

**ARQIVA INVESTOR REPORT FOR JUNIOR
NOTES TRUSTEE**

SCHEDULE 6

Three month period ending 31 March 2022

Date: 27 May 2022

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

DTT Multiplexes

DTT multiplex channel utilisation remained high at 97% at the end of March 2022. A UKTV channel Drama +1 was launched whilst RT terminated during March as a result of European sanctions associated with the Ukraine conflict. A 5-year agreement was also signed with Frasers Group who launched a replacement channel Ideal World after acquiring channel assets from Ideal Shopping Direct Limited who went into administration in February.

Radio

Arqiva launched a public auction to fill the capacity on Sound Digital mux once inhabited by Union Jack and their associated national brands. There is high confidence in the market right now and many expressions of interest have already been received. Digital One mux remains full and we continue to add services to our local muxes increasing utilisation year on year.

Analogue contracts continue to be extended with a number of re-engineering programs being agreed. The output of the digital radio and audio review points to the FM platform being required for many years to come. Arqiva are working with their customers to renew contracts and ensure the platform is fit for purpose through the next decade.

Direct to Home (DTH)

Arqiva launched several SD channels for A+E Networks (following them exiting Sky's capacity) together with the launch of NBCU News. Ideal Shopping World entering administration impacted results, although this was largely mitigated by the successor, Fraser Group, entering into a longer agreement to 2027. Hochanda launched a new HD crafts channel. The news sector remains buoyant with a number of international channels seeing a UK launch.

Government (DCMS) updates

The Government continues its ongoing strategic review of public service broadcasting. In April 2022, the DCMS published a white paper which set out the Government's intended actions to support public service broadcasting. It acknowledged the ongoing importance of DTT and broadcast radio in the UK's broadcasting ecosystem and outlined that the Government would pursue regulatory reforms to create a more level playing field between broadcasters and online services. This includes introducing a new prominence regime for on-demand public service content and a new Video-on-Demand Code similar to the Broadcasting Code.

The Government also confirmed that it would pursue the privatisation and sale of Channel 4. Arqiva provides a range of services to Channel 4 including transmission through the DTT multiplex licence holder D34, DTH satellite services and also as a carriage provider of some channels on the Arqiva DTT multiplexes. The long-term contract with D34, that runs well into 2030s, combined with the fact that Channel 4 continues to rely heavily on the free to air DTT platform for viewers and its advertising income, means that we do not expect the sale of Channel 4 to have any specific immediate implications for Arqiva.

The Government has also announced its intention to review the licence fee funding model for the BBC. In April 2022, Arqiva attended an evidence-gathering session for the House of Lords inquiry on 'BBC Future Funding'. This session focused on highlighting the role played by DTT in the content market and identifying technical and operational challenges that could arise with a change from the licence fee funding model.

Low Earth Orbit Market

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

Smart Utilities Networks

Anglian Water

Following the award of the Anglian Water contract in June 2020, the Group has rolled out 315,060 meters by 31 March 2022 out of the overall 789,000 target by 2025 across 24 planning zones including Norwich, Lincoln, Northampton and Peterborough, among others. Arqiva continues to rollout the network for Anglian Water albeit the pace has slowed due to global supply chain constraints.

Thames Water

Since April 2015, Arqiva has delivered a smart metering network for Thames Water and as at 31 March 2022, there were over 748,074 meters installed and well over 17 million meter readings being delivered per day. It is the largest smart water metering network in the UK and has high coverage across the Thames Water London region. Arqiva continues to add a number of network sites outside London, adding Chiddingfold recently and Dartford currently in design for delivery later this year. In December 2021, the contract was extended for further 10 years to 2031. Arqiva continues to rollout the network for Thames Water albeit the pace has slowed due to global supply chain constraints.

Northumbrian Water

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. This initial contract of 5 years and 11k meters has now been extended to cover over 28k meters and for 15 years of service with 3 new sites. Contract was signed in May and will be followed with a formal procurement process for c. 270k meters to allow Northumbrian to meet their commitments in the current regulatory period

UK Power Networks

Arqiva has commenced the BGAN rollout for the UK Power Networks for its network monitoring with over 400 units delivered in March out of the total orders of 5000 with further orders expected later this year.

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 and 1,900 meters, 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 have now been deployed.

Arqiva is also participating in an RFI launched by Southern Water in January for 1.2m meters. We expect the next phase to launch in the autumn of 2022.

Smart energy metering rollout

The Group's smart metering communication network in the North of England and Scotland continues to cover 99.5% of premises. There are currently over 1.5 million communications hubs operating on the network representing 20% of the total UK communication hub installations. Whilst there has been an impact to communications hub deliveries, owing to global component shortages, energy companies do have a level of pre-existing stock and Arqiva continues to work with Smart DCC Ltd (DCC) to mitigate the supply risk. The DCC continues to submit change requests that reflect new industry requirements and Arqiva maintains a strong pipeline.

Adverse energy trading conditions have resulted in a number of energy companies ceasing business with their customers and obligations being taken up by other suppliers under a pre-existing process operated by Ofgem for such eventualities. Arqiva currently envisages no impact to the smart meter rollout programme now governed by rollout obligations set by Ofgem.

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. The Hybrid Connectivity Proof of Concept (PoC) with SGN has completed and will feed into their anticipated 'Strategic Connectivity' procurement exercise in the next few months.

April saw the initial launch of Arqiva's Hybrid Communications solution for PSTN replacement with the first unit being installed next month by SGN in Scotland. Customer engagement continues with a robust roadmap developed allowing us to scale and automate the quantities as well as introduce new devices to extend the addressable use cases.

Our Leakage as a Service PoC has been well received and we are now engaged in a programme of work with Thames Water to train and verify the Artificial Intelligence model. Sewer Level Monitoring PoC also has strong interest with beta samples expected in the summer.

Corporate Update

New CEO

On 10 May 2022, Arqiva announced that Shuja Khan will replace Paul Donovan as a Chief Executive Officer from 1 June 2022. Shuja has been the Chief Commercial Officer at Arqiva since January 2020 and has been central to the creation of our strategy, Vision 2031, and the development of the current operating model, as well as evolving and strengthening relationships with our key customers.

Shuja brings more than 20 years of leadership experience in the technology, media and communication sector and his industry background and demonstrable management and leadership strength will be

invaluable for the next phase of Arqiva's evolution as we concentrate our focus on ensuring Arqiva is a long-term sustainable business providing the best possible partnership to our customers as well as on simplifying our business.

Paul will work with Shuja over the coming months to ensure a smooth and orderly transition before Paul takes up a Non-Executive Director role on the Board of Directors of Arqiva Group Ltd on 1 July 2022.

Bilsdale Tower Fire

On 10 August 2021 a fire broke out at our Bilsdale transmitter site. To date, more than 98% of households have been returned to a coverage area for TV. Arqiva has been informed that its insurers have now concluded their investigations and whilst the precise findings have not been shared, Arqiva understands that the root cause of the fire has been attributed to water ingress to an electrical component connected to third-party equipment. At this stage, Arqiva is unable to comment in detail on these findings while the claims process is ongoing. Arqiva intends to provide a further update as soon as it is permitted to do so

Transformation Programme update

The Transformation Programme has continued in the period with further releases across our Site Management Platform (Siterra), Service Management (ServiceNow), and Financial Management (Oracle ERP) platforms. The programme is expected to complete this summer.

Capital Expenditure

During the nine months ended 31 March 2022 the Group incurred the following capital expenditure:

£m	9 months ended 31 March		
	2022	2021	Change
Growth Capex - contracted	21.5	30.9	(9.4)
Growth Capex – non contracted	1.0	1.3	(0.3)
Maintenance	29.0	27.5	1.5
Project Restore – Bilsdale	7.4	-	7.4
Total Capex	58.9	59.7	0.8

Contracted growth capex primarily relates to the Group's major projects including the continued rollout and enhancement of our smart energy and water metering networks as well as TV and radio engineering projects. The decrease in expenditure in the nine month period to 31 March compared to the prior period is primarily due to the planned reduction in 700MHz Clearance programme activity following the completion of major works in the prior year period and one-off radio re-engineering projects in the prior period not repeated. A reduction in smart energy metering activity is offset by an increase in water metering site build expenditure as contract rollout progresses.

Non contracted growth capex at £1.0m has remained broadly consistent with the prior year period.

Maintenance capex principally includes expenditure associated with structural projects such as mast strengthening, network transformation and IT as well as transformation costs. The expenditure has increased from the prior year period due to increases in network portfolio maintenance partially offset by a reduction in transformation expenditure following programme peak activity in the prior year period.

A further £7.4m of capital expenditure has also been incurred in the year in relation to capital works on the Bilsdale transmitter site including the erection of temporary masts and site improvements following the fire in August 2021.

Financing

Group's senior debt continues to be rated BBB+/BBB (S&P/Fitch). Junior debt remains rated B1/B- (Moody's/Fitch).

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,



CFO

Signing without personal liability, for and on behalf of

Arqiva Broadcast Finance plc as Issuer