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 towers business (comprising terrestrial broadcast and wireless site-share infrastructure) generates predictable operating profits (constituting circa three-quarters of the Group’s gross profits for the year ended 30 June 2017), 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. Arqiva had a contracted order-book 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 June 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 4G upgrades and rollouts. Access to Arqiva’s active site portfolio is mission-critical for MNOs, in order to meet national coverage obligations stipulated by their spectrum licences;

- access to over 359,000 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 47 systems installed in locations including Canary Wharf, Selfridges and Bluewater;

- a leading provider of smart metering and M2M communications. Contracts include: 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; a trial contract with Anglian Water for smart water metering deployment, and a partnership deal with SIGFOX for the rollout of an Internet of Things (‘IoT’) network including 10 of the UK’s largest cities;

- largest owner of independent satellite uplink infrastructure and satellite distribution services in the UK. The Group has over 40% market share in terms of the number of transponders accessed from its uplink infrastructure as at 30 June 2017 and it serves as an alternative to Sky’s up-linking services; and

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

Historic Business Developments

Terrestrial Broadcast

Freeview Play in over half of all smart HD TV sales
In the UK, DTT is broadcast primarily under the Freeview brand name. In July 2017 Freeview announced that TVs with Freeview Play now account for over half of all smart HD TV sales in the UK. Freeview Play is currently backed by more than 20 leading brands. The platform is the most widely adopted service by manufacturers for catch-up TV in the UK. Since launch, 1.5 million Freeview Play devices have been sold with further partner announcements planned for later this year. The Freeview Play service was launched in late 2015 and provides consumers with a seamless combination of DTT channels plus catch-up and on demand content with no monthly subscription. Arqiva was responsible for developing the technical solution that is at the heart of the Freeview Play service. The increasing uptake of Freeview Play is a strong indication of the attractiveness of hybrid DTT / IP TV services in the UK where DTT remains the underlying delivery mechanism that has a core free-to-air linear content base with a variety of OTT services on-top.

As at 30 June 2017 Arqiva’s two main DVB-T Multiplexes had utilisation of 30 videotstreams. Ongoing high levels of Multiplex utilisation demonstrates the on-going attractiveness to broadcasters of the Freeview DTT platform.

Digital radio (DAB) rollout
The Group has almost completed the DAB rollout programme for the BBC as part of the New Radio Agreement. As at 30 June 2017, Arqiva had built 162 new transmitters for the BBC since rollout began, to reach the targeted UK national DAB network coverage of more than 97% of the population. The final site of the 163 required to deliver the current phase of the rollout programme will be completed in the autumn.

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 and 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 June 2017 work had been completed at 213 of these. 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 demand for radio services and radio listening in the UK. DAB radio listening and DAB radio set uptake continue to show ongoing growth in the UK. 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 38% in 2011 to 57% 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. The 700 MHz Clearance programme has been a strong driver of revenue and earnings growth in the Terrestrial Broadcast business during the financial year. 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. The programme remains on schedule with a significant amount of infrastructure modification works now taking place on site.

Telecoms & M2M

5G, small cells opportunities and Internet of Things (‘IoT’)

The Group has continued to build on its 5G proposition. 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, Arqiva and Samsung Electronics launched in central London the first field trial of 5G FWA technology in the UK and Europe. The technology is powered by Samsung’s 5G network solution and customer premises equipment (CPE), and uses Arqiva’s 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 alternative to fibre for connectivity to homes and businesses. The system has established a stable two-way mmWave link with downlink speeds of around 1GB per second. 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. Both companies look forward to maximising the performance capability of the system as the trial progresses, improving the value of future network infrastructure and spectrum investments.

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 received its first commercial order during the financial year. To drive value, Arqiva is also developing initiatives to explore how to make deployment easier and cheaper to drive additional scale onto the market.

Additionally, Arqiva continues to develop its M2M and IoT business by leveraging its network solution to a broader range of industry sectors. The Group is targeting the use of its existing M2M networks in key sectors such as utility infrastructure operations, asset management optimisation and smart building enablement.

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 in operational service throughout Great Britain since November 2016 (‘go-live’), and is now ready to make available further functionality. The Arqiva network is successfully transmitting and receiving test messages between DCC users (the energy companies), and consumer electricity and gas meters. The rollout of the service to consumers’ homes is expected to accelerate over the next 9 months following the functionality upgrade in July 2017. The rollout of the Arqiva
network continues to evolve and has achieved 92% coverage of premises in line with our contractual commitments.

During the period, the Group’s recurring revenues increased under the contract as additional streams of revenue were triggered on achievement of go-live. Furthermore, Arqiva has signed a change request order with DCC which sets out the further charges to be paid to Arqiva in relation to specification and timing modifications to the programme which went live in live in July.

**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 3.3 million meter readings per day and there are now over 195,000 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 win – Anglian Water**

In July 2016, Arqiva won a 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. This is a four-year contract and is part of Anglian Water's plans for a long-term smart metering programme. With the coverage network build complete, the trial went live in December 2016. To date over 5,600 smart water meters have been installed.

**London Borough of Kingston upon Thames and Lambeth street furniture concessions secured**

During April to June 2017 Arqiva added Kingston upon Thames, Lambeth and Waltham Forest to its portfolio of London borough concessions, giving the Group access to further sites. The concession will give Arqiva the exclusive right to design, implement and operate commercial wireless networks on municipal street furniture sites in these boroughs. This development supports Arqiva’s strategy of developing its small cells proposition and brings the Group's total number of concessions to 17.

**4G rollout**

The four Mobile Network Operators ('MNOs') continue to increase their 4G network coverage and Arqiva continues to carry out large volumes of antenna and feeder upgrade projects. This has resulted in a significant year on year increase in Installation Services revenues. The Group had completed 6,787 4G equipment upgrades across Arqiva sites up to 30th June 2017 since rollout began in 2014. A further circa 2,700 upgrades are in progress or have been requested by the MNOs over the next 12 months. 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 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, Europe’s leading retail and leisure destination. 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 networks 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.
**Satellite and Media**

**UK Direct To Home (DTH) HD channel growth**
In the UK DTH product line, Arqiva achieved strong HD channel growth during the financial year. Technology improvements within existing capacity enabled the Group to create the equivalent of a new transponder’s worth of capacity and allowed for growth of HD channels from CNN, BT Sports and others without incurring any additional satellite capacity spend.

Furthermore, in July 2017 Arqiva and Eutelsat Communications announced an agreement that strengthens their relationship to provide premium UK DTH satellite capacity. The multi-year, multi-transponder agreement covering high-power transponders reinforces Arqiva’s competitive position as a leading service provider for DTH services in the UK and Ireland.

**Distribution platforms capacity**
During the financial year, Arqiva worked with Eutelsat to exit from the Hotbird market by handing back transponders surplus to the Group’s requirements and by novating customer contracts to Eutelsat. This resulted in material cost savings for the division and a seamless transition for the customers.

**Other**

‘FutureFit’
As mentioned in the previous financial report the Group launched a company-wide programme called ‘FutureFit’. Through this transformation programme Arqiva will streamline processes, modernise IT systems and achieve significant cost efficiencies and savings. The programme is driving the following initiatives:

- Review of operational processes across the business, underpinned by a transformation of IT systems, 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 aim of delivering further gross savings of c. £60m per annum by 2020. The Group is reviewing all areas of third party spend and progressing with a number of actions; consolidating demand across the Group to ensure we always buy at best price, re-negotiating supplier contracts, reducing spare capacity and wherever possible eliminating spend through process optimisation activities.

In the twelve month period to 30 June 2017, ‘FutureFit’ had delivered £29m of gross savings, of which £22m are recurring. Good progress is being made to identify further initiatives to deliver future targets. Key developments in the year 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.

**Ratings update**
The Group's ratings remained stable throughout FY17. Subsequent to the financial year end, Fitch ratings revised their outlook on both the senior and junior notes from negative to stable and Moodys have also reaffirmed the ratings on the junior notes.

**Maintenance Capex Expenditure**

Maintenance capital expenditure is incurred on the maintenance of site infrastructure and the IT estate. This totaled £22.5m (up from £20.4m 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 totalled £129.5m compared with the prior year period of £145.7m with the period on period decrease primarily due to the phasing of spend on the smart energy metering contract, DAB roll-out and 700 MHz clearance programme. 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 £5.2m compared with the prior year period of £5.5m.

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 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.

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 (30 June 2016: £353.2m notional principal).

Fair value measurement

The credit risk-adjusted fair value of these derivatives at 30 June 2017 is a liability of £1,179.7m which comprises £843.0m in relation to the RPI linked swaps, £365.9m in relation to the IRS and a £29.2m asset in relation to the cross currency swaps (2016: total £1,146.3m).

Acquisitions and Business Disposals

On 1 November 2016 the Group sold its 100% interest in the ordinary share capital of Arqiva WiFi Limited, a subsidiary undertaking that forms part of the Telecoms & M2M operating segment. Total consideration received for the disposal was £25.0m.

Ratios

1. We confirm that in respect of this investor report dated 11 September, by reference to the most recent financial statements that we are obliged to deliver to you on a semi-annual basis in accordance with Paragraph Error! Reference source not found. (Error! Reference source not found.) of Error! Reference source not found. (Error! Reference source not found.) of Error! Reference source not found. (Error! Reference source not found.) of the Common Terms Agreement:

   (a) Historic Net Debt to EBITDA for the relevant Test Period ending on (and including) 30 June 2017 was 5.10;

   (b) Historic Cashflow ICR for the relevant Test Period ending on (and including) 30 June 2017 was 2.53;

   (c) Historic Cashflow DSCR for the relevant Test Period ending on (and including) 30 June 2017 was 2.53 (together the Historic Ratios);

   (d) Projected Net Debt to EBITDA for the relevant Projected Test Period commencing on (but excluding) 30 June 2017 is 4.70

   (e) Projected Cashflow ICR for the relevant Projected Test Period commencing on (but excluding) 30 June 2017 is 2.66; and

   (f) Projected Cashflow DSCR for the relevant Projected Test Period commencing on (but excluding) 30 June 2017 is 2.47 (together the Projected Ratios and together with the Historic Ratios, the Ratios).

2. We confirm that:

   (a) each of the above Ratios has been calculated in respect of the relevant Test Period(s) or Projected Test Period(s) or as at the relevant dates for which it is required to be calculated under the Common Terms Agreement;

   (b) no Ratings Downgrade Event has occurred;

* Include for Compliance Certificate only.
(c) no Modified Net Debt to EBITDA Ratio Breach has occurred;
(d) no Default or Trigger Event has occurred and is continuing; and
(e) the statements set out in this Investor Report are accurate in all material respects.

For the period ended 30 June 2017, the cash inflow from the Group’s acquisitions and disposals was £25.0m (period ended 30 June 2016: £16.5m).

Yours faithfully,

[Signature]

Director

Signing without personal liability, for and on behalf of

Arqiva Financing No 1 Limited as Borrower