

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
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended: March 31, 2000

0-29304

(Commission file number)

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)

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

None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Title of each class

**American Depositary Shares,
each representing five Ordinary Shares**

Name of each national market on which registered

Nasdaq National Market

Ordinary Shares, par value

2.54 euro cents per Share

Nasdaq National Market*

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

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.

350,149,628 Ordinary Shares

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 No

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

* Not for trading, but only in connection with the registration of the American Depositary Shares.

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

As used herein, the term "Ryanair Holdings" refers to Ryanair Holdings plc. Ryanair Holdings is a holding company formed in 1996 as Glyndon Limited, the name of which was changed to Ryanair Holdings Limited on October 31, 1996. On May 16, 1997, Ryanair Holdings Limited was converted to a public limited company and its name was changed to Ryanair Holdings plc. The term the "Company" refers to Ryanair Holdings together with its consolidated subsidiaries, and, for periods prior to August 24, 1996, Ryanair Limited and 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 twelve-month period ended on March 31 of such 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 "\$" are to the currency of the United States, references to "Irish pounds," "IR£," "Irish pence" and "p" are to the currency of Ireland, references to "U.K. pounds sterling," "U.K.£" and "U.K. pence" are to the currency of the U.K. and references to "€", "euro" and "euro cents" are to the euro, the common currency of eleven member states of the European Union (the "EU"), including Ireland. Various amounts and percentages set out in this Annual Report on Form 20-F (this "Report") have been rounded and accordingly may not total.

The Company owns or otherwise has rights to the trademark RYANAIR® in certain jurisdictions. See "Description of Business-Trademarks" in Item 1. This Report also makes reference to trade names and trademarks of companies other than the Company.

The Company publishes its Consolidated Financial Statements in accordance with accounting principles generally accepted in Ireland ("Irish GAAP"), which differ in certain respects from accounting principles generally accepted in the United States ("U.S. GAAP"). For a detailed discussion of the differences between Irish GAAP and U.S. GAAP that affect the Company's Consolidated Financial Statements, see Note 32 of Notes to the Consolidated Financial Statements included in Item 19(a).

Beginning with the fiscal year ended March 31, 2000, the Company is publishing 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 = \$0.9574 or \$1.00 = €1.0445, the noon buying rate in New York City for cable transfers of foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on March 31, 2000, the date of the Company's most recent balance sheet. The Noon Buying Rate for euro on September 25, 2000 was €1.00 = \$0.8738 or \$1.00 = €1.1443. See "Selected Financial Data-Exchange Rates" in Item 8 for information regarding rates of exchange between the Irish pound and the U.S. dollar, between the U.K. pound sterling and the Irish pound and between the U.K. pound sterling and the U.S. dollar from 1995 to the present and between the U.S. dollar and the euro for the period beginning on January 1, 2000, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 9 and "Risk Management" in Item 9A for a discussion of the effects of changes of exchange rates on the Company.

Prior to March 31, 2000, the reporting currency of the Company was Irish pounds. To facilitate a comparison, the Consolidated Financial Statements included in Item 19(a) and all other Irish pound-denominated financial data for periods prior to March 31, 2000 included in this Report have been restated from Irish pounds to euro at the fixed rate of IR£ 0.787564 = €1.00 set by the European Central Bank as of December 31, 1998. The comparative balances for prior years now reported in euros depict the same trends as would have been presented had the Company continued to report such amounts in Irish pounds. The Company's Consolidated Financial Statements and other financial data for periods prior to March 31, 2000 may not be comparable to that of other companies reporting in euros if those companies had restated from a reporting currency other than Irish pounds, due to the fact that prior to the adoption of the euro the currencies of the other euro area countries fluctuated against the Irish pound. See "Selected Financial Data" in Item 8.

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 and Section 21E of the U.S. Securities Exchange Act of 1934. Forward looking statements may include words such as "expect", "estimate", "project", "anticipate", "should", "intend" and similar expressions or variations on such expressions. Any filing of the Company with the U.S. Securities and Exchange Commission 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 expectation as to requirements for capital expenditures and regulatory matters. The Company's business is the provision of no-frills, 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, costs associated with environmental, safety and security measures, actions of the Irish, U.K., EU and other governments and their respective regulatory agencies, fluctuations in currency exchange rates and interest rates, airport access and charges, 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.

PART I
Item 1. Description of Business

THE COMPANY

Ryanair operates a low-fares, no-frills scheduled passenger airline serving short-haul, point-to-point routes primarily between Ireland and the U.K. In operation since 1985, Ryanair began to introduce a low-fares, no-frills operating model under a new management team in the early 1990s. With its fleet of 31 planes, 21 Boeing 737-200A jet aircraft and 10 new Boeing 737-800 "next generation" aircraft, Ryanair currently offers approximately 220 scheduled short-haul flights per day serving ten locations in England, five locations in Ireland, one location in each of Scotland, Wales and Northern Ireland and 24 locations in continental Europe.

Ryanair launched service from London Stansted Airport to seven new locations in continental Europe in June and July 2000 (Hamburg (Lübeck) in Germany, Malmo in Sweden, Nimes and Perpignan in France, and Brescia, Lamezia and Alghero (Sardinia) in Italy), as well as launching service from Glasgow Prestwick to Frankfurt (Hahn) in March 2000 and service from Shannon, Ireland to London Stansted and Frankfurt (Hahn) in April and May 2000. To help serve its existing network and provide capacity for additional routes to be launched in the future, Ryanair expects to expand its fleet to approximately 49 aircraft by taking delivery of 18 additional Boeing 737-800 aircraft during the period from May 2001 through January 2003.

Offering widely-available low fares, Ryanair carried more than 5 million passengers during 1999. On the basis of the U.K. Airports Annual Statement of Movements, Passengers and Cargo (the "CAA Statistics") published by the Civil Aviation Authority of the U.K. (the "CAA"), in calendar year 1999, 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 31% of all scheduled passenger traffic between Dublin and London, a share comparable to that of Aer Lingus Plc ("Aer Lingus"), its primary competitor. Ryanair also achieved competitive market share results on the routes it launched to continental Europe from the dates it began service on these routes through the balance of 1999. On the basis of the CAA statistics, in calendar year 1999, Ryanair carried 8% of the traffic between London and Frankfurt, 40% of the traffic between London and Genoa and 35% of the traffic between London and Turin, as well as all of the traffic between Glasgow and Frankfurt and between London and each of Aarhus, Ancona, Biarritz and Dinard, routes on which Ryanair is the only carrier.

By generating an average scheduled passenger load factor of approximately 67% and average scheduled passenger yield of €0.106 per available seat mile ("ASM") and focusing on maintaining low operating costs (€0.085 per ASM), Ryanair achieved an Adjusted EBITDAMargin of approximately 35% on operating revenues of €370.1 million for the fiscal year ended March 31, 2000. See "Selected Financial Data-Selected Operating and Other Data" and "Glossary."

The market's acceptance of Ryanair's low-fares, no-frills service is reflected in the "Ryanair Effect" - Ryanair's history of generating significant growth in annual passenger traffic on the new routes it has entered 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 approximately 1.7 million passengers in 1991 to more than 4.3 million passengers in 1999. On the basis of the CAA Statistics, each international route Ryanair has entered since 1991 has 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. Although a variety of factors contributed to this increase in air passenger traffic,

including the relative strength of the Irish and U.K. economies and, with respect to routes between Ireland and the U.K., the large Irish population in the U.K., management believes that the most significant factor in such growth has been Ryanair's low-fares service.

STRATEGY

Ryanair's objective is to firmly establish itself as Europe's leading low-fares scheduled passenger airline through continued improvements and expanded offerings of its low-fares, no-frills service. Ryanair aims 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 strategy are:

Low-fares, No-frills Service. Ryanair's low fares are designed to stimulate demand, particularly from fare-conscious leisure and business travelers who might otherwise have used alternative forms of transportation or would not have traveled at all. As of September 1, 2000, Ryanair's round trip fares on the Dublin-London Stansted route, Ryanair's largest in terms of passenger volume, were €39 for restricted tickets, €170 for same/next-day return tickets and €248 for unrestricted tickets. Comparable fares on Aer Lingus, Ryanair's competitor on the route, from Dublin to London Heathrow, its primary London airport, were €96, €375 and €375, respectively. Ryanair generally makes its lowest fare widely available by endeavoring to allocate a majority of seat inventory to its lowest fare categories. Ryanair's no-frills scheduled service provides essential services such as frequent departures, advance reservations, baggage handling and consistent on-time service while eliminating non-essential "extras" such as advance seat assignments, in-flight meals, multi-class seating, access to a frequent flyer program, complimentary drinks and other amenities.

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 fiscal year ended March 31, 2000, Ryanair flew an average of 82 round-trips per route with an average route length of 382 miles and an average duration of approximately one hour. Short-haul routes allow Ryanair to offer frequent service, while eliminating the necessity to provide "frill" services 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 costs.

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. Faster turnaround times are a key element in Ryanair's efforts to maximize aircraft utilization. Ryanair's average scheduled turnaround time for the fiscal year ended March 31, 2000 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 expenses; (iii) customer service costs; and (iv) airport access and handling costs:

Aircraft Equipment Costs. Ryanair's initial strategy for controlling aircraft acquisition costs was to purchase used aircraft of a single type. From 1991 to 1998, Ryanair purchased used Boeing 737-200A aircraft that were, at the date of purchase, between 11 and 17 years old (with an average age of 19 years at March 31, 2000). In the late 1990s, however, there was a significant reduction in the number of such used aircraft available for purchase in the market. Accordingly, in March 1998, Ryanair announced that it would take delivery from Boeing of 25 new Boeing 737-800 "next generation" aircraft (the "737-800s") between 1999 and 2003 and that it had acquired an option to purchase an additional 20 new 737-800s. Ryanair exercised the first three of these options in September 2000. The 737-800s represent the latest generation of Boeing's 737 aircraft and share certain basic attributes in common with Ryanair's current fleet. Although Ryanair's acquisition of the 737-800s will more than double the size of its fleet from that in 1998 and thus significantly increase its aircraft equipment and related costs (both on an aggregate and per plane basis), management believes that its strategy of limiting its fleet to two related aircraft types enables it to limit the costs associated with personnel training, maintenance and the purchase and storage of spare parts, as well as affording greater flexibility in the scheduling of crews and equipment.

Personnel Expenses. Ryanair endeavors to control its labor costs by continually improving the productivity of its highly-productive work force. Compensation for employees emphasizes productivity-based pay incentives, including commissions for on-board sales of merchandise for flight attendants and payments based on the number of hours or sectors flown by pilots and cabin crew personnel 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 passenger and aircraft handling, ticketing and other services that management believes can be more efficiently provided by third parties. Management attempts to obtain competitive rates for such services by negotiating multi-year contracts at prices that are fixed or subject only to periodic increases linked to inflation. The development of its own reservations center has allowed Ryanair to increase the volume of passenger revenues generated by direct ticket sales. For the fiscal year ended March 31, 2000, Ryanair generated almost half of its scheduled passenger revenues through direct sales, with direct telephone reservations and sales through Ryanair's website generating approximately 39% and approximately 10% of the total, respectively, even though the website was only operational from mid-January 2000. In fiscal 1999, direct sales had accounted for approximately 40% of scheduled passenger reservations.

Airport Access Fees. Ryanair attempts to control airport access and service charges by focusing on airports that offer competitive cost terms. Management believes that Ryanair's record of delivering a consistently high volume of passenger traffic at many of these 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.

Commitment to Safety and Quality Maintenance. Ryanair's commitment to safety is a primary priority of the Company and its management. This commitment begins with the hiring and training of Ryanair's pilots, cabin crews and maintenance personnel and includes a policy of maintaining its aircraft in accordance with European airline industry standards. Ryanair has not had a single incident involving major injury to passengers or flight crew in its 15-year operating history. Although Ryanair seeks to maintain its fleet in a cost-effective manner, management does not seek to extend Ryanair's "no-frills" operating strategy to the areas of safety, maintenance, training or quality assurance. Routine aircraft maintenance and repair services are performed at Dublin, London Stansted, Glasgow Prestwick and Shannon Airports by Ryanair and, at other airports, by maintenance contractors approved under the terms of Joint Aviation Requirement ("JAR") 145, the European

airline industry standard for maintenance. Ryanair currently contracts both its heavy airframe maintenance and its engine overhaul services to single contractors. These contractors also provide similar services to a number of other airlines, including British Airways Plc ("British Airways") and Aer Lingus. Ryanair assigns a JAR 145 certified mechanic to supervise heavy maintenance and authorize engine overhauls performed by third parties.

Enhancement of Operating Results through Ancillary Services. Ryanair offers a variety of ancillary, revenue-generating services in conjunction with its core transportation service, including on-board merchandise, beverage and food sales, charter flights, cargo services, travel reservation services, advertising, travel insurance, car rentals and rail tickets. Ryanair also makes available the exterior of its planes for paid advertising purposes, whereby a corporate sponsor pays Ryanair for the right to paint one of its aircraft with the sponsor's name and logos for a specified period. For the fiscal year ended March 31, 2000, ancillary services accounted for 10.7% of Ryanair's total operating revenues, as compared to 12.5% of such revenues in the fiscal year ended March 31, 1999. The decline reflected the elimination of duty-free sales on aircraft (other than beverages served to passengers on board) and in airports with regard to intra-EU flights by the European Commission and the EU Council of Ministers, which went into effect on June 30, 2000.

Focused Criteria for Growth. Building on its success in the Ireland-U.K. market and its expansion of service to continental Europe, Ryanair intends to follow a manageable growth plan targeting specific markets. Ryanair introduced its first routes to Continental Europe in the spring of 1997 and now serves a total of 24 continental European destinations from Dublin, London Stansted, Glasgow Prestwick and Shannon. Over the same period, Ryanair added several new British and Irish destinations and increased the number of flights on certain of its routes.

The new routes and expanded services launched in 1999 increased Ryanair's scheduled passenger capacity by 36% during fiscal year 2000, and the new routes inaugurated earlier this year are expected to further increase seat capacity during fiscal year 2001 by approximately 26%, as compared with fiscal year 2000. Ryanair believes it will have opportunities for continued growth by: (i) initiating additional routes from the U.K. to other locations in continental Europe that are currently served by higher-cost, higher-fare carriers; (ii) increasing the frequency of service on its existing routes out of London; (iii) starting new routes within the U.K.; (iv) considering possible acquisitions that may become available in the future; and (v) landing at other airports within its existing route network ("triangulation").

Taking Advantage of the Internet. During January 2000, Ryanair converted its host reservation system from the BABS (British Airways Booking System) to a new system called Flightspeed, which it operates under a five year hosting agreement with HP Open Skies ("Open Skies"), a division of the Hewlett Packard Company. Open Skies provides the reservations systems for most of the low-fares carriers in Europe and many of the smaller low-fares carriers in the United States. As part of the implementation of the new reservation system, Open Skies and Ryanair jointly developed an internet booking facility called Takeflight. The Takeflight system allows internet users to access Ryanair's host reservation system and to make and pay for confirmed reservations in real time through Ryanair's website, known as Ryanair.com.

Ryanair launched its Takeflight internet booking system in mid January 2000. Thereafter, it also began promoting its website heavily through newspaper, radio and television advertising. The result has been that internet bookings have grown rapidly, accounting for in excess of 39% of all reservations on a daily basis as of August 2000.

INDUSTRY OVERVIEW

General Industry Conditions

Competition. The level of competition among airlines is high. 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. Ryanair competes with a number of other airlines that currently serve its routes, in particular Aer Lingus, British Midland plc ("British Midland"), Deutsche Lufthansa ("Lufthansa"), British Airways, Scandinavian Airlines System ("SAS"), Go Fly Limited ("Go"), KLM Royal Dutch Airlines ("KLM"), Alitalia S.p.A. ("Alitalia"), Braathens ASA ("Braathens"), Air France Group ("Air France"), Virgin Express Holdings plc ("Virgin Express"), easyJet Airlines, Co. Limited ("easyJet"), CityFlyer Express Limited ("CityFlyer Express,") and Business City Express Limited ("CityJet"), certain of which are larger and have greater name recognition and greater resources than Ryanair. In addition, unlike Ryanair, certain of Ryanair's principal actual and potential competitors are state-owned or controlled flag carriers that have received and may receive in the future significant amounts of subsidies and other state aid from their respective governments. See "-Government Regulation-Regulation of Competition." Management expects further competition from start-up low-fares airlines (including those such as Go, the low-fare subsidiary of British Airways, Buzz, the low-fare subsidiary of KLM and other carriers formed by or affiliated with other major airlines) that may be formed to compete in the low-fares segment of the market as a result of continuing liberalization of the EU air transport market. Competition has led to a general reduction in the level of air fares in certain market segments of the industry in the EU, and Ryanair expects to face substantial competition from established and new carriers, possibly including other low-fares carriers operating in the Ireland-U.K. market. Unlike most of its competitors, Ryanair does not offer or plan to offer its passengers access to a frequent flyer program. Lack of such a frequent flyer program could become a competitive disadvantage.

Ryanair has substantially fewer aircraft and operates on substantially fewer routes than many of its larger current or potential competitors. Ryanair's operating fleet currently consists of 21 Boeing 737-200A aircraft and ten Boeing 737-800 "next generation" aircraft, all of which are in regular scheduled service. In the event aircraft are removed from scheduled service for repairs or other reasons (other than for routine maintenance), any resulting interruption in service could materially and adversely affect Ryanair. Although management believes that Ryanair's relatively small size gives it certain competitive advantages, Ryanair's ability to compete effectively with larger carriers may be materially and adversely affected by its small size relative to many of its competitors. See "-Route System, Scheduling and Fares", "-Aircraft" and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

In addition to traditional competition among airline companies, the industry faces competition from ground and sea transportation alternatives and may also be subject to new forms of competition in the future such as video conferencing and other methods of electronic communication that may add a new dimension of competition to the industry as businesses and recreational travelers seek lower-cost substitutes for air travel.

Low Margins, Price Discounting. The airline industry is characterized by high fixed costs and revenues that generally exhibit substantially greater elasticity than costs. The operating costs of each flight do not vary significantly with the number of passengers carried 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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.

Since Ryanair began to restructure its operations in the early 1990s, a number of its competitors have inaugurated or increased the frequency of their service on routes that Ryanair currently operates or may operate in the future. From time to time, certain of these competitors have substantially reduced fares in an apparent attempt to match or compete with the fares charged by Ryanair. There can be no assurance that competitors will not continue to undercut Ryanair's fares in the future or increase capacity on competing routes in an effort to increase their respective market shares.

Although Ryanair intends to compete vigorously and to assert its rights against any predatory conduct, such activity by other airlines could reduce the level of fares or passenger traffic on its routes to the point where profitable levels of operations could not be achieved. Due to Ryanair's smaller size and reduced financial resources compared to some of its competitors, it may be less able to withstand aggressive marketing tactics or fare wars engaged in by competitors should such conditions exist. Furthermore, if Ryanair were to achieve a dominant position on any route it operates, it would be prevented, by virtue of EU competition law, from setting fares at a level below the cost of providing the relevant service.

Airport Access and Charges. Airline traffic at certain European airports is regulated by a system of "grandfather" rights in relation to "slot" allocations. Each slot represents authorization to take-off and land at the particular airport during a specified time period. Dublin Airport, one of Ryanair's two primary bases of operations, currently has no slot allocations. Nevertheless, traffic at three of the airports Ryanair serves, London Gatwick, Manchester and London Stansted, its other primary base, is currently regulated through slot allocations. Applicable EU regulations currently prohibit the buying or selling of slots for cash, and there is 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 be no assurance that Dublin Airport or the other airports Ryanair serves will continue to operate without slot allocations in the future. See "-Government Regulation-Slots."

Airports also may impose other operating restrictions such as curfews, limits on aircraft noise levels, mandatory flight paths, runway restrictions and limits on number of average daily departures. Such restrictions may limit the ability of Ryanair to provide service to or increase service at such airports. See "- Government Regulation."

Ryanair's future growth is 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. See "-Airport Operations-Airport Charges." Any condition that would deny, limit or delay 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 results of operations.

Ryanair's operations are principally based at Dublin Airport and at London Stansted Airport. There can be no assurance that these airports will not impose higher airport charges in the future and that increases would not adversely affect our operations. In 1999, Aer Rianta, the Irish government authority charged with operating Ireland's major airports, announced that it planned to phase out landing fee discounts granted to certain airlines that operate out of Dublin Airport, including Ryanair. In response to the announcement, Ryanair canceled plans to launch five new routes to continental Europe from Dublin and proposed a plan that would result in reduced landing fees and would have the Company guarantee a substantial increase in long-term passenger volume. Ryanair has not yet received a response to this proposal and there can be no assurance that it will continue to benefit from current landing fee discounts. In December 1999, the Irish Minister for Public Enterprise

announced that almost all of the current landing fee discounts will terminate once a new system comes into effect. The government has begun the process of appointing a regulator who will be charged with setting the level of airport charges and discounts at Dublin Airport and certain other Irish airports, and it is currently anticipated that legislation appointing the regulator will be approved by the Irish parliament in October 2000. In addition, since January 1997, airlines using Dublin and Cork airports have been granted rebates on passenger and landing charges for traffic increases generated on new and existing routes in each of the first five years after the route's launch. There can be no assurance that these rebates will continue to be available to Ryanair or that it will be able to generate traffic increases and take advantage of these rebates.

Agreements between airport operators and airlines are subject to increasing scrutiny from national and EU regulatory bodies charged with enforcing competition law. In one case, the European Commission ("EC") has held that, in the circumstances involved, dissimilar airport charge arrangements amounted to an abuse by the Brussels airport authority of a dominant position in violation of Article 86 of the EU Treaty and were therefore unenforceable. The EC has also recently required Portugal and Finland to bring an end to systems of discounts and differentiated landing charges. There can be no assurance that any agreement that Ryanair has entered into or may enter into in the future with an airport operator or authority in relation to the airports it serves will not be subject to similar scrutiny or that Ryanair's costs would not be adversely affected as a consequence.

In 1990, the EC submitted a proposed regulation requiring charges for aeronautical services and facilities, including charges imposed by airports, to be reasonably related to cost and to be assessed on a non-discriminatory basis. Although the proposal was officially withdrawn from the legislative process in early 1997, a successor proposal with substantially the same content was introduced by the EC later that year. If such a proposal were adopted, there can be no assurance that Ryanair's costs would not be adversely affected as a consequence.

European Airline Market

The Western European air transport market has historically been subject to significant governmental regulation, encompassing both domestic regulations imposed by individual countries and rules enacted by the EU that apply throughout its territory. The EU commenced a program to reduce the level of regulation during the 1980s, followed by a package of liberalization measures substantially reducing the ability of individual EU Member States to restrict access to routes for air travel that were originally adopted in 1992. Since April 1997, EU carriers have been able to provide passenger service on domestic routes within individual EU Member States outside their home country of operation without restriction.

Partially as a result of this progressive movement towards deregulation, there has been a significant increase in the number of airlines providing scheduled passenger service in the EU over the course of the past decade. The prospects for additional market liberalization measures provided further impetus for new entrants, with more than 30 new carriers entering the market between 1996 and 1998, and management expects that other new carriers may be formed to capitalize on these opportunities. Notwithstanding the overall increase in the number of carriers, a large majority of the new entrants are quite small and the overall market has been volatile. Among the major causes of their failure were the competitive responses from major airlines serving the same routes, including a number of sustained price wars, the difficulty the new entrants encountered in obtaining a sufficient number of slots at major airports at peak times and rapid, unmanageable expansion.

According to a report issued in October 1996 by the EC on the impact of the 1993 liberalization measures (the "EC Report"), routes served by more than two airlines accounted for only 6% of all intra-EU routes in January 1996, while routes served by only one carrier and only two carriers accounted for 64% and 30% of such routes, respectively. Routes served by only one carrier are, for the most part, in low passenger volume markets.

Air carriers operating in the intra-EU market generally have traditionally fallen into one of four principal categories: flag carriers, independent airlines, franchises of major airlines and charter operators. The flag carriers, which fly inter-continental routes as well as those within Western Europe, include both those that have traditionally been heavily dependent on aid from their respective governments (including Air France, Alitalia, Aer Lingus, Iberia, S.A. and Sabena, S.A. ("Sabena")) and "commercial" flag carriers such as British Airways, KLM, SAS and Lufthansa that have operated with no or little state aid in recent years. The independent carriers include low-fares, no-frills carriers such as Ryanair, and more recent start-ups such as easyJet, and carriers providing "frills" services more comparable to those of the flag carriers but at lower fares, such as British Midland (U.K.), Air Azzurra (Italy), Fairlines (France) and Centennial Airlines, S.A. (Spain). Certain small carriers, including Virgin Express and Deutsche BA Luftfahrt GmbH, have become franchises of major airlines, sharing some ticketing and other distribution systems with the flag carriers. These franchises serve mainly regional routes where flag carriers cannot operate profitably due to their high overhead costs and serve to feed regional passengers to their flag carrier partners for interline service. For the flag carriers, franchises represent an effective means of competing with low-fares start-up carriers. These franchises include CityFlyer Express (British Airways), Crossair (Swissair) and TAT European Airlines S.A. (British Airways). Charter flight operators are significantly more established and more competitive in Europe than in the United States, with many charter operations being owned by major travel groups or commercial airlines. Charter operators currently account for a significant portion of total intra-EU annual passenger traffic and operate primarily on routes between northern and southern Europe, targeting mainly price-conscious leisure travelers. British Airways' recent establishment of its Go subsidiary and KLM's launch of Buzz are an indication that a fifth category of carrier is emerging, low-fares carriers owned by flag carriers, but operated as separate subsidiaries.

Although the liberalization measures adopted by the EU were expected to reduce air fares and increase competition significantly, the European market continues to be characterized by higher average fares for scheduled passenger service and higher operating costs per ASM than those with respect to scheduled passenger service in the United States. Active competition generally remains limited to a relatively small number of major routes. According to the EC Report, fares on a large number of routes operated as a monopoly or duopoly have continued to rise since 1993. In addition, the concept of low-fares, no-frills airlines is relatively new in continental Europe, with major low-fares airlines operating mainly from Ireland and the U.K.

The EC Report also estimated that certain operating costs for European airlines are approximately 40% higher than comparable costs for airlines in the United States. The higher costs are mainly the result of greater tax and excise charges on aircraft fuel and higher expenses related to infrastructure, such as airport charges, ground handling costs and air traffic control charges. Greater congestion at the major European airports and runways contributes to higher airport charges. Higher ground handling charges are due to the relative lack of competition in the market for ground services and higher air traffic control costs result from the fragmentation of EU air space among different Member States. Other factors contributing to higher operating costs for European carriers include the shorter distances flown by European airlines on intra-EU routes, which lead to higher expenses on a per ASM basis, and the relatively inflexible labor conditions generally prevalent in continental Europe compared to the United States despite the high rate of union membership among U.S. airline employees.

Fares for scheduled passenger services on intra-EU routes also are generally higher than those on domestic U.S. routes of comparable distances. Management believes that the higher fares are the result of carriers passing on their higher costs to the passengers and the lack of significant competition on many intra-EU routes. In addition, EU Member States may intervene to stop further fare reductions on a route or group of routes where market forces have led to a sustained downward movement in fares deviating from seasonal norms and resulting in widespread losses among all carriers on the routes concerned. Further, certain European nations

outside the EU could reserve the right to set minimum fares. Although the number of promotional fares have increased and fares have fallen on certain routes since the liberalization measures came into effect in 1993, substantial across-the-board reductions in air fares such as those that followed the deregulation of the air transport market in the United States in 1978 have not yet been experienced in Europe. According to the EC Report, fare reductions since the 1993 liberalization measures have generally been limited to fares on routes served by more than two carriers.

Ireland-U.K. Market

The market for scheduled passenger air travel between Ireland and the U.K. can be divided into two principal segments, the Dublin-London route and the routes between Ireland and other locations in the U.K. outside of London.

Dublin-London Route. The Dublin-London route (including service from Dublin to each of Heathrow, Gatwick, Stansted, Luton and London City airports) is currently served by five carriers. Ryanair serves three London airports (Stansted, Gatwick and Luton), Aer Lingus serves three airports (Heathrow, Gatwick and London City) and British Midland, CityFlyer Express and CityJet each serve one airport (Heathrow, Gatwick and London City, respectively).

Before Ryanair entered the Dublin-London route in 1986, it was serviced only by British Airways and Aer Lingus. Management believes that Ryanair's introduction of competition based on low fares contributed to the significant growth in passenger volume and the heightened competition between airlines that has characterized the Dublin-London route since Ryanair first commenced service in 1986. British Midland entered the route in 1989, British Airways withdrew in 1991 and CityFlyer Express and CityJet (a former Virgin Atlantic Airways, Ltd. franchise) entered the route in 1992 and 1994, respectively. As a result of increased competition, the lowest available fares have declined while the route has experienced substantial annual traffic growth. In calendar year 1999, according to the CAA Statistics, annual traffic had risen to more than 4.3 million passengers.

Ireland-U.K. Routes. Prior to 1993, the market for air travel between Ireland and other locations in the U.K. was dominated by Aer Lingus. As with the London-Dublin route prior to Ryanair's entry, routes to provincial cities in the U.K. were generally characterized by high fares, service on small-capacity turbo prop aircraft and slow traffic growth. Ryanair entered this market by launching low-fares service using jet aircraft between Dublin and Birmingham in 1993, from Dublin to Manchester and Glasgow Prestwick in 1994, Leeds/Bradford, Cardiff and Bournemouth in 1996 and Bristol and Teesside in 1997, as well as expanding the service on the Dublin-Liverpool route which it had launched in 1988. Since Ryanair's entry into these routes with jet aircraft service and low fares, each of the routes has experienced a significant reduction in fares and, according to the CAA Statistics, a significant increase in traffic growth. In each of these cases, Ryanair has captured a majority of this incremental growth, and, as a result, Ryanair is currently the market leader in terms of passenger volume on most of its routes between Ireland and provincial cities in the U.K. On the basis of the CAA Statistics, Ryanair's share of calendar year 1999 passenger volumes on these routes was as follows: Birmingham 50%, Manchester 36%, Glasgow 49%, Bristol 72% and Leeds/Bradford 72%. Ryanair also is the only scheduled passenger airline serving the Dublin-Liverpool, Dublin-Cardiff, Dublin-Bournemouth, Dublin-Teesside, Kerry-London and Knock-London routes. Ryanair launched a service from Shannon to London Stansted in April 2000. Its main competitors on the route are Virgin Express, British Airways (to London Gatwick) and Aer Lingus (to London Heathrow).

For the fiscal years ended March 31, 1999 and 2000, passengers on Ryanair's routes between Dublin and London accounted for approximately 29.8% and 23.8%, respectively, of Ryanair's total passenger revenues, with

the Dublin-London Stansted route alone accounting for approximately 16.5% and 13.4%, respectively, of such total. Ryanair's business would be adversely affected by any circumstance causing a reduction in general demand for air transportation services in Ireland or the U.K., including, but not limited to, adverse changes in local economic conditions, political disruptions or violence (including terrorism) or significant price increases linked to increases in airport access costs or taxes imposed on air passengers. In addition, so long as the Company's operations remain dependent upon routes between Ireland and the U.K., the Company's future operations and growth will be adversely affected if this market does not grow and by increased competition in this market.

Service to Continental Europe

In 1997, Ryanair began service on new routes to four locations in continental Europe (Dublin to Paris (Beauvais) and Brussels (Charleroi), and London Stansted to Stockholm (Skavsta) and Oslo (Torp)). Ryanair expanded its continental service to include flights from London Stansted to Venice (Treviso), Pisa and Rimini in Italy, Toulouse (Carcassonne) and Lyon (St. Etienne) in France, and Kristianstad in Sweden and from Glasgow Prestwick to Paris (Beauvais) in 1998 and from London Stansted to Aarhus, Denmark, Frankfurt (Hahn) in Germany, Biarritz and Brittany (Dinard) in France and Ancona, Genoa and Turin in Italy in 1999. In June and July 2000, Ryanair launched service from London Stansted to Hamburg (Lübeck) in Germany, Malmo in Sweden, Nimes and Perpignan in France, and Brescia, Lamezia and Alghero (Sardinia) in Italy, as well as introducing service from Glasgow Prestwick to Frankfurt (Hahn) in March 2000 and service from Shannon, Ireland to Frankfurt (Hahn) in May 2000. Among Ryanair's principal competitors on its routes to continental Europe are Aer Lingus and Air France (Paris), Aer Lingus code-sharing with Sabena (Brussels), British Airways and Air France (Toulouse and Lyon), SAS and British Airways code-sharing with Finnair (Stockholm), British Airways, SAS and Braathens (Oslo), Braathens (Malmo), Lufthansa, British Airways, Aer Lingus, British Midland, Buzz and Royal Nepal (Frankfurt), British Airways, Go and Alitalia (Venice/Treviso and Bologna/Rimini), British Airways, Alitalia and Meridiana (Pisa), and British Airways (Genoa). Although each of these current competitors (with the exception of Go and Buzz) can be characterized as higher-cost, higher-fare carriers than Ryanair, there can be no assurance that new or existing low-fares, no-frills carriers will not seek to enter these routes in the future.

At present, several recent start-up low-fares carriers operate routes between the U.K. and continental Europe. Easyjet, which was formed in November 1995, currently operates routes from its base at London Luton Airport to Amsterdam, Athens, Barcelona, Geneva, Madrid, Malaga, Nice, Palma de Mallorca, Zurich, Aberdeen, Belfast, Edinburgh, Glasgow, Liverpool and Inverness, from Liverpool to Amsterdam, Barcelona, Geneva, Madrid, Malaga, Nice, Palma de Mallorca, Belfast and London Luton from London Gatwick to Geneva and from London Stansted to Geneva. Go, a subsidiary of British Airways, operates service from London Stansted to Alicante, Barcelona, Bilbao, Bologna, Copenhagen, Glasgow, Edinburgh, Faro, Ibiza, Lisbon, Lyon, Madrid, Malaga, Milan, Munich, Naples, Palma de Mallorca, Prague, Reykjavik, Rome, Tenerife, and Venice. Buzz, a low-fares subsidiary of KLM, operates service from London Stansted to Berlin, Bordeaux, Dusseldorf, Frankfurt, Hamburg, Helsinki, Lyons, Marseilles, Milan, Paris, Toulouse and Vienna. Virgin Express, a low-fares airline originally based in Brussels, opened a new base in Shannon, Ireland in December 1998, and now flies from Shannon to London Gatwick and London Stansted, from London Stansted to Berlin and from London Heathrow to Brussels. Although the existence of such low-fares carriers on these and other routes between the U.K. and continental Europe could limit Ryanair's ability to expand into such markets, Ryanair believes that increased use of low-fares, no-frills carriers will enhance their acceptance in the market and thereby increase its customer base.

Ryanair may face substantially greater competition in these markets compared to the Ireland-U.K. market. Although readily accepted on Ryanair's current routes, there can be no assurance that Ryanair's low-fares, no-frills service will be accepted on new routes. Ryanair operated comparatively low-fare services to Munich and Paris between 1988 and 1992, but these routes were not profitable and were terminated, primarily due to high operating costs and limited frequency.

When Ryanair commences new routes, its load factors 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. 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 reducing Ryanair's yield and passenger revenues on such routes during the period that they are in effect. See "-Route System, Scheduling and Fares." Ryanair expects to have other substantial cash needs as it expands, including cash required to fund aircraft purchases or aircraft deposits as additional aircraft or replacement aircraft are bought or leased to service new routes and increased flight frequencies on existing routes, including the substantial cash commitments related to the acquisition of the new fleet of 737-800s. There can be no assurance that the Company will have sufficient cash to fund such projects.

EU air carriers are generally entitled to set air fares freely as a consequence of EU regulations introduced in 1993 as part of a package of measures designed to liberalize the market for air transportation services within the EU. However, EU Member States may intervene to stop further fare reductions on a route or group of routes where market forces have led to a sustained downward movement in fares deviating from seasonal norms and resulting in widespread losses among all carriers on the routes concerned. In addition, certain European nations outside the EU could reserve the right to set minimum fares. Such factors could adversely affect Ryanair's ability to set its own fares freely on its new routes in such markets.

To the extent Ryanair may be unable to expand its route system successfully, its future revenue and earnings growth will be limited.

Ability to Manage Growth

Ryanair's operations have grown rapidly since it introduced a low-fares, no-frills operating model in the early 1990s. In recent years, Ryanair has expanded its fleet, added new destinations and flights to its schedule and established London Stansted Airport as a second primary base of operations, as well as expanding its operations at Glasgow Prestwick Airport. Since 1996, Ryanair has more than doubled the number of passengers it carries, nearly tripled its number of aircraft, more than tripled the number of airports it serves and more than doubled the number of people it employs. Ryanair intends to continue to expand its fleet (increasing its size to at least 49 aircraft by 2003) and add new destinations and additional flights to its schedule. Because the acquisition of the 25 firm commitment Boeing 737-800 "next generation" aircraft is being financed in part by a bank loan facility supported by a guarantee from the Export-Import Bank of the United States, the continued growth of Ryanair's operations will mean a significant increase in the total amount of Ryanair's outstanding debt and in the payments it is obliged to make to service that debt. 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 both its current aircraft acquisition related debt obligations and the substantial debt obligations it expects to incur in the future as it expands its fleet. These derivative transactions expose Ryanair to certain risks that could have an adverse effect on its results of operations and financial condition. See "Risk Management."

This expansion of Ryanair's fleet and operations, in addition to other factors, may also strain existing management resources and operational, financial and management information systems and controls 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, as well as the upgrading of internal audit functions and the implementation of more detailed budgeting procedures. 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 expects that it will need to develop further its financial and management controls, reporting systems and procedures to accommodate future growth. There can be no assurance that Ryanair will be able to develop such controls, systems or procedures effectively or on a timely basis, and the failure to do so could have a material adverse effect on the Company's business, operating results and financial condition.

ROUTE SYSTEM, SCHEDULING AND FARES

Route System and Scheduling

At September 1, 2000, Ryanair's route system included non-stop scheduled service between its main base at Dublin Airport and 12 airports in the U.K., including three airports in the London area (Stansted, Gatwick and Luton), as well as the Leeds/Bradford, Bournemouth, Bristol, Cardiff, Liverpool, Birmingham, Manchester, Teesside and Glasgow Prestwick airports, and two airports in continental Europe, Paris (Beauvais) and Brussels (Charleroi). In addition to its service to and from Dublin, Ryanair also serves Glasgow Prestwick in Scotland, City of Derry in Northern Ireland, Knock, Cork, Kerry and Shannon in Ireland and Frankfurt (Hahn), Hamburg (Lübeck), Stockholm (Skavsta), Oslo (Torp), Kristianstad, Malmo, Aarhus, Venice (Treviso), Pisa, Rimini, Ancona, Genoa, Turin, Brescia, Lamezia, Alghero (Sardinia), Lyon (St. Etienne), Biarritz, Brittany (Dinard), Toulouse (Carcassonne), Nimes and Perpignan from its second base at London Stansted Airport, as well as operating flights from Glasgow Prestwick to Paris (Beauvais) and Frankfurt (Hahn) and from Shannon to Frankfurt (Hahn).

The following table sets forth certain information with respect to Ryanair's route system based upon the flight schedule in effect at September 1, 2000:

Route served	Date service commenced	Round trip flights scheduled per day	Number of passengers carried in calendar year 1999 (in thousands)
<i>Between Dublin Airport and:</i>			
London Luton	January 1986	5	285
Liverpool	May 1988	4	207
London Stansted	November 1988	12	787
Birmingham	November 1993	4	289
Manchester	May 1994	5	192
Glasgow Prestwick	May 1994	3	189
London Gatwick	November 1994	4	288
Leeds/Bradford	May 1996	3	153
Bournemouth	May 1996	1	71
Cardiff	May 1996	1	71
Bristol	May 1997	3	154
Paris (Beauvais)	May 1997	4	227
Brussels (Charleroi)	May 1997	4	174
Teesside	November 1997	1	62
<i>Between London Stansted Airport and:</i>			
Knock	May 1991	2	156
Cork	October 1991	4	252
Glasgow Prestwick	May 1997	8	290
Stockholm (Skavsta)	June 1997	3	219
Kerry	June 1997	1	89
Oslo (Torp)	June 1997	2	111
Venice (Treviso)	May 1998	2	129
Lyon (St. Etienne)	May 1998	1	58
Kristianstad	May 1998	1	77
Pisa	June 1998	2	164
Rimini	June 1998	1	66
Toulouse (Carcassonne)	June 1998	2	88
Frankfurt (Hahn)	April 1999	3	90
Biarritz	April 1999	1	43
Brittany (Dinard)	April 1999	1	35
Genoa	May 1999	2	70
Turin	July 1999	2	65
Ancona	July 1999	1	36
City of Derry	July 1999	2	65
Aarhus	September 1999	2	18
Shannon	April 2000	3	-
Hamburg (Lubeck)	June 2000	2	-
Nimes	June 2000	1	-
Perpignan	June 2000	1	-
Malmo	July 2000	2	-
Brescia	July 2000	2	-
Lamezia	July 2000	1	-
Alghero (Sardinia)	July 2000	1	-
<i>Between Glasgow Prestwick Airport and:</i>			
Paris (Beauvais)	November 1998	2	90
Frankfurt (Hahn)	March 2000	1	-
<i>Between Shannon Airport and:</i>			
Frankfurt (Hahn)	May 2000	1	-

Management's objective is to schedule a sufficient number of flights per day on each route to satisfy demand for Ryanair's low-fares service. Since the early 1990s, Ryanair has continued to increase the number of its flights between Dublin and London, and currently provides more than 20 scheduled flights per day from its Dublin Airport base to Stansted, Gatwick and Luton Airports. Ryanair schedules departures on its most popular routes at frequent intervals normally between 7:00 a.m. and 11:00 p.m. During peak demand periods and periods with high advanced bookings, Ryanair attempts to increase seat capacity by increasing the number of flights with its existing aircraft and, if practicable, by leasing more aircraft on a short-term basis. Management regularly reviews the need for adjustments in the number of flights on all of its routes.

Low and Widely-Available Fares

Ryanair offers low, multi-tier fare pricing, with prices generally varying depending on advance booking, seat availability and demand. Unlike many advertised fares on major airlines, Ryanair's lowest fares do not require any particular day of week (e.g., Saturday night) stay. All restricted tickets are non-changeable, non-cancelable and non-refundable and tickets must be paid for when the reservation is made.

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 endeavoring to allocate 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 the business and the leisure traveler.

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 underprice attempts by its competitors to lower their fares on a particular route. Ryanair offers weekday one-way fares starting at IR£19.99 (approximately €25) on many of its routes, and offers lower-fare trips on certain routes from time to time. In the summer of 2000, for example, Ryanair offered promotional IR£9.00 (approximately €11) return fares on certain routes from Dublin to the U.K. and from London Stansted to continental Europe. Promotional fares generally are available only for mid-week travel, for a limited period and for a limited number of seats per flight, and also require reservations in advance. Promotional fares may have the effect of reducing Ryanair's yield and passenger revenues on the relevant routes during the period they are in effect.

MARKETING AND ADVERTISING

Ryanair's primary marketing strategy is to emphasize its widely-available low fares. In doing so, Ryanair primarily advertises its services in national and regional newspapers in Ireland and the U.K., as well as on radio and television in those markets. In continental Europe, Ryanair advertises primarily through regional and national newspapers, as well as on local radio. Currently, the slogan "Ryanair.com, the Low Fares Website" is prominently featured in all of the airline's marketing to build its brand identity. Other marketing activities include the distribution of advertising and promotional material and cooperative advertising campaigns with other travel-related entities, such as Bord Failte, the Irish Tourist Board.

Ryanair generally runs special promotions in coordination with the inauguration of service into new markets. Starting approximately four to six weeks before the launch of a new route, Ryanair undertakes a major advertising campaign in the target market and local media and editorial attention frequently focuses on the

introduction of Ryanair's low fares. Ryanair's sales teams also visit or contact local travel agents with a view to increasing consumer awareness of the new service.

RESERVATIONS/RYANAIR.COM

Passenger airlines, including Ryanair, generally rely on travel agents for a significant portion of their ticket sales and pay travel agents a commission for their services. Travel agents obtain airline travel information via access to computerized reservation systems ("CRSs") that provide information on a large number of airlines. CRSs are also used by travel agents to make hotel and car rental reservations and to issue airline tickets.

Ryanair currently uses Flightspeed from Open Skies to provide its core seat inventory and booking system and also participates in the EasyRes, Amadeus and Worldspan reservation systems. In return for access to these systems, Ryanair pays transaction fees that are generally based on the number of passenger seat journeys booked through such systems.

In recent years, Ryanair has initiated significant changes in its reservations operations with the aim of improving direct contact between its customers and its own reservations center. In 1996, Ryanair transferred its reservations operation from two locations in London and Dublin to a single new facility in Dublin operated by its Ryanair Direct Limited subsidiary, and arranged for callers to be able to reach the center from anywhere in the U.K. for the price of a domestic call. To reflect Ryanair's increased focus on internet-based reservations, Ryanair Direct Limited changed its name to Ryanair.com Limited ("Ryanair.com") in 2000. For the fiscal year ended March 31, 2000, the percentage of Ryanair's passengers booked through the Dublin telephone reservations center was approximately 39%, as compared with 40% for the fiscal year ended March 31, 1999.

The Dublin reservations center has enabled Ryanair to increase its reservation staff and nearly treble its call-handling capacity. By locating the entire reservation staff in one center, management believes it can exercise greater control over the quality and consistency of customer service and increase sales of ancillary services such as car rental and travel insurance. However, the single center exposes Ryanair to the risks of system breakdowns, damage to, or the loss of, its reservations center and other events which could materially affect Ryanair's ability to process a portion of its passenger reservations and rapidly recover reservations information in the event of a system failure. Ryanair has entered into a new agreement with TeleTech UK Limited under which they will provide a facility to handle overflow from Ryanair.com's Dublin reservations center.

Ryanair has also entered into four new agreements with call center operators to provide foreign language reservations services to customers in France, Italy, Germany, and Scandinavia. Management believes that these companies will provide competitively priced reservation services in language other than English, which will in turn mean that Ryanair does not have to recruit and train foreign language speakers for its Dublin reservations center. Remuneration for these operators is based on the volume of confirmed reservations they produce, thus ensuring the operators are highly incentivized to maximize the bookings in their country. Management believes that the introduction of these call centers will enable Ryanair to continue to reduce its reliance on travel agents as a source of bookings.

In August 1999, Ryanair launched an internet-based reservation and ticketing service that allows passengers to access its reservations system through Ryanair's website at www.ryanair.com. Information included on Ryanair's website is not incorporated by reference into this Report. In January 2000, the system was enhanced and integrated with Ryanair's new Flightspeed reservations system. Passengers can now make reservations and purchase tickets directly through the website. The level of internet bookings has grown rapidly, accounting for in excess of 39% of all reservations on a daily basis as of August 2000, and management expects

that internet-based sales will become an increasingly important distribution channel.

Ryanair supplements the activities of its telephone and internet-based systems and those of its out-sourced call centers by conducting ticket sales through a large number of travel agencies that provide extensive distribution capabilities and reservation and ticketing services in return for a set percentage commission. The standard travel agent commission paid by Ryanair during fiscal year 2000 and fiscal year 1999 was 7.5%. The success of Ryanair.com allowed Ryanair to reduce this rate to 5%, effective April 1, 2000, and to terminate its use of the Galileo reservations system as of August 1, 2000.

Management believes that the continued growth of Ryanair.com's internet-based booking system will allow it to substantially reduce distribution costs related to travel agent commissions and those computerized reservation systems costs generated by travel agents when they make reservations. At the same time, management believes that the success of Ryanair.com will likely be reflected in improved load factors across its route network, and in particular, improve the speed of Ryanair's penetration on new routes. However, management anticipates that these reductions in distribution costs will initially be largely offset by additional costs incurred in the promotion and advertising of Ryanair.com and by the negative impact on overall passenger revenues of discounted fares used to promote the internet site.

Ryanair.com currently benefits from a corporate tax rate of 10% that is available under Irish tax law for corporations that operate international data processing services in Ireland and that have been provided with employment grants by the Irish Development Authority. There can be no assurance, however, that Ryanair will continue to qualify for such government benefits or that current legislation will not be amended to deny such benefits in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations-Fiscal Year 2000 Compared to Fiscal Year 1999-Income Taxes."

Ryanair.com has incurred capital expenditures of approximately IR£3.0 million in connection with its Dublin reservations center. Part of the expenditure was financed with job-creation incentive grants from Forbairt Limited ("Forbairt"), a state agency charged with promoting the development of Irish enterprise.

A portion of the Forbairt grant consists of an employment grant of IR£9,000 for each permanent full-time position created at the reservations center prior to March 31, 2000, up to a total of IR£1.8 million. As of March 31, 2000, the total amount of these grants was IR£1.98 million. However, the employment grant given in respect of any full-time position may be revoked if the position becomes vacant and remains vacant for more than six months. The remainder of the grant consists of a capital grant of up to IR£400,000 or 45% of the actual expenditure on buildings, office facilities and equipment for the center, whichever is less. The disbursement of the capital grants is conditional upon Ryanair.com meeting certain performance criteria. As a condition to the grant, the amount paid to Ryanair.com by Forbairt must be matched by an investment of an equal amount in Ryanair.com by Ryanair Holdings or Ryanair.

Any disbursement of grants after March 31, 1997 is subject to Forbairt's being satisfied with the reservations center's overall performance. No scheduled grant has been withheld by Forbairt through the fiscal year ended March 31, 2000. In addition, if, among other events, Ryanair.com fails to meet certain performance criteria, breaches any provision of the grant agreement or becomes insolvent, the grants may be revoked in whole or in part and Ryanair Holdings, Ryanair and Ryanair.com could be jointly and severally obligated to repay all or a portion of the grants accordingly.

In connection with the grant agreement, the Company granted Forbairt an option to purchase for their par value up to 5% of the issued shares of Ryanair.com. Forbairt may exercise this option if, among other things,

Irish Air, L.P. (one of Ryanair Holdings' former stockholders) and its affiliates, the Ryan family and Michael O'Leary cease to own in the aggregate at least 50% of Ryanair Holdings' issued Ordinary Shares. Since November 1998, when Irish Air, L.P. dissolved and distributed all of the Ordinary Shares held by it to its partners, Forbairt's option has become exercisable. Forbairt has not yet exercised its option or indicated when it may do so. If Forbairt were to exercise its option, Ryanair.com would be obligated to repurchase or redeem the Ryanair.com shares acquired by Forbairt under the option at a repurchase or redemption price ranging from 25% to 30% of the grant amounts received by Ryanair.com, depending on the date the shares are repurchased or redeemed. Based on the amount of grants Ryanair.com has received to date, the maximum it would have to pay to redeem the Ryanair.com shares acquired by Forbairt would be approximately €594,000. Ryanair.com also has the right to terminate the option by paying Forbairt a pre-set amount, currently €698,350.

AIRCRAFT

As of September 1, 2000, Ryanair's owned fleet consisted of 21 Boeing 737-200A aircraft, each having 130 seats and ten Boeing 737-800 "next generation" aircraft, each having 189 seats. Six of the Boeing 737-200A aircraft were acquired from Boeing Equipment in 1994, with five others acquired from various industry sources between 1994 and 1996. In November 1996 and March 1997, Ryanair entered into agreements to purchase a total of eight used Boeing 737-200A aircraft formerly operated by Lufthansa, which were delivered between December 1996 and January 1998. In July 1997, Ryanair acquired an additional used Boeing 737-200A aircraft from a Swedish leasing company. In June 1998, Ryanair acquired an additional used Boeing 737-200A aircraft from a leasing subsidiary of the General Electric Company, bringing the size of its fleet to 21. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

Between March 1999 and June 2000, Ryanair took delivery of the first ten of 28 new Boeing 737-800 "next generation" aircraft with which it expects to increase the size of its fleet to 49 planes by January 2003. The new 737-800s share certain basic characteristics with the Company's fleet of 737-200A aircraft, but are larger (seating up to 189 passengers, as compared to 130 in the 727-200As), capable of longer flights without refueling and incorporate more advanced aviation technology. The 737-800s also will comply with Chapter 3 noise reduction requirements established by the International Civil Aviation Organization, which take effect in the EU from 2002. The 25 firm orders placed with Boeing and the three options already exercised will enable Ryanair to increase the size of its summer schedule fleet by between two and eight additional units each year through 2003. Although there can be no assurance that this expansion will not outpace the growth of passenger traffic on Ryanair's routes, if traffic growth proves to be greater than the expanded fleet can accommodate, the Company may exercise its options to acquire up to 17 additional "next generation" aircraft to cater to this demand. Alternatively, the Company may use these remaining option aircraft, which may include 737-700s, 737-800s or 737-900s, for additional capacity from February 2002 onwards or to replace certain of its current 737-200A aircraft.

The purchase of Ryanair's 25 firm commitment 737-800 aircraft is being financed by a combination of a bank loan facility supported by a guarantee from the Export-Import Bank of the United States and cash flow generated from the Company's operations; management expects to finance the acquisition of the three option aircraft in a similar manner. Ryanair expects to draw down funds from this bank facility as it takes delivery of these new aircraft, and has drawn down such funds with respect to the ten 737-800s delivered to date. This financing will significantly increase the total amount of the Company's outstanding debt and the payments it is obliged to make to service such debt. In addition, Ryanair's ability to draw down funds to pay for aircraft as they are delivered is subject to various conditions imposed by the counterparties to the bank loan facility and loan guarantee. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

The following table summarizes certain information concerning Ryanair's fleet as of September 1, 2000:

Boeing 737-200A Aircraft

<u>Manufacturer's serial number</u>	<u>IAA registration</u>	<u>Manufacture date</u>	<u>Mortgaged</u>	<u>Date of delivery to Ryanair</u>
22023	EI-CKS	January 1980	No	June 1995
22025	EI-CKR	March 1980	No	May 1995
22057	EI-CJH	January 1980	No	March 1994
22058	EI-CJG	January 1980	No	March 1994
22113	EI-CNY	April 1983	No	October 1997
22115	EI-CNT	December 1980	No	December 1996
22123	EI-COB	March 1981	No	January 1998
22124	EI-COX	March 1981	No	January 1998
22126	EI-CNZ	April 1981	No	November 1997
22127	EI-CNX	April 1981	No	July 1997
22128	EI-CNV	April 1981	No	March 1997
22133	EI-CNW	July 1981	No	May 1997
22296	EI-CKP	June 1980	No	October 1994
22396	EI-CON	February 1981	No	June 1998
22637	EI-COA	March 1982	No	December 1997
22639	EI-CJE	April 1982	No	March 1994
22640	EI-CJC	April 1982	No	January 1994
22875	EI-CJI	October 1982	No	May 1994
22906	EI-CKQ	June 1982	No	February 1995
22966	EI-CJD	February 1983	No	February 1994
22967	EI-CJF	March 1983	No	March 1994

Boeing 737-800 Aircraft

<u>Manufacturer's serial number</u>	<u>IAA registration</u>	<u>Manufacture date</u>	<u>Mortgaged</u>	<u>Date of delivery to Ryanair</u>
29916	EI-CSA	March 1999	Yes	March 1999
29917	EI-CSB	June 1999	Yes	June 1999
29918	EI-CSC	June 1999	Yes	June 1999
29919	EI-CSD	August 1999	Yes	August 1999
29920	EI-CSE	September 1999	Yes	September 1999
29921	EI-CSF	May 2000	Yes	May 2000
29922	EI-CSG	May 2000	Yes	May 2000
29923	EI-CSH	June 2000	Yes	June 2000
29924	EI-CSI	June 2000	Yes	June 2000
29925	EI-CSJ	June 2000	Yes	June 2000

The Boeing 737 exists in a number of generations and is the world's most widely-used commercial aircraft. The 737-800s represent the latest generation of Boeing's 737 aircraft and share certain basic attributes in common with Ryanair's fleet of 737-200As. Management believes that spare parts and cockpit crews qualified to fly the aircraft are likely to be more widely available on favorable terms than similar resources for other types of aircraft, and that its strategy of limiting its fleet to two related aircraft types enables Ryanair to limit the costs associated with personnel training, maintenance and the purchase and storage of spare parts, as well as affording greater flexibility in the scheduling of crews and equipment. All of the Boeing 737-200A aircraft currently in Ryanair's fleet are equipped with Pratt & Whitney JT8D engines and with CAT II or CAT III avionics capability and GPS or Omega and PDCS avionics systems. The 737-800s are fitted with CFM 56-7B24 engines and have advanced CAT III Autoland capability, advanced traffic collision avoidance systems, and enhanced ground proximity warning systems.

Under EU Directives governing aircraft noise emissions, all aircraft operated by EU carriers are required to comply with Chapter 3 noise requirements established by the ICAO by April 1, 2002. From April 1, 2000, airlines have been required to stop using hushkitted aircraft in the EU except to the extent that such aircraft (i) were already on the register of an EU Member State before May 1, 2000 or (ii) were on a third country's register and were operated in the EU between April 1995 and April 1999. Management believes that all of Ryanair's aircraft already comply with these rules or will comply with these rules prior to the time they become effective. Nine of the 21 Boeing 737-200A aircraft in Ryanair's fleet are fitted with low gross weight noise reduction hushkits that allow these aircraft to comply with Chapter 3 noise level limitations and the remaining twelve 737-200A aircraft are expected to be fitted with these hushkits before April 1, 2001. Each of Ryanair's 21 Boeing 737-200A aircraft were registered in the Irish Aircraft Registry before April 1, 1999 and all of the 737-800s Ryanair has committed to purchase under the Boeing agreements will comply with Chapter 3 requirements. Management expects to finance these noise reduction expenditures through cash flow generated from operations. Certain of the airports in continental Europe to which Ryanair is considering launching service may require the use of Chapter 3 aircraft prior to 2002. There can be no assurance that the hushkit additions will not adversely affect the operating cost of Ryanair's 737-200A aircraft. For example, the hushkits will increase the weight of the 737-200A aircraft and this will likely result in an increased level of fuel consumption.

On January 15, 1997, the U.S. Federal Aviation Administration (the "FAA") announced that it would require changes in the rudder controls of all Boeing 737 aircraft operating in the United States to prevent a sudden rudder movement that is suspected of playing a role in two crashes of Boeing 737 aircraft. Boeing has agreed to provide and pay for the hardware for the refitting, which is estimated to cost US\$50,000 for each aircraft, with the airlines paying for the installation costs. In February 1997, the U.S. National Transportation Safety Board recommended that the FAA require airlines to adopt further measures to address the potential problem, and such recommendations are presently under review by the FAA. Ryanair has completed the FAA recommended changes on all of its affected aircraft, using hardware provided and paid for by Boeing. In addition, the U.S. National Transportation Safety Board issued a final report on March 25, 1999 recommending further modifications to Boeing 737 rudder controls. Should the FAA recommend or require additional modifications to the rudder controls in response to the Board's report, Ryanair would expect to undertake such changes as part of each aircraft's annual maintenance check. There can be no assurance that the costs associated with any such modification would not adversely impact Ryanair's results of operations and financial condition.

On May 7, 1998, the FAA announced that it would require checks of certain high voltage fuel pump electrical lines on all Boeing 737 aircraft operating in the United States that had completed more than 50,000 flight hours. The checks were occasioned by the ongoing investigation into the cause of the 1996 crash of TWA flight 800, which has been attributed to a catastrophic explosion in the aircraft's central fuel tank, perhaps ignited by a spark from faulty wiring. After initial inspections discovered a number of planes with worn or damaged

insulation or wiring, the FAA expanded the inspection program on May 11, 1998 to cover all 737s operating in the United States with more than 40,000 flight hours. Ryanair undertook the FAA-recommended inspections on all of its aircraft and has completed any necessary remedial action.

On April 26, 1999, the FAA announced that it would require checks of "rear pressure bulkheads" on Boeing 737-100, 737-200, 737-300, 737-400 and 737-500 aircraft operating in the United States that have flown a specified minimum number of cycles. Rear pressure bulkheads maintain a constant, comfortable air pressure in aircraft passenger cabins. The checks were occasioned by reports of fatigue cracks on bulkheads of some Boeing 737-200 aircraft which, if left unrepaired, could cause rapid decompression in an aircraft's passenger cabin. Consistent with the FAA announcement, Ryanair has performed these checks on all of its aircraft and will perform repeat inspections as required by the FAA.

On July 20, 2000, the FAA's 737 Flight Controls Engineering Test and Evaluation Board (the "ETEB") released a comprehensive report on its analysis of the rudder actuation and control system of the Boeing 737, including recommendations that the FAA take action to require additional modifications to 737 rudder control systems in order to improve their safety and reliability. Although it has yet to take any formal action in response to the ETEB report, the FAA recently announced that it planned to propose a long-term redesign of the Boeing 737 rudder system, as well as several short-term initiatives designed to enhance rudder safety on all Boeing 737 models. Ryanair's engineering and flight operations specialists are reviewing the ETEB report's findings and the FAA's recent announcement and continue to work closely with Boeing with regard to any required or suggested modifications to Ryanair's aircraft. Ryanair is currently in compliance with all applicable directives concerning its fleet of Boeing 737-200A and 737-800 aircraft and will comply with any regulations or directives that may come into effect in the future.

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 results of operations or financial condition.

ANCILLARY SERVICES

Ryanair offers various ancillary services in conjunction with its core air passenger service, including the in-flight sale of beverages and merchandise, charter flights, car rentals, rail tickets and the sale of advertising space on the exterior of its aircraft and in its timetables. Ryanair also derives revenues from hotel reservations made through its website or via its Ryanair.com reservations center. Prior to the elimination of duty-free sales on intra-EU flights on June 30, 1999, Ryanair sold traditional duty-free items, such as spirits, cigarettes and fragrances, on all of its scheduled international flights; Ryanair still charges for all beverages served on all of its scheduled flights within the EU (which still may be sold duty-free). Ryanair's merchandise sales on all of its scheduled flights and both merchandise and beverage sales on flights within the U.K. (between London Stansted and Glasgow Prestwick and the City of Derry), are now on a duty-paid, rather than duty-free basis. In fiscal year 2000, in-flight sale of beverages and duty-free merchandise accounted for 3.7% of Ryanair's revenues, or €13.6 million, as compared to 6.8% of Ryanair's revenues, or €20.2 million, in fiscal year 1999. In addition to the significant revenue generated by these activities, as much as 20% of the compensation of Ryanair's flight attendants was derived from the in-flight sale of beverages and merchandise in fiscal year 2000. See "-Employees."

Duty-free sales on aircraft (other than beverages served to passengers on board) and in airports in connection with intra-EU travel were eliminated by the EU on June 30, 1999. There can be no assurance that Ryanair will be able to find replacement sources for revenue previously generated by duty-free sales or that

Ryanair will not be required to provide additional compensation for its flight attendants. This could have a material adverse effect on Ryanair's results of operations. In addition, the reduction in revenues earned by airport authorities resulting from the loss of duty-free sales could lead to increases in landing and other charges imposed by such airport authorities on Ryanair.

Ryanair endeavors to use its excess aircraft capacity at particular periods for the operation of charter services, as well as increasing capacity through the utilization of wet-leased aircraft in periods of peak demand. Such charter services principally include summer weekend service from Ireland to vacation destinations in Europe, winter weekend flights from Ireland to ski resorts and charters from Ireland for special events, such as international soccer and rugby matches. In fiscal year 2000, Ryanair generated revenues of €9.3 million from charter operations, a 44.0% increase from €6.4 million in the prior fiscal year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations-Fiscal Year 2000 Compared to Fiscal Year 1999-Ancillary Revenues."

Ryanair has entered into a contract with the Hertz Corporation ("Hertz") for car rental services, pursuant to which Hertz handles all automobile-related aspects of such services and pays a per-rental fee to Ryanair.com (or other relevant reservations agent) as well as a set amount to Ryanair for marketing support. Ryanair's revenues from car rentals were €7.9 million in fiscal year 2000, an increase of 71.3% from the prior fiscal year, when these rentals generated €4.6 million in revenues.

Beginning in the second half of 1996, Ryanair began to make available the exterior of its aircraft for paid advertising purposes, whereby a corporate sponsor pays Ryanair for the right to paint one of its aircraft with the sponsor's name and logos for a specified period. Ryanair's aircraft currently carry the logos of Jaguar Cars Limited, the News International Group's Sun and News of the World newspapers, Kilkenny Beer, Hertz, Tipperary Crystal and Eircell, an Irish mobile telephone company.

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 "no-frills" operating strategy to the area of maintenance, training or quality control.

Ryanair's quality assurance department deals with the overall supervision of all maintenance activities in accordance with JAR 145, the European airline industry standard for aircraft maintenance, and standards established by the FAA (JARs are developed and adopted by the Joint Aviation Authorities, an associated body of the European Civil Aviation Conference formed to enhance co-operation between the national civil aviation authorities of participating European countries, including Ireland). Ryanair is itself a JAR 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, as well as A and B checks, at its Dublin Airport facility. FLS Aerospace Holding Group A/S ("FLS") performs a limited amount of similar services for Ryanair at London Stansted. Maintenance and repair services that may become necessary while an aircraft is located at one of the other airports served by Ryanair (on-call maintenance) are provided by other JAR 145-approved contract maintenance providers. Aircraft return each evening to Ryanair's primary bases at Dublin Airport and London Stansted Airport and its mini-bases at Glasgow Prestwick, London Luton and Shannon Airports, where they are examined each night by Ryanair's approved engineers (or, in the case of London Luton, contract engineers).

As Ryanair's existing 737-200A aircraft were manufactured between 1980 and 1983, it is likely that they will require greater maintenance expenditures than would a newer fleet. The average age of Ryanair's fleet of owned 737-200A aircraft at September 1, 2000 (in other words, not including the ten new 737-800 aircraft that are now in the fleet) was approximately 19 years. A number of Ryanair's current or potential competitors own fleets of aircraft with a lower average age. In general, the cost of maintaining or operating aging aircraft exceeds that of maintaining or operating newer aircraft. Ryanair's maintenance expense assumptions are based upon historical experience and current requirements to comply with existing regulations. In addition, there can be no assurance that Ryanair's new 737-800 aircraft will not cause the Company to incur significant maintenance or other operating costs. 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 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.

Heavy Maintenance

Ryanair contracts with outside maintenance providers for heavy maintenance services. Ryanair currently contracts its heavy airframe maintenance overhauls to a single JAR 145-approved contractor, FLS, and its engine overhaul service to a single JAR 145-approved contractor, Lufthansa Airmotive Ireland ("Airmotive"). Services provided by FLS include heavy airframe maintenance, component overhaul/repair, wheel and brake services, landing gear overhaul, technical engineering and various maintenance support services.

In January 2000, Ryanair entered into a new heavy maintenance agreement with FLS covering both its Boeing 737-200 and 800 aircraft with FLS. The agreement formally expires in January 2005, though Ryanair may terminate FLS's services at any time after July 2002 on six months' notice, if FLS has not performed to a reasonable level. Under the new contract, man-hour rates for maintenance on the Boeing 737-200 aircraft are fixed for the first three years and then subject to escalation on the basis of the annual increase in the cost index for the Manufacturers of Aircraft and Spacecraft in the U.K. The Boeing 737-800 aircraft checks are initially to be completed on the basis of the number of man-hours incurred at a fixed rate per hour, plus the actual cost of the materials consumed. Once the first series of checks have been completed, the contract provides for both parties to agree to fixing the price for labor and materials for each check thereafter.

The contract also provides for penalties and a bonus incentive for FLS for the on-time completion of checks, which have been capped at a specific level for each year of the contract. In relation to the major P12 checks on the 737-200 aircraft, the Company does not have a fixed materials cost, but will instead pay FLS on the basis of the manufacturer's list price, with Ryanair having an option to supply spare parts to FLS either in advance of the aircraft check or to pay FLS for such parts.

In November 1999, Ryanair entered into an agreement with Airmotive for the repair and overhaul of the CFM56-7 engines fitted to its Boeing 737-800 aircraft. The contract is for a period of 10 years and thereafter can be terminated by either party upon six months' notice. Labor charges for the repair and overhaul of engines are fixed until January 2003. Thereafter, the rate per hour will be increased to a new fixed rate for one year, and from January 2004 will be adjusted annually based on rates established by the mechanics trade union. All parts required for the overhaul should initially be supplied from Ryanair's inventory of spare parts. If the spare parts are not within Ryanair's inventory they are to be supplied on the basis of the manufacturer's list price plus a fixed percentage for handling which is subject to a cap. Ryanair's current agreement with Airmotive for maintenance of the Pratt and Whitney engines on the Boeing 737-200 aircraft, which also contains certain cost limitation features, can be terminated by either party upon six months' notice.

By contracting with JAR 145-approved maintenance providers, management believes it is better able to control the quality of its aircraft and engine maintenance. Ryanair assigns a JAR 145-certified mechanic to supervise all heavy maintenance or engine overhaul performed by third parties. Maintenance providers are also monitored closely by the national authorities under JAA and national regulations.

The loss or expiration of these or any other 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 similar 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.

SAFETY RECORD

During its 15-year operating history, Ryanair has not had a single incident involving major injury to passengers or flight crew, nor has Ryanair experienced any reportable incidents involving a breach of security, such as hijackings. Ryanair's commitment to safe operations is manifested by its safety training procedures, its investment in safety-related equipment and the adoption of a confidential reporting system.

Ryanair's flight training is oriented towards accident prevention and covers all aspects of flight operations. Ryanair conducts all of its own flight crew training, both initial and recurrent, with the approval of the Irish Aviation Authority (the "IAA"), which regularly audits both operation control standards and flight training standards. Ryanair purchases time on Boeing 737-200A and 737-800 aircraft simulators used for flight training from third parties.

Ryanair's older Boeing 737-200A aircraft currently operate in accordance with Category II minimum landing requirements. Category II landing standards require a minimum horizontal visibility of 350 meters and a vertical visibility of 100 feet. The addition to its fleet of the Boeing 737-200As delivered in 1997 and 1998, which are equipped with more advanced avionics, allowed Ryanair to operate these aircraft in accordance with the more stringent Category IIIA minimum landing criteria. All of the Boeing 737-800s which Ryanair has bought or committed to buy operate in accordance with the Category IIIA minimum landing criteria which require a minimum horizontal visibility of 200 meters and no vertical visibility.

Management encourages flight crews to report any safety-related issues through the use of a confidential reporting system which is available through Ryanair's Flight Safety Office. 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 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 the system to modify operating procedures and improve flight operation standards.

On June 1, 2000, the Irish Aviation Authority awarded Ryanair an Air Operator Certificate in recognition of Ryanair's satisfaction of the relevant JAR OPS 1 regulatory requirements.

AIRPORT OPERATIONS

Airport Handling Services

Ryanair provides its own aircraft and passenger handling and ticketing services at Dublin Airport. A limited number of established third parties provide these services to Ryanair at the 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., including London Stansted, while similar services in continental Europe are generally provided by the local airport authority either directly or through sub contractors. Management attempts to obtain competitive rates for such services by negotiating multi-year contracts at prices that are fixed or subject only to periodic increases linked to inflation. These contracts are scheduled to expire in one to five years, unless renewed, and certain of such contracts may be terminated by either party by prior notice. The loss or expiration of such contracts or any inability to renew such contracts or negotiate contracts with other providers at comparable rates could have a material adverse effect on the Company's results of operations. Ryanair will need to enter into similar agreements in any new markets it may enter, and there can be no assurance that Ryanair will be able to obtain the necessary facilities and services at competitive rates in such new markets. In addition, although Ryanair seeks to monitor performance by its third party service providers, the efficiency, timeliness and quality of contract performance by such third party contractors are largely beyond Ryanair's direct control. Ryanair expects to be dependent on such third party arrangements for the foreseeable future.

Airport Charges

As with other airlines, Ryanair is assessed 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 and parking fees. Noise surcharges have also been imposed by a limited number of European airports in response to concerns expressed by local residents. Ryanair attempts to negotiate advantageous terms for such fees by delivering a consistently high volume of passenger traffic and opts, when practicable, for less expensive facilities, such as less convenient gates, as well as the use of outdoor boarding stairs rather than more expensive jetways.

Aer Rianta, the Irish government authority charged with operating Ireland's major airports, recently announced that it planned to phase out landing fee discounts granted to certain airlines that operate out of Dublin Airport, including Ryanair. In response to the announcement, Ryanair canceled plans to launch five new routes to continental Europe from Dublin and proposed a plan that would result in reduced landing fees and would have Ryanair guarantee a substantial increase in long-term passenger volumes. In December 1999, the Irish Minister for Public Enterprise announced that almost all of the current landing fee discounts will terminate once a new system comes into effect. The government has begun the process of appointing a regulator who will be charged with setting the level of airport charges and discounts at Dublin Airport and certain other Irish airports, and it is currently anticipated that the legislation appointing the regulator will be approved by the Irish parliament in October 2000. 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 our operations.

FUEL

The cost of jet fuel accounted for approximately 14.6% and 16.0% of Ryanair's total operating expenses in the fiscal years ended March 31, 2000 and 1999, respectively, in each case after giving effect to the Company's fuel hedging activities. Jet fuel costs have been subject to wide fluctuations as a result of sudden disruptions in supply and continued to exhibit substantial volatility in the fiscal years ended March 31, 1999 and 2000.

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 may be limited. As international prices for jet fuel are denominated in U.S. dollars, Ryanair's fuel costs are also subject to certain exchange rate risks. Ryanair has also entered into fuel and currency hedging agreements with various counterparties providing for price protection in connection with the purchase of fuel. Ryanair has not otherwise entered into agreements to guarantee its supply of fuel. See "Risk Management-Fuel Price Exposure and Hedging."

The following table details Ryanair's fuel consumption and costs for scheduled operations (thus excluding fuel costs related to charter operations), after giving effect to the Company's fuel hedging activities, for the fiscal years ended March 31, 1998, 1999 and 2000:

Fiscal Year ended March 31,

	<u>1999</u>	<u>2000</u>	<u>1998</u>
Scheduled fuel consumption (U.S. gallons)	38,954,143	54,445,942	65,041,470
Available seat miles (ASM)	1,620,897,150	2,304,838,135	3,126,069,535
Scheduled fuel consumption (U.S. gallons) per ASM	0.024	0.024	0.0203
Total scheduled fuel costs	€26,596,000	€35,697,500	€40,746,074
Cost per gallon	e0.69	e0.66	e0.63
Total scheduled fuel costs as a percentage of total operating costs	15.15%	15.66%	14.24%

Ryanair's 21 737-200A aircraft are generally less fuel efficient than newer aircraft used by many of Ryanair's competitors. A significant increase in the price of jet fuel would therefore result in a higher percentage increase in Ryanair's average overall operating costs than those of its competitors that use more fuel efficient aircraft. The primary reasons for Ryanair's higher level of fuel consumption are the size and age of the aircraft, differences in engine technology and Ryanair's short-haul routes. Ryanair's new Boeing 737-800 "next generation" aircraft burn fuel at an hourly rate that is comparable to that of the Boeing 737-200As. However, as the 737-800s are configured to have 45% more seats (189 seats as compared to 130 in the 737-200As), the fuel burn per hour for the new aircraft on a per seat basis has been approximately 31% lower than that for the 737-200A fleet to date. Nonetheless, there can be no assurance that this reduction in fuel burn per hour on a per seat basis will translate into a reduction in fuel costs on a per seat basis, as Ryanair's cost of fuel varies with fluctuations in both world fuel prices and the conversion rate between the U.S. dollar and the euro. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations-Fiscal Year 2000 Compared to Fiscal Year 1999-Fuel and Oil."

Both the cost and availability of fuel are subject to many economic and political factors and events occurring throughout the world that Ryanair can neither control nor accurately predict. Substantial price increases, adverse exchange rates or the unavailability of adequate supplies 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, higher fuel prices or curtailment of scheduled service could result. Ryanair has entered into limited arrangements providing for protection against fluctuations in fuel prices and exchange rates, but there can be no assurance that such agreements will be adequate to protect Ryanair from significant increases in the price of fuel in the near or longer term. See "Risk Management-Fuel Price Exposure and Hedging."

Based upon Ryanair's fuel consumption for the fiscal year ended March 31, 2000, a change of one U.S. cent in the average annual price per gallon of aviation fuel would have caused a change of approximately €678,925 in annual fuel costs. Ryanair's fuel costs in the fiscal year ended March 31, 2000, after giving effect to the Company's fuel hedging activities, increased by approximately 14% over the comparable period ended March 31, 1999, primarily due to the increase in the number of sectors flown and the average sector length as a result of the expansion of Ryanair's fleet and route network. Because of Ryanair's low-fares policy, its ability to pass on increased fuel costs to passengers through increased fares or otherwise may be limited. Moreover, the anticipated substantial expansion of Ryanair's fleet through 2003 will likely result in a substantial increase, in absolute terms, in Ryanair's aggregate fuel 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 not only repair or replacement of a damaged aircraft and its consequent temporary or permanent loss from service, but also significant potential claims of injured passengers and others. Ryanair currently maintains passenger liability insurance, employer liability insurance, aircraft insurance for aircraft loss or damage, insurance for pilots' loss of license and other business insurance in amounts per occurrence that is consistent with industry standards. Although Ryanair currently believes its insurance coverage is adequate, 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. 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 cause a public perception that Ryanair's aircraft are less safe or reliable than those operated by other airlines, which could have a material adverse effect on Ryanair's business.

EC Council Regulation No. 2027/97 on air carrier liability in the event of accidents came into force on October 17, 1998. This regulation removes certain monetary limits on the liability of an air carrier in the event of death or bodily injuries suffered by passengers which are in effect by virtue of the Warsaw Convention of 1929 for the Unification of Certain Rules Relating to Transportation by Air. This regulation also limits the ability of an air carrier to rely on certain defenses in an action for damages, which would otherwise have been available to it at law. The potential exposure of air carriers, such as Ryanair, has therefore been increased and, although Ryanair has extended its liability insurance accordingly to meet the requirements of the new 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 the Company's financial condition or results of operations.

EMPLOYEES

The following table sets forth the number of Ryanair's employees at each of March 31, 1999 and 2000:

<u>Classification</u>	<u>Number of Employees at March 31, 1999</u>	<u>Number of Employees at March 31, 2000</u>
Management	75	81
Administrative	156	157
Reservations	238	285
Maintenance	113	111
Ground Operations	176	178
Cockpit Crew	185	250
Flight Attendants	<u>260</u>	<u>326</u>
Total	<u>1,203</u>	<u>1,388</u>

Ryanair's flight operations, maintenance and customer ground operations personnel undergo training, both initial and recurrent. A substantial portion of the initial training for Ryanair's cabin crews is devoted to safety procedures, and cabin crews are required to undergo annual evacuation and fire drill training during their tenure with the airline. Ryanair pays for the recurrent training of all employees. Ryanair purchases time on Boeing 737-200A and Boeing 737-800 aircraft simulators used for pilot training from third parties. Ryanair has established an in-house apprenticeship program to train maintenance engineers that currently produces four qualified engineers per year. Ryanair also provides salary increases to its engineers who complete advanced training in certain fields of aircraft maintenance.

IAA regulations require pilots to be licensed as commercial pilots with specific ratings for each aircraft to be flown and to be medically certified as physically fit. At March 31, 2000, the average age of Ryanair's pilots was 34 years and their average years of employment with Ryanair were 4 years. Licenses and medical certification are subject to periodic re-evaluation requirements, including recurrent training and recent flying experience. Maintenance engineers must be licensed and qualified for specific aircraft. Flight attendants must have initial and periodic competency fitness training. Training programs are subject to approval and monitoring by the IAA. In addition, the appointment of senior management personnel directly involved in the supervision of flight operations, training, maintenance and aircraft inspection must be satisfactory to the IAA.

Based on its experience in managing the airline's growth to date, management believes that there is a sufficient pool of qualified and licensed pilots, engineers and mechanics in Ireland, the U.K. and continental Europe to satisfy Ryanair's anticipated future needs in the areas of flight operations, maintenance and quality control and that Ryanair will not face significant difficulty in hiring and continuing to employ the required personnel. Ryanair has also been able to satisfy its short-term needs for additional pilots and cockpit crew by contracting with certain employment agencies that represent experienced flight personnel and currently has eight such pilots under contract.

Ryanair's employees earn productivity-based pay incentives, including commissions on in-flight sales for flight attendants and payments based on the number of hours or sectors flown by pilots and cabin crew personnel within limits set by industry standards or regulations fixing maximum working hours. During the fiscal year ended March 31, 2000, such productivity-based pay incentives accounted for approximately 70% of an average flight attendant's total pay package and approximately one-third of the typical pilot's compensation.

Reservations personnel also receive incentive payments based on the number of bookings made and sales of ancillary services such as car rentals and travel insurance. In April 1997, Ryanair's pilots approved a new five-year pay arrangement (subject to review in "exceptional circumstances" after three years), which, in return for certain productivity enhancements, provides for annual increases in base salary of 3% and increases in payments per sector of between 17% and 61% (depending on the number of sectors flown) with effect from March 1997. A variety of factors, including, but not limited to, the Company's recent profitability, may make it more difficult to maintain its current base salary levels and current employee 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.

Ryanair's pilots are currently subject to IAA-approved limits of 100 flight hours per 28-day cycle, 300 flight hours every three months and 900 flight hours per calendar year. For the year ended March 31, 2000, the average flight hours for each of Ryanair's pilots were approximately 65 hours per full working month, 195 hours every three months and approximately 780 hours for a complete year. Were more stringent regulations on flight hours to be adopted, Ryanair's flight personnel could experience a reduction in their total pay due to lower compensation for the number of hours or sectors flown and Ryanair could be required to hire additional flight personnel.

Although Ryanair currently consults with groups of employees, including its pilots, through "Employee Representation Committees ("ERCs"), regarding work practices and conditions of employment, it does not conduct formal binding negotiations with collective bargaining units, as is the case in many other airlines. For example, Ryanair senior management has quarterly meetings with the pilot ERC to discuss all aspects of the business and those issues which specifically relate to pilots. As part of these ongoing discussions, Ryanair has recently agreed to undertake a review and update of the current agreement on pilots' working conditions, with the commitment that the review and update will be completed in October 2000. Upon completion of the review process, management expects to discuss the details of the revised and updated working conditions agreement with the pilot ERC.

Ryanair considers its relationship with its employees to be good. However, from January 9 to March 9, 1998, 39 of Ryanair's ground-handling employees participated in industrial action with respect to terms and conditions of their employment. Although the action did not have a material effect on Ryanair's ability to fulfill its flight schedules or on its results of operations or financial condition, a secondary action on the weekend of March 7 and 8, 1998 by members of the Service, Industrial, Professional and Technical Union ("SIPTU") working for other airlines and airport service providers led to the closure of Dublin Airport for certain periods. As part of a government-sponsored arrangement to end the secondary action, Ryanair agreed to cooperate with a governmental inquiry into the facts of the dispute and the reasons for the closure of the airport. The governmental inquiry report, which was issued in July 1998, was critical of the actions of both Ryanair and SIPTU during the dispute. Management believes that the dispute and related governmental and judicial action will not have any impact on Ryanair's historical policy of not conducting formal binding negotiations with collective bargaining units or on the public's perception of the Company generally. However, if these events were to alter Ryanair's historical experience of flexibility in dealing with employees or were to alter the public's perception of Ryanair generally, it could have a material adverse effect on the Company's business, operating results and financial condition.

In April 1998, the Board of Directors of Ryanair Holdings adopted an employee share option plan (the "Option Plan"), with all full-time employees having worked 25 hours per week being eligible to participate. The Option Plan was approved by the Company's shareholders at the annual general meeting held on September 29, 1998. Ryanair Holdings has also issued share options to certain of its senior managers. For details of all

outstanding share options, see "Options to Purchase Securities from Registrant or Subsidiaries."

The Option Plan allows for eligible employees to be granted options to purchase up to an aggregate of 5% of the outstanding Ordinary Shares of Ryanair Holdings at an exercise price equal to the closing price of such shares on the Irish Stock Exchange on the date of the grant of the option. Options may be granted over a five-year period beginning in 1998, with the amount of options granted to any individual employee being determined with reference to the amount of emoluments paid to such employee in the current or previous tax year, whichever is greater. Options will be exercisable beginning in June 2003.

Management designed the Option Plan to reward employees for achieving certain financial performance criteria over a five-year period, thus allowing them to participate in the increase in the value of the Company over the coming years. Grants of options under the Option Plan are thus subject to the Company's achievement of the following criteria during the five-year period beginning with fiscal year 1998, as follows:

1. The Company's net profit after tax for each fiscal year must exceed its net profit after tax for the preceding fiscal year by at least 20%.
2. If the first criterion is not met, options will still be granted if the aggregate growth in the Company's net profit after tax (as compounded annually) during the period beginning with fiscal 1998 and ending with the fiscal year ending in the year in which the grant of yearly options is being considered is equal to, or greater than, an annual rate of 20%.

If, in any year, either of these two criteria are met, the Remuneration Committee may select eligible employees who will be invited to apply for options that were not granted in any prior year as a result of neither such criterion being met.

As of September 25, 2000, options in respect of a total of 7,825,022 Ordinary Shares granted by Ryanair Holdings were outstanding.

At the annual general meeting held on September 22, 2000, the shareholders of Ryanair Holdings approved a resolution adopting a new share option plan. See "Options to Purchase Securities from Registrant or Subsidiaries".

FACILITIES

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

Location	Site Area (Sq. Meters)	Covered Area (Sq. Meters)	Tenure	Activity
Dublin Airport (Corporate Headquarters)	1,116	1,395	Leasehold	Corporate Headquarters
Phoenix House, Conyngham Road, Dublin	2,566	3,899	Freehold	Reservations Center
Enterprise House, Stansted Airport	212	212	Leasehold	Sales Office
Terminal Building Stansted Airport	223	223	Leasehold	Operations Center
Dublin Airport (hangar)	2,993	2,175	Leasehold	Aircraft Maintenance

Ryanair's headquarters at Dublin Airport are located in an office building that Ryanair Limited leases from Darley Investments Limited ("Darley"), a wholly-owned subsidiary of Ryanair Limited, pursuant to a 30-year lease. Darley leases the premises on which the building is located from the Irish Department for Public Enterprise and Employment (the "DPEE"). The annual rent payable by Darley to the DPEE is €243,790, but Darley is eligible for abatement of the rent in accordance with the terms of its lease.

In May 1996, Ryanair acquired, for total consideration of €2.51 million, a building in which Ryanair.com's reservation center is currently located. Ryanair Limited incurred a loan of €1.6 million from Allied Irish Banks, plc ("AIB") to finance a portion of the purchase price of the building and necessary refurbishments, which loan is secured by a mortgage of the building in favor of AIB. Ryanair.com currently leases certain equipment used at the reservation center pursuant to a lease with AIB dated September 1, 1996, under which Ryanair.com makes quarterly payments of €27,172.

Ryanair has entered into agreements with Aer Rianta to lease ticket counters and other space at the passenger and cargo terminal facilities at Dublin Airport. Ryanair has also financed the construction of and leased a new hangar extension at Dublin Airport, which was completed in May 1997. The airport office facilities used by Ryanair at London Stansted Airport 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.

TRADEMARKS

On August 12, 1999, Ryanair received notice that its name, logo and the slogan "The Low Fares Airline" had been registered as a Community Trade Mark ("CTM"). A CTM allows trademark owners to obtain a single registration of their trademarks, which registration affords uniform protection for those trademarks throughout the EU.

Ryanair has registered its name as a trademark in the Benelux countries, Germany and the U.K. Protection in each of these jurisdictions is due for renewal in January 2005. The registrations give Ryanair an exclusive monopoly over the use of its trade name with regard to similar services in these jurisdictions and the right to sue for trademark infringement should a third party use an identical or confusingly similar trade mark in relation to identical or similar services. Management currently intends to maintain these registrations notwithstanding its CTM registration.

At present, 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, management believes there are 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, including measures allowing EU air carriers substantial freedom to set air fares, allowing EU air carriers greatly enhanced access to routes within the EU and introducing 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.

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 DPE, the IAA and the JAA. Management believes that the present regulatory environment in Ireland and the EU is characterized by an increased sensitivity to safety and security issues and an increased intensity of review of safety-related procedures, training and equipment by the national and EU regulatory authorities.

Department for Public Enterprise. The IAA and DPE are primarily responsible for Irish air carrier licensing and certification. To operate in Ireland and the EU, an Irish air carrier is required to hold (i) an operator's certificate and (ii) an operating license, granted by the IAA and the Minister for Public Enterprise (the "MPE"), respectively. An operator's certificate attests to the air carrier's operational and technical competence to conduct an air service 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 on-going 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 criteria for granting an operating license are set out in the relevant EU regulation and 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 MPEE has broad authority to revoke an operating license. See "Exchange Controls and Other Limitations Affecting Securityholders-Limitations on Share Ownership by Non-EU Nationals."

Ryanair's current operating license was awarded effective November 30, 1993, reviewed on November 30, 1999 and is automatically subject to renewal each year. Ryanair's current operating certificate was issued by the IAA with effect from June 2000 through July 2001 and is automatically subject to renewal thereafter.

Aviation Regulator. An Aviation Regulator has been appointed by the DPE and is awaiting empowerment via the necessary legislation. The principal function of the regulator will be to regulate airport charges and aviation terminal services charges in Ireland.

Irish Aviation Authority. The IAA is 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 any additional aircraft the Company adds to the fleet will be required to obtain an airworthiness certificate. 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 and powerful regulatory and enforcement authority, 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 authority or certification.

Joint Aviation Authorities. The JAA is an associated body of the European Civil Aviation Conference formed to enhance co-operation between the national civil aviation authorities of the participating European countries (including Ireland) in aspects of aviation relating to, among other things, the safety of aircraft and, in particular, the design, manufacture, continued airworthiness, maintenance and operation of aircraft. The primary function of the JAA is to develop, adopt and implement JARs for the use of authorities in the field of design, manufacture, maintenance and operations. The aim of the JAA is to ensure that each individual JAR becomes a uniform code for all JAA countries without any national regulatory differences. EU regulations provide for the harmonization of technical requirements and administrative procedures on the basis of the JAR codes of the JAA and for the acceptance of certification in accordance with common technical requirements and administrative procedures.

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 into Irish law, which provides for the payment of charges to Eurocontrol in respect of air navigation services provided 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, 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 on board the aircraft when it is detained, and may result in the possible sale of the aircraft.

Registration of Aircraft

Pursuant to the Irish Aviation Authority (Nationality and Registration of Aircraft) Order, 1996 and 1997 (the "Orders"), 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 incorporated 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 September 1, 1999, seven of the Company's ten directors 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 citizen or company 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 Orders. 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 canceled if it is found that it is not in compliance with the requirements for registration under the 1996 Order and, in particular, (i) if the ownership requirements are not met, (ii) 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 satisfied that it is inexpedient in the public interest for the aircraft to remain registered in Ireland.

Regulation of Competition

Competition/Anti-trust 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 ("EC"), 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 common market or any substantial part of the common market may not abuse such a 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, EU Regulation 3975/87).

An aggrieved person may sue for breach of EU competition law in the courts of the Member States and/or complain to the EC for an order to terminate the breach of competition law. The EC also may impose fines and daily penalties on businesses and the courts of the Member States may award damages and other remedies (such as an injunction) in appropriate circumstances.

Competition law in Ireland is primarily embodied in the Competition Acts, 1991-1996. These Acts are 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 subject to EU rules that override any contrary provision of Irish competition law.

State Aid. The EU controls aid granted by Member States to businesses on a selective or discriminatory basis. The EU Treaty prevents Member States 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.

Environmental Regulation

Ryanair is subject to international, national and, in some cases, local noise regulation standards. Current EU and Irish regulations require that aircraft must comply with Stage 3 noise requirements from April 1, 2002. Compliance with the regulations can be achieved either by installing hushkits on Stage 2 aircraft, enabling compliance with Stage 3 noise requirements, or by deregistering and replacing Stage 2 aircraft with Stage 3 aircraft.

Certain airports in the U.K., including London Stansted and London Gatwick, have established local noise restrictions, including restrictions on the use of Stage 2 aircraft at such airports and limits on the number of hourly or daily operations or the time of such operations. Noise surcharges can be assessed on airlines for operating Stage 2 aircraft at London Stansted and London Gatwick airports. These restrictions may cause curtailment of service or increases in operating costs and could limit Ryanair's ability to expand its operations at affected airports. Local authorities at other airports are considering adopting similar noise regulations.

Environmental controls are generally imposed under Irish law through property planning legislation (specifically the Local Government (Planning and Development) Acts of 1963 to 1994 and regulations made thereunder). At Dublin Airport, Ryanair operates on land controlled by Aer Rianta. Planning permission for its facility is in line with both the zoning and planning requirements of Dublin Airport. There is also specific Irish environmental legislation, generally implementing applicable EU Directives and Regulations. From time to time noxious or potentially toxic substances are held on a temporary basis within Ryanair's hangar at Dublin Airport. However, at all times Ryanair's storage and handling of these substances complies with the relevant regulatory requirements.

Slots

Currently, only three airports served by Ryanair, London Stansted (one of its two primary bases of operations), London Gatwick and Manchester, are regulated by means of "slot" allocations, which represent authorizations to takeoff or land at a particular airport within a specified time period. EU law currently regulates the acquisition, transfer and loss of slots. Applicable EU regulations currently prohibit the buying or selling of slots for cash. However, the EC is currently considering a proposal that would create a secondary market for the auction of slots and allow trading of slots among airlines. Any such development would 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 given certain privileges in terms of obtaining slots, but such privileges are subject to the "grandfather rights" of existing operators who 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.

EU regulations require the use of each slot at least 80% of the time during the season to which the slot relates and provide for forfeiture of slots without compensation in certain circumstances.

Other

Health and safety at work issues relating to the Company are largely controlled in Ireland by compliance with 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 has reviewed Ryanair's health and safety record and issued improvement notices/prohibition notices, all of which have been successfully addressed by the Company to the satisfaction of the Authority.

The Company's operations are subject to the general laws of Ireland and, in so far 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.

Item 2. Description of Property

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

Item 3. Legal Proceedings

The Company is pursuing an action in the Irish High Court against Aer Rianta, the operating company for Dublin, Cork and Shannon airports, alleging various abuses by Aer Rianta of its dominant position. The Company has also instituted proceedings before the EC alleging that Lufthansa has engaged in predatory pricing with respect to routes in Germany on which it competes with Ryanair. The Company is also engaged in litigation arising in the ordinary course of its business. Management does not believe that any of these proceedings will, individually or in the aggregate, have a material adverse effect on the results of operation or financial condition of the Company.

Item 4. Control of Registrant

Ryanair Holdings' capital stock consists of Ordinary Shares, par value 2.54 euro cents. As of September 25, 2000, a total of 350,709,884 Ordinary Shares were outstanding. In March 2000, Ryanair Holdings successfully completed a primary offering of 15,300,000 new Ordinary Shares outside the United States in accordance with Regulation S under the Securities Act ("the 2000 Regulation S Offering"). On February 28, 2000, Ryanair effected a 2 for 1 share split by which each of its then existing Ordinary Shares, par value 4 Irish pence was split into two new Ordinary Shares, par value 2 Irish pence and then redenominated into euros at 2.54 euro cents.

The Ryan family, Irish Air GenPar L.P. ("Irish Air GenPar") and Michael O'Leary are the largest shareholders in Ryanair Holdings. As of September 25, 2000, T. Anthony Ryan and his three sons owned an

aggregate of 50,227,444 Ordinary Shares, representing 14.3% of Ryanair Holdings' outstanding Ordinary Shares as of such date. Michael O'Leary owned 30,000,000 Ordinary Shares, representing 8.6% of Ryanair Holdings' outstanding Ordinary Shares as of such date. Irish Air GenPar owned 4,553,220 Ordinary Shares, representing 1.3% of Ryanair Holdings' outstanding Ordinary Shares as of such date. As of September 25, 2000, the Directors and executive officers of Ryanair Holdings as a group owned 71,509,074 Ordinary Shares, representing 20.4% of Ryanair Holdings' outstanding Ordinary Shares as of such date. This aggregate total includes all of the 30,000,000 Ordinary Shares owned by Michael O'Leary and all of the 4,553,220 Ordinary Shares owned by Irish Air GenPar, of which Directors Bonderman and Schifter serve as principals.

Item 5. Nature of Trading Market

The primary market for Ryanair Holdings' Ordinary Shares is the Irish Stock Exchange Limited (the "Irish Stock Exchange" or "ISE"); Ordinary Shares are also traded on the London Stock Exchange. The Ordinary Shares were first listed for trading on the Official List of the Irish Stock Exchange on June 5, 1997 and were first admitted to the Official List of the London Stock Exchange on July 16, 1998.

American Depositary Shares ("ADSs"), each representing five Ordinary Shares, are traded on the Nasdaq National Market of the Nasdaq Stock Market, Inc. ("Nasdaq"). The Bank of New York is Ryanair Holdings' depositary for purposes of issuing American Depositary Receipts ("ADRs") evidencing the ADSs. The following tables set forth, for the periods indicated, the reported high, low and period-end closing sales prices of the ADSs on Nasdaq and for the Ordinary Shares on the Irish Stock Exchange and the London Stock Exchange, and have been adjusted to reflect the two-for-one split of the Ordinary Shares and ADSs effected on February 28, 2000:

	<u>HIGH</u>	<u>LOW</u> <u>ADSs</u> (in dollars)	<u>PERIOD END</u>
1997			
Second Quarter (beginning June 5)	13.5625	12.0000	13.5625
Third Quarter	15.0325	11.5000	15.0325
Fourth Quarter	15.1250	10.7500	17.9375
1998			
First Quarter	18.9375	11.2500	18.5000
Second Quarter	19.8750	16.2500	17.8125
Third Quarter	21.5625	14.3750	17.1250
Fourth Quarter	19.0000	11.7188	18.8750
1999			
First Quarter	20.8125	15.2500	20.3750
Second Quarter	26.5000	20.6250	26.5000
Third Quarter	28.6250	22.3125	22.9375
Fourth Quarter	28.5000	19.4375	27.5625
2000			
First Quarter	47.0000	27.0000	45.8750
Second Quarter	46.3750	34.6250	36.5000
Third Quarter (through September 25)	45.0000	33.5000	36.6250

	<u>HIGH</u>	<u>LOW</u>	<u>PERIOD END</u>
		ORDINARY SHARES	
		(Irish Stock Exchange)	
		(in IR pence/euros)	
1997			
Second Quarter (beginning June 5)	Irp178	IRp153	IRp176
Third Quarter	200	158	198
Fourth Quarter	228	198	228
1998			
First Quarter	IRp285	IRp170	IRp275
Second Quarter	288	244	254
Third Quarter	308	251	280
Fourth Quarter	240	158	240
1999 (1)			
First Quarter	€3.00	€2.65	€3.79
Second Quarter	5.03	3.80	5.03
Third Quarter	5.18	4.30	4.40
Fourth Quarter	5.38	3.85	5.30
2000			
First Quarter	€9.61	€5.23	€9.10
Second Quarter	9.50	7.40	7.60
Third Quarter (through September 25th)	9.00	7.80	8.30

(1) Since January 1, 1999, share prices on the Irish Stock Exchange have been quoted in euros. The fixed exchange rate between Irish pounds and euros is e1.00 = IR£0.787564, established by the European Central Bank.

	<u>HIGH</u>	<u>LOW</u>	<u>PERIOD END</u>
		ORDINARY SHARES	
		(Irish Stock Exchange)	
		(in IR pence/euros)	
1998			
Third Quarter (beginning July 16)	260.80	178.50	186.30
Fourth Quarter	220.00	140.80	220.00
1999			
First Quarter	236.00	170.00	236.00
Second Quarter	326.30	252.50	326.30
Third Quarter	342.30	279.25	279.25
Fourth Quarter	343.00	241.25	330.76
2000			
First Quarter	577.00	331.25	525.00
Second Quarter	576.00	466.50	480.00
Third Quarter (through September 25th)	567.50	477.50	492.50

As of August 31, 2000, 350,559,884 Ordinary Shares were outstanding. At such date, 27,669,354 ADRs, representing 138,346,770 Ordinary Shares, were held of record in the United States by 35 holders, and represented in the aggregate 39.5% of the number of Ordinary Shares then outstanding.

Since certain of the Ordinary Shares are held by brokers or other nominees, the number of direct record holders in the United States may not be fully indicative of the number of direct beneficial owners in the United States or of where the direct beneficial owners of such shares are resident.

The Irish Stock Exchange

Formed in 1793, the Irish Stock Exchange (the "ISE") is Ireland's primary securities market. In 1973, the ISE and the United Kingdom regional exchanges merged with the London Stock Exchange (the "LSE") to form the "International Stock Exchange of the United Kingdom and the Republic of Ireland", which was subsequently renamed the London Stock Exchange. The formal link between the ISE and the LSE was broken in 1995, primarily in response to the EU Directive on Investment Services, which is based on the principle of home control, with the home Member State having primary responsibility for financial market regulation. The ISE and its member firms are approved and authorized by the Central Bank of Ireland.

Normal trading takes place in multiples of one share with no upper limit on the volume of shares permitted in any one trade. ISE Xetra is the electronic trading system of the ISE which was introduced in June 2000. The system is a product of a strategic alliance between the ISE and the Deutsche Börse in Germany. Through this alliance the ISE operates an electronic trading system for Irish equities on a special segment of the Xetra trading platform in Frankfurt. In place of phone calls or floor trading seeking matches for individual trades, the Xetra system features an electronic order book into which members of the ISE, based in Ireland and abroad, enter orders to buy or sell Irish equities. Xetra then automatically matches the best orders and completes the trade. Once the trade is matched, the U.K.-wide CREST equity settlement system settles the transaction. Current settlement time is T+5 days although parties may agree to a longer period.

Trading takes place all day and begins with the pre-trading phase followed by the main trading phase and the post-trading phase. The pre-trading phase (from 6:30 a.m. to 7:50 a.m. Dublin time) initiates the main trading phase. Market participants can enter orders and quotes for preparing the actual trading day and modify or delete their existing orders and quotes. The main trading phase begins and ends with what is called an auction phase. The morning auction occurs at 7:50 a.m. and lasts ten minutes. The evening auction occurs at 4:28 p.m. and lasts for just two minutes. During the auction phase, member firms place orders (specifying both price and quantity) for different equities. In preparing their orders, they may review indicative prices for different shares that are displayed on the system throughout the auction phase although they will not see details of individual orders. At the close of each auction, the system matches the maximum orders possible at the best price. The purpose of the auction phase is to allow member firms to assess the market for individual shares at both the opening and close of the trading day. Between auctions (i.e.: from 8:00 a.m. - 4:28 p.m.) continuous trading takes place. During this phase, member firms are able to see full details of the orders being placed on the market. As orders are received by the system, matches are made between the best bids and offers and deals are struck. An order may be matched with one or more orders on the opposite side. The post-trading phase follows the main trading phase from 4:30 p.m. - 5:15 p.m. During the post-trading phase, new orders can be entered and existing orders can be modified or deleted. Members can also input over-the-counter deals during this phase. New order entries are present on the order book the following morning.

If the price movements for individual shares exceed certain volatility limits during any given day, or any period during the day, the system will intervene to cease continuous trading in that share and change to an auction phase for a short period.

The main ISE index is the ISEQ Share Index which is updated every minute and currently includes the Ordinary Shares of Ryanair Holdings. At 4:30 p.m. Dublin time, on each trading day, the ISEQ Total Return Index (ISEQ plus dividends) is reported.

The London Stock Exchange

The LSE is the largest established securities market in the U.K. and one of the world's largest securities exchanges in terms of market capitalization. Trading on the LSE takes place in quantity of shares, rather than in round lots. The rules of the LSE currently place no limits on daily permissible price movements in the trading of listed securities.

The Stock Exchange Automated Quotations ("SEAQ") service is the LSE's electronic price information system, which acts as an interface between market-makers and their customers. Throughout the trading day, 30 registered market-makers are obliged to display to the market their bid and offer prices and the maximum bargain size to which these prices relate. All equity prices displayed on SEAQ are firm. Trading hours on the LSE and SEAQ currently begin at 8:30 A.M. and end at 4:30 P.M., London time.

Prior to settlement, the LSE requires each member firm to report details of its transactions to the stock exchange checking service to ensure that both parties agree on all aspects of their transactions. Once through this checking service, transactions are passed to the CREST settlement system as used in the U.K.

In 1997, the LSE changed the way in which the stocks of its largest domestic issuers are traded through the introduction of SETS (Stock Exchange Electronic Trading Service). SETS was designed to replace the SEAQ structure as the means for trading in the stocks of issuers that comprise the FT-SE 100 Share Index. At the heart of the changes was the introduction of an electronic order book, which now enables buyers and sellers to post their bid and sell prices and to have their trades "matched" automatically on the screen. The system is designed to allow investors to place buy and sell orders on to the order book through a member firm of the LSE. Those orders are displayed on-screen through a central electronic system and the trade completed (or "executed") automatically when the order matches with a corresponding buy or sell order. Since the introduction of SETS, additional non-FTSE 100 shares have been added to the system and an LSE working party is currently considering the most appropriate structure for trading non-SETS shares (including the Ordinary Shares of Ryanair Holdings), which in the meantime are expected to continue to be traded as at present.

Item 6. *Exchange Controls and Other Limitations Affecting Securityholders*

Exchange Controls. Irish exchange control regulations ceased to apply from and after December 31, 1992. Except as indicated below, there are no restrictions on non-residents of Ireland dealing in Irish securities (including shares or depositary receipts of Irish companies such as the Company). Except as indicated below, dividends and redemption proceeds also continue to be freely transferable to non-resident holders of such securities.

The Financial Transfers Act 1992 (the "1992 Act") was enacted in December 1992. The 1992 Act gives power to the Minister for Finance of Ireland to make provision for the restriction of financial transfers between Ireland and other countries. Financial transfers are broadly defined and include all transfers, which would be movements of capital or payments within the meaning of the treaties governing the EU. The acquisition or disposal of the ADSs, which represent shares issued by an Irish incorporated company, the acquisition or the disposal of the Shares and associated payments may fall within this definition. In addition, dividends or payments on the redemption or purchase of shares and payments on a liquidation of an Irish incorporated company would fall within this definition. Orders made by the Minister for Finance pursuant to the 1992 Act prohibit any financial transfer to or by the order of or on behalf of residents of the Federal Republic of Yugoslavia (Serbia and Montenegro), a resident of Iraq or a resident of Libya unless permission for the transfer has been given by the Central Bank of Ireland. For the purposes of the orders relating to Iraq and the Federal Republic

of Yugoslavia (Serbia and Montenegro), a resident of those countries is a person living in such countries, a body corporate or entity operating in such countries and any person acting on behalf of any such person. For the purpose of the order relating to Libya, a resident of Libya is a person living in Libya or any other person operating in Libya and includes any individual or other person acting on behalf of such an individual or other person as aforesaid.

The Company does not anticipate that Irish exchange controls or orders under the 1992 Act will have a material effect on its business.

Limitations on Share Ownership by Non-EU Nationals. The Board of Directors of Ryanair Holdings are given certain powers under Ryanair Holdings' Articles of Association (the "Articles") to take action to ensure that the amount of shares held in Ryanair Holdings by non-EU nationals does not reach a level which 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 (a "License"). In particular, EU Regulation 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. EU Regulation 2407/92 does not specify what level of share ownership will confer effective control on a holder or holders of shares. As described below, the Directors will, from time to time, set a "Permitted Maximum" on the number of Ordinary Shares that may be owned by non-EU nationals at such level as they believe will comply with EU Regulation 2407/92. The Permitted Maximum is currently set at 49.9%.

Ryanair Holdings maintains a separate register (the "Separate Register") of shares in which non-EU nationals, whether individuals, bodies corporate or other entities, have an interest (such shares are referred to as "Affected Shares" in the Articles). Interest in this context is widely defined and includes an interest held through ADRs in the shares underlying the relevant ADSs. The Directors can require relevant parties to provide them with information to enable a determination to be made by them as to whether shares are, or are to be treated as, Affected Shares. If such information is not available or forthcoming or is unsatisfactory then the Directors can, at their discretion, determine that shares are to be treated as Affected Shares. Registered holders of shares are also obliged to notify the Company if they are aware that any share which they hold ought to be treated as an Affected Share for this purpose. With regard to ADSs, the Directors can treat all of the relevant underlying shares as Affected Shares unless satisfactory evidence as to why they should not be so treated is forthcoming.

In the event that, inter alia, (i) the refusal, withholding, suspension or revocation of any License or the imposition of any condition which materially inhibits the exercise of any License (an "Intervening Act") has taken place, (ii) the Company receives a notice or direction from any governmental body or any other body which regulates the provision of air transport services to the effect that an Intervening Act is imminent, threatened or intended or (iii) an Intervening Act may occur as a consequence of the level of non-EU ownership of shares or an Intervening Act is imminent, threatened or intended because of the manner of share ownership or control of Ryanair Holdings generally, the Directors can take action pursuant to the Articles to deal with the situation. They can, inter alia, (i) remove any Directors or change the Chairman of the Board, (ii) identify those shares, ADSs or Affected Shares which give rise to the need to take action and treat such shares, ADSs, or Affected Shares as Restricted Shares (see below) or (iii) set a "Permitted Maximum" on the number of Affected Shares which may subsist at any time (which may not, save in the circumstances referred to below, be lower than 40% of the total number of issued shares) and treat any Affected Shares (or ADSs representing such Affected Shares) in excess of this Permitted Maximum as Restricted Shares (see below). Also, if as a consequence of a change of law or a direction, notice or requirement of any state, authority or person it is necessary to reduce the total number of Affected Shares below 40% or reduce the number of Affected Shares held by any particular stockholder or stockholders in order to overcome, prevent or avoid an Intervening Act, the Directors may resolve

to (i) set the Permitted Maximum at such level below 40% as they consider necessary in order to overcome, prevent or avoid such Intervening Act, or (ii) treat such number of Affected Shares (or ADSs representing Affected Shares) held by any particular stockholder or stockholders as they consider necessary (which could include all of such Affected Shares or ADSs) as Restricted Shares (see below). The Directors may serve a Restricted Share Notice in respect of any Affected Share, or any ADR representing any ADS, which is to be treated as a Restricted Share. Such Notices can have the effect of depriving the recipients of the rights to attend, vote and speak at general meetings, which they would otherwise have had as a consequence of holding such shares or ADSs. Such Notices can also require the recipients to dispose of the shares or ADSs concerned to an EU national (so that the relevant shares (or shares underlying the relevant ADSs) will then cease to be Affected Shares) within 21 days or such longer period as the Directors may determine. The Directors are also given the power to transfer such shares themselves where there is non-compliance with the Restricted Share Notice.

To enable the Directors to identify Affected Shares, transferees of Ordinary Shares generally will be required to provide a declaration as to the nationality of persons having interests in those shares and each stockholder is obliged to notify Ryanair Holdings if any of his, her or its Ordinary Shares become Affected Shares. Purchasers or transferees of American Depositary Shares need not complete a nationality declaration because the Directors expect to treat all of the Ordinary Shares held by the Depositary as Affected Shares. An American Depositary Receipt holder must open an American Depositary Receipt account directly with the Depositary if he, she or it wishes to provide to Ryanair Holdings a nationality declaration or such other evidence as the Directors may require in order to establish to the Directors' satisfaction that the Ordinary Shares underlying such holder's American Depositary Receipts are not Affected Shares.

In deciding which Affected Shares are to be selected as Restricted Shares, the Directors can take into account which Affected Shares have given rise to the necessity to take action. Subject to that they will, insofar as practicable, firstly view as Restricted Shares those Affected Shares in respect of which no declaration as to whether or not such shares are Affected Shares has been made by the holder thereof and where information which has been requested by the Directors in accordance with the Articles has not been provided within specified time periods and, secondly, have regard to the chronological order in which details of Affected Shares have been entered in the Separate Register and, accordingly, treat the most recently registered Affected Shares as Restricted Shares to the extent necessary. Transfers of Affected Shares to Affiliates (as that expression is defined in the Articles) will not affect the chronological order of entry in the Separate Register for this purpose. The Directors do however have the discretion to apply another basis of selection if, in their sole opinion, that would be more equitable. Where the Directors have resolved to treat Affected Shares held by any particular stockholder or stockholders as Restricted Shares (i) because such Affected Shares have given rise to the need to take such action or (ii) because of a change of law or a requirement or direction of a regulatory authority necessitating such action (see above), such powers may be exercised irrespective of the date upon which such Affected Shares were entered in the Separate Register. Irish Air GenPar, as an affiliate of Ryanair Holdings' first non-EU stockholder, would be considered the last non-EU stockholder in respect of which the Directors are permitted to take the actions outlined above, subject to limited exceptions.

After having initially resolved to set the maximum level at 49%, the Directors increased the maximum level to 49.9% on May 26, 1999, after the number of Affected Shares exceeded the initial limit. This maximum level could be reduced if it becomes necessary for the Directors to exercise these powers in the circumstances described above. The decision to make any such reduction or to change the Permitted Maximum from time to time will be published in at least one national newspaper in Ireland and in any country in which the Ordinary Shares or ADSs are listed. The relevant notice will specify the provisions of the relevant Article which can apply to Restricted Shares and the name of the person or persons who will answer queries relating to Restricted Shares on behalf of Ryanair Holdings. The Directors shall publish information as to the number of shares held by EU nationals from time to time.

As of June 30, 2000, EU Nationals owned at least 53% of Ryanair Holdings' Ordinary Shares. Ryanair continues to monitor the EU national ownership status of its Ordinary Shares, which changes on a daily basis. In an effort to increase the percentage of the Ordinary Shares that are owned by EU nationals, all of the Ordinary Shares offered by EU nationals in the 1999 offering (and a small portion of the Ordinary Shares then offered by non-EU nationals), as well as all of the Ordinary Shares offered by Ryanair Holdings in the spring of 2000, were allocated to purchasers who were EU nationals. Because a larger percentage of the Ordinary Shares are available on the open market as a result of these offerings, there can be no assurance that the percentage of Ordinary Shares owned by EU nationals will not drop, thereby requiring the Directors to exercise the power related to the "Affected Shares" described above.

Item 7. Taxation

Irish Tax Considerations

The following is a discussion of the material Irish tax consequences of owning Ordinary Shares or ADSs. This discussion is based on the various Irish Taxes Acts, Finance Acts and other relevant legislation, judicial decisions, statements of practice and revenue practices currently in force, all of which are subject to change, possibly with retroactive effect. This discussion does not purport to deal with the tax consequences of owning the relevant securities for all categories of investors such as dealers in securities.

The discussion is intended only as a general guide based on current Irish law and practice and is not intended to be, nor should it be considered to be, legal or tax advice to any particular investor or stockholder. Accordingly, current stockholders or potential investors should satisfy themselves as to the overall tax consequences by consulting their own tax advisers.

Dividends. As discussed herein, it is not currently anticipated that Ryanair will pay dividends. However, if it does pay dividends, the following is relevant:

Withholding Tax. Unless exempted, a withholding at the standard rate of income tax (currently 22%) will apply to dividends paid by an Irish resident company. The withholding tax requirement will not apply to dividends paid to certain categories of Irish resident stockholders nor to dividends paid to certain categories of non-resident stockholders.

The following Irish resident stockholders are exempt from withholding if they make to the Company, in advance of payment of any dividend, an appropriate declaration of entitlement to exemption:

- An Irish resident company;
- A pension scheme;
- A qualifying employee share ownership trust;
- A collective investment undertaking;
- A charity;
- A designated broker receiving the distribution for a special portfolio investment account;
- A body established for the promotion of amateur or athletic games or sports.

The following non-resident stockholders are exempt from withholding if they make to the Company, in advance of payment of any dividend, an appropriate declaration of entitlement to exemption:

- Persons (other than companies) who are (i) neither resident nor ordinarily resident in Ireland and (ii) who are resident for tax purposes in (a) a country which has a tax treaty with Ireland (a "tax treaty country") or (b) an EU Member State other than Ireland;
- Companies resident in an EU Member State, other than Ireland, or a tax treaty country and not controlled, directly or indirectly, by Irish residents;
- Companies not resident in Ireland which are directly or indirectly controlled by persons who are resident for tax purposes in a tax treaty country or an EU Member State other than Ireland and which are not controlled directly or indirectly by persons who are not resident for tax purposes in a tax treaty country or EU Member State;
- Companies the principal class of shares of which, or of a company of which they are a 75% subsidiary, or where the company is wholly-owned by two or more companies, of each of those companies, is substantially and regularly traded on a recognized stock exchange in a tax treaty country or an EU Member State other than Ireland.

In the case of a non-resident in an EU or tax treaty country, the declaration must be accompanied by a current certificate of residence from the revenue authorities in the stockholder's country of residence. In the case of non-resident companies which are controlled by residents of the EU or of a tax treaty country or whose shares are substantially and regularly traded on a stock exchange in the EU or a tax treaty country, certification by their auditors is required. No declarations are required where the stockholder is a 25% parent company in another EU Member State pursuant to the Parent/Subsidiary directive.

American Depositary Receipts. Special arrangements with regard to the dividend withholding tax obligation apply in the case of Irish companies using ADRs through U.S. depository banks. In the case of ADRs, the chain of certification is relaxed such that U.S. depository banks which have been authorized by the Irish Revenue Commissioners and which receive dividends from the Company and pass them on to U.S. ADR holders beneficially entitled to the dividends will be allowed to receive and pass on the dividends gross based on an "address system" where the ultimate individual owner's recorded address on the register of ADRs is in the U.S.

Taxation of Dividends. Companies resident in Ireland are exempt from corporation tax on distributions received from other Irish resident companies. Stockholders which are "close" companies for Irish taxation purposes may, however, be subject to a 20% corporation tax surcharge on undistributed investment income.

Individual stockholders who are resident or ordinarily resident in Ireland are taxable on the gross dividend (i.e., before withholding) at their marginal rates, but are entitled to a credit for the tax withheld by the company paying the dividend. An individual stockholder who is not liable or not fully liable to income tax will be entitled to receive an appropriate refund of tax withheld.

Where such a withholding is made it will satisfy a liability to Irish tax of a stockholder who is neither resident nor ordinarily resident in Ireland except in certain circumstances where an individual stockholder may have an additional liability. An example of such an exception is an individual who is liable to the higher rate of Irish income tax. A charge to Irish social security taxes/levies can also arise for individuals on the amount of any dividend received from the Company.

Capital Gains Tax. A person who is either resident or ordinarily resident in Ireland will be liable for Irish capital gains tax on any gain realized on the disposal of the Ordinary Shares or ADSs. The current capital gains

tax rate is 20%. A person who is neither resident nor ordinarily resident in Ireland and who does not carry on a trade in Ireland through a branch or agency will not be subject to Irish capital gains tax on the disposal of the Ordinary Shares or ADSs.

Irish Capital Acquisitions Tax. A gift or inheritance of the Ordinary Shares or ADSs will be within the charge to Capital Acquisitions Tax ("CAT") notwithstanding that the disponent (e.g., a donor) or the donee/successor in relation to such gift or inheritance is resident outside Ireland. CAT is charged at a rate of 20% above a tax free threshold. This tax free threshold is determined by the amount of the current benefit and of previous benefits taken since December 2, 1988 within the charge to CAT and the relationship between the donor and the successor or donee. Gifts and inheritances between spouses are not subject to CAT. There is also a probate tax which is charged at 2% on the value of the estates of deceased persons which exceed a specific threshold. To the extent that they pass under a will or on intestacy, the Ordinary Shares or ADSs would be within the charge to this tax notwithstanding that the disponent or the successor is resident outside Ireland.

In a case where an inheritance of the Ordinary Shares or ADSs is subject to both Irish CAT and either U.S. federal estate tax or U.K. inheritance tax, the Irish CAT paid on the inheritance in certain circumstances may be credited in whole or in part against the tax paid in the United States or U.K., as the case may be under the relevant Estate Tax Convention between Ireland and the United States or U.K. Neither Convention provides for relief from Irish CAT paid on gifts.

Irish Stamp Duty. It is assumed for the purposes of this paragraph that ADSs are dealt in on a recognized stock exchange in the United States (the Nasdaq National Market is a recognized stock exchange in the United States for this purpose). Under current Irish law, no stamp duty will be payable on the acquisition of ADSs by persons purchasing such ADSs or on any subsequent transfer of an ADS. A transfer of Ordinary Shares (including transfers effected through CREST) wherever executed and whether on sale, in contemplation of a sale or by way of a gift, will attract duty at the rate of 1% of the consideration given or, in the case of a gift or where the purchase price is inadequate or unascertainable, on the market value of the Ordinary Shares. Transfers of Ordinary Shares which are not liable to duty at the rate of 1% (e.g., transfers under which there is no change in beneficial ownership) may attract a fixed duty of €12.70.

The transfer by a stockholder to the Depositary or Custodian of Ordinary Shares for deposit in return for ADSs and a transfer of Ordinary Shares from the Depositary or Custodian in return for the surrender of ADSs will be stampable at the rate of 1% if the transfer of the Ordinary Shares relates to a sale or contemplated sale or any other change in the beneficial ownership (under Irish law) of such Ordinary Shares. If, however, the transfer of the Ordinary Shares is a transfer under which there is no change in the beneficial ownership (under Irish law) of the Ordinary Shares being transferred, nominal stamp duty only will be payable on the transfer. Under Irish law, it is not free from doubt that the mere deposit of Ordinary Shares for ADSs or ADSs for Ordinary Shares would not be deemed to constitute a change in beneficial ownership. Accordingly, it is not certain that holders would not be subject to stamp duty at the higher 1% rate when merely depositing Ordinary Shares for ADSs or ADSs for Ordinary Shares and, consequently, the Depositary reserves the right in such circumstances to require payment of stamp duty at the 1% rate from the holders.

The person accountable for payment of stamp duty is the transferee or, in the case of a transfer by way of a gift or for a consideration less than the market value, all parties to the transfer. Stamp duty is normally payable within 30 days after the date of execution of the transfer. Late or inadequate payment of stamp duty will result in a liability to interest, penalties and fines.

United States Tax Considerations

Except as described below under the heading "Non-U.S. Holders," the following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of Ordinary Shares or ADSs by a holder that is a citizen or resident of the United States, a U.S. domestic corporation or that is otherwise subject to U.S. federal income tax on a net income basis in respect of the Ordinary Shares or the ADSs ("U.S. Holders"). This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Ordinary Shares or the ADSs. In particular, the summary deals only with U.S. Holders that will hold Ordinary Shares or ADSs as capital assets and generally does not address the tax treatment of U.S. Holders that may be subject to special tax rules such as banks, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that own 10 percent or more of the stock of the Company, U.S. holders whose "functional currency" is not U.S. Dollars or persons that hold the Ordinary Shares or the ADSs as part of an integrated investment (including a "straddle") consisting of the Ordinary Shares or the ADSs and one or more other positions.

Holders of the Ordinary Shares or the ADSs should consult their own tax advisors as to the U.S. or other tax consequences of the purchase, ownership, and disposition of the Ordinary Shares or the ADSs in light of their particular circumstances, including, in particular, the effect of any foreign, state or local tax laws.

For U.S. federal income tax purposes, holders of the ADSs will be treated as the owners of the Ordinary Shares represented by those ADSs.

Taxation of Dividends. Dividends, if any, paid with respect to the Ordinary Shares, including Ordinary Shares represented by ADSs, will be included in the gross income of a U.S. Holder when the dividends are received by the holder or the Depositary, as the case may be. Such dividends will not be eligible for the dividends received deduction allowed to U.S. corporations in respect of dividends from a domestic corporation. Dividends paid in Irish pounds will be includible in the income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day they are received by the holder or the Depositary, as the case may be. U.S. Holders generally should not be required to recognize any foreign currency gain or loss to the extent such dividends paid in Irish pounds are converted into U.S. dollars immediately upon receipt.

Under the U.S.-Ireland Income Tax Treaty currently in effect, in the event the Company were to pay any dividends, the tax credit attaching to the dividend (as used herein the "Tax Credit"; see "-Irish Tax Considerations") will generally be treated as a foreign income tax eligible for credit against such U.S. Holder's United States federal income tax liability, subject to generally applicable limitations and conditions. Any such dividends payable by the Company to such U.S. Holder will constitute income from sources without the United States for foreign tax credit purposes, and generally will constitute "passive income" or, in the case of certain U.S. Holders, "financial services income."

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities or in respect of certain arrangements in which a U.S. holder's expected economic profit, after non-U.S. taxes, is insubstantial. U.S. Holders should consult their own advisors concerning the implications of these rules in light of their particular circumstances.

Distributions of Ordinary Shares that are made as part of a pro rata distribution to all stockholders generally will not be subject to U.S. federal income tax.

Sale or Disposition of Ordinary Shares or ADSs. Gains or losses realized by a U.S. Holder on the sale or other disposition of ADSs generally will be treated for U.S. federal income tax purposes as capital gains or losses, which generally will be long-term capital gains or losses if the ADSs have been held for more than one year. Long-term capital gains recognized by an individual holder generally are subject to a maximum rate of 20 percent.

Deposits and withdrawals of Ordinary Shares by U.S. Holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Non-U.S. Holders. A holder of Ordinary Shares or ADSs that is, with respect to the United States, a foreign corporation or a nonresident alien individual (a "Non-U.S. Holder") generally will not be subject to U.S. federal income or withholding tax on dividends received on such Ordinary Shares or ADSs unless such income is effectively connected with the conduct by such holder of a trade or business in the United States. A Non-U.S. Holder of ADSs or Ordinary Shares will not be subject to U.S. federal income tax or withholding tax in respect of gain realized on the sale or other disposition of Ordinary Shares or ADSs, unless (i) such gain is effectively connected with the conduct by such holder of a trade or business in the United States or (ii) in the case of gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Item 8. Selected Financial Data

The following tables set forth certain of the Company's selected consolidated financial information and should be read in conjunction with the audited Consolidated Financial Statements of the Company and related notes thereto included in Item 19(a) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 9.

On January 1, 1999, the euro was introduced as the common legal currency of 11 Member States of the EU, including Ireland. The Company has adopted the euro as its reporting currency in the Consolidated Financial Statements included in Item 19(a) and all Irish pound-denominated financial data for periods prior to March 31, 2000 included in this Report have been restated from Irish pounds to euro at the fixed rate of IR£ 0.787564 = €1.00 set by the European Central Bank as of December 31, 1998. The comparative balances for prior years now reported in euros depict the same trends as would have been presented had the Company continued to report such amounts in Irish pounds. However, they may not be directly comparable to the financial statements of other companies that have been restated in euro if those companies had restated from a reporting currency other than Irish pounds, due to the fact that prior to the adoption of the euro, the currencies of euro-area countries fluctuated against the Irish pound.

During the fiscal year ended March 31, 1999, the Company adopted two new Financial Reporting Standards, FRS 12, "Provisions, Contingent Liabilities and Contingent Assets," and FRS 15, "Tangible Fixed Assets." The provisions of these accounting standards required the Company to change the way in which it had previously accounted for maintenance and depreciation expenditure on its aircraft fleet. In accordance with Irish GAAP, the financial statements for fiscal years 1999 and 2000 have been presented in accordance with these new accounting standards and all prior periods have been adjusted accordingly. The effect of the adoption of this policy on the restated Irish GAAP financial statements has been to reduce the amount of historical maintenance costs in each fiscal period prior to fiscal year 1999 (with a consequent increase in profits and tax liability for the

relevant period) by €18.7 million in 1998 and €10.3 million in 1997, to increase the amount of historical depreciation costs in each fiscal period prior to fiscal year 1999 (with a consequent decrease in the tax liability for the relevant period) by €4.4 million in 1998 and e2.8 million in 1997, and to increase the tax charge in each fiscal period prior to fiscal year 1999 by €4.7 million in 1998 and €2.3 million in 1997. The change in accounting treatment has also been adopted by the Company in presenting its U.S. GAAP reconciliation. However, in accordance with the principles of U.S. GAAP regarding changes in accounting policies, the cumulative effect of the change has been shown in the U.S. GAAP reconciliation of the Company's financial statements for the fiscal year ended March 31, 1999 and prior periods have not been restated.

In accordance with Irish GAAP, the series of transactions effected in August 1996 in connection with the investment by Irish Air, L.P. in Ryanair Holdings (the "August 1996 Transaction") is accounted for as a purchase, and its assets were recorded at their fair value at that date. Under U.S. GAAP, purchase accounting does not apply in respect of the August 1996 Transaction and the assets and liabilities of Ryanair Limited were recorded by Ryanair Holdings using their cost basis in Ryanair Limited. For a detailed discussion of the principal differences between Irish GAAP and U.S. GAAP, see Note 32 of Notes to Consolidated Financial Statements.

Profit and Loss Account Data:

<u>Irish GAAP</u>	<u>Ryanair Limited</u>		<u>Ryanair Holdings</u>				
	<u>Fiscal Year ended March 31, 1996</u>	<u>Period from April 1 to August 23, 1996</u>	<u>Period from August 24, 1996 to March 31, 1997</u>	<u>Fiscal Year ended March 31, 1998</u>	<u>Fiscal Year ended March 31, 1999</u>	<u>Fiscal Year ended March 31, 2000</u>	<u>Fiscal Year ended March 31, 2000(a)</u>
(in thousands, except per Ordinary Share and per ADS data)							
Total operating revenues	€139,745	€69,969	€103,278	€231,862	€295,759	€370,137	\$354,368
Total operating expenses	108,522	52,911	83,983	175,581	227,898	286,082	273,894
Operating profit	31,223	17,058	19,295	56,281	67,861	84,055	80,474
Net interest income (expense)	2,136	1,228	(832)	3,100	6,373	3,717	3,559
Other non-operating income (expenses)	(403)	(171)	896	2,053	1,576	2,322	2,223
Profit before taxation	32,956	18,115	19,359	61,434	75,810	90,094	86,256
Taxation	(11,339)	(6,532)	(6,398)	(15,909)	(18,339)	(17,576)	(16,827)
Profit after taxation	€21,617	€11,583	€12,961	€45,525	€57,471	€72,518	\$69,429
Ryanair Holdings basic earnings per Ordinary Share (euro cents)/(U.S. cents) (b)	n.a.	n.a.	5.19	14.96	17.44	21.62	20.70
Ryanair Holdings diluted earnings per Ordinary Share (euro cents)/(U.S. cents)	n.a.	n.a.	5.19	14.92	17.38	21.48	20.56
Ryanair Holdings basic earnings per ADS (euro cents)/(U.S. cents)(c)	n.a.	n.a.	25.93	74.80	87.20	108.10	103.49

See notes on page 57.

Profit and Loss Account Data:

	Ryanair Holdings					
	Fiscal Year ended March 31,					
<u>U.S. GAAP</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2000(a)</u>
	(in thousands, except per Ordinary Share and perADS data)					
Total operating revenues	€139,745	€173,247	€231,862	€295,759	€370,137	\$354,368
Total operating expenses	114,891	142,705	188,488	225,664	283,915	271,819
Operating income	24,854	30,542	43,374	70,095	86,222	82,549
Net interest income	2,136	396	3,099	6,373	3,717	3,559
Other non-operating income (expenses)	(1,023)	235	629	4,594	(1,433)	(1,372)
Income before taxation	25,967	31,173	47,102	81,062	88,506	84,736
Taxation	(9,881)	(10,379)	(10,409)	(19,291)	(16,640)	(15,931)
Net income before cumulative effect of accounting change	16,086	20,794	36,693	61,771	71,866	68,805
Cumulative effect of changes in accounting principles	-	-	-	23,122	0	0
Net income	€16,086	€20,794	€36,693	€84,893	€71,866	\$68,805
Basic earnings per Ordinary Share (euro cents)/(U.S. cents) before cumulative effect of accounting changes	10	9.5	12	19	21	20
Cumulative effect on prior years of accounting changes (euro cents)/(U.S. cents)	-	-	-	7	-	-
Basic earnings per Ordinary Share (euro cents)/(U.S. cents)(b)(d)	10	9.5	12	26	21	20
Diluted earnings per Ordinary Share (euro cents)/(U.S. cents)(b)(d)	10	9.5	12	26	21	20
Net income per ADS (euro cents)/(U.S. cents)(c)(d)	50	48.0	60	130	105	100
<i>Pro forma amounts assuming the changes in accounting principles were applied retroactively</i>						
Net income	€20,610	€25,884	€46,230	€61,771	€71,866	\$68,805
Basic earnings per share (euro cents/U.S. cents)	13.3	12	15	19	21	20
Diluted earnings per share (euro cents/U.S. cents)	13.3	12	15	19	21	20

See notes on page 57.

Balance Sheet Data:

<u>Irish GAAP</u>	<u>Ryanair Limited</u>	<u>Ryanair Holdings</u>				
	<u>1996</u>	<u>1997</u>	<u>As of March 31,</u>			
		<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2000(a)</u>	
						(in thousands)
Cash at bank and in hand	€56,303	€30,405	€64,719	€158,595	€355,248	\$340,114
Total assets	112,527	115,530	219,488	399,839	712,701	682,340
Long-term debt, including capital lease obligations	8,299	48,507	4,951	24,969	121,979	116,782
Shareholders' equity	48,769	15,206	133,472	250,964	441,357	422,555

<u>U.S. GAAP</u>	<u>Ryanair Holdings</u>					
	<u>As of March 31,</u>					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2000(a)</u>
						(in thousands)
Cash at bank and in hand	€10,059	€15,439	€55,367	€97,704	€121,430	\$116,257
Total assets	110,981	100,957	201,982	397,964	713,399	638,005
Long-term debt, including capital lease obligations	8,299	48,507	4,951	24,969	121,979	116,782
Shareholders' equity/(deficit)	37,936	(6,915)	102,696	249,913	439,340	420,622

See notes on page 57.

Cash Flow Statement Data:

	Ryanair Limited		Ryanair Holdings			
	Period from April 1 to August 23, 1996	Period from August 24, 1996 to March 31, 1997	Fiscal Year ended March 31, 1998	Fiscal Year ended March 31, 1999	Fiscal Year ended March 31 2000	Fiscal Year ended March 31, 2000(a)
Net cash inflow from operating activities	€22,792	€19,407	€99,029	€124,411	€149,575	\$143,203
Net cash inflow/(outflow) from returns of investment and servicing of finance	1,214	(787)	2,227	6,043	1,953	1,870
Taxation	-	(9,953)	(9,211)	(11,125)	(15,545)	(14,883)
Net cash (outflow) from capital expenditure	(7,160)	(24,189)	(88,082)	(107,124)	(154,079)	(147,515)
Net cash inflow from acquisitions and disposals	28	11,120	-	-	-	-
Net cash inflow/(outflow) before financing and use of liquid resources	16,874	(4,402)	3,964	12,205	(18,096)	(17,325)
Net cash (outflow)/inflow from financing and use of liquid resources	(12,589)	7,539	(3,079)	434	18,752	17,953
Increase in cash	€4,285	€3,137	€885	€12,639	€656	\$628

U.S. GAAP	Ryanair Holdings					
	Fiscal Year ended March 31,					
	1996	1997	1998	1999	2000	2000(a)
	(in thousands)					
Net cash inflow from operating activities	€39,703	€22,518	€82,420	€119,330	€135,983	\$130,190
Net cash inflow/(outflow) from investing activities	(47,333)	10,110	(72,841)	(158,664)	(327,006)	(313,074)
Net cash outflow/(inflow) from financing	(2,696)	(27,249)	30,349	81,671	214,749	205,600
Increase in cash and cash equivalents	(10,326)	5,379	39,928	42,337	23,726	22,716
Cash and cash equivalents at beginning of year	20,384	10,059	15,439	55,367	97,704	93,541
Cash and cash equivalents at end of the year	€10,058	€15,438	€55,367	€97,704	€121,430	\$116,257

- (a) Dollar amounts are translated from euro solely for convenience at the Noon Buying Rate on March 31, 2000 of €1.00 = \$0.9574 or \$1.00 = €1.0445.
- (b) Earnings per share and net income per share data have been adjusted to give effect to the two-for-one stock split effected in February 2000, as well as to the Ordinary Shares issued in August 1996 and the subsequent twenty-five-for-one stock split, the additional shares issued in connection with the initial public offering of Ordinary Shares in May 1997 and those issued in connection with the Regulation S Offerings in July 1998 and March 2000.
- (c) Represents earnings per Ordinary Share or net income per Ordinary Share multiplied by five.
- (d) Earnings per share for periods prior to the August 1996 Transaction are not comparable to earnings per share after the August 1996 Transaction because of the change in the capital structure of the Company.

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 Irish pound, (ii) the U.K. pound sterling and the Irish pound, (iii) the U.K. pound sterling and the U.S. dollar and (iv) the U.S. dollar and the Euro. 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 herein. No representation is made that any of such currencies could have been, or could be, converted into any of the other such currencies at such rates or at any other rate.

U.S. dollars per IR£1.00(1)

<u>Year Ended December 31,</u>	<u>End of Period</u>	<u>Average(2)</u>	<u>Low</u>	<u>High</u>
1995	1.600	1.608	1.532	1.658
1996	1.692	1.608	1.552	1.692
1997	1.425	1.518	1.425	1.693
1998	1.424	1.425	1.352	1.552
1999	1.279	1.344	1.272	1.500
2000 (through September 25)	1.110	1.192	1.075	1.312

U.K. pounds sterling per IR£1.00(3)

<u>Year Ended December 31,</u>	<u>End of period</u>	<u>Average(2)</u>	<u>Low</u>	<u>High</u>
1995	1.033	1.018	0.987	1.036
1996	0.989	1.024	0.989	1.044
1997	0.866	0.927	0.864	0.993
1998	0.899	0.858	0.812	0.899
1999	0.789	0.837	0.789	0.904
2000 (through September 25)	0.764	0.780	0.727	0.810

U.K. pounds sterling per US\$1.00(4)

<u>Year Ended December 31,</u>	<u>End of period</u>	<u>Average(2)</u>	<u>Low</u>	<u>High</u>
1995	0.644	0.633	0.608	0.654
1996	0.584	0.636	0.584	0.669
1997	0.609	0.610	0.587	0.634
1998	0.601	0.602	0.581	0.621
1999	0.619	0.619	0.599	0.645
2000 (through September 25)	0.688	0.650	0.605	0.714

U.S. dollars per euro(5)

<u>Year Ended December 31,</u>	<u>End of period</u>	<u>Average(2)</u>	<u>Low</u>	<u>High</u>
1999	1.007	1.059	1.002	1.181
2000 (through September 25)	0.873	0.939	0.846	0.134

- (1) Based on the Noon Buying Rate for Irish pounds and, for periods after January 1, 1999, the Noon Buying Rate for the euro, calculated on the basis of the fixed exchange rate of €1.00 = IR£0.787564, as established by the European Central Bank.
- (2) The average of the relevant exchange rates on the last business day of each month during the relevant period.
- (3) Based on the mid market quote, as fixed by the Central Bank of Ireland at 4 p.m. local time on the relevant date and, for periods after January 1, 1999, the mid range rate of trading in New York among banks in amounts of \$1 million or more, as quoted at 4 p.m. New York time by Telerate.
- (4) Based on the Noon Buying Rate for U.K. pounds sterling.
- (5) Based on the Noon Buying Rate for euros.

As of September 25, 2000, the exchange rate between the between the U.K. pound sterling and the Irish pound was U.K.£0.7641 = IR£1.00, or IR£1.309 = £1.00; the exchange rate between the U.K. pound sterling and the U.S. dollar was £0.688 = \$1.00, or \$1.454 = £1.00 and the exchange rate between the U.S. dollar and the euro was €1.1443 = \$1.00, or \$0.8738 = €1.00. The fixed exchange rate between the Irish pound and the euro, as established by the European Central Bank, is (€1.00 = IR£0.787564). For a discussion of the impact of exchange rate fluctuations on the Company's results of operations, see "Risk Management."

DIVIDEND POLICY

Since its organization as the holding company for Ryanair in 1996, Ryanair Holdings has not declared or paid dividends on its Ordinary Shares. Ryanair Holdings anticipates, for the foreseeable future, that it will retain any future earnings in order to fund the business operations of the Company, including the acquisition of additional aircraft needed for Ryanair's planned entry into new markets and its expansion of its existing service, as well as replacement aircraft for its current fleet. Ryanair Holdings does not, therefore, anticipate paying any cash or share dividends on its Ordinary Shares in the foreseeable future.

Any cash dividends or other distributions, if made, are expected to be made in euro, although the Articles provide that dividends may be declared and paid in U.S. dollars. For owners of ADSs, the Depositary will convert all cash dividends and other distributions payable to owners of ADSs into U.S. dollars to the extent that in its judgment it can do so on a reasonable basis and will distribute the resulting U.S. dollar amount (net of conversion expenses) to the owners of ADSs.

SELECTED OPERATING AND OTHER DATA

The following table sets forth certain operating data of Ryanair for each of the fiscal years ended March 31, 1996, 1997, 1998, 1999 and 2000. Such data are derived from the Consolidated Financial Statements prepared in accordance with Irish GAAP (except as otherwise indicated) and certain other data and are not audited. For definitions of the terms used in this table, see the Glossary following the table. See the notes following the table for explanatory material and Note 32 of Notes to the Consolidated Financial Statements for a detailed discussion of the principal differences between Irish GAAP and U.S. GAAP.

Fiscal Year ended March 31,

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Operating Data:					
Irish GAAP and U.S. GAAP					
Average Yield per RPM (€)	0.194	0.199	0.175	0.158	0.157
Adjusted Average Yield per RPM (€)	0.201	0.207	0.183	0.165	0.161
Average Yield per ASM (€)	0.140	0.143	0.126	0.112	0.106
Adjusted Average Yield per ASM (€)	0.147	0.149	0.131	0.118	0.108
Average Passenger Spend per Flight (€)	4.29	3.99	4.38	5.11	3.91
Average Fuel Cost per U.S. Gallon (€)	0.60	0.58	0.69	0.66	0.63
Irish GAAP					
Cost per ASM (CASM) (IR£)(a)		0.124	0.119	0.101	0.092
0.085					
Adjusted Cost per ASM (ACASM) (€)(a)	0.110	0.108	0.099	0.092	0.085
Operating Margin	22%	22%	24%	23%	23%
U.S. GAAP					
Cost per ASM (CASM)(€)(a)	0.132	0.126	0.109	0.091	0.085
Adjusted Cost per ASM (ACASM) (€)(a)	0.118	0.114	0.108	0.091	0.085
Operating Margin	18%	18%	19%	24%	23%
Other Data: (Irish GAAP, except where described as U.S. GAAP)					
EBITDA (thousands of €)(b)	40,166	49,527	83,474	105,646	130,429
EBITDAMargin(b)	29%	29%	36%	36%	35%
EBITDAR (thousands of €)(b)	42,893	57,378	88,587	108,555	132,526
EBITDAR Margin(b)	31%	33%	38%	37%	36%
Adjusted EBITDA (thousands of €)(b)	51,466	65,399	86,845	105,646	130,429
Adjusted EBITDA Margin(b)	37%	38%	37%	36%	35%
Adjusted EBITDAR (thousands of €)(b)	54,195	69,760	91,961	108,555	132,526
Adjusted EBITDAR Margin(b)	39%	40%	40%	37%	36%
Revenue Passengers Carried	2,392,199	3,055,170	3,918,513	4,854,395	5,501,272
Revenue Passenger Miles (RPMs)	597,660,201	767,307,359	1,159,284,877	1,643,267,849	2,103,848,249
Available Seat Miles (ASMs)	819,597,781	1,065,205,290	1,620,897,150	2,304,838,185	3,126,069,535
Passenger Load Factor	73%	72%	72%	71%	67%
Passenger Seat Occupancy	73%	72%	72%	73%	68%
Break-even Load Factor (a)	64%	60%	58%	58%	54%
Adjusted Break-even Load Factor (a)	54%	52%	54%	56%	53%
Break-even Load Factor (U.S. GAAP) (a)	66%	61%	58%	58%	54%
Adjusted Break-even Load Factor (U.S. GAAP) (a)	56%	53%	55%	56%	53%
Average Length of Passenger Haul (miles)	250	251	296	339	382
Sectors Flown	25,565	33,390	42,085	51,219	59,140
Average Passenger Fare (€)	48.38	50.01	52.01	53.33	60.09
Number of Owned Aircraft					
Operated at Period End (c)	11	12	20	21	26
Number of Airports Served at Period End	10	13	20	27	35
Average Daily Flight Hour Utilization (hours)	4.76	5.73	4.99	6.47	6.37
Employees at Period End	635	698	988	1,203	1,388
Employees per Aircraft at Period End (c)	58	58	49	57	53
Passengers per Employee at Period End	3,767	4,377	3,966	4,035	3,963

(a) For the purposes of calculating Cost per ASM, Adjusted Cost per ASM, Break-Even Load Factor and Adjusted Break-Even Load Factor, costs include the costs of Ryanair's charter operations (excluding non-charter ancillary costs) but not the revenues or seat miles of such charter operations.

(notes continued on next page)

(b) EBITDAR and EBITDA provide information regarding a company's ability to service and incur debt. EBITDAR and EBITDA should not, however, be considered in isolation as a substitute for net income, cash flow provided by operating activities or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity. Adjusted EBITDA and Adjusted EBITDAR exclude the effect of non-recurring staff costs, including the discontinued executive director bonuses and bonuses paid to employees in connection with the initial public offering of Ordinary Shares in May 1997 and at the time of the industrial dispute at Dublin Airport in March 1998. The amounts of the discontinued executive director bonuses in the fiscal years ended March 31, 1996 and 1997 were €11.3 million, and €12.4 million, respectively. The bonuses paid to employees in connection with the initial public offering and at the time of the March 1998 industrial dispute were €2.5 million and €0.9 million, respectively. For a discussion of the increase in the Company's consolidated maintenance and depreciation expense in fiscal year 1999, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations-Fiscal Year 1999 Compared with Fiscal Year 1998."

Management believes the data based on EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR set forth in the table of "Other Data," when considered in conjunction with (but not in lieu of) other measures that are computed in accordance with generally accepted accounting principles, enhance an understanding of the Company's results of operations, because they permit an investor to analyze operating income before certain items that are (i) non-cash items, such as depreciation and amortization, or (ii) no longer applicable to the Company based on current operations, such as the discontinued executive director bonuses and bonuses paid to employees in connection with the initial public offering of Ordinary Shares in May 1997 and at the time of the March 1998 industrial dispute at Dublin Airport. EBITDAR is provided in addition to EBITDA to enable investors to consider the Company's operating performance without regard to the method by which Ryanair's aircraft are operated and financed (i.e., leased rather than purchased). In evaluating these data, you should carefully consider the adjustments involved in calculating each measure and that the Company's results of operations and these data have at times varied significantly from quarter to quarter. You should also consider that management expects these variations to continue in the future and that the airline industry is characterized by high fixed costs and revenues that generally exhibit substantially greater elasticity than costs. 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. The items excluded in computing certain of these measures, such as depreciation and amortization, are significant components in understanding and assessing the Company's financial performance. These measures should be considered in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements including the Notes thereto included elsewhere in this Report. The measures based on EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR computed for the Company may not be comparable to other similarly-titled measures of other companies.

(c) Ryanair accepted delivery of its thirteenth owned Boeing 737-200A aircraft on March 27, 1997. As such aircraft was in the process of being reconfigured on March 31, 1997 and was never in operation by Ryanair prior to March 31, 1997, it has not been included in the computations of the Number of Owned Aircraft Operated at Period End and the number of Employees per Aircraft at Period End through March 31, 1997. On March 19, 1999, Ryanair accepted delivery of its first 737-800 "next generation" aircraft, the twenty-second aircraft in its fleet. As this 737-800 aircraft had only been used for training and test flights prior to March 31, 1999, it has not

been included in the computations of the Number of Owned Aircraft Operated at Period End and the number of Employees per Aircraft at Period End data.

Item 9. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the audited Consolidated Financial Statements of the Company and the notes thereto included in Item 19(a) of this Report. Those financial statements have been prepared in accordance with Irish GAAP. For a discussion of certain differences between Irish GAAP and U.S. GAAP, see Note 32 of Notes to the Consolidated Financial Statements of the Company.

Unless stated otherwise, the financial and operating data presented below for each of fiscal year 1998, fiscal year 1999 and fiscal year 2000 are for Ryanair and all of its subsidiaries.

History. Ryanair's current business strategy dates to the early 1990s, when a new management team, including the current chief executive and the then executive directors, commenced the restructuring of Ryanair's operations to become a low-fares, no-frills airline based on the 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, an investment vehicle led by David Bonderman and certain of his associates at the Texas Pacific Group, acquired a minority interest in the Company in connection with the August 1996 Transaction.

In May 1997, Ryanair Holdings successfully completed an initial public offering (the "IPO"), with listings on the Irish Stock Exchange and the Nasdaq National Market in the United States. In 1997 and 1998, Ryanair began to serve continental Europe, starting service on new routes from Dublin to Paris (Beauvais), Brussels (Charleroi) and Bristol and Teesside in the U.K., as well as from London Stansted to Kerry in Ireland, Oslo (Torp) in Norway, Stockholm (Skavsta) and Malmo (Kristianstad) in Sweden, Venice (Treviso), Pisa and Rimini in Italy, and Toulouse (Carcassonne) and Lyon (St. Etienne) in France.

Ryanair expects to increase the size of its current fleet to approximately 49 aircraft by taking delivery of 18 additional new Boeing 737-800 "next generation" aircraft between March 2001 and January 2003. Ryanair accepted delivery of its first ten 737-800s between March 1999 and June 2000. The new 737-800s share certain basic characteristics with the Company's fleet of 737-200A aircraft, but are larger (seating up to 189 passengers, as compared to 130 in the 737-200As), capable of longer flights without refueling and incorporate more advanced aviation technology. The 737-800s will also comply with Chapter 3 noise reduction requirements established by the International Civil Aviation Organization, which take effect in the EU from 2002. The Company has an option to acquire up to 17 additional "next generation" aircraft from Boeing between 2001 and 2003.

In 1999, Ryanair began service on seven new routes between London Stansted and locations in continental Europe: Genoa, Turin and Ancona in Italy, Biarritz and Brittany (Dinard) in France, Frankfurt (Hahn) in Germany and Aarhus in Denmark, as well as beginning service on a new route between London Stansted and City of Derry in Northern Ireland. Ryanair launched service from London Stansted Airport to six new locations in continental Europe in June and July 2000 (Hamburg (Lübeck) in Germany, Malmo in Sweden, Nimes and Perpignan in France, and Brescia, Lamezia and Alghero (Sardinia) in Italy), as well as launching service from

Glasgow Prestwick to Frankfurt (Hahn) in March 2000 and service from Shannon, Ireland to London Stansted and Frankfurt (Hahn) in April and May 2000. The new routes bring the total number of locations in continental Europe currently served by Ryanair to 24, including destinations in Belgium, Denmark, France, Germany, Italy, Norway and Sweden.

Business Overview

Since Ryanair began to introduce its low-fares, no-frills operating model in the early 1990s, its passenger volumes and scheduled passenger revenues have significantly increased as Ryanair has substantially increased capacity. Ryanair's annual scheduled passenger volume has increased from approximately 945,000 passengers in calendar year 1992 to approximately 5.5 million passengers in fiscal year 2000.

Ryanair's revenue passenger miles ("RPMs") increased from 1,159.3 million in fiscal year 1998 to 1,643.3 million in fiscal year 1999 and 2,104 million in fiscal year 2000, due primarily to an increase in scheduled available seat miles ("ASMs") from 1,620.9 million in fiscal year 1998 to 2,304.8 million in fiscal year 1999 and 3,126.1 million in fiscal year 2000. Scheduled passenger revenues increased from €203.8 million in fiscal year 1998 to €258.9 million in fiscal year 1999 and €330.6 million in fiscal year 2000. During this period, scheduled passenger load factors were 72% in fiscal year 1998, 71% in fiscal year 1999 and 67% in fiscal year 2000 and passenger seat occupancy (the total number of seats occupied on all sectors flown as a percentage of total seat capacity on all sectors flown) was 72% in fiscal year 1998, 73% in fiscal year 1999 and 68% in fiscal year 2000. Average yield per RPM was €0.175 in fiscal year 1998, €0.158 in fiscal year 1999, and €0.157 in fiscal year 2000, while adjusted average yield per RPM was €0.183 in fiscal year 1998, €0.165 in fiscal year 1999 and €0.161 in fiscal year 2000. The decrease in both average and adjusted average yield per RPM in fiscal years 1999 and 2000 was principally attributable to the increase in the average sector length without a corresponding increase in average yield per passenger, while the decreases in scheduled passenger load factor and passenger seat occupancy were primarily attributable to the significant increase in capacity resulting from the continued introduction of the larger 737-800 aircraft.

The combination of expanding passenger volumes and capacity, high load factors and aggressive cost containment has enabled Ryanair to generate substantial increases in operating profit and profit after taxation. Ryanair's break-even load factor has declined from 58% in each of fiscal years 1998 and 1999 to 54% in fiscal year 2000, while Ryanair's adjusted break-even load factor of 54% in fiscal year 1998 increased to 56% in fiscal year 1999 and then fell to 53% in fiscal year 2000, notwithstanding higher staff, depreciation and other activity-related costs associated with the expansion of the fleet. Cost per ASM declined from €0.101 in fiscal year 1998 to €0.092 in fiscal year 1999 and to €0.085 in fiscal year 2000, and adjusted cost per ASM declined from €0.099 in fiscal year 1998 to €0.092 in fiscal year 1999 and to €0.085 in fiscal year 2000. Ryanair's operating profit increased from €56.3 million in fiscal year 1998 to €67.9 million in fiscal year 1999 and to €84.1 million in fiscal year 2000, while profit after taxation increased from €45.5 million in fiscal year 1998 to €57.5 million in fiscal year 1999 and to €72.5 million in fiscal year 2000.

Recent Operating Results

For the quarter ended June 30, 2000 (the first quarter of the Company's fiscal year 2001), Ryanair recorded an increase in profit after taxation of 29.5%, from €14.0 million in the three months ended June 30, 1999 to €18.1 million in the first quarter of fiscal year 2001. Total operating revenues increased 37.0%, from €84.0 million in the first quarter of fiscal year 2000 to €115.0 million in the three months ended June 30, 2000, primarily as a result of a 31.5% increase in scheduled passenger volume, which reached 1.67 million for the quarter. Operating expenses increased by 39.1%, from €66.7 million in the three months ended June 30, 2000 to €92.8 million in

the first quarter of fiscal 2001, reflecting increased costs (particularly depreciation, staff, airport and handling and fuel costs) tied to the growth of Ryanair's fleet and route network and the general level of activity. As a result, Ryanair's operating profit increased by 28.7% to €22.3 million. Ryanair's effective tax rate for the quarter was 20%, as compared to 23% in the same quarter last year, primarily due to a reduction in the statutory level of corporate income tax in Ireland. The Company had cash and liquid resources of €420.4 million at June 30, 2000, as compared with €335.2 million in cash and liquid resources at March 31, 2000, as increased cash flows from operating activities reflected Ryanair's profitable performance. Capital expenditures for the quarter, primarily relating to the acquisition of new 737-800 aircraft financed under the ABN AMRO Bank N.V. loan facility described below, totaled €139.0 million.

Change in Accounting Policy

During fiscal year 1999, Ryanair adopted two new Financial Reporting Standards ("FRS") that changed the way in which it had previously accounted for maintenance and depreciation costs on its fleet of aircraft. In accordance with Irish GAAP, the Consolidated Financial Statements for fiscal years 1999 and 2000 reflect the adoption of these new standards and all prior periods have been restated accordingly. The following discussion of Ryanair's results of operations therefore reflects such restatement. In accordance with the U.S. GAAP treatment of changes in accounting standards, the cumulative effect of the change has been recorded in the U.S. GAAP reconciliation of Ryanair's financial statements for fiscal year 1999 and prior periods have not been restated. For a detailed discussion of the principal differences between Irish GAAP and U.S. GAAP, see Note 32 of Notes to Consolidated Financial Statements.

In previous years, provision for the cost of major maintenance checks was made by providing for the estimated future costs of maintenance over the period from the date of acquisition to the date of the next check, calculated on the basis of hours flown. Under the revised policy, which is in accordance with the provisions of FRS 12, "Provisions, Contingent Liabilities and Contingent Assets," major maintenance checks are capitalized as incurred and written off over the period to the next check (or to the end of the estimated useful life of the aircraft in question, whichever period is shorter). The effect of the adoption of this policy has been to reduce the amount of historical maintenance costs in each fiscal period prior to fiscal year 1999, by €18.7 million in fiscal year 1998, €10.3 million in fiscal year 1997 and €9.5 million in fiscal year 1996 (with a consequent increase in profits and tax liability for the relevant period).

During fiscal year 1999, the Company also changed its accounting policy for the depreciation of its aircraft to comply with the provisions of FRS 15, "Tangible Fixed Assets." Under the provisions of this Standard, the cost of an aircraft is split into its separable components, each of which is depreciated over its estimated useful life. Previously, the entire cost of an aircraft was depreciated over its total useful life. The combination of the adoption of FRS 12, "Provisions, Contingent Liabilities and Contingent Assets" and FRS 15, "Tangible Fixed Assets" on the depreciation charge in the restated financial statements has been to increase the amount of historical depreciation costs in each fiscal period prior to fiscal year 1999 by €4.4 million in fiscal year 1998, €2.8 million in fiscal year 1997 and €2.7 million in fiscal year 1996 (with a consequent decrease in the tax liability for the relevant period).

The effect of the adoption of these policies has been to increase the tax charge in each fiscal period prior to fiscal year 1999 by €4.7 million in fiscal year 1998, €2.3 million in fiscal year 1997 and €2.2 million in fiscal year 1996.

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 ability 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, seasonal variations in travel, government regulations, fuel prices, foreign currency fluctuations, competition and the public's perception regarding the safety of low-fares airlines, as well as changes in aircraft acquisition and leasing costs, and, other operating expenses 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, including hushkits, are acquired. Future fuel costs may also increase as a result of 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. The elimination by the EU of duty-free sales on aircraft (other than beverages served to passengers on board) and in airports in connection with intra-EU travel, which took effect from June 30, 1999, has adversely affected Ryanair's revenues from in-flight sales. In-flight sales, which had previously included duty free sales, accounted for approximately 3.7% of the Company's total operating revenues and for as much as 20% of the compensation of its flight attendants in fiscal year 2000. Airport charges may also be impacted by the EU's elimination of duty free sales at airports, with airport operators potentially seeking to replace lost revenues previously earned from duty free sales with increases in airport charges and fees.

Results of Operations

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

	Fiscal Year ended March 31,		
	1998	1999	2000
Total Revenues	100.0%	100.0%	100.0%
Scheduled Revenues	87.9	87.5	89.3
Ancillary Revenues	12.1	12.5	10.7
Total Operating Expenses(a)	75.7	77.1	77.3
Staff Costs	13.2	13.5	13.1
General	11.8	13.5	13.1
Non-recurring	1.5	0.0	0.0
Depreciation(a)	10.8	12.2	11.9
Fuel and Oil	11.9	12.4	11.3
Maintenance, Materials and Repairs(a)	3.1	4.0	4.6
Marketing and Distribution Costs	9.0	8.3	8.7
Aircraft Rentals	2.2	1.0	0.6
Route Charges	6.5	7.0	7.1
Airport Charges	10.3	9.8	11.6
Other Ancillary and Operating Expenses	8.6	8.8	8.5
Operating Profit(a)	24.3	22.9	22.7
Other Income (Expenses)	2.2	2.7	1.6
Profit before Taxation(a)	26.5	25.6	24.3
Taxation	6.9	6.2	4.7
Profit after Taxation(a)	19.6	19.4	19.6

(a) These data reflect the Company's adoption of FRS 12 and FRS 15. See "Selected Financial Data".

The following tables set forth the components of ancillary revenues earned by Ryanair and each component expressed as a percentage of total ancillary revenues for each of the periods indicated:

	Fiscal Year ended March 31,					
	1998		1999		2000	
	(in thousands of euro, except percentage data)					
Car Rental	€3,559	12.7%	€4,604	12.5%	€7,885	19.9%
In-flight Sales	13,605	48.5	20,208	54.8	13,624	34.4
Cargo	263	0.9	-	-	-	-
Wet Lease Income	962	3.4	-	-	-	-
Non-flight Scheduled	3,397	12.1	5,633	15.3	8,779	22.2
Charter	6,273	22.4	6,441	17.4	9,278	23.5
Total	<u>€28,059</u>	<u>100.0</u>	<u>€36,886</u>	<u>100.0</u>	<u>€39,566</u>	<u>100.0</u>

Fiscal Year 2000 Compared With Fiscal Year 1999

Profit after Taxation. Ryanair's profit on ordinary activities after taxation increased 26.2%, from €57.5 million in the fiscal year ended March 31, 1999 to €72.5 million in the fiscal year ended March 31, 2000, while total operating revenues increased 25.1% from €295.8 million to €370.1 million. This result reflected a significant increase in the revenues generated by a record number of scheduled passengers and a smaller increase in ancillary revenues, the positive effect of which was offset in part by a relatively smaller increase in operating expenses as a percentage of total operating revenues. Ryanair's profit on ordinary activities before taxation increased 18.8%, from €75.8 million in the fiscal year ended March 31, 1999 to €90.1 million in the fiscal year ended March 31, 2000.

Scheduled Passenger Revenues. Ryanair's scheduled passenger revenues increased 27.7%, from €258.9 million in the fiscal year ended March 31, 1999 to €330.6 million in the fiscal year ended March 31, 2000. This increase reflected a 13.3% growth in scheduled passenger volumes, from 4.9 million to 5.5 million passengers, and an 15.5% increase in sectors flown from 51,219 to 59,140, as well as the positive exchange rate impact of the translation of Sterling-denominated revenues into euro. The increase in scheduled revenues was achieved despite a slight decrease in adjusted average yield per RPM from €0.165 to €0.161, as well as the impact of a decrease in average load factor from 71% to 67% and in passenger seat occupancy from 73% to 68%.

Much of the increase in scheduled passenger revenue was directly attributable to the increase in sectors flown due to the impact of the operation of five new Boeing 737-800 aircraft and the expansion of Ryanair's route network during the period. The increase in scheduled passenger revenues and sectors flown also reflected Ryanair's launch of nine additional routes during the period and an increase in frequencies on certain of its existing routes. The nine new routes added during the fiscal year ended March 31, 2000: London Stansted to each of Aarhus, Frankfurt (Hahn), Ancona, Genoa, Turin, Biarritz, Brittany (Dinard) and City of Derry and Glasgow Prestwick to Frankfurt (Hahn), accounted for approximately 92% of the growth in passenger volume. Increased capacity on Ryanair's existing route network resulting from more frequent flights and the use of larger aircraft on certain of its routes between the U.K. and continental Europe, offset in part by a reduction in capacity on certain routes between Ireland and the U.K., accounted for the remaining approximately 8% of the increase in passenger volume. Passenger capacity (as measured in ASMs) increased 35.6% during this period due to the addition of five 737-800 aircraft, as well as an increase in the average length of passenger haul and the increase in sectors flown. Scheduled passenger revenues accounted for 89.3% of Ryanair's total revenues for the fiscal year ended March 31, 2000, compared with 87.5% of total revenues in fiscal year ended March 31, 1999.

Ancillary Revenues. Ryanair's ancillary revenues, which consist primarily of revenues from in-flight sales of beverages and merchandise, sales of rail tickets and travel insurance, charter services and car rentals, increased 7.3%, from €36.9 million in the fiscal year ended March 31, 1999 to €39.6 million in the fiscal year ended March 31, 2000. The increase was attributable to a significant increase in revenues from ancillary activities other than in-flight services that more than offset a significant decline in in-flight sales reflecting the impact of the abolition of duty free sales on intra-EU flights as of June 30, 1999. Revenues from car rentals rose during the period from €4.6 million to €7.9 million, or 71.3%, charter revenues increased from €6.4 million to €9.3 million, or 44.0%, and revenues from non-flight scheduled operations (primarily rail ticket and travel insurance sales) increased from €5.6 million to €8.8 million, or 55.9%. Revenues from in-flight sales declined 32.6%, from €20.2 million in fiscal year 1999 to €13.6 million in fiscal year 2000, as the average passenger spend per flight decreased from €5.12 to €3.91.

Operating Expenses. Ryanair's operating expenses as a percentage of total revenues amounted to 77.1% in the fiscal year ended March 31, 1999 and increased to 77.3% in the fiscal year ended March 31, 2000. Ryanair's total operating expenses increased 25.5% from €227.9 million in the fiscal year ended March 31, 1999 to €286.1 million in the fiscal year ended March 31, 2000, principally as a result of a 13.3% increase in scheduled passenger volume and a 15.5% increase in number of sectors flown, which were reflected in increased staff, depreciation and airport costs, as total operating expenses per ASM declined by 7.5%.

The following table sets forth the amounts in euro cents (on a per ASM basis) and percentage changes of Ryanair's operating expenses for the fiscal years ended March 31, 1999 and March 31, 2000 under Irish GAAP:

	Fiscal Year ended March 31, 1999	Fiscal Year ended March 31, 2000	% Change
Staff Costs	1.73	1.55	-10.2%
Depreciation and Amortization(d)	1.57	1.41	-10.3%
Fuel and Oil	1.59	1.33	-15.9%
Maintenance, Materials and Repairs	0.52	0.55	4.1%
Marketing and Distribution	1.07	1.03	-3.7%
Aircraft Rentals	0.13	0.06	-46.8%
Route Charges	0.90	0.84	-6.8%
Airport Charges	1.26	1.38	9.4%
Other Operating Expenses	<u>1.13</u>	<u>1.00</u>	-11.1%
Total Operating Expenses(c)(d)	<u>9.89</u>	<u>9.15</u>	<u>-7.5%</u>

- (a) For the purposes of calculating Operating Expenses per Available Seat Mile (ASM), operating expenses include the costs of the Company's charter operations.
- (b) These data are calculated by dividing the relevant expense amount (as shown in the Consolidated Financial Statements) by the number of ASMs in the relevant year (as shown in the Selected Operating and Other Data) and rounding to the nearest euro cent; the percentage change is calculated on the basis of the relevant figures before rounding.
- (c) Total Operating Expenses per ASM does not equal the Cost per ASM (CASM) reported in the table appearing in "Selected Operating and Other Data" above and "Glossary" below, as the latter figure excludes Non-Charter Ancillary Costs, which were 0.71c and 0.61c per ASM in the fiscal years ended March 31, 1999 and 2000, respectively.
- (d) These data reflect the Company's adoption of FRS 12 and FRS 15. See "Selected Financial Data".

Staff Costs. Ryanair's staff costs, which consist primarily of salaries, wages and benefits, decreased 10.2% on a per ASM basis. In absolute terms, Ryanair's recurring staff costs increased 21.8%, from €39.8 million in the fiscal year ended March 31, 1999 to €48.5 million in the fiscal year ended March 31, 2000. The increase was primarily due to the growth in the average number of Ryanair's employees from 1,094 to 1,262 (in particular, a 24% increase in the number of pilots, who earn higher than average salaries), as well as the impact of pay increases of approximately 3% granted to all employees.

Depreciation and Amortization. Ryanair's depreciation and amortization per ASM decreased by 10.3%, although in absolute terms these costs increased 21.8%, from €36.2 million in the fiscal year ended March 31, 1999 to €44.1 million in the fiscal year ended March 31, 2000. The increase reflected a full year's depreciation for the additional Boeing 737-800 aircraft delivered in fiscal year 1999, a partial year's depreciation for the five 737-800s delivered during fiscal year 2000 and the amortization of capitalized maintenance costs. In the fiscal years ended March 31, 1999 and March 31, 2000, depreciation costs also included €1.49 million and €1.2 million of a fair value adjustment under Irish GAAP resulting from the August 1996 Transaction, respectively.

Management expects that the annual depreciation cost per aircraft with respect to the new Boeing 737-800s will be lower than that with respect to its fleet of Boeing 737-200As, even though the acquisition cost for each 737-800 is substantially higher, due to the longer period over which the 737-800 aircraft will be depreciated.

Fuel and Oil. Ryanair's fuel and oil costs per ASM decreased 15.9%, although in absolute terms these costs increased 14.0%, from €36.6 million in the fiscal year ended March 31, 1999 to €41.7 million in the fiscal year ended March 31, 2000. The increase was principally due to the 15.5% increase in sectors flown (resulting from the expansion of Ryanair's fleet) and an increase in average sector length reflecting the addition of eight more routes to continental Europe, offset by a 5% decrease in fuel prices (in euro terms) during this period. Fuel and oil costs include both the direct cost of fuel and the cost of delivering fuel to the aircraft. The average fuel price paid by Ryanair (calculated by dividing total scheduled fuel costs by the number of U.S. gallons of fuel consumed) decreased from €0.66 per U.S. gallon in the fiscal year ended March 31, 1999 to €0.63 per U.S. gallon in the fiscal year ended March 31, 2000.

Ryanair's new Boeing 737-800 "next generation" aircraft burn fuel at an hourly rate that is comparable to that of its fleet of Boeing 737-200As. However, as the 737-800s are configured to have 45% more seats (189 seats, as compared to 130 in the 737-200As), the fuel burn per hour for the new aircraft on a per seat basis has been approximately 31% lower than that for the 737-200A fleet to date. Nonetheless, there can be no assurance that any such reduction in fuel burn per hour on a per seat basis will translate into a reduction in fuel costs on a per seat basis, as Ryanair's cost of fuel varies with fluctuations in both world fuel prices and the conversion rate between the U.S. dollar and the euro. In absolute terms, Ryanair's fuel costs are expected to increase as its fleet expands.

Maintenance, Materials and Repairs. Ryanair's maintenance, materials and repair expenses, which consist primarily of the cost of routine maintenance and spare parts, increased 4.1% on a per ASM basis, while in absolute terms these expenses increased 41.2%, from €12.0 million in the fiscal year ended March 31, 1999 to €16.9 million in the fiscal year ended March 31, 2000. The increase was largely due to the increase in the sectors flown (resulting from the expansion of Ryanair's fleet), an increase in sector length and the increased line maintenance costs associated with the expansion of Ryanair's London Stansted base.

While the new Boeing 737-800 "next generation" aircraft have a warranty period of between three and five years on certain parts and are configured to have 45% more seats than Ryanair's fleet of Boeing 737-200As, management expects maintenance costs for the 737-800s on a per seat basis will, in the near term, be similar to those on the 737-200As.

Marketing and Distribution. Ryanair's marketing and distribution costs per ASM decreased 3.7%, while in absolute terms these costs increased 30.6%, from €24.6 million in the fiscal year ended March 31, 1999 to €32.1 million in the fiscal year ended March 31, 2000, primarily as a result of higher passenger volumes and increased marketing and advertising expenses arising from the launch of nine new routes.

Aircraft Rentals. Ryanair's aircraft rental expenses per ASM decreased 46.8%, while in absolute terms these expenses decreased 27.9%, from €2.9 million in the fiscal year ended March 31, 1999 to €2.1 million in the fiscal year ended March 31, 2000, as the increase in fleet size reduced Ryanair's need for leased aircraft.

Route and Airport Charges. Ryanair's route charges per ASM decreased 6.8% in the fiscal year ended March 31, 2000, while airport charges per ASM increased 9.4%. In absolute terms, route charges increased 26.4%, from €20.8 million in the fiscal year ended March 31, 1999 to €26.3 million in the fiscal year ended March 31, 2000, primarily reflecting the 15.5% increase in sectors flown and a 12.7% increase in average sector length. In absolute terms, airport charges increased 48.4%, from €29.0 million in the fiscal year ended March 31, 1999 to €43.1 million in the fiscal year ended March 31, 2000, reflecting the expansion of the route network and increased costs on certain existing routes, offset in part by lower costs on certain new routes.

Other Operating Expenses. Ryanair's other operating expenses, including those applicable to the generation of ancillary revenues, decreased 11.1% on a per ASM basis in the fiscal year ended March 31, 2000, although in absolute terms these costs increased by 20.5%, from €26.0 million in the fiscal year ended March 31, 1999 to €31.3 million in the fiscal year ended March 31, 2000, primarily due to the increase in passenger volumes and an increase in ancillary product costs arising from the change in product mix following the abolition of duty-free sales on intra-EU flights.

Operating Profit. As a result of the factors described above, Ryanair's operating profit as a percentage of total revenues totaled 22.9% in the fiscal year ended March 31, 1999 and 22.7% in the fiscal year ended March 31, 2000. In absolute terms, operating profit increased 23.9%, from €67.9 million in the fiscal year ended March 31, 1999 to €84.1 million in the fiscal year ended March 31, 2000.

Interest Receivable and Similar Income. Ryanair's interest receivable and similar income increased by 13.4%, from €6.6 million in the fiscal year ended March 31, 1999 to €7.5 million in the fiscal year ended March 31, 2000, primarily reflecting the positive impact on cash resources of the increase in Ryanair's profitability.

Interest Payable and Similar Charges. Ryanair's interest payable and similar charges increased significantly, from €237,000 in the fiscal year ended March 31, 1999 to €3.8 million in the fiscal year ended March 31, 2000, reflecting the increase in debt related to the acquisition of five new 737-800 aircraft.

Other Income. Ryanair's other income increased from €1.6 million in the fiscal year ended March 31, 1999 to €2.3 million in the fiscal year ended March 31, 2000, principally as a result of the gain on the Company's sale of shares it held in an airline network service provider.

Income Taxes. The effective tax rate for the fiscal year ended March 31, 2000 was 20%, compared to 24% in the fiscal year ended March 31, 1999. The decline in the effective tax rate reflects a reduction in the statutory rate of Irish corporation tax and the positive impact of Ryanair.com (which benefits from a reduced income tax rate). Ryanair recorded an income tax provision of €17.6 million for the fiscal year ended March 31, 2000, and an income tax provision of €18.3 million for the fiscal year ended March 31, 1999. Profits from certain qualifying activities are currently levied at an effective 10% rate in Ireland. Ryanair.com will continue to be eligible for the 10% preferential tax treatment until the scheduled expiration of its license in 2010.

Fiscal Year 1999 Compared With Fiscal Year 1998

Profit after Taxation. Ryanair's profit on ordinary activities after taxation increased 26.2%, from €45.6 million in the fiscal year ended March 31, 1998 to €57.5 million in the fiscal year ended March 31, 1999, while total operating revenues increased 27.6% from €231.9 million to €295.7 million. This result reflected a significant increase in scheduled passenger revenues and ancillary revenues, the positive effect of which was offset in part by an increase in operating expenses as a percentage of total operating revenues. Ryanair's profit on ordinary activities before taxation increased 23.4%, from €61.5 million in the fiscal year ended March 31, 1998 to €75.8 million in the fiscal year ended March 31, 1999.

Scheduled Passenger Revenues. Ryanair's scheduled passenger revenues increased 27.0%, from €203.8 million in the fiscal year ended March 31, 1998 to €258.9 million in the fiscal year ended March 31, 1999. This increase reflected a 23.9% growth in scheduled passenger volumes, from 3.9 million to 4.9 million passengers and an equivalent increase in sectors flown from 42,085 to 51,219. The increase in scheduled revenues was achieved despite a 9.8% decrease in adjusted average yield per RPM from €0.183 to €0.165, the impact of a decrease in average load factor from 72% to 71% (although passenger seat occupancy increased from 72% to 73%), and an increase in the average length of passenger haul, the effects of which were partially offset by an increase in average passenger spend per flight from €4.38 to €5.12.

Much of the increase in scheduled passenger revenue was directly attributable to the increase in sectors flown due to the full year impact of the operation of 21 Boeing 737-200A aircraft and the expansion of Ryanair's route network during the period. The increase in scheduled passenger revenues and sectors flown also reflected Ryanair's launch of seven additional routes during the period and an increase in frequencies on certain of its existing routes. The seven new routes added during the fiscal year ended March 31, 1999: London Stansted to each of Venice (Treviso), Lyon (St. Etienne), Malmo (Kristianstad), Pisa, Rimini and Toulouse (Carcassonne) and Glasgow Prestwick to Paris (Beauvais), accounted for approximately 49% of the growth in passenger volume. Increased capacity on Ryanair's existing route network resulting from more frequent flights on certain of its routes between Ireland and the U.K. and between the U.K. and continental Europe accounted for approximately 51% of the increase in passenger volume. Passenger capacity (as measured in ASMs) increased 42.2% during this period due to the full year impact of the operation of 21 Boeing 737-200A aircraft, an increase in the average length of passenger haul and the increase in sectors flown. Scheduled passenger revenues accounted for 87.5% of Ryanair's total revenues for the fiscal year ended March 31, 1999, compared with 87.9% of total revenues in fiscal year ended March 31, 1998.

Ancillary Revenues. Ryanair's ancillary revenues, which consist primarily of revenues from charter services, in-flight sales of beverages and duty-free goods, car rentals, sales of rail tickets and travel insurance and wet lease revenues, increased 31.5%, from €28.1 million in the fiscal year ended March 31, 1998 to €36.9 million in the fiscal year ended March 31, 1999. The increase was attributable to a significant increase in revenues from ancillary activities other than charter services which was largely due to higher passenger volumes, as revenues from car rentals rose during the period from €3.6 million to €4.6 million, or 29.4%, revenues from in-flight sales increased from €13.6 million to €20.2 million, or 48.5% (a notably higher rate than the increase in passenger volume), charter revenues increased from €6.2 million to €6.4 million, or 2.7% and revenues from non-flight scheduled operations (primarily rail ticket and travel insurance sales) increased from €3.4 million to €5.6 million, or 65.8%. Ryanair terminated its cargo operations (which accounted for revenues of €263,000 in the fiscal year ended March 31, 1998) in September 1997 and did not earn wet lease revenues during fiscal year 1999, as the fleet was fully employed in Ryanair's scheduled and charter service. Wet lease revenues, earned by Ryanair for the first time in the fiscal year ended March 31, 1998, amounted to €962,000 in that period.

Operating Expenses. Ryanair's operating expenses as a percentage of total revenues amounted to 75.7% in the fiscal year ended March 31, 1998 and increased to 77.1% in the fiscal year ended March 31, 1999. Ryanair's total operating expenses increased 29.8% from €175.6 million in the fiscal year ended March 31, 1998 to €227.9 million in the fiscal year ended March 31, 1999, principally as a result of a 23.9% increase in scheduled passenger volume and 21.7% increase in number of sectors flown, as total operating expenses per ASM declined 8.7%.

The following table sets forth the amounts in euro cents (on a per ASM basis) and percentage changes of Ryanair's operating expenses for the fiscal years ended March 31, 1998 and March 31, 1999 under Irish GAAP:

	Fiscal Year ended March 31, 1999	Fiscal Year ended March 31, 2000	% Change
Staff Costs	1.89	1.73	-8.6%
Recurring	1.69	1.73	2.7%
Non-recurring	0.20	-	-
Depreciation and Amortization (d)	1.55	1.57	1.3%
Fuel and Oil	1.71	1.59	-7.2%
Maintenance, Materials and Repairs	0.44	0.52	16.4%
Marketing and Distribution	1.28	1.07	-16.8%
Aircraft Rentals	0.32	0.13	-60.0%
Route Charges	0.93	0.90	-3.2%
Airport Charges	1.49	1.26	-14.9%
Other Operating Expenses	<u>1.23</u>	<u>1.13</u>	<u>-8.0%</u>
Total Operating Expenses(c)(d)	<u><u>10.83</u></u>	<u><u>9.89</u></u>	<u><u>-8.7%</u></u>

- (a) For the purposes of calculating Operating Expenses per Available Seat Mile (ASM), operating expenses include the costs of the Company's charter operations.
- (b) These data are calculated by dividing the relevant expense amount (as shown in the Consolidated Financial Statements) by the number of ASMs in the relevant year (as shown in the Selected Operating and Other Data) and rounding to the nearest euro cent; the percentage change is calculated on the basis of the relevant figures before rounding.
- (c) Total Operating Expenses per ASM does not equal the Cost per ASM (CASM) reported in the table appearing in "Selected Operating and Other Data" above and "Glossary" below, as the latter figure excludes Non-Charter Ancillary Costs, which were 0.69c and 0.71c per ASM in the fiscal years ended March 31, 1998 and 1999, respectively.
- (d) These data reflect the Company's adoption of FRS 12 and FRS 15. See "Selected Financial Data".

Staff Costs. Ryanair's recurring staff costs, which consist primarily of salaries, wages and benefits, increased 2.7% on a per ASM basis. In absolute terms, Ryanair's recurring staff costs increased 30.0%, from €30.6 million in the fiscal year ended March 31, 1998 to €39.8 million in the fiscal year ended March 31, 1999. The increase was primarily due to the growth in the average number of Ryanair's employees from 892 to 1,094 (in particular, a 41% increase in the number of pilots, who earn higher than average salaries), as well as the impact of pay increases of approximately 3% granted to all employees.

Ryanair did not incur any non-recurring staff costs in the fiscal year ended March 31, 1999. Non-recurring staff costs in the fiscal year ended March 31, 1998 totaled €3.4 million and consisted of bonuses paid to staff in respect of the IPO in May 1997 and at the time of an industrial dispute at Dublin Airport in March 1998.

Depreciation and Amortization. Ryanair's depreciation and amortization per ASM increased by 1.3%, and in absolute terms increased 44.0%, from €25.1 million in the fiscal year ended March 31, 1998 to €36.2 million in the fiscal year ended March 31, 1999. The increase is due to a full year's depreciation for the seven additional Boeing 737-200A aircraft delivered in fiscal year 1998, a partial year's depreciation for the two other aircraft delivered during fiscal year 1999 and the amortization of capitalized maintenance costs. The purchase price per aircraft of the 737-200A aircraft delivered during fiscal years 1998 and 1999 was significantly higher than the price for similar aircraft previously acquired by Ryanair due to a stronger market for these aircraft and the fact that their remaining estimated depreciable lives at the time of delivery are expected to average approximately four years. In each of the fiscal years ended March 31, 1998 and March 31, 1999, depreciation costs also included €1.1 million of a fair value adjustment under Irish GAAP resulting from the August 1996 Transaction.

Management expects that the annual depreciation cost per aircraft with respect to the new Boeing 737-800s will be lower than that with respect to its current fleet of Boeing 737-200As, even though the acquisition cost for each 737-800 will be substantially higher, due to the longer period over which the 737-800 aircraft will be depreciated.

Fuel and Oil. Ryanair's fuel and oil costs per ASM decreased 7.2%, although in absolute terms these costs increased 32.0%, from €27.7 million in the fiscal year ended March 31, 1998 to €36.6 million in the fiscal year ended March 31, 1999. The increase was principally due to the 21.7% increase in sectors flown (resulting from the expansion of Ryanair's fleet) and an increase in average sector length reflecting the addition of seven more routes to continental Europe, offset by a 5.5% decrease in fuel prices (in e terms) during this period. Fuel and oil costs include both the direct cost of fuel (including related hedging costs) and the cost of delivering fuel to the aircraft. The average fuel price paid by Ryanair (calculated by dividing total scheduled fuel costs by the number of U.S. gallons of fuel consumed) decreased from €0.69 per U.S. gallon in the fiscal year ended March 31, 1998 to €0.66 per U.S. gallon in the fiscal year ended March 31, 1999.

Ryanair's new Boeing 737-800 "next generation" aircraft burn fuel at an hourly rate that is comparable to that of its existing fleet of Boeing 737-200As. However, as the 737-800s will be configured to have 45% more seats than the existing fleet (189 seats, as compared to 130 in the 737-200As), the fuel burn per hour for the new aircraft on a per seat basis has been approximately 31% lower than that for the 737-200A fleet to date. Nonetheless, there can be no assurance that this reduction in fuel burn per hour on a per seat basis will translate into a reduction in fuel costs on a per seat basis, as Ryanair's cost of fuel varies with fluctuations in both world fuel prices and the conversion rate between the U.S. dollar and the Irish pound. In absolute terms, Ryanair's fuel costs are expected to increase as its fleet expands.

Maintenance, Materials and Repairs. Ryanair's maintenance, materials and repair expenses, which consist primarily of the cost of routine maintenance and spare parts, increased 16.4% on a per ASM basis, while in absolute terms these expenses increased 65.6%, from €7.2 million in the fiscal year ended March 31, 1998 to €12.0 million in the fiscal year ended March 31, 1999. The increase was largely due to the increase in the sectors flown (resulting from the expansion of Ryanair's fleet), an increase in sector length and the increased line maintenance costs associated with the expansion of Ryanair's London Stansted base.

While the new Boeing 737-800 "next generation" aircraft will have a warranty period of between three and five years on certain parts and will be configured to have 45% more seats than the existing fleet of Boeing 737-200As, management expects maintenance costs for these aircraft on a per seat basis will, in the near term, be similar to those on the existing aircraft.

Marketing and Distribution. Ryanair's marketing and distribution costs per ASM decreased 16.8%, while in absolute terms these costs increased 18.4%, from €20.8 million in the fiscal year ended March 31, 1998 to €24.6 million in the fiscal year ended March 31, 1999, primarily as a result of higher passenger volumes and increased marketing and advertising expenses arising from the launch of seven new routes.

Aircraft Rentals. Ryanair's aircraft rental expenses per ASM decreased 60.0%, while in absolute terms these expenses decreased 43.1%, from €5.1 million in the fiscal year ended March 31, 1998 to €2.9 million in the fiscal year ended March 31, 1999, as the increase in fleet size reduced Ryanair's need for leased aircraft.

Route and Airport Charges. Ryanair's route charges per ASM decreased 3.2% in the fiscal year ended March 31, 1999, while airport charges per ASM decreased 14.9%. In absolute terms, route charges increased 37.6%, from €15.1 million in the fiscal year ended March 31, 1998 to €20.8 million in the fiscal year ended March 31, 1999, primarily reflecting the 21.7% increase in sectors flown and a 14.5% increase in average sector length. In absolute terms, airport charges increased 21.1%, from €24.0 million in the fiscal year ended March 31, 1998 to €29.0 million in the fiscal year ended March 31, 1999, reflecting the increased costs on certain existing routes, offset by lower costs on new routes.

Other Operating Expenses. Ryanair's other operating expenses, including those applicable to the generation of ancillary revenues, decreased 8.0% on a per ASM basis in the fiscal year ended March 31, 1999, although in absolute terms these costs increased by 30.8%, from €19.9 million in the fiscal year ended March 31, 1998 to €26.0 million in the fiscal year ended March 31, 1999, primarily due to the increase in passenger volumes and the increased costs associated with the growth of duty-free sales.

Operating Profit. As a result of the factors described above, Ryanair's operating profit as a percentage of total revenues totaled 24.3% in the fiscal year ended March 31, 1998 and 22.9% in the fiscal year ended March 31, 1999. In absolute terms, operating profit increased 20.6%, from €56.2 million in the fiscal year ended March 31, 1998 to €67.9 million in the fiscal year ended March 31, 1999.

Interest Receivable and Similar Income. Ryanair's interest receivable and similar income increased by 58.2%, from €4.2 million in the fiscal year ended March 31, 1998 to €6.6 million in the fiscal year ended March 31, 1999, primarily reflecting the positive impact of the Company's receipt of its share of the proceeds from the Regulation S Offering in July 1998, as well as the increase in Ryanair's profitability.

Interest Payable and Similar Charges. Ryanair's interest payable and similar charges declined significantly, from €1.1 million in the fiscal year ended March 31, 1998 to €237,000 in the fiscal year ended March 31, 1999, principally due to a reduction in the level of debt outstanding.

Other Income. Ryanair's other income decreased from €2.0 million in the fiscal year ended March 31, 1998 to €1.5 million in the fiscal year ended March 31, 1999, principally as a result of a reduction in the level of foreign exchange gains arising on the book value of foreign currency deposits, offset by the gain on the sale of shares of an airline-related service provider.

Income Taxes. The effective tax rate for the fiscal year ended March 31, 1999 was 24%, compared to 26% in the fiscal year ended March 31, 1998. The decline in the effective tax rate reflects a reduction in the statutory rate of Irish corporation tax and the positive impact of Ryanair.com (which benefits from a reduced income tax rate). Ryanair recorded an income tax provision of €18.3 million for the fiscal year ended March 31, 1999, and an income tax provision of €15.9 million for the fiscal year ended March 31, 1998. Profits from certain qualifying activities are currently levied at an effective 10% rate in Ireland. Ryanair.com will continue to be eligible for the 10% preferential tax treatment until the scheduled expiration of its license in 2006.

Quarterly Fluctuations

The Company's results of operations have varied significantly from quarter to quarter, and management expects these variations to continue. Among the factors causing these variations are the airline industry's sensitivity to general economic conditions and the seasonal nature of air travel. Historically, Ryanair has experienced its lowest load factors and yields for the year in January and February. As a result, the Company's operating revenues and profit before taxation have generally been significantly lower in the quarter of a fiscal year ended March 31 than in the other quarters thereof.

U.S. GAAP Reconciliation

The Company's Consolidated Financial Statements are prepared in accordance with Irish GAAP, which differs in certain material respects from U.S. GAAP. See Note 32 of Notes to the Consolidated Financial Statements for a detailed description of the principal differences between Irish GAAP and U.S. GAAP as they relate to the Company and a reconciliation to U.S. GAAP of net income, shareholders' equity and total assets.

Recently Issued Accounting Standards

U.S. GAAP

SFAS No. 133. In June 1998, the Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities and is effective for the Company beginning on April 1, 2001. The Company is currently assessing the impact of SFAS No. 133. See Note 33 to the Consolidated Financial Statements included in Item 19(a).

Liquidity and Capital Resources

Liquidity. The Company finances its working capital requirements through a combination of cash generated from operations and bank loans for the acquisition of aircraft. The Company had cash and liquid resources under Irish GAAP at March 31, 1998, 1999 and 2000 of €64.8 million, €158.6 million and €355.2 million, respectively, with the increase at March 31, 2000 in part reflecting the receipt of net proceeds of €117.9 million from the 2000 Regulation S Offering.

The Company's net cash inflow from operating activities in fiscal year 1998, fiscal year 1999 and fiscal year 2000 totaled €99.0 million, €124.4 million and €149.6 million, respectively. During the last three fiscal years, Ryanair's primary cash requirements have been for additional aircraft, advance payments in respect of the new fleet of Boeing 737-800s and flight equipment, payments on related indebtedness and payments of corporation tax. Equity offerings and cash generated from operations have been the principal sources for these cash requirements, supplemented primarily by aircraft related bank loans.

The Company's net cash inflow from returns on investments and servicing of finance in fiscal year 1998, fiscal year 1999 and fiscal year 2000 totaled €2.3 million, €6.0 million and €2.0 million, respectively, primarily reflecting interest earned by the Company on its cash balances, offset in part by interest payments on long-term aircraft loans.

The Company's net cash outflow/inflow from financing and use of liquid resources in fiscal year 1998, fiscal year 1999 and fiscal year 2000 totaled an outflow of €3.0 million, an inflow of €0.4 million and an inflow of €18.8 million, respectively, reflecting the increase in long-term aircraft-related debt.

Under U.S. GAAP, the Company's cash and cash equivalents at March 31, 1998 and 1999 and 2000 were €55.4 million, €97.7 million and €121.4 million, respectively. Under U.S. GAAP, the cash inflows from operating activities in fiscal years 1998, 1999 and 2000 were €82.4 million, €119.3 million and €136.0 million, respectively, the cash outflows from investing activities in fiscal years 1998, 1999 and 2000 were €72.9 million, €158.7 million and €327.0 million, respectively, and the cash inflows from financing activities were €30.3 million, €81.7 million and €214.8 million, respectively. See Note 32 of Notes to the Consolidated Financial Statements.

Capital Resources. Ryanair has generally been able to generate sufficient funds from operations to meet its working capital requirements and it does not currently have any lines of credit other than the ABN AMRO Bank N.V. loan facility described below and a €2.0 million loan facility from the Bank of Ireland to guarantee the electronic payment of certain operating expenses, including staff salaries and foreign travel duty taxes. Loans outstanding totaled €25.0 million at March 31, 1999 and €122.0 million at March 31, 2000. Management believes that the working capital available to the Company, including its long term financing facilities, is sufficient for its present requirements and will be sufficient to meet its anticipated requirements for capital expenditures and other cash requirements for fiscal year 2001.

Capital Expenditures. The Company's net cash outflows from capital expenditures in fiscal year 1998, fiscal year 1999 and fiscal year 2000 were €88.1 million, €107.1 million and €154.1 million, respectively. Ryanair has funded its acquisition of aircraft and flight equipment primarily through net proceeds from equity offerings (aggregating €250.7 million), bank loans and funds generated from operations.

On March 9, 1998, Ryanair entered into a series of agreements with The Boeing Company to purchase 25 new Boeing 737-800 "next generation" aircraft, together with options to purchase up to a further 20 aircraft (which may include 737-700s, 737-800s or 737-900s). Ryanair exercised the first three of these options in September 2000. The new 737-800 aircraft share certain basic characteristics with the Company's fleet of 737-200A aircraft, but are larger (seating up to 189 passengers), capable of longer flights without refueling and incorporate more advanced aviation technology. The 737-800 aircraft also comply with Chapter 3 noise reduction requirements, which take effect from 2002. The 25 firm orders placed with Boeing and the three options already exercised will enable the Company to increase the size of its summer schedule fleet by between two and eight additional units each year from summer 1999 to 2003, more than doubling the size of its fleet over that period. If traffic growth proves to be greater than can be satisfied by these new aircraft, the Company may exercise its rights to acquire some or all of the remaining option aircraft to cater for this demand. Alternatively, the Company may use these option aircraft for additional capacity from 2001 onwards or to replace aircraft from the existing 21 737-200A aircraft in its fleet. Should Ryanair elect to acquire any of the 17 remaining option aircraft, it must do so 21 months in advance of pre-determined delivery dates, which run from December 2003 through January 2005.

The gross price for each 737-800 aircraft will be \$46,361,900 (€48,424,796) including certain equipment purchased and fitted by Boeing on the Company's behalf, subject to increase to take into account an "Escalation Factor" reflecting the changes in the U.S. Employment Cost and Producer Price Indices and subject to decrease to take into account certain concessions granted to the Company by Boeing. The total amount to be paid by the Company over the period from March 1998 through January 2003 in respect of the 25 firm commitment aircraft, not taking into account any such increases or decreases, will be approximately \$1.2 billion (€1.25 billion). Due to the application of the Escalation Factor, the gross price for each of the three option aircraft will be approximately \$51 million, not taking into account any concessions. In addition, the Company has paid to Boeing an aggregate deposit of \$2.0 million (€2.1 million) in respect of the aircraft under option.

Boeing has granted the Company certain price concessions with regard to the 737-800 aircraft. These will take the form of credit memoranda to the Company for the amount of such concessions, which the Company may apply toward the purchase of goods and services from Boeing or toward certain payments, other than advance payments, in respect of the purchase of the aircraft. Boeing and CFM International S.A. (the manufacturer of the CFM56-7B24 engines that will power the 737-800 aircraft) have also agreed to give the Company certain allowances for promotional and other activities, as well as providing other goods and services to the Company on concessionary terms.

The Company's purchase of 25 firm commitment 737-800 aircraft is being funded by a combination of bank financing in the form of loans under a loan facility with ABN AMRO Bank N.V. (the "ABN Facility"), supported by a loan guarantee from the Export-Import Bank of the United States ("EXIM") and the Company's cash flow generated from operations. On the basis of an EXIM guarantee with regard to the financing of up to 85% of the eligible U.S. and foreign content represented in the net purchase price of the aircraft, ABN AMRO Bank N.V. ("ABN AMRO") entered into a commitment letter (the "Commitment Letter") with the Company to provide an aggregate of \$705 million in financing for those aircraft benefiting from such a guarantee. ABN AMRO's financing commitment relates only to the 25 firm commitment aircraft. Ryanair does not currently have any definitive financing commitments in place with regard to the three aircraft on which it has exercised its option or any of the remaining option aircraft, although management anticipates that the option aircraft it acquires will be financed through a similar combination of loans supported by a EXIM guarantee and cash flow from operations. Each of the loans under the ABN Facility is to be on substantially similar terms as the first of these loans, which is a 12-year dollar-denominated loan that is secured by a first priority mortgage in favor of a security trustee on behalf of EXIM and the lenders on the two tranches of aircraft (three in the first tranche and two in the second tranche) so financed. At March 31, 2000, the Company had U.S. dollar borrowings equivalent to €121.1 million (\$115.9 million) in respect of the drawdown used to finance a portion of the acquisition price of the first five 737-800 aircraft.

Between May 24, 2000 and June 20, 2000, Ryanair took delivery of five additional 737-800 aircraft that it has similarly financed through loans under the ABN Facility. In July, Ryanair exercised its option to convert the floating rate financing obtained under the ABN Facility for these five 737-800 aircraft to fixed rate financing; the financing for these five aircraft now is in the form of a fixed rate loan in the amount of \$134.1 million, which bears interest at a rate of 7.6% per annum and is repayable in 48 quarterly installments from August 25, 1999 to May 25, 2011. Through the use of swaps, Ryanair has effectively converted this dollar-denominated debt into an approximately equivalent amount (at current exchange rates) of euro-denominated debt that bears interest at a lower effective interest rate. See "Risk Management-Foreign Currency and Interest Rate Risk Exposure and Hedging."

Ryanair's ability to obtain additional loans pursuant to the ABN Facility in order to finance a portion of the purchase price of the 15 remaining firm commitment 737-800 aircraft scheduled to be delivered between December 2000 and January 2003, as well as its ability to enter into related swap transactions with ABN AMRO in connection with hedging its obligations under such loans, is subject to the satisfaction of various conditions contained in the documentation for the loan made to date under the ABN Facility (as to the ten 737-800 aircraft delivered during 1999 and 2000) and various conditions set forth in the Commitment Letter (as to the fifteen 737-800 aircraft scheduled to be delivered after 2000), as well as in the related swaps. These conditions include, among other things, the execution of satisfactory documentation, the requirement that Ryanair perform all of its obligations under the Boeing agreements and provide satisfactory security interests in the aircraft (and related assets) in favor of the lenders and EXIM, and that Ryanair does not suffer a material adverse change in its conditions or prospects (financial or otherwise). With respect to the 737-800 aircraft scheduled to be delivered after 2000, Ryanair must first obtain a binding final commitment from EXIM to provide loan guarantees in respect of the financing of such aircraft before any such aircraft may be financed under the ABN Facility.

EXIM's policy on facilities of this type is to only issue a binding final commitment six months prior to delivery of each aircraft being financed. EXIM has already issued binding final commitments and related guarantees in the amount of \$262 million with respect to the first ten 737-800 aircraft delivered in 1999 and 2000. EXIM's final binding commitment with regard to these aircraft is also subject to certain conditions set forth in the documentation for the ABN Facility and the EXIM guarantee. These conditions include, among other things, the execution of satisfactory documentation, the creation and maintenance of the lease and related arrangements described below, that Ryanair provide satisfactory security interests in the aircraft (and related assets) in favor of EXIM and the lenders, and that the ten aircraft be registered in Ireland, be covered by adequate insurance and maintained in a manner acceptable to EXIM. Ryanair expects that any future commitments or guarantees issued by EXIM will contain similar conditions, as well as requiring Ryanair to pay EXIM fees based on the amount of any such commitment or guarantee of the type described in more detail below.

Management has no reason to believe that EXIM will not issue a further final binding commitment and guarantees in relation to each of the other 737-800 aircraft to be delivered after 2000 and thus believes it will be eligible for further loans under the ABN Facility. If, however, EXIM did not issue its final binding commitment or a related guarantee in respect of any aircraft purchase, this could result in a significant increase in the financing costs for the relevant aircraft. The Company has entered into and will enter into currency and interest rate swaps in connection with its financing of the new aircraft. See "-Risk Management-Foreign Currency and Interest Rate Risk Exposure and Hedging."

As part of its financing of the 737-800 aircraft that benefit from the EXIM guarantee, Ryanair has entered into certain lease agreements and related arrangements. Pursuant to these arrangements, legal title to each of the ten aircraft delivered to date rests with a single United States special purpose vehicle (the "SPV") in which Ryanair has no equity or other interest. This SPV is the borrower of record under the loans made or to be made under the ABN Facility, with all of its obligations under the loans being guaranteed by Ryanair Holdings. The shares of the SPV (which are owned by an unrelated charitable association) are in turn pledged to a security trustee in favor of EXIM and the lenders. Ryanair Limited operates each of the aircraft pursuant to a finance lease it has entered into with the SPV, the terms of which mirror those of the relevant loan under the ABN Facility. Ryanair has the right to purchase the aircraft upon termination of the lease for a nominal amount. Pursuant to this arrangement, Ryanair is considered to own the aircraft for accounting purposes under both Irish GAAP and U.S. GAAP.

The terms of the ABN Facility and the EXIM guarantee require that Ryanair pay certain fees in connection with such financing. In particular, these fees include a fixed program fee payable to ABN AMRO annually as the arranger of the ABN Facility, and a commitment fee and an exposure fee payable to EXIM on an annual basis in connection with its final binding commitment and guarantee with respect to the first ten 737-800 aircraft (and based on the amount of the guarantee). Ryanair's payment of the fees to EXIM is eligible for financing under the ABN Facility. Ryanair expects that the aggregate amount of all such aircraft-finance related fees will be approximately \$4 million in calendar year 2000; these fees will be capitalized and amortized over the life of the aircraft. Ryanair anticipates that similar fees will be incurred as additional aircraft are delivered and financed.

Pursuant to EU Directives governing aircraft noise emissions, all aircraft operated by EU carriers are expected to be required to comply with Chapter 3 noise requirements by April 1, 2002. Nine of the twenty-one Boeing 737-200A aircraft currently in Ryanair's fleet are outfitted with noise reduction hushkits that allow such aircraft to comply with Chapter 3 noise level limitations established by the International Civil Aviation Organization and the Company's twelve remaining Boeing 737-200A aircraft will be outfitted with these hushkits before April 1, 2000. The aggregate order value of the Company's hushkit purchases is up to \$20

million. Management expects this expenditure will be funded from cash flow from operations. All of the 737-800s Ryanair has committed to purchase will comply with the Chapter 3 requirements.

Ryanair also entered into a contract in September 2000 to purchase a Boeing 737-800 flight simulator from CAE Electronics Ltd of Quebec, Canada. The simulator will be used for pilot training purposes and is expected to be located in the U.K. The gross purchase price of the simulator was \$9.1 million, not taking into account certain price concessions in the form of credit memoranda. The Company anticipates financing this expenditure from cash flows generated from operations.

In 1996, Ryanair established a new reservations center in Dublin operated by its wholly-owned subsidiary, Ryanair.com. Ryanair purchased the building for the new reservations center for €2.5 million in June 1996, incurring a loan of €1.6 million from AIB to finance a portion of the purchase price of the building, which loan is secured by a mortgage of the building in favor of AIB. Ryanair.com receives employment and capital grants to operate its reservations center from Forbairt Limited ("Forbairt"), an Irish state agency. In connection with the grant agreement, Ryanair granted Forbairt an option to purchase for their par value up to 5% of the issued shares of Ryanair.com. Forbairt may exercise this option if, among other things, Irish Air, L.P., one of Ryanair Holdings' former stockholders, and its affiliates and certain of the other principal stockholders cease to own at least 50% of Ryanair's issued Ordinary Shares. Since November 1998, when Irish Air, L.P. dissolved and distributed all of the Ordinary Shares held by it to its partners, Forbairt's option has become exercisable. Forbairt has not yet exercised its option or indicated when it may do so. If Forbairt were to exercise its option, Ryanair.com would be obligated to repurchase or redeem the Ryanair.com shares acquired by Forbairt under the option at a repurchase or redemption price ranging from 25% to 30% of the grant amounts received by Ryanair.com; depending on the date the shares are repurchased or redeemed. Based on the amount of grants Ryanair.com has received to date the maximum it would have to pay to redeem the Ryanair.com shares acquired by Forbairt would be approximately €594,000. Ryanair.com has the right to terminate the option by paying to Forbairt €698,350.

Inflation

Inflation has not had a significant effect on the Company's results of operations and financial condition during the three years ended March 31, 2000.

Year 2000 Compliance

The Company has experienced no significant Year 2000-related failures to date. The Company estimates that incremental costs of related external assistance and system enhancements (including technical staff time and the rental of testing equipment) in relation to the Year 2000 issue was approximately \$550,000 and was funded through cash flows from operations. This relatively low level of expenditures reflects the fact that Ryanair has expended significant resources (approximately \$900,000) in replacing or upgrading its systems and hardware between 1997 and 1999 in order to be Year 2000 compliant.

Item 9A. Risk Management

General

Ryanair is exposed to market risks relating to fluctuations in commodity prices, interest rates and currency exchange rates. The objective of financial risk management at Ryanair is to minimize the negative impact of commodity price, interest rate and foreign exchange rate fluctuations on the Company's earnings, cash flows and equity.

To manage these risks, Ryanair uses various derivative financial instruments including interest rate swaps, interest caps, cross-currency swaps, foreign currency hedges and commodity hedges. These derivative financial instruments are generally held to maturity. The Company enters into these arrangements in order to attempt to hedge its operational and balance sheet risk. The Company's exposure to commodity price, interest rate and currency exchange rate fluctuations cannot be neutralized completely and the Company does not use derivative financial instruments to counter other kinds of ambient risks.

Ryanair, from time to time, enters into forward contracts for the purchase of aviation fuel, as well as fuel hedges and cross currency swaps intended to reduce its exposure to certain currencies, principally the U.S. dollar. It also enters into interest rate and currency swaps with the objective of capping certain borrowing costs and hedging principal repayments, particularly those associated with the purchase of new aircraft such as the Boeing 737-800s. Ryanair is exposed to the risk that the counterparties to its derivative financial instruments may not be creditworthy. Were a counterparty to default on its obligations under any of the instruments described below, Ryanair's economic expectations when entering into these arrangements might not be achieved and its financial condition could be adversely affected. Transactions involving derivative financial instruments are also relatively illiquid, as compared with those involving other kinds of financial instruments. It is the policy of the Company not to enter into transactions involving financial derivatives for speculative purposes.

The following paragraphs describe Ryanair's fuel hedging and foreign currency and interest rate swap arrangements and analyze the sensitivity of the market value, earnings and cash flows of these financial instruments to hypothetical changes in commodity prices, interest rates and exchange rates as if these changes had occurred at March 31, 2000. The range of changes selected for this sensitivity analysis reflects Ryanair's view of changes which are reasonably possible over a one-year period.

Fuel Price Exposure and Hedging

Fuel costs constitute a substantial portion of Ryanair's operating expenses (approximately 15.2%, 16.0% and 14.6% in fiscal years 1998, 1999 and 2000, respectively, after taking into account Ryanair's fuel hedging activities). Ryanair engages in hedging transactions from time to time, pursuant to which Ryanair and a counterparty agree to exchange payments equal to the difference between a fixed price for a given quantity of jet fuel and the market price for such quantity of jet fuel at a given date in the future. With Ryanair receiving the amount of any excess of such market price over such fixed price and paying to the counterparty the amount of any excess of such fixed price over such market price. Since the end of 1995, Ryanair has sought to hedge its expected fuel requirements for the coming 12 to 18 months on a rolling basis. Although such hedging strategies can cushion the impact on Ryanair of fuel price increases in the short term, in the medium to longer-term, such strategies cannot be expected to eliminate the impact of an increase in the market price of aviation fuel. At March 31, 1999 and March 31, 2000, Ryanair had swap agreements to exchange payments for notional fuel purchases amounting to €25.4 million and €33.9 million, respectively. The unrealized gains on such agreements at such dates, based on their fair value, were €3.4 million and €27.5 million, respectively. Ryanair

from time to time also enters into forward contracts to purchase fuel at fixed prices at future dates, although the Company did not have any such contracts outstanding at March 31, 2000. Based on Ryanair's fuel consumption for the fiscal year ended March 31, 2000, a change of one U.S. cent in the average annual price per U.S. gallon of aviation fuel would have caused a change of approximately €0.679 million in Ryanair's fuel costs.

The Company's unrealized gains and losses on fuel swap contracts and fuel forward purchase contracts are deferred and recognized in the income statement when realized as an offset to actual purchases of fuel.

Foreign Currency and Interest Rate Risk Exposure and Hedging

Through fiscal year 1998, Ryanair's revenues had historically been denominated primarily in two currencies, the Irish pound and the U.K. pound sterling. Euro area currencies and Irish pounds accounted for 41.1% of total revenues in fiscal year 2000, compared to 45% in 1999 and 39% in 1998. As Ryanair reports its results in euro, the Company is not exposed to any material currency risk as a result of its euro-denominated activities or those denominated in Irish pounds, given the fixed exchange rate between the Irish pound and the euro. Ryanair's operating expenses are primarily denominated in Irish pounds, U.K. pounds sterling, U.S. dollars and euro. Ryanair's operations can be subject to significant direct exchange rate risks between the euro and the U.S. dollar because a significant portion of its operating costs (particularly those related to fuel purchases) is incurred in U.S. dollars, while none of its revenues are denominated in U.S. dollars. Appreciation of the euro versus the U.S. dollar positively impacts Ryanair's operating income because the amount in euro of its U.S. dollar operating costs decreases, while depreciation of the euro versus the U.S. dollar negatively impacts operating income. It is Ryanair's policy to hedge against a certain portion of its related exposure to fluctuations in the exchange rate between the U.S. dollar and the euro at the time Ryanair enters into fuel purchase and fuel hedging transactions. In general, Ryanair does not hedge its operating surpluses and shortfalls in currencies other than the U.S. dollar and U.K. pound sterling.

Management seeks to manage Ryanair's exposure to changes in the value of the U.K. pound sterling by matching its sterling revenues against its sterling costs. Any unmatched sterling revenues are generally used to fund forward exchange contracts to hedge U.S. dollar currency exposure which arises in relation to Ryanair's fuel, maintenance, aviation insurance and capital expenditure costs, including the advance deposit payments to Boeing on the 737-800's. As Ryanair's volume of traffic originating in the U.K. has increased, however, the volume of Ryanair's unmatched sterling revenues has increased as well. Accordingly, in December 1999, the Company entered into a series of sterling/euro forward exchange contracts to hedge its unmatched sterling revenues. At March 31, 2000, the principal amount of these forward contracts was approximately U.K.£70 million (€109.3 million). There was an unrealized loss on such contracts of €3.8 million at March 31, 2000. In accordance with the requirements of "Statement of Financial Accounting Standards 52-Foreign Currency-", this gain has been included in the Company's Consolidated Profit and Loss Account prepared in accordance with U.S. GAAP.

The Company also incurs a substantial portion of its capital expenditures and debt obligations, particularly those relating to the acquisition of new aircraft, in U.S. dollars. Ryanair has entered into U.S. dollar forward currency exchange transactions in order to hedge its U.S. dollar exposure with respect to certain U.S. dollar-denominated expenses. At March 31, 1999 and March 31, 2000, the aggregate principal amount of these forward contracts was approximately \$37.1 million (€32.8 million) and \$43.1 million (€43.3 million), respectively. There was an unrealized gain on such contracts of €0.4 million at March 31, 1999 and €3.4 million at March 31, 2000.

Holding other variables constant, if there were an adverse change of ten percent in relevant foreign currency exchange rates, the market value of foreign currency contracts outstanding at March 31, 2000 would decrease by €8.5 million, all of which would impact earnings.

The ABN Facility being used by Ryanair in order to finance its purchase of the Boeing 737-800 "next generation" aircraft is denominated in U.S. dollars and, subject to the rate conversion option described below, originally bore interest at a floating rate based on a spread over LIBOR. The Company has entered into a series of cross currency and interest rate swap agreements with ABN AMRO intended to hedge its exposure to movements in U.S. dollar and euro currency exchange and interest rates with respect to that portion of the total acquisition price of the 25 firm commitment Boeing 737-800s that is being financed or is expected to be financed under the ABN Facility. These include cross currency swaps between the U.S. dollar and the euro intended to reduce the impact of changes in the euro-U.S. dollar exchange rate and interest rate swaps intended to reduce the impact of changes in the difference between interest rates on U.S. Treasury obligations and those on euro-denominated obligations and the effect of future increases in euro-denominated interest rates.

At March 31, 2000, the Company had outstanding borrowings under the ABN Facility of \$123.1 million. These borrowings, which related to the financing of the Company's first five 737-800s, comprised two separate twelve-year fixed rate loans with original principal amounts of \$76.5 million and \$51.1 million. At March 31, 2000, totals of \$73.4 million and \$49.7 million were outstanding under these loans, which bore interest at rates equal to 6.70% and 6.92%, respectively, at such date. Under a series of forward starting swap agreements, Ryanair has swapped its obligations under the \$76.6 million loan for those on a fixed notional principal amount of €75.3 million at a fixed interest rate of 4.89% and those under the \$51.1 million loan for those on a fixed notional principal amount of €49.1 million at a fixed interest rate of 5.54%. At March 31, 2000, Ryanair had remaining unutilized loan commitments under the ABN Facility of \$578 million, which it expects to utilize in order to finance the purchase of additional Boeing 737-800 "next generation" aircraft, including those aircraft scheduled to be delivered after 2000. In order to hedge its exposure to movements in U.S. dollar and euro currency exchange rates in relation to such unutilized commitments, the Company entered into a series of forward starting swaps under which it has agreed to pay fixed rates of between 4.44% and 5.03% on a notional value of €491.6 million in exchange for the receipt of floating rate payments over a corresponding period denominated in U.S. dollars and corresponding in amount to such anticipated outstanding indebtedness. At March 31, 2000, the fair value of the swap agreements relating to both outstanding borrowings and unutilized commitments under the ABN Facility discussed in this paragraph on a mark-to-market basis was €35.1 million. Ryanair's obligations under the swap agreements related to the unutilized commitments are based on the assumption that the Company will draw down the related amounts from the ABN Facility in connection with the financing of new aircraft and could expose the Company to substantial liability if for any reason it did not utilize such financing as anticipated.

At March 31, 2000, the aggregate amount of Ryanair's outstanding floating-rate debt obligations on which it has effectively fixed the interest rate through the use of the swap agreements described above was €121.6 million. If Ryanair had not entered into such swap agreements, a one percentage point increase in interest rates would not materially increase the unrealized fair market value of this liability. The negative earnings and cash flow impact of any such change would be approximately €1.24 million per year, holding other variables constant. At March 31, 2000, the aggregate amount of unutilized loan commitments on which Ryanair has attempted to hedge its exposure to movements in U.S. dollar and euro currency interest rates by entering into the forward starting swaps described above was equivalent to €491.6 million. Assuming that Ryanair had fully drawn down such unutilized loan commitments on March 31, 2000, but that it had not entered into such swap agreements, a one percentage point increase in euro-denominated interest rates would have increased the negative fair market value of this liability by approximately €25.6 million. The negative earnings and cash flow

impact of any such change in interest rates would have been approximately €4.91 million per year, holding other variables constant.

In July 1999, Ryanair exercised its option to convert the floating rate financing originally obtained under the ABN Facility for its first three 737-800 aircraft to fixed rate financing; at the time of the conversion, the relevant debt had a principal amount of \$76.6 million, which bears interest at a rate of 6.70% per annum and is repayable in 48 quarterly installments from August 25, 1999 to May 25, 2011. In connection with its exercise of the fixed rate conversion option, Ryanair unwound its existing cross-currency and interest rate swaps with respect to the floating rate debt on these aircraft and entered into new cross-currency and interest rate swaps with ABN AMRO with respect to the fixed rate debt. As a result of these transactions, ABN AMRO paid Ryanair an aggregate of \$10.6 million in cash in settlement of the unwound swaps. The new swaps, the term of which matches that of the underlying debt, obligate Ryanair to pay a fixed rate of 4.89% on a notional value of €75.3 million quarterly in exchange for the receipt of quarterly fixed rate payments denominated in U.S. dollars and corresponding in amount and in rate to the underlying debt.

In September 1999, Ryanair exercised its option to convert the floating rate financing originally obtained under the ABN Facility for its fourth and fifth 737-800 aircraft to fixed rate financing; at the time of the conversion, the relevant debt for these two aircraft had a principal amount of \$51.1 million, which bears interest at a rate of 6.92% per annum and is repayable in 48 quarterly installments from December 7, 1999 to September 7, 2011. In connection with its exercise of the fixed rate conversion option, Ryanair unwound its existing cross-currency and interest rate swaps with respect to the floating rate debt on these two aircraft and entered into new cross-currency and interest rate swaps with ABN AMRO with respect to the fixed rate debt. As a result of these transactions, ABN AMRO paid Ryanair an aggregate of \$7.7 million in cash in settlement of the unwound swaps. The new swaps, the term of which matches that of the underlying debt, obligate Ryanair to pay a fixed rate of 5.54% on a notional value of €49.1 million quarterly in exchange for the receipt of quarterly fixed rate payments denominated in U.S. dollars and corresponding in amount and in rate to the underlying debt.

In June 2000, Ryanair exercised its option to convert the floating rate financing originally obtained under the ABN Facility for the five 737-800 aircraft delivered in May and June 2000 to fixed rate financing; at the time of the conversion, the relevant debt for these aircraft had a principal amount of \$134.1 million, which bears interest at a rate of 7.60% per annum and is repayable in 48 quarterly installments from June 20, 2000 to March 20, 2012. At the same time, Ryanair entered into a cross-currency interest rate swap with respect to the fixed rate debt with ABN AMRO. The term of this swap matches that of the underlying debt, obligates Ryanair to pay a fixed rate of 5.08% on a notional value of €140.8 million quarterly in exchange for the receipt of quarterly fixed rate payments denominated in U.S. dollars and corresponding in amount and in rate to the underlying debt.

Item 10. *Directors and Officers of Registrant*

Ryanair Holdings was established in 1996 as a holding company for Ryanair. The management of Ryanair Holdings and Ryanair are integrated, with the two companies having the same Board of Directors and all executive officers of Ryanair Holdings being executive officers of Ryanair.

Board of Directors

The following table sets forth certain information concerning the Directors of Ryanair Holdings and Ryanair Limited at September 1, 2000:

<u>Name</u>	<u>Age</u>	<u>Position</u>
David Bonderman	57	Chairman of the Board and Director of Ryanair Holdings and Ryanair Limited
Raymond MacSharry(b)(c)	61	Director of Ryanair Holdings and Ryanair Limited
Michael O'Leary(a)(d)	39	Director of Ryanair Holdings and Ryanair Limited
James R. Osborne(b)(c)	51	Director of Ryanair Holdings and Ryanair Limited
Cathal M. Ryan	40	Director of Ryanair Holdings and Ryanair Limited
Declan F. Ryan(a)	36	Director of Ryanair Holdings and Ryanair Limited
T. Anthony Ryan	64	Director of Ryanair Holdings and Ryanair Limited
Richard P. Schifter	46	Director of Ryanair Holdings and Ryanair Limited
Jeffrey A. Shaw(a)(b)(c)	36	Director of Ryanair Holdings and Ryanair Limited

(a) Member of the Executive Committee.

(b) Member of the Remuneration Committee.

(c) Member of the Audit Committee.

(d) Mr. O'Leary is also the chief executive officer of Ryanair Holdings and Ryanair Limited. None of the other Directors are executive officers of Ryanair Holdings or Ryanair Limited.

David Bonderman has served as a Director of Ryanair Holdings and Ryanair Limited since August 23, 1996 and as Chairman of the Board of Ryanair Holdings and Ryanair Limited since December 1996. Mr. Bonderman is a director and officer of 1996 Air G.P., Inc., the general partner Irish Air GenPar, and founder and Principal of Texas Pacific Group ("TPG"), which organized Irish Air, L.P. and Irish Air GenPar. Prior to forming TPG, Mr. Bonderman was Chief Operating Officer and Chief Investment Officer of Keystone Inc., the personal investment vehicle of Texas-based investor Robert M. Bass. Prior to joining Keystone Inc. in 1983, Mr. Bonderman was a partner in the law firm of Arnold & Porter in Washington, D.C. Mr. Bonderman is also a Managing Director of Air Partners, L.P., a limited partnership formed to invest in Continental Airlines, Inc., and serves on the Board of Directors of AerFi Group plc, Bell & Howell, Inc., Continental Airlines, Inc. (where he formerly served as Chairman), CoStar Group, Inc., Denbury Resources, Inc., Ducati Motor Holdings S.p.A., J. Crew Group, Inc., Landit & Gyr Communications, Oxford HealthPlans, Inc., Paradyne Networks, Inc., Virgin Entertainment Group Limited, Washington Mutual, Inc. Mr. Bonderman also serves in general partner advisory board roles for Aqua International Partners, L.P., Newbridge Asia II, L.P., Newbridge Investment Partners, L.P. and Newbridge Latin America, L.P.

Raymond MacSharry has served as a Director of Ryanair Holdings since August 22, 1996, and as a Director of Ryanair Limited since February 11, 1993. From 1993 to 1995, Mr. MacSharry served as Chairman of the Board of Ryanair Limited. From 1993 to 1996 and from April 1997 to date, Mr. MacSharry has served as a consultant to Ryanair. From 1989 to 1993, Mr. MacSharry served as the European Commissioner for Agriculture. Prior to his service on the EC, Mr. MacSharry served in the Irish Parliament for over 20 years and was the Minister for Finance of Ireland in 1982 and from 1987 to 1988. Mr. MacSharry currently serves as a member of the Court of the Bank of Ireland, as a director of Jefferson Smurfit Group Plc and Green Property Plc and as the non-executive Chairman of eircom plc, London City Airport, Green Property plc and Coillte Teoranta.

Michael O'Leary has served as a Director of Ryanair Holdings since July 2, 1996 and as a Director of Ryanair Limited since November 25, 1988. Mr. O'Leary was the Deputy Chief Executive of Ryanair Limited from 1991 to May 1993 and Chief Operating Officer from June 1993 to December 1993, and Chief Executive from January 1, 1994. Mr. O'Leary was appointed the Chief Executive of Ryanair Holdings on April 21, 1997.

James R. Osborne has served as a Director of Ryanair Holdings since August 22, 1996, as a Director of Ryanair Limited since April 12, 1995 and as a consultant to Ryanair since that date. Mr. Osborne was the managing partner of the law firm of A & L Goodbody Solicitors, Irish counsel to the Company, from May 1982 to April 30, 1994 and has served as a consultant to the firm since May 1, 1994. Mr. Osborne also serves on the Board of Directors of Golden Vale plc and Adare Printing Group plc.

Cathal M. Ryan has served as a Director of Ryanair Holdings since August 22, 1996 and as a Director of Ryanair Limited since January 29, 1985. Mr. Ryan has also been employed by Ryanair as a pilot since 1991. From April 1993 to March 1996, Mr. Ryan served as an executive of Ryanair responsible for operational safety and development. Mr. Ryan is the son of T.A. Ryan and the brother of Declan Ryan.

Declan F. Ryan has served as a Director of Ryanair Holdings since August 22, 1996 and as a Director of Ryanair Limited since January 29, 1985. Mr. Ryan held a number of executive positions at Ryanair beginning in 1986 and from April 1993 to March 1996 had executive responsibility for aircraft procurement and finance. Mr. Ryan no longer holds an executive position at Ryanair and currently operates a private investment company, Irlandia Investments Limited. Mr. Ryan is the son of T.A. Ryan and the brother of Cathal Ryan.

T. Anthony Ryan has served as a Director of Ryanair Holdings since July 2, 1996 and as a Director of Ryanair Limited since April 12, 1995. Dr. Ryan served as Chairman of the Board of Ryanair Holdings from August 23, 1996 until December 1996 and as Chairman of the Board of Ryanair Limited from January 1996 until December 1996. Dr. Ryan was one of the founders in 1975 of GPA Group plc ("GPA"), an operating lessor of commercial aircraft, and served as Chairman of GPA from 1985 to 1993. Following a restructuring of GPA involving General Electric Capital Corporation ("GECC") in 1993, Dr. Ryan served as Executive Chairman of, and subsequently as a consultant to, GE Capital Aviation Services, Limited, a company established by GECC to manage the aircraft assets of GPA, from 1993 to 1996.

Richard P. Schifter has served as a Director of Ryanair Holdings and Ryanair Limited since August 23, 1996. Mr. Schifter is a director and officer of 1996 Air G.P., Inc. and a Principal in TPG. Prior to joining TPG, Mr. Schifter was a partner at the law firm of Arnold & Porter in Washington, D.C., where he currently serves as counsel. Mr. Schifter currently serves on the Board of Directors of America West Airlines, Inc. GT Com and Mtel Latin America Inc., as an officer of the general partner of Newbridge Latin America, L.P. and as a partner of Irish Air GenPar.

Jeffrey A. Shaw has served as a Director of Ryanair Holdings and Ryanair Limited since August 23, 1996. Mr. Shaw is a director and officer of 1996 Air G.P. and a Principal in TPG. Prior to joining TPG in 1993, Mr. Shaw was a principal investor from 1990 to 1993 with Acadia Partners/Oak Hill Partners, an affiliate of Keystone Inc. From 1986 to 1988, Mr. Shaw was a financial analyst in the Emerging Growth Group as well as the Corporate Finance Department of Goldman, Sachs & Co. Mr. Shaw currently serves on the Board of Directors of America West Airlines, Inc., Del Monte Foods Company and Favorite Brands International, Inc.

The Board of Directors has established a number of committees, including the following:

Executive Committee. The Board of Directors established the Executive Committee in August 1996. The Executive Committee can exercise the powers exercisable by the full Board of Directors in circumstances where action by the Board of Directors is required and it is impracticable to convene a meeting of the full Board of Directors. Messrs. O'Leary, D.F. Ryan and Shaw are the members of the Executive Committee.

Remuneration Committee. The Board of Directors established the Remuneration Committee in September 1996, to have authority to determine the remuneration of senior executives of Ryanair Holdings and to administer the Ryanair Holdings' Stock Option Plan. Messrs. MacSharry, Osborne and Shaw are the members of the Remuneration Committee.

Audit Committee. The Board of Directors established the Audit Committee in September 1996, to make recommendations concerning the engagement of independent chartered accountants, to review with the accountants the plans for and scope of the audit, the audit procedures to be utilized and the results of the audit, to approve the professional services provided by the accountants, to review the independence of the accountants and to review the adequacy and effectiveness of the Company's internal accounting controls. Messrs. Osborne, Shaw and MacSharry are the members of the Audit Committee.

Nomination Committee. The Board of Directors established the Nomination Committee in May 1999, to make recommendations concerning the selection of individuals to serve as executive and non-executive Directors and makes proposals to the full Board of Directors, which retains all power relating to the election of Directors. Messrs. Osborne, D.F. Ryan and Shaw are the members of the Nomination Committee.

Air Safety Committee. The Board of Directors established the Air Safety Committee in March 1997, to review and discuss air safety and related issues. The Air Safety Committee reports to the full Board of Directors each quarter. The Air Safety Committee is comprised of the following executive officers of Ryanair: Messrs. Duggan, Hickey, O'Leary and McCarthy.

Action and Powers of Board of Directors

The Board of Directors is empowered by the Articles of Association of Ryanair Holdings to carry on the business of Ryanair Holdings, subject to the Articles of Association, provisions of general law and the right of stockholders to give directions to the Directors by way of ordinary resolution. Every Director of Ryanair Holdings who is present at a meeting of the Board of Directors shall have one vote. In the case of a tie on a vote, the Chairman of the Board of Directors shall not have a second or tie-breaking vote. A Director may designate an alternate to attend any Board of Directors meeting, and such alternate shall have all the rights of a Director at such meeting.

The quorum for a meeting of the Board of Directors, unless another number is fixed by the Directors, consists of three Directors (which must include one of David Bonderman, Richard Schifter and Jeffrey Shaw). A majority of the Directors present must be EU nationals. The Articles of Association of Ryanair Holdings require the vote of a majority of the Directors (or alternates) present at a duly convened meeting for the approval of all actions by the Board of Directors.

Composition and Term of Office

Ryanair Holdings' Articles of Association provide that the Board of Directors shall consist of no less than three Directors and no more than fifteen Directors, unless otherwise determined by the stockholders.

Directors are elected (or have their appointment by the Directors confirmed) at annual general meetings of stockholders. Save in certain circumstances, at every annual general meeting one-third (rounded down to the next whole number if it is a fractional number) of the Directors (being the Directors who have been longest in office) will retire by rotation and be eligible for re-election. Until after the third annual general meeting following the adoption of the Articles, the retirement or removal of any Director will not affect the order in which Directors on the Board at the date of adoption of the Articles will retire by rotation, whether or not such Director is replaced on the Board of Directors, so that none of David Bonderman, Richard Schifter or Jeffrey Shaw will be required to retire until, at the earliest, the third annual general meeting following the adoption of the Articles.

There is no maximum age for a Director and no Director shall be required to own any shares of Ryanair Holdings.

Executive Officers of Ryanair Holdings and Ryanair Limited

The following table sets forth certain information concerning the executive officers of Ryanair Holdings and Ryanair Limited at September 1, 2000:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Michael O'Leary	39	Chief Executive of Ryanair Holdings and Ryanair Limited
Michael Cawley	46	Chief Financial Officer of Ryanair Holdings and Commercial Director of Ryanair Limited
Conor McCarthy	38	Director of Group Operations of Ryanair Limited
Howard Millar	39	Director of Finance of Ryanair Limited and Secretary of Ryanair Holdings and Ryanair Limited
Tim Jeans	43	Director of Sales & Marketing of Ryanair Limited
Michael Hickey	37	Director of Engineering of Ryanair Limited
Jim Duggan	53	Chief Pilot of Ryanair Limited
Charles Clifton	36	Director of Ground Operations and In-flight of Ryanair Limited

Michael O'Leary has served as a Director of Ryanair Holdings since July 2, 1996 and as a Director of Ryanair Limited since November 25, 1988. Mr. O'Leary was the Deputy Chief Executive of Ryanair Limited from 1991 to May 1993 and Chief Operating Officer from June 1993 to December 1993, and Chief Executive from January 1, 1994. Mr. O'Leary was appointed the Chief Executive of Ryanair Holdings on April 21, 1997.

Michael Cawley was appointed as Group Financial Director of Ryanair Limited in February 1997 and Chief Financial Officer of Ryanair Holdings on April 21, 1997, in order to further strengthen the finance function within the Company. From 1993 to 1997, Mr. Cawley served as Group Finance Director of Gowan Group Limited, one of Ireland's largest private companies and the main distributor for Peugeot and Citroën automobiles in Ireland. Prior to joining Gowan Group Limited, Mr. Cawley served as Joint Managing Director of Athlone Extrusions plc, a plastics manufacturing and sales company, where he led a management buyout in 1990. Mr. Cawley qualified as a chartered accountant in 1978.

Conor McCarthy has served as Director of Group Operations, a new position created to give added focus to the quality and safety of Ryanair's operations, since October 1996. Mr. McCarthy has overall responsibility for flight operations, maintenance and engineering, ground operations and inflight services. Prior to joining Ryanair, Mr. McCarthy worked with Aer Lingus for 18 years, where he was Chief Executive of Aer Lingus Express from March 1996 to October 1996. Prior to this he occupied a wide range of senior positions including Chief Executive-Aer Lingus Commuter, General Manager Marketing, General Manager Strategic Planning, Budgetary Accountant and Manager Route Economics for Aer Lingus. Mr. McCarthy is a qualified engineer, having graduated from Trinity College, Dublin in 1986 (B.Sc. Production Engineering) and holds a Diploma in Engineering from the Dublin Institute of Technology. He is also a qualified Aircraft Avionics Engineer and a member of the Institute of Engineers of Ireland.

Howard Millar has served as Director of Finance of Ryanair Limited since March 1993, having served as Financial Controller since April 1992. On July 2, 1996, Mr. Millar was appointed Secretary of Ryanair Holdings. Prior to joining Ryanair, Mr. Millar served as the Group Financial Accounting Manager for the Almarai Group, an international food processing company in Riyadh, Saudi Arabia, from 1988 to 1992. Prior to joining the Almarai Group, Mr. Millar was employed by the Smith Group, the Irish distributor for Renault automobiles in Ireland. Mr. Millar is a graduate of Trinity College, Dublin (B.Sc. Management) and a fellow of the Institute of Chartered Certified Accountants.

Timothy Jeans has served as Director of Sales & Marketing since July 1995. Mr. Jeans is responsible for sales, marketing, yield management and Ryanair.com. Prior to joining Ryanair, Mr. Jeans served as General Manager-Marketing Development of Manchester Airport plc from 1990 to 1995. In this position, he was responsible for business development with over 50 customer airlines, as well as the introduction of rail services to the airport and the opening of Manchester Airport's second terminal in 1993. From 1978 to 1985, Mr. Jeans held various positions with the P&O Steam Navigation Company plc, including Marketing Manager of P&O Ferries. In 1985, Mr. Jeans started his own tour operating business, Commodore Travel. Commodore Travel was acquired by the Newcastle-based Pure Value Group in 1990. Mr. Jeans is a graduate of the London School of Economics.

Michael Hickey has served as Director of Engineering and Chief Engineer since January 2000. Mr. Hickey has held a wide range of senior positions within the engineering department since 1988 and was Deputy Director of Engineering between 1992 and January 2000. Prior to joining Ryanair in 1988, Mr. Hickey worked as an aircraft engineer with Fields Aircraft Services and McAlpine Aviation, working primarily on executive aircraft. Mr Hickey trained and served with the Irish Air Corps from 1979 to 1985.

Jim Duggan has served as Chief Pilot since July 2000. Mr. Duggan has held a number of senior positions within the flight operations department since October 1986, and was Base Captain at London Stansted, Ryanair's largest base, between March 1997 and July 2000. Since 1997, Mr. Duggan has served as a senior Training Captain responsible for the maintenance of aircraft operating standards and aircraft simulator training programs.

Charles Clifton has served as Director of Ground Operations and Inflight since 1996. Prior to his appointment to this position, Mr. Clifton was Inflight and Cabin Services Manager. Mr. Clifton joined Ryanair in 1986 and has held various posts including Reservations Agent, Station Manager, Catering Manager and Cabin Services Manager. Prior to joining Ryanair, Mr. Clifton completed a training course in hotel management with the Doyle Hotel Group. Mr. Clifton's current responsibilities include maintaining the cost effectiveness and on-time performance of Ryanair's ground handling operations and maximizing the cost effectiveness of agreements with airports throughout the route network. Mr. Clifton is also responsible for the management of Ryanair's inflight cabin crew and on board sales.

Item 11. Compensation of Directors and Officers

Compensation

The aggregate amount of compensation paid by Ryanair Holdings and its subsidiaries to the Directors and executive officers named above in the fiscal year ended March 31, 2000 was €1.96 million. For details of Mr. O'Leary's compensation in such fiscal year, see "-Employment Agreements-Employment and Bonus Agreement with Mr. O'Leary." For details of stock options that have been granted to the Company's employees, including the executive directors named above, see "Options to Purchase Securities from Registrant or Subsidiaries".

Each of Ryanair Holdings' nine non-executive Directors is entitled to receive €31,743 plus expenses per annum, as remuneration for his services to Ryanair Holdings. Each of Messrs. Bonderman, C. Ryan, D. Ryan, T.A. Ryan, Schifter and Shaw has executed an agreement with Ryanair Holdings by which he has waived his respective entitlement to receive annual remuneration of €31,743 in respect of his service as a Director for the fiscal year ended March 31, 2000.

Employment Agreements

Employment and Bonus Agreement with Mr. O'Leary. Ryanair Limited has entered into a employment agreement with Mr. O'Leary dated July 8, 1999 with an initial term expiring June 30, 2001. Thereafter, the agreement may be terminated by either party with one month's notice. Pursuant to the agreement, Mr. O'Leary serves as Chief Executive at an annual gross salary of €378,382, subject to any increases that may be agreed between Ryanair Limited and Mr. O'Leary. Mr. O'Leary also is eligible for annual bonuses as determined by the Board of Directors of Ryanair Limited; the amount of such bonuses paid to Mr. O'Leary in fiscal year 2000 totaled €170,000. This agreement superseded Mr. O'Leary's previous contract, under which Mr. O'Leary was entitled to a fixed annual salary of €251,408 together with a bonus payment that could not exceed 50% of his base salary. Mr. O'Leary is subject to a covenant not to compete with Ryanair within the EU for a period of two years after the termination of his employment with Ryanair. Mr. O'Leary's employment agreement does not contain provisions providing for compensation on its termination.

Consultancy Agreement with Mr. MacSharry. Mr. MacSharry entered into a Consultancy Agreement dated April 21, 1997 with Ryanair Limited pursuant to which he provided various advisory and consultancy services for Ryanair Limited for the three-year period from April 1, 1997 to March 31, 2000. Mr. MacSharry's annual compensation under the agreement was €63,487 (plus travel and other reasonably incurred expenses). The consultancy agreement expired on March 31, 2000 and has not been renewed.

Employment Agreement with Mr. C.M. Ryan. Mr. Cathal M. Ryan, a Director of Ryanair Holdings and Ryanair Limited, is employed by Ryanair Limited as a Boeing 737 captain pursuant to an employment contract that does not contain a fixed term of employment and is terminable by Mr. Ryan or Ryanair in accordance with the notice requirements of Irish law. In the fiscal year ended March 31, 2000, Mr. Ryan did not perform any services under this agreement and therefore did not receive any compensation.

Item 12. Options to Purchase Securities from Registrant or Subsidiaries

In May 1997, Ryanair Holdings granted options to seven members of the Company's senior management, including Howard Millar, the Secretary of Ryanair Holdings and Ryanair Limited, to purchase an aggregate total

of 1,435,896 Ordinary Shares. The consideration for the grant of such options was €1.27 per participant in each case. The exercise price of the options is 90% of the price per Ordinary Share at the time of the IPO (or €1.11 per Ordinary Share). These options first became exercisable in May 2000 and must be exercised within seven years of the date of their grant. As of September 25, 2000, options in respect of 560,256 Ordinary Shares had been exercised.

In April 1998, the Board of Directors of Ryanair Holdings adopted an employee share option plan (the "Option Plan"), with all full-time employees of the Company having worked 25 hours per week being eligible to participate. The Option Plan was approved by Ryanair Holdings' shareholders at the annual general meeting held on September 29, 1998 and replaced a comparable plan adopted at the time of the IPO, under which no options had been granted.

The Option Plan allows for eligible employees to be granted options to purchase up to an aggregate of 5% of the outstanding Ordinary Shares of Ryanair Holdings at an exercise price to be equal to the closing price of such shares on the Irish Stock Exchange on the date of the grant of the option. Options would be granted over a five-year period beginning in 1998, with the amount of options granted to any individual employee being determined with reference to the amount of emoluments paid to such employee in the current or previous tax year, whichever is greater. Options will be exercisable beginning in June 2003.

Management has designed the Option Plan to reward employees for achieving certain financial performance criteria over a five-year period, thus allowing them to participate in the increase in the value of the Company over the coming years. Grants of options under the Option Plan are thus subject to the Company's achievement of the following criteria during the five-year period beginning with fiscal year 1998, as follows:

1. The Company's net profit after tax for each fiscal year must exceed its net profit after tax for the preceding fiscal year by at least 20%.
2. If the first criterion is not met, options will still be granted if the aggregate growth in the Company's net profit after tax (as compounded annually) during the period beginning with fiscal 1998 and ending with the fiscal year ending in the year in which the grant of yearly options is being considered is equal to, or greater than, an annual rate of 20%.

If, in any year, either of these two criteria are met, the Remuneration Committee may select eligible employees who will be invited to apply for options that were not granted in any prior year as a result of neither such criterion being met.

As of September 25, 2000, four grants of options had been made to eligible employees under the Option Plan. The first of these grants, made on June 16, 1998, entitled 635 eligible employees to purchase an aggregate of 1,195,000 Ordinary Shares at an exercise price of €3.17. The second such grant, made on December 9, 1998, entitled 15 eligible employees to purchase an aggregate of 2,700,000 Ordinary Shares at an exercise price of €2.39. The third grant, made on June 1, 1999, entitled 760 eligible employees to purchase an aggregate of 1,146,349 Ordinary Shares at an exercise price of €4.00. The fourth grant, made on June 30, 2000, entitled 764 eligible employees to purchase an aggregate of 658,033 Ordinary Shares at an exercise price of €7.40. The consideration payable in respect of each of these grants is €1.27 per option. The terms of the options granted on December 9, 1998, which were granted to 15 key senior executives and managers as part of an incentive and retention program, are generally similar to those granted under the Option Plan, except for the requirement that the executives/managers must continue to be employed by the Company until June 2002. If they should leave or resign during the period they automatically lose their complete option entitlement; if they die or their contract of employment is terminated by the Company, the number of options to which they will be entitled will be limited to the proportion of their initial grant that is equal to the proportion of the complete period represented by the time elapsed from the date of the grant to the date of their death or termination.

Ryanair Holdings' shareholders approved a new share option plan (the "Option Plan 2000") at the Annual General Meeting held on September 22, 2000. All employees and directors are eligible to participate in the plan, under which grants of options can only be made in any of the ten years beginning with fiscal year 2000 if the Company's net profit after tax for the relevant fiscal year has exceeded its net profit after tax for the preceding fiscal year by at least 20%, or if an increase of 1% in net profit after tax for any relevant year would have resulted in such criteria being met. The Option Plan 2000 is part of an incentive program for Ryanair's employees and directors. Under the terms of the plan, options will become exercisable five years from the time of the first grant under the program, provided that the grantee is still employed by the Company. If the grantee has ceased to be a full time employee before this vesting date, the grantee will generally lose their complete option entitlement automatically. However, if grantees have died prior to the vesting date, the number of options which their estate will be entitled to exercise (within 12 months of the grantee's death) will be limited to the proportion of their initial grant that is equal to the proportion of the complete period represented by the time elapsed from the date of the grant to the date of their death or termination.

The aggregate of 7,825,022 Ordinary Shares that would be issuable upon exercise in full of all of the options described in this section and granted as of September 25, 2000 would represent approximately 2.2% of the current issued share capital of Ryanair Holdings. Of such total, options in respect of an aggregate of 2,725,640 Ordinary Shares are held by the Directors and executive officers of Ryanair Holdings.

Item 13. *Interest of Management in Certain Transactions*

Not applicable.

PART II

Item 14. *Description of Securities to be Registered*

Not applicable.

PART III

Item 15. *Defaults upon Senior Securities*

None.

Item 16. *Changes in Securities and Changes in Security for Registered Securities*

None.

PART IV

Item 17. *Financial Statements*

Reference is made to Item 19(a) for a list of all financial statements filed as part of this Report.

Item 18. *Financial Statements*

Reference is made to Item 19(a) for a list of all financial statements filed as part of this Report.

Item 19. *Financial Statements and Exhibits*

(a) Index to Financial Statements and Schedules

RYANAIR HOLDINGS PLC

INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report

Consolidated Balance Sheets of Ryanair Holdings plc at March 31, 1998, March 31, 1999 and March 31, 2000

Consolidated Profit and Loss Accounts of Ryanair Holdings plc for the Years ended March 31, 1998, March 31, 1999 and March 31, 2000

Consolidated Cash Flow Statements of Ryanair Holdings plc for the Years Ended March 31, 1998, March 31, 1999 and March 31, 2000

Consolidated Statements of Changes in Shareholders' Equity of Ryanair Holdings plc for the Years ended March 31, 1998, March 31, 1999 and March 31, 2000

Notes to Consolidated Financial Statements

(b) Index to Exhibits

1.1 List of subsidiaries of the registrant.

1.2 The registrant agrees to furnish to the Securities and Exchange Commission upon request a copy of any instrument defining the rights of holders of long-term debt of the registrant or of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.

**Report of independent chartered accountants
to the shareholders and Board of Directors of Ryanair Holdings plc**

We have audited the accompanying consolidated balance sheets of Ryanair Holdings plc and subsidiaries (Ryanair Holdings plc) at March 31, 1998, 1999 and 2000 and the related consolidated profit and loss accounts, consolidated cash flow statements and consolidated statements of changes in shareholders' equity for the years ended March 31, 1998, 1999 and 2000. These consolidated financial statements are the responsibility of Ryanair Holdings plc's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Ireland which do not differ in any material respects from auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ryanair Holdings plc at March 31, 1998, 1999 and 2000 and the results of their operations and cash flows for the years ended March 31, 1998, 1999 and 2000 in conformity with generally accepted accounting principles in Ireland.

Generally accepted accounting principles in Ireland vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected results of operations and shareholders' equity for the years ended March 31, 1998, 1999 and 2000 to the extent summarised in Note 32 to the consolidated financial statements.

KPMG
Chartered Accountants
Dublin, Ireland
June 19, 2000

Consolidated Balance Sheets

		Ryanair Holdings plc		
		At March 31, 1998	At March 31, 1999	At March 31, 2000
	Note	€000	€000	€000
Current assets				
Cash and liquid resources		64,283	158,595	355,248
Restricted bank balances	2	436	-	-
Accounts receivable	3	13,223	18,475	21,974
Other assets	5	3,739	6,306	6,478
Inventories	6	6,585	12,917	13,933
Total current assets		88,266	196,293	397,633
Fixed assets				
Tangible assets	4	131,137	203,493	315,032
Financial assets		85	53	36
Total assets		<u>219,488</u>	<u>399,839</u>	<u>712,701</u>
Current liabilities				
Accounts payable	7	14,785	30,764	22,861
Accrued expenses and other liabilities	8	50,962	77,972	107,445
Current maturities of long term debt	9	3,516	1,765	9,567
Short term borrowings	10	2,038	3,893	3,780
Total current liabilities		71,301	114,394	143,653
Other liabilities				
Provisions for liabilities and charges	11	13,280	11,277	15,279
Long term debt	9	1,435	23,204	112,412
		14,715	34,481	127,691
Shareholders' funds-equity				
Called-up share capital	12	8,041	8,503	8,892
Share premium account	12	71,048	130,607	248,093
Profit and loss account		54,383	111,854	184,372
Shareholders' funds-equity		133,472	250,964	441,357
Total liabilities and shareholders' funds		<u>219,488</u>	<u>399,839</u>	<u>712,701</u>

The accompanying notes are an integral part of the financial information.

Consolidated Profit and Loss Accounts

Ryanair Holdings plc

		<u>Year ended March 31, 1998</u>	<u>Year ended, March 31, 1999</u>	<u>Year ended March 31, 2000</u>
	Note	€000	€000	€000
Operating Revenues				
Scheduled revenues		203,803	258,873	330,571
Ancillary revenues		<u>28,059</u>	<u>36,886</u>	<u>39,566</u>
Total operating revenues				
-continuing operations	19	<u>231,862</u>	<u>295,759</u>	<u>370,137</u>
Operating expenses				
Staff costs	20	30,645	39,834	48,533
Depreciation and amortization		25,140	36,209	44,052
Other operating expenses	21	<u>119,796</u>	<u>151,855</u>	<u>193,497</u>
Total operating expenses		<u>175,581</u>	<u>227,898</u>	<u>286,082</u>
Operating profit-continuing operations	22	<u>56,281</u>	<u>67,861</u>	<u>84,055</u>
Other income/(expenses)				
Interest receivable and similar income		4,178	6,610	7,498
Interest payable and similar charges	23	(1,078)	(237)	(3,781)
Foreign exchange gains		1,973	389	1,358
Gain on disposal of fixed assets		<u>80</u>	<u>1,187</u>	<u>964</u>
Total other income/(expenses)		<u>5,153</u>	<u>7,949</u>	<u>6,039</u>
Profit on ordinary activities before tax		61,434	75,810	90,094
Tax on profit on ordinary activities	24	<u>(15,909)</u>	<u>(18,339)</u>	<u>(17,576)</u>
Profit for the financial period/year		<u>45,525</u>	<u>57,471</u>	<u>72,518</u>
Earnings per ordinary share euro cents	26	14.96	17.44	21.62
Fully Diluted earnings per ordinary share euro cents		14.92	17.38	21.48
Adjusted earnings per ordinary share euro cents	26	15.71	17.44	21.62
Number of ordinary shares (adjusted for 2.1 share split on February 28, 2000)	26	304,430,158	329,519,616	335,478,395
Number of diluted shares		305,144,444	330,643,536	337,680,643

The accompanying notes are an integral part of the financial information.

Consolidated Cash Flow Statements

Ryanair Holdings plc

		Year ended March 31, 1998	Year ended, March 31, 1999	Year ended March 31, 2000
		€000	€000	€000
	Note			
Net cash inflow from operating activities	28(a)	<u>99,030</u>	<u>124,411</u>	<u>149,575</u>
Returns on investments and servicing of finance				
Interest received		3,361	6,270	5,266
Interest paid		(998)	(189)	(3,229)
Interest paid on finance leases		<u>(136)</u>	<u>(38)</u>	<u>(84)</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		<u>2,227</u>	<u>6,043</u>	<u>1,953</u>
Taxation				
Corporation tax paid		<u>(9,211)</u>	<u>(11,125)</u>	<u>(15,545)</u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(88,174)	(108,452)	(155,099)
Sales of tangible fixed assets		<u>91</u>	<u>1,328</u>	<u>1,020</u>
Net cash (outflow) from capital expenditure		<u>(88,083)</u>	<u>(107,124)</u>	<u>(154,079)</u>
Net cash (outflow)/inflow before financing and use of liquid resources		<u>3,963</u>	<u>12,205</u>	<u>(18,096)</u>
Financing and use of liquid resources				
Increase/(Repayment) in long term debt		(43,609)	20,237	97,470
Issue of share capital		82,534	63,487	122,470
Share issue costs		(9,793)	(3,466)	(4,595)
Capital element of finance leases		<u>(326)</u>	<u>(442)</u>	<u>(483)</u>
Financing		28,806	79,816	214,862
(Increase) in liquid resources	28(c)	<u>(31,884)</u>	<u>(79,382)</u>	<u>(196,110)</u>
Net cash (outflow)/inflow from financing and use of liquid resources		<u>(3,078)</u>	<u>434</u>	<u>18,752</u>
Increase in cash	28(d)	<u><u>885</u></u>	<u><u>12,639</u></u>	<u><u>656</u></u>

The accompanying notes are an integral part of the financial information.

Consolidated Statements of Changes in Shareholders' Funds-Equity

	<u>Ordinary shares</u> €000	<u>Share premium account</u> €000	<u>Profit and loss account</u> €000	<u>Total</u> €000
Balance at March 31, 1997	6,348	-	8,858	15,206
Issue of ordinary equity shares (net of issue costs)	1,693	71,048	-	72,741
Profit for the financial year	-	-	45,525	45,525
	<u>8,041</u>	<u>71,048</u>	<u>54,383</u>	<u>133,472</u>
Balance at March 31, 1998	8,041	71,048	54,383	133,472
Issue of ordinary equity shares (net of issue costs)	462	59,559	-	60,021
Profit for the financial year	-	-	57,471	57,471
	<u>8,503</u>	<u>130,607</u>	<u>111,854</u>	<u>250,964</u>
Balance at March 31, 1999	8,503	130,607	111,854	250,964
Issue of ordinary equity shares (net of issue costs)	389	117,486	-	117,875
Profit for the financial year	-	-	72,518	72,518
	<u>8,892</u>	<u>248,093</u>	<u>184,372</u>	<u>441,357</u>
Balance at March 31, 2000	8,892	248,093	184,372	441,357

Details of movements in the number of shares and in the share premium account are set out in Note 12.
The accompanying notes are an integral part of the financial information.

1a Business activity

Ryanair Limited and subsidiaries (the group or Ryanair Limited) has operated as an international airline since it commenced operations in 1985. On August 23, 1996 Ryanair Holdings Limited, a newly formed holding company, acquired the entire issued share capital of Ryanair Limited. On May 16, 1997 Ryanair Holdings Limited re-registered as a public limited company, Ryanair Holdings plc. Ryanair Holdings plc and subsidiaries are hereafter referred to as Ryanair Holdings plc (the group or Ryanair Holdings). All trading activity continues to be undertaken by the group of companies headed by Ryanair Limited.

1b Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements, except for the changes to the Company's accounting policies for goodwill, maintenance and depreciation. These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the U.K. and Ireland under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland. Where possible, however, financial information has been presented in accordance with the presentation and terminology of United States (U.S.) GAAP except where such presentation is not consistent with U.K. and Irish GAAP. A summary of the differences between U.K. and Irish GAAP and U.S. GAAP as applicable to the group is set out in Note 32.

Basis of preparation

The preparation of the financial statements in conformity with generally accepted accounting principles in the U.K. and Ireland and the United States requires the use of management estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

The consolidated financial statements are prepared in Euros.

Basis of consolidation

The group's consolidated financial statements comprise the consolidated financial statements of Ryanair Holdings plc and its subsidiary undertakings for the years ended March 31, 1998, March 31, 1999 and March 31, 2000.

The results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Upon the acquisition of a business, fair values are attributed to the separable net assets acquired. Goodwill arising on acquisitions made prior to March 31, 1998, representing the excess of the fair value of the consideration given over the fair value of the net tangible assets and identifiable intangible assets when they were acquired, was written off against retained earnings on acquisition. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) was credited directly to reserves.

Following the adoption of Financial Reporting Standard ("FRS") 10, goodwill arising on acquisitions post March 31, 1998 is capitalised and amortised to the profit and loss account over its

1b Significant accounting policies (Continued)

estimated useful life. The transitional arrangements of FRS 10 do not require the provisions of the new Standard to be adopted retroactively.

Operating revenues

Operating revenues comprise the invoiced value of airline and other services, net of passenger taxes. Revenue from the sale of flight seats is recognised in the period in which the service is provided. Unearned revenue represents flight seats sold but not yet flown and is included in accrued expenses and other liabilities.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost, less estimated residual value, of assets, other than land, on a straight line basis over their expected useful lives at the following annual rates:

Plant and equipment	20-33%
Fixtures and fittings	20%
Motor vehicles	33%
Buildings	5%

Aircraft are depreciated over their estimated useful lives to estimated residual values. The current estimates of useful lives and residual values are:

<u>Aircraft Type</u>	<u>Useful Life</u>	<u>Residual Value</u>
Boeing 737-200's	20 years from date of manufacture	\$1 million
Boeing 737-800's	23 years from date of manufacture	15% of original cost

An element of the cost of an aircraft is attributed on acquisition to its service potential reflecting the maintenance condition of its engines and airframe. This cost is amortised over the shorter of the period to the next check or the remaining life of the aircraft. The costs of subsequent major airframe and engine maintenance checks are capitalised and amortised over the shorter of the period to the next check or the remaining life of the aircraft.

Advance payments and option payments made in respect of aircraft purchase commitments and options to acquire aircraft are recorded at cost and separately disclosed. On acquisition of the related aircraft, these payments are included as part of the cost of aircraft and are depreciated from that date.

Financial Fixed Assets

Financial fixed assets are shown at cost less provision for permanent diminution in value.

Inventories

Inventories, principally representing rotatable aircraft spares, are stated at the lower of cost and net realisable value. Cost is based on invoiced price on an average basis for all stock categories. Net realisable value is calculated as estimated selling price net of estimated selling costs.

Foreign currency

Transactions arising in foreign currencies are translated into Irish pounds at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are generally stated at the rates of exchange prevailing at the year end and all exchange gains or losses

1b Significant accounting policies (Continued)

are accounted for through the profit and loss account. Foreign currency liabilities that are hedged using forward foreign exchange contracts are translated at the rate specified in the contract.

Derivative financial instruments

Gains and losses on derivative financial instruments are recognised in the profit and loss account when realised as an offset to the related income or expense, as the group does not enter into any such transactions for speculative purposes.

Taxation

The charge for taxation is based on the profit for the period. Deferred taxation is accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that such differences are expected to reverse in the foreseeable future. Net deferred tax assets are not recognised except to the extent that they are expected to be recoverable without replacement by equivalent asset balances.

Leases

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their estimated useful lives. The present values of the future lease payments are recorded as obligations under finance leases and the interest element of the lease obligation is charged to the profit and loss account over the period of the lease in proportion to the balances outstanding.

Expenditure arising under operating leases is charged to the profit and loss account when incurred.

Aircraft maintenance costs

The cost of providing major airframe and engine maintenance checks is described in the accounting policy for tangible fixed assets and depreciation.

All other maintenance costs are expensed as incurred.

Pension costs

The cost of providing pensions to employees is charged to the profit and loss account on a systematic basis over the service lives of those employees. Pension costs are determined by an actuary by reference to a funding plan and funding assumptions. The regular pension cost is expressed as a substantially level proportion of current and expected future pensionable payroll. Variations from regular cost are spread over the remaining service lives of the current employees.

To the extent that the pension cost is different from the cash contribution to the pension scheme, a provision or prepayment is recognised in the balance sheet.

1b Significant accounting policies (Continued)

Government grants

Capital government grants received are shown as deferred income and credited to the profit and loss account on a basis consistent with the depreciation policy of the relevant assets. Revenue grants are credited to the profit and loss account as received.

Statement of cash flows

Cash represents cash held at bank available on demand, offset by bank overdrafts. Liquid resources comprise bank fixed deposits with maturities of greater than one day. These deposits are readily convertible into known amounts of cash. Liquid resources also include restricted bank balances (Note 2).

The Euro as reporting currency

Effective January 1, 1999 the euro was introduced as the common legal currency of eleven member states of the European Economic and Monetary Union, including Ireland. The Company has adopted the euro as its reporting currency for fiscal periods beginning after January 1, 1999 and has restated prior year financial statements which were in Irish pounds into euros at the official fixed rate of IR£0.787564 to the euro, the conversion rate on January 1, 1999.

Prior to the introduction of the euro, the currencies of other euro area countries fluctuated against the Irish pound, but because the euro did not exist prior to January 1, 1999, historical exchange rates for the euro are not available. Accordingly, while the financial statements restated in euros depict the same trends as would have been shown had they been presented in Irish pounds, they will, however, not be comparable with the euro financial statements of other companies that had historically used a reporting currency other than the Irish pound.

2 Restricted bank balances

At March 31, 1998, a €436,000 bank balance was restricted as it had been granted as security for the provision of a bank guarantee of U.S.\$500,000 in the ordinary course of business. Under the terms of the agreement Ryanair Holdings plc agreed to maintain a deposit with the guarantor bank for as long as the bank gave its guarantee.

3 Accounts receivable

	March 31, 1998	March 31 1999	March 31 2000
	<u>€000</u>	<u>€000</u>	<u>€000</u>
Trade receivables	13,539	18,903	22,406
Provision for doubtful debts	<u>(316)</u>	<u>(428)</u>	<u>(432)</u>
	<u><u>13,223</u></u>	<u><u>18,475</u></u>	<u><u>21,974</u></u>

3 Accounts receivable (Continued)

The movement in the provision for bad debts is as follows:

	Balance at beginning of year	Additions charged to expense	Deductions	Balance at beginning of year
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Year ended March 31, 1998	241	75	-	316
Year ended March 31, 1999	316	112	-	428
Year ended March 31, 2000	<u>428</u>	<u>76</u>	<u>(72)</u>	<u>432</u>

4 Tangible fixed assets

Ryanair Limited-consolidated

	Aircraft	Land & Buildings	Plant & Equipment	Plant & Fittings	Motor Vehicles	Total
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
<i>(i) Year ended March 31, 1998</i>						
Cost						
At March 31, 1997	68,826	4,787	637	1,769	401	76,420
Additions	73,896	428	390	1,748	339	76,801
Advance payments	11,753	-	-	-	-	11,753
Disposals	(6)	-	-	(11)	(146)	(163)
At March 31, 1998	<u>154,469</u>	<u>5,215</u>	<u>1,027</u>	<u>3,506</u>	<u>594</u>	<u>164,811</u>
Depreciation						
At March 31, 1997	8,098	239	121	175	52	8,685
Charge for year	23,874	329	228	547	162	25,140
Disposals	-	-	-	(11)	(140)	(151)
At March 31, 1998	<u>31,972</u>	<u>568</u>	<u>349</u>	<u>711</u>	<u>74</u>	<u>33,674</u>
Net book value						
At March 31, 1998	<u>122,497</u>	<u>4,647</u>	<u>678</u>	<u>2,795</u>	<u>520</u>	<u>131,137</u>

4 Tangible fixed assets (Continued)
Ryanair Limited-consolidated

	<u>Aircraft</u> €000	<u>Land & Buildings</u> €000	<u>Plant & Equipment</u> €000	<u>Plant & Fittings</u> €000	<u>Motor Vehicles</u> €000	<u>Total</u> €000
(ii) Year ended March 31, 1999						
Cost						
At March 31, 1998	154,469	5,215	1,027	3,506	594	164,811
Additions	53,287	30	503	2,028	257	56,105
Advance payments	52,565	-	-	-	-	52,565
Disposals	-	(90)	-	-	(77)	(167)
At March 31, 1999	<u>260,321</u>	<u>5,155</u>	<u>1,530</u>	<u>5,534</u>	<u>774</u>	<u>273,314</u>
Depreciation						
At March 31, 1998	31,972	568	349	711	74	33,674
Charge for year	34,487	335	311	859	217	36,209
Disposals	-	(1)	-	-	(61)	(62)
At March 31, 1999	<u>66,459</u>	<u>902</u>	<u>660</u>	<u>1,570</u>	<u>230</u>	<u>69,821</u>
Net book value						
At March 31, 1999	<u>193,862</u>	<u>4,253</u>	<u>870</u>	<u>3,964</u>	<u>544</u>	<u>203,493</u>
	<u>Aircraft</u> €000	<u>Land & Buildings</u> €000	<u>Plant & Equipment</u> €000	<u>Plant & Fittings</u> €000	<u>Motor Vehicles</u> €000	<u>Total</u> €000
(iii) Year ended March 31, 2000						
Cost						
At March 31, 1999	260,321	5,155	1,530	5,534	774	273,314
Additions	153,528	-	502	974	117	155,121
Disposals	-	-	(2)	(1)	(113)	(116)
At March 31, 2000	<u>413,849</u>	<u>5,155</u>	<u>2,030</u>	<u>6,507</u>	<u>778</u>	<u>428,319</u>
Depreciation						
At March 31, 1999	66,459	902	660	1,570	230	69,821
Charge for year	41,463	334	309	1,152	286	43,544
Disposals	-	-	(2)	(1)	(75)	(78)
At March 31, 2000	<u>107,922</u>	<u>1,236</u>	<u>967</u>	<u>2,721</u>	<u>441</u>	<u>113,287</u>
Net book value						
At March 31, 2000	<u>305,927</u>	<u>3,919</u>	<u>1,063</u>	<u>3,786</u>	<u>337</u>	<u>315,032</u>

Lenders hold a first legal charge over premises at Conyngham Road with a net book value of €2,189,489 at March 31, 2000 (at March 31, 1999, €2,332,509; at March 31, 1998, €2,547,095).

At March 31, 2000, aircraft with a net book value of €126,483,592 (at March 31, 1999, €27,951,443; at March 31, 1998, €17,540,619) were mortgaged to lenders as security for loans. Under the security arrangements for the Company's new 737-800 "next generation" aircraft, the Company does not hold legal title to those aircraft while loan amounts remain outstanding.

At March 31, 2000, the net book value of fixed assets held under finance leases was €585,748, (at March 31, 1999, €1,048,504; at March 31, 1998, €1,147,098). Depreciation on these assets for the years ended March 31, 2000, March 31, 1999 and March 31, 1998 amounted to €485,756, €411,424 and €240,751 respectively.

4 Tangible fixed assets (Continued)

At March 31, 2000, the cost and net book value of aircraft include €87,463,400 in respect of advance payments on aircraft (March 31, 1999: €64,317,312; March 31, 1998: €11,752,696). This amount is not depreciated.

5 Other assets

	March 31,		
	1998	1999	2000
	€000	€000	€000
Prepayments	1,993	4,515	5,155
Value Added Tax recoverable	630	676	1,322
Other receivables and deposits	1,116	1,115	1
	<u>3,739</u>	<u>6,306</u>	<u>6,478</u>

All amounts fall due within one year.

6 Inventories

	March 31,		
	1998	1999	2000
	€000	€000	€000
Aircraft spares	6,214	12,465	13,322
Duty free and other inventories	371	452	611
	<u>6,585</u>	<u>12,917</u>	<u>13,933</u>

There are no material differences between the replacement cost of inventories and the balance sheet amounts.

7 Accounts payable

Accounts payable represents trade creditors payable within one year.

8 Accrued expenses and other liabilities

	March 31,		
	1998	1999	2000
	€000	€000	€000
Current:			
Accruals	8,356	13,943	20,789
Taxation	17,921	33,558	40,243
Unearned revenue	<u>24,685</u>	<u>30,471</u>	<u>46,413</u>
	<u><u>50,962</u></u>	<u><u>77,972</u></u>	<u><u>107,445</u></u>

Taxation above comprises:

	March 31,		
	1998	1999	2000
	€000	€000	€000
PAYE (payroll taxes)	1,106	1,722	2,326
Corporation tax.	11,337	20,553	18,581
Other tax (including foreign travel duty)	<u>5,478</u>	<u>11,283</u>	<u>19,336</u>
	<u><u>17,921</u></u>	<u><u>33,558</u></u>	<u><u>40,243</u></u>

9 Maturity analysis of long term debt

	March 31,		
	1998	1999	2000
	€000	€000	€000
Due within one year:			
Secured debt	3,086	1,319	9,247
Obligations under finance leases	<u>430</u>	<u>446</u>	<u>320</u>
	<u><u>3,516</u></u>	<u><u>1,765</u></u>	<u><u>9,567</u></u>
Due between one and two years:			
Secured debt	317	1,728	9,556
Obligations under finance leases	369	306	51
Due between two and five years:			
Secured debt	476	4,962	31,250
Obligations under finance leases	273	102	23
Due after five years:			
Secured debt	<u>-</u>	<u>16,106</u>	<u>71,532</u>
	<u><u>1,435</u></u>	<u><u>23,204</u></u>	<u><u>112,412</u></u>
Total	<u><u>4,951</u></u>	<u><u>24,969</u></u>	<u><u>121,979</u></u>

Notes on long term debt other than finance leases

(i) January 1994 aircraft facility

At March 31, 1998, Ryanair Limited had U.S. dollar borrowings equivalent to €2,768,170, arranged through a mortgage with the United Bank of Kuwait (previously with Boeing) to finance the purchase of six used Boeing 737-200 Series aircraft during the year ended March 31, 1994. The mortgage was secured with first fixed

charges on six aircraft included in tangible fixed assets. The loan, which was denominated in U.S. dollars and amounted to U.S.\$17,500,000, was drawn down between January and March 1994. The loan bore interest at LIBOR plus 2% and was repayable in monthly installments of U.S.\$291,666 plus interest. The final payment in respect of the loan was made on March 1, 1999.

(ii) June 1996 property facility

At March 31, 1998, March 31, 1999 and March 31, 2000, Ryanair Limited had borrowings of €1,111,021, €794,000, and €476,000 respectively, arranged through a term loan with AIB to finance the purchase of property. The term loan is secured with a first legal charge over the property at Conyngham Road, Dublin 8. The loan was originally drawn down in June 1996. The loan bears interest at 7.61% per annum and is repayable in quarterly installments over five years.

9 Maturity analysis of long term debt (Continued)

(iii) ABN AMRO Bank N. V. 1999 aircraft facility

At March 31, 1999 and March 31, 2000, the Company had U.S. dollar borrowings equivalent to €23,323,298 (U.S.\$25,539,687) and €121,108,551 (U.S.\$126,497,882), respectively, in respect of a partial drawdown of a loan facility provided by ABN AMRO Bank N.V. on the basis of a guarantee provided by the Export-Import Bank of the United States to finance the acquisition of five 737-800 "next generation" aircraft to be delivered between March and September 1999. The guarantee was secured with a first fixed mortgage on the delivered aircraft.

Details of interest rate and debt swap arrangements are described in Note 16.

(iv) Maturity of long term debt other than finance leases

The following table sets out the maturities of the loans described above, analysed by year of repayment:

<u>Years ending March 31,</u>	<u>March 31, 2000</u>
	€000
2001	9,247
2002	9,556
2003	31,250
2004-2011	71,532
	<u>121,585</u>

10 Short term borrowings

	<u>March 31,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>
Bank overdrafts (represented by unrepresented cheques)	<u>2,038</u>	<u>3,893</u>	<u>3,780</u>

11 Provisions for liabilities and charges

	<u>March 31,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>
Deferred taxation: (see Note 24)			
At beginning of year	8,706	13,280	11,277
Charge/(credit) for the year	<u>4,574</u>	<u>(2,003)</u>	<u>4,002</u>
At end of year	<u>13,280</u>	<u>11,277</u>	<u>15,279</u>

12 Share capital and share premium account

(a) Share Capital

	<u>March 31,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>
Authorised:			
420,000,000 ordinary equity shares of 2.54 euro cents each	<u>10,666</u>	<u>10,666</u>	<u>10,666</u>
Allotted, called up and fully paid:			
316,667,810 ordinary equity shares of 2.54 euro cents each at March 31, 1998, 334,849,628 ordinary equity shares of 2.54 euro cents each at March 31, 1999 and 350,149,628 ordinary equity shares of 2.54 euro cents each at March 31, 2000	<u>8,041</u>	<u>8,503</u>	<u>8,892</u>

As part of the group's subsequent 1998 public offering, 18,181,818 (after 2:1 share split of February 28, 2000) ordinary shares of IR2 pence (2.54 euro cents) each were issued for cash on July 10, 1998 at IR £2.25 (€3.49) per share. The proceeds of the issue before costs amounted to €63,486,903 and are being used by the Company to partially finance its aircraft fleet purchase programme.

On February 28, 2000, the Company implemented a sub-division of the Company's ordinary shares of IR 4 pence into IR 2 pence/€2.54 cents (the "stock split"). Both the share capital and earnings per share have been restated to give effect to the share split.

In March 2000, €122,469,633 was raised, before the deduction of issue costs' from the issue of an additional 15,300,000 ordinary shares.

12 Share capital and share premium account (Continued)

(b) Share premium account

	<u>€000</u>
Balance at April 1, 1997:	-
Share premium arising on issue of 66,667,810 ordinary shares	80,841
Cost of share issue	<u>(9,793)</u>
Balance at March 31, 1998	71,048
Share premium arising on issue of 18,181,818 ordinary shares	63,025
Cost of share issue	<u>(3,466)</u>
Balance at March 31, 1999	<u>130,607</u>
Share premium arising on issue of 15,300,000 ordinary shares	122,081
Cost of share issue	<u>(4,595)</u>
Balance at March 31, 2000	<u><u>248,093</u></u>

(c) Share options and share purchase arrangements

On May 21, 1997 the Company granted to each of seven senior managers options over ordinary shares with an equivalent value of IR£200,000 (€253,948) each at the Initial Public Offering (the "IPO") strike price of IR£1.95 (€2.48) less a discount of 10%, resulting in the issue of 717,948 (1,435,896 after stock split) options. None of the individuals were permitted to exercise the options until after May 2000. However, the options must be exercised within seven years of the date of their grant.

In addition, the Company adopted a stock option plan (the "Stock Option Plan") following shareholder approval in 1998. Under the Stock Option Plan, current or future employees or executive directors of the Company may be granted options to purchase an aggregate of up to approximately 5% (when aggregated with other ordinary shares over which options are granted which have not been exercised) of the outstanding ordinary shares of the Company at an exercise price equal to the market price of the ordinary shares at the time the options are granted. The options can be granted each year between 1998 and 2002 if the Company has achieved certain earnings performance criteria. The terms of the Stock Option Plan, and the number of ordinary shares subject to options granted under the Stock Option Plan, may be changed from time to time. At March 31, 2000, 5,027,000 options had been issued under this plan which will become exercisable after June 2003.

The mid-market price of Ryanair Holdings plc ordinary shares on the Irish Stock Exchange at March 31, 2000 was €9.10.

13 Loans and Finance Leases

(a) Total loans and finance leases

Loans	March 31,	
	2000	1999
Bank	€000	€000
Euro	476	794
Dollar-US\$141,395	121,109	-
Dollar-US\$27,227	-	23,321
Finance Leases		
	121,585	24,115
	394	854
Comprising:	121,979	24,969
Bank Loans		
Repayable wholly within five years	50,053	8,009
Repayable in whole or in part after five years	71,532	16,106
	121,585	24,115
Finance Leases		
Repayable wholly within five years	394	854
	121,979	24,969

Bank loans are repayable up to the year 2011.

(b) Analysis of type of borrowing

	Weighted Average Years or which Rate is fixed	Weighted Average Interest Rate	Total €000
Euro	1.5	7.6%	476
Dollar	12.0	5.0%	121,109
			121,585

All borrowings are fixed rate borrowing

(c) Incidence of repayments

	Bank Loans €000	Finance Leases €000	Total 2000 €000	Total 1999 €000
Instalments falling due:				
Within one year	9,247	320	9,567	1,765
Between one and two years	9,556	51	9,607	2,034
Between two and five years	31,250	23	31,273	5,064
In five years or more	71,532	-	71,532	16,106
	121,585	394	121,979	24,969

14 Analysis of changes in borrowings during the year

	<u>Bank Loans</u>	<u>Finance Leases</u>	<u>Total 2000</u>	<u>Total 1999</u>
	€000	€000	€000	€000
Opening balance April 1	24,115	854	24,969	4,951
Loans raised to finance aircraft purchases	101,851	-1	01,851	23,323
Finance lease for equipment	-	23	23	223
Repayments of amounts borrowed	(4,381)	(483)	(4,864)	(3,528)
Closing balance March 31	<u>121,585</u>	<u>394</u>	<u>121,979</u>	<u>24,969</u>

15 Forward Transactions

	<u>In Currency</u>		<u>Euro Equivalent</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	€000	€000	€000	€000
Maturing within one year				
-to cover future aircraft deposits in us dollars	38,619	50,660	38,822	44,782
-to hedge future sterling revenues against the euro	70,000	33,000	109,267	48,002
-to hedge future operating payments in US Dollars	9,416	8,325	9,465	7,359
-to hedge future fuel costs in US Dollars	33,702	28,745	33,879	25,410

All forward transactions mature within one year.

16 Interest and Currency Exchange rate arrangements

To reduce interest and currency exchange rate risk on the Company's fixed rate US dollar denominated debt, the Company has entered into Dollar to Euro Cross Currency Interest Rate Swap arrangements. To hedge the interest rate risk on its future aircraft deliveries the Company has entered into a series of Forward Starting Interest Rate Swap Agreements.

Interest Rate Swaps	<u>Principal Balance</u>	<u>Euro Equivalent</u>	<u>Termination Dates</u>	<u>Fixed Interest Rate Payable</u>
	€000	€000		
Euro at March 31, 2000		491,649	2000-2003	4.44% to 5.03%
Euro at March 31, 1999		491,649	2000-2003	4.44% to 5.03%
US Dollar at March 31, 1999	134,000	114,775	1999	5.46% to 5.50%
Cross Currency Interest Rate Swaps	<u>Principal Balance</u>	<u>Euro Equivalent</u>	<u>Termination Dates</u>	<u>Fixed Interest Rate Payable</u>
	€000	€000		
Euro/US Dollar at March 31, 2000	127,646	124,414	2011	4.89% to 5.54%
Euro/US Dollar at March 31, 2000	134,000	114,775	1999	4.05% to 4.07%

17 Fair Values of financial instruments

(a) Primary financial instruments held to finance the group's operations

	<u>Carrying Amount 2000</u>	<u>Fair Value 2000</u>	<u>Carrying Amount 1999</u>	<u>Fair Value 1999</u>
	€000	€000	€000	€000
Cash on hand	17,319	17,319	16,663	16,663
Liquid Resources	334,149	334,149	138,039	138,039
Bank Borrowings	<u>121,585</u>	<u>122,235</u>	<u>24,115</u>	<u>24,115</u>
Finance Leases	<u>394</u>	<u>394</u>	<u>854</u>	<u>854</u>

17 Fair Values of financial instruments (Continued)

The fair value of all other assets and liabilities is deemed to be equal to their carrying value unless stated otherwise in the relevant note to the accounts.

(b) Derivative financial instruments held to manage fuel, interest and currency exchange rate risk of the group

	<u>Fair Value 2000</u>	<u>Fair Value 1999</u>
	€000	€000
Cross Currency Interest Rate Swaps	7,700	4,150
Forward Starting Interest Rate Swaps	27,430	4,353
Forward Currency Transactions	(4,652)	2,293
Fuel Derivatives	27,509	(3,378)

Included within forward currency transactions are derivative financial instruments held to hedge the currency exposure on expected future sales.

The following methods and assumptions were used by the group in estimating its fair value disclosures for financial instruments:

Re: Bank Loans and Finance Leases carrying fixed rates of interest

- the repayments which the group is committed to make have been discounted at the relevant interest rates applicable at March 31, 2000

Re: Off Balance Sheet Cross Currency Interest Rate Swaps and Interest Rate Swaps

- discounted cash flow analysis has been used to determine the estimated amount the group would receive or pay to terminate the agreements. Discounted cash flow analyses are based on estimated future interest rates. These have also been used to calculate the hedging disclosures.

Re: Off Balance Sheet Forward Currency Transactions

- difference between marked-to-market value and forward rate

Re: Off Balance Sheet Fuel Derivatives

- difference between market value and future commitment value

(c) Hedges

At March 31, 2000, there were unrecognized gains of €66.1 million and unrecognized losses of €8.1 million. The instruments used to hedge future exposures are cross currency interest rate swaps, interest rate swaps, forward currency contracts and fuel derivatives.

At March 31, 1999, there were unrecognized gains of €17.6 million and unrecognized losses of €10.2 million relating to hedges of future exposures.

18 Concentrations of credit risk

The group's revenues derive principally from airline travel on scheduled and chartered services, car hire and inflight and related sales. Revenue is wholly derived from European routes. No individual customer accounts for a significant portion of total revenue.

19 Analysis of revenues

All revenues derive from the group's principal activity as an airline and include scheduled and chartered services, car hire, wet lease income, inflight and related sales.

Revenue is analysed by geographical area (by country of origin) as follows:

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Ireland	69,154	71,109	82,780
Great Britain	141,493	163,198	217,991
Other European countries	21,215	61,452	69,366
	<u>231,862</u>	<u>295,759</u>	<u>370,137</u>

Ancillary revenues included in total revenue above comprise:

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Car hire	3,558	4,604	7,885
Inflight	13,605	20,208	13,624
Cargo	263	-	-
Wet lease	962	-	-
Non-flight scheduled	3,397	5,633	8,779
Charter	6,274	6,441	9,278
	<u>28,059</u>	<u>36,886</u>	<u>39,566</u>

All of the group's operating profit arises from airline-related activities.

The major revenue earning assets of the group are comprised of its aircraft fleet, all of which are registered in Ireland and therefore all profits accrue in Ireland. Since the group's aircraft fleet is employed flexibly across its route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

20 Staff numbers and costs

The average weekly number of employees, including the executive directors, during the periods, analysed by category, was as follows:

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	No.	No.	No.
Flight and cabin crew	291	424	528
Administration and other	601	670	734
	<u>892</u>	<u>1,094</u>	<u>1,262</u>

20 Staff numbers and costs (Continued)

The aggregate payroll costs of these persons were as follows:

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Wages and salaries and related costs	27,480	36,353	44,124
Social welfare costs	2,759	2,904	3,683
Other pension costs	406	577	726
	<u>30,645</u>	<u>39,834</u>	<u>8,533</u>

21 Other operating expenses

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Fuel and oil	27,704	36,554	41,676
Maintenance, materials and repairs	7,224	11,961	16,886
Marketing and distribution costs	20,784	24,602	32,123
Aircraft rentals	5,113	2,909	2,097
Route charges	15,116	20,806	26,301
Airport & handling charges	23,987	29,036	43,095
Other Costs	19,868	25,987	31,319
	<u>119,796</u>	<u>151,855</u>	<u>193,497</u>

Ancillary costs

Other operating costs include certain direct costs of providing inflight service, car hire costs and other non-flight scheduled costs. These costs which are collectively described as non-charter ancillary costs amounted to €11,039,102, €16,345,338 and €19,106,000 for the years ended March 31, 1998, 1999 and 2000, respectively.

Fuel and oil

Fuel and oil costs include fuel costs for scheduled services of €26,595,934, €35,697,416 and €40,746,074 in respect of the years ended March 31, 1998, 1999 and 2000, respectively.

22 Statutory and other information

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Directors' emoluments:			
Fees	102	96	96
Other emoluments, including consultancy fees, bonus and pension contributions	531	603	650
Depreciation of tangible fixed assets	25,140	36,209	43,544
Auditors' remuneration (including expenses)	114	114	114
Operating lease charges (note 27):			
Aircraft	5,113	2,909	2,097
Other	170	170	-
Government grants credited to the profit and loss account (note 27)	<u>(1,343)</u>	<u>-</u>	<u>(841)</u>

Directors' information

(a) Executive Directors

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Basic salary	251	315	378
Performance related bonus	108	136	170
Pension contributions	<u>10</u>	<u>13</u>	<u>27</u>
	<u>369</u>	<u>464</u>	<u>575</u>

During each year Michael O'Leary was the only executive director.

(b) Non - Executive Directors

Ryanair Holdings plc

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Basic salary	67	46	0
Fees	102	96	96
Consulting fees	94	93	75
	<u>263</u>	<u>235</u>	<u>171</u>

During the fiscal year ended March 31, 2000, there were nine non-executive directors.

22 Statutory and other information (Continued)

(c) Pension benefits

Pension benefits are not provided for non-executive directors. At March 31, 2000 the accumulated accrued benefit of the executive director's pension amounted to €107,491 (at March 31, 1999:€74,327). The transfer value of this pension, which is not a sum paid or due to the director concerned but the amount that the pension scheme would transfer to another pension scheme in the event of the member leaving service, was €107,491 (1999: 74,327). The increase in accrued benefit during the year was €29,764 (at March 31, 1999:€21,655). These pension benefits have been computed in accordance with Section 12.43(x) of the Listing Rules of the Irish Stock Exchange. The pension contribution shown in note 22(a) above represents payments made by the group to a defined benefit plan.

(d) Shares and share options

(i) Shares

The Company was listed on the Irish Stock Exchange on May 29, 1997. The beneficial interests of the directors and of their spouses and minor children are as follows:

	March 31, 1998	March 31, 1999	March 31, 2000
David Bonderman*	46,416,668	21,073,220	4,838,720
Raymond MacSharry	25,640	3,640	3,640
Michael O'Leary	44,800,640	41,164,276	30,000,000
James R. Osborne	1,252,564	852,564	352,564
Cathal M. Ryan	27,568,436	24,473,198	13,930,336
Declan F. Ryan	27,568,436	24,473,198	13,930,336
T. Anthony Ryan	22,074,530	18,979,292	8,436,434
Richard P. Schifter*	46,416,668	21,073,220	4,838,720
Jeffrey A. Shaw*	46,416,668	21,073,220	4,838,720
Arthur J. Walls	35,896	15,896	15,896

* Messrs Bonderman, Schifter and Shaw are interested in the Ordinary Shares opposite their names through their interest in Irish Air GenPar, L.P, the holder of those shares.

All figures have been adjusted for the 2.1 share split effected in February 2000.

(ii) *Share options*

None of the directors hold any share options in the Company as at March 31, 2000 or any earlier date.

23 Interest payable and similar charges

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Interest payable on bank loans, overdrafts and other loans wholly repayable within five years	907	167	97
Interest payable on bank loans repayable after five years	35	32	3,601
Finance lease and hire purchase charges	136	38	83
	<u>1,078</u>	<u>237</u>	<u>3,781</u>

24 Taxation

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
The components of income tax expense were as follows:			
Irish corporation tax	11,335	20,342	13,574
Deferred tax (See Note 11)	4,574	(2,003)	4002
	<u>15,909</u>	<u>18,339</u>	<u>17,576</u>
The following table reconciles the statutory rate of Irish corporation tax to the group's effective tax rate.			
Statutory rate of Irish corporation tax	35%	31%	27%
Application of reduced future tax rates	-	-	(2)
Benefit of effective 10% corporation tax rate applicable to profits on activities in Ryanair.com Limited (see note below)	(7)	(7)	(5)
Benefit of lower corporation tax rate applicable to profits of international aircraft leasing business	(2)	-	-
Effective rate of taxation	<u>26%</u>	<u>24%</u>	<u>20%</u>

At March 31, 1998, March 31, 1999 and March 31, 2000, the group had no unused net operating loss carry forwards.

Ryanair.com Limited is engaged in international data processing and reservation services and, as detailed in Note 27(e), has received employment grants from Forbairt, an Irish Government Agency, in relation to the establishment and maintenance of such services. In these circumstances, Ryanair.com Limited is entitled to claim an effective 10% corporation tax rate on profits derived from qualifying activities. The relevant legislation provides for the continuation of the 10% effective corporation tax rate until 2010.

Ryanair.com Limited was incorporated in October 1996 as Ryanair Direct Limited and completed its first full year of trading in the year ended March 31, 1998.

24 Taxation (Continued)

	Year ended March 31, 1998	Ryanair Holdings plc Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
The principal components of deferred tax liabilities were as follows:			
Aircraft including maintenance provisions, property and fixtures and fittings	13,026	11,023	15,025
Other reversing timing differences principally in relation to unearned revenue and foreign exchange adjustments	254	254	254
	<u>13,280</u>	<u>11,277</u>	<u>15,279</u>

At March 31, 2000 the group had fully provided for deferred tax liabilities at 24%, which is the current standard corporation tax rate in Ireland. As explained above, profits from certain qualifying activities are levied at an effective 10% rate in Ireland until 2010.

25 Pensions

Pensions for certain employees are funded through a defined benefit pension scheme, the assets of which are vested in independent trustees for the benefit of employees and their dependants. The contributions are based on the advice of an independent professionally qualified actuary obtained at three yearly intervals. The latest actuarial valuation of the scheme was at December 31, 1997 and used the attained age method.

The principal actuarial assumptions used were as follows:

Rate of long term investment returns will exceed the rate of pensionable increases by 2%
 Rate of long term investment returns will exceed the rate of post retirement pension increases by 7%

The actuarial report showed that at the valuation date the market value of the scheme's assets was €5.78 million which was sufficient to cover more than 100% of the accrued liabilities based on current earnings.

The pension charge for the year to March 31, 1998, the year to March 31, 1999 and the year to March 31, 2000 amounted to €406,316, €577,731 and €726,000, respectively.

While the actuarial report is not available for public inspection, the results are advised to members of the scheme.

For the purposes of disclosure requirements under U.S. GAAP, the pension cost of the group's retirement plan has been restated in the following tables, which are presented in accordance with the requirements of SFAS No. 87.

25 Pensions (Continued)

Change of Benefit Obligations	<u>1998</u> €000	<u>1999</u> €000	<u>2000</u> €000
Projected benefit obligation at beginning of year	4,095	5,185	6,351
Service cost	364	561	616
Interest cost	303	357	383
Employee contributions	305	457	451
Actual (gain)/loss	164	(48)	(587)
Benefits paid	(46)	(161)	(421)
Projected benefit obligation at end of year	<u>5,185</u>	<u>6,351</u>	<u>6,793</u>
Change in plan assets			
Fair value of Scheme assets at beginning of year	4,085	5,784	7,641
Actual return on assets	983	748	1,487
Employer contributions paid	457	813	532
Employee contributions paid	305	457	451
Benefits paid	(46)	(161)	(421)
Fair value of Scheme assets at end of year	<u>5,784</u>	<u>7,641</u>	<u>9,690</u>

The funded status of the group's retirement plan under SFAS No. 87 is as follows:

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	<u>€000</u>	<u>€000</u>	<u>€000</u>
Actuarial present value of vested benefit obligations	<u>2,820</u>	<u>4,185</u>	<u>4,316</u>
Accumulated benefit obligations	<u>2,820</u>	<u>4,185</u>	<u>4,316</u>
Projected benefit obligations	(5,185)	(6,351)	(6,793)
Plan assets at fair value	<u>5,784</u>	<u>7,641</u>	<u>9,690</u>
Plan assets in excess of benefit obligations/(benefit obligations in excess of plan assets)	599	1,290	2,897
Unrecognised net (gain)	(513)	(682)	(2,043)
Unrecognised net obligation on implementation	<u>359</u>	<u>329</u>	<u>298</u>
Prepaid pension cost	<u>445</u>	<u>937</u>	<u>1,152</u>

Plan assets consist primarily of investments in Irish and overseas equity and fixed interest securities. The principal assumptions used in the plan for SFAS No. 87 purposes were as follows:

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	<u>%</u>	<u>%</u>	<u>%</u>
Discount rate	7.0	7.0	6.25
Rate of increase in remuneration	5.0	5.0	4.25
Expected long term rate of return on assets	9.0	9.0	9.0

25 Pensions (Continued)

The net periodic pension cost under SFAS No. 87 for the years ended March 31, 1998, 1999 and 2000 comprised:

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	<u>€000</u>	<u>€000</u>	<u>€000</u>
Service cost-present value of benefits earned during the year	363	561	616
Interest cost on projected benefit obligations	303	357	383
Actual return on assets	(983)	(658)	(1,487)
Deferrals and amortisation	<u>618</u>	<u>202</u>	<u>851</u>
Net periodic pension cost	<u>301</u>	<u>462</u>	<u>363</u>

26 Earnings per share and adjusted earnings per share

Earnings per ordinary share (EPS) for Ryanair Holdings plc for the years ended March 31, 1998, March 31, 1999 and March 31, 2000 has been computed by dividing the profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period, after giving effect to the share split described in Note 12(a).

	<u>Year ended March 31, 1998</u>	<u>Year ended March 31, 1999</u>	<u>Year ended March 31, 2000</u>
	€000	€000	€000
Basic weighted average number of shares outstanding	304,430,158	329,519,616	335,478,395
Dilutive effect of employee share options	714,286	1,123,920	2,202,248
Dilutive weighted average number of shares outstanding	305,144,444	330,643,536	337,680,643

Ryanair Holdings plc has also presented an adjusted earnings per share which is stated after increasing the retained profit after tax for the year ended March 31, 1998 by €2,296,956 in respect of the after-tax impact of a flotation bonus paid to all staff and a bonus paid to staff following an industrial relations dispute in 1998.

27 Commitments and contingencies

Commitments:

(a) Under the terms of an aircraft purchase contract dated March 9, 1998 with Boeing (the "Boeing Contract"), Ryanair Holdings plc will purchase 25 new 737-800 aircraft and has options to purchase up to an additional 20 such aircraft.

The gross price for each aircraft will be U.S.\$46,631,900 including certain equipment purchased and fitted by Boeing on Ryanair Holdings plc's behalf, subject to increase to take into account an "Escalation Factor" reflecting the changes in the U.S. Employment Cost and Producer Price Indexes and to decrease to take into account certain concessions granted to the Company by Boeing. The total amount to be paid by Ryanair Holdings plc over the period to January 2003 in respect of the 25 new aircraft, not taking into account any such increases or decreases, will be approximately U.S.\$1.2 billion. In addition, Ryanair Holdings plc has paid to Boeing an aggregate deposit of U.S.\$2 million in respect of the aircraft under option.

The group took delivery of the first five 737-800 aircraft in 1999 (the first arrived in March 1999), and a further five aircraft were delivered in 2000, two in May 2000 and three in June 2000 with additional deliveries currently scheduled as follows: three aircraft in December 2000, five aircraft in 2001, eight aircraft in 2002 and the final two aircraft in January 2003. The additional seventeen 737-800s under option to the group may be delivered between 2001 and 2005.

27 Commitments and contingencies (Continued)

(b) Ryanair Holdings plc incurred expenses of €5,113,235, €2,908,970 and €2,097,425 in respect of operating leases for the year ended March 31, 1998, the year ended March 31, 1999 and the year ended March 31, 2000. Such expenses consisted almost entirely of short term leases of aircraft.

(c) Commitments resulting from the use of derivative financial instruments by the group are described in Note 17.

Contingencies:

(d) The group is engaged in litigation arising in the ordinary course of its business. Management does not believe that any such litigation will individually or in aggregate have a material adverse effect on the financial condition of the group. Should the group be unsuccessful in these litigation actions, management believes the possible liabilities then arising cannot be determined but are not expected to materially adversely affect the group's results of operations or financial position.

(e) During the years ended March 31, 1998, March 31, 1999 and March 31, 2000, a subsidiary undertaking, Ryanair.com Limited, claimed employment grants totalling €1,342,748, nil and €840,563 respectively from Forbairt, an Irish Government industrial development agency. Under the terms of the grant agreement with Forbairt dated December 9, 1996, the grants received or part thereof may be repayable in certain circumstances.

In addition, the agreement dated December 9, 1996 provides that if the shareholders in Ryanair Holdings plc (or certain of their affiliates) at that date cease to control more than 50% of its share capital or if Ryanair Limited or Ryanair.com Limited cease to be subsidiaries of Ryanair Holdings plc or if Irish Air L.P. acquires more than 50% of the share capital of Ryanair Holdings plc then Forbairt has an option to acquire 5% of the share capital in Ryanair.com Limited without making any further payments (other than nominal amounts). Since November 1998, when Irish Air, L.P. dissolved and distributed all of the Ordinary Shares held by it to its partners, Forbairt's option has become exercisable. Forbairt has not yet exercised its option or indicated when it may do so. If Forbairt exercises its option, then effectively, under the terms of the agreement, Ryanair.com Limited is immediately required to redeem or purchase the 5% shareholding acquired by Forbairt for specified amounts decreasing over time through to 2003 from 30% to 25% of the cumulative grants received. Such repurchase amount was approximately €594,000 as of March 31, 2000. Ryanair.com Limited also has an option to cancel the Forbairt option for €698,350 in the period from April 1, 2000 to March 31, 2003. Management does not believe that the settlement of this contingency will have a material impact on its results.

28 Notes to cash flow statements

(a) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Operating profit	56,281	67,861	84,055
Foreign exchange gains	1,973	389	1,358
Depreciation of tangible fixed assets	25,140	36,209	43,544
(Increase) in inventories	(1,515)	(5,252)	(1,016)
(Increase) in accounts receivable	(3,049)	(6,331)	(3,499)
Decrease/(increase) in other assets	(863)	(2,226)	2,058
(Decrease)/increase in accounts payable	7,792	15,980	(7,903)
Increase in accrued expenses and other liabilities	13,271	17,781	30,978
Net cash inflow from operating activities	<u>99,030</u>	<u>124,411</u>	<u>149,575</u>

28 Notes to cash flow statements (Continued)

(b) Analysis of cash and liquid resources balances

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Cash at bank, available on demand	6,062	20,556	21,099
Liquid resources (including restricted bank balances Note 2)	<u>58,657</u>	<u>138,039</u>	<u>334,149</u>
Total cash and liquid resources	<u><u>64,719</u></u>	<u><u>158,595</u></u>	<u><u>355,248</u></u>

Liquid resources comprise bank fixed deposits with maturities of greater than one day.

(c) Analysis of movement in liquid resources (including restricted bank balances-Note 2)

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Liquid resources at beginning of year	26,773	58,657	138,039
Increase in year	<u>31,884</u>	<u>79,382</u>	<u>196,110</u>
Liquid resources at end of year	<u><u>58,657</u></u>	<u><u>138,039</u></u>	<u><u>334,149</u></u>

(d) Analysis of movements in cash

	March 31, 1998		
	Cash at Bank	Bank Overdraft	Total
	€000	€000	€000
At beginning of period	3,633	(494)	3,139
Net cash inflow/(outflow)	<u>2,429</u>	<u>(1,544)</u>	<u>885</u>
At end of period	<u><u>6,062</u></u>	<u><u>(2,038)</u></u>	<u><u>4,024</u></u>

	March 31, 1999		
	Cash at Bank	Bank Overdraft	Total
	€000	€000	€000
At beginning of year	6,062	(2,038)	4,024
Net cash inflow	<u>14,494</u>	<u>(1,855)</u>	<u>12,639</u>
At end of year	<u><u>20,556</u></u>	<u><u>(3,893)</u></u>	<u><u>16,663</u></u>

	March 31, 2000		
	Cash at Bank	Bank Overdraft	Total
	€000	€000	€000
At beginning of year	20,556	(3,893)	16,663
Net cash inflow	<u>543</u>	<u>113</u>	<u>656</u>
At end of year	<u><u>21,099</u></u>	<u><u>(3,780)</u></u>	<u><u>17,319</u></u>

28 Notes to cash flow statements (Continued)

(e) Reconciliation of net cash flow to movement in net debt

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Increase in cash in period/year	885	12,640	656
Movement in liquid resources	31,884	79,382	196,110
Cash flow from (increase in) /repayment of debt	43,609	(20,237)	(97,470)
Movement in net funds resulting from cash flows	76,378	71,785	99,296
Movement in finance leases	(55)	218	460
Movement in net funds in the period/year	76,323	72,003	99,756
Net funds/(debt) at beginning of year	(18,593)	57,730	129,733
Net funds/(debt) at end of year	57,730	129,733	229,489

Net debt consists of borrowings less cash and liquid resources. Net funds arise when cash and liquid resources exceed debt.

29 Post balance sheet events

There were no significant post balance sheet events.

30 Related party transactions

Since 1992, Ryanair limited has rented its corporate headquarters at Dublin Airport from Darley Investments Limited ("Darley") at an annual rental of €253,948 per annum. Darley developed the site at Dublin Airport under a 30-year license on land from Ireland's Minister for Transport, Energy and Communications. Ryanair Limited provided loan facilities to Darley to develop the site. From the period of its incorporation (1988) to March 31, 1996, the share capital of Darley was held by CDS Trust, a trust established by T.A. Ryan for the benefit of C.M. Ryan, D.F. Ryan, S.T. Ryan and their children. Darley became a wholly owned subsidiary of Ryanair Limited with effect from March 31, 1996 (see Note 31). The building is included in fixed assets in the consolidated balance sheet at March 31, 2000 at a net book value of €1,060,000 (1999: €1,216,409; 1998: €1,373,857). The annual rental payable by the group to the Minister is €243,790 but payment of the rent is suspended for the first 12 years of the agreement and Darley will receive a 50% rebate on the rent for six years thereafter.

The aggregate amounts of directors' remuneration during the period, including directors' fees and consultancy fees, are set out in Note 22. There were no contractual arrangements with non-executive directors at March 31, 2000. Mr. MacSharry received annual compensation of €63,487 plus travel and other reasonably incurred expenses in return for consulting services to the group under a three year agreement from April 1, 1997 to March 31, 2000. Mr. Osborne received annual compensation of €30,474 plus travel and other reasonably incurred expenses in return for consulting services to the group under a three year agreement from August 23, 1996 to August 22, 1999.

31 Subsidiary undertakings and acquisitions during the period

(a) The following are wholly owned subsidiary undertakings of Ryanair Holdings plc:

<u>Name</u>	<u>Effective date of acquisition/incorporation</u>	<u>Registered Office</u>	<u>Nature of Business</u>
Ryanair Limited	August 23, 1996 (acquisition)	Corporate Headquarters Dublin Airport Co Dublin	Airline operator
Darley Investments Limited*	August 23, 1996 (acquisition)	Corporate Headquarters Dublin Airportcompany Co Dublin	Investment holding
Ryanair.com Limited*	August 23, 1996 (acquisition)	Corporate Headquarters Dublin Airport Co Dublin	International data processing and reservations services
Ryanair U.K. Limited*	August 23, 1996 (acquisition)	Terminal Building London-Stansted Airport Essex U.K.	Airline activities
Visby Limited*	June 13, 1997 (incorporation)	Heritage Court 41 Athol Street Douglas Isle of Man	Aircraft trading and leasing
Desnovora Limited	September 11, 1997 (incorporation)	10 Mnasiadou Street Elma House 1065 Nicosia Cyprus	Aircraft trading and leasing
Airport Marketing	February 12, 1998 (incorporation)	Corporate Headquarters Dublin Airport Co Dublin	Marketing and Services Limited*

* These subsidiaries are wholly owned by Ryanair Limited, which in turn is wholly owned by Ryanair Holdings plc.

Desnovora Limited is a wholly owned subsidiary of Visby Limited.

In accordance with the basis of consolidation policy described in Note 1b, the subsidiary undertakings referred to above have been consolidated in the respective financial statements of Ryanair Holdings plc from date of acquisition or incorporation, as appropriate.

32 Summary of differences between U.K., Irish and United States generally accepted accounting principles

(a) Significant differences

The financial statements of Ryanair Holdings plc are prepared in accordance with generally accepted accounting principles ("GAAP") applicable in the U.K. and Ireland which differ significantly in certain respects from those generally accepted in the United States. These significant differences are described below:

(i) Deferred tax

Under U.K. and Irish GAAP, Ryanair Holdings plc provides for deferred taxation using the liability method on all material timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future. Net deferred tax assets are not recognised except to the extent that they are expected to be recoverable without replacement by equivalent asset balances. Under U.S. GAAP, as set out in Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes," deferred taxation is provided on all temporary differences between the financial statement carrying value of assets and liabilities and the tax value of such assets and liabilities on a full provision basis. Deferred tax assets are recognised if their realisation is considered to be more likely than not.

(ii) Forward exchange contracts

Certain outstanding foreign currency forward exchange contracts which hedge anticipated future transactions and qualify for hedge contracts treatment under U.K. and Irish GAAP would not qualify as hedges under U.S. GAAP. Such contracts would be recorded at fair value at each balance sheet date based on the forward rates of exchange ruling at that date and the corresponding unrealised gain or loss would be included in the determination of net income.

(iii) August 1996 transaction

Under U.S. GAAP, acquisition accounting does not apply in respect of the August 1996 transaction by which Ryanair Holdings plc acquired the entire issued share capital of Ryanair Limited because there has been no change in control. Accordingly, under U.S. GAAP, Ryanair Holdings plc presents assets and liabilities using the historical predecessor cost basis in Ryanair Limited.

Under U.K. and Irish GAAP, the August 1996 transaction is accounted for as an acquisition by Ryanair Holdings plc of Ryanair Limited and the assets and liabilities are recorded at their fair values on that date. As the fair value of the aircraft was higher than its cost basis in Ryanair Limited the depreciation charge in the period subsequent to August 1996 is higher under U.K. and Irish GAAP than U.S. GAAP.

Under U.K. and Irish GAAP, the difference between the fair value of the acquired assets and liabilities and the consideration is recorded as goodwill and written off directly against reserves. Under U.S. GAAP the consideration paid in connection with the transaction is recorded as a reduction in shareholders' equity

(iv) Darley Investments Limited

Under U.K. and Irish GAAP, the acquisition of Darley Investments Limited ("Darley") at March 31, 1996 has been treated as an acquisition and the acquired assets and liabilities have been recorded in the consolidated financial statements of Ryanair Limited at their fair value.

Under U.K. and Irish GAAP, the assets acquired were recorded at their fair value and a fair value adjustment on the headquarters building of €844,915 arose. Under U.S. GAAP, the assets are presented at their historical cost and consequently, additional depreciation on the fair value adjustment on the headquarters building is not recorded for U.S. GAAP.

(v) Acquisition of certain aircraft

Under U.K. and Irish GAAP, the aggregate consideration of U.S.\$25 million paid by Ryanair Limited to Northhill Limited in August 1994 in respect of the acquisition of four aircraft is included in fixed assets as aircraft cost.

Under U.S. GAAP, as Northhill Limited was controlled by T.A. Ryan, a connected person with the controlling shareholders of Ryanair Limited, the cost of the aircraft is recorded based on their cost to Northhill Limited of U.S.\$22 million and the difference between that cost and the amount paid by Ryanair Limited to Northhill Limited is treated as a reduction of shareholders' equity.

(vi) Pensions

Under U.K. and Irish GAAP, Ryanair Holdings plc accounts for pension costs under SSAP 24, "Accounting for pension costs." Its objectives and principles are broadly in line with those set out in the U.S. accounting standard for pensions, SFAS 87, "Employers accounting for pensions." However, SSAP 24 is less prescriptive in its provisions and allows the use of different measurement principles. Note 25 to the financial statements gives the group pension disclosures under both U.K., Irish and U.S. GAAP.

(vii) Employment grants

Under U.K. and Irish GAAP, employment grants paid by an Irish government agency are recognized in the profit and loss account on receipt and a contingent liability is disclosed for amounts which may become repayable in certain predefined circumstances.

Under U.S. GAAP, these revenues are recognised in the profit and loss account over the period for which minimum employment levels apply under the terms of the agreement and the unamortised balance is treated as deferred income.

(viii) Share option compensation expense

Under U.S. GAAP, any excess of the fair market value over the exercise price under a share option plan on the date of the grant is recognized as compensation expense over the period the services are provided. Under U.K. and Irish GAAP, in effect in May 1997, when these share options were granted, compensation was not recognized for stock issued at a price less than market price.

Under US GAAP, the Company applies Accounting Principles Board Opinion No. 25 (APB 25) in accounting for its plans and, accordingly, except for the grant in May 1997, no compensation cost has been recognized for its stock option grants. Had Ryanair Holdings plc determined compensation cost based on the fair value of the options at the grant date for its stock options under Statement of Financial Accounting Standards No. 123 (SFAS 123), its U.S. GAAP net income and earnings per share would have been reduced by €2,280,000, €590,143, and €717,402 respectively, for the years ended March 31, 2000, 1999 and 1998, respectively.

The weighted average fair value of the individual options granted during the year ended March 31, 2000 is estimated at €2.00 on the date of grant. The fair value for these options was estimated using the Black-Scholes option pricing model with the following weighted average assumptions for the year ended March 31, 2000: dividend yield of nil; expected volatility of 46%; risk free interest rate of 4.15%; and expected useful life of 6 years.

The weighted average fair value of the individual options granted during the year ended March 31, 1999 is estimated at €3.66 and €2.63 on the date of grant of the June and December options, respectively.

The fair value for these options was estimated using the Black-Scholes option pricing model with the following weighted average assumptions for the year ended March 31, 1999: dividend yield of nil; expected volatility of 50%; risk free interest rate of 4.94% and 3.72%; and expected useful life of 7 and 6.5 years of the June and December options, respectively.

The weighted average fair value of the individual options granted during the year ended March 31, 1998 is estimated at €1.54 on the date of grant. The fair value for these options was estimated using the Black-Scholes option pricing model with the following weighted average assumptions for the year ended March 31, 1998: dividend yield of nil; expected volatility of 50%; risk free interest rate of 6.62%; and expected useful life of 7 years.

(ix) Amortization of airframe and engine maintenance checks

Under UK and Irish GAAP, the Company changed the way in which it accounted for airframe and engine maintenance checks to comply with the provisions of FRS 12 "Provisions, Contingent Liabilities and Contingent Assets" and FRS 15 "Tangible Fixed Assets". Maintenance is no longer provided for by accruing for the future costs of checks but is capitalized as incurred and amortized. An element of the cost of a newly acquired aircraft is also attributed to the condition of its airframe and engines and amortised over the periods which benefit. Under Irish GAAP, prior periods were restated for these changes in accounting policies.

However under U.S. GAAP, a change in accounting policy results in a cumulative adjustment to income in the year of change. Prior year results are not restated.

(x) Investments

The Company holds one investment in a publicly quoted company. Under Irish GAAP this investment, which is held for the long term and not traded, is recorded in the Company's balance sheet at cost. Profits or losses arising on disposal are booked in the profit and loss account when the shares are sold and represents the difference between sales proceeds and cost of purchase. Under U.S. GAAP equity securities must be designated as trading or available for sale securities. Ryanair investments are available for sale securities and are marked to market with gains or losses arising taken to the Statement of Shareholders' Equity.

(b) Net income under U.S. GAAP

	Ryanair Holdings plc		
	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Profit for the financial year as reported in the consolidated profit and loss accounts and in accordance with U.K. and Irish GAAP	45,525	57,471	72,518
Adjustments			
Pensions	104	115	363
Unrealised (loss)/gain on forward exchange contracts	(1,425)	3,018	(3,755)
Employment grants	(815)	414	(664)
Depreciation on tangible fixed assets:			
-basis of accounting for August 1996 transaction	1,604	1,238	1,996
-basis of accounting for aircraft acquired from Northhill Limited	442	442	442
Darley Investments Limited	86	86	86
Share option compensation expense	(61)	(61)	(56)
Taxation-effect of above adjustments	770	(952)	936
Effect of changes in accounting policies:			
Maintenance and depreciation	(14,267)	-	-
Tax	4,730	-	-
Net income as adjusted to accord with U.S. GAAP before cumulative effect of accounting change	36,693	61,771	71,866
Cumulative effect of accounting change (net of tax expense of €11,067,000)	-	23,122	-
Net income in accordance with U.S. GAAP	<u>36,693</u>	<u>84,893</u>	<u>71,866</u>

(c) Shareholders' equity

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Shareholders' equity as reported in the consolidated balance sheets (UK and Irish GAAP)	133,472	250,964	441,357
Adjustments:			
Pension	444	560	923
Unrealised (loss)/gain on forward exchange contracts	(1,877)	1,141	(2,614)
Employment grants	(1,084)	(670)	(1,334)
Basis of accounting for August 1996 transaction	(4,765)	(3,527)	(1,531)
Basis of accounting for aircraft acquired from Northill Limited	(1,063)	(621)	(179)
Darley Investments Limited	(676)	(589)	(503)
Share option compensation expense	117	56	-
Investments	-	2,302	1,988
Tax effect of above adjustments	1,251	297	1,233
Effect of changes in accounting policies:			
Maintenance and depreciation	(34,189)	-	-
Tax	11,067	-	-
Shareholders' (deficit)/equity as adjusted to accord with U.S. GAAP	<u>102,697</u>	<u>249,913</u>	<u>439,340</u>
Opening shareholders' equity/(deficit) under U.S. GAAP	<u>(6,915)</u>	<u>102,697</u>	<u>249,913</u>
Investments	-	2,302	(314)
Net income in accordance with U.S. GAAP	36,693	61,771	71,866
Stock issued for cash	72,741	60,021	117,875
Consideration paid for shares in Ryanair Limited	-	-	-
Share option compensation expense	178	-	-
Cumulative effect of accounting change	-	23,122	-
Closing shareholders' equity under U.S. GAAP	<u><u>102,697</u></u>	<u><u>249,913</u></u>	<u><u>439,340</u></u>

(d) Total assets

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Total assets as reported in the consolidated balance sheets (U.K. and Irish GAAP)	219,488	399,839	712,701
Adjustments:			
Pension	444	560	923
Basis of accounting for August 1996 transaction	(4,765)	(3,527)	(1,531)
Basis of accounting for aircraft acquired from Northhill Limited	(1,063)	(621)	(179)
Darley Investments Limited	(676)	(589)	(503)
Investments	-	2,302	1,988
Effect of changes in accounting policies on fixed assets	(11,447)	-	-
Total assets as adjusted to accord with U.S. GAAP	<u>201,981</u>	<u>397,964</u>	<u>713,399</u>

(e) Cash flows

In accordance with U.K. and Irish GAAP, the group complies with Financial Reporting Standard No. 1- "Cash flow statements" (FRS 1). Its objective and principles are similar to those set out in SFAS No. 95 "Statement of Cash Flows." The principal difference between the standards is in respect of classification. Under FRS 1, the group presents its cash flows for: (a) operating activities; (b) returns on investments and servicing of finance; (c) taxation; (d) capital expenditure; (e) acquisitions and disposals; and (f) financing activities. SFAS No. 95 requires only three categories of cash flow activity: (a) operating; (b) investing; and (c) financing.

Cash flows arising from taxation and returns on investments and servicing of finance under FRS 1 are included as operating activities under SFAS No. 95. In addition, under FRS 1, cash and cash equivalents include short term borrowings repayable on demand. SFAS No. 95 requires movements in such borrowings to be included in financing activities.

Disclosure of accounting policy

For the purposes of cash flows under U.S. GAAP, the Company considers all highly liquid deposits with a maturity of three months or less to be cash equivalents. Cash and cash equivalents excludes restricted bank balances. Under U.K. and Irish GAAP, cash represents cash held at bank available on demand, offset by bank overdrafts, and liquid resources comprise bank fixed deposits with maturities of greater than one day.

Under U.K. and Irish and U.S. GAAP, transactions that are undertaken to hedge another transaction are reported under the same classification as the underlying transaction that is the subject of the hedge.

A summarised consolidated cash flow under U.S. GAAP is as follows:

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Cash inflow from operating activities	82,420	119,330	135,983
Cash inflow/(outflow) from investing activities	(72,841)	(158,664)	(327,006)
Cash inflow from financing activities	30,349	81,671	214,749
Increase in cash and cash equivalents	39,928	42,337	23,726
Cash and cash equivalents at beginning of year	15,439	55,367	97,704
Cash and cash equivalents at end of year	<u>55,367</u>	<u>97,704</u>	<u>121,430</u>

The following table reconciles cash and cash equivalents as presented under U.S. and liquid resources excluding restricted bank balances as presented under U.K. and Irish GAAP:

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Cash and cash equivalents under U.S. GAAP	55,367	97,704	121,430
Deposits with a maturity between three and six months	8,916	60,891	233,818
Cash and liquid resources under U.K. and Irish GAAP	<u>64,283</u>	<u>158,595</u>	<u>355,248</u>

Supplemental schedule of Non-Cash Investing and Financing Activities.

The group entered into capital leases for new fixtures and fittings, plant and equipment and motor vehicles of €23,000 (1999: €223,474 and 1998: €379,652). Principal payments under these lease obligations totalled €482,500 (1999: €441,869 and 1998: €326,323).

(f) Profit and loss account as restated per U.S. GAAP

	Year ended March 31, 1998	Year ended March 31, 1999	Year ended March 31, 2000
	€000	€000	€000
Operating revenues			
Scheduled revenues	203,803	258,873	330,571
Ancillary revenues	28,059	36,886	39,566
Total operating revenues- continuing operations	<u>231,862</u>	<u>295,759</u>	<u>370,137</u>
Operating expenses			
Staff costs	(31,417)	(39,364)	(48,890)
Depreciation of tangible fixed assets	(18,637)	(34,531)	(41,614)
Other operating expenses	(138,434)	(151,769)	(193,411)
Total operating expenses	<u>(188,488)</u>	<u>(225,664)</u>	<u>(283,915)</u>
Operating income- continuing operations	<u>43,374</u>	<u>70,095</u>	<u>86,222</u>
Other income/(expenses)			
Interest receivable and similar income	4,178	6,610	7,498
Interest payable and similar charges	(1,078)	(237)	(3,781)
Foreign exchange gains	548	3,407	(2,397)
Gain on disposal of fixed assets	80	1,187	964
Total other income/(expenses)	<u>3,728</u>	<u>10,967</u>	<u>2,284</u>
Income before taxation	47,102	81,062	88,506
Taxation	(10,409)	(19,291)	(16,640)
Net income before cumulative effect of accounting changes	36,693	61,771	71,866
Cumulative effect of accounting change (net of tax expense of €11,067,037)	-	23,122	-
Net income	<u>36,693</u>	<u>84,893</u>	<u>71,866</u>
Basic earnings per ordinary share (euro cents)	12	26	21
Diluted earnings per share (euro cents)	12	26	21
<i>Pro forma amounts assuming the new accounting principles were applied retroactively:</i>			
Net income	46,230	61,771	71,866
Basic earnings per share (euro cents)	15	19	21
Diluted earnings per share (euro cents)	15	19	21
Shares used in computing net income per share	<u>304,430,158</u>	<u>329,519,616</u>	<u>335,478,395</u>

33 New accounting pronouncements

(a) New U.S. accounting pronouncements

The group has adopted Statement of Financial Accounting Standard No. 130 ("SFAS 130"), "Reporting Comprehensive Income," issued in 1997. SFAS 130 established standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. This statement requires that all items that are required to be recognized under Accounting Standards as components of comprehensive income be reported in an annual financial statement that is displayed with the same prominence as other financial statements.

Ryanair Holdings plc has comprehensive income for the year ended March 31, 2000 of €71.6 million (1999: €87.2 million, 1998: €36.7 million) consisting of reported profits of €71.9 million (1999: €84.9 million, 1998: €36.7 million), after including the cumulative effect of changes in accounting policies of €nil million (1999: €23.1 million, 1998: €nil) and a gain on available for sale securities of €(0.3 million) (1999: €2.3 million, 1998: €nil million).

In 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). In 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB of this standard Statement No. 133 (an amendment of FASB Statement No. 133)", which deferred the effective date to all fiscal quarters of all fiscal years beginning after June 15, 2000. This would be effective for the Company's financial statements beginning April 1, 2001. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)", which requires no further delays in the adoption of SFAS No. 133. SFAS No. 133 requires a company to recognize all derivative instruments as assets or liabilities in its balance sheet and measure them at fair value. The Company is currently assessing the impact of this Statement.

In March 2000, the FASB issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN No. 44"). FIN No. 44 clarifies the application of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", with respect to certain issues in accounting for employee stock compensation and is generally effective as of July 1, 2000. The Company does not expect FIN No. 44 to have a material effect on its financial statements.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements of filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

RYANAIR HOLDINGS PLC

(Registrant)

/s/ Michael O'Leary

Name: Michael O'Leary

Title: Chief Executive Officer and Director

Dated: September 29, 2000

GLOSSARY

Certain of the terms included in the section on Selected Operating and Other Data and elsewhere in this Report have the meanings indicated below and refer only to Ryanair's scheduled passenger service.

Average Yield per RPM	Represents the average scheduled passenger fare revenue for each mile a scheduled revenue passenger is carried.
Adjusted Average Yield per RPM	Represents the average scheduled passenger fare revenue (plus revenues from in-flight sales and car rental services less the cost of those sales and services) received for each RPM.
Average Yield per ASM	Represents the average scheduled passenger fare revenue for each ASM.
Adjusted Average Yield per ASM	Represents the average scheduled passenger fare revenue (plus revenues from in-flight sales and car rental services less the cost of those sales and services) received for each ASM.
Average Passenger Spend per Flight	Represents the average revenue generated per scheduled passenger including in-flight purchases and car rental services.
Cost Per ASM (CASM)	Represents operating expenses (excluding Non-Charter Ancillary Costs) divided by ASMs.
Adjusted Cost Per ASM (ACASM)	Represents operating expenses (excluding discontinued executive director bonuses, IPO bonus, industrial dispute bonus and Non-Charter Ancillary Costs) divided by ASMs.
Average Fuel Cost Per U.S. Gallon	Represents the average cost per U.S. gallon of jet fuel for the fleet (including fueling charges) after giving effect to fuel hedging arrangements.
Operating Margin	Represents operating profit as a percentage of total revenues.
EBITDA	Represents "Earnings before Interest, Tax, Depreciation and Amortization" and is equal to the sum of profit after taxation, minority interest, net interest expense, tax, depreciation and amortization.
EBITDAR	Represents "Earnings before Interest, Tax, Depreciation, Amortization and aircraft Rental Charges" and is equal to the sum of EBITDA (as calculated above) and aircraft rental charges.

EBITDA Margin	Represents EBITDA as a percentage of total revenues
EBITDAR Margin	Represents EBITDAR as a percentage of total revenues.
Adjusted EBITDA	Represents EBITDA plus the discontinued executive director bonuses, IPO bonus and industrial dispute bonus.
Adjusted EBITDAR	Represents EBITDAR plus the discontinued executive director bonuses, IPO bonus and industrial dispute bonus.
Adjusted EBITDA Margin	Represents Adjusted EBITDA as a percentage of total revenues.
Adjusted EBITDAR Margin	Represents Adjusted EBITDAR as a percentage of total revenues.
Revenue Passengers Carried	Represents the number of scheduled fare paying passengers carried.
Revenue Passenger Miles (RPMs)	Represents the number of miles flown by scheduled fare paying passengers.
Available Seat Miles (ASMs)	Represents the number of seats available for scheduled passengers multiplied by the number of miles those seats were flown.
Passenger Load Factor	Represents RPMs divided by ASMs.
Passenger Seat Occupancy	Represents the total number of seats occupied on all Sectors Flown as a percentage of total seat capacity on all Sectors Flown.
Break-even Load Factor	Represents the number of RPMs at which scheduled passenger revenues would have been equal to operating expenses (excluding Non-Charter Ancillary Costs) divided by ASMs (based on Average Yield per RPM). For the purposes of this calculation, the number of RPMs at which scheduled passenger revenues would have been equal to operating expenses (excluding Non-Charter Ancillary Costs) is calculated by dividing operating expenses (excluding Non-Charter Ancillary Costs) by Average Yield per RPM.
Adjusted Break-even Load Factor	Represents the number of RPMs at which scheduled passenger revenues plus revenue from in-flight sales and car rental services less the cost of those sales and services would have been equal to operating expenses (excluding Non-Charter Ancillary Costs and discontinued executive director bonuses, IPO bonus and industrial dispute bonus) divided by ASMs.
Non-Charter Ancillary Costs	Represents the direct cost of Ryanair's ancillary revenues, excluding costs in relation to Ryanair's charter operations.

Average Length of Passenger Haul	Represents the average number of miles traveled by a scheduled fare paying passenger.
Sectors Flown	Represents the number of scheduled passenger flight sectors flown.
Average Passenger Fare	Represents the average fare paid by a scheduled fare paying passenger.
Number of Owned Aircraft Operated	Represents the number of aircraft owned and operated at the end of the period.
Number of Airports Served	Represents the number of airports to/from which the carrier offered scheduled service at the end of the period.
Average Daily Flight Hour Utilization	Represents the average number of air hours flown in scheduled service per day per aircraft for the total fleet of aircraft.

Index to Exhibits

<u>Exhibit Number</u>	<u>Exhibit</u>	<u>Sequentially Numbered Page</u>
1.1.	List of subsidiaries of the registrant	

Exhibit 1.1**List of Subsidiaries to the Registrant**

Name	Jurisdiction of Incorporation
Ryanair Limited	Ireland
Darley Investments Limited*	Ireland
Ryanair.com Limited*	Ireland
Ryanair U.K. Limited*	U.K.
Visby Limited*	Isle of Man
Desnovora Limited	Cyprus
Airport Marketing Services Limited*	Ireland

* These subsidiaries are wholly owned by Ryanair Limited which in turn is wholly owned by Ryanair Holdings plc.