

ARQIVA INVESTOR REPORT FOR JUNIOR NOTES TRUSTEE

SCHEDULE 6

Three month period ending 30 September 2021

Date: 29 November 2021

QUARTERLY INVESTOR REPORT

To: The Note Trustee

GENERAL OVERVIEW

Arqiva is the UK's leading enabler of digital connected solutions across the Media Distribution and Smart Utilities markets. It generates predictable earnings, supported by strong market positions, diverse revenue streams, long-life assets and long-term inflation linked contracts. The Group had a contracted orderbook of £3.9bn as at 30 June 2021.

Recent developments

Media Distribution

700 MHz Clearance and DTT spectrum

Ofcom announced on 27 April 2021 the results of the final stage 700MHz and 3.6-3.8GHz spectrum auction. The four major mobile operators acquired all 200MHz of the available spectrum. Arqiva will continue to have the right to operate its DVB-T2 multiplex in this spectrum until June 2022, unless the mobile operators commence usage of this spectrum upon serving 3 months notice. At the current time, there is no expectation that this spectrum will be needed prior to June 2022.

The operation of Arqiva's main national multiplexes remain unaffected by this award.

The main substantive works on the 700MHz Clearance project completed in August 2020. Final project completion activities have continued until October 2021. Principal site works remaining the removal of the temporary mast at Emley Moor in 2022. Resourcing levels continue to reduce in accordance with the agreed plan, with efforts focused on finalising financial and commercial arrangements.

DTT Multiplexes

DTT multiplex channel utilisation has remained high at 97% as at the end of September 2021.

Government (DCMS) updates

In August 2021 the DCMS published the outcome of its consultation on DTT Multiplex licences stipulating that all national DTT multiplexes may be renewed for a further period until 2034, providing Ofcom with the power to renew the licences until this date. 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, which includes a number of elements. In June 2021 the DCMS outlined plans to consult on the sale of Channel 4 with the consultation closing in 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

The Government published the Radio and Audio Review in October 2021. The review supports the need to protect spectrum for Radio to 2030 and beyond with no analogue switch-off within this period.

Arqiva responded to the DCMS consultation on National commercial DAB licencing supporting an automatic licence renewal to 2035. 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. The consultation outcome is expected to be published by the end of 2021.

Both national multiplexes remain full during the quarter.. At the local radio segment, Arqiva continues to launch new services with circa 4 launched over the last quarter and more lined up to launch in the next quarter.

Whilst local advertising revenues still represent a challenge for some customers, national advertising remains strong and the sector is recovering well from the pandemic. Arqiva continues to sign analogue contract renewals, along with a number of projects to support the ongoing consolidation in commercial radio.

Low Earth Orbit Market

Arqiva continues to develop opportunities in the Low Earth Orbit market by establishing multiple connections to multiple satellites, the technology can for example provide satellite broadband anywhere in the world. Key players in this sector are SpaceX, Blue Origin and the recent UK Government investment in OneWeb plus established satellite operators such as Telesat and ViaSat. The Group has now secured two customers at the reporting date.

Smart Utilities

New proof of concepts

Arqiva has engaged with utility customers and industry suppliers as it seeks to expand its presence in the smart utilities industry. Building on Arqiva's 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 an ongoing trial, with Scotia Gas Networks, of "hybrid connectivity" services by utilising our satellite, cellular and private radio solutions. Arqiva is also continuing water product trials demonstrating both sewer level monitoring and leakage monitoring as a service. The PoCs will provide Arqiva's utility customers the opportunity to improve the management of their operational networks and achieve their regulatory targets.

Interest from all parties continues to be strong. Arqiva will have initial contract capability early in the calendar year 2022 for Hybrid Connectivity, as well as beta samples for our Sewer Level monitors. Demonstrations of the Leakage as a Service continue to be well received and Arqiva is expanding the demo to include live data allowing the Artificial Intelligence and Machine Learning capabilities to be proven.

Anglian Water

Following the award of the Anglian Water contract in June 2020, the Group has rolled out 259,000 meters by 30 September 2021 out of the overall 789,000 target by 2025 across 24 planning zones including Norwich, Lincoln, Northampton and Peterborough, among others.

Thames Water

Since April 2015, Arqiva has delivered a smart metering network for Thames Water and as at 30 September, there were over 605,000 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, Arqiva has installed a network in the Haslemere, Guildford area which is Thames Water's first smart meter deployment outside London.

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 five-year contract will see Arqiva build and monitor the fixed-network infrastructure, delivering connectivity to up to 11,000 domestic meters. The network went live in May 2021, along with the meter installation programme, to date 5,000 meters have been connected. Northumbrian Water will take the learnings from this initial phase for subsequent larger scale deployments in 2022.

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. Yorkshire Water has taken the learnings from this trial and are tendering for larger scale deployments.

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. Orders have been received for the trial extension and meters will be deployed early in 2022.

In July 2021, the Final Determinations were announced in respect of 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.

Whilst we are seeing a number of energy companies closing, their customers and obligations are being taken up by other suppliers under a pre-existing process operated by Ofgem for such eventualities. We currently envisage no impact to the smart meter rollout programme.

Corporate Update

Bilsdale Tower Fire

On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Arqiva's engineers have worked on a four-stage recovery plan to reinstate services delivered via this site. Through phases 1 and 2 of our recovery plan, around 530,000 households were returned to service. Phase 3 of the recovery plan involved the erection of a temporary mast at the Bilsdale site which went live on 13 October and restored a signal to around 95% of affected households. Subsequent additional relay sites will add more households to coverage areas, the first of which went live on at the end of October with improved coverage for a further 6,000 households. The cause of the fire remains under investigation and management are still assessing the financial impact of the incident and continue to engage with the Group's insurers.

Transformation update

The Transformation Programme continues to deliver to plan with further releases successfully implemented in the quarter. These deliveries have provided the business with industry-leading applications and integrations across Service Management (Service Now), OSS, Asset Management (Siterra) and Financial Management (Oracle ERP) capabilities. In turn, this prepares Arqiva to be more responsive, agile and

efficient through the increased use of data, automation and business intelligence in its existing day-to-day operations delivering for current and future customers.

Over the remainder of the financial period, Transformation will continue to deliver incremental enhancements to these applications, whilst this period will also see the conclusion of the Cellnex TSA Exit obligations as well as further enhancements to our Utilities and Portfolio management capabilities.

Sale of telecoms business

Following the sale of the Telecoms business to Cellnex in July 2020, 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. 14 of 23 of the TSAs have now completed. The remainder are expected to complete on or before scheduled end dates across the various areas.

Capital Expenditure

During the three months ended 30 September 2021 the Group incurred the following capital expenditure:

£m	3 months ended 30 September		Change
	2021	2020	
Growth Capex - contracted	9.3	10.9	(1.6)
Growth Capex – non contracted	0.4	0.4	-
Maintenance	8.9	9.1	(0.2)
Total Capex	18.6	20.4	(1.8)

Contracted growth capex primarily relates to the Group's major projects including the continued rollout and enhancement of our Smart Metering networks as well as capital expenditure associated with commercial radio engineering projects. The decrease in expenditure in the three month period to 30 September compared to the prior period is primarily due to the decrease in expenditure associated with the 700MHz Clearance programme with the last two clearance activities completed in August 2020.

Non contracted growth capex at £0.4m has remained consistent with the prior year period.

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

Financing

In October 2021, S&P upgraded Group's senior debt rating to BBB+ reflecting the revised business plan as well as the significant deleveraging from the sale of the telecoms business proceeds; it continues to be rated BBB by Fitch. Junior debt remains rated B-/B1 (Fitch/Moody's).

We confirm that:

- (a) no Ratings Downgrade Event has occurred;
- (b) no Default or Senior Trigger Event has occurred and is continuing; and
- (c) the statements set out in this Quarterly Investor Report are accurate in all material respects.

Current Hedging Position

We remain in compliance with hedging covenants.

Yours faithfully,



SEAN WEST

CFO

Signing without personal liability, for and on behalf of

Arqiva Broadcast Finance plc as Issuer