PIAHCL
PIA Holding Company Ltd.

STATEMENT UNDER SECTION 281 OF THE COMPANIES ACT, 2017

Effect of the Proposed Scheme of Arrangement on the Interests of Members and Creditors:

I. Background

The Government of Pakistan, thorough its letter dated 1 May 2025 bearing reference number 282/Rule-19/2025/404, approved the transfer of Precision Engineering Complex ("**PEC**"), a business unit of PIA Holding Company Limited (the "**Company**"), along with all related assets, liabilities, employees, contracts and obligations to Precision Engineering Complex (Private) Limited ("**PECPL**"), a wholly owned subsidiary of Shaheen Foundation. The Government of Pakistan also directed the Ministry of Defence, Government of Pakistan to issue directions to the Company and Pakistan Air Force for the aforesaid transfer of PEC (the "**GoP Approval**").

The Defence Division, Ministry of Defence, Government of Pakistan through its letter dated 7 May 2025 bearing reference number No 2-42020/D-9 (AF-I) (the "**MoD Approval**"), issued directions to the Company and the Chief of the Air Staff to comply with the directions of the Government of Pakistan as contained in the GoP Approval.

Pursuant to the directions of the Government of Pakistan, as contained in the GoP Approval and the directions of the Ministry of Defence, as contained in the MoD Approval, the Board, through its duly passed resolution dated 15 May 2025, approved in principle the proposed carve-out, sale and transfer of PEC, along with all related assets, liabilities, active employees and all existing and future obligations relating to active and retired employees to PECPL through a Scheme of Arrangement under Sections 279 to 283 and 285(5) of the Companies Act, 2017 (the "**Act**") read together with S.R.O 135(I)/2023 of the Finance Division (Investment Wing), Ministry of Finance of the Government of Pakistan;

Following the approval of the Board, a draft of the Scheme of Arrangement (the "**Proposed Scheme**") has been prepared outlining the details of the proposed transfer including the assets, liabilities, contracts, active employees and obligations relating to active and retired employees to be transferred, consideration for the said transfer, treatment of PEC employees after the transfer, ongoing legal proceedings and other relevant matters.

The Company, through its authorised representative(s), and PECPL, through its authorised representative(s), have discussed and agreed upon the terms of the proposed Scheme.

Upon sanction of the Scheme by the Securities and Exchange Commission of Pakistan, with effect from 1 May 2025 (the "**Effective Date**"), the following actions shall be deemed to occur in the sequential steps mentioned below:

(i) the PEC, together with all PEC Assets (as defined in the proposed Scheme), PEC Liabilities (as defined in the proposed Scheme), rights, obligations, contracts and employees pertaining thereto, shall, without any further act, deed or instrument, stand transferred to, and be vested in, PECPL as of the Effective Date.

(ii) in consideration for the transfer of ownership of PEC together with all PEC Assets, PEC Liabilities, rights, obligations, contracts and employees pertaining thereto, from Company to PECPL, PECPL shall pay PKR 2,500,000,000 (Pak Rupees Two Billion Five Hundred Million) to Company over a period of five years, in accordance with the schedule of payment issued by the Finance Division, Ministry of Finance of the Government of Pakistan, extract of which is attached as Annexure-'F' to the Proposed Scheme. Additionally, PECPL shall assume:

(a) all pension liability of Company relating to PEC Retired Employees (as defined in the Proposed Scheme); and

(b) future pension and provident fund obligations for all PEC Employees (as defined in the Proposed Scheme).

II. Effect on Members

The Proposed Scheme contemplates transfer of PEC including all related assets, liabilities, contracts, employees and obligations from the Company to PECPL as of the Effective Date.

Under the Proposed Scheme and as a result of transfer of PEC to PECPL:

(a) The Company's existing share capital remains unchanged: 5,349,250,000 Class A shares of PKR 10/- each and 1,500,000 Class B shares of PKR 5/- each.

(b) No new shares will be issued or cancelled and the rights and privileges of the Company's members (including voting and dividend rights) remain unchanged.

(c) Members will not acquire any shares or direct interest in PECPL.

(d) Both the Company and PECPL are ultimately owned and controlled by the Government of Pakistan. Accordingly, the transfer of PEC to PECPL will not result in any change in the Government of Pakistan's ultimate beneficial ownership of PEC and will not dilute or otherwise affect the economic or voting rights of the Company's shareholders.

Therefore, the Proposed Scheme will not materially prejudice the interests of the members of the Company.

III. Effect on Creditors

The Proposed Scheme contemplates that all liabilities and obligations of the Company relating to PEC, as set out in the Split Balance Sheet annexed to the proposed Scheme, will transfer to and become the obligations of PECPL, as of the Effective Date.

Creditors of the Company whose claims relate to PEC will, from the Effective Date, have the same rights against PECPL as they currently have against the Company.

Financing arrangements with the Bank of Punjab ("**BOP**") and National Bank of Pakistan ("**NBP**") consortia will not be adversely affected. However, as described in Article 18 of the Scheme, BOP and NBP, acting as agents for their respective consortia, have agreed to release existing encumbrances over the Company's assets relating to PEC and to issue their respective no objection certificates in respect of transfers contemplate under the proposed Scheme.

All bank guarantees, performance bonds and similar instruments issued by the Company or any of its group companies in connection with PEC will stand cancelled as of the Effective Date and will not transfer to PECPL. PECPL may, if required by the relevant beneficiaries, arrange replacement guarantees or other security.

The proposed Scheme does not compromise, reduce, or extinguish any claim of any creditor of either the Company or PECPL and therefore will not materially prejudice the interests of the creditors of the Company.

Statement of Material Interest of Directors:

The Directors have reviewed the draft Scheme of Arrangement (the "**Proposed Scheme**") presented to the Board at its 16th Meeting held on September 23, 2025 and believe that implementation of the proposed Scheme is in the best interests of the Company, its members and its creditors.

Each Director further confirms that, other than any interest arising solely from his shareholding in the Company (if any) and the receipt of ordinary directors' fees or remuneration in that capacity, he has no direct or indirect interest in the proposed Scheme and will derive no special benefit from its implementation.