2008. See Item 3. Risk Factors Risks Related to the Company Changes in Fuel Costs and Fuel Availability Affect the Company s Results and Increase the Likelihood that the Company May Incur Losses and Item 11. Quantitative and Qualitative Disclosures About Market Risk Fuel Price Exposure and Hedging for additional information on recent trends in fuel costs and the Company s related hedging activities, as well as certain associated risks. See also Item 5. Operating and Financial Review and Prospects Fiscal Year 2008 Compared with Fiscal Year 2007 Fuel and Oil.

The following table details Ryanair s fuel consumption and costs for scheduled operations (i.e. it excludes fuel costs related to de-icing costs), after giving effect to the Company s fuel hedging activities, for the fiscal years ended March 31, 2008, 2007 and 2006. The excluded de-icing costs amounted to 5,503,879, 4,667,362 and 6,090,400, respectively, for the fiscal years ended March 31, 2008, 2007 and 2006. De-icing costs, which are costs incurred for the labor and anti-freeze used to de-ice aircraft, have increased significantly in recent years as the Company s route network, types of aircraft operated and number of sectors flown have increased.

	Fiscal Year ended March 31,		
	2008	2007	2006
Scheduled fuel consumption (U.S. gallons)	469,546,574	377,185,934	308,742,674
Available seat miles (ASM)	41,342,195,458	32,043,022,051	24,282,100,345
Scheduled fuel consumption (U.S. gallons) per ASM	0.011	0.012	0.013
Total scheduled fuel costs(a)	785,822,674	688,663,715	456,375,897
Cost per gallon	1.674	1.826	1.478
Total scheduled fuel costs as a percentage of total operating costs	36.1%	39.3%	34.5%

(a) Omits de-icing costs.

INSURANCE

Ryanair is exposed to potential catastrophic losses that may be incurred in the event of an aircraft accident or terrorist incident. Any such accident or incident could involve costs related to the repair or replacement of a damaged aircraft and its consequent temporary or permanent loss from service. In addition, an accident or incident could result in significant legal claims against the Company from injured passengers and others who experienced injury as a result of the accident or incident, including ground victims. Ryanair maintains passenger liability insurance, employer liability insurance, aircraft insurance for aircraft loss or damage, and other business insurance in amounts per occurrence consistent with industry standards. Ryanair believes its insurance coverage is adequate, although not comprehensive. There can be no assurance that the amount of such coverage will not need to be increased, that insurance premiums will not increase significantly or that Ryanair will not be forced to bear substantial losses from accidents.

The cost of insurance coverage for certain third-party liabilities arising from acts of war or terrorism increased dramatically as a result of the September 11, 2001 terrorist attacks. In the immediate aftermath, aircraft hull war-liability indemnities for amounts above $50 million were, in the absence of any alternative coverage, provided by the Irish Government at pre-September 11, 2001 levels of coverage on the basis of a per-passenger surcharge. In March 2002, once such coverage was again commercially available, Ryanair arranged coverage to replace that provided by the government indemnity. The replacement insurance coverage operates on the basis of a per-passenger surcharge with an additional surcharge based on hull values. Ryanair s insurers have indicated that the scope of the Company s current war-related insurance coverage may exclude certain types of catastrophic incidents, which may result in the Company seeking alternative coverage. Ryanair to date has passed increased insurance costs on to passengers by means of a special insurance levy on each ticket.

During the 2006 fiscal year, Ryanair established Aviation Insurance (IOM), Limited, (AIL), a wholly owned insurance company subsidiary, to provide the Company with self-insurance as part of its ongoing risk-management strategy. AIL s activities are currently limited to underwriting a portion of the Company s aviation insurance program, which covers not only the Company s aircraft but also its liability to passengers and to third parties. AIL reinsures virtually all of the risk it underwrites with recognized third parties in the aviation reinsurance market, with the amount of AIL s maximum aggregate exposure not currently subject to such reinsurance agreements being equal to approximately $13 million.

Council Regulation (EC) No. 2027/97, as amended by Council Regulation (EC) No. 889/2002, governs air carrier liability. This legislation provides for unlimited liability of an air carrier in the event of death or bodily injuries suffered by passengers, implementing the Warsaw Convention of 1929 for the Unification of Certain Rules Relating to Transportation by Air, as amended by the Montreal Convention of 1999. Ryanair has extended its liability insurance to meet the requirements of the legislation.

You should read Item 3. Key Information Risk Factors Risks Related to the Airline Industry The Company Faces the Risk of Loss and Liability for information on the Company s risks of loss and liability.

FACILITIES

The following are the principal properties owned or leased by the Company:

Location	Site Area (Sq. Meters)	Floor Space (Sq. Meters)	Tenure	Activity
Dublin Airport	1,116	1,395	Leasehold	Corporate Headquarters
Phoenix House, Conyngham Road, Dublin	2,566	3,899	Freehold	Administration Offices
Satellite 3, Stansted Airport	605	605	Leasehold	Sales Office and Operations Center
Dublin Airport (Hangar)	2,993	2,175	Leasehold	Aircraft Maintenance
East Midlands Airport	3,890	2,801	Freehold	Simulator and Training Center
East Midlands Airport	2,045	634	Leasehold	Training Center
Bremen Airport	5,952	5,874	Leasehold	Terminal
Skvasta Airport (Hangar)	1,936	1,936	Leasehold	Aircraft Maintenance
Prestwick Airport (Hangar)	4,052	4,052	Leasehold	Aircraft Maintenance

Stansted Storage Facilities	378	531	Leasehold	Aircraft Maintenance
Dublin Airport Business Park	955	749	Leasehold	Administration Offices

Ryanair has agreements with the DAA, the Irish government authority charged with operating Dublin airport, to lease ticket counters and other space at the passenger and cargo terminal facilities at Dublin Airport. The airport office facilities used by Ryanair at London Stansted are leased from the airport authority; similar facilities at each of the other airports Ryanair serves are provided by Servisair plc or other service providers.

Table of Contents

TRADEMARKS

Ryanair s logo and the slogans Ryanair.com The Low Fares Website and Ryanair The Low Fares Airline have been registered as Community Trade Marks (CTMs). A CTM allows a trademark owner to obtain a single registration of its trademark, which registration affords uniform protection for that trademark in all EU member states. The registration gives Ryanair an exclusive monopoly over the use of its trade name with regard to similar services and the right to sue for trademark infringement should a third party use an identical or confusingly similar trademark in relation to identical, or similar services.

Ryanair has also registered the CTMs for the word Ryanair and for Ryanairhotels.com. Ryanair has not registered either its name or its logo as a trademark in Ireland, as CTM-registration provides all of the protection available from an Irish registration, and management believes there are therefore no advantages in making a separate Irish application.

GOVERNMENT REGULATION

Liberalization of the EU Air Transportation Market

Ryanair began its flight operations in 1985, during a decade in which the governments of Ireland and the U.K. liberalized the bilateral arrangements for the operation of air services between the two countries. In 1992, the Council of Ministers of the EU adopted a package of measures intended to liberalize the internal market for air transportation in the EU. The liberalizations included measures that allow EU air carriers substantial freedom to set air fares, provided EU air carriers greatly enhanced access to routes within the EU, and also introduced a licensing procedure for EU air carriers. Beginning in April 1997, EU air carriers have generally been able to provide passenger services on domestic routes within any EU member state outside their home country of operations without restriction. See also Industry Overview European Airline Market.

Regulatory Authorities

As an Irish air carrier with routes to the U.K. and other EU countries, Ryanair is subject to Irish and EU regulation, which is implemented primarily by the Department of Transport, the IAA, the JAA and EASA. Management believes that the present regulatory environment in Ireland and the EU is characterized by high sensitivity to safety and security issues, which is demonstrated by intensive reviews of safety-related procedures, training and equipment by the national and EU regulatory authorities.

Commission for Aviation Regulation. The CAR is currently primarily responsible for deciding maximum airport charges only at Dublin Airport. See Airport Operations Airport Charges above.

The CAR also has responsibility for licensing Irish airlines, subject to the requirements of EU law. It issues operating licenses under the provisions of Council Regulation 2407/92. An operating license is an authorization permitting the holder to transport passengers, mail and/or cargo by air. The criteria for granting an operating license include, *inter alia*, an air carrier s financial fitness, the adequacy of its insurance, and the fitness of the persons who will manage the air carrier. In addition, in order to obtain and maintain an operating license, Irish and EU regulations require that (i) the air carrier must be owned and continue to be owned directly or through majority ownership by EU member states and/or nationals of EU member states and (ii) the air carrier must at all times be effectively controlled by such EU member states or EU nationals. The CAR has broad authority to revoke an operating license. See Item 10. Additional Information Limitations on Share Ownership by Non-EU Nationals. See also Item 3. Risk Factors Risks Related to Ownership of the Company s Ordinary Stock EU Rules Impose Restrictions on the Ownership of Ryanair Holdings Ordinary Shares by Non-EU nationals and the Company has Instituted a Ban on the Purchase of Ordinary Shares by Non-EU Nationals above.

Ryanair s current operating license became effective on December 1, 1993, and is subject to review and renewal each year. The last full review took place in August 2007. The Flight Operations Department is also subject to ongoing review by the IAA, which reviews the department s audits, including flight audits, training audits, document audits and quality audits. These audits are performed on a monthly basis (approximately).

Ryanair s current Air Operator Certificate was re-issued on June 9, 2008 and is valid for 167 aircraft. The CAR is also responsible for deciding whether a regulated airport should be coordinated or fully coordinated under Council Regulation (EEC) No. 95/93 (as amended by Regulation (EC) No. 793/2004) on slots, and for authorizing ground handling operations under Council Directive 96/67/EC and its implementing legislation. In April 2005, the CAR announced that Dublin Airport would be fully slot-coordinated beginning in March 2006.

Table of Contents

Ryanair successfully challenged this decision in the Irish High Court and the decision was overturned in July 2006. In February 2007, the CAR re-imposed full coordination at Dublin Airport and Ryanair again challenged this decision in the Irish High Court but subsequently withdrew the challenge. See Slots below for additional information.

Irish Aviation Authority. The IAA is primarily responsible for the operational and regulatory function and services relating to the safety and technical aspects of aviation in Ireland. To operate in Ireland and the EU, an Irish air carrier is required to hold an operator s certificate granted by the IAA attesting to the air carrier s operational and technical competence to conduct airline services with specified types of aircraft. The IAA has broad authority to amend or revoke an operator s certificate, with Ryanair s ability to continue to hold its operator s certificate being subject to ongoing compliance with applicable statutes, rules and regulations pertaining to the airline industry, including any new rules and regulations that may be adopted in the future.

The IAA is also responsible for overseeing and regulating the operations of Irish air carriers. Matters within the scope of the IAA s regulatory authority include air safety; aircraft certification; personnel licensing and training; maintenance, manufacture, repair, airworthiness and operation of aircraft; implementation of JARs; aircraft noise; and ground services. Each of the Company s aircraft has received an airworthiness certificate issued by the IAA and the Company will be required to obtain certificates in respect of all additional aircraft the Company adds to the fleet. These airworthiness certificates are issued for a period of 12 months, after which application for a further certificate must be made. The Company s flight personnel, flight and emergency procedures, aircraft and maintenance facilities are subject to periodic inspections and tests by the IAA. The IAA has broad regulatory and enforcement powers, including the authority to require reports; inspect the books, records, premises and aircraft of a carrier; and investigate and institute enforcement proceedings. Failure to comply with IAA regulations can result in revocation of operating certification.

In July 1999, the IAA awarded Ryanair an air operator s certificate, which is subject to routine audit and review, in recognition of Ryanair s satisfaction of the relevant JAA requirements for the operation of commercial air transport (called JAR-OPS 1). The requirements of JAR-OPS 1 have been incorporated into European law as prescribed in Regulation (EEC) 3922/91, as amended by Regulation (EC) 1899/2006 and Regulation (EC) 8/2008 (EU-OPS), with minor changes, all of which will be addressed in the new operations Manual Part A. The Manual will be effective from July 16, 2008, and a copy will be filed with the IAA.

Department of Transport. The Department of Transport (DOT) is responsible for implementation of certain EU and Irish legislation and international standards relating to air transport (e.g., noise levels, aviation security, etc.).

In June 2005, the Minister for Transport enacted legislation strengthening rights for air passengers following the EU s passage of legislation requiring compensation of airline passengers who have been denied boarding on a flight for which they hold a valid ticket (Regulation (EC) No. 261/2004), which came into force on February 17, 2005. See Item 3. Risk Factors Risks Related to the Airline Industry EU Regulation on Passenger Compensation Could Significantly Increase Related Costs.

Joint Aviation Authorities. The JAA is an associated body of the European Civil Aviation Conference (ECAC) representing the civil aviation regulatory authorities of a number of European states that agreed to co-operate in developing and implementing common safety regulatory standards and procedures intended to provide high and consistent standards of safety and a level playing field for competition in Europe. JAR-OPS 1 regulations have been superseded by EU-OPS 1. EU-OPS 1 provides for the harmonization of technical requirements and administrative procedures on the basis of the JARs issued by the JAA and for the acceptance of certification in accordance with common technical requirements and administrative procedures. EU-OPS 1 entered force on January 16, 2007 and shall be applied in full from July 16, 2008 onward.

The European Aviation Safety Agency. EASA is an agency of the EU that has been given specific regulatory and executive tasks in the field of aviation safety. EASA was established through Regulation (EC) No. 1592/2002 of the European Parliament and the Council of July 15, 2002. The purpose of EASA is to draw-up common standards to ensure the highest levels of safety, oversee their uniform application across Europe and promote them at the global level. The EASA formally started its work on September 28, 2003, taking over the responsibility for regulating airworthiness and maintenance issues within the EU member states.

In order to achieve continuity in the mutual acceptance and recognition of certificates and approvals between EASA and non-EASA states, a framework has been developed under which the JAA retains its functions and responsibilities in operations and licensing, while acting as a service provider to EASA in certification and maintenance.

Table of Contents

Eurocontrol. The European Organization for the Safety of Air Navigation (Eurocontrol) is an autonomous European organization established under the Eurocontrol Convention of December 13, 1960. Eurocontrol is responsible for, *inter alia*, the safety of air navigation and the collection of route charges for *en route* air navigation facilities and services throughout Europe. Ireland is a party to several international agreements concerning Eurocontrol. These agreements have been implemented in Irish law, which provides for the payment of charges to Eurocontrol in respect of air navigation services for aircraft in airspace under the control of Eurocontrol. The relevant legislation imposes liability for the payment of any charges upon the operators of the aircraft in respect of which services are provided and upon the owners of such aircraft or the managers of airports used by such aircraft. Ryanair, as an aircraft operator, is primarily responsible for the payment to Eurocontrol of charges incurred in relation to its aircraft.

The legislation authorizes the detention of aircraft in the case of default in the payment of any charge for air navigation services by the aircraft operator or the aircraft owner, as the case may be. This power of detention extends to any equipment, stores or documents, which may be onboard the aircraft when it is detained, and may result in the possible sale of the aircraft.

European Commission. The European Commission is in the process of introducing a single European sky policy, which would lead to changes to air traffic management and control within the EU. The single European sky policy currently consists of the Framework Regulation (Reg. (EC) No. 549/2004) plus three technical regulations on the provision of air navigation services, organization and use of the airspace and the interoperability of the European air traffic management network. The objective of the policy is to enhance safety standards and the overall efficiency of general air traffic in Europe.

On September 6, 2005, the European Commission announced new guidelines on the financing of both airports and start-up aid to airlines by certain regional airports, based on the European Commission s finding in the Charleroi case, which Ryanair has appealed (and which appeal is currently awaiting a decision by the CFI). The guidelines apply only to publicly-owned regional airports and place restrictions on the incentives these airports can offer airlines to deliver traffic. The guidelines, however, apply only in cases in which the terms offered by a public airport are in excess of what a private airport would have offered in a similar situation. Ryanair deals with airports, both public and private, on an equal basis and is offered similar prices by both. Ryanair therefore considers that the guidelines will have no impact on its business.

The European Commission has also introduced draft legislation on airport charges, which was originally intended to address abusive pricing at monopoly airports. However, the current proposal includes all European airports with over five million passengers per year. This legislation is likely to increase the administrative burdens on smaller airports and may lead to higher airport charges. See Item 7. Major Shareholders and Related Party Transactions Other Financial Information Legal Proceedings EU Stat Aid-Related Proceedings.

Moreover, the European Commission has proposed legislation calling for transparency in airline fares, which would require the inclusion of all taxes, fees and charges in advertised prices. Ryanair currently includes this information in its advertised fares in all markets where it operates.

Registration of Aircraft

Pursuant to the Irish Aviation Authority (Nationality and Registration of Aircraft) Order 2002 (the Order), the IAA regulates the registration of aircraft in Ireland. In order to be registered or continue to be registered in Ireland, an aircraft must be wholly owned by either (i) a citizen of Ireland or a citizen of another member state of the EU having a place of residence or business in Ireland or (ii) a company registered in and having a place of business in Ireland and having its principal place of business in Ireland or another member state of the EU and not less than two-thirds of the directors of which are citizens of Ireland or of another member state of the EU. As of the date of this report, seven of the eight directors of Ryanair Holdings are citizens of Ireland or of another member state of the EU. An aircraft will also fulfill these conditions if it is wholly owned by such citizens or companies in combination. Notwithstanding the fact that these particular conditions may not be met, the IAA retains discretion to register an aircraft in Ireland so long as it is in compliance with the other conditions for registration under the Order. Any such registration may, however, be made subject to certain conditions. In order to be registered, an aircraft must also continue to comply with any applicable provisions of Irish law. The registration of any aircraft can be cancelled if it is found that it is not in compliance with the requirements for registration under the Order and, in particular; (i) if the ownership requirements are not met; (ii) if the aircraft has failed to comply with any applicable safety requirements specified by the IAA in relation to the aircraft or aircraft of a similar type; or (iii) if the IAA decides in any case that it is not in the public interest for the aircraft to remain registered in Ireland.

Table of Contents

Regulation of Competition

Competition/Antitrust Law. It is a general principle of EU competition law that no agreement may be concluded between two or more separate economic undertakings that prevents, restricts or distorts competition in the common market or any part of the common market. Such an arrangement may nevertheless be exempted by the European Commission, on either an individual or category basis. The second general principle of EU competition law is that any business or businesses having a dominant position in the EU common market or any substantial part of the common market may not abuse such dominant position. Ryanair is subject to the application of the general rules of EU competition law as well as specific rules on competition in the airline sector (principally, Council Regulation (EEC) 3975/87, as amended).

An aggrieved person may sue for breach of EU competition law in the courts of a member state and/or petition the European Commission for an order to put an end to the breach of competition law. The European Commission also may impose fines and daily penalties on businesses and the courts of the member states may award damages and other remedies (such as injunctions) in appropriate circumstances.

Competition law in Ireland is primarily embodied in the Competition Act 2002. This Act is modeled on the EU competition law system. The Irish rules generally prohibit anti-competitive arrangements among businesses and prohibit the abuse of a dominant position. These rules are enforced either by public enforcement (primarily by the Competition Authority) through both criminal and civil sanctions or by private action in the courts. These rules apply to the airline sector, but are subject to EU rules that override any contrary provisions of Irish competition law. Ryanair has been subject to an investigation by the Irish Competition Authority in relation to service between Dublin and Cork. The Company anticipates that the outcome of this investigation will be known by the end of August 2008.

State Aid. The EU rules control aid granted by member states to businesses on a selective or discriminatory basis. The EU Treaty prevents member states from granting such aid unless approved in advance by the EU. Any such grant of state aid to an airline is subject to challenge before the EU or, in certain circumstances, national courts. If aid is held to have been unlawfully granted it may have to be repaid by the airline to the granting member state, together with interest thereon. See Item 3. Key Information Risk Factors Risks Related to the Company The Company Is Subject to Legal Proceedings Alleging State Aid at Certain Airports and Item 8. Financial Information Other Financial Information Legal Proceedings.

Environmental Regulation

Aircraft Noise Regulations. Ryanair is subject to international, national and, in some cases, local noise regulation standards. EU and Irish regulations have required that all aircraft operated by Ryanair comply with Stage 3 noise requirements since April 1, 2002. All of Ryanair s aircraft currently comply with these regulations. Certain airports in the U.K. (including London Stansted and London Gatwick) and continental Europe have established local noise restrictions, including limits on the number of hourly or daily operations or the time of such operations.

Company Facilities. Environmental controls are generally imposed under Irish law through property planning legislation, specifically the Local Government (Planning and Development) Acts of 1963 to 1999, the Planning and Development Act 2000 and regulations made thereunder. At Dublin Airport, Ryanair operates on land controlled by the DAA. Planning permission for its facilities has been granted in accordance with both the zoning and planning requirements of Dublin Airport. There is also specific Irish environmental legislation implementing applicable EU directives and regulations, to which Ryanair adheres. From time to time, noxious or potentially toxic substances are held on a temporary basis within Ryanair s engineering facilities at Dublin Airport and Glasgow (Prestwick). However, at all times Ryanair s storage and handling of these substances complies with the relevant regulatory requirements. In Ryanair s Glasgow (Prestwick) maintenance facility, all normal waste is removed in accordance with the Environmental Protection Act of 1996 and Duty of Care Waste Regulations. For special waste removal, Ryanair operates under the Special Waste Regulations 1998. At all other facilities Ryanair adheres to all local and EU regulations.

Ryanair s Policy on Noise and Emissions. Ryanair is committed to reducing emissions and noise through investments in next generation aircraft and engine technologies and the implementation of certain operational and commercial decisions to minimize the environmental impact of its operations. Ryanair is currently the industry leader in terms of environmental efficiency and is constantly working towards improving its performance.

Table of Contents

In December 2005, Ryanair completed the fleet replacement program it commenced in 1999. All of Ryanair s older Boeing 737-200A aircraft were replaced with Boeing 737-800 next generation aircraft and, as of June 30, 2008, Ryanair operates a single-aircraft-type fleet of Boeing 737-800 next generation aircraft with an average age of only 2.8 years. The design of the new aircraft is aimed at minimizing drag, thereby reducing the rate of fuel burn and noise levels. The engines are also quieter and more fuel-efficient. Ryanair has a further 135 aircraft of this type on order from Boeing and options on another 107. See Aircraft above for details on Ryanair s fleet plan.

Ryanair has completed the process of installing winglets on all of its existing aircraft and all future aircraft will also be fitted with winglets. Winglets reduce both the rate of fuel burn and carbon dioxide emissions by approximately 4% and also reduce noise emissions.

Furthermore, by moving to an all Boeing 737-800 next generation fleet, Ryanair has reduced the unit emissions per passenger due to the inherent capacity increase in the Boeing 737-800 aircraft. The Boeing 737-800 next generation aircraft have a significantly superior fuel burn to passenger-kilometer ratio than Ryanair s former fleet of Boeing 737-200A aircraft.

In addition, Ryanair has distinctive operational characteristics that management believes are helpful to the general environment. In particular, Ryanair:

- operates with a high-seat density of 189 seats and an all-economy configuration, as opposed to the 162 seats and two-class configuration of the Boeing 737-800 aircraft used by traditional network airlines, reducing fuel burn and emissions per seat-kilometer flown;
- has reduced per-passenger emissions through higher load factors;
- better utilizes existing infrastructure by operating out of underutilized secondary and regional airports throughout Europe, which limits the use of holding patterns and taxiing times, thus reducing fuel burn and emissions and reducing the need for new airport infrastructure;
- provides direct services as opposed to connecting flights, in order to limit the need for passengers to transfer at main hubs and thus reduces the number of take-offs and landings per journey from four to two, reducing fuel burn and emissions per journey; and
- has no late-night departures of aircraft, reducing the impact of noise emissions.

Emissions Trading. On July 8, 2008, the European Parliament voted in favor of proposed legislation to add aviation to the European Emissions Trading Scheme. This scheme, which has thus far applied mainly to energy producers, is a cap-and-trade system for carbon emissions to encourage industries to reduce their CO2 emissions. Under the proposed legislation, airlines would be granted initial credits based on historical emissions and their shares of the total aviation market. Any shortage of credits will have to be purchased in the open market. The cost and amount of such credits that Ryanair would have to buy in 2012 have yet to be determined. The proposed legislation still needs to be approved by the European Council of Ministers, which is not likely to happen before October 2008. Should this legislation be passed in its current form, it is likely to have a seriously negative impact on the European airline industry, including Ryanair, despite the fact that Ryanair is the most environmentally efficient producer. The European aviation industry is currently lobbying the Council of Ministers to amend or scrap the legislation as much higher oil prices will result in capacity being removed from the market, thus lowering CO2 emissions. Ryanair and other European airlines also argue that the legislation will have little or no impact on the environment but will simply increase the cost of travelling and reduce passenger volumes.

Ryanair and the European Low Fares Airline Association have called on the European Commission to conduct a proper cost/benefit analysis before proceeding further with any legislative proposals that could impose significant costs on the airline industry.

Ryanair takes its environmental responsibilities seriously and intends to continue to improve its environmental efficiency and to minimize emissions.

Fuel Taxes/Emissions Levies. Ryanair is fundamentally opposed to the introduction of any fuel tax or emissions levy. Ryanair has and continues to offer the lowest fares in Europe, to make passenger air travel affordable and accessible to European consumers. Ryanair believes that the imposition on airlines of a tax on fuel or emissions will not only increase airfares, but will discourage new entrants into the market, resulting in less choice for consumers. Ryanair believes this would ultimately have adverse effects on the European economy in general.

Table of Contents

As a company, Ryanair believes in free market competition and that the imposition of any of the above measures would favor the less efficient flag carriers which generally have smaller and older aircraft, lower load factors, a much higher fuel burn per passenger, and operate primarily into congested airports and reduce competition. Furthermore, the introduction of a fuel tax or emissions levy at a European level only would distort competition between airlines operating solely within Europe and those operating also outside of Europe. We believe that the introduction of such a tax or levy would also be incompatible with international law.

Slots

Currently, the majority of Ryanair s bases of operations have no slot allocations; however, traffic at a substantial number of the airports Ryanair serves, including its primary bases, are regulated by means of slot allocations, which represent authorizations to take off or land at a particular airport within a specified time period. In addition, the airports in Edinburgh and Reus, which will become Ryanair bases in September and October 2008, respectively, are regulated through slot allocations. EU law currently regulates the acquisition, transfer and loss of slots. Applicable EU regulations currently prohibit the buying or selling of slots for cash. The European Commission adopted a regulation in April 2004 (Regulation (EC) No. 793/2004) that made some minor amendments to the current allocation system, allowing for limited transfers of, but not trading in, slots. Slots may be transferred from one route to another by the same carrier, transferred within a group or as part of a change of control of a carrier, or swapped between carriers. In April 2008 the European Commission issued a communication on the application of the slot allocation regulation, signaling the acceptance of secondary trading of airport slots between airlines. This will allow more flexibility and mobility in the use of slots and will further enhance possibilities for market entry. Any future proposals that might create a secondary market for the auction of slots or allow trading of slots among airlines could create a potential source of revenue for certain of Ryanair s current and potential competitors, many of which have many more slots allocated at present than Ryanair. Slot values depend on several factors, including the airport, time of day covered, the availability of slots and the class of aircraft. Ryanair s ability to gain access to and develop its operations at slot-controlled airports will be affected by the availability of slots for takeoffs and landings at these specific airports. New entrants to an airport are currently given certain privileges in terms of obtaining slots, but such privileges are subject to the grandfathered rights of existing operators that are utilizing their slots. While Ryanair generally seeks to avoid slot-controlled airports, there is no assurance that Ryanair will be able to obtain a sufficient number of slots at the slot-controlled airports that it desires to serve in the future at the time it needs them or on acceptable terms.

Other

Health and occupational safety issues relating to the Company are largely addressed in Ireland by the Safety, Health and Welfare at Work Act, 1989; the Safety, Health and Welfare at Work (General Application) Regulations, 1993; and other regulations under that act. Although licenses or permits are not issued under such legislation, compliance is monitored by the Health and Safety Authority (the Authority), which is the regulating body in this area. The Authority periodically reviews Ryanair s health and safety record and when appropriate, issues improvement notices or prohibition notices. Ryanair has responded to all such notices to the satisfaction of the Authority. Other safety issues are covered by the Irish Aviation Orders, which may vary from time to time.

The Company s operations are subject to the general laws of Ireland and, insofar as they are applicable in Ireland, the laws of the EU. The Company may also become subject to additional regulatory requirements in the future. The Company is also subject to local laws and regulations at locations where it operates and the regulations of various local authorities that operate the airports it serves.

DESCRIPTION OF PROPERTY

For certain information about each of the Company s key facilities, see Facilities above. Management believes that the Company s facilities are suitable for its needs and are well maintained.

Item 4A. ***Unresolved Staff Comments***

Not applicable.

Item 5. ***Operating and Financial Review and Prospects***

The following discussion should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto included in Item 18. Those financial statements have been prepared in accordance with IFRS.

Table of Contents

HISTORY

Ryanair s current business strategy dates to the early 1990s, when a new management team, including the current chief executive, commenced the restructuring of Ryanair s operations to become a low-fares airline based on the low-cost operating model pioneered by Southwest Airlines Co. in the United States. During the period between 1992 and 1994, Ryanair expanded its route network to include scheduled passenger service between Dublin and Birmingham, Manchester and Glasgow (Prestwick). In 1994, Ryanair began standardizing its fleet by purchasing used Boeing 737-200A aircraft to replace substantially all of its leased aircraft. Beginning in 1996, Ryanair continued to expand its service from Dublin to new provincial destinations in the U.K. In August 1996, Irish Air, L.P., an investment vehicle led by David Bonderman and certain of his associates at the Texas Pacific Group, acquired a minority interest in the Company. Ryanair Holdings completed its initial public offering in June 1997.

From 1997 through June 30, 2008, Ryanair launched service on more than 700 routes throughout Europe, and also increased the frequency of service on a number of its principal routes. During that period, in addition to Dublin, Ryanair established, London (Stansted and Luton), Glasgow (Prestwick), Brussels (Charleroi), Frankfurt (Hahn), Milan (Bergamo), Stockholm (Skvasta), Rome (Ciampino), Barcelona (Girona), Nottingham East Midlands, Liverpool, Shannon, Pisa, Cork, Marseille, Madrid, Bremen, Dusseldorf (Weeze), Bristol, Alicante, Valencia, Belfast, Bournemouth and Birmingham airports as bases of operations. The Bournemouth and Birmingham bases were opened in April 2008, and Ryanair plans to open a base at Kerry in July 2008, and bases at Edinburgh and Reus in the fall of 2008. Ryanair has increased the number of booked passengers from 4.9 million in the 1999 fiscal year to approximately 50.9 million in the 2008 fiscal year, had 166 Boeing 737-800 aircraft as of June 30, 2008, and now serves 147 airports while employing over 6,400 people.

Ryanair expects to have 195 aircraft in its operating fleet by March 31, 2009 (assuming that the planned disposal of 17 aircraft is completed on schedule). During the period through December 2012, the Company expects to take delivery of additional Boeing 737-800 aircraft that, net of further scheduled retirements and lease terminations, are expected to increase the size of the Company s fleet to 265 aircraft by that date, with that number increasing should Ryanair choose to exercise any of the 107 options remaining under its current contracts with Boeing. See Liquidity and Capital Resources and Item 4. Information on the Company Aircraft for additional details.

BUSINESS OVERVIEW

Since Ryanair pioneered its low-fares operating model in Europe in the early 1990s, its passenger volumes and scheduled passenger revenues have increased significantly because it has substantially increased capacity. Ryanair s annual booked passenger volume has grown from approximately 945,000 passengers in the calendar year 1992 to 50.9 million passengers in the 2008 fiscal year.

Ryanair s revenue passenger miles (RPMs) increased 27.9% from 26,943.7 million in the 2007 fiscal year to 34,452.7 million in the 2008 fiscal year, due primarily to a 29.0% increase in scheduled available seat miles (ASMs) from 32,043.0 million in the 2007 fiscal year to 41,342.2 million in the 2008 fiscal year. Scheduled passenger revenues increased 18.7% from 1,874.8 million in the 2007 fiscal year to 2,225.7 million in the 2008 fiscal year. Average yield per RPM was 0.070 in the 2007 fiscal year and 0.065 in the 2008 fiscal year. The decrease in average yield per RPM in the 2008 fiscal year was principally attributable to an increase in seat capacity, increased competition and an increase in average sector length without a corresponding increase in average yield per passenger (the amount of scheduled revenues per passenger booked).

The combination of expanding passenger volumes and capacity, high load factors and aggressive cost containment has enabled Ryanair to continue to generate operating profits and profits after taxation despite increasing price competition and increases in certain costs, particularly fuel costs. Ryanair s total break-even load factor was 66% in the 2007 fiscal year and 67% in the 2008 fiscal year. Cost per ASM was 0.054 in the 2007 fiscal year and 0.051 in the 2008 fiscal year, reflecting a 29.0% increase in ASMs in the 2008 fiscal year and associated costs, somewhat offset by a lower fuel cost per ASM of 0.019 in the 2008 fiscal year, as compared to 0.022 in the 2007 fiscal year. Ryanair recorded operating profits of 471.7 million in the 2007 fiscal year and 537.1 million in the 2008 fiscal year, and profit after taxation from ordinary activities of 435.6 million in the 2007 fiscal year and 390.7 million in the 2008 fiscal year. Ryanair recorded seat capacity growth of approximately 21% in the 2008 fiscal year, compared to approximately 23% in the 2007 fiscal year, and expects capacity to increase by approximately 17% in the 2009 fiscal year, reflecting the current timetable for the delivery of aircraft under the Company s contracts with Boeing.

Table of Contents

At July 31, 2008 the Company owned 29.8% of Aer Lingus, which it acquired at a total cost of 403.0 million. Following the approval of its shareholders, management proposed to effect a tender offer to acquire the entire share capital of Aer Lingus. This acquisition proposal was, however, blocked by the European Commission on alleged competition grounds. Ryanair s management views the acquisition of Aer Lingus in the context of the overall trend of consolidation among airlines in Europe and believes that the acquisition would lead to the formation of one strong Irish airline group able to compete with large carriers such as Lufthansa/Swiss, Air France/KLM and BA. During the EU competition review, the Company made a commitment that if the acquisition were approved, Ryanair would eliminate Aer Lingus fuel surcharges and reduce its fares, which would have resulted in Aer Lingus passengers saving approximately 100 million per year. The Company was thus surprised and disappointed by the European Commission s decision to block the merger. This decision was the first adverse decision taken in respect of any EU airline merger, and the first ever adverse decision in respect of a proposed merger of two companies with less than 5% of the EU market for their services. The Company has filed an appeal of this decision with the CFI, which remains pending. In January 2008, the CFI heard an application by Aer Lingus for interim measures limiting Ryanair s voting rights, pending a decision of the court on its appeal of the European Commission s decision not to force Ryanair to sell the Aer Lingus shares. In March 2008, the CFI dismissed Aer Lingus application for interim measures.

The balance sheet value of 311.5 million reflects the market value of the Company s stake in Aer Lingus as at March 31, 2008, as compared to a value of 406.1 million as of March 31, 2007. In accordance with the Company s accounting policy, this investment is held at fair value. This investment is classified as available-for-sale, rather than as an investment in an associate, because the Company does not have the power to exercise a significant influence over Aer Lingus. During the year, Ryanair recognized an impairment charge of 91.6 million on its Aer Lingus shareholding reflecting the fall in Aer Lingus share price from the dates of purchase to March 31, 2008.

The Company s determination that it does not have a significant influence has been based on the following factors:

(i) Ryanair does not have any representation on the Aer Lingus board of directors; nor does it have a right to appoint a director;

(ii) Ryanair does not participate in Aer Lingus policy-making decisions; nor does it have a right to participate in such policy-making decisions;

(iii) There are no material transactions between Ryanair and Aer Lingus, there is no interchange of personnel between the two companies and there is no sharing of technical information between the companies;

(iv) Aer Lingus and its principal shareholders have openly opposed Ryanair s investment or participation in the company;

(v) On August 13, 2007 and September 4, 2007, Aer Lingus refused Ryanair s attempt to assert its statutory right to requisition a general meeting (a legal right of any 10% shareholder under Irish law). The Aer Lingus Board of Directors refused to accede to these requests (by letters dated August 31, 2007 and September 17, 2007); and

(vi) The European Commission has formally found that Ryanair s shareholding in Aer Lingus does not grant Ryanair de jure or de facto control of Aer Lingus and that Ryanair s rights as a minority shareholder are associated exclusively to rights related to the protection of minority shareholders.

The historical results of operations discussed herein may not be indicative of Ryanair s future operating performance. Ryanair s future results of operations will be affected by, among other things, overall passenger traffic volume; the availability of new airports for expansion; fuel prices; the airline pricing environment in a period of increased competition; the ability of Ryanair to finance its planned acquisition of aircraft and to discharge the resulting debt service obligations; economic and political conditions in Ireland, the U.K. and the EU; terrorist threats or attacks within the EU; seasonal variations in travel; developments in government regulations, litigation and labor relations; foreign currency fluctuations, competition and the public s perception regarding the safety of low-fares airlines; changes in aircraft acquisition, leasing, and other operating costs; and the rates of income taxes paid. Ryanair expects its depreciation, staff and fuel charges to continue to increase as additional aircraft and related flight equipment are acquired. Future fuel costs may also continue to increase as a result of the depletion of petroleum reserves, the current shortage of fuel production capacity and/or production restrictions imposed by fuel oil producers. Maintenance expenses may also increase as a result of Ryanair s fleet expansion and replacement program. In addition, the financing of new Boeing 737-800 aircraft will significantly

Table of Contents

increase the total amount of the Company s outstanding debt and the payments it is obliged to make to service such debt. The cost of insurance coverage for certain third-party liabilities arising from acts of war or terrorism increased dramatically following the September 11, 2001 terrorist attacks. Although Ryanair currently passes on increased insurance costs to passengers by means of a special insurance levy on each ticket, there can be no assurance that it will continue to be successful in doing so. See Item 3. Key Information Risk Factors The 2001 Terrorist Attacks on the United States Had a Severe Negative Impact on the International Airline Industry.

RECENT OPERATING RESULTS

For the quarter ended June 30, 2008 (the first quarter of the Company s 2009 fiscal year), the Company recorded a significant decrease in operating profit, from 157.5 million in the first quarter of the 2008 fiscal year to 7.9 million in the recently completed quarter, a decrease of 95%. Total operating revenues grew by 12.1% from 693.0 million in the first quarter of 2008 to 776.9 million in the first quarter of 2009, however this increase was more than offset by an increase in operating expenses of 43.6%. Operating expenses rose from 535.5 million in the first quarter of 2008 to 769.0 million in the first quarter of 2009, due primarily to increased fuel costs, the higher level of activity and increased costs associated with the growth of the airline. Ryanair s total operating profit in the quarter was also significantly negatively impacted by a 93.6 million impairment charge on its available-for-sale investment in Aer Lingus. The Company s cash and cash equivalents, restricted cash and financial assets with terms of less than three months amounted to 2,250.0 million at June 30, 2008 as compared with 2,289.3 million at June 30, 2007.

CRITICAL ACCOUNTING POLICIES

The following discussion and analysis of Ryanair s financial condition and results of operations is based on its consolidated financial statements, which are included in Item 18 and prepared in accordance with IFRS.

The preparation of the Company s financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results may differ from these estimates.

The Company believes that its critical accounting policies, which are those that require management s most difficult, subjective and complex judgments, are those described in this section. These critical accounting policies, the judgments and other uncertainties affecting application of these policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered in reviewing the consolidated financial statements included in Item 18 and the discussion and analysis below. For additional detail on these policies, see Note 1, Basis of preparation and significant accounting policies, to the consolidated financial statements included in Item 18.

Available-for-Sale Securities

The Company holds certain equity securities, which are classified as available-for-sale, and are measured at fair value, less incremental direct costs, on initial recognition. Such securities are classified as available for sale, rather than as an investment in an associate because the Company does not have the power to exercise significant influence over the investee. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses, are recognized directly in equity. The fair values of available-for-sale securities are determined by reference to quoted prices at each reporting date. When an investment is de-recognized the cumulative gain or loss in equity is transferred to the income statement.

Such securities are considered to be impaired if there is objective evidence which indicates that there may be a negative influence on future cash flows. This includes where there is a significant or prolonged decline in the fair value below its cost. All impairment losses are recognized in the income statement and any cumulative loss in respect of an available-for-sale asset recognized previously in equity is transferred to the income statement.

Long-lived Assets

As of March 31, 2008, Ryanair had 3.6 billion of long-lived assets, virtually all of which were aircraft. In accounting for long-lived assets, Ryanair must make estimates about the expected useful lives of the assets, the expected residual values of the assets and the potential for impairment based on the fair value of the assets and the cash flows they generate.

Table of Contents

In estimating the lives and expected residual values of its aircraft, Ryanair has primarily relied on its own and industry experience, recommendations from Boeing, the manufacturer of all of the Company s aircraft, and other available marketplace information. Subsequent revisions to these estimates, which can be significant, could be caused by changes to Ryanair s maintenance program, changes in utilization of the aircraft, governmental regulations on aging of aircraft and changing market prices for new and used aircraft of the same or similar types. Ryanair evaluates its estimates and assumptions in each reporting period, and, when warranted, adjusts these assumptions. Generally, these adjustments are accounted for on a prospective basis, through depreciation expense.

Ryanair periodically evaluates its long-lived assets for impairment. Factors that would indicate potential impairment would include, but are not limited to, significant decreases in the market value of an aircraft, a significant change in an aircraft s physical condition and operating or cash flow losses associated with the use of the aircraft. While the airline industry as a whole has experienced many of these factors from time to time, Ryanair has not yet been seriously impacted and continues to record positive cash flows from these long-lived assets. Consequently, Ryanair has not yet identified any impairments related to its existing aircraft fleet. The Company will continue to monitor its long-lived assets and the general airline operating environment.

For the year ended March 31, 2008, the Company revised its estimate of the recoverable amount of aircraft residual values, from 15% of original cost to 15% of market value, determined periodically, based on actual aircraft disposals during the year, agreements to sell further aircraft in future periods and current market valuations. This change in estimate resulted in a reduction of 3.6m in the depreciation charge during the year, as compared to the previous estimate.

In addition, during the year ended March 31, 2008, accelerated depreciation of 10.6 million arose in relation to the agreement to dispose of aircraft at future dates in 2009 and 2010.

Heavy Maintenance

An element of the cost of an acquired aircraft is attributed, on acquisition, to its service potential, reflecting the maintenance condition of the engines and airframe. Additionally, when Ryanair has a lease commitment to perform aircraft maintenance, a provision is made during the lease term for this obligation. Both of these elements of accounting policies involve the use of estimates in determining the quantum of both the initial maintenance asset and/or the amount of provisions to be recorded and the respective periods over which such amounts are charged to income. In making such estimates, Ryanair has primarily relied on its own and industry experience, industry regulations and recommendations from Boeing; however, these estimates can be subject to revision, depending on a number of factors, such as the timing of the planned maintenance, the ultimate utilization of the aircraft, changes to government regulations and increases and decreases in estimated costs. Ryanair evaluates its estimates and assumptions in each reporting period and, when warranted, adjusts its assumptions, which generally impact maintenance and depreciation expense in the income statement on a prospective basis.

For the 2008 fiscal year, the Company revised its estimates of the maintenance component costs to reflect recent major maintenance experience. IFRS requires that changes in estimates of this nature be accounted for prospectively only, and historical maintenance and depreciation estimates are not required to be adjusted. This change in estimate resulted in a 6.0 million reduction in combined maintenance and depreciation charges for the 2008 fiscal year, as compared to what the charges would otherwise have been using the historical estimation method.

Table of Contents

RESULTS OF OPERATIONS

The following table sets forth certain income statement data (calculated under IFRS) for Ryanair expressed as a percentage of Ryanair s total revenues for each of the periods indicated:

	Fiscal Year ended March 31,		
	2008	2007	2006
Total Revenues	100%	100%	100%
Scheduled Revenues	82.0	83.8	84.7
Ancillary Revenues	18.0	16.2	15.3
Total Operating Expenses	80.2	78.9	77.8
Staff Costs	10.5	10.1	10.1
Depreciation and Amortization	6.5	6.4	7.4
Fuel and Oil	29.2	31.0	27.3
Maintenance, Materials and Repairs	2.1 &n		