SCHEDULE 7

FORM OF INVESTOR REPORT/QUARTERLY INVESTOR REPORT

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

General Overview

The Group is the UK’s national provider of essential terrestrial television and radio broadcast infrastructure as well as a key provider of communications services to major distributors of media, wireless voice and data services in the UK. More recently the Group has won major contracts for Smart networks as demand for machine-to-machine connectivity grows. The Group’s core towers business (comprising terrestrial broadcast and wireless site share infrastructure) generates predictable operating profits (which management estimates constituted circa two-thirds of the Group’s gross profits for the year ended 30 June 2014), supported by strong market positions, diverse revenue streams, long-life assets and a significant proportion of revenues coming from long term contracts.

The Group has the following key competitive positions:

- 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. The Group owns and operates all 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. The Group upgraded the UK’s DTT network through the £600m digital switchover (‘DSO’), which it completed within budget and on schedule in October 2012;

- regulated position as the sole UK national provider of network access (‘NA’) and managed transmission services (‘MTS’) for radio broadcasting, ownership of over 90% of the radio transmission towers for terrestrial broadcasting in the UK and operator of the sole, existing national commercial digital radio Multiplex and, as at 31 March 2015, 25 of the 56 local radio Multiplexes. In March 2015, Sound Digital, a consortium of Arqiva (40%), Bauer and UTV Media GB won the 12 year licence to operate the second national DAB Multiplex;

- largest independent provider of wireless tower sites in the UK, which are licensed to Mobile Network Operators (‘MNOs’) and other wireless network operators, with approximately 25% of the total active licensed macrocell site market as at 31 March 2015. Arqiva’s wireless towers are vital for MNOs to meet their national coverage obligations;

- sole provider for smart metering communication services in Northern England and Scotland to provide a network to connect smart meters to DCC Systems (Data and Communications Company, a body licensed by statute) for approximately 9.3 million homes. Building on the success securing the smart metering communication services contract, Arqiva signed a smart water contract with Thames Water in March 2015 and continues to explore opportunities in machine-to-machine markets. In April 2014 Arqiva announced the signature of a partnership deal with SIGFOX, a leading international Internet of Things (‘IoT’) business, and has begun the construction of low-power, low-bandwidth IoT network using SIGFOX technology covering the top 10 cities in the UK;

- largest owner of independent satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels uplinked for UK Direct-to-Home (‘DTH’) satellite broadcast that serves as an alternative for customers who do not wish to use Sky’s uplinking services or who choose to use Arqiva as an uplink provider to their own UK DTH
satellite capacity. The Group has over 40% market share in terms of the number of transponders accessed from their uplink infrastructure as at 31 March 2015;

- one of the largest providers of WiFi in the UK with circa 27,000 deployed access points, and provision of WiFi services in 34 airports and 10 London boroughs; and

- market leader for commercial spectrum used for transmission of digital terrestrial television (‘DTT’), owning two of the three main national commercial Multiplexes (out of a total of six) plus two new High Definition (‘HD’) capable DTT (DVBT2) Multiplexes (for additional High Definition/Standard Definition (‘SD’) services on Freeview in the DVBT2 format – i.e. Freeview HD compatible sets). DTT video streams in the UK are more valuable to broadcasters than either satellite and cable video streams, due to DTT’s extensive viewer coverage and more limited supply of commercial channels as compared to approximately 260 channels on cable and 700 on satellite;

- a significant proportion of revenue from long-term contracts with automatic RPI-linked increases.

### Historic business developments

#### Contracted orderbook update

As at 31 December 2014, the Group’s contracted orderbook value was £6.2bn. For the period from 1 January 2015 this was an increase of £0.5bn compared to the orderbook reported for the same period as at 30 June 2014. The principle reasons for the increase were new contract wins across Digital Platforms, Telecoms, Terrestrial Broadcast and Satellite and Media. The increase in the orderbook improves Arqiva’s visibility of earnings and will underpin revenue growth over the next 2-3 years.

#### Smart metering rollout progress

Arqiva is building a smart metering communication network as part of a 15-year contract signed in September 2013 with the Data and Communications Company (the DCC, a body licensed by statute).

The Group has consistently met its contracted milestones on time and to the required standard. Much of the infrastructure needed has already been built and the programme has now entered a phase of pre-integrated testing of the Arqiva solution. Network coverage for the service has reached 40% of the target population allowing Arqiva to recognise revenues and initiate billing. Coverage and billing will gradually increase as rollout progresses. The programme is on track to achieve 80% by the time the DCC service is operationally live in 2016.

In the nine months ended 31 March 2015 the Group recognised £16.4m revenues relating to project management services provided by Arqiva Limited (within the WBS financing group) to Arqiva Smart Metering Limited (‘ASML’) including revenues in relation to progress towards the completion of the DCC design and development milestone as part of the construction of the network infrastructure.

Solution design is dependent on certain industry specifications provided by the Department of Energy and Climate Change (‘DECC’). One such specification (the Great Britain Companion Specification) has changed materially, causing delay to the overall GB Smart Metering programme. In March, the Secretary of State for DECC approved revised programme timescales, which pushes out the date energy suppliers will connect to the service to summer 2016. The changes to scope, timing and commercial terms are subject to on-going commercial negotiation between ASML and DCC, which are anticipated to conclude by 30 June 2015.

#### Smart Water contract win

In March 2015, Arqiva signed a smart water metering contract with Thames Water following a competitive bidding process. The contract is for the provision of smart metering fixed network
infrastructure and associated water meters that enables the collection, management and transfer of metering data. The contract is for a 6 year term that is extensible in periods of 1-3 years up to a total of 16 years. The service is expected to eventually cover 3 million homes and the Group has commenced network build as per the customer requirements.

Second national DAB licence win
In March 2015, Sound Digital, a consortium of Arqiva (40%), Bauer and UTV Media GB won the 12 year licence to operate the second national DAB Multiplex following a competitive bidding process. Sound Digital is a joint venture company, of which Arqiva owns 40%. The contract increases Arqiva’s orderbook by £34m comprising transmission fees from the share of the joint venture that Arqiva does not own plus its share of the total services revenues signed to date with radio broadcasters.

Sound Digital’s planned transmission network is differentiated from the existing national multiplex by its focus on digital-only stations including start-up operators and new entrants. The service will reach national population coverage of 75% using 45 transmitters once fully commissioned. Sound Digital will provide access to 15 new radio stations including popular brands and there will be capacity for additional content providers to join the network prior to launch. The service is expected to go live in March 2016.

Digital radio coverage extension for the BBC
The Group has been progressing with the delivery of the programme under the BBC New Radio Agreement (‘NRA’), and has now completed the upgrades to the analogue radio network. The build out of the Phase 4 BBC National DAB network continues and as at 31 March 2015, Arqiva had put 81 new transmitters on air increasing the BBC’s UK DAB network coverage beyond 95% of the population. By the time the project is completed in December 2015, the BBC national DAB network will reach 97% of the population via a total of 392 transmitters.

New DVB-T2 (HD and SD) Multiplexes
In August 2013, the Group commenced construction of the seventh Freeview Multiplex enabling broadcasts in either HD or SD to DVB-T2 equipped devices. This was fully commissioned by June 2014, reaching a maximum population coverage of 72%. In March 2015, the switch on of the eighth Freeview Multiplex commenced, also broadcasting in HD and SD. This roll-out reached a population coverage of 47% by the end of April. As with the seventh Multiplex the new services will be available only to viewers with DVB-T2 television sets or set-top boxes and maximum coverage upon rollout completion in July 2015 is expected to be 72%, compared to 90% and 98.5% for commercial and PSB channels respectively on the other Multiplexes.

The Group has already signed QVC, a home shopping channel which launched two of their channels in HD on the new Multiplex in April 2015. Active discussions are underway with a number of PSBs and commercial broadcasters regarding the carriage of additional channels from their portfolios.

WiFi contract win in financial services sector
In March 2015 the Group won a 5 year contract to provide WiFi services to a leading financial institution, which covers both public and corporate WiFi (i.e. customer and business use). Under this contract, Arqiva will provide WiFi services at the institution’s 700 branches, 19 admin centres and 2 data centres.

This is the largest WiFi deal to date for the Group in terms of contracted revenue, and Arqiva’s first customer in the financial services sector. The opportunity establishes the Group’s footprint in this market, contributing further to its WiFi growth strategy.
4G rollout and Mobile Infrastructure Project update

The four main Mobile Network Operators (‘MNOs’) are all increasing their 4G network capability. Arqiva in turn is being contracted to carry out a large volume of antenna and feeder upgrade projects for its customers. The Group will therefore report a significant increase in Installation Services revenue this year and next year compared to the year ended 30 June 2014. To date the Group has completed circa 820 4G upgrades across Arqiva managed sites. The order book remains healthy with a further circa 5,500 upgrades to Arqiva managed sites requested from the mobile operators over the next 2-3 years based on current rollout plans.

The Mobile Infrastructure Project (‘MIP’) is a strategic programme funded by the Government with the ultimate goal of providing service to areas without any mobile coverage services (‘not-spots’). The Group continues with the rollout. As at the end of April, 126 sites were in the acquisition phase, together with 16 in the build phase.

UK Government funding for 700 MHz and Internet of Things (‘IoT’)

In the UK Budget announcement in March 2015, the Government stated that it will allocate up to £600m to deliver the 700 MHz spectrum clearance programme. Discussions are progressing around the grants allocation process to enable the main programme to commence.

The UK technology industry will also benefit from a further boost of £140m from the Government to develop further IoT and smart cities in the UK.

The Group is well positioned to benefit from these initiatives as it continues to engage with Ofcom to develop plans for the 700 MHz clearance and as it continues developing its IoT proposition.

Operating Model Review

In March 2015, the Group announced that it had undertaken a review of its operating model, working with external consultants to benchmark its cost base and review the profitability of its services. As a result of the review, Arqiva will make the following changes:

- Focus on larger scale growth opportunities and cease investing in Secure Solutions and Satellite News Gathering;
- Improve the end to end alignment of the business by transferring activities from the Technology business area into customer facing business unit and moving the DTT element of Digital Platforms into Terrestrial Broadcast and hybrid TV activities into Satellite and Media; and
- Improve efficiency and cost base by right-sizing the central functions and proposing the closure of the defined benefit scheme to future accrual from 1 October 2015.

In May 2015, a Chief Transformation Officer, Adam Bradley was appointed to help drive the changes. Adam is a Managing Director from Alvarez & Marsal, whose remit is to enhance the scope, ambition and urgency of the transformation programme, embedding the transformation across all areas of the business. These changes are projected to deliver circa £25 million annual operating cost savings from the previously projected levels, to be phased in over the next 2-3 years. The Group is currently in the process of finalising its organisational design and consultation with the Arqiva Employee Board (‘AEB’) and trade union (‘BECTU’) is underway.

The outcome of these changes will enable Arqiva to continue to deliver a first class service for its customers with a more efficient cost base, and to rationalise its product offering.

Appointment of new Chairman

In April 2015, the Group appointed a new Chairman, Mike Parton. Mike will oversee the business on behalf of Arqiva’s shareholders and takes over from Peter Shore who was Chairman of Arqiva from 2007.
Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi. He moved into General Management in 1995 at Marconi, and became CEO in 2001.

Between 2001 and 2006 Mike was CEO of Marconi before overseeing a sale of the company to Ericsson. In 2007, Mike became Chairman of Damovo and joined the Board of Tele2, becoming Chairman there in 2010. Mike stepped down from the Board of Damovo in 2015 and joined Arqiva shortly afterwards.

**Regulatory and business update**

Other than as set out above in “Historic business developments”, there are no other significant regulatory or business developments during the nine month period ended 31 March 2015.

**Maintenance Capex Expenditure**

Maintenance capital expenditure of £14.2m comprised of maintenance of site infrastructure and the IT estate in both periods, which was higher in the prior period due to significant IT upgrades. In the prior year there were also substantial maintenance costs incurred as part of the development of a number of corporate sites.

**Growth Capex Expenditure**

Contracted growth spend is capital expenditure that is incurred to deliver revenues which is supported by a signed customer contract. This totalled £87.4m compared with the prior year period of £89.0m primarily due to the spend on the Smart metering north 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 £8.6m compared with the prior year period of £6.2m.

**Financing**

During July 2014, the Group completed a new 15-year amortising, floating rate US Private Placement debt issue raising £300.0m which has been used to pay down the 5-year term bank facility. At the same time, the Group restructured Interest Rate Swaps (IRS) with a £300m nominal value to match exactly the amount outstanding on the new amortising US Private Placement.

**Acquisitions and Disposals**

For the nine months ended 31 March 2015, the cash flow from the Group’s acquisitions and disposals was an outflow of £nil.

**Confirmations**

We confirm that:

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

(b) the statements set out in this Quarterly Investor Report are accurate in all material respects.
Current Hedging Position

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. Changes in the fair value of such derivatives are not required to be recognised under UK GAAP, but are instead disclosed in the notes. 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 recognised on an accruals basis. The Group also utilises forward contracts to hedge certain trade-related foreign currency transactions. The changes in the fair value of such derivatives are not recognised, and the gain or loss on settlement is taken to the profit and loss account.

Inflation linked swaps (ILS)
£1,312.5m of fixed rate debt is hedged via three classes of ILS which either directly or via overlay swaps, fix interest at an average rate of 2.95%, indexed with RPI. In addition, the principal amount of these swaps increases with RPI. One class of these swaps with a nominal value of £235.0m has a mandatory break clause in 2023, whilst the remaining two classes are break-free.

The maturity date for all three classes of ILS is April 2027. The accretion of £77.5m included in the balance sheet at 31 March 2015 was calculated based upon published RPI data for February 2015. Based upon the published RPI data for March, the total accretion of £74.8m will be settled in cash at 30 June 2015.

Interest rate Swaps (IRS)
£1,023.2m of variable rate debt is now hedged via four tranches of interest rate swaps contracted by ASF and AF1 at an average fixed rate of 6.21%. The ASF interest rate swaps (nominal value £353.5m) have mandatory break clauses in 2018 co-terminus with the ASF variable rate bank debt. The interest rate swaps held by AF1 (combined notional principal of £670.0m) have maturity dates co-terminus with the Institutional Term Loan (‘ITL’), EIB and US Private Placement £300m loans.

Cross Currency Swaps
AFI has entered into USD 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the USD tranche of the Private Placement at an exchange rate of 1.52.

Yours faithfully,

[Signature]

Signing without personal liability, for and on behalf of

Arqiva Financing No 1 Limited as Borrower