

## GOVERNMENT REGULATION

### Liberalization of the EU Air Transportation Market

Ryanair began its flight operations in 1985, during a decade in which the governments of Ireland and the U.K. liberalized the bilateral arrangements for the operation of air services between the two countries. In 1992, the Council of Ministers of the EU adopted a package of measures intended to liberalize the internal market for air transportation in the EU, including measures allowing EU air carriers substantial freedom to set air fares, allowing EU air carriers greatly enhanced access to routes within the EU and introducing a licensing procedure for EU air carriers. Beginning in April 1997, EU air carriers have generally been able to provide passenger services on domestic routes within any EU Member State outside their home country of operations without restriction. See also “—Regulation of Competition—State Aid.”

The European Court of Justice in November 2002 ruled that bilateral agreements between certain member states and the United States fell within the exclusive competence of the EU and should not therefore be entered into by the member states individually. As a result of these rulings, the European Commission has been granted a mandate to negotiate with the United States to replace the existing bilateral agreements between individual member states and the United States with a single comprehensive EU-U.S. agreement establishing an open aviation area between the two territories. These negotiations will cover all arrangements covering air transport between and within the EU and United States. It is proposed that this would include the rules governing market access (routes, capacity, frequency), how airfares are set, how to ensure effective application of competition rules and how to ensure maintenance of high standards of airline safety and aviation security. The negotiations will also address opening up each side’s internal market to the airlines of the other side. A key element will be the removal of the special restrictions that currently apply to foreign ownership and control of airlines in the United States and EU.

### Regulatory Authorities

As an Irish air carrier with routes to the U.K. and other EU countries, Ryanair is subject to Irish and EU regulation, which is implemented primarily by the Department of Transport, the IAA and the JAA. Management believes that the present regulatory environment in Ireland and the EU is characterized by an increased sensitivity to safety and security issues and an increased intensity of review of safety-related procedures, training and equipment by the national and EU regulatory authorities.

*Commission for Aviation Regulation.* The CAR was established on February 27, 2001 under the Aviation Regulation Act, 2001 (“Aviation Regulation Act”). The CAR is primarily responsible for deciding maximum airport charges at Ireland’s major airports, namely Dublin, Cork and Shannon. See “—Airport Operations—Airport Charges” above.

The CAR also has responsibility for licensing Irish airlines, subject to the requirements of EU law. It issues operating licenses under the provisions of Council Regulation 2407/92. An operating license is an authorization permitting the holder to carry out carriage by air of passengers, mail and/or cargo.

Finally, CAR has responsibility for deciding whether a regulated airport should be co-ordinated or fully co-ordinated under Council Regulation No. 95/93 on slots; and authorizing ground handling operations under Council Directive 96/67/EC and its implementing legislation.

The criteria for granting an operating license include, *inter alia*, an air carrier's financial fitness, the adequacy of its insurance, and the fitness of the persons who will manage the air carrier. In addition, in order to obtain and maintain an operating license, Irish and EU regulations require that (i) the air carrier must be owned and continue to be owned directly or through majority ownership by EU Member States and/or nationals of EU Member States and (ii) the air carrier must at all times be effectively controlled by such EU Member States or EU nationals. The CAR has broad authority to revoke an operating license. See "Item 10. Additional Information—Limitations on Share Ownership by Non-EU Nationals."

Ryanair's current operating license was awarded effective December 1, 1994, reviewed on November 30, 1999, and is subject to review and renewal each year.

*Irish Aviation Authority.* The IAA is primarily responsible for the operational and regulatory function and services relating to the safety and technical aspects of aviation in Ireland. To operate in Ireland and the EU, an Irish air carrier is required to hold an operator's certificate granted by the IAA. An operator's certificate attests to the air carrier's operational and technical competence to conduct an air service with specified types of aircraft. The IAA has broad authority to amend or revoke an operator's certificate, with Ryanair's ability to continue to hold its operator's certificate being subject to on-going compliance with applicable statutes, rules and regulations pertaining to the airline industry, including any new rules and regulations that may be adopted in the future.

The IAA is responsible for overseeing and regulating the operations of Irish air carriers. Matters within the scope of the IAA's regulatory authority include air safety, aircraft certification, personnel licensing and training, maintenance, manufacture, repair, airworthiness and operation of aircraft, implementation of JARs, aircraft noise and ground services. Each of the Company's aircraft has received an airworthiness certificate issued by the IAA and any additional aircraft the Company adds to the fleet will be required to obtain an airworthiness certificate. These airworthiness certificates are issued for a period of 12 months, after which application for a further certificate must be made. The Company's flight personnel, flight and emergency procedures, aircraft and maintenance facilities are subject to periodic inspections and tests by the IAA. The IAA has broad and powerful regulatory and enforcement authority, including the authority to require reports, inspect the books, records, premises and aircraft of a carrier and investigate and institute enforcement proceedings. Failure to comply with IAA Regulations can result in revocation of operating certification.

In July 1999, the IAA awarded Ryanair an air operator's certificate, which is subject to routine audit and review, in recognition of Ryanair's satisfaction of the relevant JAR OPS 1 regulatory requirements. Ryanair's current operating certificate, in accordance with the routine annual schedule, is set to expire on January 31, 2005.

*Civil Aviation Authority.* Buzz Stansted's current air operator's certificate was issued by the U.K. CAA with effect from June 29, 2004. This certificate allows Buzz Stansted to operate the six 737-300 aircraft it leases. The CAA has similar powers to those of the IAA.

*Department of Transport.* The Department of Transport ("DOT") has a more limited role in the regulation of Irish air transport as the majority of its regulatory functions have been transferred to CAR under the Aviation Regulation Act. DOT retains responsibility for implementation of EU and national legislation and international standards relating to air transport, e.g., noise levels, aviation security, etc.

*Joint Aviation Authorities.* The JAA is an associated body of the European Civil Aviation Conference representing civil aviation authorities of participating European states who have agreed to co-operate in developing and implementing common safety regulatory standards and procedures. The purpose is to provide high and consistent standards of safety. The aim of the JAA is to ensure that each individual Joint Aviation Requirement (JAR) becomes a uniform code for all JAA member states without any national regulatory differences. EU regulations provide for the harmonization of technical requirements and administrative procedures on the basis of the JAR codes of the JAA and for the acceptance of certification in accordance with common technical requirements and administrative procedures.

*The European Aviation Safety Agency.* EASA is an agency of the European Union which has been given specific regulatory and executive tasks in the field of aviation safety. EASA was established through Regulation (EC) No 1592/2002 of the European Parliament and the Council of July 15, 2002, on common rules in the field of civil aviation and establishing a European Aviation Safety Agency. The purpose of EASA is to draw-up common standards to ensure the highest levels of safety; oversee their uniform application across Europe; and promote them at the global level. EASA formally started its work on September 28, 2003, taking over the responsibility for regulating airworthiness and maintenance issues within the EU Member States. The JAA retains its current functions for operations and licensing as well as airworthiness and maintenance issues for the JAA member states outside EASA. However, the EASA is expected to take over these JAA functions as the agency continues to develop and establish itself, in co-operation with the EU Commission and with the other divisions of the JAA.

*Eurocontrol.* The European Organization for the Safety of Air Navigation (“Eurocontrol”) is an autonomous European organization established under the Eurocontrol Convention of December 13, 1960. Eurocontrol is responsible for, *inter alia*, the safety of air navigation and the collection of route charges for en route air navigation facilities and services throughout Europe. Ireland is a party to several international agreements concerning Eurocontrol. These agreements have been implemented into Irish law, which provides for the payment of charges to Eurocontrol in respect of air navigation services provided for aircraft in airspace under the control of Eurocontrol. The relevant legislation imposes liability for the payment of any charges upon the operators of the aircraft in respect of which services are provided, upon the owners of such aircraft or the managers of airports used by such aircraft. Ryanair, as an aircraft operator, is primarily responsible for the payment to Eurocontrol of charges incurred in relation to its aircraft.

The legislation authorizes the detention of aircraft in the case of default in the payment of any charge for air navigation services by the aircraft operator or the aircraft owner, as the case may be. This power of detention extends to any equipment, stores or documents, which may be on board the aircraft when it is detained, and may result in the possible sale of the aircraft.

The European Commission is in the process of introducing a “single European sky policy,” which would bring changes to air traffic management and control within the EU by the end of 2004. The “single European sky policy” currently consists of the Framework Regulation (Reg. E.C. No. 549/2004) plus three technical regulations on the provision of air navigation services, organization and the use of the airspace and the interoperability of the European air traffic management network. The objective of the policy is to enhance safety standards and the overall efficiency for general air traffic in Europe.

## **Registration of Aircraft**

Pursuant to the Irish Aviation Authority (Nationality and Registration of Aircraft) Order 2002 (the "Order"), the IAA regulates the registration of aircraft in Ireland. In order to be registered or continue to be registered in Ireland, an aircraft must be wholly owned by either (i) a citizen of Ireland or a citizen of another Member State of the EU having a place of residence or business in Ireland or (ii) a company registered in and having a place of business in Ireland and having its principal place of business in Ireland or another Member State of the EU and not less than two-thirds of the directors of which were citizens of Ireland or of another Member State of the EU. As of September 15, 2004, nine of the ten Directors of Ryanair Holdings are citizens of Ireland or of another Member State of the EU. An aircraft will also fulfill these conditions if it is wholly owned by such citizen or company in combination. Notwithstanding the fact that these particular conditions may not be met, the IAA retains discretion to register an aircraft in Ireland so long as it is in compliance with the other conditions for registration under the Order. Any such registration may, however, be made subject to certain conditions. In order to be registered, an aircraft must also continue to comply with any applicable provisions of Irish law. The registration of any aircraft can be cancelled if it is found that it is not in compliance with the requirements for registration under the Order and, in particular, (i) if the ownership requirements are not met, (ii) the aircraft has failed to comply with any applicable safety requirements specified by the IAA in relation to the aircraft or aircraft of a similar type or (iii) if the IAA decides in any case that it is satisfied that it is inexpedient in the public interest for the aircraft to remain registered in Ireland.

Similar measures apply to Buzz Stansted, which operates under a U.K. air operators certificate issued by the CAA and whose six aircraft are all registered in the U.K. As of September 15, 2004, all of the directors of Buzz Stansted are citizens of EU Member States.