

CHIEF EXECUTIVE OFFICER'S REVIEW REPORT

Dear Shareholders,

It is my pleasure to present the Annual Report for Fiscal Year 2026 which includes our annual sustainability and financial performance together with statutory disclosures. This report is accompanied by the audited Financial Statements (Standalone and Consolidated) for the year ended June 30, 2026.

We maintained our position as a leading line pipe manufacturer, delivered consistent financial results accompanied by stable returns for shareholders, completed plant and machinery investments which enhance our capacity in both large dia line pipe manufacturing and line pipe coating, and completed divestments in underperforming assets to protect profitability and improve allocations.

In the outgoing fiscal year we harvested capital from non-core and underperforming assets, brought debt down sharply, and held our dividend payout steady as a share of profit even as the core steel business absorbed a slowdown in project execution. The result is a cleaner, less-levered balance sheet. On a standalone basis, profitability was lower compared to FY25, a year that had been flattered by an exceptional capital markets rally and a large one-off gain on the Altern Energy Limited (ALTN) divestment.

We also saw key leadership transitions taking effect and reviewed our organisation succession matrix at the Board level. Investments made in FY25 in response to shop applied cement mortar lining demand were successfully product tested during FY26. We enabled SNGPL in adding 100 mmfd of supply to the national gas transmission infrastructure, four months ahead of schedule – diminishing the impact of energy supply chain shocks in the first three months of the US-Iran War.

We made a deliberate and disciplined prioritization of where we want to grow, remaining focused on businesses where we can leverage our inherent strengths and long-standing capabilities. Our strategic thrust remains on the engineering sector, which is core to our value proposition and long-term growth ambitions. Divesting from manufacturing operations that had been a part of our journey, required courage; these units ultimately lacked the financial viability and strategic alignment required to support our long term core objectives. This optimisation reflects our commitment to capital efficiency, strategic clarity, and sustainable value creation.

The K-IV Pipeline Project – which will supply 260 MGD of potable water from Keenjhar Lake to reservoirs in Karachi through a 210 km pipeline network – is nearing completion of its first phase. ~70% of the ~210 km required has been delivered to date, with the remaining 30% (65 km) expected to wrap up during FY27 against client-supplied HRC. This project continues to remain material for our business in the immediate term.

Phase I's near-completion has already triggered demand from the K-IV Augmentation Project (KWSSIP), which is designed to upgrade Karachi's water pipeline network and represents a further ~70,000 tons of coated and lined large-diameter pipe demand.

Profitability and cashflows from core steel line pipe operations improved significantly while flows from investments were impacted, due to lower income from investments (down 56% year-on-year), against the high base set by FY25's ALTN-related gains noted above; as a result overall profitability was lower while cashflows from operations improved significantly. The steel division helped drive strong overall financial results, contributing ~73% to Company PBT from continuing operations.

Ahsan M. Saleem
Chief Executive Officer

At the close of FY26, Crescent Steel successfully delivered ~198 kilometers (20,228 metric tons) of line-pipe in assorted sizes, alongside 246,959 square meters of line-pipe coating and 129,522 square meters of internal cement mortar lining. On a notional basis, volume of bare pipe production is down 22% when compared to FY25 which includes line pipe deliveries for the K-IV project (on a km basis however, the variance is -3% year on year).

Sales for FY26 stood at Rs. 7,936 million (FY25: Rs. 6,346 million), reflecting a 25.1% year-on-year increase. FY25 sales include line pipe supplies for which HRC is client supplied, hence the lower output despite higher recorded sales. Sales equated to Rs. 8,168.2 million on a deemed revenue basis (factoring in client supplied steel raw material) compared with deemed revenue of Rs. 12,161 million in FY25.

Profitability remained strong with standalone EBITDA from continuing operations at Rs. 2,213.9 million (FY25: Rs. 2,645.0 million), with a margin of 27.9% (FY25: 41.7%), reflecting available liquidity and earnings buffers that can be leveraged to absorb shocks and provide access to capital. Consequently, underlying EBIT from continuing operations stood at Rs. 1,908.3 million (FY25: Rs. 2,373.3 million), translating into a margin of 24.0% on net sales (FY25: 37.4%). Profitability was impacted primarily due to lower income from investments (down 56% year-on-year) with FY25 investment income primarily constituting dividends and one off realized gains on sales of strategic holdings in ALTN.

Unconsolidated profit after tax (PAT) stood at Rs. 1,291 million (FY25 PAT: Rs. 1,343 million). Gross profit stood at Rs. 2,014 million, a margin of 25.4% (FY25: 25.2%; Rs. 1,597.4 million) reflecting stronger steel division performance and margin protection. Operating profit, was recorded at Rs. 1,908.3 million (FY25: 2,373.3 million), translating into a margin of 24.0% (FY25: 37.4%).

On a year-on-year basis contribution from investments to continuing operations PBT fell from 68% in FY25 to 31% in FY26 as against the Steel Division contribution of 35% and 73% in FY25 and FY26, respectively.

On a consolidated basis, the Group posted a profit after tax of Rs. 1,533 million for FY26, compared to a loss after tax of Rs. 43 million in FY25. Operating profit, was recorded at Rs. 2,258 million up 85% year-on-year (FY25: 1,216 million), translating into a margin of 28.4% (FY25: 19.2%). The improvement in the consolidated P&L is driven by both stronger steel division performance and the absence of the prior year ALTN share-of-loss and impairment charge.

Consequently, unconsolidated earnings per share (EPS) for FY26 stood at Rs. 16.63 (FY25: Rs. 17.30), while consolidated EPS was Rs. 19.74 (FY25: LPS of Rs. 0.56).

As at June 30, 2026, the Company's balance sheet footing stood at Rs. 12,105.5 million (FY25: Rs. 15,919.8 million). In addition to BMR and investment flexibility, free cash flow allowed us to retire debt (down ~70% year-on-year). Consequently, finance costs were lower year-on-year by Rs. 128 million or 45%, gearing ratio stood at 4.1% (FY25: 21.5%) and we posted an improved current ratio of 3.6x (1.6x). During the year our teams were able to restructure financing limits against raw material and plant and machinery assets, freeing up property and stock assets which were previously blocked as collateral with lenders.

Crescent Steel's book value has grown at a compounded annual growth rate (CAGR) of 7.4% since 1987 – from Rs. 7.11 to Rs. 124.51 per share. When adjusted for unrealized gains on strategic investments held at cost, the indicative break-up value stands at Rs. 157.30 per share. As of the reporting date, the Company's share traded at Rs. 114.1 per share, reflecting an earnings multiple of 6.9x and a price-to-book value ratio of 0.91x.

The Company distributed Rs. 155.3 million, representing 12.0% of PAT, as interim dividend during FY26. Including the proposed final dividend (payable in FY27), total profit distribution to shareholders for the year will stand at Rs. 427.0 million, equating 33.1% of PAT (FY25: 43.4% of PAT).

Rs. 162.7 million or 9.3% of profit before tax (PBT) from continuing operations was donated towards various causes we support (FY25: Rs. 112.4 million or 5.4% of PBT); this year's giving includes past pledges held due to cashflow constraints in previous years. Of these community investments, approximately 94.0% were directed toward education, reflecting our belief in its transformative impact and long-term value creation.

Rs. 1,920 million or 98% of PBT and 24% of sales from continuing operations, was paid in taxes to the national exchequer and broader economy (FY25: Rs. 1,584.1 million; 76.0% of PBT; 25% of sales), a year-on-year increase of 21.2%. Rs. 5,726 million (54.0% of sales) was paid to suppliers, while Rs. 728 million (9.2% of sales) was distributed to employees as compensation and benefits. Payments to lenders stood at Rs. 160.4 million (2.0% of sales and on an average borrowing cost of 10.1%).

We employ a diverse workforce with varying skill sets across 6 locations; on average, we had 404 people in

employment during the outgoing fiscal year and closed the fiscal year with a workforce of 401 (FY25: 406).

The flexibility and strength of our operating model combined with the commitment of our leadership and teams enabled us close FY26 with positive performance despite a major trim down in manufacturing assets, rising input costs and volatile regional and energy sector dynamics. These outcomes demonstrate the resilience of our business model, and reflect our ability to adapt, prioritize core strengths, and execute with discipline under challenging conditions.

Looking ahead, a key strategic focus will be to sustain topline momentum and reinforce the Company's growth trajectory through operational excellence, market responsiveness, and prudent capital allocation.

Our Business

Incorporated in 1983, we commenced commercial production in 1987 with an API licensed line pipe manufacturing unit about 100 km from Karachi, in Nooriabad. The four decade lifecycle of Crescent Steel has seen it diversify into textiles and power sectors. The last decade of the Company has been about unwinding many of these investments to bring focus back to our strength in engineering.

Our flagship operations manufacture, line and coat large diameter steel line pipes used for vital energy and water transmission and distribution infrastructure across communities.

Our line pipe business is inherently tied down to infrastructure development cycles making flows cyclical. To buffer against these fluctuations, we have a resilient corporate structure supported by ancillary income streams and robust cash flow management. We operate an investments division which includes two wholly owned subsidiaries, CS Capital (Private) Limited and Solution de Energy (Private) Limited. The division operates the Company's portfolio of investments in strategic as well as trading investments in equities and real estate. Our capital market investments reflect a long-term conviction in the resilience and growth potential of Pakistan's corporate sector.

Our Businesses Continue to Provide Equal Opportunity Employment to Hundreds of People in Pakistan.

During the year produced and supplied 20,228 tons of steel line pipe in diameters ranging from 10 inches to 40 inches (41,175 tons in FY25). On a notional basis, this works out to 64,655 tons on an installed notional capacity of 200,000 tons. Line pipe coatings of 246,959 sq. meters on an installed notional capacity of 600,000 sq. meters (319,711 sq. meters in FY25). A total of ~198 KMs of line pipes were dispatched during the year.

The Steel Division remained a key contributor to Crescent Steel's overall performance during FY26. Revenues stood at Rs. 7,936.2 million (FY25: Rs. 6,346.3 million), generating a gross profit of Rs. 2,074.0 million at a margin of 26.1% (FY25: 26.1%; Rs. 1,655.9 million). Adjusting for deemed revenue of approximately Rs. 232.0 million, estimated sales reach Rs. 8,168.2 million, reflecting a gross margin of 24.7%. The Division posted a profit before tax (PBT) of Rs. 1,267.8 million (FY25: Rs. 724.2 million), contributing Rs. 16.33 per share – 64.7% to the Company's total PBT of Rs. 25.25 per share.

FY26 was another strong year for Pakistan's capital markets on the back of sustained improvements in macroeconomic indicators and investor confidence. The KSE-100 Index rose 43.5% to close FY26 at 180,301 points – among the strongest performers globally.

For Crescent Steel, this performance is material. Our investment portfolio benefitted from market gains, while the broader improvement in liquidity and confidence has positive implications for capital formation across industries. Valuations remain compelling when compared to historical and regional averages – a potential for further re-rating as fundamentals continue to strengthen.

Rs. 625 m or 34% of cash generated from strategic divestments were reinvested to rebuild the portfolio – consequent on financing limits being structured against plant and machinery and raw material collaterals, the portfolio assets are almost entirely available for access to capital through both trading flows and financing.

The equities portfolio (on a consolidated basis including CS Capital) holds Rs. 3,454 million in trading investments while Rs. 5,245 million makeup strategic investments. The division posted a PBT of Rs. 542 million, including dividend income of Rs. 172 million, contributing 27.6% to the PBT of Rs. 6.98 per share. On a consolidated basis the Investments Division PBT stands at 45%.

The increasing reliance on pipelines as efficient logistics for water and hydrocarbons transport will sustain

demand for large diameter line pipes. Crescent Steel is strategically positioned to capitalize on this opportunity, leveraging its technical expertise, manufacturing capacity, and longstanding industry relationships to support infrastructure expansion and national development.

Our successes mean a durable energy and water infrastructure for Pakistan.

The Company has contributed ~33% of the national gas transmission infrastructure of ~14,000 kms since 1986, playing a significant role in advancing Pakistan's energy logistics and infrastructure footprint.

Energy and water security is essential to economic and social development and have a profound effect on lives everywhere. These sectors have historically been the single most important contributors to Crescent Steel's growth and employment generation, and they remain central to our business sustainability today.

Our pipe manufacturing business continues to serve domestic demand for large diameter steel line pipes – products that are otherwise imported at high freight costs to bridge local supply gaps. Planned projects to expand pipeline infrastructure, particularly for the transportation of imported fuels, along with critical water and sanitation projects are material to our business and to Pakistan's long-term development agenda.

Consequent on plant and machinery disposals at the billet unit as well as the spinning unit, freehold land and building have been reclassified as "Investment Property," in line with the broader objective of optimizing asset deployment and focusing capital on core segments and potential for alternate use.

Our commitment has always been to deliver quality products responsibly, efficiently, and economically, and in doing so to make positive contributions to our community, provide fair returns to our shareholders and a desirable workplace for employees.

As a long-term industrial concern, our values are rooted in sustainable principles. Since we opened our facility in Nooriabad in the 1980s – with all our expansions and consolidations during this time, we have grown with the communities where we work and live, have remained invested in the overall well-being of Pakistan, minimizing our environmental footprint and being a reliable partner for suppliers and customers.

We take pride in the unwavering commitment to ethical business practices demonstrated across our leadership and management teams. Our Core Values and Governing Principles reflect a deeply held belief that every aspect of our business must be conducted with honesty, openness, fair play, and decency. These principles were formally adopted well before the introduction of any mandated Code of Corporate Governance and even prior to our listing in 1987. They still serve as Crescent Steel's North Star, informing our thinking, behaviours and expectations around doing what is right and responsible for our business and, for all Crescent Steel stakeholders.

We strive to build a culture of care anchored in safety-first principles, a commitment to environmental stewardship, strong relationships with all our stakeholders and the discipline and focus to stay the course in both favorable and challenging times.

We are grateful for what we have accomplished over the past four decades – building not just infrastructure, but trust, impact, and institutional strength.

As we look ahead, we remain committed to leveraging opportunities and continuing to make a lasting difference for our business, our communities, and the nation at large.

Looking Ahead

Our recent consolidations help bring sharper focus and greater investment cushion to the line pipe business at a time where there is growing demand in the water transmission segment – an area we have been able to showcase performance and product differentiation through the K-IV Project contribution.

We expect inshaAllah that planned projects in both the water and energy segments will keep us busy over the next five years and allow for further product differentiation in this segment. We are actively exploring internal lining market depth and seek to partner with customers to introduce lining applications and develop demand for flow and corrosion protection internal coatings.

In the immediate term, our in-hand orders include completion of the K-IV Phase I deliveries of ~70Kms and ancillary demand from the water sector for coated and cement lined steel pipe.

We also expect gas-sector orders of approximately 60 km in H2FY27. The White Oil Pipeline Project is expected to be tendered by the end of FY27, with potential demand for approximately 435 km of assorted large-diameter coated steel line pipe over the following two years.

As K-IV phase one nears completion, we anticipate water sector demand for coated and internally lined steel pipe, from allied projects including the K-IV Augmentation Project. With the larger opportunity falling beyond FY27, the immediate term outlook remains subdued, reinforcing the need for us to develop additional topline wallets.

I remain confident about Crescent Steel's future because Pakistan's fundamentals and geostrategic advantage are turning a corner. Our strategy remains clear. We are committed to reinforcing our position in the engineering sector and deploying capital for long term growth and value creation.

The recent macroeconomic stabilization and global diplomatic role is creating space for investment, and I have conviction that the engineering sector will prove to be an engine of growth and innovation. Pakistani corporates have shown resilience through every cycle, and I believe the years ahead will offer new opportunities for companies that combine technical strength with disciplined execution. Crescent Steel is well positioned to contribute to and benefit from this next phase of growth.

I extend my sincere gratitude to the Board and its committees for their proactive guidance and unwavering support. I also wish to acknowledge the dedication and resilience of our employees and management team, whose outstanding contributions have been instrumental to sustained performance.

Finally, I would like to recognise and thank our stakeholders – our customers, the communities in which we operate, our business partners, and most importantly, you, our shareholders.

I look forward to your continued trust and support in our collective journey to build a sustainable and value-creating enterprise.



Ahsan M. Saleem

Chief Executive Officer
July 31, 2026