

Strategic Report

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Annual Report and Accounts 2026

Our business model

Our business model

We generate income from Air Traffic Control (ATC) and related services in the UK and overseas, mainly conducted through NATS (En Route) and NATS Services.

We have a broad range of stakeholders and understanding their needs today and in the future shapes our strategic objectives (see pages 7 and 8). We also have an important role in supporting aviation to meet its decarbonisation objectives, discussed on page 36.

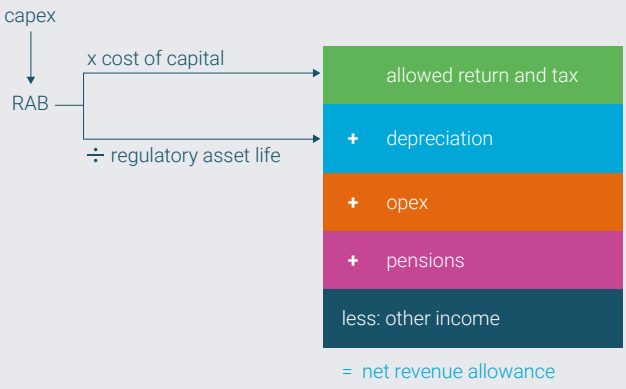
NATS (En Route) plc (NERL)

NERL is our core business and accounts for 79% of the group's revenue. It is the sole provider of ATC services for aircraft flying en route in UK airspace and the eastern part of the North Atlantic. It operates under a licence granted under the Transport Act 2000 as amended by the Air Traffic Management and Unmanned Aircraft Act 2021 and is economically and safety regulated by the CAA.

The CAA has a duty to ensure that it is not unduly difficult for NERL to finance its activities. Under the regulatory framework illustrated below, the CAA establishes revenue allowances for a price control period. These remunerate efficient investment (capex), operating costs (opex), pensions, tax and an allowed return on the capital invested in the Regulatory Asset Base (RAB) to recover the cost of capital. The RAB represents the value ascribed to the capital employed in the regulated businesses. For NR23 (2023 to 2027), the CAA set the cost of capital at 4.37% (pre-tax real). Income from other activities is deducted under a 'single till', leaving a net revenue allowance. A price per service unit is set to recover this based on forecast traffic for the price control period. The charges for the UK en route ATC service are administered by Eurocontrol, the European network manager and a non-governmental organisation of 41 member states. Charges for North Atlantic en route and other services are recovered by NERL directly from users.

The CAA also sets targets, and provides incentives, for service, environmental performance, capital investment and gearing levels. If regulatory assumptions are borne out and NERL efficiently meets its targets then NERL would earn a return at the cost of capital. It can out-perform if it is more cost efficient than the CAA's assumptions, finances at lower cost, if traffic volumes after risk sharing (see below) are higher than forecast or if it beats service targets. NERL would earn lower returns if the opposite applied. Regulatory mechanisms mitigate the impact of variations in traffic volumes, inflation, pension contributions and corporation tax rates from the level assumed and result in adjustments to charges in future periods.

The economic regulatory framework



NATS Services (NSL)

NSL is entirely separate from NERL and operates in contestable markets, servicing both UK and international customers. Together with its subsidiaries NSL accounts for 21% of the group's revenue.

Since January 2026, NSL has been managed as two divisions: NATS Airports UK and Growth. NATS Airports UK includes the provision of ATC to 15 major UK airports as well as engineering support and airport optimisation services, and ATC and related engineering services to the UK MOD mainly through the Project Marshall[6] contract that is delivered in partnership with Thales by our Aquila joint venture.

Growth includes our international activities, which provide a range of ATC-related services to customers in the Asia Pacific and Middle East markets and is also targeted to specific international airports and ANSPs. We have offices in Delhi, Dubai, Hong Kong and Singapore.Our Searidge Technologies subsidiary is based in Ottawa, Canada and provides digital towers and advanced airport solutions. Other UK business within Growth includes aeronautical information management, design and data services, digital tower services, consultancy and ATC training to airlines and airspace users.

Our strategy to 2040

Our purpose

Advancing aviation, keeping the skies safe.

We exist to ensure the skies are a safe and efficient environment for aviation. Defined by the things we care about, our strategy is driven by our purpose and our values and is informed by the needs of our stakeholders.

Our company vision for 2040

Passionate about aviation, we step forward and seize the opportunities across our evolving industry. Our talented team creates and operates sustainable solutions for all airspace users. Advanced products and services using the latest data, technology and automation result in the skies being safe, efficient and cleaner for everyone. It is why we are proud to connect airspace users, partners and customers in the UK and around the world.

Our values

We are **safe**

Safety is our core value. Our commitment to the safety of our people, operations and positive safety culture remains consistent and unwavering. It permeates everything we do as we address an evolving working environment and the challenges brought about by the expansion of types of airspace users and new technologies.

We are **one team**

We accomplish more together. We share knowledge and collaborate, both within functions and across divisions so our successes are shared across the business. We put team goals ahead of personal ones, trust each other to deliver on commitments and support each other to develop the capabilities of the company. We are one team.

We are **courageous**

We have the courage to think differently, to speak up and create a positive working environment in pursuit of our goals, and to strive for better. Our courage develops excellence in our people and in our practices. It advances our products and our services, and provides us with safe, sustainable and efficient solutions that we are proud of.

We are **respectful**

We value everyone regardless of background. We treat each other, customers, partners and suppliers with dignity and professionalism. We acknowledge the value each of us brings, our differences, and our contributions. We also respect the world in which we operate, always acting responsibly and hold ourselves to the highest standards.

Our stakeholders – see page 44

Safety is our highest priority for all our stakeholders and the public, today and in the future. Our stakeholders rely on our service, work for us, regulate us, finance us, live in the communities we serve and supply us. We are committed to doing business responsibly and sustainably and thinking for the long-term. This is key to delivering our strategy.

Airspace users, airports and other customers

Employees

Regulators

Government

Investors: shareholders and lenders

Communities and environment

Suppliers

Our strategic objectives

Our strategy is designed to drive the company's purpose of **Advancing aviation, keeping the skies safe,** which is at the heart of why we do what we do and what we are passionate about. It is supported by the guiding principles which underpin the company's culture and its core values, and is centred around four long-term objectives, which are deliberately challenging, for delivery by 2040.

Our strategy to 2040

By 2040:



We will be a top 25 UK company to work for

We want to retain our brilliant people and attract the best new talent.

Inclusion, career development and wellbeing are front and centre of our approach.

We are working in a safe and diverse environment that encourages innovation and continuous improvement.



Every airspace user will be able to rely on our services

We are relentless in our pursuit of safety, for all airspace users and everyone who works with us and for us.

We are delivering the UK's ATM service and a single unsegregated airspace.

We are constantly evolving and leading our industry to meet ever more complex technical demands.

We are solving the issues our customers face through our innovation and pioneering technology.



We will be carbon negative

We have minimised our direct environmental impact and are carbon negative across our estate.

We have limited waste and have invested in carbon capturing technology.

Additionally, we are supporting the reduction of aviation's impact on the environment thereby ensuring aviation's crucial role in the UK's economy.

We prioritise working with our customers and partners to find more sustainable solutions, including providing efficient routings to minimise the emissions of air traffic in our airspace.



We will be delivering an additional £500m in revenue per year (in 2021 prices)

We will achieve this by being sustainable and providing competitive and market leading propositions to new and existing UK and international customers aligned with their strategies which we will develop by working alongside our partners.

We work in an efficient culture, delivering value for money and cost efficiencies every day.

We have adapted to the big changes in our industry, and we are focusing on R&D and innovation.

We are nimble and agile and forging new industry relationships. We understand our customers and their needs, we think long-term.

Chair's statement

In July 2026, we will mark the 25th anniversary of the NATS public-private partnership, which provides an excellent opportunity to celebrate and reflect on the foundations for future success. The core aims of the PPP were to enhance UK air traffic control safety standards, maintain effective civil/military joint working for national security, improve operational efficiency and enable funding in the capital markets for investment in infrastructure to meet the growth in air traffic volumes. This was alongside ensuring value for money for NATS' customers and accountability to the Government, the public and the taxpayer.

Throughout this 25-year period, NATS has safely handled the 55 million flights in its airspace, continually strengthened its safety performance with rising traffic volumes, invested £3.3bn in its infrastructure and reduced average flight delay from 130 seconds in 2001/02 to 8 seconds in 2025. This has been achieved whilst charges for en route customers have reduced by 24% in real terms. Today NATS is an organisation that is commercially focused and responsive to customer needs, in the UK and overseas, which innovates to enhance airspace and airport capacity and supports a sustainable future for aviation. This outcome is a direct reflection of the professionalism of all of our people, past and present, and on behalf of the Board I thank them for their commitment.

We now contemplate the next 25 years, anticipating the need for increased capacity as aviation continues to be an enabler of economic growth. Over the last 25 years we have seen rapid progress in many technologies transforming the way the world works, and this looks set to continue. Alongside addressing the global challenges of climate change and an energy transition, for ATC, we expect the integration of AI, automation and human expertise to support further improvements in safety and operational resilience. This future promises opportunities for our people and will see an evolution in all aspects of ATC including enabling optimal flight trajectories, dynamic configuration of airspace in response to traffic, integration of new airspace users and advanced simulations for training. Our role as a Board is to support these advances, steadily but carefully, with safety as the constant priority to ensure NATS continues to provide a safe, reliable, resilient air navigation service in the air and on the ground for the next 25 years and into the future beyond.

Ensuring a strong and effective safety culture is the foundation of our safety performance and is something the Board takes very seriously. At the root of the Safety Plan to 2035 is a culture where safety is seen as a priority and one where everyone feels comfortable reporting safety concerns. The safety culture is well-established, deeply embedded, and consistently reinforced by our leadership at all levels. This is essential to understand, apply, and uphold our safety behaviours across the organisation. A safety culture survey is undertaken every two years which enables the Board to understand how robust our safety culture is and to seek input from our people about possible improvements to further strengthen it. This year's survey highlighted a consistently strong safety culture with the key theme of "responsibility" achieving a 96% favourable score from employees. This demonstrates that our people understand why safety matters and the role they play in contributing to a safe operation.

Continuous improvement around safety culture requires ongoing attention. Critically, it is an essential enabler of achieving our key strategic goal of being relied upon by every airspace user and achieving our 2035 safety objective of no major safety incidents for which NATS is a material contributor.

In my 2025 report, I highlighted the opportunity for the group and the aviation sector from modernising the UK's airspace infrastructure over the next decade. Over this last year, the CAA and DfT completed their joint consultation on a new UK Airspace Design Service (UKADS) while the Government made important policy decisions on additional runways for airports serving London. While the latter remain subject to public consultation, this policy guidance provides the firm foundation that now enables us to make progress to improve the design of the airspace around London and the south. This will be a key national infrastructure project aligned with the Government's growth agenda that will ensure we can continue to meet the increasing demand for air travel with more fuel-efficient routes and enable new aircraft and journey types to operate. While infrastructure development is critical to meeting future demand, we recognise this investment will take some time to implement alongside our focus on the safe service which needs to be delivered every day.

Consultation with the CAA and stakeholders on an investable and financeable regulatory price control (NR28) that supports the transformation of the UK's airspace infrastructure is now underway. Our plan will set out our proposed service outcomes, costs and charges for NR28, balancing service delivery, affordability and ambition. Our goal is clear: to ensure that the air traffic control services we provide continue to be safe, resilient and secure in the face of growing demand and emerging challenges and meet the needs of airlines and their passengers.

For this reason, the Board continues to prioritise the group's resilience in the face of increased geopolitical uncertainty. We were deeply concerned by the conflict in the Middle East, with the safety of our people in the region the Board's overriding priority alongside our concern for our customers and partners. This conflict, and the ongoing Russia/Ukraine war, have restricted the international airspace network with airspace closures that had a knock-on impact to air traffic service provision here in the UK and across Europe. In addition, Europe has seen an increase in incidents involving aerial drone incursions into its airspace and near various airports which have posed further challenges. Over the past year, several prominent UK organisations have also experienced cyber-attacks, which have disrupted their operations. Accordingly, the company remains vigilant and frequently reviews its preparedness and response strategies in close partnership with relevant government agencies.

The Board has also had regard this year to resilience when investing in the infrastructure. In particular, we have approved the acceleration of a solution to replace the National Airspace System Flight Data Processor (NAS). NAS provides key information to our air traffic control units and this investment will ensure a safe and reliable service continues.

Our statutory profit for the year at £213.0m was slightly lower than the prior year's result (2025: £234.3m), reflecting the reduction in regulatory charges for our en route services. This result enabled the Board to pay a dividend of £69.2m (2025: £171.0m) in the year and a further dividend of £69.2m in May 2026, in line with its commitment to sustainable returns to shareholders aligned in the medium-term to NERL's free cash flows, after investment in operational resilience and the airspace infrastructure. As for the prior year, NSL's earnings have been reinvested to support the revenue growth strategy.

Chair's statement



The Board supports the actions taken by Martin Rolfe and his executive team to strengthen further the business' focus on strategic delivery. Organisational changes have combined the management of all aspects of day-to-day service delivery, for en route and airport ATC and sustaining the related infrastructure, while enabling separate teams to drive our revenue growth strategy and deliver the capital investment in new technology essential for meeting the growth in demand for air travel.

During the year, Alistair Borthwick stepped down as Chief Financial Officer and executive director to pursue an opportunity closer to home. Alistair made a significant contribution, particularly in steering the business through Covid which was an exceptionally challenging period for the aviation sector. I would like to thank him on behalf of the Board for his leadership and commitment and wish him every success in the future. Gary Franklin was appointed to replace Alistair, following a competitive selection process. Gary brings expertise and experience from across the group having worked in senior finance roles in both our economically regulated and commercial businesses, and I look forward to the contribution he will make.

Maria Antoniou retired from the Board after completing a nine-year term as a non-executive director. The Board thanks her for her service, particularly during the challenging years of the pandemic. Maria has been succeeded by Maria da Cunha who brings a breadth of industry experience which will be of great value.

I am encouraged that we have a clear strategy for the future and the right people in place to deliver it and look forward to making good progress in the year ahead.

Warren East

Sir Warren East CBE, FRS
Chair

Chief Executive's review

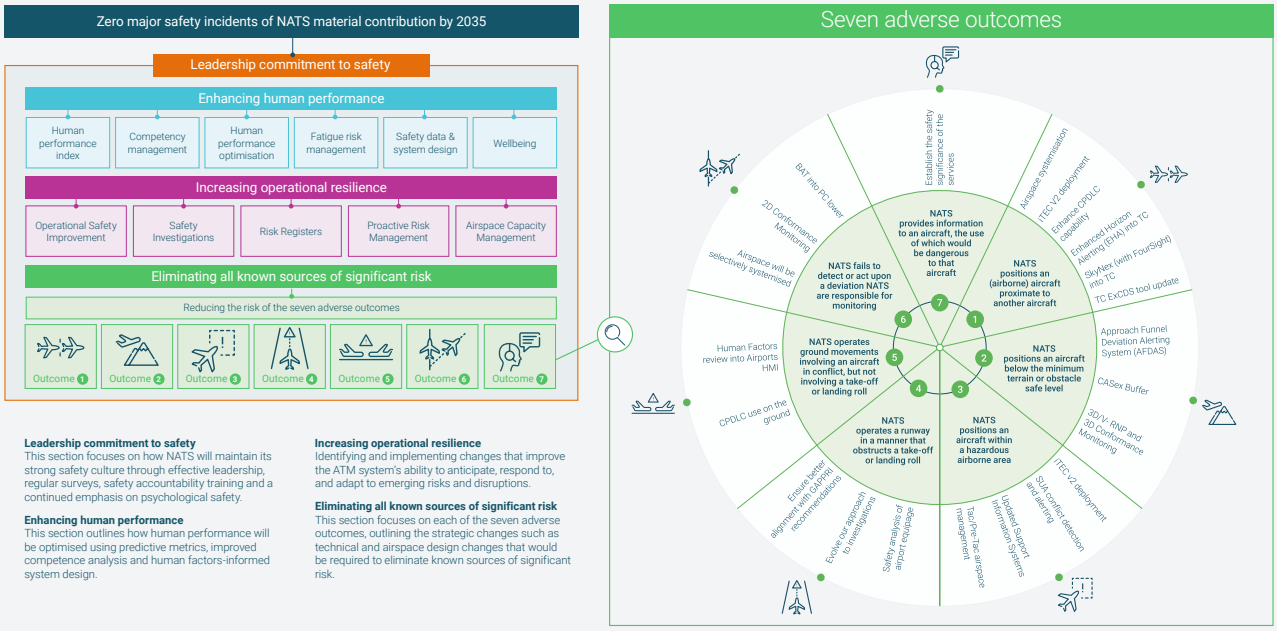
Our purpose is very clear: ensuring the skies are a safe and efficient environment for aviation. This year, we continued to make progress against this purpose and each of our four strategic objectives.

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.

Chief Executive's review

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.

Chief Executive's review

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.

Chief Executive's review

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.

Chief Executive's review



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

Business environment

Air traffic volumes

The volume of flights that we handled this year grew by 2.4% to 2.54 million (2025: 2.48 million). However, while our operation has been very busy our income has been falling short of our price control allowance, as flight volumes continued to remain below the level forecast for NR23.

Flight volumes grew in the first 11 months of the financial year reflecting wider European network constraints, with capacity limitations and delays, particularly in France, Germany and Luxembourg, which drove more traffic into UK airspace. Alongside this, some airline operators re-routed into UK airspace to avoid increases in the charges levied by neighbouring European ANSPs. Some sectors of airspace experienced much higher volumes than others, particularly across the North Atlantic and London upper airspace sectors.

We have been monitoring the impact on UK air traffic volumes of the outbreak of hostilities in the Middle East on 28 February. The impact of the reduction in flight volumes during March 2026, of c150 daily flights to and from the region, amounted to a c£1m revenue loss this financial year. Our latest modelling suggests that the direct and indirect impacts of the conflict could result in a further c£3m deterioration in revenue. The conflict adds to the shortfall in flight volumes and chargeable service units (CSU), the basis by which we recover our revenue allowance, relative to the forecast assumed by the regulator for the NR23 price control. For the 2026 financial year, NERL's UK en route income was c2.6% or £17.9m less than its anticipated NR23 revenue allowance and for NR23 as a whole NERL faces a revenue shortfall of c£85m, after the mitigation of traffic variances provided by NERL's licence. Accordingly, traffic forecasting will be a key issue in our discussions with the CAA on NR28.

The chart below shows our latest internal long-term forecast, which reflects prevailing economic growth projections alongside continuing geopolitical uncertainty, and the potential dampening effect on demand of UK and European mandates for the use of more expensive sustainable aviation fuel (SAF) alongside the elimination of free carbon credits. The chart also plots the latest independent forecast from Eurocontrol (STATFOR). Overall, we expect the volume of flights and chargeable service units to grow at an average of c1% per annum for the next six years.

Safety performance

Safety is our primary duty and highest priority. Protecting airspace users and their passengers underpins everything we do, from the delivery of our operational services to staff training, equipment maintenance and investment decisions.

This commitment is supported by a robust set of safety metrics and targets that enable us to monitor performance and drive continuous improvement. This year, while handling more flights, we maintained our strong safety record and met all of our performance targets.

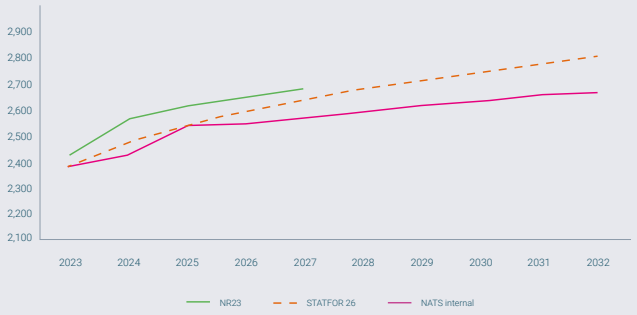
a. Operational safety

A key safety target is to achieve zero NATS-attributable risk-bearing airprox (Category A or B) arising from either NERL's en route ATC services or NSL's UK airport operations. Airprox is defined by the International Civil Aviation Organisation (ICAO) as a situation in which, in the opinion of a pilot or a controller, the distance between aircraft, as well as their relative positions and speed, was such that the safety of the aircraft involved was, or may have been, compromised. Airprox is an important indicator of risk in the aviation sector, with each report independently assessed by the UK Airprox Board, comprising experienced civil and military pilots and controllers, who agree the causal factors and level of collision risk. There were zero NATS-attributable Category A or B airprox during the financial year (2025: nil).

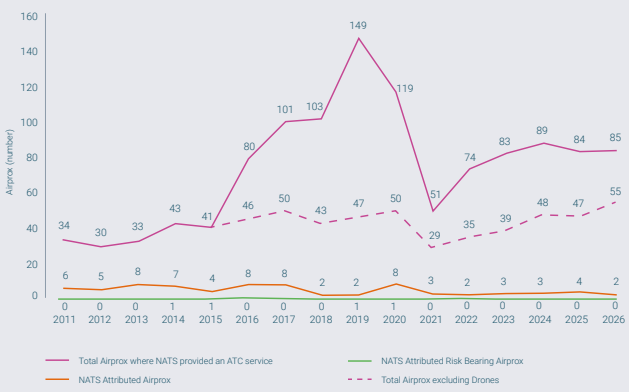
In addition to airprox incidents, we assess the severity of safety events using Eurocontrol's Risk Analysis Tool (RAT[7]), as a proxy measure of safety risk. RAT scoring is carried out by specialist investigators. Despite flight volumes returning to near pre-pandemic levels, the RAT score performance remained better than target performance, with one severity A and one severity B event recorded against a target of fewer than ten such events per year (2025: five).

All occurrences are investigated, with the most serious events receiving additional scrutiny through the NATS Board-level Safety Review Committee. This provides assurance that recommendations and resulting mitigations are robust, proportionate, and effective in preventing recurrence.

UK flight forecasts
Calendar years ('000)



Airprox
Financial years ended 31 March



Business environment

Strong safety performance was supported by several contributing factors. Safety reporting continued to underpin our safety culture, providing the evidence needed to deliver effective improvement initiatives. Within our en route operation, the focus of lesson learning is starting to shift, highlighting also what went well and how mitigations prevented events from becoming more serious. The Safety Improvement Team reinforced positive lessons and effective collaboration, supporting our safety behaviours. At our airport units, targeted initiatives were delivered to upskill operational staff, including leadership training, an annual conference, quarterly fora for unit safety and competence managers, and the development of capability frameworks for key safety roles. We also drew on learning from outside the aviation sector to further strengthen our safety culture. This proactive work, undertaken ahead of summer 2025, reinforced positive safety behaviours, teamwork, and enhanced support mechanisms to effectively manage workload and risk.

Finally, to safeguard the future of UK airspace, NATS is developing the services and capabilities needed to integrate emerging airspace users, including drones, advanced air mobility vehicles such as air taxis, and high-altitude or space-based operations. Successfully accommodating these new users alongside existing crewed aircraft will require increased digitisation and automation, supported by close collaboration with other air navigation service providers pursuing the same objectives.

b. Employee health and safety

The health and wellbeing of our employees is central to our safety culture. Our injury rate remains well below industry averages, reflecting our commitment to safe workplaces for staff and visitors. Throughout the year, we maintained a structured approach focused on safe people, safe places, safe processes and safe plant, supported by targeted health and safety improvement programmes at UK airports and our international operations.

Alongside this, we provide a programme delivered by trained peer supporters across the business, providing support for mental health and first aid, available to all NATS employees. In addition, NATS offers an employee assistance programme (EAP) through Health Assured, the UK's largest provider, which is available to colleagues and their immediate families. During 2025, 5% of employees' family members accessed the EAP. Data also indicates that employees are continuing to work while using the service, suggesting a positive impact on overall sickness absence.

c. Safety management

NATS operates within a comprehensive safety regulatory framework overseen by the CAA, alongside retained EU regulations under the European Union Aviation Safety Agency (EASA). This framework is underpinned by our safety management approach, which encompasses our systems, procedures, and people.

To ensure safety performance is understood, maintained, and improved in a consistent and effective way, we operate a formal Safety Management System (SMS). Our SMS maturity continues to progress well, with the completion of the CANSO Standard of Excellence (SoE) SMS questionnaire reaffirming our Level C (Managed) maturity and moving us closer to our ambition of achieving the higher Level D (Resilient) maturity by 2028.

A major milestone this year was the publication of our Safety Plan for 2035, which supports our strategic ambition of achieving zero major safety incidents with a material contribution by NATS by 2035. The Plan sets out how we will build on strong current performance, anticipate future challenges, and continue to set the benchmark for aviation safety as the industry evolves. It formalises seven adverse outcomes that describe all the ways our services could contribute to an aircraft accident, providing a common safety language and a consolidated framework for managing operational safety risk across the organisation.

Over the coming year, our focus will be on embedding the Safety Plan through clear governance, reporting, and assurance arrangements, and by integrating the seven adverse outcomes into how we prioritise, assess, and assure risk. In parallel, we will strengthen our approach to fatigue management through enhanced biomathematical roster modelling, targeted data collection (including Human Performance surveys), and the implementation of practical mitigations informed by our rest facilities study. Alongside these operational priorities, we will continue to mature our occupational health and safety management system, supported by trained process owners and ongoing improvement activity to ensure a consistently applied and effective system.

Long-term capital investment

The priorities of our capital investment programme are maintaining safety and service delivery alongside delivering the future technical foundation our infrastructure requires to meet future sustainability targets and medium to long-term forecast traffic growth. This year we invested £215.5m (2025: £125.9m), with £206.3m of this being for NERL's regulated infrastructure.

We made the decision in the prior financial year to invest £120m to replace 10 and decommission two of our network of 12 primary and secondary long-range radars to provide enhanced coverage of en route air traffic. This project is making good progress and will improve resilience while extending the lifespan of our radar network.

Separately, we are replacing the National Airspace System (NAS) flight data processor (FDP) with a modern interim solution until the deployment of iTEC SkyNex, which will ultimately provide the foundation for our airspace development needs. iTEC SkyNex is being developed through the EC's SESAR programme and will enable us to safely handle more aircraft with more fuel-efficient trajectories within the same airspace. The interim solution we are investing in will potentially serve as an enduring fallback capability.

We also took the decision to purchase the Whiteley head office from the lessor to mitigate risks to our training, simulation and other facilities in the event of lease termination by a potential new owner.

Other notable investments this year included voice communications, one of our most safety-critical systems which is being implemented with high resilience and redundancy to ensure operational continuity, an upgrade to our corporate enterprise resource planning system and the installation of a solar panel array at Prestwick.

Financial review

Alternative performance measures

In order to provide better insight for managing and reporting our financial performance, we present a number of non-IFRS measures: debt-adjusted cash flows (DACF), net debt, the regulatory asset base (RAB), regulatory return and gearing. These alternative performance measures (APMs) are not defined by International Financial Reporting Standards (IFRS) and should be considered in addition to, and are not intended to be a substitute for, IFRS and statutory measures. A reconciliation of the APMs to IFRS measures is provided at pages 187 and 188.

Results overview

£m (unless specified)	2026	2025	Change
Revenue	**1,076.4**	1,071.6	4.8
Profit before tax	**213.0**	234.3	(21.3)
Debt-adjusted cash flows	**162.8**	209.9	(47.1)
Capital expenditure	**215.5**	125.9	89.6
Net debt (statutory basis)	**(690.6)**	(710.7)	20.1
Gearing (%)	**39.4%**	42.5%	(3.1%)
Regulatory Asset Base (RAB)	**2,072.4**	2,074.0	(1.6)
NERL's regulatory return (%)	**2.7%**	3.6%	(0.9%)
Dividends	**69.2**	171.0	(101.8)

The group reported a profit before tax of £213.0m, which was £21.3m lower than the prior year (2025: £234.3m). This largely reflects operating cost increases as we continue our investment in recruiting trainee air traffic controllers to meet higher than anticipated future demand. We have also recruited engineers to support resilience and our transformation programme. This has been partly offset by gains from our proposed divestment of our investment in Aireon and the release of a property reinstatement provision, both explained in more detail below.

Overall, our performance has stabilised as we enter the second half of the current NR23 regulatory period. The relative comparability to the prior year's profit and operating cash flows emphasises this consistency, following a period of volatility during the Covid pandemic and the subsequent regulatory reset.

Global economic headwinds

The demand for air travel is closely correlated to gross domestic product. In our report last year, we highlighted the potential impact on our business from trade tariff uncertainty. The potential impact of tariffs has not transpired as expected, meaning the subsequent influence on traffic volumes has not materialised. However, as highlighted previously the conflict in the Middle East has the potential to pose a greater risk to aviation both in terms of its direct impact on the cost of flying, from an increase in the price of jet fuel and its global availability, and from cost of living pressures, impacting the public's propensity to fly.

The small reduction in flight volumes seen in March 2026 did not have a material impact on our revenue for the financial year. Our estimated impact on the upcoming financial year is a c£3m reduction in revenue, however, the extent of this will depend on how long the conflict persists and the severity of any economic repercussions.

In the event that economic factors do lead to a reduction in flight volumes, the risk sharing mechanism within NERL's licence, which limits the loss of revenue to 4.4% of its annual revenue allowance, the process for resetting traffic forecasts through the NR28 determination and NSL's fixed price airport ATC contracts, provide resilient protections for future performance.

NERL's regulatory return

NERL's regulatory return for calendar year 2025 was 2.7% (2024 calendar year: 3.6%) compared with the CAA's NR23 cost of capital assumption of 3.2%.

This reduction relative to the CAA's NR23 assumption was mainly a result of lower revenue, £37m below the price control assumption due to lower flight volumes. NERL's regulatory return is expressed as regulatory profit, divided by its RAB. A larger than anticipated RAB, due to higher than assumed inflation, also contributed to the lower return relative to the CAA's assumption.

Revenue

	2026 £m	2025 £m
Airspace	**841.0**	862.2
Airports and Other UK Services	**201.1**	181.9
International	**21.8**	12.6
Defence Services	**10.0**	12.6
New Airspace Users	**2.5**	2.3
Revenue	**1,076.4**	1,071.6

Overall, revenue of £1,076.4m (2025: £1,071.6m), was £4.8m higher than the prior year. By service line the significant factors contributing to this increase were:

Airspace: revenue, generated from our economically regulated UK and North Atlantic en route services, was £21.2m lower. In its NR23 determination, the CAA reduced NERL's underlying revenue allowance for the 2025 calendar year. A key driver for this reduction was the CAA's assumption with regards to the expected 2023 triennial valuation of the defined benefit pension scheme to show a funding surplus, thereby alleviating the need for revenue for deficit repair payments (see pensions). The economic regulatory framework remunerates cash contributions rather than accounting pension costs.

Financial review

Revenue for the North Atlantic en route ATC service decreased by £14.0m to £53.7m (2025: £67.7m) as the prior year included the impact of recognising entitlements for higher than assumed inflation and updating for a temporary unit rate initially set at the start of NR23. Underlying flight volumes grew by 4.2% to 567,503 (2025: 544,397 flights).

Airports and Other UK Services: revenue was £19.2m (10.6%) higher for the year, mainly reflecting growth in revenues from contracts to deploy engineering equipment upgrades across our airport customer portfolio and the benefit of revenues from the Birmingham ATC tower provision contract, which transitioned back to NATS on 1 February. This growth also reflected contract price indexation uplifts.

International: revenue was £9.2m higher (73.0%), reflecting progress on delivery of three installations of our Intelligent Approach product in Saudi Arabia.

Defence: revenue was £2.6m lower (20.6%) as the level of activity on the contract to supply ATC equipment upgrades to the UK MOD, through Project Marshall, slows with this portion of our service offering nearing completion.

New Airspace Users: revenue was broadly in line with the prior year.

Operating costs

Operating costs increased by £47.5m or 5.5%, mainly reflecting our investment in the workforce and to support our infrastructure, alongside inflationary increases in our cost base.

	2026 £m	2025 £m
Staff costs	**(585.7)**	(543.4)
Non-staff costs (net)	**(205.2)**	(195.9)
	(790.9)	(739.3)
Depreciation and amortisation (net)	**(112.9)**	(111.0)
Asset impairment charges	**(13.8)**	(20.0)
Goodwill impairment charge	**(1.2)**	(1.0)
Operating costs	**(918.8)**	(871.3)

Staff costs were £42.3m higher at £585.7m (2025: £543.4m), largely reflecting the investment we have been making in the workforce. In a process which started in the last financial year, we have continued to recruit trainee air traffic controllers to meet future demand and engineers to enhance our technical resilience and to support our technology transformation programme. For this reason, our headcount at 31 March 2026 of 5,076 was 256 higher than at the prior year end (2025: 4,820). Other staff cost increases have arisen from the higher rate of employer national insurance since April 2025, staff overtime and allowances to support operational and technical system resilience, and a CPI-linked pay award.

Non-staff costs increased by £9.3m to £205.2m (2025: £195.9m). This largely reflected continued modernisation of our data infrastructure, associated increases in hosting fees and cyber security-related costs. The increase also included direct costs associated with the higher engineering revenues highlighted above. In the year we completed the purchase of the site of the Whiteley head office, which had been leased since 2003. Accordingly, a provision of £9.5m for the cost of reinstating the fabric of the building in 2031 has been released and is reported within Other operating income in the income statement.

Asset depreciation and impairment charges at £126.7m were £4.3m lower than the prior year (2025: £131.0m). This is mainly a result of lower asset impairment, due to a prior year charge for software-related projects paused during the Covid pandemic which have subsequently been superseded by more cost-effective technical solutions from software providers.

Results of joint venture and associate

	2026 £m	2025 £m
Aquila joint venture	**2.5**	-
Other associate	**1.1**	0.8
Results of joint venture and associate	**3.6**	0.8

In 2024 the Aquila joint venture, in which NATS Services is invested, projected an increase in the costs to deliver its Project Marshall contract. As a result, we wrote down the carrying value of our investment of £4.5m, impaired the outstanding shareholder loan of £18.8m and made a provision for £6.2m, representing the legal obligation enabling Aquila to draw on its £25m shareholder loan facility.

We have reassessed the recoverability of the shareholder loan, based upon Aquila's latest Board approved plan, giving due consideration to the inherent risks within that plan. As a result, we have recognised a £2.5m write-back (2025: £nil) of our provision. Future assessments will be linked to the outcome of Aquila's negotiations with the MOD on its next contractual price period spanning 2027 to 2032.

Net finance income and fair value movements on financial instruments

	2026 £m	2025 £m
Investment income	**76.6**	65.9
Finance costs	**(26.7)**	(25.4)
Net finance income	**49.9**	40.5
Fair value movement on financial instruments	**1.9**	(7.3)
Net finance income and fair value movements	**51.8**	33.2

Investment income increased in the year by £10.7m. This mainly reflected the unwinding of the discount on the balance of the Covid income shortfall, which is being recovered through charges over an extended 10-year period to 2032.

Finance costs, which include bond, bank and leasing interest, were broadly in line with the prior year.

A gain of £17.3m (2025: £0.9m) was recognised on the valuation of the group's equity interest in Aireon[8], taking into consideration information arising from a process to tender shares for sale.

Financial review

Partially offsetting this is a £15.4m charge (2025: £8.2m) arising from revaluing NERL's index-linked swap. The swap provides an economic hedge in periods of low inflation, between finance costs and NERL's regulatory allowance, which is uplifted for inflation annually. The increase in forecast inflation over the swap term, largely as a result of the Middle East conflict, has led to an increase in the fair value of the swap liability.

Taxation

The tax charge of £47.1m (2025: £59.7m) represents an effective rate of tax of 22.1%. This is lower than the headline rate of 25%, mainly due to gains on the revaluation of investments which are not taxable.

The tax charge consists of a current tax of £22.3m and net deferred tax of £24.8m, which mainly relates to accelerated capital allowances.

We maintained our Fair Tax Mark accreditation in the year, which acknowledges the transparency of our disclosures. NATS' taxes generally arise in the UK, though it undertakes business in other countries. Wherever we operate we organise our operations to pay the correct and appropriate amount of tax at the right time, according to relevant national laws, and ensure compliance with the group's tax policies and guidelines. Our Country-by-Country reporting (CbCr) table is set out within the explanatory notes on page 190.

The group also pays other taxes such as employer's national insurance contributions (£60.1m), business rates (£5.8m) and the apprenticeship levy (£2.1m), which are significant operating costs. The group's tax strategy can be viewed at www.nats.aero.

Balance sheet

	2026 £m	2025 £m
Goodwill	**40.2**	41.3
Tangible and intangible fixed assets	**1,191.5**	1,102.8
Right-of-use assets	**14.0**	32.3
Investment/asset held for sale	**41.7**	24.7
Pension scheme surplus/(deficit)	**97.9**	(32.4)
Amounts recoverable under NERL's licence	**734.1**	781.2
Amounts payable under NERL's licence	**(95.2)**	(67.4)
Cash and cash equivalents	**296.0**	164.7
Derivatives (net)	**(3.5)**	(78.3)
Borrowings	**(972.7)**	(835.8)
Lease liabilities	**(13.9)**	(39.6)
Deferred tax (net)	**(258.2)**	(203.3)
Other net balances	**(54.5)**	(59.2)
Net assets	**1,017.4**	831.0

The group's net assets are £186.4m higher than at the start of the financial year. This reflects the result for the year and the improvement in the defined benefit pension position, partly offset by the dividend paid in the year.

Capital investment

	2026 £m	2025 £m
Sustainment	**52.0**	40.9
DP En Route deployment	**34.5**	25.0
Acquisition of Whiteley head office	**31.6**	-
Other programmes	**28.8**	30.7
Flight data processor replacement	**27.5**	-
Surveillance	**19.2**	7.8
Airspace and Operations service enhancements	**12.7**	13.2
Regulatory capex	**206.3**	117.6
Other non-regulatory capex	**9.2**	8.3
Capital investment	**215.5**	125.9

Investment in our en route infrastructure, shown as regulatory capex in the table above, increased by 75.4% on the previous year.

This growth in investment reflects the purchase of our Whiteley head office, as explained above, and our continued focus on developing the next generation of tools, infrastructure and systems, enabling our transition to a single platform which will provide standardised operations, being critical to future service quality and airspace modernisation.

In the year, we made progress on various programmes in development, notably our radar replacement programme and work to replace our flight data processor. A number of key asset deployments were delivered in the year, which included the roll-out of the next phase of free-route airspace across the whole of Scotland, the installation of a solar array at our Prestwick centre and an upgrade to our corporate enterprise resource planning system.

Pensions

The group operates a final salary defined benefit pension scheme with 1,308 employee members at 31 March 2026 (2025: 1,408). The scheme was closed to new entrants in 2009 and a defined contribution scheme was put in place. The defined contribution scheme now has 3,007 members (2025: 2,633). The costs of this scheme increased by £5.7m, in line with the growth in members and a CPI-linked pay award. More information on our pension arrangements is provided in note 33 to the financial statements.

Financial review

a. IAS 19 charge and funding position

The cost of defined benefit pensions at £41.4m (2025: £43.8m) reflected a decrease in the accrual rate to 23.0% (2025: 24.4%) of pensionable pay. This is based on the funding position of the scheme and the discount rate environment at the start of this financial year, relative to the start of the prior year.

IAS 19 pension (deficit)/surplus	£m
At 1 April 2025	(32.4)
Charge to income statement*	(41.4)
Actuarial gains:	
- on scheme assets	60.6
- on scheme liabilities	59.8
Employer contributions*	51.3
At 31 March 2026	**97.9**
Represented by:	
Scheme assets	3,168.0
Scheme liabilities	(3,070.1)
Surplus	**97.9**

*including salary sacrifice

At 31 March 2026, the scheme's funding position was in surplus with assets exceeding liabilities, using best estimate assumptions required by International Accounting Standards (IAS 19), by £97.9m (2025: £32.4m deficit). The increase in the fair value of the scheme's assets reflected actuarial gains, employer contributions, benefits paid to members and scheme interest and administrative expenses. Pension liabilities reduced as the real yield on AA corporate bonds used to value RPI-linked pension obligations increased by 15 basis points over the 12-month period.

b. Trustee valuation and funding obligations

The funding of the defined benefit scheme is subject to agreement between the company and the scheme's Trustees based on the outcome of their formal valuation. This valuation uses a wide range of financial and demographic assumptions for measuring pension liabilities, and legislation requires a margin for prudence. As a result, the Trustees' valuation gives a different outcome to the valuation under IAS 19 for the company's financial statements.

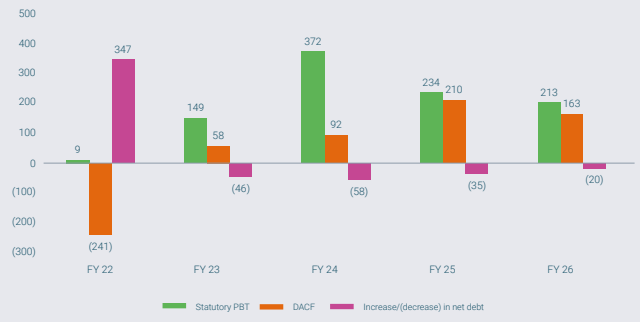
The Trustees' most recent formal valuation, as at 31 December 2023, reported a funding deficit of £142.7m (equivalent to a funding level of 96%). This represented a £29.2m improvement from the 2020 valuation. The scheme actuary determined that the cost of employee benefits accruing in future was 29.9% of pensionable pay. The group continued to pay deficit contributions during 2024 in line with the schedule of contributions. Accordingly, alongside a small funding surplus at 31 December 2024 based on the Trustees' annual update, the Trustees agreed to defer deficit repair contributions of £44.8m until 2028, subject to the funding position at the next formal valuation.

A formal valuation as at 31 December 2025 is being undertaken to ensure that NERL's NR28 business plan includes robust pension projections which reflect recent financial market conditions.

Debt adjusted cash flows (DACF)

During and subsequent to the Covid pandemic, we have used DACF to monitor the conversion of our earnings into cash. It represents the cash flows from our operations, our investing activities and our debt service costs, but excludes the cash flows relating to our financing capital structure, such as bond issues, bank loan repayments and shareholder dividends.

Financial performance:
Five financial years ended 31 March



The chart above shows our statutory results before tax (PBT), DACF and the change in net debt in each of the last five years.

The trend of the past two years shows a greater degree of stability in operating cashflows and profitability. The closer relationship between cash flows and profit has enabled the greater capital investment seen in this financial year, whilst ensuring sufficient financial resilience remains.

Financial review



Net debt, liquidity and cash flows

	Cash and cash equivalents £m	Borrowings (including lease liabilities) £m	Net debt £m
Balance at 31 March 2025	164.7	(875.4)	(710.7)
Cash flow	131.5	(127.1)	4.4
Non-cash movements	(0.2)	15.9	15.7
Balance at 31 March 2026	**296.0**	**(986.6)**	**(690.6)**

In November 2025, NERL issued £250m of unsecured fixed rate bonds with a coupon of 5.25%. The bonds were issued at a price of £99.572, reflective of the prevailing market conditions, raising net proceeds of £248.9m which will be used for general corporate purposes. The bonds further enhance NERL's liquidity and ensure an efficient long-term financing structure.

Alongside bond finance, the group operates a bank revolving credit facility (RCF). The term of the RCF was extended by 12 months during the year and now matures in December 2028, with options to extend until December 2029. The RCF includes a covenant requiring NERL's net debt to be maintained at below 85% of its regulatory asset base. This gearing ratio was 39.4% at 31 March 2026 (2025: 42.5%).

At that date, the group's net debt was £690.6m (2025: £710.7m). This included £972.7m in outstanding borrowings which mature in and beyond 2031 and £13.9m of lease liabilities recognised under IFRS 16. These were partly offset by £296.0m of cash and cash equivalents.

Net debt reduced during the year as improved income receipts, including a further year's recovery of the Covid shortfall, funded our operating expenditure, capital investment and the payment of a dividend to shareholders.

At 25 June 2026 the group had available liquidity of around £645m. Our cash flow forecasts show that the group should be able to operate within the level of its bank facilities and within its financial covenant for a period of at least 12 months from the date of issue of this report including under plausible stress scenarios, where appropriate mitigating actions would also be undertaken.



Gary Franklin
Chief Financial Officer

Going concern and viability statements

Going concern

The group's business activities, together with the factors likely to affect its performance and financial position, its cash flows, liquidity position and borrowings are set out in this Strategic report. In addition, note 3 to the financial statements describes critical judgements and key sources of estimation uncertainties and note 22 the group's objectives, policies and processes for managing its capital and its financial risks and details its financial instruments and hedging activities.

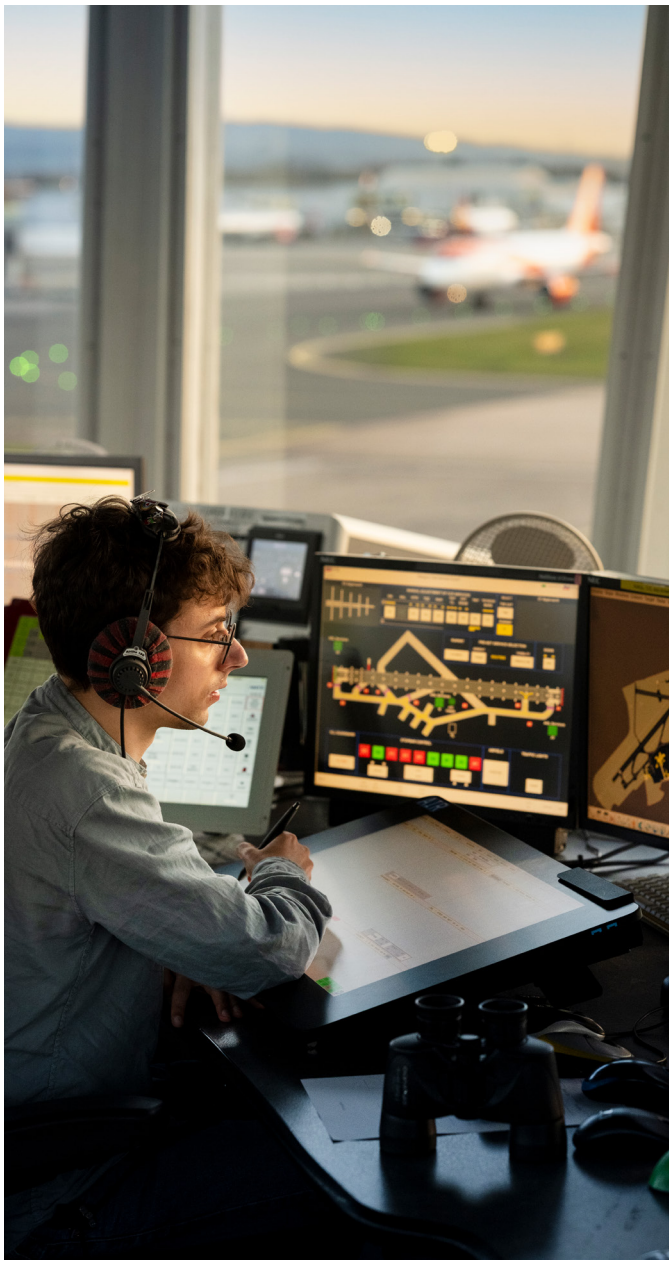
At 31 March 2026, the group had access to liquidity of £696.0m comprising cash of £296.0m and undrawn committed bank facilities of £400.0m. At 25 June 2026, the group had access to cash and undrawn bank facilities of around £645m.

When considering the appropriateness of the going concern basis of preparation of the financial statements, the directors have reviewed the cash flow forecasts prepared by management covering a period to 30 June 2027, which is the formal going concern period modelled by the directors and at least 12 months from the date of approval of these financial statements. The directors have had regard to reasonably plausible changes in trading performance as well as severe traffic volume scenarios individually and in combination with other factors and the principal risks discussed on pages 25 to 27.

The principal scenarios modelled were: a severe traffic downside scenario represented by a sudden 12% reduction in air traffic volumes lasting for a 12-month period, as a proxy for a traffic shock resulting from a major geopolitical incident and subsequent recession; a 20% reduction in airport contract income from smaller airports in our portfolio in the event of their financial collapse; an unplanned increase in operating costs; an increase in the financial support provided to our investments; extended period of conflict in the Middle East and a failure to secure new planned business revenue in spite of the investment made to support such growth activities. Finally, a combination scenario was also performed that assumed lower air traffic volumes, higher operating costs and loss of airport revenues. Under the most severe scenario the group maintains adequate liquidity (of £455m) and headroom (NERL gearing at 49%) to meet its debt covenant (NERL gearing at 85%), prior to mitigating actions (such as other cost saving measures and deferring capital investment).

The directors have also considered, through a reverse stress test which assumes no dividends, the point at which NERL's liquidity would be utilised or the financial covenant would be breached before both mitigating action and regard to the financeability duties of the CAA and Secretary of State for Transport. The reverse stress test considered NERL, as it represents 79% of the group's activities and is the only subsidiary with a debt covenant. The reverse stress tests considered, before mitigation, severe reductions in traffic volumes to 9% of expected levels or significant unplanned expenditure, which in this event would be broadly equivalent to the annual staff cost. The directors consider these scenarios to be remote. Taking all this into account, the group's cash flow forecasts, reflecting reasonably plausible downside scenarios, show that the group and company should be able to operate within the level of its available bank facilities and within its financial covenant for the foreseeable future.

Accordingly, the directors have formed the judgement that, taking into account the financial resources available, the range of reasonably plausible scenarios and potential mitigating actions that could be taken, together with the duties of the CAA and Secretary of State for Transport referred to in the Viability statement, the group and company have adequate resources to continue to operate for a period of at least 12 months from the date of approval of the financial statements, and have therefore adopted the going concern basis in the preparation of the financial statements.



Going concern and viability statements

Viability statement

The directors have assessed the viability of the group based on its current position and future prospects, its business strategy (pages 7 to 8) and available financial resources (on page 27). The directors have also assessed the potential financial and operational impacts in plausible downside scenarios of the principal risks and uncertainties facing the business, set out on pages 25 to 27, and the effectiveness of currently available mitigating actions.

NERL, which represents 79% of the group's activities, is economically regulated by the CAA which determines its revenue allowances every five calendar years. The current price control is for the period 1 January 2023 to 31 December 2027. When making its price control decision, the CAA has a statutory duty to ensure that it is not unduly difficult for NERL to finance its licensed activities. This provides NERL with a high degree of certainty regarding the funding of its operation and its capital investment for this period. In addition, NSL's core airport air traffic services are generally supported by long-term contracts.

The Board considers that there is greater certainty around forecasting assumptions over a three-year period than a longer period, recognising the remaining duration of the current NR23 price control and the emerging view on NR28.

When considering viability, the directors had regard to the physical and transition risks of climate change and noted that the associated material impacts of these are long-term in nature and expected to fall outside the three-year viability period. Therefore, climate change was not assessed as a specific stress case scenario for the viability statement. However, it is worth noting that the economic lives and carrying amounts of assets recognised in the consolidated balance sheet do take climate change into account.

The directors assessed the solvency and liquidity risks arising from a traffic shock alongside a combination of other risk factors materialising, which the Board considered represented a reasonable worst-case scenario, as well as a reverse stress test. The specific scenarios considered were:

- The risk of traffic shock as a result of a geopolitical event or a global recession: the consequences for the group's en route and airport ATC income of a contraction in the demand for air travel, noting the reasonably possible mitigating actions available to the group to manage its financial resources;
- International growth: direct and indirect impacts of the continued conflict in the Middle East, including a short-term reduction in air traffic and slow down in the pace of our international activities;
- Defined benefit pensions: the requirement to pay deferred deficit repair contributions in January 2028, under the terms agreed following the Trustee's formal valuation at 31 December 2023, as well as additional contributions being required. The directors consider that any additional contribution paid by NERL will be recovered through the future price controls, including any additional contributions required arising from unforeseen changes in financial market conditions during NR23. This is further supported by the CAA's issuance of a Pension Regulatory Policy Statement in April 2021. Contributions from NATS Services will be met from operating cash flows; and
- The term of NERL's bank facilities: the directors have a reasonable expectation that NERL will meet the conditions of its banking covenant and be able to raise funds in the bank or debt capital markets as required, noting that NERL's bank facility was extended by 12 months during the year, now ending in 2028, with an option to further extend to 2029.

On the basis of this assessment, the directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities falling due over the three-year period to June 2029.



Principal risks and uncertainties

Enterprise risk framework

The system for the identification, evaluation and management of emerging and principal risks is embedded within the group's management, business planning and reporting processes, accords with the Code, and is aligned with the ISO 31000 risk management standard. Detailed risk identification, assessment, and control mapping is carried out at business unit, departmental, and executive levels and is recorded and measured in a structured and controlled enterprise-wide database. NATS' risks are mapped against risk appetite and tolerance statements which have been agreed by the Board. Risk update reports are submitted to the NATS Executive team on a monthly basis which address changes in risk, risk appetite and tolerance, internal controls and the progress of actions associated with NATS' risks.

The Board takes the management of risk very seriously, paying particular attention to key risk areas. Regular reviews are also carried out by the Audit, Safety and Transformation Review Committees in accordance with their remits, as reported in later sections.

Taking into account the work of the Committees, the Board formally reviews NATS' top risks on a six-monthly basis, and the principal risks on an annual basis. Safety risks remain a priority for the business and as such are considered at every Board meeting in addition to the regular six-month review. In addition, the Board has paid particular attention to risks relating to legacy technical infrastructure, project delivery and operational resourcing over the course of the year.

Our principal risks

Our risk management framework has identified the key risks that the Board believes are likely to have the most significant potential impact on our business, financial position, results and reputation based on the severity and likelihood of risk exposure and has undertaken a robust assessment of those that would threaten its business model, future performance, solvency or liquidity.

The list below is not intended to be exhaustive and reflects the Board's assessment as at the date of this report. The risks outlined are the most important risks facing the company in seeking to achieve its objectives. The group focuses on mitigating these risks, although many remain outside of our control – for example changes in regulation, security threats, environmental factors and the impact of longevity and financial markets on pension funding.

These risks are reflected in and have been considered in assessing viability and going concern on pages 23 to 24. A summary of risk management and internal control processes is on page 61.

Safety: the risk of the business contributing to an aircraft accident

This risk is related to a failure of NATS ATM controls that results in an accident in the air or on the ground which would have significant impact on customers and/or NATS. The reputational damage could result in the loss of future contracts and a reduction in revenue. The financial loss could also be significant. If notice were given by the Secretary of State requiring NERL to take action as a result of the accident and NERL were unable or failed to comply then ultimately this could result in revocation of NERL's licence.

As a provider of a safety-critical service, safety is the company's highest priority. NATS targets compliance with all targets set out in the regulatory price control. The group maintains an explicit Safety Management System, which includes investigations and reviews of operational safety performance and individual incidents to identify and respond to contributors to safety risk. The effectiveness of the Safety Management System is overseen by the Executive level NATS Safety Steering Group and the Board level Safety Review Committee.

Strategy: general economy, geopolitical issues and uncertainty of air travel demand

The demand for air travel can be sensitive to macro-economic and geopolitical conditions. Increasing geopolitical tensions and variable economic conditions have led to greater uncertainty within demand forecasting, including factors such as global trade tariffs, the impacts of conflict in the Middle East and Ukraine on energy prices and economic growth and cost of living pressures.

NERL's regulatory allowances are recovered through charges based on the CAA's forecast of air traffic volumes during a price control period. The regulatory framework includes a traffic risk mechanism which enables NERL to recover a proportion of shortfalls of income through future charges. A general duty on the CAA and Secretary of State to ensure that NERL does not find it unduly difficult to finance its licensed activities provides mitigation against severe traffic shocks, as has been the case with Covid, resulting in a redetermination of the price control. NATS Services contracts for the provision of ATC services to airport operators are at fixed real term prices for a contract term. The financial strength of airlines and airport operators is monitored for the impact of reductions in air travel demand.

Strategy: regulatory settlement

NERL's ability to fulfil the safety, capacity, environmental and cost efficiency targets and other obligations of its licence requires a balanced price control settlement from the CAA. It is the CAA's duty under the Transport Act 2000 to ensure that any price control determination will not result in NERL finding it unduly difficult to finance its licensed activities. However, the economic settlement that is determined by the price control decision could impose challenging cost efficiency targets on NERL's operating costs and conditions to regulate its capital expenditure.

The NR23 price control sets charges for the five calendar years 2023 to 2027. The price control is underpinned by an independent traffic forecast, which has proven to be optimistic and for which NERL bears a degree of risk. The settlement was based on a traffic forecast which was regarded at the time (and has turned out) to be overoptimistic as well as challenging service targets. Nevertheless, NERL deemed the settlement to be acceptable in the round. NERL is preparing for early engagement with airspace users in autumn 2026 on the NR28 price control (2028 to 2032).

In seeking to mitigate regulatory risks, NATS maintains engagement with the CAA at CEO and Board level on a regular basis and with airlines through the regulatory price control review customer consultation. NERL's regulatory strategy is overseen by a Board sub-committee established for this purpose, and day-to-day oversight is provided by the CFO.

Principal risks and uncertainties

Strategy: sustainable aviation

NATS is committed to becoming carbon negative by 2040, and to supporting our customers, partners, and suppliers to achieve a net zero aviation industry by 2050. Our climate targets have been independently validated by the Science Based Targets initiative (SBTi) and awarded 'Business Ambition' status – the highest ambition possible.

There are a range of potential physical and transitional impacts to the group from climate change, and these are outlined, along with how we manage these risks in our risk management system, within our Climate-related Financial Disclosures section on page 29.

Operational: business continuity and resilience

A catastrophic event, many of which are outside of our control such as adverse weather, another pandemic, terrorist attack or conflict, has the potential to disrupt ATC operations and our ability to resume a safe service to an acceptable performance level within a pre-defined period. A resilience plan, setting out NERL's approach to resilience and how we meet our service obligations to our customers, is required to be submitted every two years to the CAA by NERL's licence. The framework underpinning the disclosures in the resilience plan has been expanded to cover all NATS operations.

Resilience is considered for people, operational technical systems and facilities using NATS' incident management processes to assess timely and effective responses. The NATS resilience programme assesses, documents and tests resilience capability in order to mitigate the impact of such disruptions to customers.

Operational: systems security

The threat of disruptive cyber-attacks (such as denial of service) or drone incursion on critical infrastructure remains elevated due to geopolitical uncertainty and global conflict. A malicious cyber-attack could affect the integrity or availability of NATS operational services and result in extensive effort to respond and recover. A cyber-attack on a non-operationally critical part of the business could be similarly disruptive and reputationally damaging. NATS seeks to mitigate the risk through robust technical, physical and personnel security controls. Effectiveness of security controls is assured through ISO 27001 certification and NATS maintains regulatory compliance. Close working relationships are maintained between NATS and the UK's security services, including the National Cyber Security Centre and the National Protective Service Authority to monitor threats and minimise the risk of a damaging cyber-attack or drone incursion.

Operational: air traffic controller and engineering resource availability

While we retained our skilled air traffic controllers during Covid to support the recovery we were unable to train new controllers due to the risk of spreading the virus within our operation as well as training in a live environment being unfeasible with such low flight volumes. Air traffic controller training recommenced when pandemic restrictions lifted in 2022 and we have also recruited engineers to support our investment programme. While we have sufficient resources today to meet our regulatory commitments, there is a risk that during the remainder of NR23 and into NR28, we may not have adequate resource to meet all of our operational and training needs, as the pipeline of newly trained staff is catching up with the demand and retirement rates. The Operations and Technical Leadership teams continue to focus on these risks and ensuring we can respond to changing demand, including implementing actions to make our training programme more efficient so that new controllers and engineers can qualify more quickly.

Operational: employee relations

Employee relations if not managed sensitively could have a significant impact on our service performance, including from industrial action. Therefore, every effort is made to continue to build and sustain good employee relations, including joint working groups with union representatives.

Regular dialogue takes place with trades unions on a range of challenging issues including air traffic controller supply, working practices and employee pay. We strive for constructive relationships with our trades unions, and these relationships enabled us to agree a two-year pay deal for grades negotiated by Prospect which runs to December 2027. Negotiations with PCS remain ongoing.We remain committed to the partnership approach, and to engaging and consulting in a constructive and positive manner, recognising the contribution our employees make and the wider challenges facing the aviation sector.

Transformation: portfolio delivery

Delivery of complex new air traffic technologies is challenging due to the nature of the technology and our safety critical environment and therefore carries inherent cost and schedule risks. Further, deploying those technologies and retiring legacy systems could affect our ability to maintain service levels during transition, as it has a number of international counterparts, and require additional costs to sustain legacy systems and support deployment during this period. NATS targets to deliver the change portfolio within the constraints of the business plan agreed with the CAA. If we are found to have been demonstrably inefficient or wasteful in expenditure on capital assets, the CAA may reduce recovery of such expenditure under the regulatory regime. We maintain programme governance and risk management processes overseen by the Executive, the Transformation Review Committee and the Board.

Our capital programme is developed following extensive customer consultation and we engage with our customers bi-annually on the progress of and prospects for our capital investment programme.

Principal risks and uncertainties

Financial: defined benefit pension scheme

Adverse movements in the value of scheme assets and liabilities arising from factors such as lower investment returns, lower real interest rates and improving life expectancy may increase the size of the funding deficit and result in significant contributions to fund pension benefits. The Trustees completed a formal valuation as at 31 December 2023, which reported a funding deficit of £143m reflecting market conditions at that date.

The scheme was closed to new entrants in 2009, pensionable pay rises are negotiated with our trades unions on the basis of affordability and are also capped through an agreement, and future service benefits are linked to the Consumer Prices Index. NATS regularly reviews the scheme's funding position and is consulted by Trustees on the design of risk reduction strategies. Also, subject to regulatory review, NERL is able to recover increases in contributions from changes in unforeseen financial market conditions. NATS Services maintains adequate cash reserves to meet its share of pension contributions.

The directors monitor the funding position of the scheme. The group's financing arrangements and cash reserves, its projected operating cash flows and mechanisms within the established economic regulatory framework for recovery of such costs enable the group to meet the contributions required.

Financial: availability of funding and other risks

The main financial risk to the group relates to the availability of funds to meet business needs (including meeting obligations to the pension scheme), the risk of default by counterparties to financial transactions, and fluctuations in interest and foreign exchange rates. A detailed description of each of these risks and specific mitigations are set out in note 22 to the financial statements.



Non-financial and sustainability information statement

Responsible business

Our investors, customers, suppliers and other stakeholders are aware of the need for, and benefits of, NATS as a responsible business. Our commitment to the welfare of society, including our employees, and the natural world, is an increasingly important aspect of our overall performance. We recognise the significance of expectations from the public and policymakers regarding transparent reporting on our outcomes.

Scope of non-financial information statement

This statement focuses on employee matters which, alongside environmental matters set out in our Climate-related Financial Disclosures on pages 29 to 43, are the material non-financial matters. It provides information thereon necessary for an understanding of the company's development, performance and position. Our gender, ethnicity and disability pay gap report[9] and a slavery and human trafficking statement[10] are published on our website.

Governance

The NATS Board is responsible for non-financial policy and performance. The Board has reviewed how it has applied the principles of the UK Corporate Governance Code 2018 in each of the main areas of culture, diversity, employees, stakeholders, remuneration and succession. The Board receives regular updates throughout the year on these topics and formally reviews the approach annually.

In addition to the Board, the Executive and various sub-groups monitor health and safety, employee relations and environment matters.

Strategy

We have adopted a wide-ranging approach to being a responsible business, including how we manage and report our impacts. Specific measures include:

- Our corporate strategic target to operate a carbon negative estate by 2040 and to be a Top 25 company to work for;
- Developing and monitoring appropriate policies, codes, management systems and targets, including a Responsible Business policy[11] which can be viewed at www.nats.aero, and net zero emission targets;
- Monitoring performance and practices across our business and our supply chain;
- Undertaking internal and external audits;
- Raising awareness of responsibilities among employees and developing training;
- Supporting the development of employees from underrepresented backgrounds;
- Managing relevant enterprise risks and monitoring trends;
- Transparently reporting non-financial performance information to our customers, key stakeholders and the public each year; and
- Monitoring levels of support provided through our employee assistance programme.

Employee matters

a. Policies and outcome

Our people make a critical difference to our success. Their skills and professionalism are at the heart of what we do. Our investment in them protects and strengthens our safety and business culture. We operate a strong safety culture which encourages employees to raise safety-related matters. This year we have focused our efforts on specific actions in support of promoting Equality, Diversity and Inclusion (EDI) within our organisation on key targeted areas.

To encourage more people from diverse backgrounds to join the company, we refreshed our recruitment campaigns for attracting new trainee air traffic controllers and engineering apprentices. We used social media channels to reach people from all walks of life and different areas of the UK. We also delivered a livestream event with aviation content creator Elevate(Her) and launched our first podcast advertising campaign, specifically designed to reach a broader audience. Colleagues from our human resources, capital transformation and operational training teams participated in panel talks, careers fairs and partnerships with STEM Women to promote opportunities for the year ahead.

In addition, we have reviewed how to make our recruitment processes more inclusive. Alongside traditional aptitude tests and interviews, we have introduced a realistic work-sample exercise that reflects key aspects of the training environment, with experienced controller assessors continuing to play a central role throughout the process.

We became the first aviation business to develop and implement a menopause policy and support package. In partnership with the CAA, we also recommended updates to licensing requirements relating to Hormone Replacement Therapy (HRT), which now apply across the aviation industry, benefitting female pilots and airlines more broadly. Our approach to menopause was recognised at the Employee Benefits Awards and received the highest honour for its industry-wide impact. We also won the Equality, Diversity and Inclusion award at the Personnel Today Awards for this and our wider work on women's wellbeing and HRT and licensing.

We continue to set and track performance against a set of meaningful goals to promote greater diversity and inclusion. We also benchmark ourselves externally through our membership of Inclusive Companies. In 2025 we achieved 11th in their index, improving from 27th place in the previous year, a tangible result of the actions we have taken.

Internally we track the proportion of women, people from minority backgrounds and those with disabilities across our recruitment, talent and succession plans. Increasing representation of women and people from ethnic minority backgrounds in STEM professions remains a challenge, not just for NATS, but we have taken proactive steps to attract people from underrepresented groups, to ensure that as a business we have access to the widest possible talent pool.

Non-financial and sustainability information statement

b. Risk management

The group's risk management system is described above under Principal risks and uncertainties and is aligned with the ISO 31000 risk management standard. Employee relations is regarded by the Board as a key risk and is explained in that section.

c. Metrics and targets

Gender pay reporting has established benchmarks against which we monitor the impact of our actions to address the imbalance of gender pay over the longer term. As we did last year, we have gone further by publishing our disability and ethnicity pay gaps as well. Despite an increase in the proportion of women in senior roles, our gender pay gap has not reduced. This is primarily attributable to two factors: males generally have a longer average tenure, and on average, occupy higher positions on the pay scale compared to their female counterparts.

Our disability pay gap has also not reduced this year. A higher proportion of colleagues who have declared a disability are represented in the lower pay quartiles. While only 3.3% of our workforce has declared a disability, this relatively small group means that even minor changes in representation can significantly influence the pay gap.

We have seen a slight improvement in our ethnicity pay gap, with progress primarily reflected within the middle pay quartiles.

We recognise it takes time to create sustainable change, but our focus in this area is leading to external recognition through improved Inclusive Companies index rating. Our objective remains to bring the best diverse talent into our organisation and support individuals to reach their full potential.

Climate-related Financial Disclosures

Set out below are the Climate-related Financial Disclosures for NATS Holdings Limited and its subsidiary undertakings (the "group"), as well as our energy use and greenhouse gas emissions under the Streamlined Energy and Carbon Reporting framework.

Our 2040 strategic objectives, explained on pages 7 to 8, were developed drawing on qualitative analysis of global megatrends on urbanisation, climate change, and economic power shifts, alongside early signal monitoring, such as climate policy and public perception to aviation. Our strategy recognises the contribution of air traffic control towards a sustainable future for aviation. It sets out our ambition to minimise our business-related impacts by being carbon negative by 2040, in addition to achieving net zero carbon emissions across our estate by 2035. Our strategy also supports DfT's targets of net zero flying by 2050, with domestic flights and airport operations net zero by 2040, through measures including optimising flight paths to reduce aircraft fuel burn and CO_2 emissions and delivering airspace modernisation.

As the provider of the UK's critical national airspace infrastructure, we are preparing for climate change trends from warmer, wetter winters and hotter, drier summers alongside an increase in frequency and intensity of extreme weather events, as well as sea level rise and storm surges. This means ensuring physical assets and infrastructure are resilient to severe and more frequent weather events, alongside adapting our business model to changes in policy, marketplaces, consumer behaviour and technology as the world transitions to a low-carbon economy.

Achieving our climate-related targets supports our other strategic objectives. Innovation in the delivery of carbon reduction can help us realise opportunities that support our objective to generate increased revenue and positively impact our objective to be relied on by all airspace users as we create integrated safe, efficient airspace for all. For current and future employees, being able to deliver solutions to our carbon challenges will be something we can be truly proud of. Alongside inclusion, career development and wellbeing, our environmental ambitions are, therefore, a core part of our objective to be a Top 25 UK company to work for.

Governance

1) a description of the governance arrangements of the company in relation to assessing and managing climate-related risks and opportunities;

Our Board is responsible for setting and leading our climate-related strategy and goals and has oversight of climate-related risks and opportunities impacting the group (risk governance is explained on page 61). Subsidiary companies are accountable to the Board for all aspects of their operation. The Board and Executive are updated on climate and sustainability related matters on a monthly basis, including progress against our near-term 1.5°C aligned science-based targets, commitments to reach net zero by 2035 and our strategic objective to be carbon negative by 2040, performance against regulatory airspace environmental targets, alongside material sustainability updates. Carbon Negative is one of the four pillars of our 2040 corporate strategy, established by the Executive and approved by the Board.

The Board has established five standing committees to support oversight, each with delegated responsibility for sustainability-related matters within the terms of reference for these committees as follows:

- the Transformation Review Committee: receives a quarterly progress report on net zero and decarbonisation goals and ensures business objectives are clearly reflected in the technology and transformation programme;
- the Remuneration Committee: sets sustainability-linked and other incentives to promote the long-term sustainable success of the business, aligned to the company's purpose, values and linked to the company's strategic objectives. Updates on KPIs are received during the year;
- the Nomination Committee: considers environmental, social and governance (ESG) expertise in appointments, alongside evaluating the balance of skills, knowledge and experience on the Board with regard to diversity, including gender and the challenges and opportunities facing the company;

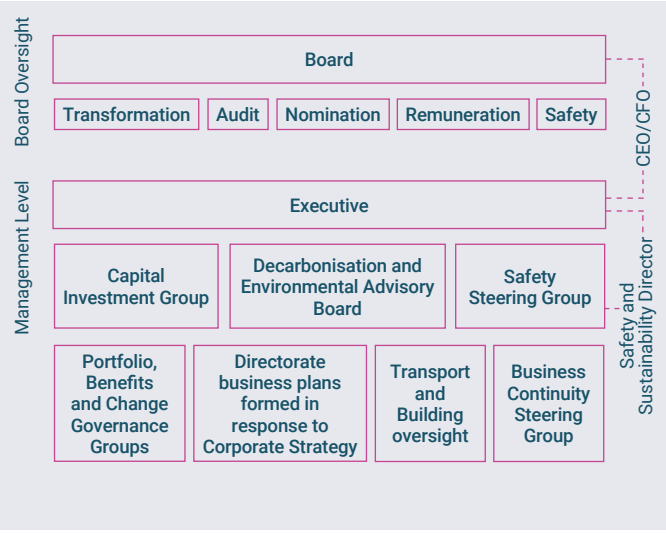
Non-financial and sustainability information statement

- the Audit Committee: plays a key role in implementing and monitoring the effectiveness of governance processes, controls and procedures and risk oversight, including climate risks, environmental compliance and tracking progress against set strategies, for which management is responsible for the daily operation, monitoring and management. CFD disclosures and a Corporate Governance Code report are reviewed annually as well as material changes to principal risks, which can include climate physical and transition risks, as they arise; and
- the Safety Committee discharges accountabilities for the safe provision of operational air traffic service, health, safety and wellbeing (HSW) and security arrangements.

See page 54 for information on the other responsibilities and cadence of the Board and its Committees.

Our Board members bring a variety of skills and experience of ESG and climate change matters from their own qualifications as well as other external Board appointments, including from within the aviation and economically regulated entity sectors. For detailed biographies of Board members, see page 49.

The CEO and Executive are accountable for setting strategy and policy, and receive numerous reports on progress, including a monthly sustainability performance report, and a quarterly strategy review report. The CEO delegates management responsibility to the Safety and Sustainability Director who is a member of the Executive team. The Safety and Sustainability Director leads the NATS sustainability team, working across the business and beyond it, with aviation stakeholders and public bodies to provide technical support, guidance and leadership on environmental and sustainability issues. Directorate-level responses to the corporate strategy are developed and tracked through their respective business plans.



Since the last Annual Report and Accounts, the Decarbonisation and Environmental Advisory Board (D&EAB) now oversees physical and transition climate-related risks, as well as broader environmental considerations across the business, with delegated management responsibility for oversight, reporting into the Audit Committee which holds ultimate responsibility for business-wide risk oversight. The D&EAB is chaired by the Safety and Sustainability Director and its core members include: the Chief Operations Officer, Director of Sustainability, Director of Supply Chain and Facilities Management, the Director of Operations Transformation, Head of Employee Communications, Director of Swanwick Service Delivery and the Corporate Communications Director. The D&EAB meets bi-monthly and supports the execution of strategy, target setting, transition planning, the identification and management of risks and opportunities, as well as providing the Board with oversight and meeting compliance requirements. Its scope covers both activities that contribute to reducing aviation emissions and estate-related impacts.

The Capital Investment Group also chaired by the Safety and Sustainability Director, and groups focusing on supply chain sourcing, fleet, transport, building, risk and business continuity have regard to sustainability in decision-making.

Management's oversight of the group's climate-related risks and opportunities is supported by established controls and procedures. These take into account the group's strategic objective to be carbon negative, such as the use of carbon pricing in certain capital investment business cases (see page 34). Climate-related risks and opportunities are managed and monitored in line with the enterprise risk management framework, explained on page 25. The group's sustainability-related policies are encapsulated within its Responsible Business policy and Code of Ethics and Behaviours.

Strategy

2) a description of:

i. the principal climate-related risks and opportunities arising in connection with the operations of the company, and

ii. the time periods by reference to which those risks and opportunities are assessed;

3) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the company;

4) an analysis of the resilience of the business model and strategy of the company, taking into consideration different climate-related scenarios;

Scenario analysis

We use scenario analysis to assess material climate-related financial risks and opportunities, and we have considered 1.5°C, 2-3°C and 4°C warming scenarios to provide a view of potential transition and physical risks. Scenario analysis improves our understanding of NATS' climate risk exposure and is integral to climate risk assessment under our risk management framework.

Non-financial and sustainability information statement

To assess transition risks and opportunities, we have tested the resilience of our business strategy against three scenarios with differing pathways to net zero:

- an incremental transition that assumes current policies and trends in aviation with a high degree of residual emissions being offset or removed outside of the aviation sector;
- an orderly transition with a focus on supply-side decarbonisation solutions, such as sustainable aviation fuels (SAF); and
- a disorderly transition with a greater emphasis on demand reduction measures.

These scenarios are described more fully in the figure below.

Incremental Transition
2-3°C warming by 2100

A slow, piecemeal transition following business as usual market and policies. Investments from the public and private sector continues but there are delays in the implementation of innovations with a high degree of residual emissions requiring to be offset or removed outside of the aviation sector.

Key Assumptions:

- Technological Change - Slow Pace
- Policy Reactions - Current Policies

Key Events:

- 74% increase in UK terminal passenger volumes by 2050 (from 2018 levels)
- 10% SAF uptake by 2050
- Carbon emission trading schemes (ETS and CORSIA) assumed to continue beyond 2035, with a cap reset
- A formalised carbon offsetting market begins to take shape in the short/medium-term

Main Sources:

Jet Zero (Current Trends Scenario), IEA (Stated Policies Scenario), NGFS (Current Policies Scenario)

Orderly Transition
1.5°C warming by 2050

A rapid, but 'smooth' transition, achieving emission reductions in line with the Paris Agreement. Policy acts as a strong lever for change, technological innovations are successful and encourage investment. This scenario assumes a greater focus on supply-side decarbonisation solutions such as SAF and zero/low-emission aircraft.

Key Assumptions:

- Technological Change - Moderate Pace
- Policy Reactions - Immediate and Smooth

Key Events:

- 70% increase in terminal passengers by 2050 (from 2018 levels)
- UK SAF plants operational by 2026
- 50% SAF uptake by 2050
- Zero-emission aircraft introduced in 2035

Main Sources:

Jet Zero (High Ambition Scenario), IEA (Net Zero By 2050 Scenario), NGFS (Orderly Below 2°C)

Disorderly Transition
1.5°C warming by 2050 featuring volatity

A disjointed and non-linear pathway. Climate policy responses are uncoordinated or delayed. The implementation of new technology slows, motivating investment away from the industry. This scenario places a greater emphasis on demand reduction measures.

Key Assumptions:

- Technological Change - Fast Pace
- Policy Reactions - Immediate and Divergent

Key Events:

- Terminal passenger volumes by 2050 assumed at 2018 levels
- 5% SAF uptake by 2050
- ETS and CORSIA extended in 2035 with no cap reset, driving up offsetting costs
- Demand reduction measures, such as a frequent flyer levy, in the near-term to allow for slower commercial scaling up of supply-side solutions

Main Sources:

Chatham House (Scenario G), IEA (Delayed Transition Scenario), NGFS (Disorderly Divergent Net Zero)

Non-financial and sustainability information statement

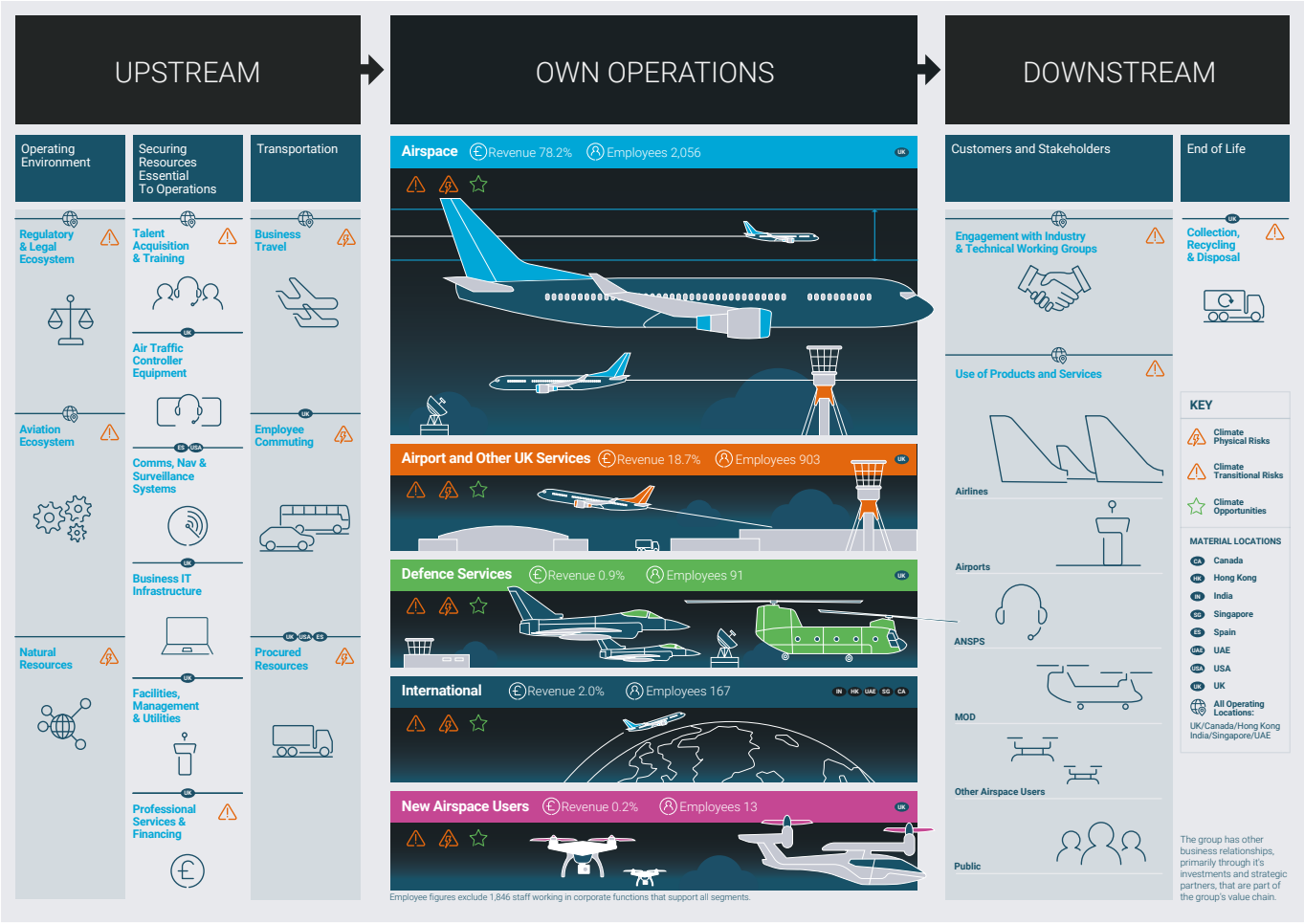
The timeframes we have used to assess climate-related risks and opportunities are:

- short (one to two years): in line with our annual budget and shorter-term planning horizon;
- medium (to 2030): broadly reflecting the five-year price control and our longer-term business planning, enabling us to adjust course if appropriate;
- long (to 2050): spanning our 2035 net zero and 2040 carbon negative targets.

Our assessment of physical and transition climate risks is summarised in the table on pages 41 to 42. This analysis and the actions taken since our 2021 report was provided to DEFRA as part of its fourth-round adaptation reporting power (ARP4) under the Climate Change Act 2008. We also responded to the DfT's consultation on adapting the UK's transport system to the impacts of climate change, and we continue to ensure our approach remains aligned with the most up-to-date assessments in this area.

Value chain

To support the future identification of climate-related risks and opportunities arising in connection with our operations, we have undertaken a structured exercise to map our value chain, to obtain a comprehensive understanding of the interactions, resources and relationships that underpin the operations required to deliver safe and efficient air traffic services. This has enabled an in-depth understanding of our value chain, summarised in the visualisation below.



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Climate-related physical risks

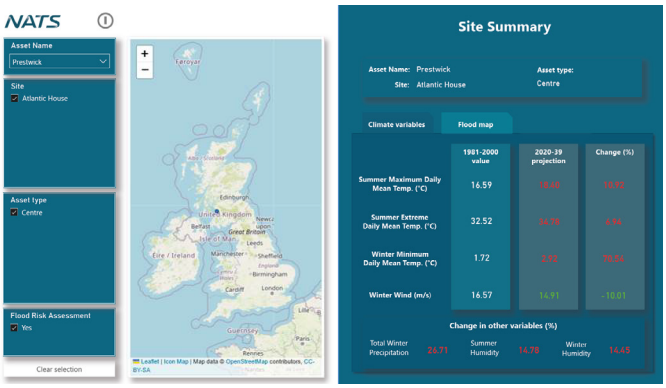
We have considered the potential for asset damage or operational risks from acute physical risks from an increase in the frequency of extreme weather events and from chronic physical risks arising from changing long-term climate trends.

Our exposure to short-term physical risks is reflected in the weather extremes we have experienced in recent years. We mitigate the risk to our infrastructure and operational service through a planned and preventive maintenance regime and using a weather watch process when extreme events are forecast by the Met Office. Following the latter we proactively protect our assets, our employees and the operational service. Alongside system resilience, asset design and restoration management minimise engineering related delay impacting our operational service.

Recently, the notable Storm Goretti in January 2026 brought strong winds and widespread snowfall across much of the United Kingdom, producing low cloud that reduced visibility for airports within the London Terminal Control Area. Receiving frequent updates from the Met Office as the weather forecast developed, we were able to swiftly adapt our own operational response and keep our airport and airline customers closely connected through our industry communication cell (ATICCC). Despite the challenging conditions, we were able to limit service disruption during Storm Goretti and maintain the safety of our operations and employees throughout.

Previous weather events provide a baseline for post event reviews of our resilience, asset maintenance, spares management, and replacement decisions. Applying the lessons learned from these events helps us minimise operational service disruption during future periods of extreme weather and we embed these within our asset sustainment programmes to continue to build climate resilience into our operational assets on the ground. Notably, Storm Eowyn in January 2025 was the UK's most powerful windstorm for over a decade and the most significant for Northern Ireland since 1998. With respect to our infrastructure, we took preventive measures removing some radars from service to protect staff and equipment and, due to the design resilience of power infrastructure, there was no degradation in system availability. Previous storms have also shaped changes in how landing-rate data is used and how pre-tactical regulations are applied, ensuring demand is effectively balanced with prevailing weather constraints.

We have assessed physical risks over a medium-term horizon using a bottom-up approach that applied desktop GIS (Geographical Information Systems) of a high emission reasonable worst-case scenario from the Met Office's UK Climate Projections (UKCP18, RCP8.5 ~ >4°C global warming) plotted onto the locations of 206 assets across the UK and Gibraltar. These assets represent the critical air traffic control and engineering assets providing services for civil and military customers. In addition, for 24 sites potentially most vulnerable to flooding, we prepared flood risk reports based on fine resolution flood risk modelling for one in 100 year and one in 1,000-year events at both 2030- and 2050-time horizons. This site-specific climate and flood risk modelling data has been summarised in a dashboard, an example of which is below, helping our engineers and estate managers to understand potential physical risks to individual assets and sites.



Over the long-term time horizon our assessment is supported by UK climate maps of temperature, precipitation and wind speeds and climate variable histograms based on medium to high global warming scenarios up to 4°C.

We do not own similar infrastructure overseas, given the nature of our activities currently. However, as we deliver our strategy to grow the business, any new critical assets will be subject to climate risk assessment.

Our analysis indicates that, at the flood return periods considered, more frequent extreme weather events such as storms could result in surface water and fluvial flooding at some sites leading to asset damage and operational service risks. During the year, we employed a third-party specialist to model the existing storm water and attenuation storage systems capacity at our two air traffic control centres and Whiteley headquarters against latest design guidance, including additional recommended allowances for climate change. We have followed this up with detailed condition surveys to validate the modelling and to identify where additional resilience can be incorporated to further protect against local pluvial flooding for future storm durations and intensities. Following this review, we are implementing remedial works to enhance our resilience to flood risk.

We also own a small number of assets that support the delivery of the service at some airports which may be at risk of fluvial flooding. In these cases, we are seeking to understand the wider mitigations being considered by the customer, government agencies and providers of other infrastructure services.

With respect to other weather-related risks, our design criteria for asset replacements utilise industry best practice standards, climate projections and expected future capacity requirements to ensure resilience to wind (such as by using radomes in our radar replacement programme to protect radars from extreme weather) and changes in operating temperatures.

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More broadly than our day-to-day operational service delivery, resilience and asset management, we work with government and industry proactively to remain vigilant for emerging physical risks. We are an active member of the European Aviation Climate Change Adaptation (EACCA) group, chaired by the Airports Council International (Europe) and EUROCONTROL. During the reporting year, through this working group, we developed guidance to support airports, airlines and air navigation service providers across Europe in developing climate resilience plans. This guidance outlines the regulatory context, regional climate projections and practical steps for assessing climate vulnerabilities and implementing adaptation strategies, with the aim to create a cohesive reporting framework for consistent reporting and guidance for the European aviation sector.

Under the Single European Sky ATM Research programme, we are involved in projects seeking to mitigate non-CO_2 effects of aviation through contrail avoidance trials and have been active in continuing to support projects throughout the year. Building on our achievements since 2009, including the delivery of time-based separation and extended cross borders arrivals management, we are focusing on research that drives operational benefit.

Climate-related transition risks and opportunities

We have assessed climate-related transition risks and opportunities arising from policy and legal actions, technological change, market factors and reputational risks, and our assessment was made on this basis.

We have quantified transition risk when published sources have enabled us to model the impact of climate-related assumptions on the demand for air travel. Otherwise, we have qualitatively graded the impact and likelihood of material risks and opportunities in line with the NATS risk management framework. Our assessment is based on internal analysis, market data and involved a team of multi-disciplinary senior business leaders spanning the group's activities, supported by external subject matter experts. It captured a long list of risks and opportunities, which was further refined to those deemed most material to the group's business, strategy and financial plans.

a. Policy and legal risks

The most material risks to revenue relate to policy decisions which affect flight volumes either from supply-side measures or those that directly curtail the demand for air travel, such as frequent flyer levies. The focus of current policies, which underpin the Orderly Transition scenario, is on supply-side measures that remove carbon from aviation through more efficient aircraft and operations, including airspace modernisation, carbon emission trading scheme, carbon removals and mandates for the take-up of sustainable aviation fuel (SAF).

Our long-term traffic forecast to 2034 aligns with assumptions under the UK Sustainable Aviation Fuel (SAF) Mandate, UK Emissions Trading Scheme (UK ETS) and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Our modelling assumes that air fares will increase to reflect the significantly higher cost for airlines to adhere to sustainability aviation constraints, leading to a reduction in passenger demand and lower flight volumes. We have quantified the estimated impact which is reflected in our latest long-term forecasts. The projection applies to both the Incremental Transition and Orderly Transition scenarios. We believe the risk would be heightened in a Disorderly Transition, particularly in the long-term, with a greater emphasis on demand reduction measures. We will work to ensure that the effects of sustainability policies on flying costs and air travel demand are fully reflected in NR28 and in future price control reviews.

b. Reputational risks

Airspace modernisation, which is discussed on page 12 is one of the sector's operational measures for supporting its net zero targets, providing more fuel-efficient flight paths estimated to mitigate up to 4% of aviation emissions in UK airspace. Synchronised airspace change of this scale requires the continued commitment of the DfT and the CAA, an efficient policy framework and rules for making airspace change, planning policy decisions and public acceptance of airspace change proposals. The creation of UKADS (UK Airspace Design Service) is intended to facilitate these outcomes.

As the operator of the UK's airspace infrastructure and provider of the UKADS service, we may face reputational risk if stakeholders perceive the coordinated response to be slower than expected. This could also have knock-on implications for our strategic objective to be a Top 25 employer and our ability to attract and retain talent, resulting in higher operating costs to do so.

c. Market risks

We track the public's perception of aviation annually by partnering with Ipsos to produce the Aviation Index. The 2025 survey shows that 56% (2024: 53%) of the public identified emission reduction as a key area for improvement. This survey provides us with a metric to monitor changes in attitudes to climate change and early warning of a hardening of attitudes that could result in a reduction in the propensity to travel by air, resulting in lower revenue. This risk is likely to be most prominent in a Disorderly Transition over a long-term horizon.

NATS relies on access to capital markets and to banks to finance its activities, including short-term bank facilities and bonds expiring in 2031, 2033 and 2036. There is a moderate risk in a Disorderly Transition scenario that access to, and the cost of, funding we require in the medium and long-term may be impacted by general sentiment towards the aviation sector's progress in reducing emissions and airspace modernisation, or if NATS is not perceived to be on track to meet its decarbonisation strategy.

d. Technology-related risks

Our net zero target by 2035 and our strategic objective to be carbon negative by 2040 are dependent on the development of technical and cost-effective solutions for the reduction and removal of carbon. This includes wider societal transition to a low carbon world and reflected across our value chain, for example UK grid energy, transportation decarbonisation, and the availability of low carbon products and services.

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Additional capital investment may be required in the short- and medium-term to support emissions reduction in line with our climate target trajectory to ensure our objectives can be met. As part of this, we have invested in solar arrays across our Swanwick and Prestwick sites. In July 2024, the first solar array was installed on the roof of the Swanwick Centre and a ground-mounted array currently being installed and due to go live in the next financial year. In 2025 we installed a second array on the roof of the Prestwick Centre.

The air source heat pump project at Prestwick has moved from feasibility to implementation. It has the potential to provide the site with low carbon heating and cooling, in service of degassing the site, to make it the first net zero air traffic control centre in the world.

e. Opportunities

Our strategic objective to grow revenue by £500m by 2040 includes the development of services to new users of airspace. As the economy transitions to net zero this is likely to include a growth in demand from low emission unmanned aerial vehicles.

We are also well placed to support existing customers and the wider industry with their transition to net zero with tools and services that enable lower emissions.

Our Intelligent Approach tool reduces emissions on final approach enabling more sustainable capacity growth by airports and our demand capacity balancing tool which is used by Heathrow Airport, now includes an environmental parameter for airfield modelling, alongside capacity.

Our experience of managing flow movements on the ground and enhancing airfield efficiency provides unique insights to optimise airport operation and maintenance. Clarity is our environmental tool and advisory service that helps airports make informed, evidence-based decisions around investment and operational changes. It empowers them to make changes that contribute to the reduction of CO_2, noise and particulate emissions within airside operations and terminal airspace – to balance operational performance with sustainability commitments. We expect to demonstrate Clarity with an airport partner in 2026 to showcase its value in operational optimisation and sustainable decision-making.

We expect to realise cost efficiencies over the medium-term from the energy efficiency improvements we are making to our estate, such as the installation of solar arrays at our air traffic control centres. Also, the shift to low emission energy reduces our sensitivity to changes in the cost of carbon in future and enhances our business resilience.

Finally, achieving our net zero target and carbon negative strategic objective will also be a positive contributor to employee satisfaction, aligned with our objective to be a Top 25 employer, and enhance our reputation with wider stakeholders, including providers of finance.

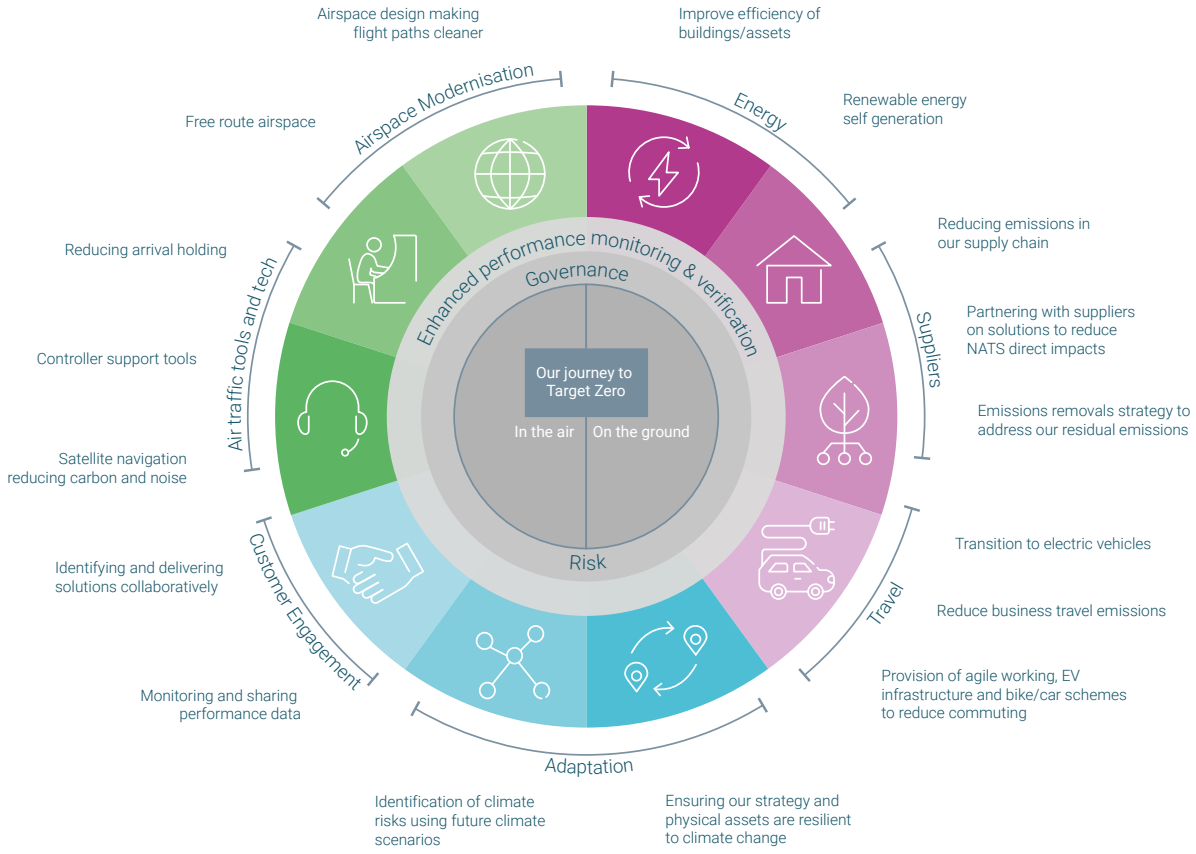
Overall, none of the transition scenarios tested threaten the resilience of the group's business model and strategy and we are well placed to take advantage of opportunities which arise from the transition to a low carbon economy.



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Our decarbonisation strategy

In response to these risks and opportunities, ensuring we prepare for the impacts of climate change on our business, we are committed to transitioning to a business model that is consistent with the objectives of the Paris Agreement. This is reflected in our commitment to reducing, on the ground, our Scope one, two and Scope three emissions (excluding airline emissions) to net zero by 2035 and our strategic objective to be carbon negative by 2040. In the air, we will continue working with customers, partners and suppliers to achieve a net zero aviation industry by 2050.



Transition plan

The group's 1.5°C aligned climate transition plan sets out our response to the company's strategic objective to be carbon negative, how we will adapt to a low carbon world and our work over the next five years to drive sustainability performance across the company. It spans on the ground operations (estate climate mitigation actions across buildings, infrastructure, travel, suppliers, climate adaptation) and in air operations (airspace modernisation, controller tools, oceanic procedures), and includes near term activities, status updates, and Board level oversight.

The plan is resourced through a mixture of financial and human capital. Within our regulatory framework, capital investment activity is incorporated into NERL's regulatory agreement and approved by the CAA and our customers.

Our near-term priorities include exploring alternatives to gas use, deploying the lowest energy and lowest carbon technology, and investing in carbon removal to complement estate improvements. Challenges include migration to low carbon data centres and mitigation of hard to abate areas of our Scope three emissions such as transportation. Dependencies and assumptions include UK grid decarbonisation, a scaled carbon removals market, innovation of low/zero carbon technologies, supportive policy and stakeholder cooperation for airspace modernisation and stimulus of Sustainable Aviation Fuel production.

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On the ground

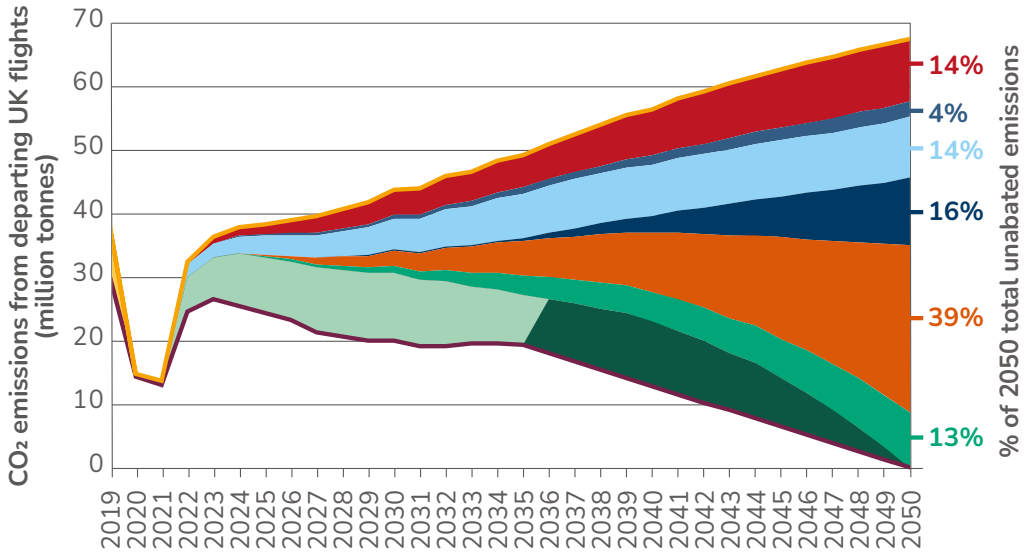
Our pathway to carbon negative on the ground focuses on achieving deep reductions in our emissions by 2035.

To support energy conservation and low-carbon investment, we have introduced an environmental benefit category (energy benefit/dis-benefit expressed in kWh consumption) and top-down reduction targets for capital investments across NERL, whose business cases include life cycle cost assessments using a cost/kWh. We use 29p/kWh as an internal cost of electricity. This reflects current utility costs and embeds a £500/t carbon cost, which is applied to projected UK carbon intensity in 2030 (using Department for Energy Security and Net Zero data), broadly reflecting asset mid-life. The same carbon cost is applied to projects impacting natural gas use as a 'shadow price' in business cases. Data supports risk and opportunity identification by comparing lifecycle costs of different technology options and supports long-term emissions forecasting.

We have continued to explore opportunities to reduce our energy consumption during the year. The installation of a clear solar control coating to the glazing at our Swanwick centre will reduce internal heat gain and enhance energy efficiency at the building. We have also continued to explore ways to reduce our Scope three emissions. During the year, we collaborated with other tenants at the Whiteley business park through sustainability fora to explore shared sustainability opportunities, including commuting.

In the air

Our strategy in the air is to deliver safe and efficient air traffic management that supports the UK Government's Jet Zero strategy to achieve net zero aviation emissions by 2050, with domestic flights and airport operations net zero by 2040, alongside broader international aviation commitments. Air traffic management and operational improvements are likely to reduce CO_2 emissions from UK aviation by around 5% by 2050 relative to 2019, in line with independent assessments of the contribution air traffic control can make to overall aviation emissions reduction. This is embedded in the Sustainable Aviation decarbonisation road map shown in the figure below.



- Emissions with no mitigations or carbon price
- Demand reduction impact of decarbonisation costs
- Improved airspace and aircraft operations
- Fleet upgrades, with known aircraft types
- Fleet upgrades, with future aircraft types including hydrogen and electric aircraft

Aircraft technology improvements

- Sustainable Aviation Fuels
- Carbon removals, including direct air capture
- ETS and CORSIA
- Future obligations

Residual Emissions

- Net carbon emissions

SUSTAINABLE AVIATION
CLEANER | QUIETER | SMARTER

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Our contribution is represented in the NR23 price control plan by a sustainable reduction in the 3Di score, albeit fully realising these benefits is proving to be challenging in the face of traffic growth and other factors (see page 12), alongside smaller scale airspace changes delivered by our Operational Service Enhancements Project. The 3Di metric has supported our work on flight efficiency and has yielded benefits for airlines. Recent customer feedback shows that marginal benefits from theoretical-trajectory metrics may now have limited strategic and operational value. We have engaged customers through initial NR28 proposals to develop a set of complementary emissions-based metrics that better reflect operational performance, support opportunity identification and meaningful reductions in CO_2 emissions. These aim to provide more relatable and meaningful performance measures of different components of NERL's services.

Longer-term, larger scale airspace modernisation will be the biggest contribution we can make to reducing the carbon impacts of flying through systemising UK terminal airspace, enhancing the way we manage flows of traffic with new technology and delivering cross-border Free Route Airspace across the UK's high-level airspace sectors.

In March we implemented Free Route Airspace across the whole of Scottish airspace, enabling aircraft to plan and fly their preferred trajectory between a defined entry and exit point, rather than being constrained by a fixed air traffic services route network. This enables airlines to optimise flight paths based on factors such as wind conditions, reducing flight time, fuel burn and CO_2 emissions. It is expected to enable savings of over 18,000 tonnes per year. Alongside larger airspace changes, we continue to make local changes to the airspace network through focused projects to improve the structural efficiency of airspace.

Furthermore, following a successful trial in the previous year we have implemented an operational tool across UK airspace. The Air Traffic Management Portal (ATM-P) allows us to tactically propose more efficient flight plan routes to customers based on network demand and airspace availability.

Carbon credits

We adopt the SBTi Corporate Standard definition of net zero, targeting at least a 90% reduction in value chain emissions before neutralising remaining emissions with an equal amount of carbon removal credits from FY 2035/36 onwards. From FY 2040/41, we will rely on carbon removal credits to go beyond residual emissions to deliver our carbon negative strategic objective.

In support of this, we have commenced investing in high integrity, durable carbon removal credits from the voluntary carbon market. Our initial purchase focused on a mineralisation project, with credits verified under a pathway-specific methodology on the Puro registry. We intend to broaden our portfolio to include additional carbon removal pathways over the remainder of NR23.

Early investment is in line with best practice, helping to mitigate supply side risks, while supporting the nascent removals market, that our industry will depend on to scale. We seek credits aligned with the Integrity Council for the Voluntary Carbon Market (ICVCM) 'Carbon Code of Practice' to ensure verifiable climate impact. Our current expectation of residual emissions is between 4-7ktCO_2 per annum. To date, 850 tCO_2 of carbon removal credits have been procured, and we have committed to additional purchases to secure +2ktCO_2 by the end of NR23. Further investments will form part of our emerging NR28 price control proposal.

Risk management

5) a description of how the company identifies, assesses, and manages climate-related risks and opportunities;

6) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the company;

The group uses a structured approach to identify, assess, prioritise and monitor climate-related risks and opportunities across its operations.

Climate-related risks and opportunities are identified and assessed at a group level initially, then monitored and managed by NERL and NSL, as the group's two principal operating subsidiaries, and reported to the D&EAB.

Climate-related risks and opportunities are primarily identified through our understanding of the group's operations and operating environment, bringing together internal experts from across areas of the business including Finance and Sustainability to support this process, supplemented by internal and external data sources to capture any further relevant risks and opportunities. Where appropriate, independent experts may be engaged to provide additional support.

Sustainability and climate change is a principal risk to our business and is fully embedded within our overall Enterprise Risk Management framework (ERM). Identified climate-related risks and opportunities are assessed to identify those most material to the group, using thresholds consistent with our ERM approach. Details of the assessment methodology are provided on page 25. Risks are assessed across short-, medium-, and long-term time horizons, as defined on page 42.

Due to the uncertain nature of the realisation of climate-related risks and opportunities, scenario analysis is used to assess the resilience of our operations to these impacts, as described on page 33. This analysis informs strategic planning and operational resilience.

Risk owners have been appointed to monitor, manage, and develop mitigation plans for material risks. This process is consistent with the approach to all other risks, outlined on page 61, and ensures that appropriate controls and procedures are in place to support effective oversight and transparent management of climate-related risks and opportunities.

To support delivery of the group's strategy, we have incorporated climate-related considerations into our remuneration policy, including both short-term and long-term incentives, to support our Carbon Negative strategic objective. For further information, please refer to pages 67 to 68. For FY 2025/26, climate-related metrics represent 5% of the total remuneration for the group's executive management team.

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A reassessment of risks and opportunities is triggered when material changes occur that impact the group or its value chain. These may include major changes to the business model, group structure, or the group's exposure to climate-related risks and opportunities, which may arise from consultation on a new price control, government sustainability policy or a science-based assessment of the rate of climate warming relative to our considered scenarios.

Risks and opportunities are also regularly reviewed in-line with the enterprise risk management framework, as described on page 25.

Climate-related risks are embedded in the directors' consideration of their duties under S172 (see page 46), our going concern and viability assessments (see page 23) and consideration of the carrying value of certain balance sheet items, such as the carrying values of our ATC infrastructure assets, NERL's goodwill and the group's equity investments.

The ERM sets out the categories of risk we face. This is a tool for business areas to identify and assess each risk based on its potential impact and likelihood of occurrence and to compare that to the risk appetite and tolerance statements agreed by the Board. Three specific categories relate to sustainability and climate change:

a. **Physical impacts of climate change:** Risks to our assets and operations arising from global warming, including the impact of extreme weather events.

b. **Climate transitional:** Risks associated with the transition to a low carbon economy, including changes in regulation and consumer behaviour.

c. **Achieving net zero and carbon negative:** Risks associated with our carbon negative ambitions and our ability to support decarbonisation across the sector.

Metrics and targets

7) a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and

8) the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.

Corporate strategy objectives, targets and milestones are set by the Executive with Board oversight. These may be augmented with additional quantitative goals set by the D&EAB or the Safety and Sustainability Director. Our metrics and targets allow us to measure our impact on the environment and monitor our performance towards meeting our strategic objectives, which align with the Paris Agreement.

The key metrics in this respect relate to service performance, net zero and physical and transition risk monitoring. These are set out in the table on page 43 together with the disclosure of Scope one, Scope two and Scope three greenhouse gas (GHG) emissions and energy use under the Streamlined Energy and Carbon Reporting (SECR) requirements.

For GHG reporting, the group uses the operational control approach, as defined by the Greenhouse Gas Protocols (Corporate Accounting and Reporting Standard, Scope two Standard, and Corporate Value Chain (Scope three) Accounting and Reporting Standard) and the ISO 14064 Standard to determine emissions attributable to our operations.

The operational control approach was chosen to provide a clear distinction between emissions that arise from operations where NATS have full control (authority to introduce and implement operating policies), versus emissions arising from activities within the value chain which NATS cannot directly control but where there could be a degree of influence.

Calculation method

Data used within the GHG emissions calculations is derived from multiple teams across the organisation and suppliers. Subject matter experts are responsible for data gathering from sources such as meter readings, invoices, travel provider reports, building occupancy and survey data. Data is collated by the sustainability team to inform internal quarterly reporting.

Scope one, two and three emissions are calculated from this data using emission factors produced annually by the UK's Department for Energy Security and Net Zero (DESNZ) and Department for Business, Energy and Industrial Strategy (BEIS). Our emissions are calculated and reported annually in line with the financial year to align with wider organisational reporting requirements. Assumptions and estimates applied to the data used for emission calculations are aligned with the requirements of the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol standards and the ISO 14064 1:2018 standard for measuring and reporting greenhouse gas emissions. Data is carefully reviewed to ensure it is complete and free of material error prior to undertaking emission calculations.

Detailed information regarding the estimations and assumptions for each emission source can be found within our annual greenhouse gas report.

Every effort is made to ensure that the data and comparisons we report are accurate. However, should more accurate data subsequently become available for prior years, based on methodological change or identification of error, we restate comparatives if it results in a change of at least 5% to the reported data. When this is done, an explanation is provided alongside the reported data.

Airspace emissions

Airspace emissions are included in Scope three Category 11 reporting (downstream use of sold goods or services) by modelling the quantum of emissions from aircraft engines in UK airspace and at airports where we provide a tower service.

We have opted to refer to the outcome of our efforts to reduce Scope three Category 11 emissions, as Scope four or avoided emissions, defined as emission reductions occurring outside an organisation's own operational boundary which are a directly attributable benefit to customers. These emissions are reported as modelled enabled emissions reductions.

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Comparative CO_2e assessments take the airspace design, annual traffic and flight trajectory data prior to the change and compare the resultant modelled CO_2e to a counterfactual that uses the same traffic sample modelled through the new airspace design and operating characteristics after the change. Airspace/ATM related CO_2e emissions data are prepared using the Eurocontrol aircraft performance fuel models and data made available by the European Organisation for the Safety of Air Navigation. The enabled reduction in emissions is reported in full in the year in which the improvement is made.

Contractual instruments

We aspire to procure 100% of our electricity from renewable sources by 2030. To support this the group procures Renewable Energy Guarantees of Origin (REGOs) to certify that electricity consumed by sites within our operational control is from renewable sources, in line with our target and as part of our strategy to reduce market-based Scope two emissions, as well as contributing to an improvement to the carbon mix of national grid electricity. In FY 2025/26 we procured 99.7% of our electricity from REGO backed energy sources, with 0.3% of electricity procurement not covered by UK backed REGOs due to consumption being out of territory. A total of 91% of our gas procurement came from low carbon biogas, supported by Renewable Gas Guarantees of Origin (RGGOs).

We also operate solar photo voltaic arrays at our Swanwick and Prestwick centres and at some remote sites. The electricity generated from these is used on site with none exported, thereby reducing our reliance on the national grid.

Targets

We have clearly defined, absolute, 1.5 degree aligned near-term science-based targets which were validated by SBTi in June 2022. These targets were developed in alignment with the SBTi Corporate Net Zero Standard, using a sectoral decarbonisation approach, and are as below.

Our targets validated by SBTi

To reduce absolute Scope one, two and three GHG emissions by 41% by 31 March 2026 against a FY 2018/19 financial year baseline.

Note: Scope three emissions covers purchased goods and services (water and data-centre use), fuel and energy related activities, upstream transportation and distribution, business travel and employee commuting.

To commit that 50% of our suppliers by spend, covering capital goods, will have science-based targets by 31 March 2026.

We achieved our near-term target to reduce the Scope one and two emissions from running our business by 41% by 31 March 2026 against a FY 2018/19 baseline, with a reduction of 42% against the baseline (2025: target 35%, achieved 34% reduction). We narrowly missed achievement of our target to reduce limited Scope three emissions by 41% against a FY 2018/19 baseline, with a reduction of 39% against the baseline (2025: target 35%, achieved 40%). We are now in the process of developing updated near-term and long-term targets for validation by Science Based Targets Initiative (SBTi) in FY 2026/27. Scope three categories included within our SBTi targets are reflective of our most material Scope three emission sources. Data limitations for Scope three, category two (capital goods) meant that this category is not included within our current Scope three SBTi reduction target. To resolve this, an engagement target was set instead to focus efforts on engaging with our suppliers to improve emissions data for incorporation in future targets. While we calculate emissions arising from Scope three, category 11, as a result of the delivery of air traffic control services, SBTi determined these to be indirect use-phase emissions which do not fall within the boundary of our science-based targets.

In addition to the above SBTi approved targets, NATS further commits to increase annual procurement of renewable electricity from 0% in FY 2018/19 to 100% by 2030. Further detail on our decarbonisation plan and report on the year's performance is detailed within our five-year Transition Plan and NATS Greenhouse Gas report on www.nats.aero.

As we develop our understanding of the physical and transition climate risks, we will continue to develop metrics and targets that provide the information the business and our stakeholders need to effectively monitor our performance and demonstrate our progress.

We maintain a range of certified ISO (or equivalent) management systems, which are externally assessed by DNV, including ISO 14001 (environment management) and ISO 14064 (GHG verification).

Supporting information

The Non-financial and Sustainability Information Statement and the environment metrics reported on page 43 have been prepared in accordance with non-financial information reporting guidance from the Task Force on Climate-related Financial Disclosures, the WRI and WBCSD GHG Protocol standards, the ISO 14064-1:2018 standard for measuring and reporting greenhouse gas emissions, Non-financial GHG information reporting guidance from the Financial Reporting Council, and the UK Government's Streamlined Energy and Carbon Reporting requirements.



Non-financial and sustainability information statement

Risk or opportunity	Time horizon	Potential impact	Mitigations in place or planned	Location
Physical risks from extreme weather events (acute risks) and changing long-term climate trends (chronic risks)				
Flooding at en route centres and airports where NATS provides a service.	Medium and long-term.	Restricted access to sites and damage to equipment impacting operational service.	Ongoing analysis of flood risk for key sites. Longer-term maintenance to improve drainage capacity and flood defences.	Upstream, Own Operations.
Storms (precipitation and lightning) at remote sites.	Short, medium and long-term.	Costs of damage to communications, radar and navigation assets and disruption to operational service.	Design tolerances reflecting projected weather impacts, planned remedial action, geographical separation of assets, layers of redundancy and back-up for critical systems.	Upstream, Own Operations.
Wind speed and gusts at remote sites.	Short, medium and long-term.	Cost of damage to or loss of a radar. Simultaneous loss of multiple assets leading to reduced operational service.		Upstream, Own Operations.
Summer extreme temperature at en route centres, airports and affecting infrastructure assets.	Short, medium and long-term.	Damage to cooling systems and equipment components leading to reduced operational service.		Upstream, Own Operations.
Thunderstorms and clear air turbulence.	Short, medium and long-term.	Disruption to ATC service performance, air traffic delay and aircraft re-routing.	ATICCC updates to airlines and airports enabling coordinated responses to potential disruption, such as re-routings or regulations to safely manage capacity. Impact of weather on ATC delay (but not 3Di) is excluded from the CAA's service incentive.	Upstream, Own Operations.
Opportunities linked to resilience against physical climate impacts				
Supporting customers with the specification and installation of airport engineering equipment.	Medium and long-term.	Additional revenue from engineering project services or solutions mitigating climate impacts to airport infrastructure (remote/digital towers).	Ongoing assessment of physical risks to customer sites and targeted commercial activities.	Own Operations.

Non-financial and sustainability information statement

Risk or opportunity	Time horizon	Potential impact	Mitigations in place or planned	Location
Transition risks				
Policy and legal: measures impacting air travel demand directly (e.g. air passenger duty, frequent flyer taxes) or indirectly (e.g. SAF mandates, carbon emission trading).	Medium and long-term.	Lower air traffic volumes and revenue than assumed by the price control. Direct demand measures having medium impact in incremental scenario and high impact in disorderly scenario. Indirect measures having high impact in both incremental and disorderly scenarios.	The price control includes an uncertainty mechanism which mitigates against the loss of revenue due to unforeseen reductions in traffic volumes from the level forecast by the economic regulator. Traffic forecasts are re-set for each price control to have regard to the anticipated demand for air travel. A coordinated industry-wide airspace modernisation that supports the sector's transition to net zero.	Upstream, Own Operations, Downstream.
Reputational: public perception of the aviation sector's impact on climate change and pace of emission reduction; or regulator and customer perception of pace of NATS contribution.	Medium and long-term.	Medium impact in all transition scenarios from a loss of revenue as consumers reduce air travel or opt for lower carbon transport. Medium impact in incremental and disorderly scenarios from higher costs of employee retention and recruitment of new talent.		Upstream, Own Operations, Downstream.
Market: capital market concerns at the pace of either the aviation sector's transition to net zero, or NATS own transition to net zero.	Medium and long-term.	Medium impact in incremental and disorderly scenarios from higher cost of funding.	Undertaking actions to facilitate the achievement of our net zero target and our carbon negative strategic objective, alongside coordinated industry-wide airspace modernisation.	Upstream.
Technology: supply-demand of renewable energy and reliance on electricity grid (power and heat).	Short, medium and long-term.	Access to clean energy alternatives drives higher cost of energy and risk of grid power outages with high impact in disorderly scenario and medium impact in incremental and orderly scenarios.	Energy avoidance and conservation measures, photovoltaic arrays at main sites reducing Scope 2 emissions and minimising exposure to electricity price fluctuations, supply prioritisation.	Upstream.
Technology: supply-demand of carbon sequestering and offsetting.	Medium and long-term.	High impact in disorderly scenario from potential increase in cost to achieve net zero and carbon negative strategic objectives.	Taking early actions in service of meeting decarbonisation targets. A price control which allows the recovery of the efficient costs of achieving decarbonisation.	Upstream.
Transition opportunities				
NATS ATC solutions offer resilience and support emission reductions.	Short, medium and long-term.	Increased revenue from solutions supporting sustainable capacity growth (Intelligent Approach), reduced airborne holding (XMAN), ground and air operations (Clarity).	Targeted commercial activities.	Own Operations.

The time horizons we have used to assess climate-related risks and opportunities are short: one to two years, medium: to 2030 and long-term: from 2030 to 2050. We have rated financial impacts of transition risks, broadly indicative of a reduction in revenue or an increase in costs, as High (£10m-£100m p.a.), Medium (£1m-£10m p.a.) and Low (<£1m p.a.).

Non-financial and sustainability information statement

Environmental performance and greenhouse gas emissions

Description	**FY 2025/26 (or CY 2025)**	FY 2024/25 (or CY 2024)
Service performance and resilience		
3Di (calendar year)***	**27.44**	28.57
Environmental performance^		
Scope one emissions (location-based tonnes CO_2e)	2,764	2,885**
Scope one emissions (market-based tonnes CO_2e)	200	187**
Scope two emissions (location-based tonnes CO_2e)	9,064	10,692**
Scope two emissions (market-based tonnes CO_2)	65	60**
Scope three categories one, three, four, six and seven emissions (tonnes CO_2e)	27,501	26,213**
Total Scope one, two and three categories one, three, four, six, seven (tonnes CO_2e) – location-based	39,329	39,789**
Scope three category 11 emissions (tonnes CO_2)	25,247,655	24,533,624
Scope four modelled enabled ATM-related CO_2 reduction in tonnes	29,717	2,876
Water supply and treatment (m^3)	48,065	48,031
Energy consumption (gas + electricity) MWh	62,655	63,215**
Transportation: owned and leased vehicle fuel consumption (as reported within Scope one) KWh	748,737	523,698**
Transportation: business travel (Scope three) from employee-owned vehicles and hire cars KWh	1,016,161	1,154,662
CO_2e intensity metrics		
Total Scope one + two emissions (location-based tonnes CO_2e)	11,828	13,576**
Total Scope one + two emissions (market-based tonnes CO_2e)	200	247**
Total Scope one + two intensity metric (location-based tonnes CO_2e per £m of revenue)	10.99	12.67**
Total Scope one + two intensity metric (market-based tonnes CO_2e per £m of revenue)	0.2	0.17**
Net zero metrics towards validated science-based target		
Percent reduction of CO_2e against 2018-19 baseline (Scope one, two and three categories one, three, four, six, seven)*	**Target: -41%** **Actual: -40%**	Target: -35% Actual: -37%
Percent change in CO_2e against 2018-19 baseline (Scope one and two emissions)*	-42%	-34%
Percent reduction of CO_2e against 2018-19 baseline (Scope three categories one, three, four, six, seven)*	-39%	-40%
Physical and transition climate risk monitoring		
Aviation Index: Percent of public that feel emission reduction should be most prioritised for improvement (calendar year)	56%	53%

^Verified to ISO 14064-1. Certificates, GHG emission methodologies and boundaries are outlined in detail in our GHG report, available at www.nats.aero/environment/library.
*Our absolute near-term science-based emission targets apply to total combined i) Scope 1 and 2 and ii) Scope 3 (categories 1, 3, 4, 6, 7) CO_2e location-based emissions by 2025/26, using a 2018-19 baseline. Scope 3 categories 1, 3, 4, 6, 7 describe GHG emissions covering purchased goods and services (water and data centre only), fuel and energy related activities, upstream transportation and distribution, business travel and employee commuting (including homeworking).
**Emissions based on restated 2024-25 data to reflect change in operational control approach, see further information on this in Section 5.2 of our GHG report, available at www.nats.aero/environment/library.
***These figures exclude non-revenue flights. The calculation under NERL's licence for CY 2025, including non-revenue flights, is 28.04 (CY 2024: 29.15).

Engaging with our stakeholders

Our stakeholders	Why are they important to us?	How we engage and have regard to their views in our decisions?
Our Customers: Airspace Users, Airports and Others	A safe ATC service is essential for airspace users and airports to which we provide our services and expertise, and for the travelling public. Their requirements are key drivers of our business plan, defining both the demand for the ATC network and the infrastructure that enables access to airspace, integration of users and the resilience required by airlines and passengers. It also determines our staffing and capital investment. We operate a joint and integrated civil military operation with the MOD and support Project Marshall.	The CFO leads a comprehensive programme of engagement and consultation with airline customers and airport stakeholders to understand their priorities and views on our service and investment proposals, before developing our price control plan for the CAA's review. We also undertake consumer research to understand passengers' priorities. A Board sub-Committee is updated on customer engagement and the development of price control plans. In the prior year we consulted the industry on NATS OpenAir, a new air traffic management service enabling an integrated airspace for both existing and new types of airspace users. NERL's licence requires a service and investment plan to be provided to airline customers and the CAA in January, with an interim update in July, outlining our service performance and investment plans. Ahead of publication, management meets with customers enabling them to question, explore and understand performance and proposed changes to our investment plans. The quality of engagement is assessed by the CAA's independent reviewer. We have two customer fora, the Operational Partnership Agreement (OPA) and Airspace Flight Efficiency Partnership (AEFP), which meet twice a year. At the OPA we obtain airline feedback on our service delivery, those factors of greatest importance to them and our measures for continuous improvement. Through AFEP we engage at both a tactical and strategic level on airline flight efficiency and smaller-scale enhancements to our airspace, as well as large scale airspace change. Through Air Traffic Incident Communication and Coordination Cell (ATICCC), we discuss operational plans ahead of disruptive events (such as named storms) and provide regular updates on network performance on the day. We seek customer feedback annually through a satisfaction survey. The CEO and Chief Operations Officer discussed preparations for summer 2026 across Europe with Eurocontrol (the network manager), airlines, airports and other stakeholders.
Employees	Our ATC service and infrastructure depends on the skill and professionalism of our employees. They make a critical difference to our success, and our investment in them protects and strengthens our safety and business culture. Most of our employees are members of trades unions.	The CEO, CFO, executive team and senior leaders have an open dialogue with trades unions and receive feedback on pay and benefits, a safe and healthy working environment, flexible working, talent development and career opportunities, and a diverse and inclusive culture. The CEO and Executive communicate regularly to employees via our intranet and to senior leaders in regular virtual meetings. The Board receives a monthly report from the CEO which includes employee relations, diversity and inclusion and other employee matters. The Board collectively seeks opportunities to engage with groups of employees. NATS operates a Just Safety culture, enabling employees to raise safety matters, and we seek feedback on a safety culture survey. We also survey employee wellbeing and maintain a whistleblowing facility. We conduct employee opinion surveys to understand how colleagues feel and where we can improve. Further details on the Board's regard to employees in its decision-making is provided below.
Government	The Government sets UK Aviation Strategy which provides a long-term vision for the industry and a framework for future ATC provision.	The CEO maintains a regular dialogue with the Department for Transport. The Government engages on aviation policy that affects NATS, including preparations for summer 2026.

Engaging with our stakeholders

Our stakeholders	Why are they important to us?	How we engage and have regard to their views in our decisions?
Regulator	The CAA is NERL's economic regulator, ensuring it provides its service and develops its infrastructure in accordance with the ATC licence. The CAA also acts as safety regulator for our airspace and airport activities, ensuring international safety standards are met. Ensuring we fulfil our licence and safety obligations and develop the business for the long-term ensures the success of the company for all our stakeholders.	As economic regulator, the CAA consults stakeholders on NERL's price control plans ahead of determining the charges, safety, service performance and capital investment targets and incentives. The consultation enables NERL to discuss the balance of service targets and incentives, risk mechanisms and financial resources. The CAA also consults the industry on new services, such as UKADS which NERL will undertake, and updates NERL's licence terms accordingly. The CAA's safety regulator oversees the safety integrity of our training, operational processes and technical systems and we receive recommendations on improvements, which we implement to ensure safety standards are met. The CAA approves changes to airspace design over the UK by reference to legal requirements including safety, environment, and user need. The CEO and CFO have engaged with the CAA and DfT on UKADS to ensure that an appropriate framework is in place to ensure success, alongside appropriate returns to NERL given the extent of external dependencies and reputational and financial risks.
Shareholders	We have four shareholders: the Crown, The Airline Group – owned by a number of UK airlines and pension funds (see note 34 to the accounts), Heathrow Airport and the employee share trust. They provide equity investment which finances our activities and enables us to invest in our ATC service and infrastructure, for which they expect a return. The employee share trust owns 5% of the company which enables employees to share in the company's long-term success.	A shareholders' meeting is usually held once a year to provide the group with an opportunity to update the shareholders on the progress of the annual business plan and long-term strategy. The Chair, CEO and CFO also meet informally with shareholders upon request. The Strategic Partnership Agreement enables shareholders to appoint representatives to the Board. Shareholders wish to see remuneration policies which drive executive management to deliver strong sustainable performance aligned with the interests of key stakeholders.
Communities and Environment	Local communities around airports expect the aviation sector to pay attention to aircraft noise, fuel and CO_2 emissions and local air quality. Our ATC service can help mitigate some environmental impacts. Society expects improvements in sustainability, and we are committed to net zero greenhouse gas emissions from our estate by 2035, being carbon negative by 2040 and being an enabler to aviation's target of net zero by 2050. We are a significant employer where our UK operations are based.	We follow the CAA's guidance on public consultation on airspace use, aircraft movements and environmental impacts. We work with communities affected by flights below 7,000ft at an early stage of any airspace change, to ensure they have a voice in airspace design. Changes mean some communities may be subject to more overflights than previously, while others are no longer overflown. Following consultation, we appraise design options before making our recommendation to the CAA. The Board is kept abreast of the public's attitude to aviation and to NATS through an annual public opinion survey conducted by Ipsos.
Lenders	Lenders provide debt finance that we repay over time and compensate by way of a commercial return. Access to debt finance is necessary to fund our business activities efficiently.	The CFO meets lenders at least annually to discuss our performance, business plan and capital investment. Lenders wish to understand the company's financial strength over the long-term, the principal risks it faces and ESG matters. The importance of these relationships was demonstrated by the appetite for NERL's £250m bond issue in the year, the refinancing of its £400m bank facility in the prior year and the debt refinancing of June 2021 which raised £1.6bn and the further £145m bond issued in March 2023.
Suppliers	Our suppliers provide goods and services to maintain and develop our operation. Working closely with them minimises risk and combines our expertise to develop innovative ATC solutions. We engage with them on ESG matters.	Our supply chain management approach involves regular and ongoing engagement with suppliers for procurement, risk management and performance measurement. We complete due diligence using industry JOSCAR methodology. We tailor engagement to critical suppliers and undertake Executive reviews, conferences and joint workshops. Our approach is an open and constructive relationship based on fair terms, good performance and high standards of conduct. We are ISO44001 accredited and hold CIPS Platinum standard of assurance.

S172 statement

Having regard to our stakeholders in Board decision-making

Section 172 (1) statement

The directors act in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so the directors have regard to the long-term success of the business, the way we work with a large number of important stakeholders and the importance of maintaining high standards of business conduct. The directors also have regard to the impact of the company's operations on the community and the environment.

The Board takes account of the views and interests of a wide range of stakeholders, when making its decisions, and balances different stakeholder perspectives (see Engaging with our stakeholders). Inevitably it is not always possible to achieve outcomes which meet the desires of all stakeholders.

How our Board and its committees operate, and the way decisions are reached, including the matters discussed during the year, are set out in the Governance section on pages 48 to 83.

Set out below are explanations of how the directors have had regard to section 172(1) in respect of employee matters and in reaching their key decisions in the year.

The Board's regard to employees in its decision-making

NATS has 5,076 employees and 142 contract staff. It is fundamentally a people-based organisation which relies on highly trained professionals to deliver a safe, resilient service to customers and the public day-to-day. Workforce-related matters are brought to the Board's attention each month and its Safety committee oversees occupational health and employee wellbeing. These provide the Board with sufficient time and depth of analysis to engage with, and have regard to, employee matters. More detail on employee matters is provided by the Responsible business statement on page 28. The main topics considered by the Board and opportunities for engagement were:

Employee engagement: the Board was briefed on the outcome of the safety culture survey, the foundation of our safety performance, and what it says about the level of understanding on safety as a priority, the recognition by individuals of their contributions to a safe operation and whether everyone feels comfortable reporting safety concerns.

The Board discussed the approach to engaging with trades unions and noted that through the year the CEO, CFO and wider Executive team gave regular briefings to employees on developments in service of the group's four strategic objectives, safety and operational performance, and listened to their views and responded to questions. This feedback enables the Board and Executive to understand better employee priorities and concerns when making decisions that affect employees.

The CFO and other members of the Executive team engaged with trades unions on a two-year pay settlement which recognised the contribution employees make to the company's performance.

Middle East conflict: the priority of the Board and Executive was for the safety of employees and their families in the region and, following regular updates on the threat level from NATS security and from the local management team, they discussed mitigating actions and contingency plans.

CFO succession and Executive appointments: the Board's Nomination Committee oversaw a number of key leadership appointments, ensuring the relevant skills and experience required for these positions.

ATCO resourcing and training (see page 14): the Board continued to support the investment in the workforce and assessed progress with training the next generation of air traffic controllers given the importance of these skills for operational resilience as air traffic volumes grow and for enabling airspace modernisation and the technical transformation of our infrastructure. The Board recognised the increased recruitment required to balance supply and demand between newly trained controllers and those expected to be retiring during NR23 and the actions underway to maximise training success rates, including the benefit of expanding the use of simulators.

Health and wellbeing: through its Safety Review Committee, the Board maintained a focus on the safety of all colleagues and employee mental health and wellbeing.

Diversity and Inclusion (D&I): D&I continued to be a Board focus. The Board has set a target for equal gender recruitment and discussed the actions being taken to attract women alongside those from diverse backgrounds. The Board also reviewed the Pay Gap report, including that for ethnicity and disability which are not currently mandatory. The CEO led sessions as part of our annual National Inclusion Week which included time set aside for employees to share their thoughts and to ask questions.

The Board's regard to wider stakeholders in its decision-making

The summaries below show how, over the course of the financial year, the Board's key decisions had regard to the long-term success of the company and to S172 (1). More detailed explanations are provided elsewhere in this report.

Focus on a safe and resilient operational service: the Board and its Safety Review Committee reviewed the Safety Plan 2035. The Board received monthly updates on safety and service performance, relative to NR23 and internal targets. The CEO and COO also briefed the Board on the feedback from a customer forum hosted by the company at Heathrow on the theme of getting ready for summer 2026.

Technology transformation programme: the Board reviewed the strategic priorities for investment in the next generation of technology and the plan for transition from legacy systems. In the prior year the Board had approved prioritising the replacement of the National Airspace System Flight Data Processor (NAS FDP) on an interim basis with the Federal Aviation Authority's En Route Automation Modernisation system (ERAM) to ensure a resilient and reliable service until the deployment of the strategic iTEC SkyNex FDP. The Board approved the initial funding of the ERAM solution.

UK Airspace Design Service (UKADS, see page 12): the Board approved the proposal by the DfT and the CAA to appoint NERL as provider of the UKADS service to design and sponsor future airspace changes. This followed an assessment of whether the CAA's airspace change process and the proposed accountabilities and responsibilities of UKADS provided the right conditions for NERL to be successful in this role for the benefit of UK, while balancing risks to shareholders.

S172 statement

Aireon: the Board considered the merits for stakeholders, including shareholders and NERL customers, of a proposal by Aireon's board to tender for sale the equity interests held by air navigation service provider investors, including NATS, and approved the proposal. The Board delegated authority to the CEO to approve the final terms of the sale.

Progress against Strategy 2040: the Board was updated on the strategy to 2040. These updates included consideration of the revenue growth objective, enabled by organisational changes and new international opportunities. Four strategic update sessions were held with the Board, covering cyber security, the 2025 safety plan, airspace modernisation and AI. In addition, the Board received papers discussing the progress NSL had made to secure forward orders and considered the risks from the conflict in the Middle East.

NR28: the Board sub-committee reviewed and challenged NERL's proposed safety and service outcomes for NR28, the CAA's proposed approach to the price control and the outcome of initial customer engagement in service of understanding priorities ahead of a second round of customer consultations in summer 2026.

Dividends: the Board considered the group's dividend policy and agreed to pay one interim dividend in the year.

Annual business plan: the Board reviewed and approved the group's budget for 2027 and the five-year business plan, aligned to the group's strategy and spanning the NR28 price control period. The Board also considered the performance relative to the NR23 price control and progress with NSL's growth strategy.

Bond issue (see page 22): the Board approved the issue of a £250m bond that further enhances NERL's liquidity and ensures an efficient long-term financing structure for the benefit of all stakeholders.

Traffic forecasting (see page 16): the Board reviewed and approved the updated internal long-term forecast to 2040 for business planning purposes. This reflected the macro-economic outlook and the DfT's Jet Zero sustainability strategy policies as of November 2025. In March 2026 the Board considered the short-term revenue impacts of airspace closures and reduced flight volumes arising from the Middle East conflict as well as its potential longer-term economic implications for the demand for air travel.

The Strategic report was approved by the Board of directors on 25 June 2026 and signed by order of the Board by:



Richard Churchill-Coleman
Secretary