

Hipgnosis Songs Fund Limited ("Hipgnosis" or the "Company")
Unaudited Net Asset Value, Trading Update and Notice of Results

The Board of Hipgnosis Songs Fund Limited and its Investment Adviser, The Family (Music) Limited, are pleased to provide a trading update and updated Operative NAV for the year ended 31 March 2021, ahead of publishing full-year results on 29 June 2021.

Highlights

- Total \$ NAV Return¹ of 15.7% (unaudited²) for the year, taking Total \$ NAV Return¹ since IPO to 40.7%
- Operative NAV increased by 11.3% to \$1.6829 per Share (unaudited²) over the year (122.5 pence per Share based on the GBP to USD exchange rate of 1.3738 on 31 March 2021)
- Like-for-like³ valuation uplift across the Portfolio of 9.4% during the year
- Catalogue revenues highly resilient through COVID-19 pandemic and well placed for future growth with acceleration of streaming adoption:
 - Streaming income increased by 18.4% in the second half of the year from the previous six month period
- 84 Catalogues acquired for \$1,060 million taking the total Portfolio to approximately \$2 billion invested across 138 catalogues
- Net debt of \$438.7 million as at 31 March 2021
- Change of functional and presentational currency to reflect significant increase in the proportion of catalogues, revenue and transactions denominated in USD

Merck Mercuriadis, Founder of Hipgnosis Songs Fund Limited and its Investment Adviser The Family (Music) Limited, said:

"2020 / 2021 has been another remarkable year for Hipgnosis. At a point in time when the explosion of streaming has transformed music from a discretionary consumer purchase to a utility purchase and new heights of consumption we have acquired amongst the most important songwriter, artist and producer catalogues of all time. Our shareholders' support has allowed us to acquire the catalogues of Rock And Roll Hall Of Fame inductees Neil Young, Lindsey Buckingham / Fleetwood Mac, Steve Winwood, Debbie Harry & Chris Stein / Blondie, and Chrissie Hynde / The Pretenders as well as iconic artists, songwriters and producers Shakira, Barry Manilow, Rick James, Carole Bayer Sager, Enrique Iglesias, B-52's, Jimmy Iovine, The RZA / Wu Tang Clan, Chris Cornell / Soundgarden, 50 Cent, George Benson, Nikki Sixx / Motley Crue, Rodney Jerkins, Kevin Godley &, Eric Stewart / 10cc, Skrillex, Walter Afanasieff and many others including the recently crowned 2021 Grammy Awards Producer Of The Year Andrew Watt.

In addition, whilst we never would have wished for a pandemic, it has accelerated the consumption of classic songs through streaming and demonstrated exactly what an excellent uncorrelated asset class proven songs are. The pandemic looks set to now lead us into inflation and again we are extremely well placed with Songs as an asset class for our shareholders to be beneficiaries. With all our Catalogues chosen due to their extraordinary success and cultural importance, extra high levels of streaming demand are a natural feature. As an example, Journey's catalogue has over the last 4 months grown from 2.5 million to 3.7 million streams per week on Apple Music and 13 million monthly listeners on Spotify. Don't Stop Believin' on its own now has over 1 billion streams on Spotify alone, both incredible achievements for classic Songs. This accelerated growth leaves us well positioned for the future, with increased expectations for income over the long term. Concurrently we've felt some temporary decline in our Performance income consistent with the entire industry but we expect that to turn around by the autumn.

Our new Song Management team, led by Ted Cockle and Amy Thomson, has made a strong impact, growing revenue and enhancing the legacies of our great Songs, which will make a positive economic impact to the Company in periods to come. Sync revenues have exceeded all expectations and despite film and TV production being shut down for much of the last 16 months revenues have increased. This has highlighted not only that we have bought well but also how undervalued our iconic songs have been by traditional publishers and the massive opportunity this affords Hipgnosis.

Our goals when we listed three years ago were to: 1. Establish Songs as an asset class. 2. Use the leverage of our fund and the great songs in our catalogue to be a catalyst to change where the songwriter sits in the economic equation for the benefit of the songwriting community and our shareholders. 3. To replace the broken traditional publishing model with Song Management and add value. Having given our shareholders a 41% total return since inception, grown our NAV by more than 11% across this fiscal year, having advocated for songwriters at the highest level including the DCMS hearings taking place in Parliament and having increased our sync income from 9% to 15%, I'm delighted to say we are well on our way to Hipgnosis achieving all."

Change of functional and presentational currency

The Company has changed its functional and presentational currency from GBP to USD with effect from 1 October 2020 as required by IFRS, as there has been a fundamental shift in the primary economic environment in which the Company operates due to a significant increase in the proportion of transactions denominated in USD. The Kobalt Music Copyrights Sarl and Big Deal Music Group acquisitions, which occurred on 30 September 2020 and 10 September 2020 respectively, and the restructuring of the debt facility from GBP to USD, have significantly increased the proportion of catalogues, revenues and transactions denominated in USD. Further disclosure, including the methodology applied to effect this change, will be included in the Annual Report for the year ended 31 March 2021. The Company will continue to pay any dividends in pounds sterling and its primary listing will remain denominated in GBP.

Strong Operative NAV growth driven by acceleration of change in consumer behaviour

The Board considers that the most relevant NAV for shareholders is the 'Operative NAV', which reflects the fair value of the Company's Catalogues as valued by an Independent Valuer.

The unaudited² Operative NAV per Share increased by 11.3% to \$1.6829 during the year (31 March 2020: \$1.5114), which, when including dividends paid, represents a Total \$ NAV Return¹ of 15.7%. This brings Total \$ NAV Return¹ for our shareholders to 40.7% since Hipgnosis' IPO on 11 July 2018.

The growth in unaudited² Operative NAV over the period reflects a significant, 9.4%, like-for-like³ uplift in the fair value of Catalogues driven by:

- an increase in the Independent Valuer's expectations for future streaming income as a result of:
 - the acceleration of the change in consumer behaviour to consuming music by streaming. This has been emphasised further still through the COVID-19 pandemic where streaming growth has exceeded expectations.
 - royalties starting to be paid by rapidly growing Emerging Digital Platforms (EDPs) including TikTok and Peloton (whilst royalties have been paid to Administrators and therefore included in expected future earnings, they are not expected to start being received by Hipgnosis until later this year and therefore not yet recognised in this period's revenue)
- growth in synchronisation income in excess of the Independent Valuer's expectations despite advertising budget cuts and the production of films and television programs being at a standstill.
- a reduction in the discount rate used by the Independent Valuer to value the Company's Catalogues from 9% to 8.5%, as stated in the half year results.

Since acquisition, the fair value of Catalogues has increased by \$265.6m, representing a 13.6% increase on acquisition cost.

The strong Operative NAV and Total \$ NAV Return¹ continues to evidence the Company's successful acquisition strategy and the exceptionally high quality of Catalogues acquired.

In line with 30 September 2020, the Catalogue Fair Value as at 31 March 2021 has been calculated using a discount rate of 8.5% (31 March 2020: 9.0%). The reduction in the discount rate during the period by the Independent Valuer reflects the decreased risk profile associated with music's ever more stable and predictable earnings as a result of the increased consumption of music through paid streaming. The Board and the Investment Adviser are delighted that music valuers are starting to reflect the true value of music as an asset class and expect this trend to continue as streaming continues to grow and music revenues continue to prove their stability.

The Operative NAV has been determined in accordance with the Company's valuation policy described in the Company's prospectus, including the appointment of an independent third party valuer. A full bridge of the Operative NAV movement during the year is set out below.

Operative NAV Bridge from 1 April 2020 to 31 March 2021:

	US\$
Opening Operative NAV per Ordinary Share	\$1.5114
Increase in Fair Value of Catalogues	\$0.1824
Net income	\$0.0993
Dividends Paid	\$-0.0485
FX impact	\$-0.0491
Share issue costs *	\$-0.0127
Closing Operative NAV per Ordinary Share	\$1.6829

**Share issue costs reflect the costs of share issuances during the period, which were fully borne out of the gross proceeds of the respective issue.*

The FX impact reflects the effect of movements in USD, GBP and EUR exchange rates throughout the year, and includes an exceptional adjustment as a result of the Company changing its functional currency to USD.

Based on the GBP to USD exchange rate of 1.3738 on 31 March 2021, the Operative NAV presented in pounds sterling would be 122.5 pence per Share.

Portfolio of culturally important Songs producing long term reliable and predictable income

During the year, the Company acquired 84 new Catalogues, for an aggregate purchase price of \$1,060 million, taking the Portfolio as at 31 March 2021 to 64,555 Songs across 138 Catalogues. Hipgnosis now owns 3,738 Songs that have held Number 1 positions in global charts, 13,968 Songs that have held Top 10 positions in global charts and 151 Grammy award winning Songs. The Portfolio has been independently valued at \$2.21 billion, reflecting a multiple of 17.96x historical annual net publisher share income, compared to the blended acquisition multiple of 15.32x⁴. Following these acquisitions, the Company's net debt at 31 March 2021 was \$438.7 million (31 March 2020: \$51.8 million).

The acquisitions include some of the most culturally important Catalogues of all time, including Neil Young, Steve Winwood, Lindsey Buckingham / Fleetwood Mac, Barry Manilow, Shakira, Chrissie Hynde / The Pretenders, Debbie Harry & Chris Stein / Blondie, Rick James, Carole Bayer Sager, The RZA / Wu Tang Clan, 50 Cent, Chris Cornell / Soundgarden, B-52's, George Benson and Walter Afanasieff.

Hipgnosis only acquires Catalogues focused around culturally important Songs. These Songs have a long lasting appeal that ensures they will produce reliable, predictable and uncorrelated income long into the future. Songs performed by globally successful and culturally important artists including 10,000 Maniacs, 10cc, 2Pac, 5 Seconds of Summer, 21 Savage, 50 Cent, 8 Mile, A\$AP Rocky, AC/DC, Adele, Al Green, Alan Jackson, Alicia Keys, Aluna George, Amy Winehouse, Andrea Bocelli, Anitta, Anthony Hamilton, Ariana Grande, Aretha Franklin, AudioSlave, Avicii, B-52s, Baby Bash, Backstreet Boys, Barbra Streisand, Barry Manilow, Bebe Rexha, Benny Blanco, Beyoncé, Biffy Clyro, Big & Rich, Big Freedia, Birdy, Blind Faith, Blink 182, Blondie, Bon Jovi, Booker T & The MG's, Boyz II Men, Britney Spears, Bruce Springsteen, Bruno Mars, Bryan Adams, Camila Cabello, Carly Simon, Celine Dion, Charli XCX, Cher, Chic, Chris Brown, Christina Perri, Christopher Cross, Clipse, Damian Marley, Dave Matthews Band, David Gray, David Guetta, Demi Lovato, Destiny's Child, Diana Ross, Dierks Bentley, Dionne Warwick, Diplo, Dire Straits, DJ Snake, Dua Lipa, Duran Duran, Dusty Springfield, Ed Sheeran, Ellie Goulding, Eminem, Enrique Iglesias, Erica Banks, Eric Prydz, Ernestine Anderson, Eurythmics, Fantasia, FKA Twigs, Fleetwood Mac, Florence And The Machine, Flo-Rida, Florida Georgia Line, fun., Galantis, George Benson, George Thorogood, Gladys Knight, Hailee Steinfeld, Halsey, Harry Styles, Iggy Azalea, Imagine Dragons, James Bay, James Morrison, Jason Aldean, Jason Derulo, Jay Z, Jennifer Hudson, Jeff Buckley, Jennifer Lopez, Jess Glynne, Jimmy

Buffett, Jodie Harsh, John Legend, John Newman, Josh Groban, Journey, Juicy J, Justin Bieber, Justin Timberlake, Kaiser Chiefs, Kali Uchis, Kanye West, Katy Perry, Keith Urban, Kelis, Kelly Clarkson, Kelly Rowland, Khalid, Killswitch Engage, Kylie Minogue, Lady Gaga, Lana Del Rey, Lara Fabian, Lauv, LeAnn Rimes, Leo Sayer, Lindsey Buckingham, Linkin Park, Lionel Richie, Little Mix, Lizzo, Lorde, LunchMoney Lewis, M.I.A., Madonna, Marc Anthony, Maren Morris, Mariah Carey, Mark Ronson, Maroon 5, Mary J Blige, Machine Gun Kelly, Massive Attack, Matchbox Twenty, Matt & Kim, MC Hammer, Meatloaf, Meek Mill, Meghan Trainor, Melissa Manchester, Metallica, Metro Boomin', MF Doom, Michael Bolton, Michael Bublé, Michael Jackson, Mick Jagger, Miguel, Miike Snow, Miley Cyrus, Molly Sanden, Moses Sumney, Mötley Crüe, My Marianne, Natalie Merchant, Nelly, Neil Young, New Kids On The Block, Nicki Minaj, Nirvana, No Doubt, Olafur Arnalds, Olivia Rodrigo, One Direction, P!nk, Paloma Faith, Panic! At The Disco, Papa Roach, Paris Boy, Patti Smith, Paul Anka, Paul McCartney, Pearl Jam, Pell, Perfume Genius, Phoebe Bridgers, Pitbull, Pop Smoke, Post Malone, Puff Daddy, Pusha T, Rage Against The Machine, Rebecca Ferguson, Rejjie Snow, Rick James, Rick Ross, Ricky Martin, Rihanna, Rita Ora, Robbie Williams, Rod Stewart, Rudimental, RZA, Santana, Santigold, Sawyer Brown, Seal, Selena Gomez, Shakira, Shawn Mendes, Sia, Sigala, Sigma, Silk City, Simple Minds, Sinead O' Connor, Sister Sledge, Skrillex, Sky Ferreira, Solange, Soundgarden, Spencer Davis Group, Spice Girls, Steve Aoki, Steve Winwood, Stevie Nicks, Stormzy, Sugarhill Gang, Sum 41, Super Furry Animals, Swedish House Mafia, SZA, T.I., Taio Cruz, Take That, Taylor Swift, Tchami, Teddy Bears, Teenage Fanclub, The Chainsmokers, The Editors, The Outfield, The Pretenders, The Wombats, Third Day, Tiesto, Tim McGraw, Timbaland, Tina Arena, Tinie Tempah, TLC, Toby Keith, Tom Jones, Tom Petty & The Heartbreakers, The Kid Laroi, The Mindbenders, The Vamps, Theophilus London, Tom Walker, Toto, T-Pain, Tracey Chapman, Traffic, Train, Trey Songz, Trivium, Troye Sivan, TV On The Radio, Ty Dolla \$ign, U2, Usher, Waka Flocka Flame, Weezer, Westlife, Whitney Houston, Will Ferrell, Wu-Tang Clan, Young The Giant, Zara Larsson and Zedd.

The tables below provide analysis on the diversification of the Portfolio by genre and vintage:

Breakdown of Portfolio by genre (based on Fair Value):

	31-Mar-21	31-Mar-20
Pop	46.1%	45.2%
Rock	27.3%	28.4%
R&B	8.3%	9.8%
Dance	5.5%	6.0%
Hip-hop	4.2%	3.8%
Latin	3.1%	0.9%
Country	2.0%	1.8%
Disco	1.4%	1.4%
Christian	1.0%	1.8%
Soul	1.1%	0.9%

Breakdown of Portfolio by age (based on Fair Value):

	31-Mar-21	31-Mar-20
0-3 years	2.5%	9.0%
3-10 years	37.3%	58.5%
10+ years	60.2%	32.5%

Financial highlights for the year ended 31 March 2021

Net revenue in the year increased substantially to \$138.4 million (year ended 31 March 2020: \$83.3 million). This includes revenue from Catalogue acquisitions made during the year and Right to Income of \$22.7 million, which is negotiated by the Investment Adviser on each acquisition, and in effect reduces the net purchase price, to the benefit of the Company.

During the year, Hipgnosis, like all other companies, has had to operate and adapt against the backdrop of a challenge that the world has never before experienced. The COVID-19 pandemic has had a devastating impact on society and much of the economy. We are grateful however that music, whilst not wholly impervious to the virus, has proved to be extremely resilient throughout this time demonstrating the appeal of hit songs to millions of people even in the most challenging times.

The COVID-19 pandemic has affected how people consume music with an acceleration of the adoption of streaming worldwide. During 2020, IFPI reported 18.5% growth in paid music subscriptions to 443 million users globally. This has continued into 2021 with Spotify reporting a year-on-year increase of 24% in Total Monthly Active Users in the first quarter.

This is being seen clearly in our Catalogues' royalties, where streaming income has increased by 18.4% in the second half of the year from the previous six month period across all Catalogues and 24.3% on our steady state catalogues where we would not expect decay from peak earnings. This growth is without any material revenue recognised from royalties paid for the first time by TikTok and Peloton which, whilst having been received by Administrators, is expected to be received by Hipgnosis from the next semi-annual royalty statements in August and September 2021 and beyond. With global streaming revenues growing 19.9% during the year, this highlights our steady state Catalogues are outperforming the market growth of streaming.

The Directors consider that this acceleration of changing consumer behaviour will lead to higher streaming earnings in future years than previously expected. This expectation is supported by the Independent Valuer who has increased future streaming income from our Catalogues in its DCF valuation models.

Synchronisation income grew significantly in the second half of the year, following the appointment of the new Song Management team, led by Ted Cockle and Amy Thomson, and the appointment of former BMG Head Of Sync Tom Stingemore in the UK, former BMG Global Head Of Sync Patrick Joest in Europe and former Universal Sync Director Joe Maggini in the US, and represented 15% of net income during the year (year ended 31 March 2020: 8%). Growing synchronisation income in a year when advertising was down and film and TV productions were halted is a testament to the work performed by the new Song Management team and highlights the substantial opportunity to further grow income from our Catalogues which have often been neglected by publishers.

Selected examples of Song Management initiatives during the year include:

Film

- *We Are Young*, by fun., written by Jack Antonoff, Nate Ruess and Jeff Bhasker, featured in *The Boss Baby 2*, which was released on 26 March 2021.
- *Epilogue*, written by Ólafur Arnalds, soundtracks the trailer to *Nomadland*, starring Frances McDormand. The film won the best picture (drama) at the Golden Globe Awards, The Oscars and the EE British Academy Film Awards.
- George Thorogood's *Bad To Bone* has been re-worked for the trailer of forthcoming movie *Gunpowder Milkshake*, which launches on Netflix in July 2021.
- Booker T & The MG's *Time Is Tight*, written by Al Jackson Jr., features in the forthcoming movie *Apollo 10½*.
- The new Disney Movie *Cruella* features *Call Me Cruella* performed by Florence And The Machine, and written by Steph Jones.
- *Will Ferrell & My Marianne's Husavik*, from the Eurovision movie, written by Savan Kotecha was nominated for an Oscar, Critics' Choice Award and won the Hollywood Critics Association Awards for Best Original Song

Advertising

- Swarovski's "Ignite Your Dreams" global campaign features FKA Twigs *Two Weeks*, written by Emile Haynie.
- Money Supermarket are using MC Hammer *U Can't Touch This*, written by Rick James. It also features in the current Go Compare ad.

- Beyoncé's *Countdown*, written by The-Dream, is being used by Peloton as part of their broad multi-year content deal with Beyoncé.
- Anoro's campaign features Fleetwood Mac *Go Your Own Way*, written by Lindsey Buckingham.
- Kaiser Chiefs' *I Predict A Riot* appears in the new Unibet campaign.
- Pusha T's *Burial*, written by Pusha T and Skrillex, continues to feature in the Arby's TV campaign in the US.
- The Spencer Davis Group's *Gimme Some Lovin'*, written by Steve Winwood features in the Premier Inn's campaign.
- Teddy Bears' *Hey Boy (Taste The Feeling)*, written by Klas Ahlund, appears in the new KFC commercial.
- Meghan Trainor's *I Love Me*, written by LunchMoney Lewis, appears in the new Volkswagen campaign in Italy.
- Silk City's *Electricity* featuring Dua Lipa, written by Mark Ronson, appears in the Dua Lipa Puma Campaign.
- Rejjie Snow's *Relax*, written by Dee Lilly, appears in the current Apple iPhone 12 campaign.

TV / Streaming

- Eurythmics' *Sweet Dreams (Are Made Of This)*, written by David A. Stewart, features in both the trailer and the first episode of *It's A Sin* on Channel 4 and Amazon Prime. It also appears in the trailer supporting *For All Mankind* on Apple TV.
- Chic's *Everybody Dance*, written by Nile Rodgers & Bernard Edwards provided the soundtrack to Public Health England's NHS x TikTok campaign.
- Booker T And The MG's - *Green Onions*, written by Al Jackson Jr. and Fleetwood Mac - *The Chain*, written by Lindsey Buckingham both featured in *9-1-1* Lonestar on Fox TV.
- Neil Young's *Old Man* will feature in CBS reboot of *The Equaliser* and *Harvest Moon* features in the new season of Netflix's *Sex Education* comedy.
- We have several songs in the new P!nk documentary *All I Know So Far* on Amazon Prime.
- Eurythmics' *Sisters Are Doin' It For Themselves* appears in Aretha Franklin's *Genius* documentary.
- David Guetta and Sia's *Titanium*, written by Giorgio Tuinfort, was performed at the Eurovision Song Contest.
- Phoebe Bridgers' *I Know The End*, written by Christian Lee Hutson, appeared in *Mare of Easttown*.

Games

- We have placed more than 110 Songs from our Portfolio in video games since January.
- More than 75 songs have been cleared for the new Beatstar game.
- Chic's *A Warm Summer Night* is now in *Grand Theft Auto V Online*.
- Lorde's *Supercut*, written by Jack Antonoff, will feature in Electronic Arts FIFA '22 for all consoles and platforms.
- Lizzo's *Tempo*, written by Toby Wincorn, is featured in *Call of Duty Cold War*.
- Hipgnosis now exclusively represents the original music in EA Games.
- Fleetwood Mac's *The Chain*, written by Lindsey Buckingham, features in the game trailer for *It Takes Two* on Sony's Playstation 5.

Song Achievements

- Journey's *Don't Stop Believin'* hit the one billion stream landmark on Spotify on 21 February, becoming only the second classic record to ever achieve this milestone, alongside Queen's *Bohemian Rhapsody*. Since its release in 1981, it has been certified 3x platinum in the UK and 5x platinum in the US, and has recently been inducted into the prestigious Grammy Hall of Fame. Across all services, it is streamed more than 10 million times every week.
- Miley Cyrus' latest album *Plastic Hearts* has surpassed more than one billion streams and includes the Top 10 single *Prisoner*, written by Stefan Johnson.
- *Heart of Glass*, written by Debbie Harry & Chris Stein, has now exceeded 100 million streams in Spotify.
- *New Rules* by Dua Lipa, and written by Ian Kirkpatrick and Caroline Ailin, has now surpassed 1.5 billion streams on Spotify. This makes it the third most streamed solo track by a female artist in the platform's history.
- Top Dollar calculated the earnings of the 100 most-played songs on the service and the top-grossing song is Ed Sheeran's *Shape of You*, written by Johnny McDaid.

- *Lean On* by Major Lazer, and written by Martin Bresso, has surpassed 3 billion streams on YouTube and is approaching 1.5 billion streams on Spotify.
- Rick James's *In My House* was re-imagined by the UK's premier Drag Queen, Jodie Harsh, in her song *My House* earlier this year, showing that the old are managing to see new life entirely.
- 2021's breakout star Olivia Rodrigo's debut album *Sour* is currently Number 1 and includes *Step Forward*, based on a sample of Taylor Swift's song *New Year's Day*, written by Jack Antonoff.

Chart & Songwriter Success

- *Prisoner* by Miley Cyrus and Dua Lipa, written by Stefan Johnson, was a Top 10 single before Christmas and has now been streamed 300 million times globally on Spotify.
- Justin Bieber's *Anyone*, written by Stefan Johnson, which was released on 1 January 2021, has been streamed over 280 million times and was a Top 5 single all over the world. Stefan Johnson has also written an additional three songs on Justin Bieber's Justice album, which was Number 1 all over the world.
- *Electric* by Katy Perry, *Selfish* by Nick Jonas featuring The Jonas Brothers as well as 6 songs on the new Julia Michaels' album are also written by Stefan Johnson.
- Erica Banks' *Buss It* featuring an interpolation of Nelly's *Hot In Herre* has been certified Gold in the US.
- *Telepatia* by Kali Uchis, written by Albert Melendez reached Number 2 in Spotify's Global Top 50. It is currently on the Billboard Hot 100 for its 14th consecutive week, making it the longest-running Latin solo Song of the decade.
- A viral mash up of Britney Spears's *Toxic* and the B52's *Love Shack* has achieved huge support on TikTok. Hipgnosis has been able to harness its ownership in both songs and very quickly provided sign off on a commercial release to maximise potential for success.
- Hipgnosis' Songwriters were recognised at the recent Grammy awards. Andrew Watt won the coveted "Producer of the Year", Poo Bear's song *10 000 hours* by Dan + Shay and Justin Bieber won "Best Country Duo Performance", Kanye West's *Jesus is King* won "Best Contemporary Christian album" and involved work by Pusha T and Timbaland. The-Dream and Starrah won "Best Rap Song" for Megan The Stallion featuring Beyoncé with *Savage*. Andrew Watt, Stefan Johnson, Chelcee Grimes and Iain Kirkpatrick were recognised for their contribution to Dua Lipa's album *Future Nostalgia*, which won "Best Pop Vocal album".
- Beyoncé became the most awarded woman in the history of the Grammys, with 28 awards. A recent newspaper featured her 30 greatest songs, with Hipgnosis owning an interest in half of these through the Catalogues of: The-Dream (6), Sean Garrett (2), Jeff Bhasker (2), Rodney Jerkins, Juber, Jonny Coffey, Emile Haynie and Tricky Stewart. In total, Hipgnosis owns an interest in 66 songs by Beyoncé / Destiny's Child.
- *Baila Conmigo* by Selena Gomez, written by Albert Melendez reached Number 1 in Billboard's Latin Rhythm Airplay and Latin Pop Airplay.
- Chic now have 3.5 million monthly listeners on Spotify up from 1.8 million when we acquired an interest in Bernard Edward's Catalogue. *Le Freak* is now achieving over 100,000 streams per week with nearly 1 million streams per week across all Bernard Edward's songs on Apple Music.
- Eurythmics now have 8.5 million monthly listeners on Spotify, almost double when we acquired David A. Stewart's Catalogue. They also achieve over 1 million streams per week across the Catalogue on Apple Music. *Sweet Dreams (Are Made Of This)* is streamed over quarter of a million times on Apple Music alone.
- *My House* by Jodie Harsh samples *In My House*, written by Rick James.
- *Feels* by Jax Jones has just been released using a sample of *Can't Stop*, written by LA Reid.
- *Seeing Green* by Nicki Minaj samples *Queen Bitch*, written by Carlos Broady and is currently the Number 1 trending song on Triller.
- *Problemas* by Paris Boy interpolates *Umbrella*, written by Tricky Stewart and The-Dream, has now exceeded 120 million streams online including 69 million on Spotify.
- *F*** You Goodbye*, by The Kid Laroi featuring Machine Gun Kelly, which interpolates *All The Small Things*, written by Tom DeLonge is almost at 100 million streams on Spotify.
- 21 Savage's *Many Men* contains an interpolation of *Many Men (Wish Death)*, written by 50 Cent.
- Pop Smoke's *Hotel Lobby* also contains an interpolation of *Many Men (Wish Death)*, written by 50 Cent.
- John Legend's *Remember Me* interpolates *Still In Love With You* written by Al Jackson Jnr.

- *1 Step Forward, 3 Steps Back* by Olivia Rodrigo, interpolates *New Year's Day*, written by Jack Antonoff and features on her album *Sour* which is currently the Number 1 album globally.

Copyright Management

We are increasing future revenues by ensuring correct global registrations of our Copyrights. We have launched a platform that matches all data points to identify issues that can stop or delay payments. It provides a 3D picture of the data across 200 outside partners who collect revenue on the Company's behalf. The platform is expected to shorten payment times and increase accuracy as we identify data breaks in real time. Our initial trial catalogues have identified 62% of Songs had data issues and we estimate a significant revenue uplift, projected to be as much as 40%, which will be realised by correcting the mistakes in registrations inherited from previous owners. These issues existed before our ownership, therefore every issue fixed is pure revenue upside for the Company.

With a major focus this last year on personalising the Catalogue to create a deeper understanding and heightened fingerprinting of the Song base, Hipgnosis is well placed to further maximise returns on Song earnings in the coming year. Sync, advertising, branding and gaming will remain a primary focus, however key additional areas of activity will include: i) increasing revenues through the locating and claiming of our copyrighted materials on digital platforms such as YouTube, and newer and emerging platforms including TikTok, Triller and Peloton; ii) major development of the licensing of our repertoire into the ever expanding fitness, gaming, dating and photo messaging services, an area which is virtually devoid of any earnings from music usage; and iii) increased activity in the production and release of personalised digitally focused merchandise and collectibles utilising our copyrights alongside significant activity across the top tier lucrative NFT landscape, the first of which launches in August this year.

A full description of Song Management activities during the year is set out in the Company's Factsheet that is available on the website at www.hipgnosisongs.com.

As stated in the interim results, performance income (which is predominantly received from shops, bars and restaurants as well as live music) has fallen across the music industry in 2020 as a result of COVID-19 lockdowns globally, with PRS recently stating performance revenues fell by 19.7% in 2020.

As a result of these industry wide trends, performance income in our Catalogues' royalty earnings income decreased by 25.8% in the second half of the year from the previous six month period across all Catalogues, and 21.3% on our steady state Catalogues where we would not expect decay from peak earnings. The Company expects a further modest fall in performance revenues in the first half of the current financial year.

The Directors expect that performance income will quickly return to and exceed pre-COVID-19 levels as lockdowns are being lifted in our largest revenue generating markets. There is already substantial evidence of performance income recovering strongly, with Live Nation announcing that they expect the first quarter of year-on-year growth since the pandemic in Q2 2021. The Directors also expect there will be a surge in live performances over the coming years as artists seek to recover lost income from cancelled tours in 2020. This is supported by Live Nation's recent announcement that their pipeline of live music events in 2022 is already significantly higher than 2019.

Overall, royalty statements and cash receipts in the second half of the year are in line with the revenue accruals recognised in the first half results: however are marginally lower than the previous year.

This is reflected in the PFAR (as defined below) of the Catalogues owned on 31 March 2021, which fell by 5.8% to \$118.2 million for the 12 months ending 30 June 2020 compared to \$125.5 million for the 2019 calendar year.

In addition, the VAF (as defined below) was -2.8%, reflecting the decrease in performance income during COVID-19 which would not have been anticipated in the original forecast acquisition model on Catalogues acquired before the COVID-19 pandemic.

Overall, the Directors believe that the decline in performance income will end by the autumn and the long term changes to music consumption during COVID-19, combined with our proactive Song Management, will accelerate future earnings growth. This is also supported by the Independent

Valuer who has increased long term earnings of our Catalogues in their DCF valuation models, resulting in a 2.1% uplift in fair value since 30 September 2020.

A breakdown of the income source of net revenue is set out below:

Income Source	Net Revenue (\$'000)	%
Mechanical	\$23,580	17%
Performance	\$39,864	29%
Digital	\$3,978	3%
Streaming	\$43,658	32%
Synchronization	\$21,057	15%
Other Income	\$6,256	5%
TOTAL	\$138,392	

EBITDA

EBITDA in the year increased by 49.8% to \$106.7 million (year ended 31 March 2020: \$71.2 million) reflecting the substantial increase in revenues and a small increase in ongoing charges⁵ as a percentage of the average Operative NAV, from 1.52% to 1.59%, as a result of timing of share issuances in the period.

Leveraged Free Cash Flow (LFCF)

Leveraged Free Cash Flow was \$87.3 million which covered dividends paid out during the year by 1.68 times.

Acceleration of streaming adoption underpins long term outlook

2020 has been a pivotal year for Hipgnosis, which despite presenting challenges the world had never expected, has proven Songs as an uncorrelated asset class and accelerated the adoption of streaming worldwide.

The Portfolio now comprises 138 Catalogues that have been carefully selected due to their highly successful and culturally influential proven hit songs, which will produce long-term reliable and predictable income, and their high levels of streaming consumption. Hipgnosis is therefore well placed to benefit from the expected increase in streaming revenues over the coming years.

This natural growth will be supported by our Song Management approach, which since the arrival of Ted Cockle and Amy Thompson last year has shown how effectively it can increase the income and enhance the legacies of our Songs.

Final Results

The Final Results for the year ended 31 March 2021 are expected to be published on 29 June 2021.

The Investment Adviser will be providing a presentation online to analysts at 12pm on that day, with registration details to be made available closer to the event.

Notes

Gross Indebtedness

On 26 March 2021, the Company drew down US\$90.0 million under its Revolving Credit Facility resulting in gross indebtedness of \$577 million and net indebtedness of \$438 million. This gross indebtedness represented approximately 32.8% of the last published Adjusted Operative Net Asset Value at that time and therefore constituted an inadvertent breach of the Company's borrowing restriction under its investment policy of 30% of Net Asset Value. The amounts drawn down were held by the Company as cash and were unutilised, and on 5 April 2021 \$50 million of these drawings were repaid, thereby curing the temporary breach. Since this date the Company has operated in compliance with all of its investment restrictions.

Pro-Forma Annual Revenue - PFAR

Pro-forma Annual Revenue (PFAR) is the royalty revenue earned in a calendar year by the portfolio of songs held by the Company at a specific date, based on royalty statements received, irrespective of whether the songs were owned by the Company over the period analysed.

Variance Against Forecasts - VAF

Variance Against Forecast (VAF) is the difference between the total of the royalty statements received from each catalogue since acquisition, and the acquisition model forecast over the same period.

The VAF is expressed as a percentage point deviation from zero, where a positive number means that the actual performance of the portfolio is tracking ahead of the cumulative forecast. A negative number indicates that the portfolio is falling behind forecast.

Footnotes

¹ Total NAV Return is calculated using the Operative NAV

² The audit of the Financial Statements for the year ended 31 March 2021 has not been concluded and the financial information in this announcement is therefore unaudited.

³ Assuming constant currency

⁴ Including any right to income on acquisition of Catalogues.

⁵ Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition/disposal of investments, performance fees, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs.

Note: This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014 (MAR).

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NOTES TO EDITORS

About Hipgnosis Songs Fund Limited (www.hipgnosissongs.com)

Hipgnosis, which was founded by Merck Mercuriadis, is a Guernsey registered investment company established to offer investors a pure-play exposure to songs and associated musical intellectual property rights. The Company has raised a total of over £1.1 billion (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent issues in April 2019, August 2019, October 2019, July 2020, September 2020 and February 2021. In September 2019, Hipgnosis transferred its entire issued share capital to the Premium listing segment of the Official List of the FCA and to the London Stock Exchange's Premium segment of the Main Market, and in March 2020 became a constituent of the FTSE 250 Index. Since April 2021, the Company has been resident in the UK for tax purposes and is recognised as an investment trust under applicable HMRC regulations.

About The Family (Music) Limited

The Company's Investment Adviser is The Family (Music) Limited, which was founded by Merck Mercuriadis, former manager of globally successful recording artists, such as Elton John, Guns N' Roses, Morrissey, Iron Maiden and Beyoncé, and hit songwriters such as Diane Warren, Justin Tranter and The-Dream, and former CEO of The Sanctuary Group plc. The Investment Adviser has assembled an Advisory Board of highly successful music industry experts which include award winning members of the artist, songwriter, publishing, legal, financial, recorded music and music management communities, all with in-depth knowledge of music publishing. Members of The Family (Music) Limited Advisory Board include Nile Rodgers, The-Dream, Giorgio Tuinfort, Starrah, Nick Jarjour, David A. Stewart, Bill Leibowitz, Ian Montone and Rodney Jerkins.