RISK FACTORS

Risks Related to the Company

Changes in Fuel Costs and Fuel Availability Affect the Company's Results and Increase the Likelihood that the Company May Incur Additional Losses. Jet fuel costs are subject to wide fluctuations as a result of many economic and political factors and events occurring throughout the world that Ryanair can neither control nor accurately predict, including increases in demand, sudden disruptions in supply and other concerns about global supply, as well as market speculation. Fuel prices increased substantially in fiscal years 2008 and 2009, peaking at $147 per barrel of Brent crude oil in July 2008. These increases had a significant impact on Ryanair's costs, and in turn, on its financial results—contributing to the net loss recorded in fiscal year 2009 (the first such loss since the Company's public flotation), which reflected a 59% increase in fuel costs between fiscal year 2008 and fiscal year 2009, in addition to a €223.0 million write-down of the Company's investment in Aer Lingus and accelerated depreciation of €51.7 million. As international prices for jet fuel are denominated in U.S. dollars, Ryanair's fuel costs are also subject to certain exchange rate risks. Substantial price increases, adverse exchange rates, or the unavailability of adequate supplies, including, without limitation, any such events resulting from prolonged hostilities in the Middle East or other oil-producing regions or the suspension of production by any significant producer, may adversely affect Ryanair's profitability. In the event of a fuel shortage resulting from a disruption of oil imports or otherwise, additional increases in fuel prices or a curtailment of scheduled services could result.

Ryanair has historically entered into arrangements providing for substantial protection against fluctuations in fuel prices, generally through forward contracts covering periods of up to 18 months of anticipated jet fuel requirements. Ryanair (like many other airlines) has, in more recent periods, entered into hedging arrangements on a much more selective basis. Ryanair has entered into forward jet fuel (jet kerosene) contracts covering approximately 90% of its estimated requirements for the period from April to December 2009 at prices equivalent to approximately $620 per metric ton. In addition, Ryanair has entered into forward jet fuel (jet kerosene) contracts covering approximately 60% of its estimated requirements for the period from January 2010 to March 2010 at prices equivalent to $610 per metric ton. The Company expects—depending on oil price movements over the coming months—to hedge a further portion of its fuel requirements for the fourth quarter of its 2010 fiscal year. Other than the foregoing, Ryanair has not entered into material agreements to seek to fix the price of any material quantity of fuel, and the Company is therefore exposed to risks arising from fluctuations in the price of fuel, especially in light of the recent volatility. Any new increase in fuel costs could have a material adverse effect on the Company's financial condition and results of operations. See "—The Company May Not Be Successful in Raising Fares to Offset Increased Business Costs" below.

No assurances whatsoever can be given about trends in fuel prices, and average fuel prices for the 2010 fiscal year or for future years may be significantly higher than current prices. Management estimates that every $1.00 movement in the price of a metric ton of jet fuel will impact Ryanair's net income by approximately €0.18 million, taking into account Ryanair's hedging program for the 2010 fiscal year. There can be no assurance, however, in this regard, and the impact of fuel prices on Ryanair's operating results may be more pronounced. There also cannot be any assurance that Ryanair's current or any future arrangements will be adequate to protect Ryanair from further increases in the price of fuel, that Ryanair will not incur losses due to high fuel prices alone or in combination with other factors, or that fuel prices will ever decline from their current levels. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Fuel Price Exposure and Hedging." Because of Ryanair's low fares and its no-fuel-surcharges policy, as well as the Company's significant expansion plans, which will tend to have a negative impact on yields, its ability to pass on increased fuel costs to passengers through increased fares or otherwise is limited. Moreover, the anticipated expansion of Ryanair's fleet will result in an increase, in absolute terms, in Ryanair's aggregate fuel costs.

Based upon Ryanair's fuel consumption for the 2009 fiscal year, a change of $1.00 in the average annual price per metric ton of jet fuel would have caused a change of approximately €1.1 million in the Company's annual fuel costs. Ryanair's fuel costs in the 2009 fiscal year, after giving effect to the Company's fuel hedging activities, increased by 59% over the comparable period ended March 31, 2008, to €1,257.1 million, primarily due to the significant increase in the cost of jet fuel and an increase in the number of sectors flown as a result of the expansion of Ryanair's fleet and route network, offset in part by the positive impact on fuel costs of the strengthening of the Euro against the U.S. dollar. Ryanair estimates that its fuel costs would have been approximately €1,154.5 million in the 2009 fiscal year, as compared to €915.8 million in the 2008 fiscal year, had Ryanair not had any fuel hedging arrangements in place in either fiscal year. Fuel costs were a significant component in the significant increase in Ryanair’s cost base during fiscal year 2009, as its Cost per Available Seat Mile (“CASM”) increased from 0.051 Euro cents to 0.058 Euro cents, and its Break-Even Load Factor increased from 79% to 98%.

Ryanair Has Decided to Freeze its Development in the U.K. Market and Curtail Certain U.K. Operations. Ryanair informed its U.K.-based pilots on June 16, 2009 that it had completed a review of its U.K. growth plans. The review was prompted by the recessionary environment in the U.K. and the impact it had on Ryanair’s business, coupled with the negative impact of the U.K.’s £10 Air Passenger Duty (“APD”), described in more detail below. As a secondary issue, Ryanair also noted that the campaign conducted by the British Airline Pilots Association (“BALPA”) for union recognition had made Ryanair’s position in the U.K. more uncertain. See “—Risks Related to the Airline Industry—The Airline Industry Is Particularly Sensitive to Changes in Economic Conditions; A Continued Recessionary Environment Would Negatively Impact Ryanair’s Result of Operations” below.

As a result of the review, Ryanair announced its decision to temporarily freeze all growth at its existing U.K. bases from June 16, 2009 onwards. Ryanair plans to review the freeze of U.K. bases at the end of 2009; any changes in the announced policy will be dependent upon the recovery of the U.K. economy, the status of the U.K.’s APD tourist tax and any other relevant factors (such as airport growth incentives).

Furthermore, Ryanair announced on July 21, 2009 that, as a result of the U.K. government’s £10 APD tourist tax (as well as the planned increase in APD from £10 to £11 in November 2009) and the high costs of operating at its London (Stansted) base, it would implement a 40% reduction in capacity at such base between October 2009 and March 2010. In particular, the Company will reduce its London (Stansted)-based aircraft from the current 40 to 24 during the aforementioned period. This reduction in capacity will accompany a 30% reduction in the number of weekly Ryanair flights to and from the airport, and is expected to result in 2.5 million fewer passenger trips during the period.

The decision to freeze the Company’s development in the U.K. and reduce flights to and from London (Stansted) presents numerous risks. In the past, the Company’s growth has been largely dependent on flights to or from the U.K. Such flights represented 28.6% of total flights in the 2009 fiscal year. A weak U.K. economy, along with the Company’s decision to freeze its U.K. bases, and reduce its London (Stansted) flights, may affect the overall growth of the Company. In addition, the abovementioned measures affecting U.K.-based pilots may affect the Company’s labor relations. Such risks could lead to negative effects on the Company’s financial condition and/or results of operations.

The Company May Not Be Successful in Reducing Business Costs to Offset Reduced Fares. Ryanair operates a low-fares airline. The success of its business model depends on its ability to control costs so as to deliver low fares while at the same time earning a profit. However, the Company currently faces an environment of weakening economic demand—prompting fare reductions—as well as high fuel costs. See “—The Company Faces Significant Price and Other Pressures in a Highly Competitive Environment” below and “—Changes in Fuel Costs and Fuel Availability Affect the Company’s Results and Increase the Likelihood that the Company May Incur Additional Losses” above.

Although the Company believes fare reductions are necessary in order to retain and grow its market share, every 1% movement in average fares tends to impact Ryanair’s net income by approximately €23.5 million (based on fiscal 2009 data). As a result, Ryanair is likely to be able to generate profits only if it is able to reduce fuel and other costs. The Company has limited control over its fuel costs and already has comparatively low operating costs. If the Company is unable to reduce its operating costs, operating profits could fall. The Company cannot offer any assurances regarding its future profitability.

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

In addition, reservations on Ryanair's flights to London dropped materially for a number of days in the immediate aftermath of the terrorist attacks in London on July 7, 2005. Although the terrorist attack in Glasgow on June 30, 2007 (in which a car filled with explosives was driven into the Glasgow airport) and the failed terrorist attacks in London on July 21, 2005 and June 29, 2007 had no material impact on bookings, there can be no assurance that future such attacks will not affect passenger traffic. In the 2009 fiscal year, flights into and out of London carried 18.8 million, or approximately 32%, of total passengers traveling on the Company's network.

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

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

In February 2004, the European Commission found that a portion of the arrangements between Ryanair, the airport, and the region constituted illegal state aid, and therefore ordered Ryanair to repay the amount of the benefit received in connection with those arrangements. In May 2004, Ryanair appealed the decision of the European Commission to the European Court of First Instance ("CFI"), requesting that the decision be annulled. The CFI heard Ryanair's appeal in March 2008. In December 2008, the CFI annulled the European Commission's decision and Ryanair was repaid the €4 million that the Commission had claimed was illegal state aid. Additionally, the Walloon Region withdrew a separate action for €2.3 million against the Company.

On June 17, 2008, the European Commission launched a further investigation into Ryanair's agreements at Frankfurt (Hahn) airport, which is a significant base for Ryanair. The European Commission announced in a public statement that its initial investigation had found that the airport might have acted like a private market investor but that it had insufficient evidence to reach a conclusion and therefore had elected to open a formal investigation. The formal investigation is ongoing and is expected to last approximately 18 months. Ryanair is also facing legal challenges with respect to similar agreements with certain other airports.

Ryanair believes that the positive decision by the CFI in the Charleroi case will cause the Commission to rethink its policy in this area. However, adverse rulings in the Frankfurt (Hahn) or similar cases could be used as precedents by competitors to challenge Ryanair's agreements with other publicly owned airports and could cause Ryanair to strongly reconsider its growth strategy in relation to public or state-owned airports across Europe. This could in turn lead to a scaling-back of Ryanair's overall growth strategy due to the smaller number of privately owned airports available for development. No assurance can be given as to the outcome of legal proceedings, nor as to whether any unfavorable outcomes may, individually or in the aggregate, have a material adverse effect on the results of operation or financial condition of the Company. For additional information, please see "Item 8. Financial Information—Other Financial Information—Legal Proceedings."

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

The airline industry is highly susceptible to price discounting, in part because airlines incur very low marginal costs for providing service to passengers occupying otherwise unsold seats. The number of new-entrant low-fares airlines and traditional carriers offering lower, more competitive fares in direct competition with Ryanair across its route network has increased significantly in recent years as a result of the liberalization of the

EU air transport market and greater public acceptance of the low-fares model. Increased price competition and the resulting lower fares, combined with continuing increases in the Company’s capacity in recent years (including an increase of approximately 15% during the 2009 fiscal year), have combined to put downward pressure on the Company’s yields. Ryanair’s Yield per Available Seat Mile (“YASM”) decreased by 7.8% in the 2008 fiscal year and an additional 7.6% in the 2009 fiscal year.

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

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

The Company Will Incur Significant Costs Acquiring New Aircraft and the Continued Instability in the Credit and Capital Markets Could Negatively Impact Ryanair’s Ability to Obtain Financing on Acceptable Terms. Ryanair’s continued growth is dependent upon its ability to acquire additional aircraft to meet additional capacity needs and to replace older aircraft.

Ryanair expects to have 232 aircraft in its fleet by March 31, 2010. With the Company’s current orders for aircraft it is obligated to buy (i.e., “firm” orders) under its contracts with The Boeing Company (“Boeing”), the Company expects to increase the size of its fleet to as many as 302 Boeing 737-800 “next generation” aircraft by March 2012 (assuming the exercise of 10 options, and that planned disposals of aircraft and returns of leased aircraft are completed on schedule). For additional information on the Company’s aircraft fleet and expansion plans, see “Item 4. Information on the Company—Aircraft” and “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources.” There can be no assurance that this planned expansion will not outpace the growth of passenger traffic on Ryanair’s routes or that traffic growth will not prove to be greater than the expanded fleet can accommodate. In either case, such developments could have a material adverse effect on the Company’s business, results of operations, and financial condition.

Ryanair plans to finance its purchases of firm-order aircraft through a combination of bank loans, operating and finance leases—including via sale-and-leaseback transactions—and cash flow generated from the Company’s operations. As in the past, Ryanair expects a majority of its financing to be supported by guarantees granted by the Export-Import Bank of the United States (“ExIm Bank”). Nonetheless, due to the significant general deterioration in the availability of bank credit facilities over the last year, no assurance can be given that sufficient financing will be available to Ryanair or that the terms of any such financing will be favorable. Any inability of the Company to obtain financing for new aircraft on reasonable terms could have a material adverse effect on its business, results of operations, and financial condition.

In addition, the financing of new and existing Boeing 737-800 aircraft has already and will continue to significantly increase the total amount of the Company’s outstanding debt and the payments it is obliged to make to service such debt. Furthermore, Ryanair’s ability to draw down funds under its existing bank-loan facilities to pay for aircraft as they are delivered is subject to various conditions imposed by the counterparties to such bank loan facilities and related loan guarantees, and any future financing is expected to be subject to similar conditions. The Company currently has arranged financing for all 65 aircraft to be delivered in the period to October 2010 through ExIm Bank-supported finance and operating leases (though financing for 55 of such aircraft remains subject to the issuance of credit guarantees by ExIm Bank). The Company also has financing mandates in place covering the following 12 firm-order aircraft deliveries through operating leases. For additional details on Ryanair’s financings, see “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

Ryanair has also entered into significant derivative transactions intended to hedge its current aircraft acquisition-related debt obligations. These derivative transactions expose Ryanair to certain risks and could have adverse effects on its results of operations and financial condition. See “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

The Company’s Rapid Growth May Expose It to Risks. Ryanair’s operations have grown rapidly since it pioneered the low-fares operating model in Europe in the early 1990s. See “Item 5. Operating and Financial Review and Prospects—History.” During the 2009 fiscal year, Ryanair announced 236 new routes originating from Belgium, France, Germany, Ireland, Italy, Spain, Sweden and the U.K. Ryanair intends to continue to expand its fleet and add new destinations and additional flights, which are expected to increase Ryanair's booked passenger volumes in the 2010 fiscal year to approximately 67 million passengers, an increase of approximately 14% over the 2009 fiscal year level of approximately 58.6 million passengers, although no assurance can be given that this target will in fact be met. If growth in passenger traffic and Ryanair's revenues do not keep pace with the planned expansion of its fleet, Ryanair could suffer from overcapacity and its results of operations and financial condition (including its ability to fund scheduled aircraft purchases and related debt) could be materially adversely affected.

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

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

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

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

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

100%. This increase in charges had a negative impact on yields and passenger volumes. In addition, in September 2006, the Dublin Airport Authority (“DAA”) announced that it was planning to build a new terminal (Terminal 2) at Dublin Airport at a cost of approximately €800 million. Subsequently, the projected cost of the new terminal has risen to in excess of €1.0 billion. This capital expenditure will mean that charges at Dublin Airport will increase significantly, possibly doubling from their current level, leading to increased fares and an adverse impact on yields and passenger volumes at Dublin Airport. Ryanair has responded by moving to reduce capacity in both summer and winter periods. The increase in charges, in combination with the introduction of the €10 Air Travel Tax described below, could lead to substantially reduced passenger volumes and a significant decline in yields on flights to and from Dublin Airport. See “Item 4. Information on the Company—Airport Operations—Airport Charges.” See also “—The Company Is Subject to Legal Proceedings Alleging State Aid at Certain Airports.”

The Company’s Acquisition of 29.8% of Aer Lingus and Subsequent Failure to Conclude a Complete Acquisition of Aer Lingus Could Expose the Company to Risk. During the 2007 fiscal year, the Company acquired 25.2% of Aer Lingus. The Company increased its interest to 29.3% during the 2008 fiscal year, and to 29.8% during the 2009 fiscal year at a total aggregate cost of €407.2 million. Following the acquisition of its initial stake and upon the approval of the Company’s shareholders, management proposed to effect a tender offer to acquire the entire share capital of Aer Lingus. This acquisition proposal was, however, blocked by the European Commission on competition grounds. Ryanair filed an appeal with the CFI, which was heard in July 2009, and currently expects the CFI to announce its decision approximately nine months thereafter.

The EU Commissioner for Competition, Neelie Kroes, said on June 27, 2007 that, “Since Ryanair is not in a position to exert de jure or de facto control over Aer Lingus, the European Commission is not in a position to require Ryanair to divest its minority shareholding, which is, by the way, not a controlling stake.” In October 2007, the European Commission also reached a formal decision that it would not force Ryanair to sell its shares in Aer Lingus. However, Aer Lingus appealed this decision before the CFI and the CFI may overturn the decision. This case was heard in July 2009 and a decision is expected to be issued approximately nine months thereafter. In addition to the risk that the CFI may overturn the decision, the EU legislation may change in the future so as to require such a forced disposition. In January 2008, the CFI heard an application by Aer Lingus for interim measures limiting Ryanair’s voting rights, pending a decision of the CFI on Aer Lingus’ appeal of the European Commission’s decision not to force Ryanair to sell the Aer Lingus shares. In March 2008, the court dismissed Aer Lingus’ application for interim measures. If eventually forced to dispose of its stake in Aer Lingus, Ryanair could suffer significant losses due to the negative impact on attainable prices of the forced sale of such a significant portion of Aer Lingus’ shares.

During the 2008 fiscal year, Ryanair recognized an impairment charge in the income statement of €91.6 million on its Aer Lingus shareholding reflecting the decline in the Aer Lingus share price from the dates of purchase to March 31, 2008. During the 2009 fiscal year, the Company recognized a further impairment charge of €222.5 million.

During the three-month period ended June 30, 2009, the Company has recognized a further impairment charge in the income statement of €13.5 million on its Aer Lingus shareholding, reflecting the decline in the Aer Lingus share price from €0.59 at March 31, 2009 to €0.50 at June 30, 2009.

Generally deteriorating conditions in the airline industry affect the Company not only directly, but also indirectly, because the value of its stake in Aer Lingus fluctuates with the share price. However, as the value of the Company’s stake in Aer Lingus has already been written down to just €79.7 million, the potential for future write-downs of that asset is currently limited to that amount.

On December 1, 2008, Ryanair made a new offer to acquire all of the ordinary shares of Aer Lingus it did not own at a price of €1.40 per ordinary share. The offer of €1.40 per share represented a premium of approximately 25% over the closing price of €1.12 of Aer Lingus on November 28, 2008. Ryanair also advised the market that it would not proceed to seek EU approval for the new bid unless the shareholders agreed to sell their stakes in Aer Lingus to Ryanair. However, the Company was unable to secure the shareholders’ support and, accordingly, on January 28, 2009, it withdrew its new offer for Aer Lingus.

Labor Relations Could Expose the Company to Risk. In the past, a variety of factors, including, but not limited to, the Company’s historical profitability, have made it difficult for Ryanair to avoid increases to its base salary levels and employee productivity payments. Consequently, there can be no assurance that Ryanair’s existing employee compensation arrangements may not be subject to change or modification at any time. However, given the deterioration in the economic prospects of the Company, the Company has negotiated with all employee groups and has secured a pay freeze for fiscal years 2009 and 2010. In addition, the Company will eliminate any positions which may be identified as redundant. These steps may lead to deteriorations in labor relations in the Company and could impact the Company’s business or results of operations.

The Company completed the retirement of its former fleet of Boeing 737-200A aircraft in December 2005 and replaced them with Boeing 737-800 aircraft. As a result of the retirement of the Boeing 737-200A aircraft, Ryanair required its pilots who lacked the necessary training to undergo a conversion training process to enable them to fly the new Boeing 737-800 aircraft. Starting in the fall of 2004, Ryanair made a number of written offers to its Dublin-based pilots to enable them to participate in a re-training process in order to obtain the correct type-rating for flying the Boeing 737-800 aircraft. All of these pilots have now been trained on the Boeing 737-800 aircraft, either by paying in advance the €15,000 cost of the conversion training, or by executing a five-year bond, under which the training is provided free of charge unless the pilots do not maintain their employment with Ryanair for a period of at least five years, in which case they are obligated to reimburse Ryanair for the training costs. In the Irish High Court, 64 pilots initiated proceedings claiming that the terms of such bond infringed their freedom of association rights and their right to allow trade unions to negotiate on their behalf. Only 11 of such pilots remain in the Company’s employment and still have claims. These proceedings were not progressed by these employees during the 2009 fiscal year.

Ryanair currently conducts collective bargaining negotiations with groups of employees, including its pilots, regarding pay, work practices, and conditions of employment, through “Employee Representation Committees,” internally elected collective bargaining units that may conduct negotiations. Ryanair considers its relationships with its employees to be good, although in 1998 the Company did experience work stoppages by a small group of Dublin baggage handlers. In addition, in the U.K., the BALPA unsuccessfully sought to represent Ryanair’s U.K.-based pilots in their negotiations with the Company in 2001. On June 19, 2009, BALPA made a request for voluntary recognition under applicable U.K. legislation, which Ryanair rejected. BALPA now has the option of applying to the U.K.’s Central Arbitration Committee (“CAC”) to organize a vote on union recognition by Ryanair’s pilots in relevant bargaining units, as determined by the CAC. If BALPA were successful in such a ballot initiative, this would allow it to represent the U.K. pilots at some or all U.K. bases in negotiations over salaries and working conditions. For additional details, see “Item 6. Directors, Senior Management and Employees—Employees and Labor Relations.” See, also, “—Ryanair Has Decided to Freeze its Development in the U.K. Market and Curtail Certain U.K. Operations” above.

Limitations on Ryanair’s flexibility in dealing with its employees or the altering of the public’s perception of Ryanair generally could have a material adverse effect on the Company’s business, operating results, and financial condition.

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

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

The Company is Dependent on Key Personnel. The Company’s success depends to a significant extent upon the efforts and abilities of its senior management team, including Michael O’Leary, the Chief Executive Officer, and key financial, commercial, operating and maintenance personnel. Mr. O’Leary’s current contract may be terminated by either party upon 12 months’ notice. See “Item 6. Directors, Senior Management and Employees—Compensation of Directors and Senior Management—Employment Agreements.” The Company’s success also depends on the ability of its executive officers and other members of senior management to operate and manage effectively, both independently and as a group. Although the Company’s employment agreements with

Mr. O'Leary and some of its other senior executives contain non-competition and non-disclosure provisions, there can be no assurance that these provisions will be enforceable in whole or in part. Competition for highly qualified personnel is intense, and either the loss of any executive officer, senior manager, or other key employee without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect upon the Company's business, operating results, and financial condition.

The Company Faces Risks Related to its Internet Reservations Operations and its Announced Elimination of Airport Check-in Facilities. Approximately 99% of Ryanair's flight reservations are made through its website. Although the Company has established a contingency program whereby the website is hosted in three separate locations, each of these locations accesses the same booking engine, located at a single center, in order to make reservations.

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

In addition, in March 2006, Ryanair also commenced its Internet check-in service for passengers traveling without bags. Internet check-in is part of a package of measures intended to improve service by reducing airfares as well as reducing check-in and boarding gate lines. See "Item 4. Information on the Company—Reservations/Ryanair.com." The Company has deployed this system across its network. Any disruptions to the Internet check-in service as a result of a breakdown in the relevant computer systems or otherwise could have a material adverse impact on these service-improvement efforts. Moreover, the Company has announced that, with effect from October 1, 2009, all passengers, including those traveling with bags and non-EU nationals, will be required to use Internet check-in. The anticipated result of this requirement is that Ryanair will reduce airport and handling costs, as a result of the need to have fewer check-in staff and rented check-in desks. There can be no assurance, however, that this process will be successful or that consumers will not switch to other carriers that provide standard check-in facilities, which would negatively affect the Company's results of operations and financial condition.

Risks Related to the Airline Industry

The Airline Industry Is Particularly Sensitive to Changes in Economic Conditions; A Continued Recessionary Environment Would Negatively Impact Ryanair's Result of Operations. Ryanair's operations and the airline industry in general are sensitive to changes in economic conditions. Unfavorable economic conditions such as high unemployment rates, constrained credit markets and increased business operating costs lead to reduced spending by both leisure and business passengers. Unfavorable economic conditions, including the current recession, also tend to impact Ryanair's ability to raise fares to counteract increased fuel and other operating costs. Demand for European air travel weakened during the latter half of 2008 and the first half of 2009, which Ryanair believes can be primarily attributed to the crisis experienced in the worldwide credit markets, high oil prices, and the global recession. A continued recessionary environment will likely negatively impact Ryanair's operating results. It could also restrict the company's ability to grow passenger volumes, secure new airports and launch new routes and bases, and could have a material adverse impact on its financial results.

The Introduction of Government Taxes on Travel Could Damage Ryanair's Ability to Grow and Could Have a Material Adverse Impact on Operations. The U.K. government levies an Air Passenger Duty (APD) of £10 per departing passenger and plans to increase it to £11 per passenger in November 2009. The tax was previously set at £5 per passenger, but it was increased to £10 per passenger in 2007. The increase in this tax is thought to have had a negative impact on Ryanair's operating performance, both in terms of average fares paid and growth in passenger volumes. In 2008, the Dutch government introduced a travel tax ranging from €11 on short-haul flights to €45 on long-haul flights. On March 30, 2009, the Irish government also introduced a €10 Air Travel Tax on all passengers departing from Irish airports on routes longer than 300 kilometers. Both the Belgian and Greek governments planned to introduce similar taxes; however, they have now cancelled plans to introduce these taxes. The Dutch government withdrew its travel tax with effect from July 1, 2009. The introduction of government taxes on travel, Ryanair believes, has a negative impact on passenger volumes, particularly during a period of decreased economic activity, such as the current global recession, when passengers' disposable income is reduced. The introduction of further government taxes on travel across Europe could have a material negative impact on Ryanair's results of operations as a result of price-sensitive passengers being less likely to travel.

Any Significant Outbreak of any Airborne Disease, Including Swine Flu or Foot-and-Mouth Disease, Could Significantly Damage Ryanair's Business. Worldwide, there has been substantial publicity in recent months regarding the A (H1N1) influenza virus—also known as "swine flu"—which emerged in North America in March 2009. The Company believes that this publicity may have a negative impact on demand for air travel in Europe. Past outbreaks of SARS, foot-and-mouth disease and avian flu have adversely impacted the travel industries, including aviation, in certain regions of the world, including Europe. The Company believes that if the swine flu pandemic becomes severe in Europe, its effect on demand for air travel in the markets in which Ryanair operates could be material, and it could therefore have a significantly adverse impact on the Company. A severe outbreak of swine flu, SARS, foot-and-mouth disease, avian flu or another pandemic or livestock-related disease also may result in European or national authorities imposing restrictions on travel, further damaging Ryanair's business. A serious pandemic could therefore severely disrupt Ryanair's business, resulting in the cancellation or loss of bookings, and adversely affecting Ryanair's financial condition and results of operations.

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

EU Regulation of Emissions Trading Could Increase Costs. On November 19, 2008, the European Council of Ministers adopted legislation to add aviation to the EU Emissions Trading Scheme with effect from 2012. This scheme, which has thus far applied mainly to energy producers, is a cap-and-trade system for CO_2 emissions to encourage industries to improve their CO_2 efficiency. Under the legislation, airlines will be granted initial CO_2 allowances based on historical performance and a CO_2 efficiency benchmark. Any shortage of allowances will have to be purchased in the open market and/or at government auctions. The cost and amount of such allowances that Ryanair will have to buy in 2012 have yet to be determined. There can be no assurance that Ryanair will be able to obtain sufficient carbon credits or that the cost of the credits will not have a material adverse effect on the Company's business, operating results, and financial condition.

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

The 2001 Terrorist Attacks on the United States Had a Severe Negative Impact on the International Airline Industry. The terrorist attacks on the United States on September 11, 2001, in which four commercial aircraft were hijacked, had a severe negative impact on the international airline industry, particularly on U.S. carriers and carriers operating international service to and from the United States. Although carriers such as Ryanair that operate primarily or exclusively in Europe were generally spared from such material adverse impacts on their businesses, the cost to all commercial airlines of insurance coverage for certain third-party liabilities arising from "acts of war" or terrorism has increased dramatically since the September 11 attacks. See "Item 4. Information on the Company—Insurance." In addition, Ryanair's insurers have indicated that the scope of the Company's current "act of war"-related insurance may exclude certain types of catastrophic incidents, such as certain forms of biological, chemical or "dirty bomb" attacks. This could result in the Company's seeking alternative coverage, including government insurance or self-insurance, which could lead to further increases in costs. Although Ryanair to date has passed on increased insurance costs to passengers by means of a special "insurance levy" on each ticket, there can be no assurance that it will continue to be successful in doing so.

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

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

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

Airline Industry Margins are Subject to Significant Uncertainty. The airline industry is characterized by high fixed costs and by revenues that generally exhibit substantially greater elasticity than costs. Although fuel accounted for 43.8% of total operating expenses (excluding de-icing costs) in the 2009 fiscal year, management anticipates that this percentage may vary significantly in future years. See “—Changes in Fuel Costs and Fuel Availability Affect the Company’s Results and Increase the Likelihood that the Company May Incur Losses” above. The operating costs of each flight do not vary significantly with the number of passengers flown, and therefore, a relatively small change in the number of passengers, fare pricing, or traffic mix could have a disproportionate effect on operating and financial results. Accordingly, a relatively minor shortfall from expected revenue levels could have a material adverse effect on the Company’s growth or financial performance. See “Item 5. Operating and Financial Review and Prospects.” The very low marginal costs incurred for providing services to passengers occupying otherwise unsold seats are also a factor in the industry’s high susceptibility to price discounting. See “—The Company Faces Significant Price and Other Pressures in a Highly Competitive Environment” above.

Safety-Related Undertakings Could Affect the Company’s Results. Aviation authorities in Europe and the United States periodically require or suggest that airlines implement certain safety-related procedures on their aircraft. In recent years, the U.S. Federal Aviation Administration (the “FAA”) has required a number of such procedures with regard to Boeing 737 aircraft, including checks of rear pressure bulkheads and flight control modules, redesign of the rudder control system, and limitations on certain operating procedures. Ryanair’s policy is to implement any such required procedures in accordance with FAA guidance and to perform such procedures in close collaboration with Boeing. To date, all such procedures have been conducted as part of Ryanair’s standard maintenance program and have not interrupted flight schedules nor required any material increases in Ryanair’s maintenance expenses. However, there can be no assurance that the FAA or other regulatory authorities will not recommend or require other safety-related undertakings or that such undertakings would not adversely impact the Company’s operating results or financial condition.

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

Currency Fluctuations Affect the Company's Results. Although the Company is headquartered in Ireland, a significant portion of its operations is conducted in the U.K. Consequently, the Company has significant operating revenues and operating expenses, as well as assets and liabilities, denominated in U.K. pounds sterling. In addition, fuel, aircraft, insurance, and some maintenance obligations are denominated in U.S. dollars. The Company's results of operations and financial condition can therefore be significantly affected by fluctuations in the respective values of the U.K. pound sterling and the U.S. dollar. Ryanair is particularly subject to direct exchange rate risks between the Euro and the U.S. dollar because a significant portion of its operating costs are incurred in U.S. dollars and none of its revenues are denominated in U.S. dollars. Although the Company engages in foreign currency hedging transactions between the Euro and the U.S. dollar, between the Euro and the U.K. pound sterling, and between the U.K. pound sterling and the U.S. dollar, hedging activities cannot be expected to eliminate currency risks. See "Item 11. Quantitative and Qualitative Discussion About Market Risk."

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

EU Rules Impose Restrictions on the Ownership of Ryanair Holdings' Ordinary Shares by Non-EU Nationals, and the Company Has Instituted a Ban on the Purchase of Ordinary Shares by Non-EU Nationals. EU Regulation No. 2407/92 requires that, in order to obtain and retain an operating license, an EU air carrier must be majority-owned and effectively controlled by EU nationals. The regulation does not specify what level of share ownership will confer effective control on a holder or holders of shares. The board of directors of Ryanair Holdings is given certain powers under Ryanair Holdings' articles of association (the "Articles") to take action to ensure that the number of shares held in Ryanair Holdings by non-EU nationals ("Affected Shares") does not reach a level that could jeopardize the Company's entitlement to continue to hold or enjoy the benefit of any license, permit, consent, or privilege which it holds or enjoys and which enables it to carry on business as an air carrier. The directors, from time to time, set a "Permitted Maximum" on the number of the Company's Ordinary Shares that may be owned by non-EU nationals at such level as they believe will comply with EU law. The Permitted Maximum is currently set at 49.9%. In addition, under certain circumstances, the directors can take action to safeguard the Company's ability to operate by identifying those shares, American Depositary Shares ("ADSs") or Affected Shares which give rise to the need to take action and treat such shares, the American Depositary Receipts ("ADRs") evidencing such ADSs, or Affected Shares as "Restricted Shares." The Board of Directors may, under certain circumstances, deprive holders of Restricted Shares of their rights to attend, vote at, and speak at general meetings, and/or require such holders to dispose of their Restricted Shares to an EU national within as little as 21 days. The directors are also given the power to transfer such shares themselves if a holder fails to comply. In 2002, the Company implemented measures to restrict the ability of non-EU nationals to purchase Ordinary Shares, and non-EU nationals are currently effectively barred from purchasing Ordinary Shares, and will remain so for as long as these restrictions remain in place. There can be no assurance that these restrictions will ever be lifted. See "Item 10. Additional Information—Limitations on Share Ownership by Non-EU Nationals" for a detailed discussion of restrictions on share ownership and the current ban on share purchases by non-EU nationals. As of June 30, 2009, EU nationals owned at least 53.4% of Ryanair Holdings' Ordinary Shares (assuming conversion of all outstanding ADRs into Ordinary Shares).

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

The Company's Results of Operations May Fluctuate Significantly. The Company's results of operations have varied significantly from quarter to quarter, and management expects these variations to continue. See "Item 5. Operating and Financial Review and Prospects—Quarterly Fluctuations." Among the factors causing these variations are the airline industry's sensitivity to general economic conditions, the seasonal nature of air