

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, 2001, 2002 and 2003 and the related consolidated profit and loss accounts, consolidated cash flow statements and consolidated statements of changes in shareholders' funds-equity for the years ended March 31, 2001, 2002 and 2003. 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 and 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, 2001, 2002 and 2003 and the results of their operations and cash flows for the years ended March 31, 2001, 2002 and 2003 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, 2001, 2002 and 2003 to the extent summarized in Note 30 to the consolidated financial statements.

KPMG
Chartered Accountants
Dublin, Ireland
May 29, 2003

Consolidated Balance Sheets

	Note	At March 31, 2001 €000	At March 31, 2002 €000	At March 31, 2003 €000
Current assets				
Cash and liquid resources	2	626,720	899,275	1,060,218
Accounts receivable	3	8,695	10,331	14,970
Other assets	5	12,235	11,035	16,370
Inventories	6	15,975	17,125	22,788
Total current assets		<u>663,625</u>	<u>937,766</u>	<u>1,114,346</u>
Fixed assets				
Tangible assets	4	613,591	951,806	1,352,361
Financial assets		36	-	-
Total assets		<u>1,277,252</u>	<u>1,889,572</u>	<u>2,466,707</u>
Current liabilities				
Accounts payable	7	29,998	46,779	61,604
Accrued expenses and other liabilities	8	139,406	217,108	251,328
Current maturities of long term debt	9	27,994	38,800	63,291
Short term borrowings	10	5,078	5,505	1,316
Total current liabilities		<u>202,476</u>	<u>308,192</u>	<u>377,539</u>
Other liabilities				
Provisions for liabilities and charges	11	30,122	49,317	67,833
Accounts payable due after one year		-	18,086	5,673
Long term debt	9	374,756	511,703	773,934
		<u>404,878</u>	<u>579,106</u>	<u>847,440</u>
Shareholders' funds—equity				
Called-up share capital	12	9,194	9,587	9,588
Share premium account	12	371,849	553,457	553,512
Profit and loss account		288,855	439,230	678,628
Shareholders' funds—equity		<u>669,898</u>	<u>1,002,274</u>	<u>1,241,728</u>
Total liabilities and shareholders' funds		<u>1,277,252</u>	<u>1,889,572</u>	<u>2,466,707</u>

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

Consolidated Profit and Loss Accounts

		Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	Note	€000	€000	€000
Operating Revenues				
Scheduled revenues		432,940	550,991	731,951
Ancillary revenues		54,465	73,059	110,557
Total operating revenues—continuing operations	18	<u>487,405</u>	<u>624,050</u>	<u>842,508</u>
Operating expenses				
Staff costs	19	(61,222)	(78,240)	(93,073)
Depreciation and amortization	4	(59,175)	(59,010)	(76,865)
Other operating expenses	20	(252,997)	(323,867)	(409,096)
Total operating expenses		<u>(373,394)</u>	<u>(461,117)</u>	<u>(579,034)</u>
Operating profit—continuing operations	21	<u>114,011</u>	<u>162,933</u>	<u>263,474</u>
Other income/(expenses)				
Interest receivable and similar income		19,666	27,548	31,363
Interest payable and similar charges	22	(11,962)	(19,609)	(30,886)
Foreign exchange gains		1,621	975	628
Gain on disposal of fixed assets		52	527	(29)
Total other income/(expenses)		<u>9,377</u>	<u>9,441</u>	<u>1,076</u>
Profit on ordinary activities before tax		123,388	172,374	264,550
Tax on profit on ordinary activities	23	(18,905)	(21,999)	(25,152)
Profit for the financial year		<u>104,483</u>	<u>150,375</u>	<u>239,398</u>
Basic earnings per ordinary share euro cent	25	14.81	20.64	31.71
Diluted earnings per ordinary share euro cent	25	14.63	20.32	31.24
Number of ordinary shares (adjusted for 2:1 share split on December 7, 2001)	25	705,622,802	728,726,484	755,055,374
Number of diluted shares		714,195,716	739,960,901	766,278,569

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

Consolidated Cash Flow Statements

	Note	Year ended March 31, 2001 €000	Year ended March 31, 2002 €000	Year ended March 31, 2003 €000
Net cash inflow from operating activities	27(a)	229,802	309,109	351,003
Returns on investments and servicing of finance				
Interest received.....		14,303	30,193	30,171
Interest paid.....		(8,667)	(19,830)	(29,563)
Interest paid on finance leases.....		(67)	(3)	-
Net cash inflow from returns on investments and servicing of finance		5,569	10,360	608
Taxation				
Corporation tax paid.....		(13,813)	(5,071)	(3,410)
Capital expenditure and financial investment				
Purchase of tangible fixed assets.....		(356,669)	(372,587)	(469,878)
Sales of financial and tangible fixed assets.....		456	563	31
Net cash (outflow) from capital expenditure and financial investment		(356,213)	(372,024)	(469,847)
Net cash (outflow) before financing and management of liquid resources		(134,655)	(57,626)	(121,646)
Financing and management of liquid resources				
Loans raised.....		292,882	175,746	331,502
Debt repaid.....		(11,825)	(27,886)	(44,779)
Issue of share capital.....		128,607	188,331	56
Share issue costs.....		(4,549)	(6,330)	-
Capital element of finance leases.....		(286)	(107)	(1)
Financing		404,829	329,754	286,778
(Increase) in liquid resources.....	27(c)	(230,633)	(251,241)	(166,329)
Net cash inflow from financing and management of liquid resources		174,196	78,513	120,449
Increase/(decrease) in cash	27(e)	39,541	20,887	(1,197)

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

Consolidated Statements of Changes in Shareholders' Funds-Equity

	Ordinary shares €000	Share premium account €000	Profit and loss account €000	Total €000
Balance at March 31, 2000	8,892	248,093	184,372	441,357
Issue of ordinary equity shares (net of issue costs)	302	123,756	-	124,058
Profit for the financial year	-	-	104,483	104,483
Balance at March 31, 2001	9,194	371,849	288,855	669,898
Issue of ordinary equity shares (net of issue costs)	393	181,608	-	182,001
Profit for the financial year	-	-	150,375	150,375
Balance at March 31, 2002	9,587	553,457	439,230	1,002,274
Issue of ordinary equity shares (net of issue costs)	1	55	-	56
Profit for the financial year	-	-	239,398	239,398
Balance at March 31, 2003	<u>9,588</u>	<u>553,512</u>	<u>678,628</u>	<u>1,241,728</u>

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.

Notes forming part of the Financial Information (Continued)

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 (the Company). 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. These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in 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 Irish GAAP. A summary of the differences between Irish GAAP and U.S. GAAP as applicable to the Group is set out in Note 30.

Basis of preparation

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in Ireland requires the use of management estimates and assumptions that affect the reported amounts and disclosures in these financial statements. Actual results could differ from these estimates.

The consolidated financial statements are prepared in euro.

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, 2001, March 31, 2002 and March 31, 2003.

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. In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any amounts written off.

Goodwill arising on acquisitions prior to March 31, 1998 has been written off against the profit and loss account.

A separate profit and loss account for the Company is not presented, as provided by Section 3 (2) of the Companies (Amendment) Act 1986. The retained profit for the year attributable to the Company was €nil (2002: €Nil, 2001: €Nil).

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 recognized 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 and released to the profit and loss account as passengers fly. Unused

Notes forming part of the Financial Information (Continued)

tickets are recognized as revenue on a systematic basis. Ancillary revenues are recognized when the related service is provided.

Tangible fixed assets and depreciation

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

Plant and equipment	20-33.3%
Fixtures and fittings	20%
Motor vehicles	33.3%
Buildings	5%

Aircraft are depreciated on a straight line basis over their estimated useful lives to estimated residual values. The current estimates of useful lives and residual values are:

Aircraft Type	Number of Aircraft at March 31, 2003	Useful Life	Residual Value
Boeing 737-200's	21	20 years from date of manufacture	\$1 million
Boeing 737-800's	33	23 years from date of manufacture	15% of original cost

An element of the cost of an acquired aircraft is attributed on acquisition to its service potential reflecting the maintenance condition of its engines and airframe. This cost, which can equate to a substantial element of the total aircraft cost, is amortized over the shorter of the period to the next check (usually between 8 and 12 years for 737-800 aircraft) or the remaining life of the aircraft. The costs of subsequent major airframe and engine maintenance checks are capitalized and amortized 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 provisions for impairments, if any.

Inventories

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

Foreign currency

Transactions arising in currencies other than the euro are translated into euro 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 are accounted for through the profit and loss account.

Derivative financial instruments

The Group enters into transactions in the normal course of business using a variety of derivative financial instruments in order to hedge against its exposures to fluctuating aircraft fuel prices and changes in foreign exchange and interest rates. Derivative financial instruments are

Notes forming part of the Financial Information (Continued)

utilized to cap aircraft fuel prices, foreign exchange and interest rate exposures. Gains and losses on derivative financial instruments are recognized in the profit and loss account when realized as an offset to the related income or expense, as the Group does not enter into any such transactions for speculative purposes.

Taxation

Corporation tax is provided on taxable profits at current rates. Full provision is made for all timing differences at the balance sheet date in accordance with Financial Reporting Standard No. 19 "Deferred Tax." Provision is made at tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Leases

Assets held under finance leases are capitalized 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 as incurred.

Aircraft maintenance costs

The accounting for the cost of providing major airframe and certain 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 Group operates both defined benefit and defined contribution schemes. In relation to the defined benefit scheme 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 recognized in the balance sheet.

The cost of providing the defined contribution benefit plan is expensed as incurred.

Statement of cash flows

Cash represents cash held at bank available on demand, offset by bank overdrafts.

Liquid resources are current asset investments (other than cash) that are readily convertible into known amounts of cash and restricted cash balances. Liquid resources include investments in commercial paper, certificates of deposit and cash deposit of less than one year.

New accounting policies and requirements

Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17") was issued in November 2000. In July 2002, the Accounting Standards Board in the United Kingdom and Ireland deferred the requirement for the full adoption of FRS 17 until the International Accounting Standards board has reconsidered its international standard, IAS 19 "Employee benefits". FRS 17 has accordingly not been adopted in the Group's profit and loss accounts or balance sheets; however, the phased disclosures required by the FRS have been given in Note 24. The Group was required to implement

Notes forming part of the Financial Information (Continued)

Financial Reporting Standard 18 “Accounting Policies” and Financial Reporting Standard 19 “Deferred tax” in full in fiscal 2002. The adoption of these standards has not, and is not expected to have a material impact on the Group’s results.

2 Cash and liquid resources

The Company’s cash and liquid resources included €120.9 million held on deposit as collateral for certain derivative financial instruments entered into by the Company to hedge its exposure to adverse movements in currency and interest rates in relation to its current and planned debt financing. (2002: €Nil, 2001: €Nil).

3 Accounts receivable

	At March 31, 2001	At March 31, 2002	At March 31, 2003
	€000	€000	€000
Trade receivables	9,097	10,690	15,316
Provision for doubtful debts	(402)	(359)	(346)
	8,695	10,331	14,970

All amounts fall due within one year.

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

	Balance at beginning of year	Additions charged to expenses	Deductions	Balance at end of year
	€000	€000	€000	€000
Year ended March 31, 2001	432	72	(102)	402
Year ended March 31, 2002	402	-	(43)	359
Year ended March 31, 2003	359	-	(13)	346

4 Tangible fixed assets

	Aircraft	Hangar & Buildings	Plant & Equipment	Fixtures & Fittings	Motor Vehicles	Total
	€000	€000	€000	€000	€000	€000
<i>(ii) Year ended March 31, 2001</i>						
Cost						
At March 31, 2000	413,851	5,154	2,030	6,508	776	428,319
Additions	355,030	-	340	982	317	356,669
Disposals	-	-	(6)	(442)	(96)	(544)
At March 31, 2001	768,881	5,154	2,364	7,048	997	784,444
Depreciation						
At March 31, 2000	107,922	1,236	967	2,721	441	113,287
Charge for year	55,311	176	375	1,463	381	57,706
Disposals	-	-	-	(67)	(73)	(140)
At March 31, 2001	163,233	1,412	1,342	4,117	749	170,853
Net book value						
At March 31, 2001	605,648	3,742	1,022	2,931	248	613,591

Notes forming part of the Financial Information (Continued)

	<u>Aircraft</u>	<u>Hangar & Buildings</u>	<u>Plant & Equipment</u>	<u>Fixtures & Fittings</u>	<u>Motor Vehicles</u>	<u>Total</u>
	€000	€000	€000	€000	€000	€000
<i>(iii) Year ended March 31, 2002</i>						
Cost						
At March 31, 2001	768,881	5,154	2,364	7,048	997	784,444
Additions	394,813	1,404	363	493	152	397,225
Disposals	-	-	-	-	(163)	(163)
At March 31, 2002	<u>1,163,694</u>	<u>6,558</u>	<u>2,727</u>	<u>7,541</u>	<u>986</u>	<u>1,181,506</u>
Depreciation						
At March 31, 2001	163,233	1,412	1,342	4,117	749	170,853
Charge for year	56,619	229	409	1,394	359	59,010
Disposals	-	-	-	-	(163)	(163)
At March 31, 2002	<u>219,852</u>	<u>1,641</u>	<u>1,751</u>	<u>5,511</u>	<u>945</u>	<u>229,700</u>
Net book value						
At March 31, 2002	<u>943,842</u>	<u>4,917</u>	<u>976</u>	<u>2,030</u>	<u>41</u>	<u>951,806</u>

	<u>Aircraft</u>	<u>Hangar & Buildings</u>	<u>Plant & Equipment</u>	<u>Fixtures & Fittings</u>	<u>Motor Vehicles</u>	<u>Total</u>
	€000	€000	€000	€000	€000	€000
<i>(i) Year ended March 31, 2003</i>						
Cost						
At March 31, 2002	1,163,694	6,558	2,727	7,541	986	1,181,506
Additions	474,757	156	663	1,559	345	477,480
Disposals	(42)	(13)	-	-	(635)	(690)
At March 31, 2003	<u>1,638,409</u>	<u>6,701</u>	<u>3,390</u>	<u>9,100</u>	<u>696</u>	<u>1,658,296</u>
Depreciation						
At March 31, 2002	219,852	1,641	1,751	5,511	945	229,700
Charge for year	74,683	404	436	1,182	160	76,865
Disposals	(42)	(4)	-	-	(584)	(630)
At March 31, 2003	<u>294,493</u>	<u>2,041</u>	<u>2,187</u>	<u>6,693</u>	<u>521</u>	<u>305,935</u>
Net book value						
At March 31, 2003	<u>1,343,916</u>	<u>4,660</u>	<u>1,203</u>	<u>2,407</u>	<u>175</u>	<u>1,352,361</u>

At March 31, 2003, aircraft with a net book value of €1,002,841,729 (March 31, 2002, €31,833,409; March 31, 2001, €455,650,699) were mortgaged to lenders as security for loans. Under the security arrangements for the Group's new 737-800 aircraft, the Group does not hold legal title to those aircraft while related loan amounts remain outstanding.

At March 31, 2003, the net book value of fixed assets held under finance leases was €nil (March 31, 2002, €164,590; March 31, 2001, €363,313). Depreciation on these assets for the years ended March 31, 2003, March 31, 2002 and March 31, 2001 amounted to €164,590, €198,723 and €22,435, respectively.

At March 31, 2003, the cost and net book value of aircraft included €259,358,902 in respect of advance payments on aircraft (March 31, 2002: €199,044,581; March 31, 2001, €1,488,310;). This amount is not depreciated.

At March 31, 2003 fixed asset additions of €477,480,249 (March 31, 2002: €397,224,883; March 31, 2001: €356,669,203) was comprised of assets paid for of €469,878,312 (March 31, 2002: €372,587,155; March 31, 2001: €356,669,203) and the balance represented unpaid additions.

Notes forming part of the Financial Information (Continued)

5 Other assets

	At March 31,		
	2001	2002	2003
	€000	€000	€000
Prepayments.....	2,466	3,456	5,679
Interest Receivable	8,662	6,117	7,013
Value Added Tax recoverable	<u>1,107</u>	<u>1,462</u>	<u>3,678</u>
	<u>12,235</u>	<u>11,035</u>	<u>16,370</u>

All amounts fall due within one year.

6 Inventories

	At March 31,		
	2001	2002	2003
	€000	€000	€000
Aircraft spares	14,336	15,712	21,596
Duty free and other inventories	<u>1,639</u>	<u>1,413</u>	<u>1,192</u>
	<u>15,975</u>	<u>17,125</u>	<u>22,788</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.

Accounts payable falling due after one year: consists entirely of the long term obligations arising from an engine maintenance contract.

8 Accrued expenses and other liabilities

	At March 31,		
	2001	2002	2003
	€000	€000	€000
Current:			
Accruals	28,924	48,398	48,196
Taxation	31,717	53,341	58,907
Unearned revenue	<u>78,765</u>	<u>115,369</u>	<u>144,225</u>
	<u>139,406</u>	<u>217,108</u>	<u>251,328</u>

Taxation above comprises:

	At March 31,		
	2001	2002	2003
	€000	€000	€000
PAYE (payroll taxes)	2,766	3,114	3,370
Corporation tax	8,830	6,563	9,789
Other tax (including foreign travel duty)	<u>20,121</u>	<u>43,664</u>	<u>45,748</u>
	<u>31,717</u>	<u>53,341</u>	<u>58,907</u>

Notes forming part of the Financial Information (Continued)

9 Maturity analysis of long term debt

	March 31,		
	2001	2002	2003
	<u>€000</u>	<u>€000</u>	<u>€000</u>
Due within one year:			
Secured debt	27,887	38,799	63,291
Obligations under finance leases.....	<u>107</u>	<u>1</u>	<u>-</u>
	<u>27,994</u>	<u>38,800</u>	<u>63,291</u>
Due between one and two years:			
Secured debt	27,111	40,499	66,480
Obligations under finance leases.....	1	-	-
Due between two and five years:			
Secured debt	91,860	136,545	220,869
Due after five years:			
Secured debt	<u>255,784</u>	<u>334,659</u>	<u>486,585</u>
	<u>374,756</u>	<u>511,703</u>	<u>773,934</u>
	<u>402,750</u>	<u>550,503</u>	<u>837,225</u>

Notes on long term debt other than finance leases

(i) June 1996 property facility

At March 31, 2001, March 31, 2002 and March 31, 2003, the Group had borrowings of €158,717, €nil and €nil, respectively, arranged through a term loan with Allied Irish Banks plc to finance the purchase of property. The term loan was 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 bore interest at 7.61% per annum and was repayable in quarterly installments over five years.

(ii) Aircraft Facility

At March 31, 2001, March 31, 2002 and March 31, 2003, the Group had U.S. dollar borrowings equivalent to €402,482,984, €540,510,604, and €28,233,318, from various financial institutions provided on the basis of guarantees issued by the Export-Import Bank of the United States to finance the acquisition of thirty six Boeing 737-800 “next generation” aircraft. The guarantees are secured with a first fixed mortgage on the delivered aircraft. At March 31, 2003, the Group had taken delivery of thirty three of these aircraft.

(iii) CAE Financing

At March 31, 2001, March 31, 2002 and March 31, 2003, the Group had other borrowings of nil, €9,990,753 and €8,991,678. This loan has been provided by Export Development Canada, a Canadian government agency, to finance the acquisition of an aircraft simulator. The loan was originally drawn down in February 2002. A Canadian governmental guarantee for the financing is secured with a mortgage on the delivered aircraft simulator.

Notes forming part of the Financial Information (Continued)

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

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

<u>Years ending March 31,</u>	<u>At March 31,</u> <u>2003</u>
	€000
2004.....	63,291
2005.....	66,480
2006.....	70,020
2007.....	73,551
2008-2016.....	563,883
	<u>837,225</u>

(v) Analysis of changes in borrowings

	<u>Bank Loans</u>	<u>Finance</u> <u>Leases</u>	<u>Total</u> <u>Fiscal</u> <u>2003</u>	<u>Total</u> <u>Fiscal</u> <u>2002</u>	<u>Total</u> <u>Fiscal</u> <u>2001</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Opening balance at start of year.....	550,502	1	550,503	402,750	121,979
Loans raised to finance					
aircraft/simulator purchases	331,502	-	331,502	175,746	292,882
Repayments of amounts borrowed	(44,779)	(1)	(44,780)	(27,993)	(12,111)
Closing balance at end of year.....	<u>837,225</u>	<u>-</u>	<u>837,225</u>	<u>550,503</u>	<u>402,750</u>

10 Short term borrowings

	<u>At March 31,</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>
Bank overdrafts (represented by unrepresented cheques)	<u>5,078</u>	<u>5,505</u>	<u>1,316</u>

11 Provisions for liabilities and charges

	<u>At March 31,</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>
<i>Deferred taxation: (see Note 23)</i>			
At beginning of year.....	15,279	30,122	49,317
Charge for the year.....	<u>14,843</u>	<u>19,195</u>	<u>18,516</u>
At end of year	<u>30,122</u>	<u>49,317</u>	<u>67,833</u>

Notes forming part of the Financial Information (Continued)

12 Share capital and share premium account

(a) Share Capital

	At March 31,		
	2001	2002	2003
	€000	€000	€000
Authorized:			
840,000,000 ordinary equity shares of 1.27 euro cent each.....	<u>10,668</u>	<u>10,668</u>	<u>10,668</u>
Allotted, called up and fully paid:			
724,106,728 ordinary equity shares of 1.27 euro cent each at March 31, 2001 and 755,030,716 ordinary equity shares of 1.27 euro cent each at March 31, 2002 and 755,130,716 ordinary equity shares of 1.27 euro cent each at March 31, 2003.....	<u>9,194</u>	<u>9,587</u>	<u>9,588</u>

On December 7, 2001, the Company implemented a further sub-division of the Company's ordinary shares of €2.54 cent into ordinary shares of €1.27 cent ("the 2001 stock split"). Both the share capital and earnings per share have been restated to give effect to the 2001 stock split.

In February 2002 and 2001, €87,500,000 and €27,600,000 were raised, before deduction of issue costs from the issue of an additional 30,000,000 and 22,000,000 ordinary shares respectively.

A further 100,000, 923,988 and 1,807,472 ordinary shares were issued during each of the years ended March 31, 2003, 2002 and 2001, respectively, upon the exercise of options.

The purpose of the March 2000, February 2001 and February 2002 share issues was to raise finance for general corporate purposes, including the Company's aircraft fleet purchase program.

(b) Share premium account

	€000
Balance at March 31, 2000	248,093
Share premium arising on issue of 22,000,000 ordinary shares.....	127,321
Share premium arising on issue of 1,807,472 options	984
Cost of share issue	<u>(4,549)</u>
Balance at March 31, 2001	371,849
Share premium arising on issue of 30,000,000 ordinary shares.....	187,119
Share premium arising on issue of 923,988 options	819
Cost of share issue	<u>(6,330)</u>
Balance at March 31, 2002	553,457
Share premium arising from the exercise of 100,000 options	<u>55</u>
Balance at March 31, 2003	<u>553,512</u>

(c) Share options and share purchase arrangements

On May 21, 1997 the Group granted 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 options (equivalent to 2,871,792 after the stock splits in both December, 2001 and February, 2000). Since May 2000, the equivalent of 2,751,460 of these options have been exercised. The remaining options must be exercised within seven years of the date of their grant.

In addition, the Group 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 Ryanair at an exercise price equal to the market price of the ordinary shares at the time the options are granted. The options

Notes forming part of the Financial Information (Continued)

could be granted each year between fiscal 1998 and fiscal 2003. 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, 2003, 26,453,855 options (after taking account of the stock split) remained outstanding under these plans. Options issued under the 1998 plan became exercisable after June 2003. Details of the options outstanding under the stock option plans have been set out below:

	<u>Share Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at March 31, 2000	12,954,490	€1.27
Exercised	(1,807,472)	€0.56
Granted	<u>10,708,284</u>	<u>€4.52</u>
Outstanding at March 31, 2001	21,855,302	€2.92
Exercised	(923,988)	€0.56
Granted	1,018,259	€5.88
Expired	<u>(1,012,942)</u>	<u>€4.55</u>
Outstanding at March 31, 2002	20,936,631	€3.09
Exercised	(100,000)	€0.56
Granted	5,763,407	€5.65
Expired	<u>(146,183)</u>	<u>€5.00</u>
Outstanding at March 31, 2003	<u>26,453,855</u>	<u>€3.62</u>

The mid-market price of Ryanair Holdings plc's ordinary shares on the Irish Stock Exchange at March 31, 2003 was €6.19. The highest and lowest prices at which the shares traded on the Irish Stock Exchange in the year ended March 31, 2003 were €8.20 and €4.95, respectively.

13 Financial Instruments

Ryanair utilizes financial instruments to reduce exposure to market risks resulting from fluctuations in foreign exchange rates, interest rates and aircraft fuel prices. The Group does not enter into these instruments for speculative purposes.

Derivative financial instruments are contractual agreements whose value reflects price movements in an underlying asset. Ryanair uses derivative financial instruments, where appropriate, to generate the desired effective profile of currency, interest and aircraft fuel price risk.

Notes 14 to 16 below give details as to the Group's financial instruments held, in accordance with the requirements of Financial Reporting Standard No. 13 "Derivatives and Other Financial Instruments: Disclosures" (the "Standard"). As permitted by this Standard, short term debtors and creditors have been excluded from all numerical disclosures shown in notes 14 to 16.

Notes forming part of the Financial Information (Continued)

14 Interest Rate Risk

Financial liabilities

The interest rate risk profile of Ryanair's financial liabilities at March 31, 2001, 2002 and 2003 was as follows:

	At March 31, 2001			At March 31, 2002			At March 31, 2003		
	Fixed €000	Floating €000	Total €000	Fixed €000	Floating €000	Total €000	Fixed €000	Floating €000	Total €000
Short-term borrowings	-	5,078	5,078	-	5,505	5,505	-	1,316	1,316
Current maturities of long term debt.....	27,887	-	27,887	38,799	-	38,799	63,291	-	63,291
Non-current maturities of long term debt.....	374,755	-	374,755	511,703	-	511,703	773,934	-	773,934
Finance leases.....	<u>108</u>	<u>-</u>	<u>108</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>402,750</u>	<u>5,078</u>	<u>407,828</u>	<u>550,503</u>	<u>5,505</u>	<u>556,008</u>	<u>837,225</u>	<u>1,316</u>	<u>838,541</u>

Average interest rates applicable to fixed financial liabilities shown above are as follows:

	Weighted average years remaining for which interest rate is fixed	Weighted average interest rate	Total at March 31, 2001	Weighted average years remaining for which interest rate is fixed	Weighted average interest rate	Total at March 31, 2002	Weighted average years remaining for which interest rate is fixed	Weighted average interest rate	Total at March 31, 2003
			€000			€000			€000
Fixed euro denominated long term debt.....	10.5	5.06%	402,483	10.3	5.06%	540,511	9.7	5.28%	828,233
Other debt.....	<1 year	7.61%	159	10.0	5.81%	9,991	9.0	5.81%	8,992
Finance leases.....	<1 year	6.10%	<u>108</u>	<1 year	4.50%	<u>1</u>	-	-	<u>-</u>
			<u>402,750</u>			<u>550,503</u>			<u>837,225</u>

All long term euro fixed rate debt shown above matures between 2011 and 2015 (at March 31, 2002: 2011 and 2014; March 31, 2001: 2011 and 2013) and attracts a range of fixed interest rates of between 4.88% and 5.60% (at March 31, 2002: 4.88% and 5.16%; March 31, 2001: 4.88% and 5.54%).

Floating interest rates on financial liabilities are generally referenced to inter-bank interest rates (Euribor, Sterling, LIBOR, or US\$ LIBOR).

Financial Assets

The Group holds significant cash balances that are invested on a short-term basis. At March 31, 2003 all of the Group's cash and liquid resources had a maturity of one year or less and attracted

Notes forming part of the Financial Information (Continued)

a weighted average rate of 2.79% (2002:3.5%, 2001:5.22%). This includes €120.9 million held on deposit as collateral for certain derivative financial instruments entered into by the Company to hedge its exposure to adverse movements in currency and interest rates in relation to its current and planned debt financing.

Interest rates on financial assets are generally based on the appropriate Euribor and Euribor-based bank offered rates.

Other financial instruments

Ryanair has entered into a series of forward starting interest rate swaps in order to cap interest rate risk which arises in respect of its forecasted draw-downs of long term debt. Details of these are as follows:

	<u>Notional Amount</u> €000	<u>Loan Commencement</u> dates	<u>Loan Termination</u> dates	<u>Interest Rate Payable</u>
2003 - Forward starting interest rate swaps.....	875,000	2003 – 2005	2015 – 2017	5.63 – 5.75%
2002 – Forward starting interest rate swaps	1,242,573	2002 - 2005	2014 - 2017	5.03 – 5.68%
2001 - Forward starting interest rate swaps.....	251,820	2002 - 2003	2014 - 2015	4.83 – 5.03%

15 Currency Rate Risk and Aircraft Fuel Price Risk

Currency rate risk

Ryanair has exposure to various reporting currencies (principally sterling and US dollars) due to the international nature of its operations. The following table shows the net amount of monetary assets of Ryanair that are not denominated in euro at March 31, 2001, March 31, 2002 and March 31, 2003:

	<u>At March 31, 2001</u>			<u>At March 31, 2002</u>			<u>At March 31, 2003</u>		
	<u>GBP</u> £000	<u>US\$</u> \$000	<u>euro</u> <u>Equiv</u> €000	<u>GBP</u> £000	<u>US\$</u> \$000	<u>euro</u> <u>Equiv</u> €000	<u>GBP</u> £000	<u>US\$</u> \$000	<u>euro</u> <u>Equiv</u> €000
Monetary assets									
Sterling cash and liquid resources	17,920	-	28,972	24,840	-	40,648	43,344	-	66,464
USD cash and liquid resources	-	8,611	9,762	-	11,697	13,286	-	7,240	6,645

Notes forming part of the Financial Information (Continued)

Ryanair also enters into US dollar and sterling currency forward contracts in order to manage functional currency risk which arises on its forecasted aircraft deposit payments, fuel, maintenance and aviation insurance costs, which are primarily denominated in US dollars and certain of its revenue income streams, which arise in sterling. The following table gives details of Ryanair's currency forward contracts as at March 31, 2001, March 31, 2002 and March 31, 2003:

Currency Forward Contracts	At March 31, 2001			At March 31, 2002			At March 31, 2003		
	GBP	US\$	euro Equiv	GBP	US\$	euro Equiv	GBP	US\$	euro Equiv
	£000	\$000	€000	£000	\$000	€000	£000	\$000	€000
US dollar currency forward contracts for aircraft purchases.....	-	65,878	69,055	-	47,498	54,195	-	203,500	189,417
US dollar currency forward contracts for fuel and other purchases.....	-	61,000	65,455	-	78,032	89,058	-	169,000	156,526
Sterling currency forward contracts for sterling revenues.....	61,000	-	103,567	46,500	-	74,772	7,000	-	10,124

Aircraft fuel price risk

Ryanair enters into derivative contracts to fix the price of its forecasted aircraft fuel purchases. At March 31, 2001, March 31, 2002 and 2003, the following fuel price contracts were outstanding:

	At March 31,		
	2001	2002	2003
	(000 Metric Tonnes)	(000 Metric Tonnes)	(000 Metric Tonnes)
Aircraft fuel fixed price contracts	<u>223</u>	<u>381</u>	<u>393</u>

16 Fair Values

Fair value is the amount for which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than as part of a forced liquidation or sale. The following methods and assumptions were used to estimate the fair value of each material class of Ryanair's financial instruments:

- **Cash and liquid resources, current portions of bank loans and overdrafts:** carrying amount approximates to fair value due to the short term nature of these instruments.
- **Bank loans and finance leases carrying fixed rates of interest:** the repayments which Ryanair is committed to make have been discounted at the relevant rates of interest applicable at March 31, 2001, March 31, 2002 and March 31, 2003.

Notes forming part of the Financial Information (Continued)

- **Interest rate contracts:** discounted cash flow analyses have been used to determine the estimated amount Ryanair would receive or pay to terminate the contracts. Discounted cash flow analyses are based on estimated future interest rates.
- **Currency forward and aircraft fuel contracts:** a comparison of the contracted rate to the market rate for contracts providing a similar risk management profile at March 31, 2001, March 31, 2002 and March 31, 2003 has been made.

The fair value of Ryanair's financial instruments at March 31, 2001, 2002 and 2003 was as follows:

Currency Forward Contracts	At March 31, 2001		At March 31, 2002		At March 31, 2003	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	€000	€000	€000	€000	€000	€000
On balance sheet instruments						
Cash on hand.....	61,938	61,938	83,252	83,252	77,866	77,866
Liquid resources	564,782	564,782	816,023	816,023	982,352	982,352
Short term borrowings	(5,078)	(5,078)	(5,505)	(5,505)	(1,316)	(1,316)
Long term debt	(402,642)	(459,752)	(550,502)	(616,852)	(837,225)	(912,576)
Finance leases.....	<u>(108)</u>	<u>(108)</u>	<u>(1)</u>	<u>(1)</u>	<u>=</u>	<u>=</u>
Derivative instruments						
Forward starting interest rate swaps gain/(loss).....	-	3,765	-	3,110	-	(81,024)
US dollar currency forward contracts gain/(loss).....	-	10,119	-	379	-	(9,045)
Sterling currency forward contracts gain/(loss).....	-	5,561	-	1,086	-	(925)
Aircraft fuel price contracts (loss)/gain.....	<u>=</u>	<u>(1,391)</u>	<u>=</u>	<u>5,918</u>	<u>=</u>	<u>3,306</u>

All of the derivative instruments shown above were held for hedging purposes. The fair value of the derivative instruments in the table above equates to the net unrealized gains and losses on these instruments which were unrecognized at March 31, 2001, March 31, 2002 and March 31, 2003. On the basis of no movement in fuel prices and exchange rates, these unrealized gains and losses will impact on Ryanair's profit and loss account in the following years:

Notes forming part of the Financial Information (Continued)

Off balance sheet instruments	Maturing in 2002	Total at March 31, 2001	Maturing in 2003	Maturing in 2004	Total at March 31, 2002	Maturing in 2004	Total at March 31, 2003
	€000	€000	€000	€000	€000	€000	€000
US dollar currency forward contracts gain/(loss).....	10,119	10,119	379	-	379	(9,045)	(9,045)
Sterling currency forward contracts gain/(loss).....	5,561	5,561	1,086	-	1,086	(925)	(925)
Aircraft fuel price contracts (loss)/gain.....	(1,391)	(1,391)	3,900	2,018	5,918	3,306	3,306
	<u>14,289</u>	<u>14,289</u>	<u>5,365</u>	<u>2,018</u>	<u>7,383</u>	<u>(6,664)</u>	<u>(6,664)</u>

Unrealized gains and losses on the Group's forward starting interest rate swaps of €1.0 million (at March 31, 2002: €3.1 million; March 31, 2001: €3.8 million) will be amortized to the profit and loss account over the eleven year period from the date of the draw-down of the long term debt, as an offset to the related interest expense.

17 Concentrations of credit risk

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

18 Analysis of operating revenues

All revenues derive from the Group's principal activity as an airline and include scheduled and chartered services, car hire, in-flight and related sales.

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

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
United Kingdom.....	299,399	355,708	466,749
Other European countries.....	<u>188,006</u>	<u>268,342</u>	<u>375,759</u>
	<u>487,405</u>	<u>624,050</u>	<u>842,508</u>

Ancillary revenues included in total revenue above comprise:

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Car hire.....	12,562	18,905	27,615
In-flight.....	14,186	18,030	23,142
Internet Income.....	1,023	4,831	12,159
Non-flight scheduled.....	12,802	16,662	35,291
Charter.....	<u>13,892</u>	<u>14,631</u>	<u>12,350</u>
	<u>54,465</u>	<u>73,059</u>	<u>110,557</u>

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

Notes forming part of the Financial Information (Continued)

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 flexibly employed across its route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments. Internet income comprises revenue generated from Ryanair.com, excluding internet car hire revenue, which is included under the heading car hire.

19 Staff numbers and costs

The average weekly number of employees, including the executive director, during the years presented, analyzed by category, was as follows:

	<u>Year ended March 31, 2001</u>	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2003</u>
Flight and cabin crew.....	644	792	983
Sales, operations and administration.....	823	755	763
	<u>1,467</u>	<u>1,547</u>	<u>1,746</u>

The aggregate payroll costs of these persons were as follows:

	<u>Year ended March 31, 2001</u>	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2003</u>
	€000	€000	€000
Wages and salaries and related costs.....	55,917	70,551	82,633
Social welfare costs	4,334	6,462	7,835
Other pension costs.....	971	1,227	2,605
	<u>61,222</u>	<u>78,240</u>	<u>93,073</u>

20 Other operating expenses

	<u>Year ended March 31, 2001</u>	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2003</u>
	€000	€000	€000
Fuel and oil.....	63,468	103,918	128,842
Maintenance, materials and repairs (excluding major maintenance checks)	20,142	26,373	29,709
Marketing and distribution costs	21,526	12,356	14,623
Aircraft rentals	7,286	4,021	-
Route charges	35,701	46,701	68,406
Airport & handling charges	66,269	84,897	107,994
Other costs.....	38,605	45,601	59,522
	<u>252,997</u>	<u>323,867</u>	<u>409,096</u>

Fuel and oil

Fuel and oil costs include fuel costs for scheduled services of €1,645,183, €101,390,040 and €26,711,235 in respect of the years ended March 31, 2001, March 31, 2002 and March 31, 2003, respectively.

Notes forming part of the Financial Information (Continued)

21 Statutory and other information

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Directors' emoluments:			
Fees.....	96	160	198
Other emoluments, including consultancy fees, bonus and pension contributions	580	694	822
Depreciation of tangible fixed assets	57,706	59,010	76,865
Auditors' remuneration (including expenses).....	121	121	121
Audit related services	65	35	75
Taxation services.....	181	153	213
Operating lease charges- Aircraft (note 26 (c)):	<u>7,286</u>	<u>4,021</u>	<u>=</u>

(a) Fees and emoluments - Executive Director

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Basic salary	378	474	505
Performance related bonus	165	180	228
Pension contributions	37	40	49
	<u>580</u>	<u>694</u>	<u>782</u>

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

(b) Fees and emoluments-Non executive directors

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Fees.....	96	160	198
Emoluments	-	-	40
	<u>96</u>	<u>160</u>	<u>238</u>

At March 31, 2003 there were eleven non-executive directors.

(c) Pension benefits

Directors	Increase in Accrued Benefit			Transfer Value Equivalent of Increase in Accrued Benefit			Total Accumulated Accrued Benefit		
	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2001	Fiscal 2002	Fiscal 2003
	€	€	€	€	€	€	€	€	€
Michael O'Leary	<u>8,761</u>	<u>15,648</u>	<u>11,216</u>	<u>28,883</u>	<u>53,848</u>	<u>43,919</u>	<u>39,993</u>	<u>57,097</u>	<u>70,394</u>

There have been no changes in pension benefits provided to directors during the year. No pension benefits are provided for non-executive directors. The executive director is a member of a

Notes forming part of the Financial Information (Continued)

defined benefit plan. The cost of the death-in-service and disability benefits provided during the accounting year is not included in the above figures. The pension benefits set out above have been computed in accordance with Section 12.43(x) of the Listing Rules of the Irish Stock Exchange. The increases in transfer values of the accrued benefits have been calculated as at the year-end in accordance with Actuarial Guidance Note GN11.

(d) Shares and share options

(i) Shares

Ryanair Holdings plc is listed on the Irish, London and Nasdaq Stock Exchanges. The beneficial interests of the directors as at March 31, 2003 and of their spouses and minor children are as follows. All figures have been adjusted for the 2:1 share split on December 7, 2001:

	<u>At March 31, 2001</u>	<u>At March 31, 2002</u>	<u>At March 31, 2003</u>
David Bonderman	7,056,680	7,056,680	7,056,680
Raymond MacSharry.....	7,280	7,280	7,280
Michael O'Leary.....	52,000,008	52,000,008	45,000,008
James R. Osborne.....	705,128	705,128	705,128
Declan F. Ryan.....	25,522,606	21,922,600	19,408,273
T. Anthony Ryan.....	16,872,868	13,272,878	10,758,535
Richard P. Schifter	664,820	104,820	104,820

Non-executive directors not referred to above held no shares.

During fiscal 2001, Irish Air Gen-Par, LP was dissolved and 9,106,400 ordinary shares were distributed to its partners. David Bonderman, chairman of the Group, was the principal partner and prior to the dissolution had a beneficial interest in 7,056,680 shares. Post dissolution he transferred 6,557,460 shares into a trust for the benefit of his children and retained a beneficial interest in 385,600 and 104,820 shares before and after the dissolution respectively.

On June 10, 2003, Michael O'Leary and Declan F. Ryan each sold 4 million shares at €5.95 per share.

On September 25, 2002, Jeffrey A. Shaw and Cathal M. Ryan retired from the Board of Directors. Declan F. Ryan resigned from the Board of Directors on June 24, 2003.

(ii) Share options

The number of share options held by directors at the year end were:

Notes forming part of the Financial Information (Continued)

	March 31, 2001	March 31, 2002	March 31, 2003
	<u>Number of Options</u>	<u>Number of Options</u>	<u>Number of Options</u>
*David Bonderman	50,000	50,000	50,000
*Raymond MacSharry.....	50,000	50,000	50,000
*Michael O'Leary.....	50,000	50,000	50,000
*James R. Osborne.....	50,000	50,000	50,000
*Cathal M. Ryan	50,000	50,000	-
*Paolo Pietrogrande	50,000	50,000	50,000
*Declan F. Ryan.....	50,000	50,000	50,000
*T. Anthony Ryan.....	50,000	50,000	50,000
*Richard P. Schifter	50,000	50,000	50,000
*Jeffrey A. Shaw.....	50,000	50,000	-
*Kyran McLaughlin	50,000	50,000	50,000
*Michael Horgan.....	50,000	50,000	50,000
**Emmanuel Faber	-	-	25,000
**Klaus Kirchberger	-	-	25,000

* The share options were granted to these directors at €3.70 (the market value at date of grant) during the year ended March 31, 2001 and are exercisable between June 2005 and June 2007.

** Emmanuel Faber and Klaus Kirchberger have been appointed to the Board of Directors on September 25, 2002 and the appointments are subject to shareholder approval at the AGM to be held on September 24, 2003. Both directors were granted 25,000 share options at €5.65 each, which are exercisable between June 2008 and June 2010.

Both Cathal M. Ryan and Jeffrey A. Shaw retired as directors at the AGM on September 25, 2002 and did not seek re-election. Accordingly the share options granted to them have lapsed.

22 Interest payable and similar charges

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	<u>€000</u>	<u>€000</u>	<u>€000</u>
Interest repayable on bank loans, wholly repayable after five years.....	68	19,608	30,886
Interest payable on bank loans repayable after five years.....	11,827	-	-
Finance lease and hire purchase charges	67	1	-
	<u>11,962</u>	<u>19,609</u>	<u>30,886</u>

23 Taxation

The components of income tax expense were as follows:

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	<u>€000</u>	<u>€000</u>	<u>€000</u>
Current corporation tax.....	4,062	2,804	6,636
Deferred tax (See Note 11)	<u>14,843</u>	<u>19,195</u>	<u>18,516</u>
	<u>18,905</u>	<u>21,999</u>	<u>25,152</u>

All of the deferred tax charge above arose from the origination and reversal of timing differences.

The following table reconciles the statutory rate of Irish corporation tax to the Group's effective current corporation tax rate.

Notes forming part of the Financial Information (Continued)

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	%	%	%
Statutory rate of Irish corporation tax.....	23.0	19.0	15.0
Adjustments for earnings taxed at higher rates.....	-	1.0	1.0
Adjustments for earnings taxed at lower rates (including those qualifying for relief under section 448, TCA 1997)	(12.0)	(7.5)	(5.0)
Capital allowances in excess of depreciation	(6.0)	(7.5)	(7.5)
Other timing differences	(6.0)	(3.4)	(1.0)
Losses carried back to previous years	<u>4.3</u>	<u>-</u>	<u>-</u>
Current effective rate of taxation	<u>3.3</u>	<u>1.6</u>	<u>2.5</u>
Provision of deferred tax on timing differences	<u>12.0</u>	<u>11.1</u>	<u>7.0</u>
Total effective rate of taxation	<u><u>15.3</u></u>	<u><u>12.7</u></u>	<u><u>9.5</u></u>

In 1997, the Irish Government made a commitment to reduce headline Irish corporate tax rates (excluding special rates applicable to certain qualifying activities) from the then rate of 36% to a rate of 12.5% by January 1, 2003. Accordingly, Irish corporate tax rates have reduced by 4% per annum since 1997 and at March 31, 2003 stood at 12.5%. The headline corporate tax rate applicable to Ryanair for the fiscal year to March 31, 2003 was 16% for the first nine months of the year, and fell to 12.5% for the final three months of the year, resulting in a composite headline corporate tax rate for Ryanair of 15%.

At March 31, 2001, March 31, 2002 and March 31, 2003 the Group had no unused net operating losses carry forwards. No deferred tax has been provided on the unremitted earnings of overseas subsidiaries because there is no intention to remit.

Ryanair.com Limited is engaged in international data processing and reservation services. In these circumstances, Ryanair.com Limited is entitled to claim an effective 10% corporation tax rate on profits derived from qualifying activities in accordance with Section 448 of the Taxes Consolidated Act, 1997. This legislation provides for the continuation of the 10% effective corporation tax rate until 2010.

The principal components of deferred tax liabilities were as follows:

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Aircraft including maintenance provisions, property and fixtures and fittings	29,868	49,063	67,833
Other reversing timing differences principally in relation to unearned revenue and foreign exchange adjustments	<u>254</u>	<u>254</u>	<u>-</u>
	<u><u>30,122</u></u>	<u><u>49,317</u></u>	<u><u>67,833</u></u>

At March 31, 2001, March 31, 2002 and March 31, 2003 the Group had fully provided for deferred tax liabilities. As explained above, profits from certain qualifying activities are levied at an effective 10% rate in Ireland until 2010.

Notes forming part of the Financial Information (Continued)

24 Pensions

The Group operates both a defined benefit and a defined contribution scheme.

The Group has continued to account for pensions in accordance with the accounting standard SSAP 24 and the disclosures given in (a) below are those required by that standard. A new accounting standard on pensions (Financial Reporting Standard No. 17 “Retirement Benefits” (“FRS 17”) was issued in November 2000. In July 2002, the Accounting Standards Board deferred the requirement for the full adoption of FRS 17 until the International Accounting Standards Board has reconsidered its international standard, IAS 19 “Employee Benefits”. FRS 17 has, accordingly, not been adopted in the profit and loss account or the balance sheet, however the phased disclosures required by FRS 17 have been outlined in (b) below:

(a) SSAP 24 disclosures

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, 2000 and used the projected unit method.

The principal actuarial assumptions used were as follows:

- Rate of long term investment returns will exceed the rate of pensionable salary increases by 2%,
- Rate of long term investment returns will exceed the rate of post retirement pension increases by 5%.

The actuarial report showed that at the valuation date the market value of the scheme’s assets was €10.3 million which was sufficient to cover more than 100% of the accrued liabilities, based on current earnings and 113% of the accrued liabilities allowing for expected future increases in earnings. The actuarial report recommends payment of contributions at 10% of staff and 12.8% of pilots’ pensionable salaries respectively.

The total pension charge for the Group for the year to March 31, 2003 was €2,605,000 of which €1,394,000 relates to defined benefit pension schemes. While the actuarial report is not available for public inspection, the results are advised to the members of the scheme.

(b) FRS 17 disclosures

The valuation of Ryanair’s defined benefit scheme used for the purposes of the FRS 17 disclosures has been based on the most recent triennial actuarial valuation of the scheme identified above and updated to March 31, 2003 by an independent qualified actuary.

The financial assumptions used for the Ryanair defined benefit pension scheme are:

	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2003</u>
	%	%
Rate of general increase in salaries	4.25	3.50
Discount rate	6.25	5.25
Rate of price inflation	3.25	2.50

The assets in the Ryanair pension scheme (excluding additional voluntary contributions) and the expected rates of return were:

Notes forming part of the Financial Information (Continued)

	<u>Expected Rate of Return</u>	<u>Value at March 31, 2002</u>	<u>Expected Rate of Return</u>	<u>Value at March 31, 2003</u>
	%	€000	%	€000
Equities.....	8.50	7,337	8.50	5,430
Properties.....	7.50	713	7.50	458
Bonds	5.50	1,834	5.50	1,878
Cash.....	3.25	306	3.25	400
Outstanding contributions at year end (paid subsequent to year end)	—	91	—	112
Total market value of scheme assets.....		10,281		8,278
Actuarial value of scheme liabilities.....		<u>(9,209)</u>		<u>(13,343)</u>
Recoverable surplus/(deficit) in scheme		1,072		(5,065)
Related deferred tax (liability)/asset.....		<u>(134)</u>		<u>633</u>
Net pension asset/(liability)		<u>938</u>		<u>(4,432)</u>

If these amounts had been recognized in the financial statements, the Group's net assets and revenue reserves would be as follows:

	<u>At March 31, 2002</u>	<u>At March 31, 2003</u>
	€000	€000
Net Assets		
Net assets excluding pension asset.....	1,002,274	1,241,728
Net pension asset/(liability)	<u>938</u>	<u>(4,432)</u>
Net assets including pension asset/(liability)	<u>1,003,212</u>	<u>1,237,296</u>
Revenue reserve		
Revenue reserves per balance sheet.....	439,230	678,628
Net FRS 17 pension asset/(liability)	<u>938</u>	<u>(4,432)</u>
Net reserves including pension asset/(liability)	<u>440,168</u>	<u>674,196</u>

The following tables set out the components of the defined benefit costs which would have been included in the profit and loss account for the year ended March 31, 2003 if FRS 17 had been applied:

Included in finance costs	<u>Year ended March 31, 2003</u>
	€000
Expected return on pension scheme assets.....	(795)
Interest on pension scheme liabilities	<u>509</u>
Net finance costs	<u>(286)</u>
Included in payroll costs	<u>Year ended March 31, 2003</u>
	€000
Current service costs	<u>960</u>
	<u>Year ended March 31, 2003</u>
Total costs in accordance with FRS 17.....	<u>674</u>

Notes forming part of the Financial Information (Continued)

The analysis of the amounts that would have been recognized in the Statement of Total Recognised Gains and Losses (STRGL) is as follows:

	<u>March 31, 2003</u>
	<u>€000</u>
Actual return less expected return on pension scheme assets.....	(2,910)
Experience losses on scheme liabilities	(784)
Changes in financial and demographic assumptions underlying present value of scheme liabilities	<u>(1,992)</u>
Actuarial losses recognized in the STRGL	<u>(5,686)</u>

Movement in surplus/(deficit) during the year is as follows:

Surplus in scheme at beginning of year	1,072
Movement in year	
Current service costs	(960)
Contributions	795
Other finance income/investment return	(286)
Actuarial losses	<u>(5,686)</u>
Deficit in scheme at end of year	<u>(5,065)</u>

History of actuarial gains and losses

	<u>March 31, 2003</u>
	<u>€000</u>
Difference between expected and actual return on assets.....	(2,910)
Expressed as a percentage of scheme assets.....	<u>(35%)</u>
Experience losses on scheme liabilities	(784)
Expressed as a percentage of scheme liabilities.....	<u>(6%)</u>
Total actuarial losses	(5,686)
Expressed as a percentage of scheme liabilities.....	<u>(43%)</u>

25 Earnings per share and adjusted earnings per share

Basic earnings per ordinary share (EPS) for Ryanair Holdings plc for the years ended March 31, 2001, March 31, 2002 and March 31, 2003 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, 2001</u>	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2003</u>
Basic weighted average number of shares outstanding	705,622,802	728,726,484	755,055,374
Dilutive effect of employee share options	<u>8,572,914</u>	<u>11,234,417</u>	<u>11,223,195</u>
Dilutive weighted average number of shares outstanding	<u>714,195,716</u>	<u>739,960,901</u>	<u>766,278,569</u>

26 Commitments and contingencies

Commitments:

(a) On January 24, 2002 the Group entered into a contract with Boeing (the “2002 Boeing contract”) pursuant to which the Group will purchase 100 new Boeing 737-800 aircraft, and has additional purchase rights to purchase up to a further 50 such aircraft. The 2002 Boeing contract was approved at an Extraordinary General Meeting held on August 7, 2002. The Group took delivery of the first 5 737-800 aircraft under this contract in the current year and additional

Notes forming part of the Financial Information (Continued)

deliveries are currently scheduled between 2003-2009. The “Basic Price” (equivalent to a standard list price for an aircraft of this type) for each of the Boeing 737-800 aircraft (defined as a per aircraft airframe price, including engines, plus the per aircraft price for certain optional features agreed between the parties) is US\$50,885,100. This “basic price” will be increased by (a) an estimated US\$900,000 per aircraft for certain “buyer-furnished” equipment Ryanair has asked Boeing to purchase and install on each of the aircraft, and (b) an “Escalation Factor” designed to increase the Basic Price of any individual aircraft by applying a formula which reflects increases in the published US Employment Cost and Producer Price indices between the time the Basic Price was set and the period of six months prior to the delivery of such aircraft.

Boeing has granted Ryanair certain price concessions with regard to the 737-800 aircraft. These will take the form of credit memoranda to the Group for the amount of such concessions, which Ryanair 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 under the 2002 Boeing Contract. Boeing and CFMI (the manufacturer of the engines to be fitted on the purchased aircraft) have also agreed to give the Group certain allowances as well as providing other goods and services to the Group on concessionary terms. Those credit memoranda and allowances will effectively reduce the price of each aircraft to Ryanair. As a result the effective price of each aircraft will be significantly below the basic price mentioned above. The total potential commitment to acquire all 150 aircraft, not taking into account such increases or decreases, will be up to US\$7.6 billion.

On January 31, 2003 the company entered into an agreement for the delivery of an additional 22 new Boeing 737-800 series aircraft and exercised 3 of the original 50 options granted in January 2002. This in turn brings the total firm orders with Boeing for 737-800 series aircraft to 125 aircraft and as part of the agreement the number of options remaining was increased from 47 to 125. The same commercial terms apply to the additional firm aircraft ordered and to the additional options granted.

(b) Under the terms of an aircraft purchase contract dated March 9, 1998 with Boeing “the 1998 Boeing Contract” the Group committed to purchase 25 new 737-800 aircraft and has options to purchase up to an additional 20 such aircraft. The gross price for each aircraft was to be US\$46,631,900 including certain equipment purchased and fitted by Boeing on Ryanair’s behalf, subject to increase to take into account the “Escalation Factor” reflecting the changes in the US Employment Cost and Producer Price indices and to decrease to take into account certain concessions granted to the Group by Boeing. The total amount committed by Ryanair over the period to January 2003 in respect of the 25 new aircraft, not taking into account any such increases or decreases, was approximately US\$1.2 billion. The Group took delivery of the first twenty 737-800 aircraft from fiscal 1999 to 2002, and a further five aircraft were delivered during fiscal 2003. Three options were converted to firm purchases during the year. All additional option aircraft have now been cancelled at no cost to Ryanair.

(c) The Group incurred expenses of €nil in respect of operating lease rentals for the year ended March 31, 2003 (2002: €4,020,678) (2001: €7,285,674) which are included in the profit and loss account. Such expenses consisted entirely of short term leases of aircraft.

(d) Commitments resulting from the use of derivative financial instruments by the Group are described in notes 13-16.

Contingencies:

(e) The Group is engaged in litigation arising in the ordinary course of its business. Except as otherwise described below, 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

Notes forming part of the Financial Information (Continued)

arising cannot be determined but are not expected to materially adversely affect the Group's results of operations of financial position.

(f) The company has provided €1.3 million in letters of guarantee to secure obligations of subsidiary undertakings in respect of loans and bank advances.

(g) In order to avail of the exemption contained in Section 17 of the Companies (Amendment) Act, 1986, the holding company, Ryanair Holdings plc, has guaranteed the liabilities of its subsidiary undertakings registered in Ireland. As a result, the subsidiary undertakings have been exempted from the provisions of Section 7 of the Companies (Amendment) Act, 1986. Details of the Group's principal subsidiaries have been included at note 29. The additional Irish subsidiary covered by this exemption which is not listed as a principal subsidiary at note 29 is Airport Marketing Services Limited.

(h) The Group has €20.9 million held on deposit as collateral for certain derivative financial instruments to hedge its exposure to adverse movements in currency and interest rates in relation to its current and planned debt financing.

(i) On December 11, 2002, the European Commission announced the launch of an investigation into the April 2001 agreement between Ryanair and Brussels (Charleroi) airport and the government of the Walloon region of Belgium, which allowed Ryanair to launch new routes from and base up to four aircraft at Brussels (Charleroi) airport. In return, the agreement provides Ryanair with concessions for landing and handling charges, as well as training and accommodation grants and a contribution to certain marketing costs. The European Commission is investigating whether this agreement constitutes illegal state aid for Ryanair.

Ryanair believes that these arrangements do not constitute illegal state aid, because the arrangements were not exclusive to Ryanair, and were similar to other arrangements entered into by Ryanair with non-state owned airports. In the unlikely event that the European Commission determined that the arrangements constituted illegal state aid, Ryanair could be required to repay accommodation, training grants and new route launch marketing supports of €250,000, €768,000 and €1.44 million respectively, and if the Company were required to pay the published charges and not the normal discounted rate that applies this could amount to approximately €2.6 million for landing and handling charges and approximately €2.2 million of marketing support on an annualized basis since the launch of the base in April 2001. Ryanair believes, however, that the arrangements did not constitute state aid and that the possibility of these potential payments is unlikely. Accordingly, no such amounts have been provided for by Ryanair.

27 Notes to cash flow statements

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

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Operating profit	114,011	162,933	263,474
Foreign exchange gains	1,621	975	628
Depreciation of tangible fixed assets	57,706	59,010	76,865
(Increase) in inventories	(2,042)	(1,150)	(5,663)
Decrease/(Increase) in accounts receivable	13,279	(1,636)	(4,639)
(Increase) in other assets	(393)	(1,445)	(4,143)
Increase in accounts payable	7,137	16,781	14,825
Increase in accrued expenses and other liabilities	<u>38,483</u>	<u>73,641</u>	<u>9,656</u>
Net cash inflow from operating activities	<u>229,802</u>	<u>309,109</u>	<u>351,003</u>

Notes forming part of the Financial Information (Continued)

(b) Analysis of cash and liquid resources balances

	March 31, 2001	March 31, 2002	March 31, 2003
	€000	€000	€000
Cash at bank, available on demand net of overdraft	56,860	77,747	76,550
Liquid resources	<u>564,782</u>	<u>816,023</u>	<u>982,352</u>
Total cash and liquid resources	<u>621,642</u>	<u>893,770</u>	<u>1,058,902</u>

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

(c) Analysis of movements in liquid resources

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Liquid resources at beginning of year.....	334,149	564,782	816,023
Increase in year.....	<u>230,633</u>	<u>251,241</u>	<u>166,329</u>
Liquid resources at end of year	<u>564,782</u>	<u>816,023</u>	<u>982,352</u>

(d) Analysis of movements in cash

	Year ended March 31, 2001		
	Cash at Bank	Bank Overdraft	Total
	€000	€000	€000
At beginning of year	21,099	(3,780)	17,319
Net cash inflow	<u>40,839</u>	<u>(1,298)</u>	<u>39,541</u>
At end of year.....	<u>61,938</u>	<u>(5,078)</u>	<u>56,860</u>

	Year ended March 31, 2002		
	Cash at Bank	Bank Overdraft	Total
	€000	€000	€000
At beginning of year	61,938	(5,078)	56,860
Net cash inflow	<u>21,314</u>	<u>(427)</u>	<u>20,887</u>
At end of year.....	<u>83,252</u>	<u>(5,505)</u>	<u>77,747</u>

	Year ended March 31, 2003		
	Cash at Bank	Bank Overdraft	Total
	€000	€000	€000
At beginning of year	83,252	(5,505)	77,747
Net cash (outflow)	<u>(5,386)</u>	<u>4,189</u>	<u>(1,197)</u>
At end of year.....	<u>77,866</u>	<u>(1,316)</u>	<u>76,550</u>

Notes forming part of the Financial Information (Continued)

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

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Increase/(decrease) in cash in year	39,541	20,887	(1,197)
Movement in liquid resources.....	230,633	251,241	166,329
Cash flow from (increase) in debt	<u>(281,057)</u>	<u>(147,860)</u>	<u>(286,723)</u>
Movement in net (debt)/funds resulting from cash flows.....	(10,883)	124,268	(121,591)
Movement in finance leases.....	<u>286</u>	<u>107</u>	<u>1</u>
Movement in net (debt)/funds in the year	(10,597)	124,375	(121,590)
Net funds at beginning of year	<u>229,489</u>	<u>218,892</u>	<u>343,267</u>
Net funds at end of year.....	<u>218,892</u>	<u>343,267</u>	<u>221,677</u>

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

28 Post balance sheet events (unaudited)

On April 10, 2003, Ryanair Holdings plc acquired certain assets of KLM UK Ltd (“Buzz”) for the sum of €20.1 million. Those assets primarily comprised leases on six Boeing 737-300’s, four Bae146-200’s, up to 110 employees, certain trademarks, domain names, equipment, fixtures and fittings, and the transfer of certain landing and take off slots at Stansted Airport. The leases on the six Boeing 737-300’s were novated to Buzz Stansted Ltd, a subsidiary of the Group post year-end. These leases expire between 2010 and 2011, however the leases can be terminated 48 months prior to the expiry date by the exercise of an early termination option. The four Bae146-200 aircraft have been subleased by Buzz Stansted Ltd from KLM Royal Dutch Airlines for the period from April 11, 2003 to March 31, 2004. As part of this transaction, Ryanair recorded goodwill amounting to €46.7 million, comprising the purchase price of €20.1 million for the fair value of the assets acquired and excess onerous lease costs of €26.6 million, arising on the leased aircraft taken over, as these costs were substantially higher than existing market rates for leases on similar aircraft. Ryanair also recorded exceptional costs of €3.1 million relating to this transaction, representing Buzz’s operating costs from April 10, 2003 to May 1, 2003, while staff were being retrained and an air operators’ certificate was being processed. As part of this acquisition, the Company also gave a guarantee to the Civil Aviation Authority regarding the payment and discharge of all liabilities of Buzz Stansted Ltd. The guarantee amounts to Stg£12m and is required by the Civil Aviation Authority (CAA) for Buzz Stansted Ltd to obtain and maintain an operating licence in the United Kingdom. In accordance with US GAAP the Company will perform a valuation of the Buzz assets acquired, to attribute value to separable intangible assets, which are likely, for example, to include airport slots and trademarks. Pro-forma disclosures relating to Buzz have not been provided as these are not meaningful in the context of the current use of the assets acquired.

Notes forming part of the Financial Information (Continued)

29 Subsidiary undertakings and acquisitions during the period

(a) The following are the principal subsidiary undertakings of Ryanair Holdings plc:

Name	Effective date of acquisition/incorporation	Registered Office	Nature of Business
Ryanair Limited	August 23, 1996 (acquisition)	Corporate Headquarters Dublin Airport Co Dublin	Airline operator
Darley Investments Limited*	August 23, 1996 (acquisition)	Corporate Headquarters Dublin Airport Co Dublin	Investment holding company
Ryanair.com Limited*	August 23, 1996 (acquisition)	Corporate Headquarters Dublin Airport Co Dublin	International data processing and reservations services

* These subsidiaries are wholly owned by Ryanair Limited, which in turn is wholly owned by Ryanair Holdings plc. All of the above subsidiaries are 100% owned by the Group. The shares owned by the Group comprise one class (ordinary shares) in respect of each subsidiary.

Information regarding all other subsidiaries will be filed with the Company's next Annual Return as provided for by S.16 (3)(a) of Companies (Amendment) Act, 1986.

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 the date of acquisition.

30 Summary of differences between 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 Ireland which differ significantly in certain respects from those generally accepted in the United States (US GAAP). These significant differences are described below:

(i) Deferred tax

Under Irish GAAP, Ryanair Holdings plc provides for deferred taxation using the full liability method on all material timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognized to the extent that they are regarded as recoverable. Under US 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 recognized if their realization is considered to be more likely than not. The differences in these accounting treatments have not resulted in any material reconciling items for US GAAP purposes.

(ii) Accounting for derivatives

Under Irish GAAP, unrealized gains and losses on derivative financial instruments utilized for hedging purposes are deferred and recognized in the profit and loss account when realized, as an offset to the related income or expense being hedged.

Notes forming part of the Financial Information (Continued)

Effective April 1, 2001 Ryanair adopted SFAS No. 133, "Accounting for Derivatives Instruments and Hedging Activities," as amended by SFAS No.137 and 138. SFAS No. 133 requires that all derivative instruments are recognized as assets or liabilities on the balance sheet and measured at fair value, regardless of the purpose or intent for holding them. Changes in the fair value of derivative instruments are recognized periodically either in earnings or stockholders' equity (as a component of other comprehensive income), depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. For derivatives designated as fair value hedges, changes in the fair value of the hedged item and the derivative are recognized currently in earnings. For derivatives designated as cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognized in accumulated other comprehensive income on the balance sheet until the hedged item is recognized in earnings. The ineffective portion of the fair value changes are recognized in earnings immediately. SFAS No.133 also requires that certain derivative instruments embedded in host contracts be accounted for separately as derivatives.

For periods prior to April 1, 2001, Ryanair's derivative financial instruments, excluding certain foreign exchange contracts purchased to offset the Group's foreign currency exposure, were accounted for together with the underlying business transactions ("hedge accounting"). Gains and losses on these derivative financial instruments were deferred off-balance sheet and were recognized as a component of the related transactions, when recorded (the "deferral method"). Certain of Ryanair's foreign exchange contracts did not qualify for hedge accounting, which resulted in gains or losses being recorded currently in earnings.

As a result of adopting SFAS No. 133, Ryanair recorded a transition adjustment of €0.7 million (gain) in other comprehensive income to record the fair value of its cash flow hedges. Since April 1, 2001, Ryanair has qualified for hedge accounting under SFAS No. 133 for all of its derivative financial instruments. Ryanair's US dollar currency forward contracts for aircraft purchases are accounted for as fair value hedges. All other derivative financial instruments are accounted for as cash flow hedges. There was no material ineffectiveness recorded for either cash flow or fair value hedges during the current and preceding years or at transition. The maximum length of time over which the Group is hedging its exposure to the variability in future cash flows for forecasted transactions is 12 years. Of the €31.6 million loss (net of €1.7 million of tax) recorded at March 31, 2003 in other comprehensive income, €5.9 million is expected to be reclassified into earnings within the next 12 months.

(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 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 Irish GAAP than under U.S. GAAP.

Under 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.

Notes forming part of the Financial Information (Continued)

(iv) Darley Investments Limited

Under 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 values.

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

(v) Acquisition of certain aircraft

Under 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 Irish GAAP, plan assets are valued on the basis of discounted present value of expected future income. US GAAP requires that plan assets are valued by reference to their market value. Under Irish GAAP, pension costs for defined benefit plans are assessed in accordance with the advice of independent actuaries using assumptions and methods which produce the actuaries’ best estimates of the cost of providing the relevant pension benefits. US GAAP requires the use of the projected unit credit method and the matching of the projected benefit obligation against the fair value of the plan’s assets, as adjusted to reflect any unrecognized obligations or assets. Under Irish GAAP, the measurement of plan assets and obligations may be based on the most recent actuarial valuation. Under US GAAP, calculations must be made as of the date of the financial statements or a date not more than three months prior to that date. Under US GAAP, where the accumulated benefit obligation (being the actuarial present value of benefits attributed by the pension to employee service rendered, based on current and past compensation levels) exceeds the fair value of plan assets, a liability must be recognized in the statement of financial position. Under Irish GAAP, such deficiencies are usually recognized over the remaining average service lives of the employees by way of increased contribution rates except where a major event or transaction has occurred which has not been allowed for in the actuarial assumptions, giving rise to a material deficit necessitating significant additional contributions to the scheme. In such circumstances, a material deficit so arising may be recognized over a shorter period.

Under Irish GAAP, pension credits are not recognized in the financial statements unless a refund of, or reduction in, contributions is likely. Under US GAAP, a negative pension cost may arise where a significant unrecognized net asset or gain exists at the time of implementation. This is required to be amortized on a straight line basis over the average remaining service period of employees. Note 24 to the financial statements gives the Group pension disclosure under Irish GAAP.

For the purposes of disclosure requirements under US 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 132.

Notes forming part of the Financial Information (Continued)

	<u>Year ended March 31, 2001</u>	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2003</u>
	€000	€000	€000
Projected benefit obligation at beginning of year	6,793	8,782	10,819
Service Cost.....	740	951	797
Interest Cost.....	453	443	655
Employee contributions	463	485	558
Actuarial loss	729	826	1,576
Benefits paid	<u>(396)</u>	<u>(668)</u>	<u>(138)</u>
Projected benefit obligation at end of year	<u>8,782</u>	<u>10,819</u>	<u>14,267</u>
 Change in plan assets			
	<u>Year ended March 31, 2001</u>	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2003</u>
Fair value of scheme assets at beginning of year	9,690	10,273	9,927
Actual return on assets.....	(52)	(758)	(2,115)
Employer contributions paid.....	568	595	672
Employee contributions paid.....	463	485	558
Benefits paid	<u>(396)</u>	<u>(668)</u>	<u>(138)</u>
Fair value of scheme assets at end of year	<u>10,273</u>	<u>9,927</u>	<u>8,904</u>

The funded status of the Group's retirement plan under SFAS No. 132 is as follows:

	<u>Year ended March 31, 2001</u>	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2003</u>
Actuarial present value of vested benefit obligations.....	6,595	8,777	12,390
Accumulated benefit obligations	<u>6,595</u>	<u>8,777</u>	<u>12,390</u>
Projected benefit obligations	(8,782)	(10,819)	(14,267)
Plan assets at fair value	<u>10,273</u>	<u>9,927</u>	<u>8,904</u>
Plan assets in excess of benefit obligations	1,491	(892)	(5,363)
Unrecognized net (loss)/gain.....	(272)	2,261	6,698
Unrecognized net obligation on implementation	268	238	208
Prepaid pension cost	<u>1,487</u>	<u>1,607</u>	<u>1,543</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. 132 purposes were as follows:

	<u>Year ended March 31, 2001</u>	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2003</u>
	%	%	%
Discount rate	6.00	6.25	6.25
Rate of increase in remuneration.....	4.00	4.25	4.25
Expected long term rate of return on assets.....	9.00	9.00	7.75

Notes forming part of the Financial Information (Continued)

The net periodic pension cost in accordance with SFAS No. 132 for the fiscal years ended March 31, 2001, 2002 and 2003 comprised:

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Service cost – present value of benefits earned during the year	740	951	797
Interest cost on projected benefit obligations	453	443	655
Expected return/(loss) on assets	52	737	(2,115)
Deferrals and amortization.....	<u>(1,014)</u>	<u>(1,655)</u>	<u>1,360</u>
Net periodic pension cost.....	<u>231</u>	<u>476</u>	<u>697</u>

(vii) Employment grants

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

(viii) Share option compensation expense

Under US 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 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 Group applies Accounting Principles Board Opinion No. 25 (APB 25) in accounting for its stock option 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 would have been reduced by €15,099,003, €2,222,730 and €8,699,556 for the years ended March 31, 2003, March 31, 2002 and March 31, 2001, respectively, and the corresponding earnings per share and diluted earnings per share would have been reduced by €1.99 euro cent and €0.30 euro cent and €1.23 cent per share, respectively, in the years ended March 31, 2003, 2002 and 2001, as presented below.

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Net income in accordance with US GAAP (as reported)	112,388	155,549	241,810
Deduct: total stock based employee compensation expense as determined under fair-value method.....	<u>(8,700)</u>	<u>(2,223)</u>	<u>(15,099)</u>
Pro-forma net income	<u>103,688</u>	<u>153,326</u>	<u>226,711</u>
Basic earnings per ordinary share (as reported)	€0.15	€0.21	€0.32
Pro-forma basic earnings per ordinary share	€0.13	€0.21	€0.30
Diluted earnings per ordinary share (as reported).....	€0.15	€0.20	€0.31
Pro-forma diluted earning per ordinary share.....	<u>€0.13</u>	<u>€0.20</u>	<u>€0.29</u>

Notes forming part of the Financial Information (Continued)

The weighted average fair value of the individual options granted during the years ended March 31, 2001, 2002, and 2003 is estimated based on the following assumptions.

Options Granted						
Date Granted.....	Jun 26, 2000	Jun 26, 2000	Nov 9, 2000	Nov 30, 2000	Jul 5, 2001	Jul 3, 2002
Date of earliest exercise	Jun 23, 2003	Jun 23, 2003	Jun 23, 2003	Jun 30, 2005	Jun 23, 2003	Jun 23, 2003
Fair Value	€3.24	€3.83	€5.32	€5.42	€2.18	€2.61
Assumptions:						
Risk-free interest rate	5.69%	5.55%	5.41%	5.14%	4.48%	4.11%
Volatility	40%	40%	40%	40%	40%	40%
Dividend Yield.....	Nil	Nil	Nil	Nil	Nil	Nil
Maximum life (years)....	7.0	7.0	6.6	6.6	7.0	7.0

(ix) Investments

The Group held one investment in a publicly quoted company in 2001. Under Irish GAAP this investment, which was held for the long term and not traded, was recorded in the Company's balance sheet at cost, within the caption 'Financial assets'. Profits or losses arising on disposal are booked in the profit and loss account when the shares are sold and represent 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's investments were classified as available for sale securities and were marked to market with gains or losses arising taken to the Statement of Shareholders' Equity. Under US GAAP the gain or loss arising on the ultimate sale of available for sale securities is recognized in the income statement.

(x) Capitalized interest

Under US GAAP interest costs associated with the cost of acquiring and making ready for their intended use certain 'qualifying' assets must be capitalized as part of the acquisition cost of the asset. Ryanair makes deposits in respect of its aircraft acquisition program and in accordance with US GAAP capitalizes interest costs which could have been avoided if the expenditure had not been made.

Under Irish GAAP there is no mandatory requirement to capitalize interest costs in such circumstances.

(b) Net income under U.S. GAAP

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Profit for the financial year as reported in the consolidated profit and loss accounts and in accordance with Irish GAAP	104,483	150,375	239,398
Adjustments:			
Pensions	740	751	697
Derivative financial instruments.....	6,803	-	(4,189)
Employment grants	401	464	469
Capitalized interest re aircraft acquisition program.....	-	5,027	5,262
Depreciation on tangible fixed assets:			
—basis of accounting for August 1996 transaction	1,531	-	-
—basis of accounting for aircraft acquired from Northill Limited	179	-	-
Darley Investments Limited.....	88	88	88
Taxation—effect of above adjustments	(1,837)	(1,156)	85
Net income in accordance with U.S. GAAP.....	112,388	155,549	241,810

Notes forming part of the Financial Information (Continued)

(c) Shareholders' equity

	Year ended March 31, 2001 €000	Year ended March 31, 2002 €000	Year ended March 31, 2003 €000
Shareholders' equity as reported in the consolidated balance sheets (Irish GAAP)	669,898	1,002,274	1,241,728
Adjustments:			
Pension	1,663	2,414	3,111
Employment grants	(933)	(469)	-
Capitalized interest re aircraft acquisition program	-	5,027	10,289
Darley Investments Limited	(415)	(327)	(239)
Minimum pension liability (net of tax)(i)	-	-	(2,656)
Investments	588	-	-
Unrealized gains/(losses) on derivative financial instruments(net of tax)(ii) ...	4,189	12,448	(73,371)
Tax effect of above adjustments	(604)	(1,760)	(1,675)
Shareholders' equity as adjusted to accord with U.S. GAAP	<u>674,386</u>	<u>1,019,607</u>	<u>1,177,187</u>
Opening shareholders' equity under U.S. GAAP	439,340	674,386	1,019,607
Comprehensive Income			
Investments	(1,400)	(588)	-
Minimum pension liability (net of tax)	-	-	(2,656)
Unrealized gains/(losses) on derivative financial instruments	-	8,259	(81,630)
Net income in accordance with U.S. GAAP	112,388	155,549	241,810
Total comprehensive income	<u>110,988</u>	<u>163,220</u>	<u>157,524</u>
Stock issued for cash	124,058	182,001	56
Closing shareholders' equity under U.S. GAAP	<u>674,386</u>	<u>1,019,607</u>	<u>1,177,187</u>

(i) Minimum pension liability net of tax of €379,428.

(ii) Unrealized gains/(losses) on derivative financial instruments net of tax of €598,428 in March 2001 (2002: €1,778,286; 2003: €10,481,571).

(d) Total assets

	Year ended March 31, 2001 €000	Year ended March 31, 2002 €000	Year ended March 31, 2003 €000
Total assets as reported in the consolidated balance sheets (Irish GAAP)	1,277,252	1,889,572	2,466,707
Adjustments:			
Pension	1,663	2,414	3,111
Darley Investments Limited	(415)	(327)	(239)
Capitalized interest re aircraft acquisition program	-	5,027	10,289
Investments	588	-	-
Total assets as adjusted to accord with U.S. GAAP	<u>1,279,088</u>	<u>1,896,686</u>	<u>2,479,868</u>

(e) Cash flows

In accordance with 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

Notes forming part of the Financial Information (Continued)

liquid resources 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 US GAAP, the Group considers all highly liquid deposits with a maturity of three months or less to be cash equivalents. Under 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 Irish and US 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 summarized consolidated cash flow under US GAAP is as follows:

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Cash inflow from operating activities	221,558	314,398	348,200
Cash (outflow) from investing activities	(360,056)	(551,146)	(575,806)
Cash inflow from financing activities	406,127	330,181	282,590
Increase in cash and cash equivalents	267,629	93,433	54,984
Cash and cash equivalents at beginning of year	121,430	389,059	482,492
Cash and cash equivalents at end of year*	<u>389,059</u>	<u>482,492</u>	<u>537,476</u>

* The company's cash outflow from investing activities includes an increase in restricted cash balances at March 31, 2001, March 31, 2002 and March 31, 2003 of nil, nil and €120.9 million to hedge its exposure to adverse movements in currency and interest rates in relation to its current and planned debt financing.

The following table reconciles cash and cash equivalents as presented under U.S. and liquid resources as presented under Irish GAAP:

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003
	€000	€000	€000
Cash and cash equivalents under U.S. GAAP	389,059	482,492	537,476
Restricted cash	-	-	120,890
Deposits with a maturity between three and six months	237,661	416,783	401,852
Cash and liquid resources under Irish GAAP	<u>626,720</u>	<u>899,275</u>	<u>1,060,218</u>

Supplemental schedule of Non-Cash Investing and Financing Activities.

The Group did not enter into capital leases for new fixtures and fittings, plant and equipment and motor vehicles during the current or preceding fiscal year. Principal payments under lease obligations entered into prior to March 31, 2003 totaled €1,000 (March 31, 2002: €107,000; March 31, 2001: €286,500) for the year.

Notes forming part of the Financial Information (Continued)

(f) Profit and loss account as presented under US GAAP

	Year ended March 31, 2001 €000	Year ended March 31, 2002 €000	Year ended March 31, 2003 €000
Operating revenues			
Scheduled revenues	432,940	550,991	731,951
Ancillary revenues	54,465	73,059	110,557
Total operating revenues—continuing operations	487,405	624,050	842,508
Operating expenses			
Staff costs	(60,081)	(77,025)	(91,907)
Depreciation and amortization	(57,465)	(59,010)	(76,865)
Other operating expenses.....	(252,909)	(323,779)	(409,008)
Total operating expenses	(370,455)	(459,814)	(577,780)
Operating income —continuing operations	116,950	164,236	264,728
Other income/(expenses)			
Interest receivable and similar income	19,666	27,548	31,363
Interest payable and similar charges	(11,962)	(14,582)	(25,624)
Foreign exchange gains/(losses).....	8,424	975	(3,561)
Gain on disposal of fixed assets	52	527	(29)
Total other income/(expenses)	16,180	14,468	2,149
Income before taxation	133,130	178,704	266,877
Taxation.....	(20,742)	(23,155)	(25,067)
Net income	112,388	155,549	241,810
Basic earnings per ordinary share (euro cent)	15	21	32
Diluted earnings per share (euro cent)	15	20	31
No. of ordinary shares (in '000's)	705,623	728,726	755,055
Diluted no of ordinary shares (in '000's)	714,196	739,961	766,279

Total comprehensive income amounted to €157.5 million, €163.2 million and €111.0 million in the year ending March 31, 2003, 2002 and 2001 respectively.

Notes forming part of the Financial Information (Continued)

(g) New US accounting pronouncements

In July 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS No. 142”), which revises the accounting for purchased goodwill and other intangible assets. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, with earlier adoption permitted. Under SFAS No. 142, purchased goodwill and intangible assets with indefinite lives are no longer amortized, but are instead tested for impairment at least annually. Intangible assets with indefinite lives are tested for impairment by comparing the fair value of the intangible asset with its carrying value. Any excess of carrying value over fair value is recognized as an impairment loss. SFAS No. 142 requires a two-step impairment test for goodwill. The first step is to identify reporting units within the business and compare the carrying amount of the reporting unit’s assets to the fair value of the reporting unit. If the carrying amount exceeds the fair value then the second step is required to be completed, which involves the fair value of the reporting unit being allocated to each asset and liability with the excess being implied goodwill. The impairment loss is the amount by which the recorded goodwill exceeds the implied goodwill. A company applying SFAS No. 142 is required to complete a “transitional” impairment test for goodwill as of the beginning of the fiscal year in which the statement is adopted. The adoption of this standard did not have a material impact on Ryanair’s financial statements.

SFAS No. 143, “Accounting for Asset Retirement obligations” (“SFAS No. 143”), addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002, with early adoption encouraged. The adoption of this standard did not have a material impact on Ryanair’s financial statements.

In August 2001, the FASB issued SFAS No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS No. 144”). SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supercedes SFAS No. 121. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001. Under SFAS No. 144, long lived assets to be held and used should be reviewed for impairment using a two-step approach. The first step is to assess whether the carrying amount of a long-lived asset is recoverable from its undiscounted cash flows. If the undiscounted cash flows of the long-lived asset are less than its carrying value then the second step is required. The second step requires the recognition of an impairment loss, measured as the difference between the carrying amount and fair value of the asset. For long-lived assets to be disposed of by sale, the statement requires that the long-lived asset be classified as held for sale at the lower of its carrying amount or fair value less cost to sell and to cease depreciation. The adoption of this standard did not have a material impact on Ryanair’s financial statements.

In April 2002, the FASB issued SFAS No. 145, “Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB statement No. 13, and Technical Corrections” (“SFAS No. 145”). SFAS No. 145 provides for the rescission of several previously issued accounting standards, new accounting guidance for the accounting for certain lease modifications and various technical corrections that are not substantive in nature to existing pronouncements. The adoption of this standard did not have a material impact on Ryanair’s financial statements.

In June 2002, the FASB issued SFAS No. 146 “Accounting for the Costs Associated with Exit or Disposal Activities” (“SFAS No. 146”), which nullifies Emerging Issues Task Force (EITF) Issue 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)”. SFAS No. 146 requires that a

Notes forming part of the Financial Information (Continued)

liability for costs associated with exit or disposal activities first be recognized when the liability is irrevocably incurred rather than at the date of management's commitment to an exit or disposal plan. In addition, SFAS No. 146 stipulates that the liability be measured at fair value and adjusted for changes in estimated cash flows. The provisions of the new standard are effective prospectively for exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 has not had a material impact on Ryanair's financial statements.

In November 2002, the FASB issued FIN 45. This interpretation addresses the disclosure to be made by a guarantor in its financial statements about its obligation under guarantees. FIN 45 also requires the guarantor to recognize a liability for the non-contingent component of the guarantee, that is, the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The disclosure requirements in this Interpretation are effective for financial statements of interim and annual periods ending after December 15, 2002. The recognition and measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year end. The adoption of this standard has not had a material impact on the financial statements of the Company.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock Based Compensation – Transition and Disclosure – an amendment of FASB statement No. 123" ("SFAS No. 148"). SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Ryanair has adopted the disclosure requirements of SFAS No. 148 during the 2003 fiscal year. Ryanair has opted to continue to account for stock options in accordance with APB 25 as permitted by this standard.

In January 2003, the FASB issued FASB Interpretation No. 46 "Consolidation of Variable Interest Entities" ("FIN 46"), which interprets Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements". FIN 46 clarifies the application of ARB No. 51 with respect to the consolidation of certain entities (variable interest entities – "VIEs") to which the usual condition for consolidation described in ARB No. 51 does not apply because the controlling financial interest in VIEs may be achieved through arrangements that do not involve voting interests. In addition, FIN 46 requires the primary beneficiary of VIEs and the holder of a significant variable interest in VIEs to disclose certain information relating to their involvement with the VIEs. The provisions of FIN 46 apply immediately to VIEs created after January 31, 2003 and to VIEs in which an enterprise obtains an interest after that date. FIN 46 applies to the first fiscal year beginning after June 15, 2003, to VIEs in which an enterprise holds a variable interest that it acquired before February 1, 2003. Ryanair does not expect that the adoption of this standard will have a material impact on its financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of non-public utilities. Ryanair does not expect the adoption of SFAS No. 150 to have a material impact on its financial statements.