

SCHEDULE 13

Q1 QUARTERLY INVESTOR REPORT

**ARQIVA FINANCING NO.2 LIMITED - £500,000,000 SENIOR
FACILITIES AGREEMENT DATED 19 AUGUST 2022**

Three months period ending 30 September 2022

Date: 25 November 2022

QUARTERLY INVESTOR REPORT

To: Agent

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 £3.3bn as at 30 June 2022.

Recent developments

Media Distribution

DTT Multiplexes

The three months to September 2022 saw some challenges for Digital Platforms, with sanctions leading to the early cessation and non-renewal of the RT channel and Ideal Shopping (IS) being liquidated by its private equity owners. However, platform utilisation across the last three months have seen near 100% utilisation, with new or renewed contracts signed with a number of customers including UKTV and PBS among others.

Radio

Following the successful auction of the last vacant stream of SDL national multiplex in June 2022, 1 of the 3 planned services has now been launched. The national DAB radio multiplexes are now fully utilised and is anticipated to remain so for the foreseeable future. On the local level, a significant amount of renewal work is ongoing with the major customers Global, Bauer and the BBC.

Analogue re-engineering projects continue to be rolled out along with significant investment in the DAB muxing and encoding platform which is expected to complete in early 2024.

Direct to Home (DTH)

During the quarter Arqiva signed a multi-year deal with a UK Public Service Broadcaster ("PSB), representing the first DTH deal (including satellite capacity) that has been signed with a PSB, demonstrating Arqiva's strategy of increasing its market share in the UK TV broadcast market. The services are scheduled to launch in FY24. The platform is currently utilised at over 90% and has secured deals from pipeline to be over 95% by end of 2022.

Government (DCMS) updates

In June 2022, Arqiva launched the 'Broadcast 2040+' campaign alongside a coalition of partners to secure a long-term commitment from the Government to the future of broadcast services. The campaign provides a channel to collaborate with partners on upcoming policy developments.

Our Broadcast 2040+ campaign continues to strengthen with further partners. Since June, the Children's Media Foundation and the British Broadcasting Challenge have joined the campaign. The campaign is backed by consumer research from Ipsos which highlighted the importance of broadcast services across Great Britain, including that 90% of adults want to see continued support for these services. The importance of broadcast services was also recently highlighted by viewing figures for the Queen's state funeral service in September 2022, with the Broadcasters' Audience Research Board (BARB) reporting an average audience in the UK of 26.2 million across all TV channels and that the total reach was 29.2 million viewers (not including streamed viewing).

Smart Utilities Networks

Anglian Water

Since the award of the Anglian Water contract in June 2020, the Group has rolled out over 450,000 meters out of the overall 789,000 targeted by 2025. The pace of network rollout has increased with around 37 New sites scheduled for delivery throughout the year and Anglian have recently launched a tender process for two additional regions targeting an overall deployment of 1.1m meters by the end 2025.

Thames Water

Since April 2015, Arqiva has delivered a smart metering network for Thames Water and as at 30 September 2022, over 840,000 meters have been installed, with in excess of 20 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, which included recently Chiddingfold and Guildford, with Dartford currently in design for delivery later this year. Arqiva continues to rollout the network for Thames Water albeit the pace has slowed due to global supply chain constraints.

In addition, Thames Valley have asked Arqiva to proceed with 11 site installations to enable a deployment of a further approx. 25,000 meters this year and around 108,000 by 2025. This places us in a strong position for the remainder of the Thames Valley rollout.

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 2 new sites.

UK Power Networks

Arqiva has commenced the BGAN rollout for the UK Power Networks for its network monitoring with over 900 units delivered by September out of the total orders of 5,000.

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. The trials have 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.

We have recently agreed an approach for a new trial with a southern based water company to assist in evaluating the data produced by our smart metering solution and identifying the resulting operational and financial benefits. This will take the form of a small deployment of circa 400 meters.

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 circa 2 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. Arqiva's relationship with DCC remains strong.

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 following which they have launched their 'Strategic Connectivity' procurement exercise.

Our customer side Leakage Detection PoC has been well received, we have several further developments and customers involved as this PoC evolves.

Finally, our Sewer Level Monitoring PoC trial has commenced with Anglian Water with 9 sites deployed and with positive initial feedback. The focus is now on working with our suppliers to develop a full production version of the solution for wider adoption.

Corporate Update

Bilsdale tower fire

Following the fire at our Bilsdale mast site in August 2021, our efforts have been focused on restoring coverage as quickly as possible, as well as to offer advice and practical support for our most vulnerable viewers through providing access to a call centre.

Construction of the permanent replacement mast continues to progress with the replacement mast expected to be operational by Spring 2023.

In the meantime, with the mitigation measures of the temporary tower, in-fill sites and re-pointing, some TV service has been restored to more than 99% of households in the Bilsdale area.

Arqiva continues to aid its insurers as they conduct their investigations. Precise findings have not been shared and 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.

Capital expenditure

During the three months ended 30 September 2022 the Group incurred the following capital expenditure:

£m	3 months ended 30 September		Change
	2022	2021	
Growth Capex - contracted	5.6	9.2	(3.6)
Growth Capex – non contracted	0.2	0.4	(0.2)
Maintenance	10.2	8.9	1.3
Bilsdale – Project Restore	4.6	0.1	4.5
Total Capex	20.6	18.6	2.0

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. The decrease in capital expenditure versus Q1 2021 relates to lower change activity on our Smart utilities networks as well as the completion of the substantial works of the 700 Mhz Clearance program in the previous period.

Non contracted growth capex at £0.2m 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 increased predominantly due to spend on IT portfolio as well as improvements within the operations function.

£4.6m of capital expenditure has also been incurred in the year in relation to capital works on the Bilsdale transmitter site including the rebuild of the mast following the fire in August 2021.

Financing

The Group's senior debt continues to be rated BBB+/BBB by S&P/Fitch. Junior debt rating has been removed following the redemption of public notes on 30 September 2022.

Junior debt refinancing

On 30 September Arqiva has fully redeemed the 6.75% coupon public junior notes at par funded by a combination of proceeds from the newly established £450m term loan, together with cash held on the balance sheet. This marks a further reduction in Group's leverage and demonstrates Group's a commitment to maintain a sustainable capital structure.

Yours faithfully,



SEAN WEST

CFO

Signing without personal liability, for and on behalf of

Arqiva Financing No 2 Limited as Borrower