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Advancing aviation, keeping the skies safe.

NATS (En Route) plc financial year ended 31 March 2023

Presentation to bondholders 6 July 2023

Contents

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Highlights from the year

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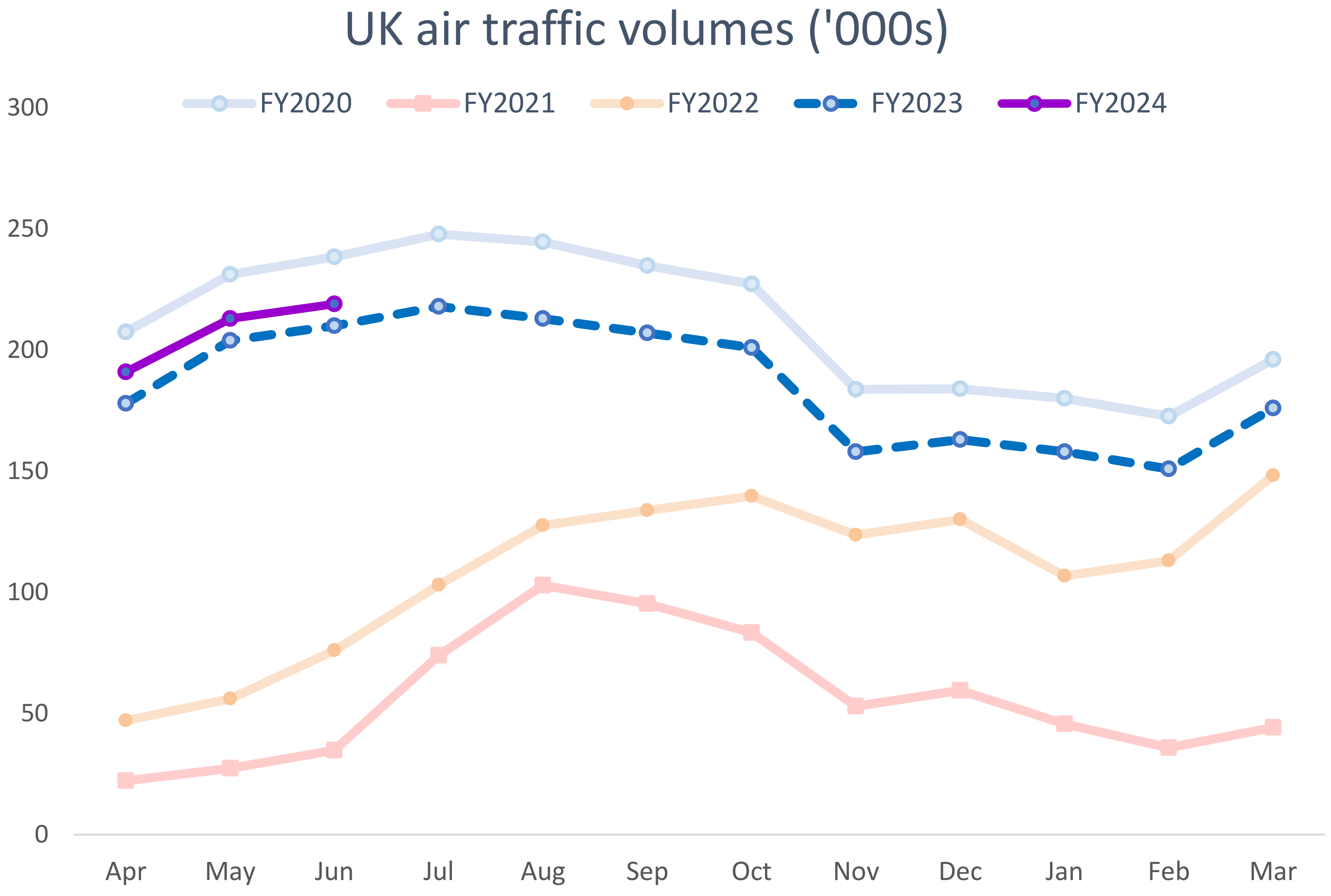
- Handled 2.24m flights (2022: 1.29m), supporting rapid recovery in traffic during summer 2022
- Higher revenue and regulatory allowances under the regulatory framework generated a profit of £157m (2022: loss of £5m)
- Delivered a strong safety and operating performance with no risk bearing airprox (2022: none) and a 3Di score of 26 for the 2022 calendar year (2021: 22.8)
- Continued our airspace modernisation programme, implementing Free Route Airspace over Southwest England and Wales, one of the busiest intersections for international flights
- Responded to CAA's initial proposals on NR23 business plan
- Refinancing completed in March 2023 with a £145m bond tap and cancellation of the bridge facility

Current traffic vs recent years



- Traffic recovered strongly over last summer following the lifting of Covid restrictions in March 2022
- Recovery across the year to ~87% of pre-pandemic volumes
- Driven by pent up demand partly offset by inflationary pressures and geopolitical risks
- Growth not uniform, but managed by continued focus on operating agility

Industry and traffic outlook

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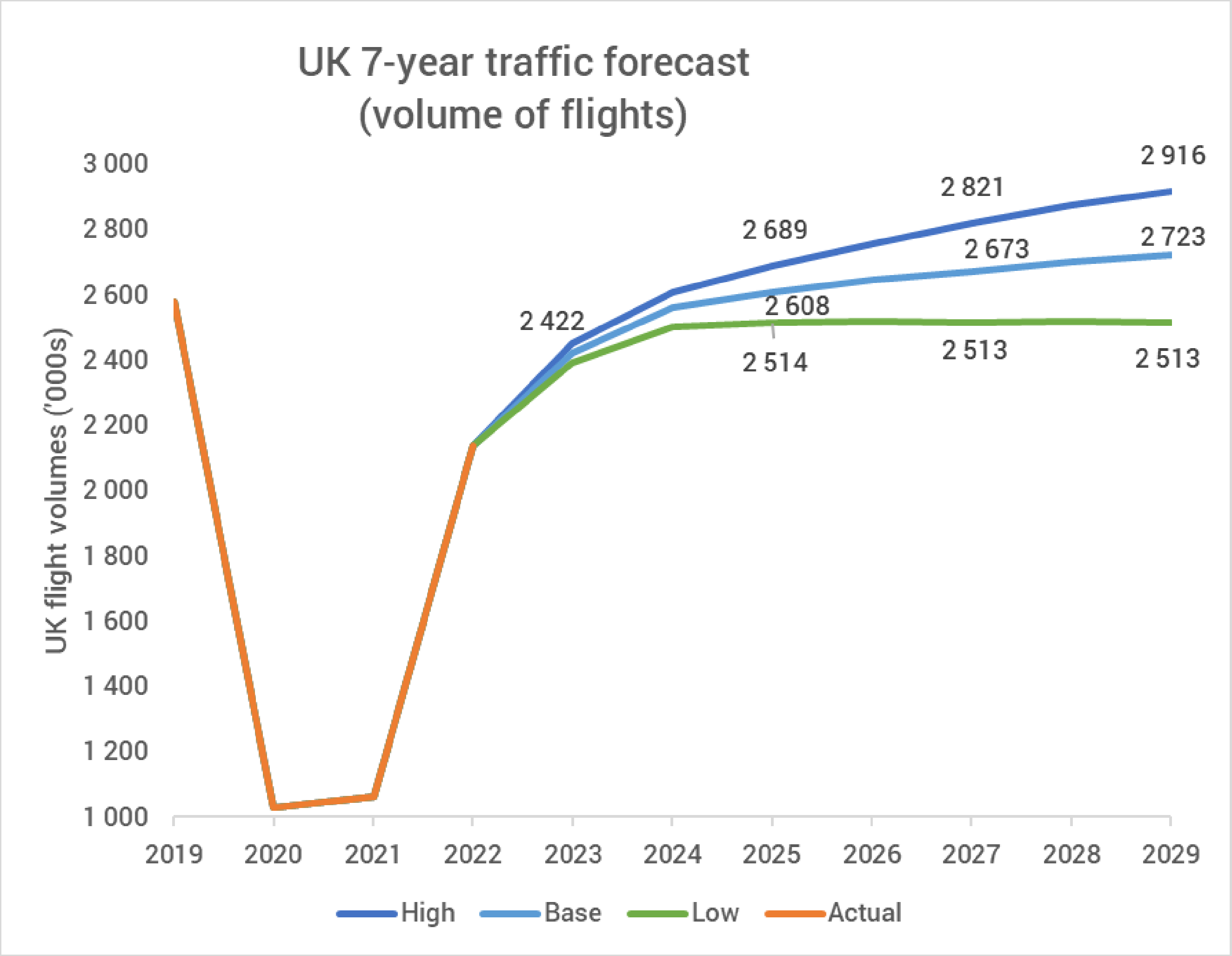
- Geopolitical situation and macroeconomic outlook contribute to forecasting difficulty
- Significant variance between Eurocontrol's March 2023 high, base and low cases
- Base case assumes return to pre-pandemic levels by 2025, then growth of 1% p.a.
- Looking to ensure that CAA's traffic forecast for the NR23 price control is updated to this outlook, reflecting latest macro economic data from Spring



Source: Eurocontrol, March 2023

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Maintaining operational service resilience

- Maintained the critical operational skills to support the continued recovery in aviation
- Operationally challenging year as traffic growth was not uniform over the network and regularly varied from operational schedules

No risk-bearing airprox (cat A or B) attributed to our operation (2021: none)

- Met all our internal safety targets, and there were no risk-bearing category A or B airprox attributable to NERL

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Average en route delay per flight was 10.2 seconds for calendar year 2022.
(2021 calendar year: 0.3s)

- Service performance was affected by the nature of the demand and the volatility of daily flight schedules
- The average delay per flight of 10.2 secs remained within the regulatory target of 15.0 secs, but as expected was higher than prior year

Our 3Di score was 26.0 for calendar year 2022 (2021: 22.8).

- Our 3Di score, that measures the efficiency of flight paths, of 26.0 was within the regulator's allowance of 27.3
- The lower the score the better, however the increase from the prior year largely reflected the growth in traffic volumes

Delivering a sustainable future - airspace

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- Delivered one of our biggest and most complex airspace changes in March 2023
- Modernised the route network above 7,000 feet over South-West England and Wales
- This area (in yellow) includes some of the busiest air intersections for international flights
- The changes should deliver an annual saving of over 12,000 tonnes of CO_2 emissions

Delivering a sustainable future – our operations

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2035 Net Zero

100%

We committed to net zero emissions from running our business by 2035 with interim milestones in 2026 and 2030

Estate CO_2

We purchased renewable electricity for 99% of our operations and low CO_2e emission gas for 100% of our needs

Corporate CO_2e emissions were ahead of target achieving -39% against a 2018/19 baseline

99%

We purchased renewable electricity for 99% of our operations and low CO_2e emission gas for 100% of our needs

- We are committed to a net zero estate by 2035 with a target aligned with the Science Based Target initiative
- Greenhouse gas emissions from our estate have reduced by 39%, resulting from energy efficiency and emissions reduction measures, site consolidation and lower occupancy
- We obtain 99% of our electricity consumption from green electricity and 100% of our gas is low carbon biogas

Capital investment

SESAR deployment

- Development of new controller tools on a common technology platform across our two air traffic control centres
- £48m invested in DP En Route and Voice platforms this year

Airspace Change

- Airspace modernisation over South West England and Wales, introduces both systemised and free route airspace changes, saving 12,000 tonnes CO_2 emissions annually
- Changes also made to airspace across the North Sea and above London City

Resilience of operational systems

- Increased investment to sustain the resilience of current systems as Covid has extended the delivery timeframe for the new technology

£m	2023	2022
SESAR deployment	48	57
Airspace modernisation	8	8
Infrastructure	10	7
Operational systems	30	19
Other	11	4
Total	**107**	**95**

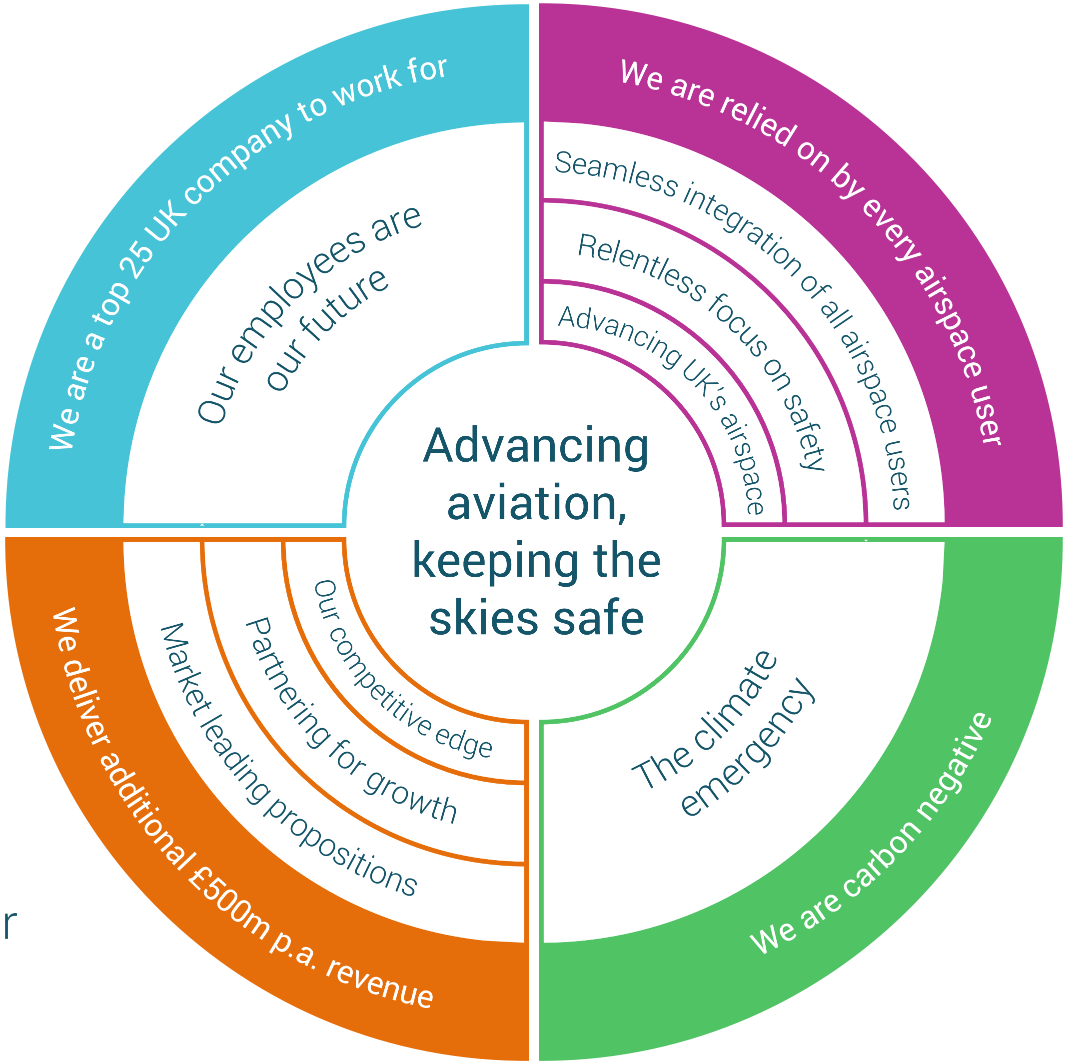
Board and Executive changes

Board	Executive
Resignations:	**Retirements:**
• Richard Keys (Crown)	• Juliet Kennedy (Operations Director)
• Iain McNicoll CB CBE (Crown)	• Rob Watkins (Technical Services Director)
• Hugh Connellogue (Airline Group)	
• Kathryn Leahy (Heathrow Airport)	
New Appointments:	**New Appointments:**
• Greg Bagwell CB CBE (Crown)	• Kathryn Leahy (Chief Operations Officer)
• David Smith (Crown)	• Kuldeep Gharatya (Technical Services Director)
• Bart Prudon (Airline Group)	

NATS strategy to 2040 - update

Update on strategic objectives

- We will be a top 25 company to work for:
  - ➢ Employee Survey by "Best Companies"
  - ➢ Continued to build our inclusive culture
  - ➢ Pay awards settled in a challenging period
- We will be relied upon by every airspace user:
  - ➢ Participation in "Future Flight Challenge"
  - ➢ Developing solutions to airspace integration
- We will be carbon negative:
  - ➢ See slides 8 & 9
- We will be delivering an additional £500m p.a. of revenue per year:
  - ➢ This objective relates mainly to NSL



Financial highlights

£m	2023	2022	Change
Revenue	741	416	326
Regulatory allowances under-recovered	41	202	(161)
Total revenue and regulatory allowances	**782**	**618**	165
Profit/(loss) before tax	**157**	**(5)**	162
Cash generated by/(used in) operations	**176**	**(185)**	361
Debt Adjusted Cash inflow/(outflow) (DACF)**	**52**	**(240)**	292
Capital expenditure	**107**	**95**	12
Net debt	**903**	**943**	-40
Gearing *	**52.3%**	**60.1%**	-7.8 ppt
Dividends	**nil**	**nil**	-

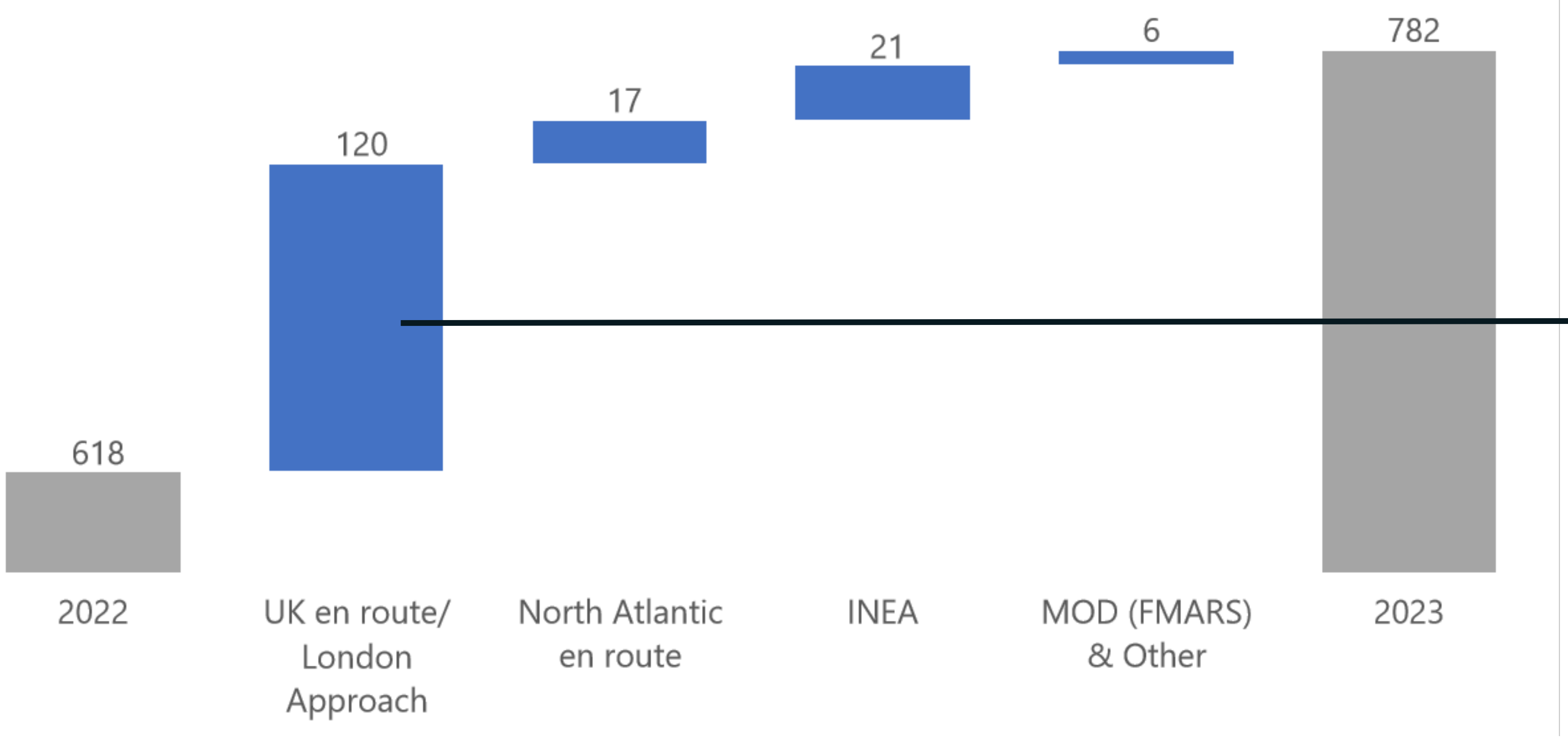
- Results reflect continued recovery of traffic and our assessment of CAA's NR23 proposals
- Cash generation is now positive
- Gearing lower than prior year and within the financial covenant level of 85%, and remains below the cap in NERL's licence of 65%

* ratio of net debt (as defined by CAA licence) to regulatory asset base
** Increase/decrease in cash, adjusted to remove draw down or repayment of bank borrowings, bonds, index linked swaps and advances of en route charges

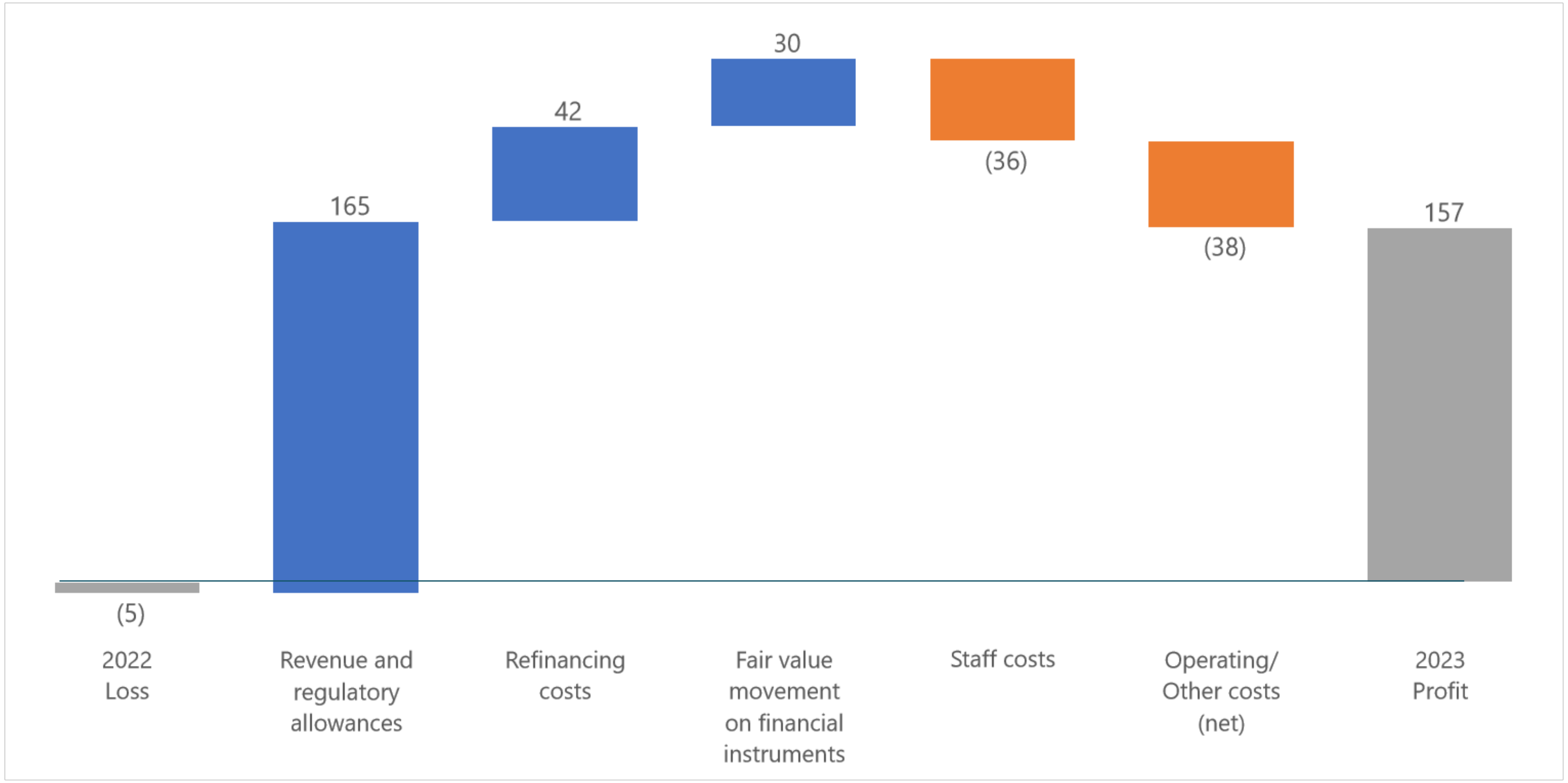
Revenue and regulatory allowances (£m)

- Increased UK en route and London Approach revenue primarily driven by increased traffic volumes and reflect our assessment of the CAA initial proposals
- North Atlantic revenue increase reflects 59% increase in flights
- INEA is EU funding being returned to customers through lower charges

	2023	2022	Change
UK en route/London Approach revenue	590	309	281
Regulatory allowances under-recovered	41	202	(161)
	631	511	120



Profit before tax (£m)



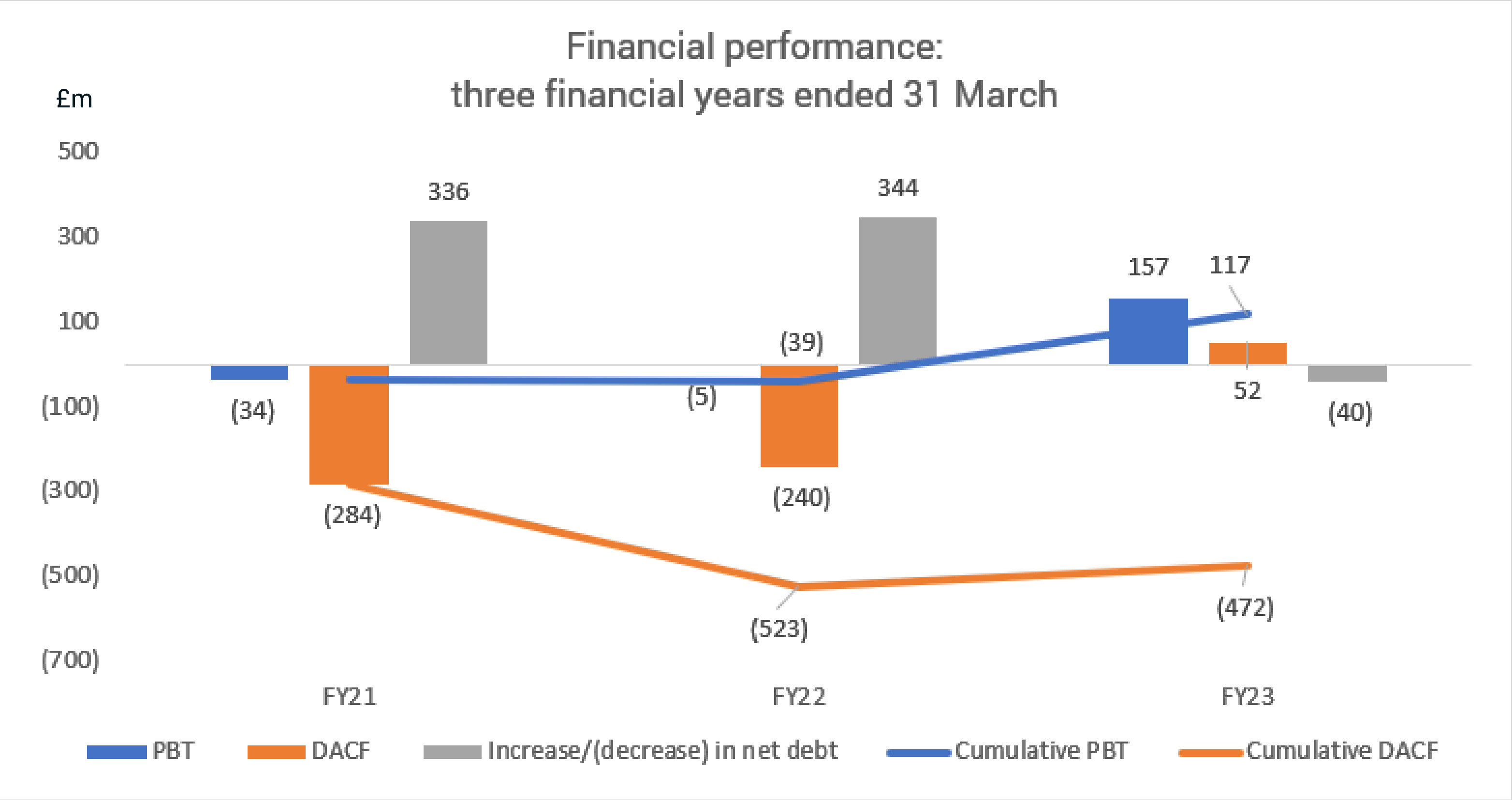
- Profit improvement year on year driven by:
    - Higher revenue and regulatory allowances
    - Non recurring refinancing costs from prior year restructure
    - Fair value movement on inflation swaps
    - Offset by higher staff & other operating costs required to support the recovery in traffic

Cash flow

£m	2023	2022	Change
Net cash generated by/(used in) operating activities	176	(185)	361
Net cash outflow from investing activities	(111)	(109)	(2)
	65	(294)	359
Net cash (outflow)/inflow from financing activities	(58)	173	(231)
Increase/(decrease) in cash and cash equivalents	**7**	**(121)**	**128**
Cash and cash equivalents at 31 March	**58**	**51**	**7**
Debt Adjusted Cashflows (DACF)	**52**	**(240)**	**292**

- Net inflows from operating activities reflect improved cash receipts from customers
- Net outflows from investing remained in line with prior year, funding capital investment
- The recovery in traffic enabled a net reduction in borrowings this year

Profit, cash flows and financial position in context (£m)



- This year marked a welcome return to profit and a reduction in net debt
- Cumulative profit before tax for the last three years is now also positive
- However, the cumulative debt adjusted cash flows remain significantly negative
- In line with our expectations, it will take longer for NERL's cumulative cash flows to recover

Balance sheet

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£m	2023	2022
Goodwill	38	38
Tangible and intangible fixed assets	1,092	1,079
Right-of-use assets	35	39
Regulatory allowances recoverable	731	725
Pension scheme surplus	44	257
Deferred tax liability	(196)	(226)
Regulatory allowances payable	(142)	(169)
Derivative financial instruments	(80)	(77)
^Cash	58	51
^Borrowings	(911)	(939)
^Lease liabilities	(50)	(55)
Other net balances	(60)	(116)
Net assets	**559**	**607**

^components of net debt; net debt in 2023: £(903m) (2022: £(943m))

- Net Regulatory allowances recoverable/ (payable) have increased by £33m
- Pension surplus reduced as a result of:
  - lower asset values driven by interest rate rises and inflation impact on returns;
  - partly offset by reductions in scheme liabilities due to higher bond yields and inflation
- Deferred tax impacted pension scheme update and change in tax rate
- Other net balances reduced mainly due to increased traffic

Funding overview

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Description	Size	Rate	Tenor	Maturity	Amortisation
1.75% 2033 bonds	£445m	Fixed	12.5yrs	Sep-33	Bullet
1.375% 2031 bonds	£450m	Fixed	10yrs (~7yrs WAL)	Mar-31	Sculpted amortisation
Revolving Facility Agreement (RFA)	£400m	Floating	5yrs	May-26	Bullet
Total Funding	**£1,295m**				

Instrument	Notional	Tenor	Maturity	Amortisation
RPI Swap	£200m	10yrs	Mar-31	Bullet
RPI Swap	£40m	23yrs	Mar-26	Amortising
Total Swaps	**£240m**			

- Refinancing completed via a £145m tap of the 2033 bonds, replacing the £450m bridge facility
- Revolving facility agreement drawn by £65m. Expiry date extended to May 26

NR23 price control

- We consulted extensively with airlines, airports, passengers and the CAA in FY22 on NR23 business plan for new price control period (2023 to 2027)

- CAA published its initial proposals for NR23 in October 2022. Our main areas of push back were in relation to:
    - Operating cost base – full adjustment for 2022 inflation
    - Pension costs – inappropriate cost benchmarking
    - Cost of capital – equity risk to reflect pandemic
    - Latest data – CAA proposals based on traffic, inflation and interest rate expectations from March 2022

- CAA provisional decision expected in July 2023

- Final CAA decision and modified licence expected in autumn 2023

NR23 plan delivers:

- ✓ A safe air traffic system for any recovery scenario
- ✓ An efficient service level
- ✓ Cost effective prices to support industry recovery
- ✓ Capacity to support 2027 traffic 15% higher than 2019
- ✓ Enhanced environmental and fuel benefits
- ✓ Appropriate financial resilience in a slower recovery

Concluding remarks

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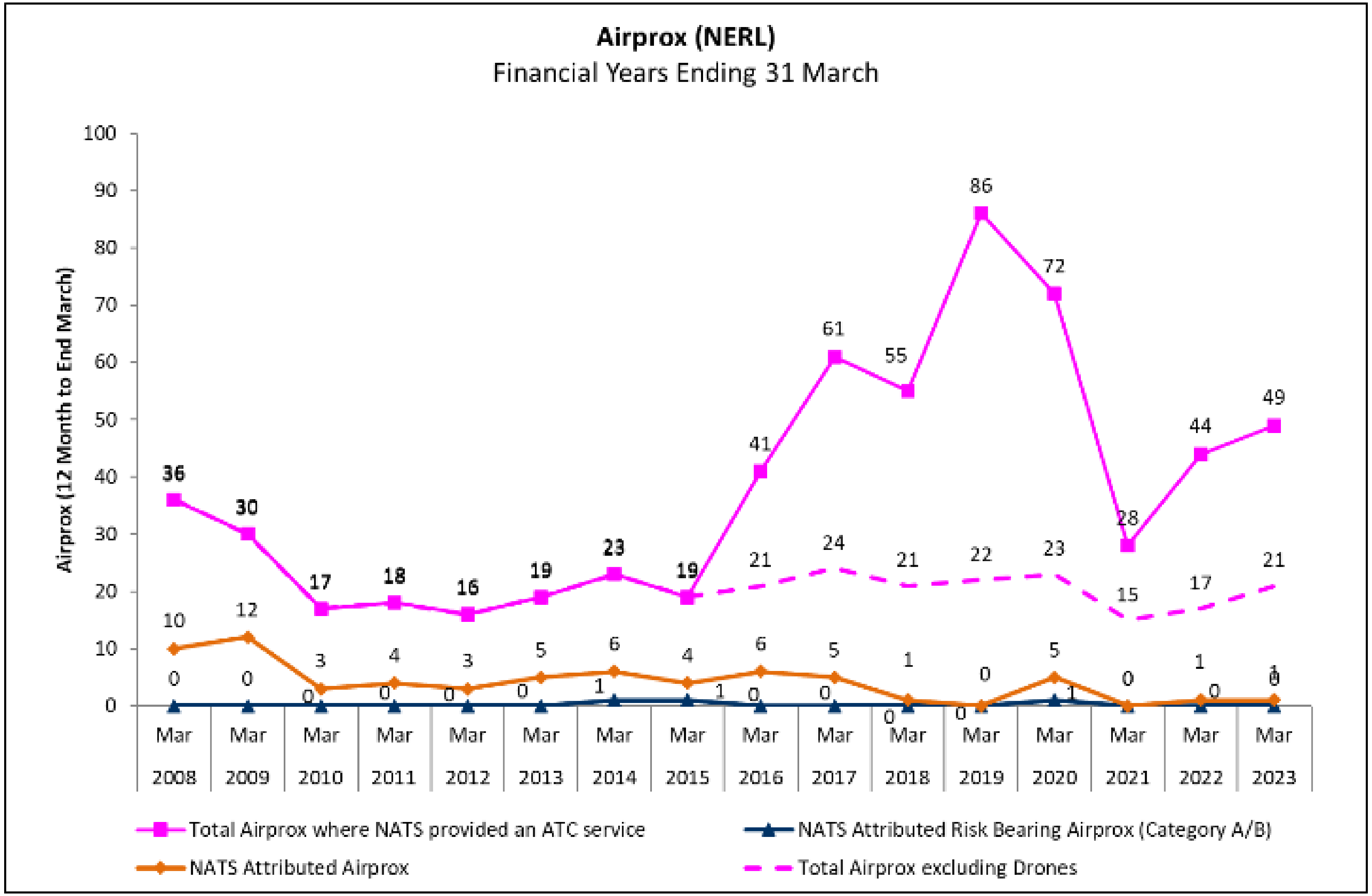
- Strong traffic growth over the year and our assessment of the CAA's NR23 Initial Proposals has led to a significant increase in our financial performance
- In line with expectations the longer-term outlook for air travel looks positive although headwinds remain due to geopolitics, and the wider macro-economic situation
- We continue to be operationally and financially resilient to a range of recovery outcomes
- Our NR23 business plan is for a resilient service over the long term which can cope with more variability in traffic
- We are looking to the CAA to provide the resources and incentives to facilitate this outcome in their final NR23 decision, as outlined in our NR23 business plan submission and response to their initial proposals

Q&A

Appendices

Deliver a safe, efficient and reliable service every day



Delivering a sustainable future

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Description	FY 2022/23 (or CY 2022)	FY 2021/2022 (or CY 2021)
Service performance and resilience		
3Di, regulatory environmental metric (calendar year) (0-100, where 0 represents a perfect score)	26.0	22.8
Environmental performance		
Scope 1 emissions (location-based tonnes CO_2e)	2,895	2,708
Scope 1 emissions (market-based tonnes CO_2e)	2	2
Scope 2 emissions (location-based tonnes CO_2e)	10,587	11,774
Scope 2 emissions (market-based tonnes CO_2e)	114	718
Scope 3 categories 1, 3, 4, 6, 7 (tonnes CO_2e)	11,287	10,754
Total scope 1, 2 and 3 categories 1, 3, 4, 6, 7 (tonnes CO_2e) – location based	24,769	25,236
Scope 3 category 11 emissions (tonnes CO_2e)	23,365,760	13,920,072
Avoided /modelled enabled ATM-related CO_2 reduction in tonnes	56,317	7,972
Water supply and treatment (m^3)	34,142	27,508
Energy consumption (gas + electricity) MWh	64,243	66,520
Transportation: owned and leased vehicle fuel consumption (as reported within scope 1) KWh	528,895	Not measured
Transportation: business travel (scope 3) from employee-owned vehicles and hire cars KWh	1,066,645	Not measured
CO_2e intensity metrics		
Total scope 1 + 2 emissions (location-based tonnes CO_2e)	13,482	14,482
Total scope 1 + 2 emissions (market-based tonnes CO_2e)	116	720
Total scope 1 + 2 intensity metric (location-based tonnes CO_2e per £m of revenue)	14.4	19.3
Total scope 1 + 2 intensity metric (market-based tonnes CO_2e per £m of revenue)	0.1	1.0
Net zero metrics		
% change in CO_2e against 2018-19 baseline towards net zero 2035 target (scope 1 and 2 emissions)	-35%	-30%
% reduction of CO_2e against 2018-19 baseline towards net zero 2035 target (scope 3, categories 1, 3, 4, 6, 7)	-43%	-45%

End