Chief Executive's review

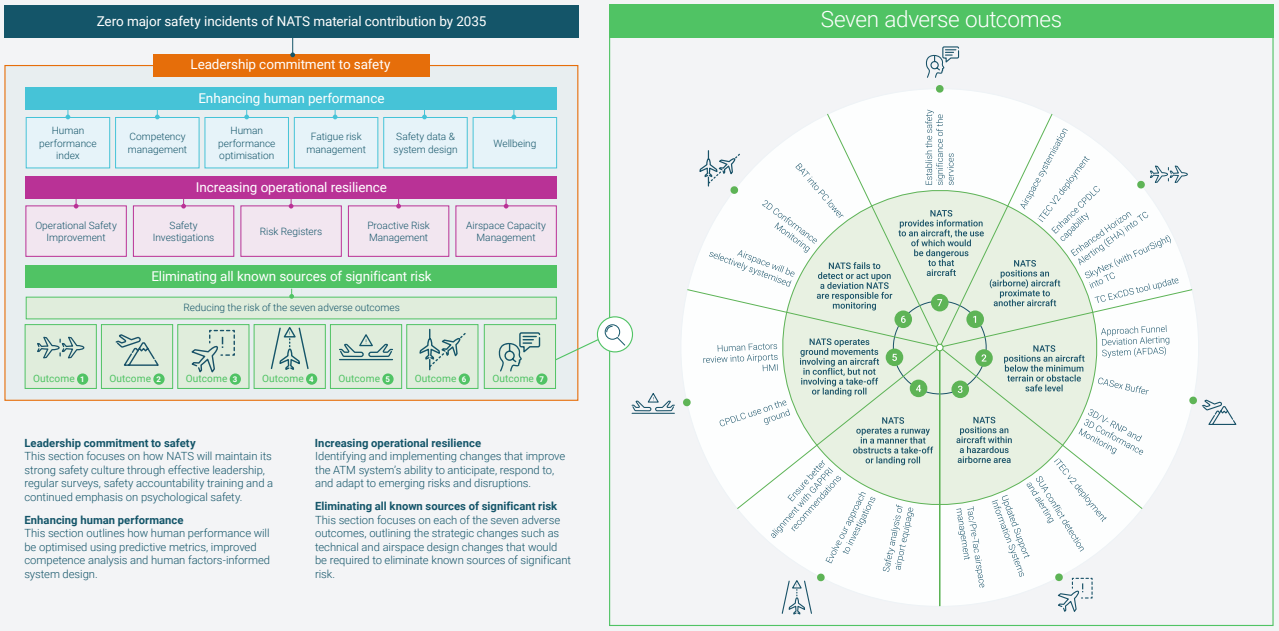
Our purpose is very clear: ensuring the skies are a safe and efficient environment for aviation. This year, we continued to make progress against this purpose and each of our four strategic objectives.

A safe, efficient and sustainable service

The safety of our customers and the flying public has always been, and will continue to be, our number one priority. Millions of people place their trust in our service and we will not tolerate any event which compromises the safe provision of our air traffic control services, whether from an external or internal factor, even if we have to reduce the capacity of our service to maintain safety. This year we safely handled 2.54 million flights (2025: 2.48 million), which is an increase in volumes of 2.4% year on year. Our safety performance has been consistently strong in recent years, and we have often been recognised as a benchmark among air navigation service providers. This is a direct result of the professionalism, skill, and dedication of our people across all business areas, whose commitment to safety is the foundation of our success.

The aviation landscape is evolving rapidly and our approach to safety must evolve with it if we are to maintain our strong safety performance. This thinking underpins our Safety Plan for 2035, which we published in the year. It has been developed to help us deliver our long-term commitment that there will be no major safety incidents to which NATS was a material contributor. The plan builds on our success, anticipates future challenges and continues setting the benchmark for safety as the industry evolves. It represents another stage in the continuous evolution of our safety approach, taking a broader, more forward-looking view that embraces complexity, anticipates change and places human performance, resilience and innovation at its core. At its heart is a framework built around avoiding seven adverse outcomes, rather than the traditional focus on a defined set of metrics. Each outcome represents a pathway through which we could contribute to an aircraft accident. As such, it enables a deeper understanding of risk. The plan reinforces our leadership commitment to safety and also aligns our safety objectives with our long-term investment planning, including the investments in technology to support controllers in delivering a safe, efficient service.

Safety Plan on a page



Leadership commitment to safety
This section focuses on how NATS will maintain its strong safety culture through effective leadership, regular surveys, safety accountability training and a continued emphasis on psychological safety.

Enhancing human performance
This section outlines how human performance will be optimised using predictive metrics, improved competence analysis and human factors-informed system design.

Increasing operational resilience
Identifying and implementing changes that improve the ATM system's ability to anticipate, respond to, and adapt to emerging risks and disruptions.

Eliminating all known sources of significant risk
This section focuses on each of the seven adverse outcomes, outlining the strategic changes such as technical and airspace design changes that would be required to eliminate known sources of significant risk.

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Average delay per flight attributable to our en route operation at 7.8 seconds (2025: 4.4 seconds) was within the regulator's target of 9.0 seconds. Included within this performance, airborne holding reduced, punctuality improved and first-wave performance strengthened. This was achieved through initiatives to improve network routing: working with airlines to optimise flight planning and routing around capacity constrained airspace. The deployments at the end of the 2025 financial year of our Time-Based Separation (TBS) Intelligent Approach (IA) suite of controller tools (Pairwise at Heathrow and Advanced Mixed Mode (AMM) at Gatwick), which safely optimise arrival spacing to maximise runway capacity, contributed to this outcome. This performance reflects our effectiveness in balancing three operational imperatives: providing a safe service 24/7, delivering air traffic controller training and supporting capital projects which will modernise our technology and the airspace. These activities are essential for a safe, secure, resilient and efficient air traffic service now and in future.

Our service performance was only materially impacted once in the year by a radar-related technical incident in July 2025 which required us to regulate the flow of air traffic temporarily while the issue was investigated and resolved. Our response, which prioritised safety, was rapid and professional, and drew on the learning of past incidents. Our engineers restored our operational capacity within 42 minutes by switching to a back-up system while our incident management team ensured that key senior stakeholders such as the DfT, the CAA, airlines and airports were fully informed during the incident. Overall, we estimate the incident led to 26,134 minutes of delay and approximately 150 cancellations. While some proportion of flights were badly affected, overall the impact was equivalent to flights on that day experiencing an average of 3.5 minutes of delay.

Modernising UK airspace infrastructure

UK airspace is an invisible but vital piece of national infrastructure whose basic design has not kept pace with advances in aircraft and air traffic control technologies or the increase in flight volumes reflecting the demand for air travel. Its modernisation is now essential to meet the demands upon it – enabling more efficient, resilient and cleaner journeys that safely integrate the full potential of new aviation technology.

Airspace change has been a focus for government policymakers and the regulator in the year, with NERL appointed to provide the UK Airspace Design Service (UKADS) following a joint consultation by the DfT and the CAA. Our role is to redesign the London airspace in its entirety in the next decade as well as support future airspace changes regionally to deliver a holistic design in line with the CAA's Airspace Modernisation Strategy. The UKADS team has been in a mobilisation phase since the start of the year and is now up and running. The top priority set by the Government and the CAA as co-sponsors of strategic airspace change, is the terminal manoeuvring area (TMA) airspace around London and the south. This will require significant coordination with the 11 airports in and around London, alongside the airspace changes required to enable runway expansion plans. While these expansion plans will take many years to realise, confirmation of the Government's support for these now provides more certainty to move ahead with future airspace design which will be a vital step in realising the benefits of extra runway capacity. We also welcome the changes proposed by the Government and the CAA to the policy framework and rules for making airspace change which should help UKADS to secure the anticipated benefits for the industry as swiftly as possible in the coming years. The cost of UKADS, which the CAA has initially estimated at c£32m across 2026 and 2027 or broadly equivalent to £6 per flight, will be met by a new user charge to airlines for en route flights, under a pass-through arrangement which manages our financial risk.

Delivering Free Route Airspace (FRA) within UK airspace is another key element of airspace modernisation aligned with CAA's Airspace Modernisation Strategy. In March this year we deployed FRA across the entirety of Scottish Upper Airspace. We successfully deployed FRA for the first time in the northern part of Scottish Upper Airspace only in 2021, with a second deployment in 2023 across the Southwest of England. FRA is welcomed by our customers, allowing an aircraft at over 25,500 feet to fly its preferred route that takes into account the variables that are important to them, rather than having to fly a fixed route. This can help to reduce flight time, fuel burn and carbon emissions. FRA also increases the capacity of the airspace which is required to accommodate the growth in demand.

Supporting sustainable aviation

We are committed to playing our part in the aviation industry's roadmap to delivering net zero emissions by 2050. Our objective of enabling fuel-efficient flight profiles, measured as a three-dimensional inefficiency (3Di) metric, reported on a calendar year basis, improved this year to a score of 27.4 (2024: 28.6), including an adjustment to exclude non-revenue flights. With the inclusion of non-revenue flights, this was just outside the CAA's target of 27.8, which is very challenging given the growth in traffic volumes and other external factors such as weather conditions, the military use of airspace for training and ad hoc flights, such as for aerial surveys, flight trials, calibration or research that cannot maximise flight efficiency while conducting their missions. A few factors contributed to our improved performance, including the reduction in airborne holding from TBS deployments of Pairwise at Heathrow and AMM at Gatwick, together accounting for a reduction in score of 0.7, alongside tactical measures by our air traffic controllers such as enhanced use of demand capacity balancing tools, airspace sector splits and regard to flight profile efficiency, all implemented whilst surpassing internal safety performance targets.

We have also rolled out a new tool across our en route operation, which is facilitating airspace efficiency improvement. Developed by a team at Maastricht Upper Area Control in Brussels, the tool facilitates real-time information sharing between our flow management position and airline customers with the aim of offering more efficient flight paths and improved handling of an airline's priority flights. One of the most powerful features of the portal is the ability to co-ordinate cross-border proposals with peer ANSPs. In the short time it has been in use, we have already seen the benefits that improved collaboration can bring, for both airspace efficiency and the day-to-day management of our operation. Working with our customers and the CAA, we have been developing a suite of complementary fuel burn metrics for consultation through the NR28 price control review, potentially replacing 3Di.

We are progressing with other initiatives too. We undertook a project to demonstrate the benefit of wake energy retrieval from formation flying, to determine whether fuel efficiency and lower emissions can be enhanced, and we partnered with Aer Lingus to explore whether fuel and CO_2 savings could be achieved when aircraft operate on routes outside of the traditional organised track structure (OTS) used for North Atlantic crossings. That latter trial delivered savings of 500 tonnes of fuel, saving around 1,600 tonnes of CO_2, and we are exploring how the learning from this could be applied as a standard procedure.

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We are continuing to make investments to reduce our own emissions in service of our strategic objective to be carbon negative across our estate by 2040. We have now installed solar panels across the roof of the Prestwick air traffic control centre, which we expect will meet 10% of its electricity demand. This follows the installation last financial year of the array at Swanwick. A second ground-mounted installation is now being constructed on an adjacent site to Swanwick which will meet a further 8% of its demand. Ultimately solar will provide 18% of the energy consumption for these centres.

For the third year running we have achieved an A rating in our latest assessment by CDP, formerly known as the Carbon Disclosure Project. This puts us in the top 4% of over 22,000 companies assessed across 130 countries. It is a significant achievement, which demonstrates that we are taking the right action to manage our climate impacts and help to achieve a sustainable future for our industry.

We narrowly missed our near-term SBTi target of reducing limited Scope three emissions by 41% (compared to 2018) by March 2026, achieving a 40% reduction. This still represents an important step towards our net zero target. We are now proposing a new set of near-term SBTi targets, which requires re-baselining emissions embedded in our upstream supply chain, updating our engagement strategy and expanding the scope of verified Scope three emissions.

You can read more about our carbon negative strategy and our approach to mitigating climate-related risks in the Non-financial and sustainability information statement section of this report.

Regulatory developments

Besides UKADS, we are now engaged with our customers and the CAA as economic regulator on NERL's next price control (NR28: the five calendar years 2028 to 2032). NERL is our core business and the price control, which is our most valuable 'contract', is a key focus of ours in the year ahead. Our priorities for NR28 are to continue to deliver a safe, secure and resilient service, to improve flight efficiency through airspace modernisation and to continue to invest in the capacity of our infrastructure and our resources to meet future growth in airspace demand. The consultation enables us to discuss safety, service outcomes, costs and charges for our services in NR28 with airlines and the CAA, while seeking to ensure the right balance of incentives, risk and shareholder return. Following this summer's consultations, we will be submitting our plan to the CAA in November 2026. The CAA then anticipates a period of scrutiny and consultation on our plan, to inform its initial proposals in summer 2027 and then leading to a final decision in August 2028.

Last June, following industry consultation, we submitted our formal proposal to the CAA to develop OpenAir, a digital data infrastructure to underpin the safe integration of new airspace users (i.e. drones, urban air mobility, etc) into UK airspace. Our proposal is that OpenAir would act as a common information service provider, enabling the exchange of information between unmanned traffic management (UTM) service providers, supplementary data service providers and existing air traffic management systems. Our submission detailed OpenAir's initial services and digital infrastructure, and proposed a charging model designed to ensure fair, non-discriminatory airspace access for all stakeholders, underpinned by transparent regulatory governance principles. In May and June 2025, the first set of pilot services was validated by two prospective customers and, while the CAA reviews our proposal, we continue to develop the service and to release additional pilot services for external testing and validation.

Commercial developments and prospects

Middle East conflict

Our Middle East operations are relatively small for now, accounting for 1% of the group's revenue this year, however this is an important international market for us and for our revenue growth ambitions. The Middle East conflict has resulted in repercussions that have been felt more broadly across the Gulf region, and the geopolitical situation remains uncertain. Our overriding concern during this conflict has been for our employees and their families in the region, and thankfully they are safe. As for our business, we remain committed and optimistic about the prospects in the Middle East and we stand ready to continue to support our customers and partners. We recognise that it is possible that a number of commercial opportunities of various stages of maturity prior to the conflict may now take longer to realise than we had previously hoped, as customers reassess their priorities, but we do not see a need to amend our plans significantly at this point.

With the Middle East being an important international hub for aviation, the closure of airspace by Gulf states did result in a small 1% initial reduction in flights in UK airspace due to cancellations. This soon stabilised as airlines re-routed to avoid the region and the conflict has not had a material financial impact for our operation in this financial year. However, we do expect the economic repercussions to have a more lasting impact. The demand for air travel is generally linked to the strength of the economy with factors such as higher energy costs impacting the cost of living and the public's propensity to fly. Accordingly, if oil prices remain elevated for an extended period, travel demand is likely to soften. Alongside this, while most European airlines are shielded in the short-term from the increasing cost of jet fuel by hedges, those contracts will expire in the coming months with cost increases likely to be passed on through higher ticket prices with implications for demand.

NERL's licence provides some mitigation from traffic variances relative to the price control with its overall exposure capped at 4.4% of its revenue allowance. Prior to the conflict, our forecasts implied a revenue shortfall across the control period of c£80m against the NR23 price control assumption. However, our latest view sees this increase to c£85m. The CAA will adopt a new traffic forecast when setting NERL's charges for the NR28 price control, which will reflect the prevailing economic conditions at the time of its decision. NERL's revenue in NR28 would then be determined by the traffic it actually handles relative to that new forecast.

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Advancing our revenue growth strategy

Our revenue growth strategy will, in the main, be delivered by our commercial operation, NATS Services. While its core activity is the air navigation and engineering service it provides to the UK's major airports, we believe there are significant opportunities for growth from its range of air traffic-related activities, which it provides to new airspace users, to the UK's renewables sector and to customers overseas, and from Searidge's digital solutions.

Since the long pause in airport investment due to the Covid pandemic we seem to be at an inflection point for UK airport infrastructure development. A number of airport customers are embarking on ambitious transformation programmes to meet increasing demand. In addition, the Government's support for additional runways in the south is a pivotal moment for UK aviation. In support of these developments, we are working with airport operators on long-term roadmaps in line with their priorities, including technology upgrades to optimise ATC performance alongside ground and airspace modelling and design.

In February we seamlessly transitioned the engineering and air traffic control services of Birmingham Airport to our operation following a year-long meticulous programme of preparation, coordination and dedication by our delivery team and the airport who ensured all aspects of the engineering, operational, training and regulatory processes were in place. Under our 10-year strategic partnership we will be working with the airport to deliver its modernisation roadmap. Also this year, I was delighted to reach agreement with Bristol airport on a new 10-year contract.

We are also making good progress with our engineering support to Heathrow Airport's new virtual control facility. This is a major investment by the airport that provides added resilience to the airport operation and protection to the nation's aviation infrastructure. The facility will act as the fall-back to the main Heathrow tower, upgrading from an existing virtual tower, enabling our controllers to maintain operations at around 70% of full capacity in the event of a major failure to the main Heathrow tower. We are planning to transition to the new facility in Q2 2026, with transition to a new fibre network due Q1 2027. Ultimately, we aim to create a digital tower operation that will use camera technology to provide views of the airfield and runways.

Outside the UK we had significant success in the Middle East, which represents a further development to our operations in the region. In the early part of the financial year, Saudi Air Navigation Services (SANS), with whom we have a collaborative strategic partnership, agreed to deploy Intelligent Approach at Riyadh, Jeddah and Medina airports with us, and in collaboration with our technology partners in support of the Kingdom's ambitious growth and development plans.

Focusing on our people

We have continued to focus on improving the process of selecting and training trainee air traffic controllers (TATC), to give every learner the best chance of success. This is key to ensuring we maintain operational resilience and as an enabler to airspace modernisation and the technical transformation of our infrastructure, as well as offsetting those retiring from NATS. As trainees can take around three years to obtain a full licence, we do not expect to reach the peak annual validations we need until early in NR28. For these reasons, training continued at pace in the year, with initial training and an increased number of unit endorsement courses running across the centres. This included training through the busy summer, which we believe is essential if we are to meet these challenges.

Across NERL we saw 27 initial validations this financial year and 40 extensions. At our airports, we have welcomed new TATCs into towers, celebrating 43 initial validations and 31 extensions. We now have over 280 trainees and student ATCOs in the pipeline and expect over 120 validations over the next year.

Recognising the work we have been doing on equality, diversity and inclusion (EDI) we made the Inclusive Top 50 UK Employers List and we were accredited for supporting women's wellbeing at work, notably through our menopause policy and our work with the CAA, which resulted in updates to the licensing guidance on beginning hormone treatment.

Organising ourselves for success

This year has been one of transformation for our organisation too. In response to changes in the executive team which I reported last year, the evolving market conditions, shifting customer expectations, and our own growth ambitions, I have restructured our management organisation and strengthened my executive team.

To ensure that we continue to provide the most efficient service to all airspace users and airport operators, all aspects of our day-to-day operational service in the UK, namely our en route and airport ATC and the engineering activities necessary to sustain these, are now managed by the COO, Kathryn Leahy. The 24/7 nature of the requirements of our airport customers and the skills and drivers of this service are very closely aligned with our wider en route service, and so it was time to bring the management of our en route and airports activities together.

Separately, led on an interim basis by Richard Churchill-Coleman, I have consolidated all of our UK and international growth-focused activities, including integrating Searidge Technologies, to ensure we are best placed to pursue new contract opportunities in service of our £500m revenue growth strategy. This will be supported by a joint venture with Indra, our well-established technology partner, that combines their digital tower system technology with Searidge's digital and AI solutions to redefine tower operations worldwide. We have also partnered with Bayanat Engineering to strengthen our systems integration and delivery capability in the Middle East and with Willis Towers Watson to enhance our market offerings for aviation risk management and resilience planning to international customers.

Caroline Sheridan joined us in March as Capital Programmes and Transformation Director to deliver the capital investment in our infrastructure required to meet future demand and Alex Bristol, former CEO of Swiss ANSP Skyguide, is to succeed Dave Curtis as Safety and Sustainability Director. Dave is retiring in September after 34 years of service during which time he played a pivotal role in many transformational programmes, and I wish him well. Separately, as Sir Warren explains, Gary Franklin was appointed as CFO to succeed Alistair Borthwick. In addition to the Board's gratitude I would like to add my thanks and appreciation to Alistair for his support during his six-year tenure, and I wish him every success in future.

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Looking ahead

After another year of strong performance, we have a very solid platform to continue to build on. We remain squarely focused on delivering for our customers and engaging with them and the regulator on the NR28 price control. Through UKADS, we are also very well placed now to play a key role in driving forward the UK's airspace modernisation strategy and, through the integration of NATS Services and Searidge and our joint venture with Indra, in pursuing our growth strategy.

This last year has highlighted the extraordinary flexibility, professionalism, and commitment of our people. I am constantly impressed by the way teams across the operation have stepped up, working together, adapting to new pressures while never losing sight of our shared goals. Thank you to everyone for your hard work and dedication. While we should be proud of what we have achieved, I also recognise that challenges remain. It will take all of us, pulling together, to make the progress we need. I have every confidence that we can do just that and together we will continue to uphold the high standards our customers recognise and expect from us.



Martin Rolfe, FRAeS
Chief Executive