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## Ryanair CEO: Wizz Air and airBaltic Face Winter Risk

### Description

Outspoken Ryanair CEO Michael O'Leary has forecasted that two major European airlines may cease operations by the end of winter, attributing this potential failure to the ongoing fuel crisis. He specifically highlighted Hungarian low-cost carrier Wizz Air and Latvian airline airBaltic as vulnerable, indicating they could deplete their cash reserves by the season's close.

In a report by Il Sole 24 Ore, O'Leary pointed out that Ryanair has already incurred an additional \$50 million in jet fuel costs this month. Furthermore, he warned that airlines have yet to experience the full impact of expected fuel shortages, projected to emerge in May, amidst tensions in the Middle East and the blockade of the Strait of Hormuz.

Ryanair typically hedges its fuel prices, securing 80% at \$67 per barrel, anticipated to last until March 2024. However, the remaining 20% has been subject to market fluctuations, escalating to over \$150 per barrel. This surge in costs poses substantial challenges for many airlines, leading to significant fare increases through additional fuel surcharges. O'Leary has expressed confidence that if oil prices remain high, bankruptcies could occur before winter concludes, with Wizz Air and airBaltic being particularly at risk.

The strife in the Middle East has exacerbated operational costs for various carriers, contributing to a decline in airline share prices. Ryanair's share price fell from €35 (\$37) to €25 (\$29) as the conflict impacted fuel expenses. Without appropriate fuel hedging, Wizz Air and airBaltic may exhaust their reserves by the fourth quarter, potentially grounding their operations.

Wizz Air, responding to O'Leary's remarks, emphasized its robust financial status and liquidity, arguing it could sustain operations for approximately 18 months. Conversely, airBaltic recently faced a credit rating downgrade from S&P Global, indicating financial strain despite receiving a short-term government loan. The airline's future hangs in the balance, relying on successful restructuring efforts to alleviate its debt situation.

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### Vocabulary List:

1. **forecasted** //ˈfɔːrkæstɪd// (verb): said something will happen in the future
2. **cease** //siːs// (verb): to stop happening or being done
3. **vulnerable** //ˈvʌlnərəbəl// (adjective): likely to be harmed or easily hurt
4. **deplete** //dɪˈplɪt// (verb): to use up a supply or resource
5. **incurred** //ɪnˈkʌɹd// (verb): to have to pay or suffer costs
6. **hedges** //ˈhɛdʒɪz// (verb): protects against future changes in price



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## Comprehension Questions

### Multiple Choice

1. Which CEO forecasted that two major European airlines may cease operations?  
Option: Michael O'Leary  
Option: Richard Branson  
Option: Elon Musk  
Option: Tim Cook
2. Which airline is highlighted by O'Leary as vulnerable due to potential cash depletion?  
Option: Ryanair  
Option: Wizz Air  
Option: airBaltic  
Option: EasyJet
3. How much has Ryanair incurred in additional jet fuel costs this month?  
Option: \$20 million  
Option: \$30 million  
Option: \$40 million  
Option: \$50 million
4. What percentage of Ryanair's fuel prices is typically hedged?  
Option: 60%  
Option: 70%  
Option: 80%  
Option: 90%
5. To what price per barrel has the remaining 20% of Ryanair's fuel prices escalated?  
Option: \$100  
Option: \$120  
Option: \$150  
Option: \$180
6. Which region's tensions are contributing to expected fuel shortages?  
Option: North America



- Option: Europe
- Option: Middle East
- Option: Asia

### True-False

- 7. O'Leary believes that bankruptcies could occur after winter concludes.
- 8. Wizz Air claims it can sustain operations for approximately 18 months.
- 9. airBaltic received a credit rating upgrade from S&P Global recently.
- 10. Ryanair's share price has decreased as a result of rising fuel expenses.
- 11. The fuel crisis is projected to have a full impact starting in April.
- 12. O'Leary predicts that airBaltic may exhaust its reserves by the second quarter.

### Gap-Fill

- 13. Ryanair CEO Michael O'Leary has forecasted that two major European airlines may cease operations by the end of winter due to the ongoing fuel crisis and attributed this to the potential \_\_\_\_\_.
- 14. O'Leary pointed out that Ryanair has incurred an additional \$50 million in jet fuel costs this \_\_\_\_\_.
- 15. Wizz Air may exhaust their cash reserves by the \_\_\_\_\_.
- 16. Ryanair typically hedges its fuel prices, securing 80% at \$67 per barrel until \_\_\_\_\_.
- 17. Without appropriate fuel hedging, Wizz Air and airBaltic may ground their \_\_\_\_\_.
- 18. airBaltic recently faced a \_\_\_\_\_ rating downgrade from S&P Global.

### Answer

- Multiple Choice:** 1. Michael O'Leary 2. Wizz Air 3. \$50 million 4. 80% 5. \$150 6. Middle East  
**True-False:** 7. False



8. True 9. False 10. True 11. False 12. False

**Gap-Fill:** 13. failure 14. month 15. fourth quarter 16. March 2024 17. operations 18. credit

## CATEGORY

1. Business - LEVEL6

## POST TAG

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3. esl news
4. Level 6
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## Date Created

2026/04/27

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