

SCHEDULE 7

FORM OF INVESTOR REPORT/QUARTERLY INVESTOR REPORT

Template for Investor Report

To: The Issuer Security Trustee, the Rating Agencies and the Paying Agents

General Overview

Arqiva is one of the UK's leading communications infrastructure and media services providers. With significant investments in essential communications infrastructure, the Group is the leading independent telecom towers operator and the sole terrestrial broadcast network provider in the UK. The Group's core infrastructure business (comprising terrestrial broadcast, digital platforms, wireless site-share, smart metering and satellite infrastructure) generates predictable operating profits, supported by strong market positions, diverse revenue streams and long-life assets. A significant proportion of the Group's revenues come from long-term inflation-linked contracts. The Group had a contracted orderbook of £5.5bn as at 30 June 2017.

The Group enjoys the following key competitive advantages:

- regulated position as the sole UK national provider of network access ('NA') and managed transmission services ('MTS') for terrestrial television broadcasting, the most popular television broadcast platform in the UK in terms of platform take-up. The Group owns and operates all the television transmission towers used for digital terrestrial television ('DTT') broadcasting in the UK and has long-term contracts with public service broadcaster ('PSB') customers (who depend on the Group to meet the obligations under their licences to provide coverage to 98.5% of the UK population) as well as with commercial broadcasters;
- market leader for commercial spectrum used for the transmission of DTT, owning two of the three main national commercial Multiplexes. The Group owns a further two High Definition ('HD') capable DTT (DVB-T2) Multiplexes for additional services on Freeview and DTT related platforms in the DVB-T2 format. DTT video streams in the UK are more valuable to broadcasters than either satellite or cable video streams, due to DTT's extensive viewer coverage, uptake and the more limited number of commercial channels;
- regulated position as the leading UK national provider of NA and MTS for radio broadcasting. The Group provides NA for 100% of the analogue and DAB digital radio transmission market in the UK and 90% for MTS. Arqiva is also the operator of both national commercial digital radio multiplexes and holds 25 of the UK's 56 local radio licences as at 30 September 2017;
- largest independent provider of wireless tower sites in the UK, with c. 8,000 active licensed sites (including contractual options) with particular prominence in rural and suburban areas. These are licensed to Mobile Network Operators ('MNOs') and other wireless network operators. In addition Arqiva is a provider of installation services for MNOs, in order to meet national coverage obligations stipulated by their spectrum licences;
- access to c. 350,000 municipal street furniture sites for the provision of Small Cells and commercial wireless networks in 14 London boroughs and 3 UK cities including Manchester, Medway and Southampton. The Group also has a leading position in providing neutral host In-Building Solutions and Distributed Antenna Systems (DAS), with 46 systems installed in locations including Canary Wharf, Selfridges and Bluewater;
- a leading provider of smart metering and M2M communications. Contracts include: supply of smart metering communication services in Northern England and Scotland for electricity and gas to approximately 9.3 million premises; smart water metering network for Thames Water

that is expected to cover 3 million homes once fully deployed, and a trial contract with Anglian Water for smart water metering deployment;

- largest owner of independent satellite uplink infrastructure and satellite distribution services in the UK. The Group is the market leader in the managed proposition market, with an estimated outsourced market share of approximately 51% of fully managed channels as of 30 September 2017; and
- a significant proportion of revenue from long-term contracts enjoys automatic RPI-linked increases.

Historic Business Developments

Terrestrial Broadcast

Digital radio (DAB) rollout

The Group has completed the DAB rollout programme for the BBC as part of the New Radio Agreement. On 18 September the final DAB site of the current programme was brought in to service, completing the rollout of 164 new transmitters for the BBC. The UK national DAB network now covers more than 97% of the population.

The Group is also progressing with the delivery of Commercial local DAB. The programme is part of an initiative to meet the local DAB coverage threshold of 90% set by the UK Government in 2010 which was achieved by the end of September 2016 with the completion of 185 new sites. In total Arqiva is delivering new transmitters or upgrades at 221 sites and as at 30 September 2017 work had been completed at 215. The final sites for this phase will be completed during autumn 2017 taking local DAB coverage to over 91%.

Arqiva's DAB Multiplexes have continued to show high utilisation levels due to strong uptake of DAB radio listening and radio sets. Overall digital listening across all platforms reached 49% during 2017. DAB continues to grow and is the biggest digital platform, accounting for 71% of all digital listening. The percentage of adults owning a DAB set in the home has increased from 39% in 2011 to 60% in 2017.

700 MHz Clearance and DTT spectrum

The DTT platform currently uses spectrum in the 470-790 MHz bands. Ofcom and industry stakeholders are implementing plans to clear the 700MHz band (694 MHz to 790 MHz) of DTT use so that it can be auctioned for use by the mobile network providers. This is a change that will be adopted across Europe, Africa, the Middle East and central Asia.

The Group is contracted with the major broadcasters and Ofcom for the delivery of the programme. Arqiva is responsible for the spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. The programme delivery is progressing and Arqiva continues to earn revenues and generate cashflows. In October 2017, Ofcom published a review stating that the programme is on track to meet their target for completion in Q2 2020. The programme remains on schedule with a significant amount of infrastructure modification works now taking place on sites.

Telecoms & M2M

5G and small cells opportunities

In July 2017, Arqiva announced its acquisition of an additional 28GHz spectrum licence from intelligent managed services provider, Luminet. The licence for 2x 112MHz covers Central and Greater London and bolsters Arqiva's existing nationwide spectrum band ownership. The 28GHz spectrum band is the standard band used for 5G connectivity trials in the USA, Japan and South Korea focused on Fixed Wireless Access (FWA).

In July 2017, in central London, Arqiva and Samsung Electronics launched the first field trial of 5G FWA 28GHz technology in the UK and Europe. The technology is powered by Samsung's 5G network solution and customer premises equipment (CPE), and uses 28GHz millimetre wave (mmWave) spectrum. The primary aim of the trial is to demonstrate the stability of the FWA service, and its potential as a fast-to-market and cost-effective complement to fibre to the premise connectivity for homes and SME businesses. The system has established a stable two-way mmWave link with downlink speeds of around 1Gbps. Allowing for simultaneous streaming of more than 25 UHD 4K TV channels as an illustration, this more than meets the needs of today's typical household with considerable room for future growth.. The Group continues to explore the potential commercial opportunities for FWA.

The Group also continues to develop its outdoor small cells proposition. Arqiva's solution hosts MNO owned small cells on street infrastructure to provide street level network capacity in dense urban locations. The Group has received its first commercial order and is close to securing a further commercial contract in the near term. To drive value, Arqiva is also developing initiatives to explore how to make deployment easier and cheaper to drive additional scale into the market.

Arqiva is fully committed and well-placed to support the UK in its efforts to become 5G ready.

Smart energy metering rollout

Arqiva has been building a smart metering communication network in the North of England and Scotland as part of a 15-year contract signed in September 2013 with the Data and Communications Company (the 'DCC', a body licensed by statute and backed by the utility companies).

The DCC Service has been operational throughout Great Britain since November 2016 ('go-live'). The Arqiva network is successfully transmitting and receiving messages between DCC users (the energy companies), and consumer electricity and gas meters. Early-life support to DCC users with their meter installation pilots is continuing on the 'live' network. The Dual Band Communications Hub project is making good progress and Arqiva's solution has been aligned to the Industry home area network coverage objectives set by the Government. The rollout of the Arqiva network continues to evolve and covers 93% of premises in line with our contractual commitments.

Smart water metering rollout – Thames Water

In March 2015, Arqiva signed a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data. The contract is for an initial six-year term that is extendable up to a total of sixteen years. The service is expected to cover 3 million homes once fully deployed.

The live service is delivering in excess of 4 million meter readings per day and there are now over 230,000 meters installed, an increase of circa 35,000 since the previous financial report. Following the excellent results achieved to date, Thames Water has taken the decision to accelerate the smart metering network deployment in order to realise the benefits of extended coverage several years earlier than originally planned. Arqiva is now targeting full network coverage across London by the end of 2018.

Smart water metering trial contract wins – Anglian Water

In July 2016, Arqiva won a four year contract with Anglian Water for the delivery and monitoring of a smart water metering fixed network trial for the deployment and operation of 7,500 new water meters in Newmarket, Suffolk. With the coverage network build complete, the trial went live in December 2016. To date over 5,600 smart water meters have been installed.

In August 2017, Arqiva won a second contract with Anglian Water for another region also for the delivery and monitoring of a smart water metering fixed network trial following a competitive tender. The three year contract requires the deployment and operation of network sites to support 12,000 new water meters.

Both of these trials are part of Anglian Water's plans for a long-term smart metering programme.

4G rollout

The four Mobile Network Operators ('MNOs') continue to increase their 4G network coverage and Arqiva has been undertaking large volumes of antenna and feeder upgrade projects to facilitate this. The Group had completed 7,161 4G equipment upgrades across Arqiva sites up to 30th September 2017 since rollout began in 2014. Installation Services supports the Group's towers business where activity has been ramping up as the MNOs leverage Arqiva's estate and capability to help them achieve their 4G coverage requirements.

Bluewater Distributed Antenna System (DAS)

In July 2017, Arqiva announced a partnership with Landsec, the UK's largest commercial Real Estate company, to deliver 4G connectivity to Bluewater, one of Europe's leading retail and leisure destinations. Existing 2G and 3G mobile systems will also be replaced in the overhaul, which will ensure improved and extended mobile coverage and capacity on-site for retailers and enhance the experience for guests. The deployment, which marks the beginning of a 15 year agreement between both parties, will see Arqiva replace Bluewater's existing mobile coverage systems with a brand new 2G/3G/4G, five-band in-building system, providing services for all UK mobile network operators (MNOs). The DAS will extend mobile coverage into Bluewater's anchor stores and connect 11 remote unit locations throughout Bluewater to an Arqiva master unit located on-site.

Other

'FutureFit'

The Group's company-wide transformation programme, 'FutureFit', continues to progress and deliver savings. As seen in the financial results for the three month period to September 2017, the Group's year on year EBITDA growth of 13% was greater than the revenue growth of 3%. Through this transformation programme Arqiva will streamline and standardise its processes, modernise IT systems and achieve significant cost efficiencies and savings. The programme is driving the following initiatives:

- Review of operational end-to-end processes across the business followed by a transformation of IT systems aimed to deliver improvements in operational efficiency, eliminate waste and deliver improvements in customer services; and
- Cost reductions in spending on third party suppliers in all areas, with the target of delivering gross savings of c.£60m per annum by 2020. The Group is reviewing all areas of spend and progressing with a number of actions; consolidating demand across the Group to ensure best prices, re-negotiating supplier contracts, reducing spare capacity and wherever possible eliminating spend through process optimisation activities.

Good progress is being made to advance further initiatives to deliver future savings. Key developments to date include the elimination of excess satellite transponder capacity; a reduction in leased line costs; property related cost savings and cost reductions in a number of other operating cost areas.

Shareholder strategic review

Since early 2017, Arqiva's shareholders have been jointly undertaking a strategic review of their investment in Arqiva. On 23 October 2017, Arqiva announced its intention to proceed with an initial public offering ("IPO"), however the Board and shareholders subsequently announced on 3 November

Interest rate swaps

£1,023.5m of floating rate debt is now hedged via four tranches of IRS contracted by AF1. These swaps have no break clauses and maturity dates are co-terminus with the underlying floating rate debt instrument's repayment profile.

Cross Currency Swaps

AF1 has entered into US\$ 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar tranche of the Private Placement at an exchange rate of US\$1.52:£1.

Swap Options

Following their close-out in November 2016, the Group no longer holds any swap options (2016: £353.2m notional principal).

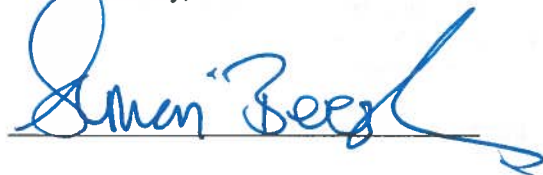
Fair value measurement

The credit risk-adjusted fair value of the outstanding swaps at 30 September 2017 is a liability of £1,184.1m. This comprises £842.0m in relation to the RPI linked swaps (including principal accretion of £19.5m (2016: £13.0m)), £364.2m in relation to the IRS, and a £22.1m asset in relation to the cross currency swaps (2016: liability of £1,289.4m).

Acquisitions and Disposals

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. The results of the disposal are not material to the Group's financial statements.

Yours faithfully,



Director

Signing without personal liability, for and on behalf of

Arqiva Financing No 1 Limited as Borrower

that it would postpone this due to uncertain IPO market conditions as pursuing such a listing in this period was not in the interests of the Company nor its stakeholders, and they will revisit this once IPO market conditions improve.

Maintenance Capex Expenditure

Maintenance capital expenditure is incurred on the maintenance of site infrastructure and the IT estate. This totaled £6.3m (up from £5.2m in the prior year period) and principally included significant IT upgrades and structural projects such as mast strengthening.

Growth Capex Expenditure

Contracted growth spend is capital expenditure that is incurred to deliver revenues which is supported by a signed customer contract. This totaled £39.8m compared with the prior year period of £33.5m with the period on period increase primarily due increased expenditure in significant capital projects including 700MHz clearance programme and the Group's smart energy metering contract. Non-contracted growth is capital expenditure that is incurred to deliver revenues and which is supported by a business case but on which there is no signed customer contract at the time at which it is incurred and reported. In the current period this totalled £1.2m compared with the prior year period of £1.7m.

Financing

Off-Balance Sheet Arrangements

The Group does not, and has not used off-balance sheet special purpose vehicles or similar financing arrangements on an historical basis. In addition, the Group has not had and does not have off-balance sheet arrangements with any of its affiliates.

The Group uses interest rate swaps ('IRS'), Inflation Linked Swaps ('ILS') and cross-currency swaps to reduce its exposure to fluctuations in variable interest rates on its debt and currency movements on its US dollar debt. Receipts, payments and accreting liabilities on interest rate and inflation swaps are recognised on an accruals basis, over the life of the instrument, as part of the carrying value of the instrument.

Amounts received and paid under the swaps are shown at net value under financing costs, where they are part of the same legal agreement and settled at net value in practice. Accreting liabilities on ILS are incorporated into the fair value measurement of the instrument.

The Group also utilises forward contracts to hedge certain trade-related foreign currency transactions, however there were no trades in place at the reporting date.

The fair value is calculated using a credit risk-adjusted discount rate and therefore incorporates a debit valuation adjustment (or credit valuation adjustment) as required. The changes in the fair value of such derivatives are recognised within the income statement as an 'other gain or loss'.

Inflation linked swaps

£1,312.5m of fixed rate debt is hedged via three classes of ILS which either directly or via overlay swaps, fix interest and cause it to be indexed to RPI. These swaps have been structured such that the accretion is paid down annually. Only one small tranche of these swaps has a mandatory break clause in 2023, whilst the remaining tranches are break-free.

The maturity date for all three classes of ILS is April 2027.