

INVESTOR REPORT FOR ARQIVA GROUP PARENT LIMITED

SCHEDULE 7

Period ending 31 March 2024

Date: 29 May 2024

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 Media Distribution 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 Group had a contracted orderbook of £3.2bn as at 30 June 2023.

Recent developments

Media Distribution

DTT Multiplexes

The DTT platform remains fully utilised despite challenging trading conditions faced by customers. The advertising market downturn has created challenging trading conditions, however current projections suggest it will rebound in the latter part of 2024.

Radio

Both national DAB multiplexed remain fully occupied with 80% of D1 capacity being contracted to 2035 with SDL, the second national multiplex also having a large number of contracts secured until its current licence end date of 2028.

The local radio advertising market conditions that are more susceptible to economic cycles are improving and expected to return to normal by the end of 2024. This is evidenced by significant renewals having been secured out to 2035 for local DAB capacity across the 25 multiplex areas that Arqiva operates providing further certainty in revenues for the long term. In addition, 3 new pay as you go local DAB services launched by a mixture of new and existing radio brands growing their reach.

In terms of analogue radio, large FM contracts were extended to 2030 and negotiations ongoing with other large FM networks for renewals to 2030 and beyond. We continue to see disposals across the AM platform as AM listening continues to decline as expected.

Direct to Home (DTH)

At the end of the quarter the DTH platform remains close to full capacity, with large renewals being secured with Warner Bros Discovery for their TNT Sports services for 5 years and for 3 years with Sony Asia and Narrative. New channels Screen Shop TV and Rewind TV have also been signed and launch in April and May respectively. We are also getting increasing interest from broadcasters to launch Irish channel variants of their channels to target incremental advertising revenue from that market which will provide further growth opportunities.

Media Management Products

Arqplex, the Group's cloud multiplexing deployment, is in service, supporting 5 disaster recovery systems for ITV. A second customer deployment, another PSB Arqplex system has been deployed and will be in service during the next quarter.

Arqade, Arqiva's cloud-based video content exchange product launched in 2022, enables media companies to interchange their content with multiple platforms efficiently across the world. For example, we deliver all NBCU group's feeds outside the America's (45 channels) via Arqade.

Arqads, our addressable advertising solution, is powering new customer services for Sky AdSmart and development of features to support targeted advertising on Freeview is underway. Our Arqads platform hosts a portfolio of channels supporting two major media organisations more effectively monetise their channels on the Sky Platform.

There is an exciting growing pipeline of potential customers across all of these products, and we are actively bidding for a number of formal opportunities with UK and international customers. To date we have secured a number of contracts for our new Arq portfolio of products.

Government (DCMS) updates

The Government introduced a Media Bill in November 2023, with the Bill now progressed to the House of Lords. The Bill includes a range of provisions to modernise broadcasting regulation and support public service broadcasters, including measures to provide public service broadcasters with the flexibility to fulfil their remit across a range of services, provide prominence for public service broadcasters on connected devices, reduce regulatory burdens for commercial radio stations, and protect radio's position on voice-activated smart speakers. During debate and through amendments, MPs and peers highlighted the importance of protecting broadcast TV over the long-term to ensure these services remain available across the UK.

In December 2023, the Secretary of State for Culture, Media and Sport announced that the DCMS will, with support from a panel of experts, lead a review into the sustainability of the BBC's current funding model. The review aims to report to the Secretary of State by Autumn 2024. The review will not impact the current Charter, which extends until 31 December 2027, but will inform the next Charter Review, which is where decisions on the BBC's funding model will be made. Formal public consultation will be launched as part of the Charter Review itself.

Following a selection process, Ofcom appointed a new Adjudicator at the Office of the Adjudicator, Broadcast Transmission Services, which oversees Arqiva's compliance with Undertakings agreed in 2008. The new Adjudicator's role commenced in March 2024. Arqiva is engaging with the new Adjudicator to provide support and briefings, and understand the future direction envisaged for the role in line with the Undertakings.

In May 2024, Ofcom published a report on the future of TV distribution, following a request from Government for an early review of market changes impacting distribution across platforms in its 2022 Broadcasting White Paper. Ofcom's report looks at how the market could evolve over the next 10-15 years and outlines broad approaches for consideration by industry and Government on the future of TV distribution, alongside areas of further work needed to inform policymaking. Ofcom outlines the importance of the Government laying out its vision for the long-term future of free TV distribution within the next 18 months, to provide certainty to audiences and investors. Arqiva are in close dialogue with Ofcom and will engage with both Government and the regulator as this policy debate develops.

The next UK General Election has been announced for July 2024. The outcome will determine the focus and priorities for media and broadcast policy in the next parliamentary period.

Smart Utilities Networks

Regulatory Environment

Ofwat, the economic regulator of the water and wastewater sectors in England and Wales, released its price review 2024 methodology which sets out its expectations for companies 2025-2030 business plans. Ofwat outlined its support for investment in smart metering to reduce water demand, and that companies should consider smart meters that provide near real time data as the standard meter installation type.

Water companies have submitted their business plans, and Ofwat is due to release its draft determinations by June 2024, before its final determinations in December 2024. Company business plans indicate the sector could aim to rollout over 15 million advanced metering infrastructure smart meters by 2030, subject to Ofwat's final determinations.

In October 2023, the National Infrastructure Commission (NIC) released its Second National Infrastructure Assessment, which takes a 30-year view of the UK's infrastructure needs and provides recommendations to Government on how to meet these needs. The NIC recommended the Government enable water companies to implement compulsory metering and require companies to systematically roll out smart meters.

In January 2024, new research from Frontier Economics and Artesia was released highlighting the economic benefits of high-performance smart metering that delivers higher quality and quantity data, and the role of regulatory cost benchmarks set by Ofwat for price review 2024 in enabling these benefits. This research will help inform ongoing policy and regulatory discussion on smart metering. In February 2024, Arqiva also became a member of British Water, an association representing the interests of UK water and wastewater

supply chain companies, with the purpose of providing leadership and supporting best practice in the water sector. Membership provides Arqiva with opportunity to further grow its impact as a leading voice in smart utilities networks during a critical time, as companies prepare business plans for the next regulated price period.

Anglian Water

Since the award of the Anglian Water contract in June 2020, the Group has deployed over 800,000 meters. The pace of network rollout continues to accelerate with a joint plan to complete all sites, supporting 1.1m meters, before the end of the 2020-2025 regulatory period. Anglian have launched their 2025-2030 procurement process with the process conclusion expected in July 2024

Thames Water

Since April 2015, Arqiva has delivered a smart metering network for Thames Water and in January 2024 achieved delivery of 1m meters. This is the largest smart water metering network in the UK and has high coverage across the Thames Water London region. Arqiva continues to engage with Thames as they develop their plans for both London and the Thames Valley

SGN Hybrid Connectivity

Following a successful bid for the Strategic Connectivity competitive procurement exercise, Arqiva has been awarded the preferred supplier status for all three lots and will be working with SGN to conclude the contract before the end of the financial year.

Other Smart Water Metering Procurements

As anticipated a number of water companies have commenced their procurement exercise for the regulatory period of 2025~2030, we are currently engaged in these processes across a number of companies in the sector.

Beyond the Meter

Our Sewer Level Monitoring trial has continued with Anglian Water with 9 sites deployed and with positive feedback. We anticipate that new solutions for a number of use cases in line with growing public and stakeholder focus on leakage detection and sewer monitoring and we are developing solutions to meet those requirements. Other customers such as Thames, Wessex and Southern have also engaged regarding differing sensor opportunities.

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 3.1 million communications hubs operating on the network representing circa 25% of the total UK communication hub installations. Our communications hub supply chain remains stable with historic backlogs in communications hubs deliveries now cleared. Continued volatility in global energy markets combined with domestic initiatives to address the increasing need for a more flexible and data driven energy system, creates the need for considerable change and places new additional demand on our solution. A strong relationship was reflected by a fully green rating by the customer which led to a significant programme of capacity development work having been agreed with DCC. This sets a new foundation for the next 5-10 years and includes an expansion in capacity to support the additional traffic and network demands now forecasted to occur.

Corporate Update

Defined Benefit Pension Scheme

Arqiva has historically operated the Defined Benefit Pension Scheme which was closed in 2016. After the closure Group was making material cash contribution to the scheme to close the plan's deficit position. A combination of those contributions and favourable changes in the economic environment led to fund reaching a surplus position in the recent years. The scheme has therefore taken an opportunity to undertake a buy-in transaction with an insurance provider that completed in April 2024. This de-risks this pension scheme and ensures that no further contributions to the scheme will be required from the Group.

Sustainability

Arqiva continues to progress with its target to achieve net zero carbon emissions for scope 1&2 emissions by 2031 by reducing energy consumption across its broadcasting infrastructure. Other initiatives also include efficiencies in scheduling of engineering tasks to reduce miles travelled and optimisation of heating and lighting

systems in our main offices. In April 2024, the Group has commenced purchasing 100% of its remaining electricity needs from the renewable sources.

In recognition of the increasing importance of sustainability the Group has increased the size of the sustainability team by three additional heads to oversee its journey to net zero. More recently the Group has completed the EcoVadis ESG survey and was awarded a Silver rating putting Arqiva in the top 15% of participating businesses.

Britain's Healthiest Workplace

In January 2024 Arqiva was named Britain's Healthiest Workplace, in the 'large organisations' category (1000+ employees). This further demonstrates our commitment to ensuring the overall welfare of our employees.

Capital Expenditure

During the nine-month period ended 31 March 2024 the Group incurred the following capital expenditure:

£m	Nine months ended 31 March		
	2024	2023	Change
Growth Capex – contracted	18.4	18.4	(0)
Growth Capex – non contracted	7.3	0.6	6.7
Maintenance	21.1	21.3	(0.2)
Bilsdale – Project Restore	5.0	13.5	(8.5)
Total Capex	51.9	53.9	(2.0)

Contracted growth capex primarily relates to the Group's major projects including the continued rollout and enhancement of the smart energy and water metering networks and delivery of broadcast services. This is in line with prior year's expenditure.

Non-contracted growth capex has increased from the prior year period mainly due to scale-up of Media products, eg Arqplex, and systems improvement work associated with Cellnex transaction on former telecoms sites.

Maintenance capex principally includes expenditure associated with structural projects such as mast strengthening, network transformation and IT. The spent is broadly in line with prior year.

£5.0m of capital expenditure has also been incurred in the year in relation to capital works on the Bilsdale transmitter. This is significantly lower than this time last year as the site is now operational and repair works are almost complete.

Refinancing

In July 2023 the Group successfully refinanced £172m and £90m of the EIB and ITL senior debt that was due to mature in January 2024 and June 2024 respectively. The prepayments were financed by the Group issuing the amortising USPP notes of \$118m (final maturity in June 2031), followed by the 5-year £250m public bond.

Simultaneously, the Group has rebalanced its interest rate swaps portfolio to maintain compliance with the hedging covenants. In addition, to manage Group's exposure to inflation, it has entered an inflation collar transaction setting a RPI cap at c6% on the accretion paydowns associated with the index-linked swaps. Following the abovementioned refinancing, the Group's senior debt continues to be rated BBB+/BBB by S&P/Fitch.

Ratios

We confirm that in respect of the investor report dated 23 February 2024, 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) 31 December 2023 was 3.11;
- b) Historic Cashflow ICR for the relevant Test Period ending on (and including) 31 December 2023 was 4.75;
- c) Historic Cashflow DSCR for the relevant Test Period ending on (and including) 31 December 2023 was 2.75 (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) 31 December 2023 is 3.04;
- e) Projected Cashflow ICR for the relevant Projected Test Period commencing on (but excluding) 31 December 2023 is 4.46; and
- f) Projected Cashflow DSCR for the relevant Projected Test Period commencing on (but excluding) 31 December 2023 is 3.05 (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