

RYANAIR DELIVERS RECORD Q3 PROFITS, TRAFFIC GROWS BY 54%, PROFITS RISE BY 10%

Ryanair, Europe's No.1 low fares airline today (Wed 28 Jan 2004) released financial results for the quarter ended 31 Dec'03 showing record profits and traffic figures, whilst passengers benefited from fares which were on average 11% lower than the equivalent period last year.

Summary Table of Results (Irish GAAP) - in Euro

Quarter ended	Dec 31,2002	Dec 31, 2003	% Increase
Passengers	3.9m	6.1m	54%
Revenue	€185.9m	€255.0m	37%
Adjusted Profit after tax <small>Note 1</small>	€43.2m	€47.5m	10%
Adjusted EPS (Euro Cent) <small>Note 1</small>	5.72c	6.27c	10%

Note 1: Adjusted profit after tax and EPS, excludes the exceptional costs of €6.0m (net of tax) arising from the earlier than planned retirement of 6 Boeing 737-200 aircraft and a Goodwill charge of €0.6m

Traffic for the quarter grew by 54% to 6.1m, whilst average fares declined by 11%. Total revenues rose by 37%, operating costs rose by 42% - significantly less than the rate of traffic growth - as unit costs fell by 8%, whilst after tax margins declined from 23% to 19% for the quarter. Adjusted net profit after tax rose by 10% to €47.5m.

This quarter marked a number of important milestones in Ryanair's growth as follows;

- Overtaking Easyjet to become Europe's largest low fares airline.
- Overtaking BA's UK/Europe traffic, making Ryanair Britain's favourite airline.
- Selected 2 more new European bases in Rome and Barcelona.
- Cumulative after tax profit margin continues to be over 20%.
- Closing cash balances of €1.12 billion.

As we have consistently highlighted in previous quarterly statements, we remain very cautious in our outlook for fares and yields. Based on initial bookings for the first three calendar months of 2004 (Q.4 of 2003/04) we now expect that yields during this final quarter may decline by between 25% to 30% over those recorded in the comparable quarter last year. These reductions in fares are significantly greater than the 10% to 15% range recorded over the first three quarters. If these lower fares and yields occur (bearing in mind we have not completed even the first month of this quarter) then we would expect net profit before exceptionals for the fiscal year to reduce by up to 10% from a net profit of €239m last year to approximately €215m for the current fiscal year.

Announcing these results in London this morning, Ryanair's Chief Executive, Michael O'Leary said;

"We are very pleased with the strong growth in traffic and profits for the third quarter which demonstrates the success of our strategy of rapid capacity expansion across new bases and new routes, over the past year. The yield reduction of 11% - although greater than originally expected - has stimulated a 54% increase in traffic, whilst an 8% reduction in unit operating costs has ensured that our strong profitability continues.

“Early indications for yields in our fourth quarter suggest a marked further reduction of between 25% to 30% due to 1) our continuing substantial capacity growth, 2) the launch in January and February of two new bases at Rome Ciampino and Barcelona Girona, 3) the impact of Sterling’s continuing weakness against the Euro, 4) intense price competition all over Europe as a result of enormous capacity growth, particularly from chronically loss making start-up airlines and flag carriers.

“There is therefore considerable downward pressure on fares and yields as many of these loss making airlines try to compete and survive. Despite this difficult market Ryanair continues to profitably develop new routes, new bases and grow market share. In many cases Ryanair is leading the downward pressure on prices and yields, but unlike our competitors we continue to generate world leading profit margins as a result of our aggressive cost management and lowest cost base.

“Ryanair’s strategy continues to be successful all over Europe. Traffic has grown by over 50% so far this year. We have launched 4 new bases in Europe, and 73 of our 146 routes are in their first 12 months of operation. While we now expect after tax profits for the current year to dip slightly, our annualised profit margin will still be in excess of 20% and Ryanair will continue – by some considerable distance – to be the world’s most profitable airline by margin.

“We have seen a number of these cycles in the industry before. Ryanair continues to grow strongly and profitably, even during periods such as now when fares and yields are being lowered at a faster rate than predicted. Our response to these market conditions will be to continue to lower fares and yields, exploit our huge cost advantage, and tightly manage further cost reductions so that we continue to deliver industry leading low fares and profit margins.

“Our determination to continue to reduce fares and yields is strengthened by our experience in recent quarters where many competitors have been forced to reduce their frequency and capacity or withdraw from markets were they compete with Ryanair’s low fares.

“Looking forward to the next fiscal year (04/05) it is impossible in the current climate to make accurate forecasts on fares and yields other than to state that Ryanair will always offer the lowest fares in all markets. Despite this overall caution we expect the yield decline next year to be of a lower order of magnitude for the following reasons;

- 1. We do not expect any further weakness of Sterling against the Euro.*
- 2. From May onwards, Ryanair’s rate of capacity growth will fall from over 50% for the past two years to just 20% per annum.*
- 3. Initial indications suggest that the two new bases (Rome Ciampino and Barcelona Girona) will be significantly stronger performers than some of the new routes and bases launched in previous years.*

“We are confident that average seat costs for the coming year will continue to decline strongly, thanks to continuing cost reductions, the higher proportion of more efficient 737-800’s in service, redelivery of the Buzz BAe 146 aircraft and the other recent lease-ins. The weaker U.S. dollar will also have a positive impact on fuel, aircraft and spares costs whilst there will be continued strong growth in ancillary revenues.

We are also initiating a detailed review and reduction of certain elements of our cost base which will include;

- a) Reducing airport and handling costs where Ryanair continues to deliver exceptional growth, whilst at the same time reducing capacity at those airports that do not share our commitment to lower air fares for consumers.*
- b) We are already in discussions with lessors to reduce to market rates lease costs on some of the former Buzz aircraft. These leases are already the subject of legal dispute and impending proceedings and if these are not successful, then the aircraft will be returned and Buzz Stansted Ltd will be wound down.*
- c) We are renegotiating our long-term maintenance contracts on the basis of our larger fleet size and we are re-examining the timing of our fleet deliveries in order to ensure that capacity growth is maintained at 20% to 25% for the next number of years.*

“Even in the light of this revised profit guidance for the current year, Ryanair will continue to be one of the world’s fastest growing, and certainly the world’s most profitable airline by margin. Our net after tax margin will continue to exceed our benchmark target of 20% for the current year despite an enormous and sudden reduction in fares and yields. Our response to competition in all markets will be to beat it by offering lower prices, No.1 customer service and continued cost reduction. Like Southwest in the U.S., Ryanair’s model is successful. It is by some distance the lowest cost operator in Europe, we continue to enjoy the support of the travelling public, and we remain tremendously profitable as well as enormously cash generative. Our cash balances at the end of Q3 exceed €1.12bn.

“Some of our loss making competitors will continue to cut back routes or terminate them, some will consolidate, and some will disappear over the coming years, but we remain determined to ensure that Ryanair – the lowest cost airline in Europe - continues to grow and continues to be profitable. We are building here for the long term and we believe that investors can continue to share in this growth story.”

ENDS.

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Certain of the information included in this release is forward looking and is subject to important risks and uncertainties that could cause actual results to differ materially. It is not reasonably possible to itemise all of the many factors and specific events that could affect the outlook and results of an airline operating in the European economy. Among the factors that are subject to change and could significantly impact Ryanair's expected results are the airline pricing environment, fuel costs, competition from new and existing carriers, market prices for replacement aircraft, costs associated with environmental, safety and security measures, actions of the Irish, U.K., European Union ("EU") and other governments and their respective regulatory agencies, fluctuations in currency exchange rates and interest rates, airport access and charges, labour relations, the economic environment of the airline industry, the general economic environment in Ireland, the UK and Continental Europe, the general willingness of passengers to travel and other economics, social and political factors.

Ryanair Holdings plc and Subsidiaries
Consolidated Profit and Loss Accounts in accordance
with UK and Irish GAAP(unaudited)

	Quarter ended Dec 31, 2003 <u>€'000</u>	Quarter ended Dec 31, 2002 <u>€'000</u>	Nine months ended Dec 31, 2003 <u>€'000</u>	Nine months ended Dec 31, 2002 <u>€'000</u>
Operating Revenues				
Scheduled revenues	216,424	157,407	739,964	568,514
Ancillary revenues	38,575	28,497	111,409	81,979
Total operating revenues				
-continuing operations	<u>254,999</u>	<u>185,904</u>	<u>851,373</u>	<u>650,493</u>
Operating expenses				
Staff costs	29,506	21,822	90,984	68,554
Depreciation and amortisation	25,009	19,014	71,728	56,877
Aircraft retirement costs	6,773	-	9,491	-
Other operating expenses				
Fuel & Oil	43,128	29,355	127,474	97,777
Maintenance, materials and repairs	8,796	6,197	30,983	23,340
Marketing and distribution costs	1,045	2,865	11,028	10,972
Aircraft rentals	2,730	-	6,450	-
Route charges	27,442	15,944	80,331	49,694
Airport and Handling charges	38,123	26,224	110,202	82,430
Other	19,083	15,772	58,769	44,643
Total operating expenses	<u>201,635</u>	<u>137,193</u>	<u>597,440</u>	<u>434,287</u>
Operating profit before exceptional items and goodwill	53,364	48,711	253,933	216,206
Buzz re-organisation costs	-	-	(3,012)	-
Amortisation of goodwill	(586)	-	(1,757)	-
	(586)	-	(4,769)	-
Operating profit after exceptional items and goodwill	<u>52,778</u>	<u>48,711</u>	<u>249,164</u>	<u>216,206</u>
Other income/(expenses)				
Foreign exchange gains/(losses)	(581)	(1,012)	852	(1,733)
(Loss) on disposal of fixed assets	-	(8)	(8)	(29)
Interest receivable and similar income	5,115	8,187	17,642	24,192
Interest payable and similar charges	(12,499)	(8,083)	(35,302)	(22,137)
Total other income/(expenses)	<u>(7,965)</u>	<u>(916)</u>	<u>(16,816)</u>	<u>293</u>
Profit before taxation	44,813	47,795	232,348	216,499
Tax on profit on ordinary activities	(3,852)	(4,643)	(22,446)	(22,401)
Profit for the period	<u>40,961</u>	<u>43,152</u>	<u>209,902</u>	<u>194,098</u>
Earnings per ordinary share				
-Basic(Euro cent)	5.40	5.72	27.72	25.71
-Diluted(Euro cent)	5.33	5.63	27.41	25.34
Adjusted Earnings per ordinary share*				
-Basic(Euro cent)	6.27	5.72	29.46	25.71
-Diluted(Euro cent)	6.19	5.63	29.13	25.34
Number of ordinary shares (in 000's)				
-Basic	758,608	755,031	757,143	755,031
-Diluted	767,928	766,705	765,779	765,853

* Calculated on Profit for period before exceptional items (net of tax) and Goodwill and excluding Aircraft retirement costs.

Ryanair Holdings plc and Subsidiaries

*Consolidated Balance Sheets in accordance with
UK and Irish GAAP(unaudited)*

	December 31, 2003 <u>€'000</u>	March 31, 2003 <u>€'000</u>
Fixed assets		
Tangible assets	1,611,127	1,352,361
Intangible Assets	<u>45,085</u>	<u>-</u>
Total fixed assets	<u>1,656,212</u>	<u>1,352,361</u>
Current Assets		
Cash and liquid resources	1,124,671	1,060,218
Accounts receivable	11,478	14,970
Other assets	22,977	16,370
Inventories	<u>24,183</u>	<u>22,788</u>
Total current assets	<u>1,183,309</u>	<u>1,114,346</u>
Total assets	<u><u>2,839,521</u></u>	<u><u>2,466,707</u></u>
Current liabilities		
Accounts payable	82,491	61,604
Accrued expenses and other liabilities	223,679	251,328
Current maturities of long term debt	79,545	63,291
Short term borrowings	<u>4,454</u>	<u>1,316</u>
Total current liabilities	<u>390,169</u>	<u>377,539</u>
Other liabilities		
Provisions for liabilities and charges	97,915	67,833
Accounts payable due after one year	268	5,673
Long term debt	<u>893,285</u>	<u>773,934</u>
Total Other liabilities	<u>991,468</u>	<u>847,440</u>
Shareholders' funds - equity		
Called - up share capital	9,637	9,588
Share premium account	559,717	553,512
Profit and loss account	<u>888,530</u>	<u>678,628</u>
Shareholders' funds - equity	<u>1,457,884</u>	<u>1,241,728</u>
Total liabilities and shareholders' funds	<u><u>2,839,521</u></u>	<u><u>2,466,707</u></u>

Ryanair Holdings plc and Subsidiaries

*Consolidated Cashflow Statements in accordance
with UK and Irish GAAP (unaudited)*

	Nine months ended Dec 31, 2003 €'000	Nine months ended Dec 31, 2002 €'000
Net cash inflow from operating activities	295,459	260,950
Returns on investments and servicing of finance	(17,086)	(4,257)
Taxation	207	(2,212)
Capital expenditure(including aircraft deposits)	(338,329)	(270,867)
Acquisitions and disposals	(20,795)	-
Net cash (outflow) before financing and management of liquid resources	(80,544)	(16,386)
Financing	141,859	161,675
(Increase) in liquid resources	(108,139)	(156,153)
(Decrease) in cash	(46,824)	(10,864)
 Analysis of movement in liquid resources		
At beginning of year	982,352	816,023
Increase in period	108,139	156,153
At end of period	1,090,491	972,176
 Analysis of movement in cash		
At beginning of year	76,550	77,747
Net cash (outflow) during period	(46,824)	(10,864)
At end of period	29,726	66,883

Ryanair Holdings plc and Subsidiaries

Consolidated Statement of Changes in Shareholders' Funds - Equity in accordance with UK and Irish GAAP (unaudited)

	Ordinary shares €'000	Share premium account €'000	Profit and loss account €'000	Total €'000
Balance at April 1, 2003	9,588	553,512	678,628	1,241,728
Issue of ordinary equity shares	49	6,205	-	6,254
Profit for the period	-	-	209,902	209,902
Balance at December 31, 2003	9,637	559,717	888,530	1,457,884

Reconciliation of adjusted Earning per share(unaudited)

	Quarter ended Dec 31, 2003 €'000	Quarter ended Dec 31, 2002 €'000	Nine months ended Dec 31, 2003 €'000	Nine months ended Dec 31, 2002 €'000
Profit for the period under UK and Irish GAAP	40,961	43,152	209,902	194,098
Adjustments				
Aircraft retirement costs	6,773	-	9,491	-
Buzz re-organisation costs	-	-	3,012	-
Amortisation of goodwill	586	-	1,757	-
Taxation adjustment for above	(779)	-	(1,084)	-
Adjusted Profit under UK and Irish GAAP	47,541	43,152	223,078	194,098
Number of ordinary shares(in 000's)				
-Basic	758,608	755,031	757,143	755,031
-Diluted	767,928	766,705	765,779	765,853
Adjusted Earnings per ordinary share				
-Basic	6.27	5.72	29.46	25.71
-Diluted	6.19	5.63	29.13	25.34

Ryanair Holdings plc and Subsidiaries
Consolidated Profit and Loss Accounts in accordance
with US GAAP (unaudited)

	Quarter ended Dec 31, 2003 €'000	Quarter ended Dec 31, 2002 €'000	Nine months ended Dec 31, 2003 €'000	Nine months ended Dec 31, 2002 €'000
Operating Revenues				
Scheduled revenues	216,424	157,407	739,964	568,514
Ancillary revenues	38,575	28,497	111,409	81,979
Total operating revenues				
-continuing operations	<u>254,999</u>	<u>185,904</u>	<u>851,373</u>	<u>650,493</u>
Operating expenses				
Staff costs	29,286	21,558	90,344	67,780
Depreciation and amortisation	25,009	19,014	71,728	56,877
Aircraft retirement costs	6,773	-	9,491	-
Other operating expenses				
Fuel & Oil	43,128	29,355	127,474	97,777
Maintenance, materials and repairs	8,796	6,197	30,983	23,340
Marketing and distribution costs	1,045	2,865	11,028	10,972
Aircraft rentals	2,730	-	6,450	-
Route charges	27,442	15,944	80,331	49,694
Airport and Handling charges	38,123	26,224	110,202	82,430
Other	19,061	15,750	58,703	44,577
Total operating expenses	<u>201,393</u>	<u>136,907</u>	<u>596,734</u>	<u>433,447</u>
Operating profit before exceptional items	53,606	48,997	254,639	217,046
Buzz re-organisation costs	-	-	(3,012)	-
Operating profit after exceptional items	<u>53,606</u>	<u>48,997</u>	<u>251,627</u>	<u>217,046</u>
Other income/(expenses)				
Foreign exchange gains/(losses)	(581)	(1,012)	852	(5,922)
(Loss) on disposal of fixed assets	-	(8)	(8)	(29)
Interest receivable and similar income	5,115	8,187	17,642	24,192
Interest payable and similar charges	(10,493)	(6,492)	(29,605)	(18,406)
Total other income/(expenses)	<u>(5,959)</u>	<u>675</u>	<u>(11,119)</u>	<u>(165)</u>
Profit on ordinary activities				
before taxation	47,647	49,672	240,508	216,881
Tax on profit on ordinary activities	(4,130)	(4,869)	(23,238)	(22,091)
Net Income	<u>43,517</u>	<u>44,803</u>	<u>217,270</u>	<u>194,790</u>
Net Income per ADS				
-Basic(Euro cent)	28.68	29.67	143.48	128.99
-Diluted(Euro cent)	28.33	29.22	141.86	127.17
Adjusted Net Income per ADS *				
-Basic(Euro cent)	33.15	29.67	151.54	128.99
-Diluted(Euro cent)	30.10	29.22	145.40	127.17
Weighted Average number of shares				
-Basic	758,608	755,031	757,143	755,031
-Diluted	767,928	766,705	765,779	765,853

* Calculated on Net Income before exceptional items(net of tax), and Aircraft retirement costs.

Ryanair Holdings plc and Subsidiaries

Summary of significant differences between UK, Irish and US generally accepted accounting principles (unaudited)

(A) Net income under US GAAP

	<--Quarter ended-->		<--Nine months ended-->	
	Dec 31, 2003 €000	Dec 31, 2002 €000	Dec 31, 2003 €'000	Dec 31, 2002 €'000
Profit as reported in the consolidated profit and loss accounts in accordance with UK and Irish GAAP	40,961	43,152	209,902	194,098
Adjustments				
Pension	220	148	640	425
Derivative financial instruments (net of tax)	-	-	-	(4,189)
Amortisation of goodwill	586	-	1,757	-
Employment grants	-	116	-	349
Capitalised interest re aircraft acquisition programme	2,006	1,591	5,697	3,731
Darley Investments Limited	22	22	66	66
Taxation- effect of above adjustments	(278)	(226)	(792)	310
Net income under US GAAP	<u>43,517</u>	<u>44,803</u>	<u>217,270</u>	<u>194,790</u>

(B) Consolidated Cashflow Statements in accordance with US GAAP

	<--Nine months ended-->	
	Dec 31, 2003 €'000	Dec 31, 2002 €'000
Cashflow from operating activities	278,580	254,481
Cash (outflow) from investing activities	(932,690)	(233,687)
Cash inflow from financial activities	144,997	157,965
(Decrease)/increase in cash and cash equivalents	(509,113)	178,759
Cash and cash equivalents at beginning of year	537,476	482,492
Cash and cash equivalents at end of period	<u>28,363</u>	<u>661,251</u>
Cash and cash equivalents under US GAAP	28,363	661,251
Restricted cash	198,300	-
Deposits with a maturity of between three and six months	898,008	379,603
Cash and liquid resources under UK and Irish GAAP	<u>1,124,671</u>	<u>1,040,854</u>

Ryanair Holdings plc and Subsidiaries

Summary of significant differences between UK, Irish and US generally accepted accounting principles (unaudited)

(C) Shareholders' funds - equity

	Dec 31, 2003 <u>€'000</u>	Dec 31, 2002 <u>€'000</u>
Shareholders' equity as reported in the consolidated balance sheets (UK and Irish GAAP)	1,457,884	1,196,372
Adjustments:		
Pension	3,751	2,839
Employment grants	-	(120)
Goodwill	1,757	-
Capitalised interest re aircraft acquisition programme	15,986	8,758
Darley Investments Limited	(173)	(261)
Minimum pension liability (net of tax)	(2,656)	-
Derivative financial instruments (net of tax)	(54,968)	(68,528)
Tax effect of adjustments	<u>(2,467)</u>	<u>(1,450)</u>
Shareholders' equity as adjusted to accord with US GAAP	<u>1,419,114</u>	<u>1,137,610</u>
Opening shareholders' equity under US GAAP	1,177,187	1,019,607
Comprehensive Income adjustments		
Unrealised gains/(losses) on derivative financial instruments (net of tax)	<u>18,403</u>	<u>(76,787)</u>
	18,403	(76,787)
Net income in accordance with US GAAP	217,270	194,790
Stock issued for cash	<u>6,254</u>	<u>-</u>
Closing shareholders' equity under US GAAP	<u>1,419,114</u>	<u>1,137,610</u>

Ryanair Holdings plc

Management Discussion and Analysis of Results

Introduction

Profit after tax including exceptional costs of €6.0m (net of tax), and goodwill of €0.6m arising from the “Buzz” acquisition decreased by 5.1% to €41.0m. This profit also includes an additional depreciation charge of €0.5m relating to an adjustment to the residual value of a Boeing 737-200 aircraft that was retired earlier than planned (see Note 4). Adjusted profit after tax, excluding goodwill of €0.6m, and exceptional costs are comprised of aircraft depreciation of €0.5m and lease in costs of €5.5m (net of tax), increased by 10.2% to €47.5m. For the purposes of the MD&A the discussion below is by reference to the adjusted profit and loss account excluding the exceptional costs referred to above.

Summary – Quarter ended December 31, 2003

Profit after tax has increased by 10.2% to €47.5m, compared to €43.2m in the previous quarter ended December 31, 2002, driven by continued strong growth in passenger volumes and tight cost control partly offset by lower average fares. **Operating margins** have decreased by 2.6 points to 23.6% whilst **Operating profit** increased by €11.4m to €60.1m compared to the comparative period last year.

Total operating revenues increased by 37.2% to €255.0m whilst passengers numbers increased by 54.4% to 6.1m.

Scheduled Passenger revenues increased by 37.5% to €216.4m due to strong passenger volume growth, offset by a 10.9% decline in average fares during the period.

Ancillary revenue increased by 35.4% to €38.6m, which is less than the growth in passenger volumes and reflects strong growth in non-flight scheduled revenue, car hire and hotel revenue offset by the cessation of the charter programme as Ryanair replaced charter capacity with scheduled services. Ancillary revenues were also negatively impacted by the strength of the euro versus sterling, as 65% of ancillary revenues are denominated in sterling. Ancillary revenue, excluding charters increased by 45.4% and now accounts for 15.1% of total revenues compared to 14.3% in quarter 3 of fiscal '03.

Total operating expenses increased by 42% to €194.9m due to the increased costs associated with the higher level of activity, primarily staff costs, fuel, route charges, depreciation and airport & handling costs associated with the growth of the airline. Costs continue to increase at a lower rate than the growth in passenger numbers principally reflecting the increased operational efficiencies arising from the higher proportion of 737-800 aircraft operated. However they increased at a faster rate than the growth in revenues due to decreases in yields described above.

Other income/expenses declined significantly by €7.1m due to lower deposit interest rates and higher interest payable arising from the increased level of debt during the period.

Net margins as a result of the above declined from 23.2% to 18.6% whilst **net profit** increased by 10.2% to €47.5m.

Adjusted earnings per share have increased by 9.6% to 6.27 euro cent.

Balance Sheet

Cash and liquid resources have increased by €64.4m from €1,060.2m at March 31, 2003 to €1,124.7m at December 31, 2003, reflecting the increased cash flows from the profitable trading performance during the period. Nine additional aircraft were delivered in the period of which one was financed via an operating lease and these, in addition to aircraft deposits, accounted for the bulk of the €338.3m incurred in capital expenditure. This was part funded by the draw down of long term debt which increased, net of repayments, by €135.6m during the period. **Shareholders' funds** at December 31, 2003 have increased to €1,457.9m, compared to €1,241.7m at March 31, 2003.

Detailed Discussion and Analysis - Quarter Ended December 31, 2003

Profit after tax has increased by 10.2% to €47.5m driven by strong growth in passenger volumes and continued tight cost control, offset by lower average fares. **Operating margins** have declined by 2 points to 23.6% compared to the previous period. **Operating profit** increased by 23.5% to €60.2m compared to the quarter ended December 31, 2002 whilst **profit before tax** increased by 9.2%.

Total operating revenues increased by 37.2% to €255.0m whilst passenger volumes increased by 54.4% to 6.1m.

Scheduled passenger revenues increased by 37.5% to €216.4m, reflecting the increase in passenger volumes offset by lower average fares of 10.9%. The decline in average fares is due to the launch of new routes and new bases earlier in the year, the weakness of sterling to the euro (which accounted for 5% of the decline), and Ryanair's policy of offering the lowest airfares.

Ancillary revenues increased by 35.4% to €38.6m, which, excluding charters ancillary revenues has actually increased by 45.4%. This reflects strong growth in all areas of ancillary revenues particularly car hire, non-flight scheduled revenues, hotels and internet related activities. These gains were partly offset by the impact of the depreciation of the sterling currency against the euro in this period due to the large volume of sterling denominated sales.

Total operating expenses increased by 42.0% to €194.9m due to the increased level of activity, and the increased costs, primarily staff, depreciation, fuel, route charges and airport & handling costs associated with the growth of the airline. The weakness of sterling to euro had a positive impact on operating costs as did the efficiencies arising from the increased proportion of 737-800 aircraft in operation.

Staff costs have increased by 35.2% to €29.5m reflecting a 34% increase in average employee numbers to 2,356 and the impact of a 3% pay increase granted during the period offset by savings arising from the stronger euro to sterling exchange rate.

Depreciation and amortisation increased by 31.5% to €25.0m due to an increase in the average number of aircraft owned from 49 to 71, offset by savings arising from the increase in the number of fully depreciated aircraft, lower amortisation of capitalised maintenance costs primarily due to the retirement of 737-200 aircraft, and the lower euro denominated cost of new aircraft due to the strengthening of the euro to US\$ exchange rate.

Fuel costs increased by 46.9% to €43.1m due to a 61% increase in the number of hours flown, a stronger euro to US\$ exchange rate and an improvement in the fleet fuel burn rate due to a higher proportion of 737-800 aircraft operated.

Maintenance costs increased by 41.9% to €8.8m reflecting an increase in the size of the fleet operated, an increase in the number of flight hours, and the increase in maintenance provisions relating to the leased “Buzz” aircraft, offset by maintenance savings due to improved reliability arising from the higher proportion of 737-800 aircraft operated as a percentage of the total fleet.

Marketing and distribution costs decreased by 63.5% to €1.0m due to a lower spend in the quarter on new routes as most new routes were launched in Quarter 1. In addition advertising spend is more focussed on new markets with existing market spend declining as the company promotes its fares directly to the customer via its internet site.

Aircraft rental costs of €2.7m arose during the period reflecting the lease rental costs associated with the acquired “Buzz” aircraft. The charge also includes one month rental relating to the first aircraft delivered to Ryanair under the new operating lease agreement signed during the quarter.

Route Charges increased by 72.1% to €27.4m due to an increase in the number of sectors flown, an increase in the average sector length and an increase in the size of the aircraft operated which incur a higher charge offset by the impact of a weaker sterling to euro exchange rate.

Airport and handling charges increased by 45.4% to €38.1m which is less than the growth in passenger volumes and reflects the lower charges on our new European routes and at our new bases.

Other expenses increased by 21.0% to €19.1m which is less than the growth in ancillary revenues and reflects improved margins on some new and existing products and continued cost control on other indirect costs.

Operating profits have increased by 23.5% to €60.1m due to the reasons outlined above.

Interest receivable decreased by €3.1m to €5.1m reflecting the lower interest rates obtained on cash deposits during the quarter. **Interest payable** increased by €4.4m to €12.5m due to the increased level of debt arising from the acquisition of new aircraft.

Taxation is 10.2% of pre-tax profits and amounted to €4.6m during the period.

The Company's **balance sheet** continues to benefit from the strong growth in profits. Tangible fixed assets increased to €1,611.1m from €1,352.4m principally as a result of the purchase of eight new 737-800 additional aircraft since March 31, 2003 and the payment of deposits for new deliveries. The Company generated cash from operating activities of €295.5m, which funded advance payments on future deliveries of €149.9m whilst the balance is reflected in the higher cash and liquid resources figure of €1,124.7m. **Advance delivery deposits** amounted to €396.5m at the period end. **Total debt** has increased by a further €135.6m, net of repayments, since March 31, 2003 to €972.8m. **Shareholder's funds** at December 31, 2003 have increased to €1,457.9m compared to €1,241.7m at March 31, 2003.

Detailed Discussion and Analysis – Nine months ended December 31, 2003

Profit after tax has increased by 14.9% to €223.1m driven by strong growth in passenger volumes at lower average fares and continued tight cost control. **Operating margins** declined 2.3 points to 30.9% whilst **net margins** declined by 3.6 points to 26.2% compared to the previous period.

Total operating revenues increased by 30.9% to €851.4m whilst passenger volumes increased by 48% to 17.4m.

Scheduled passenger revenues increased by 30.2% to €740.0m primarily due to increased passenger numbers on new and existing routes, offset by a 12.0% decline in average fares. The decline in average fares is due to the launch of new routes and new bases, the weakness of sterling to the euro (which accounted for 5% of the decline), and Ryanair's policy of offering the lowest airfares.

Ancillary revenues increased by 35.9% to €111.4m, which is lower than the growth in passenger volumes, and reflects the cessation of the charter programme as Ryanair replaced Charter capacity with scheduled services, and also the weakness of sterling to the euro due to ancillaries being predominantly sold in sterling. Excluding charters ancillary revenues increased by 56% due mainly to strong car hire revenues, non-flight scheduled revenues and other ancillary product revenues.

Total operating expenses increased by 35.4% to €587.9m due to the increased level of activity, and the increased costs primarily staff, depreciation, fuel, route charges and airport & handling costs associated with the growth of the airline.

Staff costs have increased by 32.7% to €91.0m. This increase reflects a 34% increase in average employee numbers to 2,273, and the impact of a 3% pay increase granted during the period offset by savings arising from the strength of the euro exchange rate to sterling.

Depreciation and amortisation increased by 26.1% to €71.7m(excluding additional depreciation charges on retired aircraft) due to an increase in the average number of aircraft owned from 49 to 71 offset by lower amortisation on capitalised maintenance costs due to the retirement of 737-200 aircraft, and savings due to the increase in the number of aircraft fully depreciated.

Fuel costs increased by 30.4% to €127.5m due to a 58% increase in the number of hours flown, offset by a decrease in the average US\$ cost per gallon, an improvement in the fuel burn rate due to a higher proportion of 737-800 aircraft operated, and the positive impact of the strengthening of the euro to the US\$.

Maintenance costs increased by 32.7% to €31.0m reflecting an increase in the size of the fleet operated, higher maintenance due to the acquisition of the "Buzz" aircraft and an increase in the number of flight hours, offset by savings due to improved reliability arising from the higher proportion of 737-800 aircraft operated as a percentage of the total fleet.

Marketing and distribution costs amounted to €11.0m in line with the previous period reflecting a lower level of expenditure on existing routes and markets, which were promoted via fare offerings on the internet offset by increased expenditure on advertising and promotion of new routes/bases.

Aircraft rental costs of €6.5m arose during the period reflecting the lease rental costs associated with the leased “Buzz” aircraft and one month’s rental for the first aircraft delivered under the new operating lease agreement.

Route charges increased by 61.7% to €80.3m due to an increase in the number of sectors flown, an increase in the average sector length and an increase in the size of the aircraft operated which incur a higher charge, offset by the impact of a weaker sterling to euro exchange rate.

Airport and handling charges increased by 33.7% to €110.2m due to an increase in the number of passengers flown, the impact of increased airport and handling charges on some existing routes, offset by lower charges on our new European routes and at our new bases.

Other expenses increased by 31.6% to €58.8m, which is less than the growth in ancillary revenues due to improved margins on some new and existing products, and cost reductions achieved on other indirect costs.

Operating margins have declined by 2.3 points to 30.9% for the reasons outlined above whilst **operating profits** increased by 21.8% to €263.4m during the period.

Interest receivable decreased by 27.1% to €17.6m reflecting the strong growth in cash resources arising from the profitable trading performance, offset by lower deposit interest rates in the period. **Interest payable** increased by 59.5% to €35.3m due to the increased level of debt arising from the acquisition of new aircraft.

Taxation has increased by 5% during the period, less than the growth in pre-tax profits and primarily reflects the continued decline in the headline rate of corporation tax in Ireland.

Notes to the Financial Statements

1. **Accounting Policies**

The accounting policies followed in the preparation of these consolidated financial statements for the nine months ended December 31, 2003 are consistent with those set out in the Annual Report for the year ended March 31, 2003.

2. **Approval of the Financial Statements**

The Audit Committee approved the consolidated financial statements for the Quarter and Nine months ended December 31, 2003 on January 26th, 2003.

3. **Generally Accepted Accounting Policies**

The Management Discussion and Analysis of Results for the Quarter and Nine months ended December 31, 2003 are based on the results reported under Irish and UK GAAP.

4. **Aircraft retirement costs**

Six aircraft (five in Q2, one in Q3) were retired earlier than expected due to the detection during the period of scratch marks ('scribing') that occurred during an aircraft painting programme on these aircraft in 1995. It has been determined that the cost of repairing these aircraft is uneconomic due to the short remaining life of the aircraft. Accordingly the Company has determined that the residual value of US\$1m(€794k) for these aircraft is excessive and as a result has reduced it to €250k per aircraft. The cost of this adjustment charge has been reflected in the results for Quarter 2 and 3. Arising from the aircraft scratch marks, which resulted in the earlier than planned retirement of the aircraft, the company is seeking to claim the costs of repairs under its aircraft insurance policies. Amounts paid, if any, will be accounted for as exceptional revenues.

As a result of these early retirements the Company has been obliged to lease in seat capacity during the period to enable it to continue its normal flight schedule. The charge in the quarter of €6.2m is reflected in Aircraft retirement costs. It is planned that the Company will terminate these rentals by March 31, 2004.