COMPLIANCE CERTIFICATE

To: Deutsche Trustee Company Limited (the **Obligor Security Trustee**), Deutsche Trustee Company Limited (the **FinCo Security Trustee**), Deutsche Trustee Company Limited (the **Issuer Security Trustee**) and Deutsche Trustee Company Limited (the **Note Trustee**)

From: Arqiva Financing No 1 Limited (the **Borrower**)

25 February 2020

Dear Sirs

Common Terms Agreement dated 22 February 2013 between, among others, the Borrower, the Obligor Security Trustee, the FinCo Security Trustee and the Issuer Security Trustee) (the Common Terms Agreement)

Capitalised terms not defined in this certificate have the meaning given to them in the Common Terms Agreement.

1. We refer to the Common Terms Agreement. This is a Compliance Certificate.

2. We confirm that:

   (a) Historic Net Debt to EBITDA for the relevant Test Period ending on (and including) 31 December 2019 was 4.17;

   (b) Historic Cashflow ICR for the relevant Test Period ending on (and including) 31 December 2019 was 3.04;

   (c) Historic Cashflow DSCR for the relevant Test Period ending on (and including) 31 December 2019 was 2.09 (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 is 4.57;

   (e) Projected Cashflow ICR for the relevant Projected Test Period commencing on (but excluding) 31 December is 2.71; and

   (f) Projected Cashflow DSCR for the relevant Projected Test Period commencing on (but excluding) 31 December is 1.72 (together with (d) and (e) above, the **Projected Ratios**).

3. We confirm that the Historic Ratios have been calculated using the most recently available financial information required to be provided by the Obligors under Schedule 2 (Covenants) of the Common Terms Agreement and delivered together with this Compliance Certificate.

4. We confirm that all calculations and projections in respect of the Projected Ratios:

   (a) have been made on the basis of assumptions made in good faith and arrived at after due and careful consideration;

(b) are consistent and updated by reference to the most recently available financial information required to be produced by the Obligors under Schedule 2 (Covenants) of the Common Terms Agreement and delivered together with this Compliance Certificate; and

(c) are consistent with UK GAAP (insofar as UK GAAP reasonably apply to such calculations and projections) as set out in Schedule 4 hereto.

5. We set out in Schedule 2 hereto the computation of the ratios set out in the tables in Paragraph 2 above for your information.

6. We confirm that:

(a) no Default or Trigger Event has occurred and is continuing;

(b) no Modified Net Debt to EBITDA Ratio Breach has occurred;

(c) no Rating Downgrade Event has occurred;

(d) the Borrower is in compliance with the Hedging Policy;

(e) the amount standing to the credit of the Borrower Accounts and the amount of Excess Cash Flow that has been applied and/or retained (as applicable) during the most recent Test Period is nil;

(f) as at 31 December 2019, the Outstanding Principal Amount under the Borrower Loans and the Issuer/Borrower Loans and respective amounts under the Borrower Hedges and the Issuer/Borrower Hedges were as set out in Schedule 1 hereto;

(g) to the best of our knowledge the statements made in this Compliance Certificate are accurate in all material respects; and

(h)

(i) there were no material acquisition of subsidiaries, subsidiary undertakings, properties, assets, contracts or businesses by any Obligor;

(ii) there were no material subsidiary, subsidiary undertaking, property, asset, contract or business disposals by any Senior Financing Group Company;

(iii) the summary details of Restricted Payments to any Senior Group Holding Company or any other Non-Senior Financing Group Company or any Shareholder (in each case other than pursuant to or in accordance with the Obligor Transaction Documents),

in each case since the previously delivered Compliance Certificate are set out in Schedule 3 hereto.

Yours faithfully,

....

Director

....

CFO

Signing without personal liability for and on behalf of

Arqiva Financing No 1 Limited (the **Borrower**)

SCHEDULE 1

Outstanding Principal Amount under the Issuer/Borrower Loans and respective amounts under the Issuer/Borrower Hedges

Issuer / Borrower hedges				
Title	**Nominal**	**Borrower pays**	**Borrower receives**	**Maturity date**
ILS Note hedge 10yr break	235,000,000	2.75207% + RPI	2.5730%	03/04/2027
ILS Note hedge No break	163,973,684	2.93498% + RPI	2.9049%	03/04/2027
ILS Note hedge No break	515,000,000	2.94390% + RPI	2.5730%	03/04/2027
Total	**913,973,684**			

Issuer / Borrower debt			
Title	**Nominal**	**Interest accrued**	**Total**
Loan	860,666,667	-	860,666,667
Total	**860,666,667**	**-**	**860,666,667**

SCHEDULE 2

SCHEDULE 2
Compliance Certificate ratio computations

Senior Group Covenant Compliance Certificate (Financial Covenants) Calculations

Senior Net Debt to EBITDA

Calculation Period - 12 months to/from 31 December 2019	12 month backward £'000	12 month forward £'000
Senior Net Debt	2,238,129	2,292,000
EBITDA for Test Period	536,984	501,000
Senior Net Debt to EBITDA - Actual	4.17	4.57
Senior Net Debt to EBITDA - Covenant	7.50	7.50
Compliance with Senior Net Debt to EBITDA Covenant	Compliant	Compliant

Senior Cashflow Debt Service Cover Ratio

Calculation Period - 12 months to/from 31 December 2019	12 month backward £'000	12 month forward £'000
Cash Flow	499,372	433,000
Debt Service	239,025	252,000
Senior Cashflow Debt Service Cover Ratio - Actual	2.09	1.72
Senior Cashflow Debt Service Cover Ratio - Covenant	1.05	1.05
Compliance with Senior Cashflow Debt Service Cover Ratio Covenant	Compliant	Compliant

Senior Cashflow Interest Cover Ratio

Calculation Period - 12 months to/from 31 December 2019	12 month backward £'000	12 month forward £'000
Cash Flow	499,371	433,000
Net Interest Payable	164,431	160,000
Senior Cashflow Interest Cover Ratio - Actual	3.04	2.71
Senior Cashflow Interest Cover Ratio - Covenant	1.55	1.55
Compliance with Senior Cashflow Interest Cover Ratio Covenant	Compliant	Compliant

Note: 'Cash Flow' has been prepared in accordance with the definitions in the Common Terms Agreement and is derived from 'EBITDA' less maintenance capex and other deductions.

Projected covenant metrics are set out assuming no distributions are declared, however this will be reviewed after the year end results.

SCHEDULE 3

Summary details

Reference is made to the Interim Financial Report of Arqiva Broadcast Parent Limited and Arqiva Group Parent Limited (delivered in conjunction with this certificate) in connection with the recent developments regarding the business.

SCHEDULE 4

Basis of statutory financial reporting

For periods beginning on or after 1 January 2015, three new Financial Reporting Standards (FRS 100, FRS 101 and FRS 102) came into force to replace the previously existing UK Generally Accepted Accounting Practices ('old UK GAAP'). The Group prepares its financial statements in accordance with FRS 100 where the Group has chosen to adopt EU-adopted IFRS for the presentation of its group financial statements and FRS 101 for subsidiary entity statutory financial statements. The financial statements for the year ended 30 June 2016 were the first to be presented on this basis.

In accordance with the paragraph 3 (e) of the Common Terms Agreement, the Financial Covenant Ratios continue to be calculated in accordance with UK GAAP. The consolidated unaudited financial statements of the parent are converted from IFRS to new UK GAAP (FRS 101) for the purpose of input to the Financial Covenant calculations. There are no measurement differences impacting the Financial Covenant Inputs between IFRS and FRS 101.

The key differences on conversion and impact to the financial covenant inputs and ratios are explained below.

The defined terms ('Financial Covenant Inputs') used to calculate the Financial Covenant Ratios and Historic Cashflow ICR (per Schedule 2, part 3 of the Common Terms Agreement) are as follows:

- Cashflow
- Debt Service
- EBITDA
- Net Cash Flow
- Net Debt
- Net Interest Payable

The following presents the impact of the measurement differences on original transition to the extent that they relate to the Financial Covenant Inputs but have nil impact on the Covenant ratios presented in this certificate:

- **Net Debt** – The Group's statutory accounts differ to old UK GAAP in respect of the currency revaluation of the UD$ denominated debt. The impact, however, is reversed for calculating this Financial Covenant Input per paragraph (c) of the defined term as the exposure is economically hedged.
- **Net Interest Payable** – The Group's statutory accounts differ to old UK GAAP in relation to the old UK GAAP treatment of elements of derivative financial instruments (e.g. swap break costs). Each of the elements affected are excluded from the determination of this Financial Covenant Input as per the defined term paragraphs (a) to (j).

IFRS 15

IFRS 15 *Revenue for Contracts with Customers* came in to effect for the Group for the financial year ended 30 June 2019. The key impact for the Group impacting the Financial Covenant Inputs is an increase to EBITDA of £1.8m per annum as a result of a change in revenue recognition on certain contracts due to achievement of performance obligations with revenue recognised over the duration of the contract. This £1.8m increase would be excluded from EBITDA under old UK GAAP.

IFRS 16

IFRS 16 *Leases* has been implemented by the Group in the current financial year, effective from 1 July 2019. On adoption, the Group has recognised additional right-of-use assets and additional lease liabilities in relation to leases which has previously been classified as 'operating leases' and has a material impact on the financial performance and position reported for the Group. The accounting principles of IFRS 16 also apply to FRS 101 and therefore no measurement differences on conversion for the purpose of the covenants. The impact of implementing IFRS 16, does however present a material difference to EBITDA for the Group from that reported in previous reporting periods. The table below summarises the key differences between the Financial Covenants Inputs for the purposes of this certificate and old UK GAAP as reference to show the material impact the application has had on the covenants reported by the Group in the first year of adoption.

IFRS 16 has been adopted on a modified retrospective basis, from 1 July 2019, and therefore has not restated comparatives for the financial year ended 30 June 2019, as permitted under the specific transitional provisions in the standard. Therefore for the 12 month covenants to 31 December 2019 the impact of the changes is only effective on Financial Covenant Inputs for the 6 month period from 1 July 2019.

The below table shows the impact to the Financial Covenant Inputs of the adoption of UK-adopted IFRS and FRS 101 to old UK GAAP for the 12 months to 31 December 2019.

	EU – adopted IFRS and FRS 101 (as reported per covenant certificate) £'000	**Old UK GAAP £'000**	**Impact £'000**	
EBITDA	536,984	498,308	38,676	Increased EBITDA under IFRS driven by reduction in rental expense from operating leases now capitalised on the statement of financial position and revenue recognition under IFRS 15.
Net Debt	2,238,129	2,238,129	-	Net debt is unaffected by the adoption of the new standard. Although the Group's statutory accounts differ to old UK GAAP in respect of an additional £363m recognised in borrowings as lease liabilities recognised, the definition of financial indebtedness for the purposes of covenants preserves the distinction between finance leases and 'operating leases' recognised on balance sheet under IFRS 16. The Group therefore excludes the IFRS 16 lease liabilities from the net debt figure included in the financial covenant calculations resulting in no difference to old UK GAAP.

Cash Flow	499,372	460,695	38,676	Increased EBITDA under IFRS driven by reduction in rental expense from operating leases now capitalised on the statement of financial position and revenue recognition under IFRS 15.
Net Interest Payable	164,431	164,431	-	The Group's statutory accounts differ to old UK GAAP on adoption of IFRS 16 due to additional interest costs recognised on the lease liabilities held (£11.1m for the 6 months to 31 December 2019). For the purposes of covenant calculations however, this additional finance cost has been excluded from the calculations under FRS 101 as the definitions of net debt preserve the difference between operating and finance leases and therefore excluded on the same basis as the exclusion of the lease liabilities from net debt resulting in no difference in Inputs between this certificate and old UK GAAP.
Debt Service	239,025	239,025	-	The Group's statutory accounts differ to old UK GAAP on adoption of IFRS 16 due to additional interest costs recognised on the lease liabilities held (£11.1m for the 6 months to 31 December 2019). For the purposes of covenant calculations however, this additional finance cost has been excluded from the calculations under FRS 101 as the definitions of net debt preserve the difference between operating and finance leases and therefore excluded on the same basis as the exclusion of the lease liabilities from net debt resulting in no difference in Inputs between this certificate and old UK GAAP.

Consequently the Financial Covenant Ratios would be presented as follows under each permissible reporting framework:

	At 31 December	
	EU – adopted IFRS and FRS 101 (as reported per covenant certificate) £'000	**Old UK GAAP £'000**
Historic Net Debt to EBITDA	4.17	4.49
Historic Cashflow ICR	3.04	2.80
Historic Cashflow DSCR	2.09	1.93

The impact to EBITDA and covenants of IFRS 16 adoption is not expected to be material following the proposed disposal of the telecommunications towers business as disclosed in the financial statements. The telecommunications towers business accounts for £60.3m of the Group EBITDA of £265.6m for the 6 month period ended 31 December 2019, but includes over two thirds of the EBITDA impact from adoption of IFRS 16.