

SCHEDULE 13

Q3 QUARTERLY INVESTOR REPORT

**ARQIVA FINANCING NO.2 LIMITED - £520,000,000 SENIOR
FACILITIES AGREEMENT DATED 19 AUGUST 2022**

Nine-month period ending 31 March 2023

Date: 30 May 2023

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 platform remained fully utilised in the three months to March 2023 following the launch of That's 60s which replaced a channel which left the UK market. We continue to see high utilisation of our multiplexes in the future.

Radio

Both SDL and D1, whilst having been fully contracted since last June 2022, now have all services launched, meaning these are fully utilised. The local radio muxes Arqiva operates has risen to an average 83% occupancy with significant renewal activity with the BBC, Global and Bauer ongoing. The DAB platform now delivers over 43% of all radio listening. In the past quarter Arqiva has onboarded a number of new channels to DAB services such as Gr8 British radio and The Lounge. We are in discussion with a number of other services and we expect occupancy to grow over the coming months.

The industry is moving towards a gradual AM switch-off and we expect more investment in DAB as this occurs. FM revenues hold strong but are relatively static as all spectrum is already in use however a number of re-engineering and upgrade projects for many commercial players are still driving new business.

Direct to Home (DTH)

Earlier this year 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.

During the quarter, Arqiva signed 2 new HD channels with DAZN which launched in April 2023. This means that Arqiva has successfully secured all 5 HD channels that have launched into market last year, bringing the platform to full utilisation. There is also a strong pipeline of opportunities to fill up capacity when it is freed up following the multiplex upgrade later in the year.

Media Management Products

Arqplex, (the Group's first customer cloud multiplexing deployment) is in build, supporting 5 disaster recovery systems for ITV. The automation and orchestration services at the heart of this solution were demonstrated at NAB in Las Vegas with very positive feedback from international broadcasters and platform operators. A second customer deployment, Paramount has been agreed and will be live in the next 12 months and should lead to more systems for the same customer.

Arqade, (Arqiva's cloud-based television content exchange product) launched earlier in 2022. Arqade enables media companies to interchange their content with multiple platforms efficiently across the world through cloud technology. During the quarter, Arqade has been continuing to gain traction in the market. The value of integration with traditional broadcast infrastructure such as fibre networks and teleports has led to immediate service deliveries for the likes of beIN.

During the quarter, the Arqade platform was utilised to deliver feeds for the NBC Universal group to Amazon Prime France, Foxtel Australia and Sky New Zealand. A pipeline of opportunities is being built with other linear channel operators and the sports market.

Government (DCMS) updates

In June 2022, the 'Broadcast 2040+' campaign was launched by a coalition of organisations including Arqiva, with the aim of securing a long-term commitment from the Government to the future of broadcast services. The campaign provides a channel for supporting organisations to collaborate on policy developments and has attracted media coverage and engagement from members of parliament.

The Government has reiterated its view that millions of households rely on DTT and it expects this to continue over the next decade. The Government has also stated its preference for 'no change' to broadcasting's spectrum allocation ahead of the next World Radiocommunication Conference in November 2023, where nations come together to agree how spectrum is allocated to different technologies and services.

Smart Utilities Networks

Regulatory Environment

The water sector regulator Ofwat has finalised its price review 2024 methodology, which sets out expectations for water companies 2025-2030 business plans. Ofwat outlined that it expects companies to embrace opportunities to improve performance through smart technology, that the regulator will support investment in smart metering and that smart metering is likely to be a part of 'least regret' best value programmes to reduce leakage. Ofwat further outlined that companies should consider smart meters that provide near real time data as the standard meter installation type and Government has indicated support for smart metering, outlining in its Environmental Improvement Plan 2023 that it was exploring policy options to increase smart metering through accelerated investment through to 2030.

Arqiva has taken an active part in consultation processes informing water companies final business plans for 2025-2030, highlighting the benefits of accelerated investment in smart metering. This includes contributing to consultations on the price review 2024 methodology, Ofwat's proposals to accelerate smart metering programmes, and draft water resource management plans. Arqiva will continue to engage in consultation processes shaping water companies' business plans for the next regulated price period.

Anglian Water

Since the award of the Anglian Water contract in June 2020, the Group has rolled out over 570,000 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 awarded two additional regions targeting an overall deployment of 1.1m meters by the end 2025. Device deliveries continue to improve from 15k per month in Q3 CY22 to 40k per month for the forthcoming quarter.

Thames Water

Since April 2015, Arqiva has delivered a smart metering network for Thames Water and as at 31 March 2023, over 889,000 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, with 5 new sites ordered for delivery this calendar year in the Thames Valley region. Arqiva continues to rollout the network for Thames Water and is increasing device deliveries in the second quarter of this year.

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. The increase in meter supply is specifically to support the additional demands of the rollout into Thames Valley.

Northumbrian Water

Arqiva has delivered an expanded network to Northumbrian in south Essex, where it operates as Essex & Suffolk Water. A further 29k devices are currently being procured bringing the total under contract to 68k. A formal procurement exercise for the whole of the Essex and Suffolk region is under way and we submitted our RFP response in May.

UK Power Networks

Arqiva has continued the BGAN rollout for the UK Power Networks for its network monitoring with over 1,600 units delivered by the end of March out of the total orders of 5,000.

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 in July. Early procurement of critical equipment and services expected to conclude in June.

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, 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. This includes our Customer Side Leakage detection tool recently developed.

A contract was signed with SES Water to assist in evaluating the data produced by our smart metering solution and identifying the resulting operational and financial benefits. This has now been expanded from c. 400 meters to over 1,000 meters and includes both Customer Side Leakage Detection and Customer Engagement tools.

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 2.4 million communications hubs operating on the network representing 20% of the total UK communication hub installations. We continue to see a sustained improvement in the supply chain as evidenced by increased communications hub deliveries since December and are working closely with our suppliers and the DCC to support the programme rollout. We maintain a strong pipeline of change requests submitted by the DCC reflecting new industry requirements and we are working with the DCC on proposals to expand the services required to support these changes.

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. Our customer side Leakage Detection PoC has been well received, we have several further developments and customers involved as this PoC evolves. Our Sewer Level Monitoring trial has continued with Anglian Water with 9 sites deployed and with positive initial feedback, these have been upgraded to representative production standard items and we are engaged in a competitive bid process to supply c. 20k devices over the next two years.

Corporate Update

Bilsdale Mast Fire

The new 300m+ mast at Bilsdale, which replaced the mast irreparably damaged by a fire in August 2021, began transmitting television services on 22 May 2023. Additional services hosted at the site, including radio and mobile network services, will be added in the coming months.

The Group has submitted a claim to its insurance provider in respect of its liability to such penalties and costs and expects that the insurance proceeds will be sufficient to cover some but not all of the liability and costs. The claims process is ongoing at the time of reporting,

In May 2023, the BBC issued proceedings against Arqiva claiming service and other credits alleged to be due to the BBC under its contracts with Arqiva, owing to the loss of service occasioned by the fire at the Bilsdale mast in August 2021. The amount claimed is c.£22.3m. The Group has taken legal advice and is defending the claim.

Appointment of Executive Directors

On 01 February 2023, Arqiva announced the appointment of Mike Smith to the role of Executive Director, Smart Utilities Networks. Mike joined Arqiva from Virgin Media O2.

On 24 May 2023, Arqiva also announced that Dom Wedgwood has been appointed Chief Technology Officer, with effect from 01 June 2023. Dom joins from DAZN Group, where he was SVP Broadcast Technology.

Both appointees sit on Arqiva's Executive Committee, reporting to CEO Shuja Khan.

Capital expenditure

During the nine months ended 31 March 2023 the Group incurred the following capital expenditure:

£m	9 months ended 31 March		Change
	2023	2022	
Growth Capex – contracted	18.4	21.5	(3.1)
Growth Capex – non contracted	0.6	1.0	(0.4)
Maintenance	21.3	29.0	(7.7)
Bilsdale – Project Restore	13.5	7.4	6.1
Total Capex	53.8	58.9	(4.1)

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 2022 relates to lower change activity on our Smart Utilities Networks and one-off IT refresh activity in the prior period not repeated as well as the completion of the substantial works of the 700 Mhz Clearance program in the previous period.

Non contracted growth capex at £0.6m 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 decreased predominantly due to spend on transformation in line with programme progression as well as network portfolio costs incurred on new products in the prior year not repeated.

£13.5m 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 permanent mast following the fire in August 2021.

Financing

The Group's senior debt continues to be rated BBB+/BBB by S&P/Fitch.

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