Chairman's Review

On behalf of the Board of Directors, I am pleased to present the Annual Report of International Steels Limited for the financial year ended 30 June 2026.

FY 2025-26 marked further macroeconomic stabilisation. Pakistan's economy recorded provisional GDP growth of 3.7%, with average inflation moderating to 7.1% and the policy rate standing at 11.5% at year-end. Greater exchange-rate stability and lower borrowing costs supported business confidence, although energy affordability, external financing requirements and regional geopolitical developments remained material risks.

Domestic flat steel demand increased by 25% to 1,250 KMT as industrial and commercial activity recovered. Domestic producers captured most of the incremental demand, yet imports, including estimated misdeclared volumes, represented 52% of the market. Import-related market distortions, diversion through the FATA/PATA regime and stays against anti-dumping duty collection continued to constrain the formal steel industry.

In this operating environment, ISL delivered a strong operating recovery. Total sales reached 435 KMT, 62% higher than the previous year. The Company's domestic market share rose from 23% to 28%, while export sales more than doubled to 91 KMT, led by Europe and North America. Production increased to 447 KMT, improving capacity utilisation and fixed-cost absorption.

The improved operating scale translated into stronger financial performance. Net sales revenue increased by 50% to PKR 93.4 billion and gross profit margin improved to 11.5% from 8.9% in the previous year. Consolidated profit after tax increased by approximately 135% to PKR 3.67 billion, while earnings per share rose to PKR 8.44 from PKR 3.58. The stronger result reflected higher volumes, improved export margins, disciplined procurement, better energy efficiency and effective cost management.

"As part of the Board's disciplined approach to capital allocation and portfolio optimisation, the Company has agreed in principle, subject to the requisite corporate and regulatory approvals, to exit its investment in Chinoy Engineering & Construction (Private) Limited (CECL) through the buyback of its entire shareholding. Against an initial investment of PKR 48 million, ISL has received dividends of PKR 163 million and expects to receive buyback proceeds of PKR 350 million, representing an aggregate cash return of PKR 513 million, approximately 10.6 times the original investment. For financial reporting purposes, the carrying value was aligned with the proposed consideration through recognition of an impairment loss of PKR 61 million for the year ended 30 June 2026. The proposed transaction will crystallise the value created from this investment while enabling the Company to maintain its strategic focus on its core steel business."

We welcome the extension of anti-dumping duty coverage to address circumvention through alternative coated-product classifications and the phased alignment of the sales tax rate applicable to imports into FATA/PATA with the standard rate. Realising the full benefit of these measures will require consistent implementation, effective traceability and timely enforcement. A transparent and level playing field is essential to sustain domestic investment, employment and industrial capacity.

The Board maintained active oversight of strategy, risk, financial reporting, internal controls and regulatory compliance. Its deliberations remained grounded in integrity, transparency and constructive challenge. The Board will continue to guide and support management while ensuring that growth is pursued with financial discipline, prudent capital allocation and high standards of corporate governance.

The outlook for FY 2026-27 is cautiously optimistic but requires vigilance. Improving industrial activity and lower financing costs should support flat steel demand, while ISL's operating scale and wider market reach provide a sound platform for growth. However, import pressures, energy and raw-material costs, exchange-rate movements, trade restrictions and regulatory enforcement challenges remain material risks. The Company's priorities will be to strengthen domestic market leadership, expand exports selectively and profitably, increase the share of value-added products, improve working-capital efficiency and advance energy efficiency, operational excellence and digital transformation.

On behalf of the Board, I extend sincere appreciation to our shareholders, employees, customers, suppliers, bankers and other stakeholders for their trust and support. I also acknowledge the commitment of management and employees whose discipline and resilience contributed to the Company's performance during the year.

We pray to Almighty Allah for the continued success and prosperity of your Company.

Kamal A. Chinoy

August 19, 2026