

**REPLY BY THE PRESIDENT OF  
THE STATES’ TRADING SUPERVISORY BOARD  
TO QUESTIONS ASKED PURSUANT TO RULE 14 OF THE  
RULES OF PROCEDURE BY DEPUTY NEIL INDER**

**Question 1**

What are the predicted losses for Aurigny in the year 2021?

**Answer**

Aurigny’s predicted profit and loss position for the period 2021-2025 was presented in the policy letter<sup>1</sup> on the company’s financial sustainability and new business plan that was debated by the States at their meeting on 15<sup>th</sup> October 2021. The predictions were as follows:

**Aurigny – Predicted (Loss)/Profit (£m)<sup>1</sup>**

| 2021   | 2022  | 2023 | 2024 | 2025 |
|--------|-------|------|------|------|
| (16.1) | (1.4) | 0.3  | 0.6  | 0.3  |

The predicted loss for 2021 was £16.1m (2020: £28.3m), before any adjustments that may need to be made as a result of the application of FRS102 accounting standard requirements. After considering the proposals set out in the policy letter, the States agreed to make financial provision for that loss, acknowledging that this would be subject to finalisation of the 2021 accounts. Aurigny’s year-end accounting procedures for 2021 are currently underway and will, for example, include assessment of any FRS102 adjustments and, in particular, changes in aircraft valuations.

Subject to the above, Aurigny’s current assessment is that performance will be in line with the 2021 projection and, indeed, may be improved upon. Its performance was aided by the progressive reduction in travel restrictions between July and November, before the impact of the Omicron variant served to adversely impact demand in December. Specific points of note include:

- In Q3 of 2021, Aurigny achieved an operating surplus at an EBITDA<sup>2</sup> level for the first time since Q3 of 2019. This was delivered through a combination of cost-reduction initiatives and the gradual restoration of the airline’s operating schedule. By October, Aurigny had restored its revenues to 95% of pre-pandemic levels for the same month in 2019. It also generated seat occupancy rates higher than the comparative period in October 2019;
- The Company’s first year of operating its Alderney services under the new PSO arrangements saw relatively strong passenger demand, notwithstanding the impact of the pandemic. Aurigny also achieved reductions in its overheads and fixed costs for delivering the services. As a result, the PSO financial results will be better than forecast for the year and will be an improvement on both 2019 and 2020.

---

<sup>1</sup> Article 12 of Billet d’Etat XX of 2021

<sup>2</sup> EBITDA – Earnings before Interest, Taxes, Depreciation & Amortisation

The emergence of the Omicron variant had an immediate and material impact on passenger demand in December, 2021, with earlier revenue gains falling back to 71% of December 2019 levels. However, Aurigny's overall performance for Q4 of 2021 was sufficiently strong such that the quarterly forecast was still achieved. At this point in time, there remains a noticeable consumer hesitance to book more than two-weeks in advance, adversely impacting this traditionally strong period for accepting advance summer travel reservations. Whilst Aurigny anticipates that summer demand will in all likelihood return once daily infection rates reduce from the current record highs, both locally and in the UK, there is a near-term negative liquidity impact. In addition, aviation supply-chains, noticeably amongst airport security providers, are being impacted by workforce absenteeism.

Once they have been finalised, Aurigny's audited accounts for 2021 will be published. At that point, its Chief Executive will be offering States Members an opportunity to meet with him to review the accounts and to provide an update on the ongoing implementation of the airline's new business plan.

**Date of Receipt of the Question:      Wednesday 5 January 2022**  
**Date of Reply:                              Tuesday 18 January 2022**