

SHIRES INCOME PLC

Legal Entity Identifier (LEI): 549300HVCIHQNQNZAYA89

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This announcement contains inside information.

8 January 2026

Aberdeen Equity Income Trust plc and Shires Income PLC

Recommended Combination of Aberdeen Equity Income Trust plc with Shires Income PLC

Introduction

The Boards of Aberdeen Equity Income Trust plc ("AEI") and Shires Income PLC ("SHRS") are pleased to announce that heads of terms have been agreed for a combination of AEI and SHRS (the "Combination"), bringing together two successful investment trusts to create a larger and stronger company for shareholders.

The Combination will be implemented through a scheme of reconstruction of SHRS under Section 110 of the Insolvency Act 1986 (the "Scheme"), under which SHRS shareholders will be entitled to receive new AEI shares or to elect some or all of their shares for cash. The enlarged AEI will be the ongoing company (the "enlarged Company").

abrdn Fund Managers Limited ("Aberdeen") will continue to manage the enlarged Company. Conditional on the Combination being implemented AEI will submit an updated investment objective and policy for its shareholders to approve. The updated investment policy will incorporate SHRS' ability to invest in investment-grade fixed income and preference shares as well as having selective exposure to overseas equity in developed markets.

Benefits of the Combination

The Boards believe that the Combination will bring together two investment trusts with broadly similar investment objectives, good performance records and share price ratings, using the same portfolio management team. It will create a larger, more liquid, and more cost-effective company, which should deliver greater value for all shareholders. Specifically:

- Strong records of investment performance:**

For periods to 31 December 2025:

- Both companies have delivered strong investment returns. AEI has delivered a net asset value total return of 29.9%, 41.2% and 63.0% over the past one, three and five years respectively; SHRS has delivered a net asset value total return of 24.8%, 42.6% and 59.2% over the same periods¹.
- Both companies pay dividends above the average yield of the UK income sector and have grown their dividends, whilst delivering attractive total returns (i.e. including capital growth).
- The Combination should provide an opportunity to enhance the strong investment returns using the benefits of increased scale and reduced operating costs.

- **Increased scale:** It is expected that the Combination will deliver a significant increase in the size of AEI to form an enlarged company of between £289 and £320 million, depending on the take up of the cash exit offered by SHRS to its shareholders, based on combined net assets as at 31 December 2025. With greater scale, the enlarged Company is expected to appeal to a broader range of investors, which in turn should result in higher trading volumes and improved market liquidity in the enlarged Company's shares.
- **Differentiated proposition:** Subject to the approval of changes to AEI's investment objective and policy, the enlarged Company will retain SHRS' distinctive portfolio features, including some exposure to investment-grade fixed income securities and preference shares, as well as selective exposure to overseas equities in developed markets. This approach aims to provide shareholders with greater diversification, continued progressive dividend growth and a differentiated option within the AIC's UK Equity Income Sector.
- **Reduced costs:** It is expected that the Combination will deliver a reduction in the ongoing charges ratio ("OCR") for shareholders in the enlarged Company through its increased scale and absorption of fixed costs over a larger asset base. The enlarged Company will retain AEI's current management fee of 0.55% per annum of net asset value, together with an additional fixed fee of £120,000 (linked to CPI). The manager's fees will be scaled back, if required, so that the OCR does not exceed 0.78%, compared to AEI's current OCR of 0.84% and SHRS' of 1.00%.
- **Sustained and growing income:** There should be no reduction in dividend income for shareholders in either AEI or SHRS. The enlarged Company will continue AEI's commitment to a progressive dividend policy, aiming for a dividend increase each year. For the current year, ending 30 September 2026, AEI is expected to pay not less than 23.1p per share in aggregate, paid quarterly. The Board of the enlarged Company will look to maintain the enlarged Company's AIC Dividend Hero status and extend its track record to 26 consecutive years of dividend growth. AEI has both revenue reserves and realised capital reserves to support the payment of dividends, if required.
- **Share rating:** AEI shares have enjoyed a strong market rating in recent years, with an average discount to net asset value of 0.2% and 1.8% over the past one and three years respectively. SHRS has traded at an average discount to net asset value of 5.2% and 7.1% over the same period and both companies' shares were trading at premiums of 0.7% and 0.9% respectively at 31 December 2025.
- **Cost contributions:** To ensure maximum value for continuing shareholders, Aberdeen has agreed to cover all direct transaction costs (excluding portfolio trading and stamp duty), in excess of any contribution to scheme costs arising from the SHRS cash exit option at a 2% discount to formula asset value. Aberdeen's cost contribution may be made in whole or in part through an offset against future management fees minimising the impact on net asset value for both AEI and SHRS shareholders.
- **Tax-efficient rollover:** UK SHRS shareholders will be able to roll their investment into AEI without triggering a capital gains charge, subject to current customary HMRC tax clearances being received. The partial cash exit is being provided by SHRS for its shareholders who might wish to exit some or all of their shares. The main objective of the transaction is to achieve a combination of the two companies and the benefits of scale and cost reduction that brings.
- A pre-liquidation dividend of 10.0 pence per share is expected to be paid by SHRS following the passing of the SHRS resolutions at the first general meeting to approve the Combination.

The Boards of both companies, together with Aberdeen, believe the recommended Combination represents an opportunity to create a larger, differentiated UK Equity Income investment company, using the same management team, whilst delivering a progressive dividend growth strategy, lower costs, and enhanced growth prospects for all shareholders.

The Board of AEI has received independent financial advice from J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove).

The Board of SHRS has received independent financial advice from Winterflood Securities Limited as to the terms of the Combination and that the terms of the Combination are fair and reasonable and are in the best interests of shareholders as a whole.

The Scheme:

The Scheme will be effected by way of a scheme of reconstruction of SHRS under section 110 of the Insolvency Act 1986, resulting in the voluntary liquidation of SHRS and the transfer of certain of SHRS' assets to AEI in consideration for the issue of new ordinary shares of AEI ("New AEI Shares") to shareholders who roll over into AEI. The number of New AEI Shares issued to shareholders will be determined by the ratio of the AEI formula asset value ("FAV") to the SHRS rollover FAV. Detailed information on the Scheme, the FAVs and the features of AEI after the scheme will be provided in the circulars sent to shareholders to approve the Scheme in February 2026.

The Scheme will be subject to, *inter alia*, the approval of both AEI's and SHRS' shareholders, in addition to tax clearances and regulatory approvals. Subject to, and conditional on, the Scheme becoming unconditional, qualifying SHRS shareholders will be entitled to receive in respect of some, or all, of their SHRS shares:

- i. New AEI Shares and/or
- ii. Cash (the "**Cash Option**"). The Cash Option will be for up to a maximum of 25% of SHRS' issued ordinary share capital (excluding treasury shares), with all valid elections accepted. Excess elections can be made and will be satisfied to the extent that other shareholders choose not to elect for cash.

New AEI Shares will be issued under the Scheme to the extent that SHRS shareholders do not make a valid election for the Cash Option in respect of some or all of their shares or to the extent that their elections for the Cash Option are scaled back. The Cash Option will be offered at a discount of 2 per cent. to the SHRS FAV per share. In accordance with customary practice for such transactions involving investment trusts, the City Code on Takeovers and Mergers is not expected to apply to the Scheme.

The Cost Contributions

Transaction costs (excluding portfolio trading and stamp duty) will be covered for continuing investors by Aberdeen via an offset against future management fees, less the contribution resulting from the take-up by SHRS shareholders of the Cash Option at a discount of 2% to the SHRS FAV per share.

It is, therefore, expected that there will be no net asset value dilution for either AEI shareholders or SHRS shareholders who roll over into the enlarged Company.

Board structure

Following completion of the Scheme, it is expected that Simon White, one of the Non-Executive Directors of SHRS, will join the Board of the enlarged Company. All of SHRS' directors support the proposed combination, and the remaining three SHRS directors will be standing down to help to ensure implementation of the Scheme and to ensure that the costs of the enlarged Company are contained.

Expected timetable

It is intended that the documentation in connection with the Scheme will be posted to each of AEI's and SHRS' shareholders in February 2026 with a view to convening general meetings thereafter. The Scheme is expected to become effective before the end of Q1 2026.

Sarika Patel, Chair of Aberdeen Equity Income Trust plc, said:

"The Board of Aberdeen Equity Income Trust plc is very pleased to announce the recommended combination with Shires Income PLC, which we believe creates a compelling opportunity for the shareholders of both companies. Bringing together two high-quality investment trusts with aligned objectives, a shared management team and complementary portfolios, the enlarged Company will benefit from greater scale, improved liquidity and lower costs. The Board considers that this is a rare proposal in the investment trust sector since the Scheme will be undertaken from a position of strength, where both companies are performing strongly and have share prices which are either trading at, or very close to, a premium to their underlying NAVs. This transaction strengthens our ability to deliver a progressive dividend policy and attractive long-term returns and represents a clear vote of confidence in the enduring strengths of the investment trust structure."

Robin Archibald, Chair of Shires Income PLC, said:

“ By combining two successful UK equity income investment companies in the same management stable, the enlarged Company can offer significant benefits of scale and economies for both sets of shareholders with a competitive investment proposition for above average UK equity income. This is a constructive initiative designed to enhance and, most importantly, to try to encourage new investors to support a closed-ended investment company that can provide returns not available from open-ended alternatives by using the benefits of the closed-ended structure, including gearing, allocation of costs and use of reserves.”

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Notes

¹ Source: LSEG Datastream. Past performance is not a guide to future results.

Performance data sourced from LSEG Datastream as at 31 December 2025.

Important Information

This announcement contains inside information. The entity responsible for arranging for the release of this announcement on behalf of AEI and SHRS is abrdn Holdings Limited, as Company Secretary to both companies.

The information in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness. The material contained in this announcement is given as at the date of its publication (unless otherwise marked) and is subject to updating, revision and amendment. In particular, any proposals referred to herein are subject to revision and amendment.

The New AEI Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (as amended) (the **“Securities Act”**) or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an exemption from registration under the Securities Act. Moreover, the New AEI Shares have not been, nor will they be, registered under the applicable securities laws of Australia, Canada, Japan, New Zealand, the Republic of South Africa, or any member state of the EEA (other than any member state of the EEA where the shares are lawfully marketed). Further, AEI is not, and will not be, registered under the US Investment Company Act of 1940, as amended.

Figures in this announcement that refer to past performance and past performance should not be considered a reliable indicator of future results.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding AEI's or SHRS' respective financial positions, strategies, plans, proposed acquisitions and objectives, are forward-looking statements.

Forward-looking statements are subject to risks and uncertainties and, accordingly, AEI's or SHRS' actual future financial results and operational performance may differ materially from the results and performance expressed in, or implied by, the statements.

J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove) ("**J.P. Morgan Cazenove**") which is authorised in the United Kingdom by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority is acting exclusively for AEI and for no-one else in connection with the Combination, will not regard any other person as its client in relation to the Combination and will not be responsible to anyone other than AEI for providing the protections afforded to its clients or for providing advice in relation to the Combination, or any of the other matters referred to in this announcement. This does not exclude any responsibilities or liabilities of J.P. Morgan Cazenove under the Financial Services and Markets Act 2000, as amended, or the regulatory regime established thereunder.

Winterflood Securities Limited ("**Winterflood**") which is authorised in the United Kingdom by the Financial Conduct Authority is acting exclusively for SHRS and for no-one else in connection with the Combination, will not regard any other person as its client in relation to the Combination and will not be responsible to anyone other than SHRS for providing the protections afforded to its clients or for providing advice in relation to the Combination, or any of the other matters referred to in this announcement. This does not exclude any responsibilities or liabilities of Winterflood under the Financial Services and Markets Act 2000, as amended, or the regulatory regime established thereunder.

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