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Hipgnosis Songs Fund Limited (“Hipgnosis” or the “Company”)

Update on Dividend Intentions

6 November 2023

The Board of Hipgnosis Songs Fund Limited together with its Investment Adviser, Hipgnosis Song Management Limited, have been undertaking a review of the Company’s financial position as a result of which the Board has determined that it will not declare dividends before the new financial year.

As a result of this review:

- It has been determined that the Catalogue bonus provision is expected to increase by approximately \$23 million to \$68 million at 30 September 2023 as there are now ten (31 March 2023: six) out of the Company’s 146 Catalogues likely to meet performance hurdles as defined in their acquisition agreements. The \$68 million would be payable over a period of three years from 30 September 2023, with \$40 million due within 12 months, \$24 million due within 1-2 years and \$4 million due within 2-3 years. In addition, there are a further nineteen Catalogues with active bonus provisions totalling \$75 million, that are unlikely to meet performance hurdles; these are not recognised as provisions but are contingent liabilities and will be disclosed in the forthcoming interim results with associated sensitivity analysis.
- The Board, advised by the Investment Adviser, is exploring refinements to the methodology adopted in the Company’s revenue accrual estimation process for the year end results which, based on early assessments, may result in an accrual adjustment reducing revenue accruals by up to 10%. Any changes would aim to bring consistency to the description of IFRS revenue and the Pro Forma Annual Revenue measure through the use of granular data in the underlying calculations, to support an improved estimation process and enhanced disclosures.

In light of this information, the Board has determined that it will not declare dividends before the new financial year. The operating cash flow of the Company during this time will therefore be used to ensure that the Company has sufficient cash resources to fund the payment of the Catalogue bonuses as required. Additionally, the suspension of dividend payments will provide the Company with the headroom required to maintain compliance with its revolving credit facility’s Fixed Charge Cover Ratio covenant if the accrual adjustment is realised in full.

The Board will update the Company’s dividend policy as part of proposals which are due to be made to shareholders by 26 April 2024 following completion of the Strategic Review.

The person responsible for making this notification is Sylvia Coleman, Senior Independent Director of Hipgnosis Songs Fund Limited.

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