NATS

Advancing aviation, keeping the skies safe.

NATS (En Route) plc financial year ended 31 March 2024

Presentation to bondholders 10 July 2024

Contents

Highlights from the year

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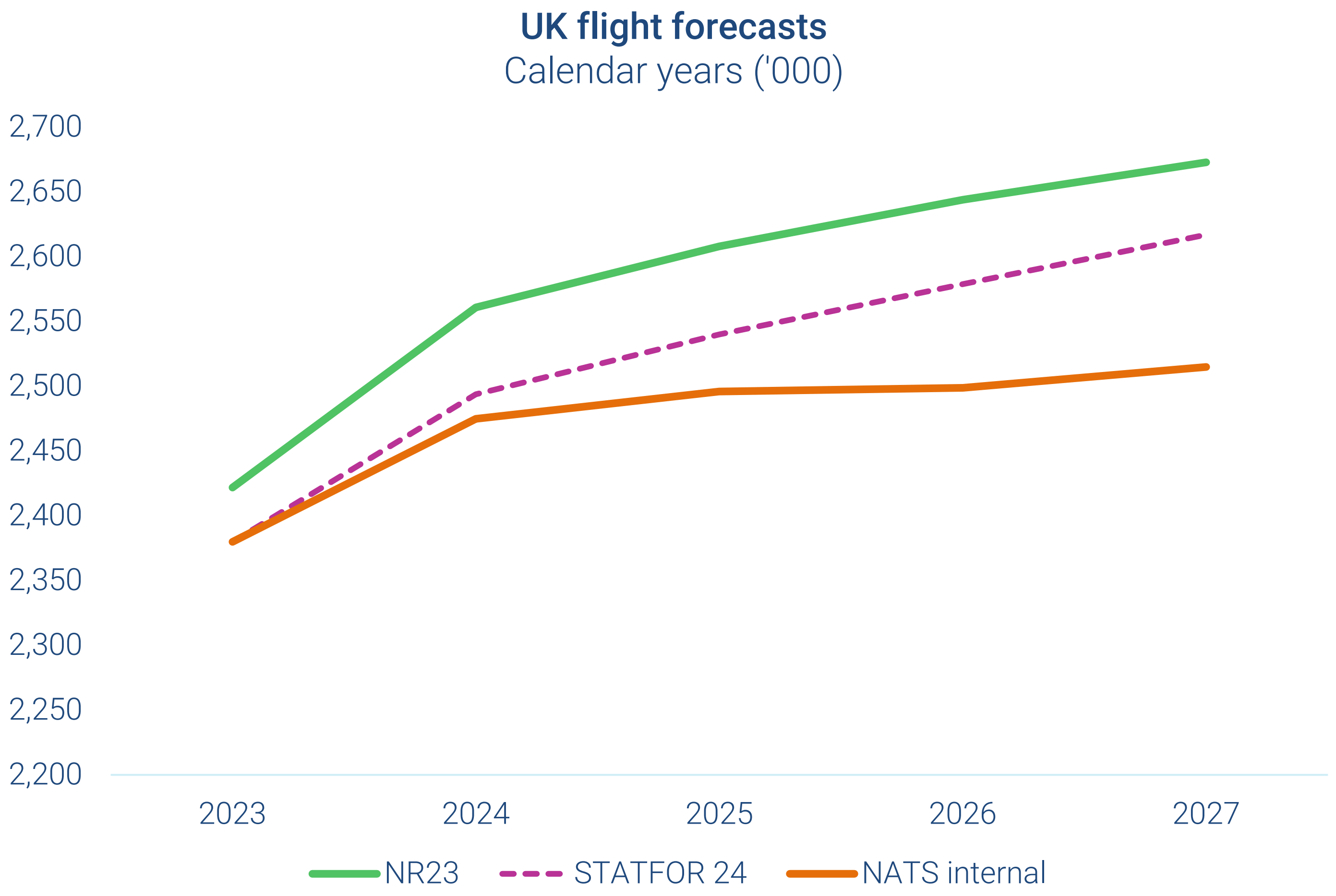
- Handled 2.41m flights (2023: 2.26m), with record high flight volumes in summer 2023
- Reduced average delay per flight to 8.8 seconds, despite August's technical incident, down from 10.2 seconds in 2023
- Higher revenue and regulatory allowances from the NR23 final decision generated a statutory profit of £397m (2023: £157m) and adjusted profit of £274m (2023: £133m)
- Delivered a strong safety and operating performance with no risk bearing airprox (2023: none) and a 3Di score of 28.3 for 2023 calendar year (CY 2022: 26.0)
- Awarded an A rating from CDP and ranked #1 in the Financial Times assessment of Europe's Climate Leaders

Air traffic volumes



- This year traffic grew by 7% largely due to ongoing Covid recovery
- Underlying demand for air travel generally linked to strength of economy
- European network faces challenges with level of passenger demand (geopolitical, industrial action and extreme weather)
- Our internal forecast places greater weight on sustainability factors (e.g. SAF) than STATFOR 24
- ~1% traffic growth per annum forecast over NR23 in our internal forecast

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No risk-bearing airprox (cat A or B) attributed to our operation (2023: none)

Focused on operational service resilience

Safety

- Exceptional safety performance delivered by operational teams underlining strong safety focus and culture
- Met all our safety targets, and there were no risk-bearing category A or B airprox attributable to NERL

Service

- Experienced a technical flight handling system issue in August 2023 which caused significant delays and cancellations
- Undertook a major internal incident investigation in relation to its causes and our response to events on the day, to ensure we learn all we can from this

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Average en route delay per flight was 8.8 seconds against target of 8.5 seconds
(prior year: 10.2s/flight against target 15.0)

- Average delay per flight at 8.8 seconds, whilst a year-on-year improvement, was outside of the tougher NR23 target of 8.5 seconds (prior year: 10.2s, target of 15.0s).
- Despite delays due to the technical system issue, we handled 23% of all European flights but accounted for less than 4% of European ATC delay

Our 3Di score was 28.3 for calendar year 2023
(CY 2022: 26.0)

- Our 3Di score, that measures the efficiency of flight paths, of 28.3 was within the regulator's allowance range of 26.2 to 29.0
- Sharing flight efficiency data with three of our largest airline customers to identify joint opportunities for further emissions savings

Delivering a sustainable future

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Awarded A rating from CDP and ranked #1 in the Financial Times assessment of Europe's Climate Leaders

Published 5-year Transition Plan which sets out actions to become a low carbon economy

Fully implemented Climate-related Financial Disclosures (TCFD)

Installing solar panels that will generate 20% of our electricity at our Prestwick and Swanwick centres

Corporate CO_2e emissions reduced by 35% ahead of target against a 2018/19 baseline

Airspace modernisation changes deployed since 2021 are now contributing to reductions of 33,000 tonnes of CO2 per annum

Capital investment

- Investment in SESAR deployment reflects our strategy to introduce modern, resilient technical solutions to enable safe management of increasing traffic volumes and complexity
- In October, we introduced a new back-up voice communication system with greater capability than its aged predecessor
- Continued investment in sustaining our existing assets during this transition period, and the ongoing development of future airspace changes in support of the industry's focus on the Airspace Modernisation Strategy
- Skill-shortages remain a challenge. However, we expect to invest c£630m over NR23

	2024 £m	2023 £m
SESAR deployment	**43**	48
Airspace modernisation	**9**	8
Infrastructure	**17**	10
Operational systems	**27**	29
Other	**14**	12
Total	**110**	107

Investment in people

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Recruitment

- Increased recruitment to balance supply and demand between newly trained controllers and those retiring from NATS

Training Optimisation

- Increased resources available by optimising use of simulators and partnered with an external training provider to improve training effectiveness and maximise success rates
- This year 73 trainees completed their initial training and 75 controllers extended their validations

Top 25 Employer

- Best Companies ranked us at #13 and rated us as "Very Good to Work For"
- Ranked #44 in Inclusive Companies' most recent Top 50

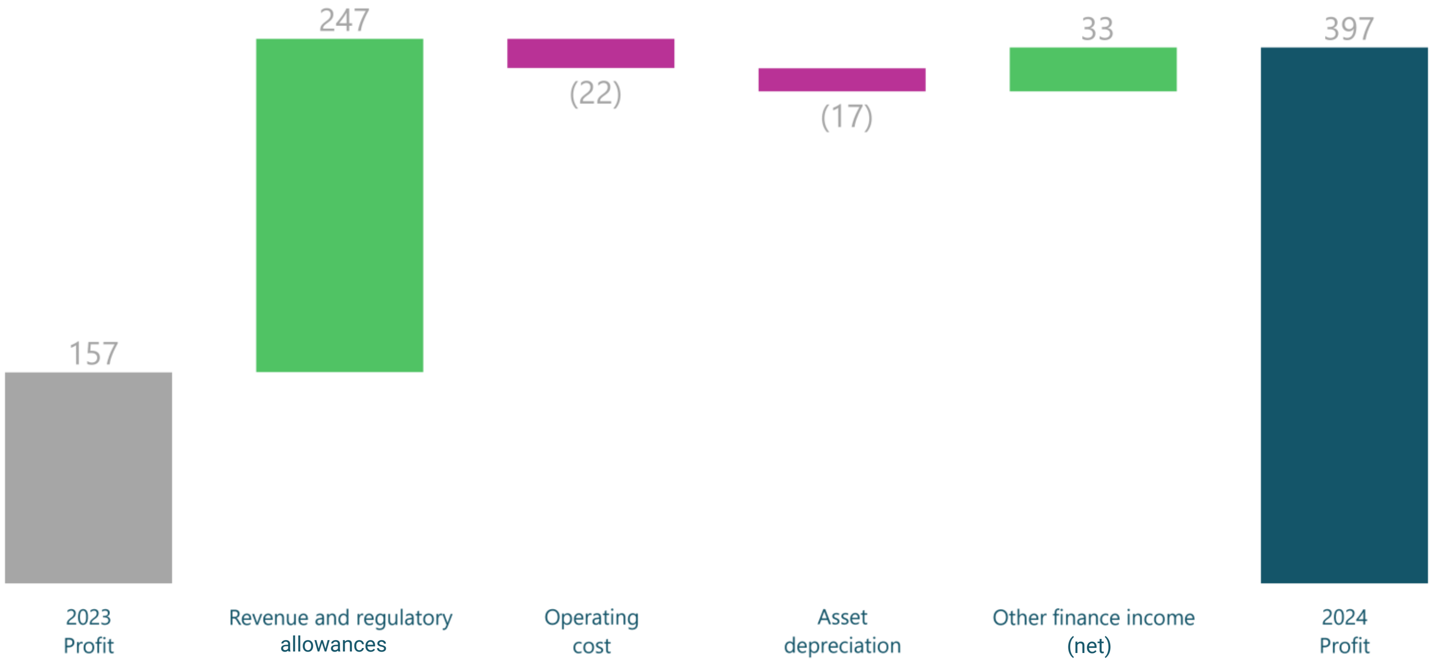
Financial highlights

	2024 £m	2023 £m	Change
Revenue and regulatory allowances – IFRS	**1030**	782	247
Adjusted revenue and regulatory allowances*	**906**	759	147
Statutory profit before tax	**397**	157	240
Adjusted profit before tax*	**274**	133	141
Debt adjusted cash inflow**	**117**	52	65
Capital expenditure	**110**	107	3
Net debt	**817**	903	(86)
Gearing*** (%)	**41.9%**	52.3%	(10.4%)
Regulatory Asset Base	**2,139**	1,866	273
Regulatory return - adjusted	**4.9%**	0.0%	4.9%
Dividends	**Nil**	Nil	-

* Alternative performance measure (APM)
** APM, representing Increase/decrease in cash, adjusted to exclude repayment/drawings on borrowings
*** ratio of net debt (as defined by CAA licence) to regulatory asset base

- Measures of revenue and profit positively impacted by NR23 price control decision
- Statutory profit before tax of £397m includes one-off impact from Covid income shortfall that is not yet reflected in cash flows
- Adjusted PBT still shows a £141m y-o-y improvement
- Gearing reduced by 10% and remains well under the financial covenant level of 85%, and NERL's licence gearing cap of 65%

Profit before tax (£m)



- Higher revenue and regulatory allowances reflecting:
  - Increase in NR23 revenue allowances in line with determined costs
  - One-off recognition of Covid income shortfall
- Growth in operating costs largely relates to non-staff costs, as higher staff costs due to CPI-linked pay awards were offset by lower pension costs
- Depreciation increased following deployment of new voice communication system
- Other finance income rise related to unwinding of Covid income shortfall discounting and interest on cash

Cash flow

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	2024 £m	2023 £m	Change
Net cash generated from operating activities	**213**	176	37
Net cash outflow from investing activities	**(101)**	(111)	10
Net cash outflow from financing activities	**(79)**	(58)	(21)
Increase in cash and cash equivalents during the year	**33**	7	26
Cash and cash equivalents at 31 March	**91**	58	33
Debt Adjusted Cashflows (DACF)	**117**	52	65

- Net inflows from operating activities reflect growth in revenue and regulatory allowances
- Net outflows from investing remain largely in line with prior year, funding capital investment
- Financing activity net cash outflow, mainly due to repayment of bank facility drawings

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

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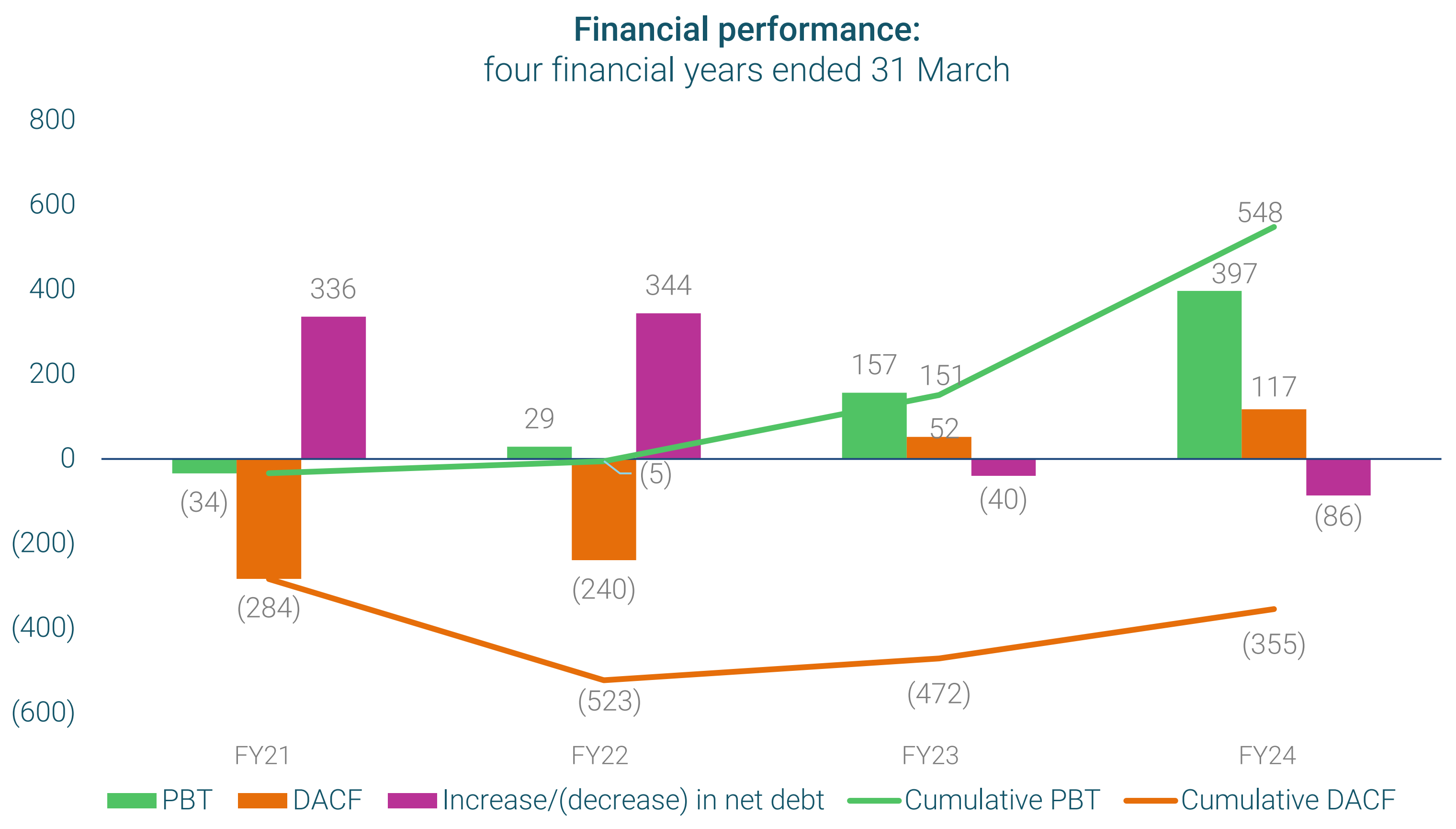

- Profit before tax (PBT) not yet supported by equivalent level of cash flow generation reflecting Covid income shortfall recovery
- Expect to utilise increased but manageable levels of debt to deliver NR23
- Over time expect cumulative debt adjusted cash flows (DACF) to slowly recover and surpass PBT over 10-year period to 2032

Balance sheet

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	2024 £m	2023 £m	Change
Goodwill	**38.3**	38.3	0
Tangible and intangible fixed assets	**1,087.7**	1,091.9	(4.2)
Right-of-use assets	**31.4**	34.7	(3.3)
Pension scheme surplus	**10.1**	43.9	(33.8)
Regulatory allowances recoverable	**799.0**	731.3	67.7
Regulatory allowances payable	**(54.8)**	(141.6)	86.8
Deferred tax liability	**(205.4)**	(195.6)	(9.8)
Derivatives (net)	**(79.9)**	(80.1)	0.2
^Cash and cash equivalents	**91.1**	57.7	33.4
^Borrowings	**(864.9)**	(911.4)	46.5
^Lease liabilities	**(43.2)**	(49.5)	6.3
Other net balances	**(35.6)**	(60.6)	25
Net assets	**773.8**	559.0	214.8

- Increase in net assets reflects PBT offset by reduction in pension surplus
- Pension surplus reduced as a result of:
  - lower scheme asset value driven by higher interest rates
  - partly offset by reductions in scheme liabilities due to updated demographic assumption projections
- Net regulatory allowances recoverable/(payable) have increased by £155m

^components of net debt; net debt in 2024: £(817m) (2023: £(903m))

Funding overview

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	Outstanding notional	Tenor	Maturity	Amortisation
RPI Swap	£200m	10yrs	Mar-31	Bullet
RPI Swap	£20m	23yrs	Mar-26	Amortising
Total Swaps	**£220m**			

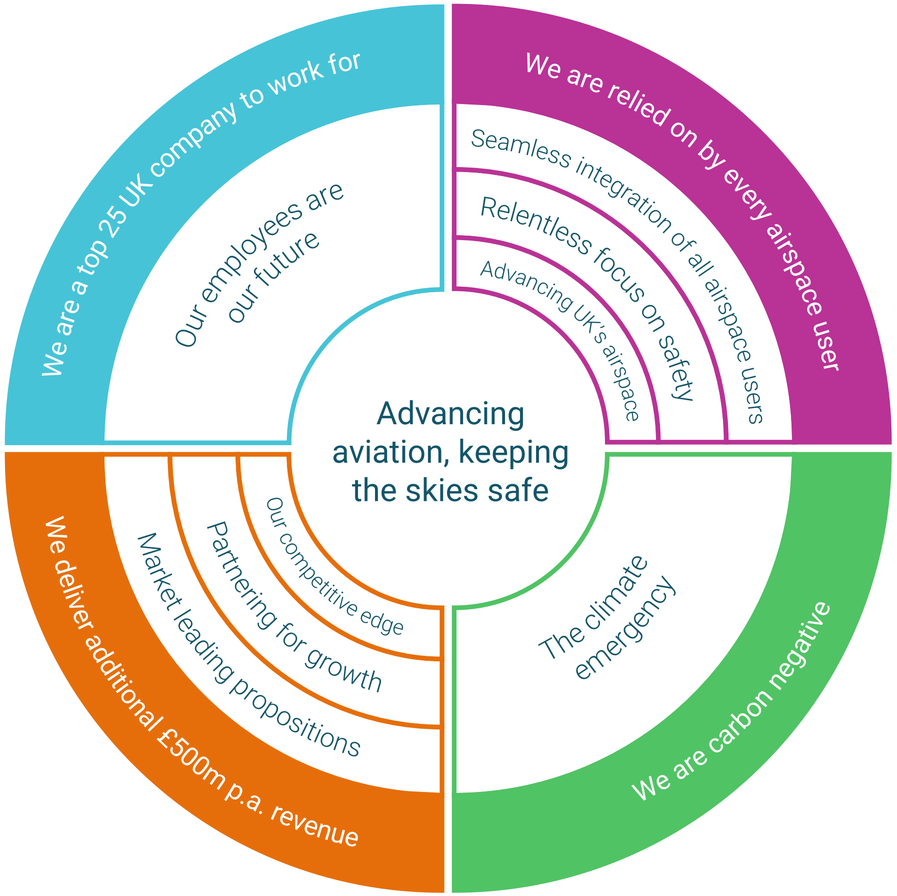
- Revolving facility agreement nil drawings as of year-end

Regulatory matters

- CAA final decision published November 2023 on NR23 price control (2023 – 2027)
- While the settlement fairly recompensed NERL for revenue lost during the pandemic it did so over a longer 10-year period in recognition of customers' affordability requirements
- NR23 service quality targets are challenging given projected growth in flight volumes, alongside training requirements, airspace modernisation and technology transformation
- In March 2024, we responded to the CAA consultation on approach to future price controls

Concluding remarks

- Traffic growth, Covid income shortfall and NR23 charge increases led to profit increase to be reflected in future cash flows
- Traffic forecasts remain positive notwithstanding greater weight on sustainability impacts
- Carbon negative journey successfully underway and accredited
- We remain operationally and financially robust, learning from last August to make our service even more resilient
- Progressive steps towards our 2040 strategy through investments in our people and capital



Q&A

Appendices

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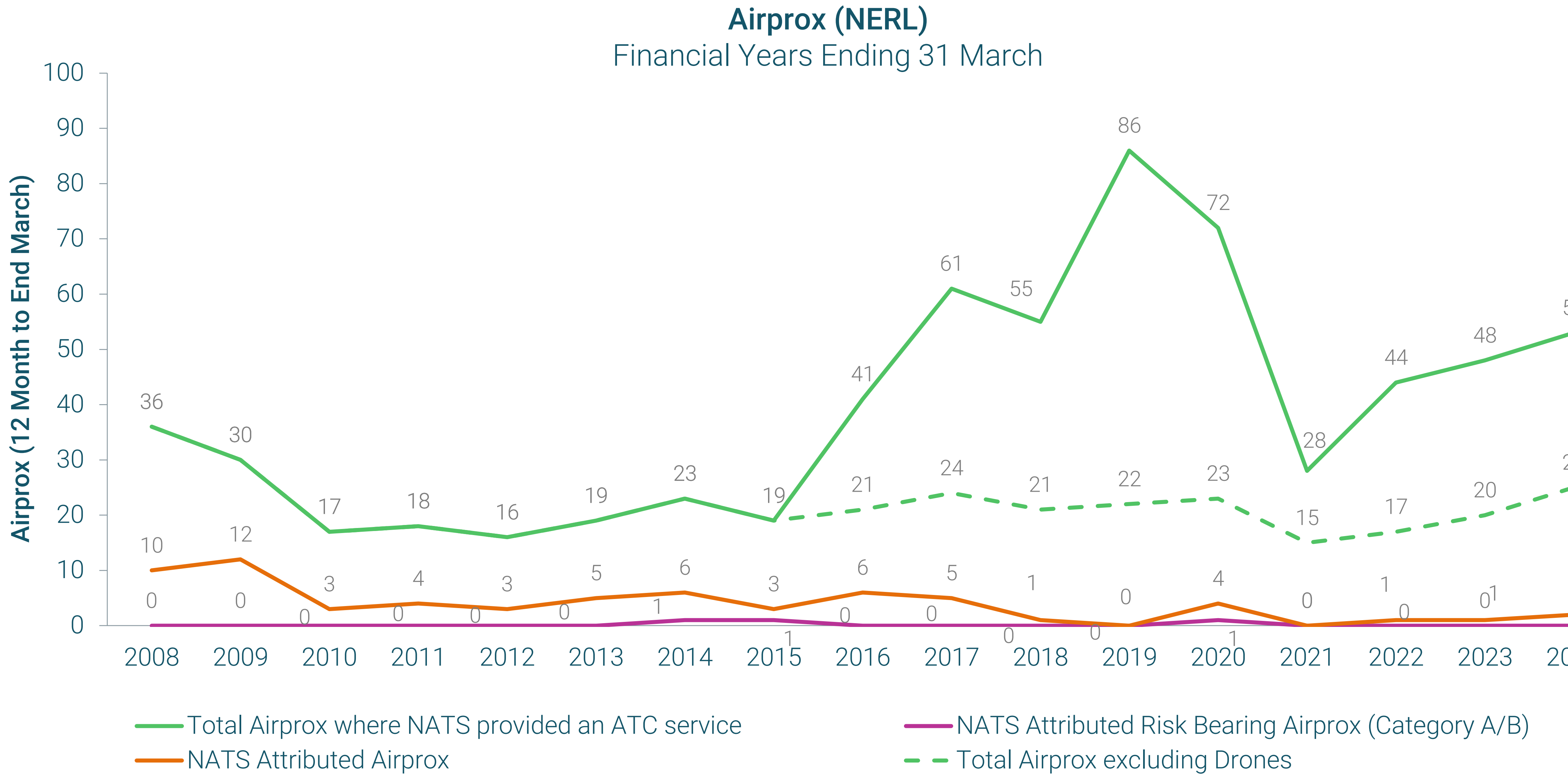

Delivering a sustainable future

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Description	FY 2023/24 (or CY 2023)	FY 2022/23 (or CY 2022)
Service performance and resilience		
3Di (calendar year)	**28.3**	26.0
Environmental performance ^		
Scope 1 emissions (location-based tonnes CO_2e)	**2,548**	2,895”
Scope 1 emissions (market-based tonnes CO_2e)	**97***	2”
Scope 2 emissions (location-based tonnes CO_2e)	**11,057**	10,587”
Scope 2 emissions (market-based tonnes CO_2e)	**84**	114”
Scope 3 categories 1, 3, 4, 6 and 7 emissions (tonnes CO_2e)	**12,792**	11,287”
Total scope 1, 2 and 3 categories 1, 3, 4, 6, 7 (tonnes CO_2e) – location based	**26,397**	24,769”
Scope 3 category 11 emissions (tonnes CO_2)	**25,175,227**	23,365,760”
Modelled contributed / (enabled) ATM-related CO_2 increase / (reduction) in tonnes	**18,915**	(56,317)”
Water supply and treatment (m^3)	**35,800**	34,142”
Energy consumption (gas + electricity) MWh	**64,988**	64,243”
Transportation: owned and leased vehicle fuel consumption (as reported within scope 1) KWh	**810,057**	528,895
Transportation: business travel (scope 3) from employee-owned vehicles and hire cars KWh	**614,568**	1,066,645
CO_2e intensity metrics		
Total scope 1 + 2 emissions (location-based tonnes CO_2e)	**13,605**	13,482”
Total scope 1 + 2 emissions (market-based tonnes CO_2e)	**180**	116”
Total scope 1 + 2 intensity metric (location-based tonnes CO_2e per £m of revenue)	**11.4**	14.4”
Total scope 1 + 2 intensity metric (market-based tonnes CO_2e per £m of revenue)	**0.2**	0.1”
Net zero metrics towards validated science-based target		
Percent reduction of CO_2e against 2018-19 baseline (scope 1, 2 and 3 categories 1, 3, 4, 6, 7) **	**Target: -29% Actual: -35%”**	Target: -24% Actual: -39%”
Percent change in CO_2e against 2018-19 baseline (scope 1 and 2 emissions) **	**-34%**	-35%”
Percent reduction of CO_2e against 2018-19 baseline (scope 3 categories 1, 3, 4, 6, 7) **	**-35%**	-43%”
Physical and transition climate risk monitoring		
Aviation Index: Percent of public that feel emission reduction should be most prioritised for improvement (calendar year)	**54%**	62%


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End