

**INVESTOR REPORT FOR ARQIVA GROUP
PARENT LIMITED**

SCHEDULE 7

Twelve month period ending 30 June 2021

Date: 27th September 2021

FORM OF INVESTOR REPORT/QUARTERLY INVESTOR REPORT

To: The Issuer Security Trustee, the Rating Agencies and the Paying Agents

GENERAL OVERVIEW

Arqiva is the UK's leading enabler of digital connected solutions across the Broadcast and Utilities markets. It generates predictable earnings, supported by strong market positions, diverse revenue streams, long-life assets and long-term inflation linked contracts. The sale of the Telecoms business was successfully completed in July 2020. The Group had a contracted orderbook of £3.9bn as at 30 June 2021 for the remaining business after the Telecoms sale.

Recent developments

Media Networks

700 MHz Clearance and DTT spectrum

The final stage auction results of the 700MHz and 3.6-3.8GHz spectrum were announced by Ofcom on 27 April 2021. Ofcom showed the four major operators BT/EE, Three, Telefonica UK (O2), and Vodafone acquired all of the 200MHz available across the 700MHz and 3.6-3.8GHz bands. Subject to the 3 months notice period being triggered by the acquirors, Arqiva will continue to have the right to remain in this spectrum with its DVB-T2 multiplex until June 2022. EE has been awarded the spectrum and stated in its press release that it secured it for long-term strategic reasons and that it acknowledged that there were no handsets currently in the market to support the band. We can remain under those terms until it seeks to use the spectrum.

This will not affect Arqiva's main national multiplexes.

The main substantive works on the 700MHz Clearance project completed in August 2020. The final project completion activities continue with a project team until around October 2021. Principal site works include completion of permanent antenna works at Emley Moor, scheduled for Autumn 2021, and the removal of the temporary mast at Emley Moor in 2022. The team size continues to reduce as the project ramps down in accordance with the agreed plan, with efforts focused on commercial and financial close-out.

DTT Multiplexes

During the year the Groups signed and renewed a number of contracts which included new contracts with GB News, Sky Arts and UKTV, and renewals with Dave, Yesterday and Dave Ja Vu. These contracts mature/extend – The majority of these contracts have been extended to 2026. DTT multiplex channel utilisation has remained high finishing the year at 97%.

TV viewing on the DTT/Freeview platform has remained strong during the pandemic period as more people stayed at home. TV has provided a vital way of keeping people informed, helping with social isolation and entertainment. The wide reach of the DTT platform has been of vital national importance for delivering news and other information to the whole nation and for supporting society during the current pandemic. TV advertising, an important driver for DTT has also been showing positive trends. Media markets have been recovering and some industry sources expect TV advertising to grow in excess of 10% this year. In May, ITV reported that TV advertising trends have been positive since March and that it forecasts over 20% increase in advertising revenues for the 2021 calendar year compared to 2020.

Government (DCMS) updates

In August 2021 the DCMS published the outcome of its consultation on DTT Multiplex licences. It has allowed all national multiplexes to renew for a further period until 2034 and provides Ofcom with the powers to renew the licences until this date. The decision included a provision for Ofcom to revoke the licences on spectrum management grounds subject to 5 years notice but that this could not come into effect until 2030 at the earliest. The decision and statement demonstrate strong long-term Government support for the DTT platform.

Separately, the Government continues its ongoing strategic review of public service broadcasting. There are a number of strands to this. In June 2021 the DCMS outlined plans to consult on the sale of Channel 4 with the consultation opening in June and running until September 2021. It also announced plans to review the regulation of video on demand platforms. In July 2021 Ofcom published a set of recommendations to the

Government on the future of Public Service Media (PSM) as part of its 'Small Screen: Big Debate' review. Ofcom's report makes clear the ongoing importance of public service media and the importance of continuing to reach the widest possible audience and deliver universality. The Government is now considering these recommendations and plans to publish a white paper later this year.

Radio

Arqiva continues to play an active part in shaping the outcome of the DCMS led Radio and Audio review. It was expected that the final report would be published before Parliament's summer recess but that has now been delayed until the start of the autumn. The review will support the need to protect spectrum for Radio until at least 2030 and states there will be no analogue switch-off within this period. This is consistent with our long-term planning assumptions.

On 22nd July the DCMS published their consultation for National commercial DAB licencing. Arqiva holds an interest in both of the national commercial multiplexes: D1 licence (Arqiva 100% ownership) expiring in November 2023 and SDL (Arqiva has 40% ownership) expiring in March 2028. Arqiva will lobby to secure an automatic licence renewal to 2035.

The pandemic has underlined the public service role of both commercial radio and the BBC. Arqiva continues to deliver the levels of availability and consistency that our broadcast partners expect. The company's role in supporting the radio sector financially during the year has been recognised by Government and key stakeholders.

Customers continued to launch new stations on Arqiva's local DAB digital radio multiplexes across the country. On the Sound Digital national multiplex (a joint venture of Arqiva 40%, Bauer 30% and Wireless Group 30%) a 21st station, Boom Radio, launched in March bringing Sound Digital up to 100% occupancy. On Digital One (the national multiplex wholly owned by Arqiva) some capacity was released by a data service and, following a competitive tender, GB News has announced the launch of a radio station which will run in parallel with its new TV channel. As a result, Digital One also continues to operate at full capacity.

Advertising revenues in both the local and national sectors have continued to improve following the easing of restrictions. With the current trajectory suggesting there will be no more lockdowns and our customers revenues returning the right decision was made in March to cease any lockdown discounts and return more to normal business.

Low Earth Orbit Market

Arqiva has been developing opportunities in the Low Earth Orbit market. This is a new technology that relies on a constellation of thousands of small satellites orbiting the earth. By establishing multiple connections to multiple satellites, the technology can for example provide satellite broadband anywhere in the world. Key players are SpaceX, Blue Origin and the recent UK Government investment in OneWeb plus established satellite operators such as Telesat and ViaSat. This opportunity requires groundstations and therefore Arqiva has the capability to serve this market. The Group has now secured two customers. Contractual obligations prevent us from naming them.

Smart Utilities

New proof of concepts

Arqiva has engaged with utility customers and industry suppliers as we look to expand our presence in the utilities industry. Building on our established credibility in critical national infrastructure and security we are leveraging our relationships with existing and new utility customers by exploring a number of proof of concepts (PoCs). This includes a trial of "hybrid connectivity" services by utilising our satellite, cellular and private radio solutions. This trial with SGN is on-going. We are also continuing water product trials demonstrating both sewer level monitoring and leakage monitoring as a service. The PoCs will give our utility customers the opportunity to improve the management of their operational networks and achieve their regulatory targets.

Anglian Water

In June 2020, following a competitive procurement process, Arqiva was selected to deliver a smart metering fixed network for Anglian Water. Designed to enhance Anglian's water management capabilities, Arqiva's contract will support them on their mission to achieve leakage and consumption savings and meet Ofwat's

water leakage targets for the next five-year period and beyond. During this initial five-year period, Arqiva will deploy the fixed network infrastructure to support the operation of over three-quarters of a million (789,000 target by 2025) smart water meters across 24 planning zones. Arqiva will then operate this network for a further 15 years. Covering both household and non-household properties, the project will support Anglian Water's target planning zones including Norwich, Lincoln, Northampton and Peterborough, among others.

Anglian successfully commenced their meter rollout on 6 July 2020 which was less than one month from contract signature and as at 30 June we were providing services to over 225,000 installed meters.

Thames Water

Since April 2015, Arqiva has delivered a smart metering network that enables the collection, management and transfer of metering data for Thames Water. At 30 June 2021, there were over 540,000 meters installed and well over 12 million meter readings being delivered per day. It is currently the largest smart water metering network in the UK and has high coverage across the Thames Water London region. Recently we have installed network in the Haslemere, Guildford area which is Thames' first smart meter deployment outside London.

In April 2021 Thames Water announced this development and that by using the smart metering data it has helped to detect and prevent leaks on 28,000 customers' private supply pipes which has saved 43 million litres per day. Smart meters have helped Thames Water achieve what it described as the water industry's "biggest reduction in leakage this century" and also having hit its regulatory target.

Northumbrian Water

Following a public competitive procurement, Arqiva has been selected by Northumbrian Water Group to deliver an initial roll-out of a smart metering network in Essex, where it operates as Essex & Suffolk Water. The project will support Northumbrian Water in its commitment to deliver smart metering to customers within the current Asset Management Plan (AMP 2020-2025), as well as meeting the company's target to ensure all domestic meters are smart by 2035.

The five-year contract will see Arqiva build and monitor the fixed-network infrastructure, delivering connectivity to up to 11,000 domestic meters, replacing both meters already installed and installing new meters for unmetered supplies in empty meter chambers which have been identified. Meters are provided by Arqiva's metering partner Sensus, a Xylem brand. The network went live and installations began in May 2021.

Lessons learned from this initial implementation will be used to guide the subsequent smart-meter roll-out over the rest of Northumbrian Water Group's operating regions.

Yorkshire Water

Arqiva was selected by Yorkshire Water to deliver and monitor a smart metering fixed-network trial as part of its plans to revolutionise its leakage detection programme. This two-year exercise will see Arqiva build and monitor the fixed-network infrastructure to facilitate the operation of new smart water meters for non-household customers across 30 of Yorkshire Water's areas. Designed to facilitate real-time monitoring, the collection and presentation of frequent meter reading data provided by the service will allow Yorkshire Water to reduce demand for water by rapidly identifying leaks and helping customers understand their usage. Meter installations began in mid-May 2020 and our network went live at the end of June 2020.

Other smart water metering trials

In the Midlands, Arqiva has been participating in a multi-vendor, multi-technology smart water metering evaluation trial with a major water company. Over this period, we have again proven the excellent performance of our technology and managed service. We are extending and expanding the trial for a further 12 months, on an exclusive basis, enabling the water company to evaluate fully the benefits and establish a business case for a future full smart metering roll-out.

In May 2021, with Final Determinations announced mid July 2021, under the Government special Green Economic Recovery funding programme, OfWat has allowed significant spend for additional Smart Water Metering Programmes to be completed by April 2025. These awards have been made to Thames Water, Severn Trent Water and South West Water.

Smart energy metering rollout

The Group's smart metering communication network in the North of England and Scotland now covers 99.5% of premises. There are currently over 1 million communications hubs operating on the network representing 20% of the total UK communication hub installations. The customer, Smart DCC Ltd, (DCC), continues to

submit change requests that reflect new industry requirements, but at a reduced volume compared to the previous periods.

The Group continues to support the DCC and their users ahead of meter rollout programmes. DCC has reported that there are now c.8.5 million SMETS2 meters on the national network.

Corporate updates

COVID 19

As lockdown eases Arqiva continues to provide essential communications infrastructure for our media distribution and smart utilities networks customers. We have deployed business continuity plans as part of our operational and financial risk mitigation, to ensure the safety of our staff and the ongoing provision of services for our customers.

Measures are still in place across a number of areas including:

- Ensuring workplaces and activities conform to the Government's COVID Secure guidelines;
- Using rapid flow antigen tests for our key workers and encouraging all employees to order their own rapid flow antigen tests;
- Implementing alternative working arrangements and technology to keep our employees and contractors safe;
- Ensuring that we plan and deliver our activities in line with government alert levels;
- Ensuring regular communication with critical suppliers, identifying and managing any risks;
- Ensuring disaster recovery plans can be invoked for critical assets and systems;
- Considering risks to cyber security, which we have reviewed and further strengthened;
- Financial liquidity, which we review continually to ensure a robust position. We benefitted from the Government's VAT deferral scheme but repaid the full amount in December 2020; and
- Following the change in government guidance on 19 July 2021 the measures implemented across workplaces have been relaxed whilst seeking to ensure the safety of employees and contractors.

Management changes

On 1 March 2021, Adrian Twynning joined Arqiva as Chief of Operations. Adrian comes with significant experience of leading large-scale operations, designing systems and leading sizeable business change. Most recently Adrian was Director of Transformation at Dixons Carphone, where he implemented new IT platforms, launched a new service proposition and oversaw a programme of retail rationalisation. Previously Adrian was at British Gas where he led a 4,000 strong Field Operations team and led changes to culture, process and technology. He replaces Neil Taplin, who left the company at the end of March 2021.

Transformation update

The Transformation Programme continues to deliver to plan with several releases to the business successfully implemented in March, May and July 2021. These deliveries have provided the business with industry-leading applications and integrations across Service Management (Service Now), OSS, Asset Management (Siterra) and Financial Management (ERP) capabilities. In turn, this prepares Arqiva to be more responsive, agile and efficient in its existing day-to-day operations as well as in any future markets where it intends to compete.

Over the remainder of the 2021 calendar year, Transformation continues to deliver incremental enhancements to these applications alongside the conclusion of the Cellnex TSA Exit obligations. Whilst the original 'big 4' components should conclude delivery in the 2021 calendar year, there are further deliveries currently underway within the Utilities and Site management spaces. These are likely to spill over into the first calendar quarter of 2022.

Bilsdale Fire

On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Our engineers have worked on a three-stage recovery plan to reinstate services present on the mast.

More than 400,000 households have now had some TV services restored through utilisation of other sites and radio services (FM and DAB) have also been restored for many. Works have been completed for the

improvement of TV coverage from our Eston Nab site and an additional 15m mast has been installed at a site in Arncliffe Wood in order to extend coverage from this site to achieve this.

Phase 2 of the recovery plan involves the erection of a temporary mast at the Bilsdale site which is expected to restore the vast majority of TV services. The legal process for securing site access to build the temporary mast is in progress. The final stage will involve the provision of a permanent mast. Management are still assessing the financial impact of the incident and the assets damaged by the fire, and have engaged with the Group's insurers.

Management do not consider that the financial implications will have a material impact in the context of the loan notes.

Sale of telecoms business

The sale of the Telecoms business to Cellnex completed in July 2020 and the Group's operational and asset separation has now largely been completed. Operationally, Arqiva has been supporting Cellnex's UK business via Transitional Services Agreements (TSA) originally planned for a period of up to 18 months from the deal completion date. The majority of the TSAs have now completed, we expect the remainder to complete on or before scheduled end dates across the various areas.

Capital Expenditure

During the twelve months ended 30 June 2021 the Group incurred the following capital expenditure:

£m	12 months ended 30 June		Change
	2021	2020	
Growth Capex - contracted	43.1	70.8	(27.7)
Growth Capex – non contracted	1.4	4.0	(2.6)
Maintenance	42.6	38.3	4.3
Total Capex	87.1	113.1	(26.0)
Capital creditors/accruals	(1.0)	2.3	(3.3)
Net cash capital expenditure	86.1	115.4	(29.3)

Contracted growth capex includes spend on initiatives including the continued rollout and enhancement of our Smart Metering network, and necessary capex associated with new commercial radio engineering projects as well as the final stages of the 700MHz Clearance programme. The decrease in expenditure during the year to 30 June 2021 compared to the prior year period primarily reflects the phasing of works associated with these contracts. Expenditure on the 700 MHz Clearance programme has decreased as it reaches completion with the last two clearance activities completed in August 2020, despite the coronavirus pandemic. Further decrease is due to an ongoing IT refresh related to the Smart Metering programme which continues but with spend not repeated at the same level as last year as well as a reduction in spend on Towers following the disposal of the Telecoms business.

Non contracted growth capex at £1.4m has decreased due to one off projects in the prior year period not repeated.

Maintenance capex principally includes expenditure associated with structural projects such as mast strengthening, network transformation and IT. The expenditure has increased in the year as the Group continues to deliver its digital transformation programme.

Financing

The Group's senior debt continues to be rated at BBB (Fitch/S&P) and junior debt is rated B-/B1 (Fitch/Moody's).

Ratios

We confirm that in respect of the investor report dated xx September 2021, by reference to the most recent financial statements that we are obliged to deliver to you on a semi-annual basis in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Covenants) of the Common Terms Agreement:

- a) Historic Net Debt to EBITDA for the relevant Test Period ending on (and including) 30 June 2021 was 2.44;
- b) Historic Cashflow ICR for the relevant Test Period ending on (and including) 30 June 2021 was 5.16;
- c) Historic Cashflow DSCR for the relevant Test Period ending on (and including) 30 June 2021 was 3.03 (together with (a) and (b) above, the **Historic Ratios**);
- d) Projected Net Debt to EBITDA for the relevant Projected Test Period commencing on (but excluding) 30 June 2021 is 2.14;
- e) Projected Cashflow ICR for the relevant Projected Test Period commencing on (but excluding) 30 June 2021 is 5.60; and
- f) Projected Cashflow DSCR for the relevant Projected Test Period commencing on (but excluding) 30 June 2021 is 2.70 (together with (d) and (e) above, the **Projected Ratios**).

We confirm that:

- a) each of the above Ratios has been calculated in respect of the relevant Test Period(s) or Projected Test Period(s) or as at the relevant dates for which it is required to be calculated under the Common Terms Agreement;
- b) no Ratings Downgrade Event has occurred;
- c) no Modified Net Debt to EBITDA Ratio Breach has occurred;
- d) no Default or Trigger Event has occurred and is continuing; and
- e) the statements set out in this Investor Report are accurate in all material respects.

Current Hedging Position

We remain in compliance with hedging covenants.

Yours faithfully,



CFO

Signing without personal liability, for and on behalf of

Arqiva Financing No 1 Limited as Borrower