

STRATEGY

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

Low Fares. Ryanair's low fares are designed to stimulate demand, particularly from fare-conscious leisure and business travelers who might otherwise have used alternative forms of transportation or would not have traveled at all. Ryanair sells seats on a one-way basis, thus eliminating minimum stay requirements from all travel on Ryanair scheduled services, regardless of fare. Ryanair sets fares on the basis of the demand for particular flights and by reference to the period remaining to the date of departure of the flight, with higher fares charged on flights with higher levels of demand for bookings made nearer to the date of departure. Ryanair's Dublin to London (Stansted) route is its largest route in terms of passenger volume, with fares ranging from €0.99 to €199.99 (excluding government taxes and passenger service charges). Ryanair's competitors generally do not operate a one-way pricing policy, so direct comparison is not possible, but current round-trip fares on Aer Lingus, Ryanair's largest competitor on the London-Dublin route, for travel in September 2004 were €82.27 for economy restricted return tickets, €218.27 for economy flexible return and €353.75 for business class tickets. In July 2004, Ryanair launched a fare promotion offering a total of one million seats on certain routes for "€0.99" (excluding government taxes and passenger service charges) for travel during the period between September 7, 2004 and January 31, 2005, and launched a similar fare promotion in August 2004 offering a total of 900,000 seats on certain routes for "€0.90" (excluding government taxes and passenger service charges) for travel during the period from September 2, 2004, and February 10, 2005.

Customer Service. Ryanair's strategy is to deliver the best customer service performance in its peer group. According to reports by the Association of European Airlines and the airlines' own published statistics, Ryanair has achieved better punctuality, fewer lost bags and fewer cancellations than all of the rest of its peer grouping in Europe. Ryanair achieves this by focusing strongly on the execution of these services and by operating from uncongested airports.

Frequent Point-to-Point Flights on Short-Haul Routes. Ryanair provides frequent point-to-point service on short-haul routes to secondary and regional airports in and around major population centers and travel destinations. In the fiscal year ended March 31, 2004, Ryanair flew an average of approximately 1.83 round-trips per route per day with an average route length of 491 miles and an average flight duration of approximately 1.2 hours. Short-haul routes allow Ryanair to offer frequent service, while eliminating the necessity to provide "frill" services otherwise expected by customers on longer flights. Point-to-point flying (as opposed to hub-and-spoke service) allows Ryanair to offer direct, non-stop routes and avoid the costs of providing through service for connecting passengers, including baggage transfer and transit passenger assistance costs.

In choosing its routes, Ryanair favors secondary airports with convenient transportation to major population centers and regional airports. Secondary and regional airports are generally less congested than major airports and, as a result, can be expected to provide higher rates of on-time departures, faster turnaround times (the time an aircraft spends at a gate loading and unloading passengers), fewer terminal delays and more competitive airport access and handling costs. Ryanair's "on time" performance record (arrivals within 15 minutes of schedule) for the

first six months of 2004 was 92%, exceeding that of its principal competitors, including Lufthansa AG (“Lufthansa”) 84%, Air France 84%, easyJet Plc (“easyJet”) 82%, British Airways 81% and Alitalia S.p.A. (“Alitalia”) 80%, according to the Association of European Airlines’ reports and the airlines’ own published statistics. Faster turnaround times are a key element in Ryanair’s efforts to maximize aircraft utilization. Ryanair’s average scheduled turnaround time for the fiscal year ended March 31, 2004 was approximately 25 minutes. Secondary and regional airports also generally do not maintain slot requirements or other operating restrictions that can increase operating expenses and limit the number of allowed take-offs and landings.

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

Aircraft Equipment Costs. Ryanair’s initial strategy for controlling aircraft acquisition costs was to purchase used aircraft of a single type. From 1994 to 1998, Ryanair purchased used Boeing 737-200A aircraft that were, at the date of purchase, between 11 and 17 years old (with an average age of 23 years at March 31, 2004). In the late 1990s, however, there was a significant reduction in the number of such used aircraft available for purchase in the market. Accordingly, in March 1998, Ryanair announced that it would start purchasing new Boeing 737-800 “next generation” aircraft. See “—Aircraft.” The 737-800s represent the latest generation of Boeing’s 737 aircraft and share certain basic attributes in common with Ryanair’s current fleet. Although Ryanair’s acquisition of the 737-800s has already, and will continue to significantly increase the size of its fleet from that in 1998 and thus significantly increase its aircraft equipment and related costs (both on an aggregate and per aircraft basis), the purchase of aircraft from a single manufacturer enables it to limit the costs associated with personnel training, maintenance and the purchase and storage of spare parts, as well as affording greater flexibility in the scheduling of crews and equipment. Management also believes that the terms of the Boeing contracts are very favorable to Ryanair. Management expects Ryanair to be operating a single fleet type of “next generation” Boeing 737-800s from December 2005 onwards.

Personnel Productivity. Ryanair endeavors to control its labor costs by continually improving the productivity of its already highly-productive work force. In the year ended March 31, 2004 productivity calculated on the basis of passengers booked per employee continued to improve, increasing to 10,049 passengers, a 21% improvement on the year ended March 31, 2003. Compensation for employees emphasizes productivity-based pay incentives, including commissions for on-board sales of products for flight attendants and payments based on the number of hours or sectors flown by pilots and cabin crew personnel within limits set by industry standards or regulations fixing maximum working hours, as well as participation in Ryanair’s stock option programs. Ryanair’s average pay per employee for the year ended March 31, 2004 of €50,582 compares favorably to that of its competitors Iberia, easyJet, Lufthansa, Aer Lingus, British Airways, where average salaries are €42,077, €41,384, €41,377, €38,329 and €37,602 respectively, as published in the latest annual reports.

Customer Service Costs. Ryanair has entered into agreements on competitive terms with third party contractors at certain airports for passenger and aircraft handling, ticketing and other services that management believes can be more cost efficiently provided by

third parties. Management attempts to obtain competitive rates for such services by negotiating multi-year contracts at prices that are fixed or subject only to periodic increases linked to inflation. The development of its own internet booking facility and reservations center has allowed Ryanair to eliminate travel agent commissions. For the fiscal year ended March 31, 2004, Ryanair generated virtually all of its scheduled passenger revenues through direct sales, with sales through Ryanair's website and direct telephone reservations generating approximately 96% and approximately 4% of the total, respectively.

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

Taking Advantage of the Internet. During January 2000, Ryanair converted its host reservation system from the BABS (British Airways Booking System) to a new system called Flightspeed, which it operates under a 10 year hosting agreement with Accenture Open Skies ("Open Skies"). As part of the implementation of the new reservation system, Open Skies developed an internet booking facility called Skylights. The Skylights system allows internet users to access Ryanair's host reservation system and to make and pay for confirmed reservations in real time through Ryanair's Ryanair.com website. Since the launch of the Skylights system, Ryanair has heavily promoted its website through newspaper, radio and television advertising. As a result, internet bookings have grown rapidly, accounting for in excess of 96% of all reservations on a daily basis as of September 2004.

Commitment to Safety and Quality Maintenance. Ryanair's commitment to safety is a primary priority of the Company and its management. This commitment begins with the hiring and training of Ryanair's pilots, cabin crews and maintenance personnel and includes a policy of maintaining its aircraft in accordance with the highest European airline industry standards. Ryanair has not had a single incident involving major injury to passengers or flight crew in its 20-year operating history. Although Ryanair seeks to maintain its fleet in a cost-effective manner, management does not seek to extend Ryanair's low cost operating strategy to the areas of safety, maintenance, training or quality assurance. Routine aircraft maintenance and repair services are performed at Dublin, London (Stansted), Glasgow (Prestwick), Shannon and Milan (Bergamo) by Ryanair and, at other airports, by maintenance contractors approved under the terms of Part 145/JAR 145, the European airline industry standard for maintenance. Ryanair currently contracts heavy airframe maintenance, engine overhaul services and rotatable repairs to contractors. These contractors also provide similar services to a number of other airlines, including British Airways and Aer Lingus. Ryanair assigns a Part 145/JAR 145 certified mechanic to oversee heavy maintenance and authorize engine overhauls performed by third parties.

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

For the fiscal year ended March 31, 2004, ancillary services accounted for 13.9% of Ryanair's total operating revenues, as compared to 13.1% of such revenues in the fiscal year ended March 31, 2003. The increase reflected higher revenues from non-flight scheduled operations, car rentals, in-flight sales and internet-related services. These increases more than offset the elimination of charter revenue from April 2003, when the Company re-directed its charter capacity to scheduled services. See “—Ancillary Services” and “Item 5. Operating and Financial Review and Prospects—Results of Operations—Fiscal Year 2004 Compared with Fiscal Year 2003—Ancillary Revenues” for additional information.

Focused Criteria for Growth. Building on its success in the Ireland-U.K. market and its expansion of service to continental Europe, Ryanair intends to follow a manageable growth plan targeting specific markets. Ryanair believes it will have opportunities for continued growth by: (i) initiating additional routes from the U.K. or Ireland to other locations in continental Europe that are currently served by higher-cost, higher-fare carriers; (ii) increasing the frequency of service on its existing routes; (iii) starting new domestic routes within EU countries; (iv) considering possible acquisitions that may become available in the future; (v) connecting airports within its existing route network (“triangulation”); and (vi) establishing more new bases in continental Europe.