

KAP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1978/000181/06)

JSE alpha code: KAP

LEI code: 3789001F51BC0045FD42

('KAP' or 'the Company' or 'the group')



UPDATED TRADING STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

On 14 December 2023, the Company published an operational update and trading statement in which it advised shareholders that a reasonable degree of certainty existed, that if trading conditions persisted, the Company's earnings from continuing operations would decrease by at least 20% compared to the prior corresponding period, due mainly to continued weakness in global polymer demand and margins, affecting Safripol.

In order to provide context to the updated trading statement it should be noted that following the publication of the annual financial statements for the year ended 30 June 2023 ('FY23'), management detected that a raw material supplier had incorrectly applied a contractual pricing formula for the period 1 February 2022 to 30 September 2023, which resulted in Safripol being overcharged by R183 million for raw material purchases, of which R163 million relates to FY23 and R107 million to the six month period ended 31 December 2022 ('prior corresponding period'). The error was immediately corrected, and the overcharges recovered from the supplier. The results for the prior corresponding period and FY23 will be restated to correct the impact of the error, effectively increasing the previously reported earnings.

The impact of the restatement will be disclosed in the notes to the condensed consolidated interim results for the six month period ended 31 December 2023 ('current period'), which the Company is in the process of finalising and which are expected to be announced on the Stock Exchange News Service of the JSE Limited on or about 28 February 2024.

In terms of the JSE Listings Requirements we hereby confirm that a reasonable degree of certainty now exists that for the current period:

Headline earnings per share ('HEPS') will be between 19.8 cents and 23.3 cents, representing:

- a decrease of between 36% and 25% compared to the published HEPS of 31.0 cents for the prior corresponding period; and
- a decrease of between 41% and 31% compared to the restated HEPS of 33.8 cents for the prior corresponding period; and

Earnings per share ('EPS') will be between 19.2 cents and 22.7 cents, representing:

- a decrease of between 38% and 27% compared to the published EPS of 31.1 cents for the prior corresponding period; and
- a decrease of between 43% and 33% compared to the restated EPS of 33.9 cents for the prior corresponding period.

In terms of the Company's balance sheet, the group brought the elevated working capital levels as at 31 December 2022 back in line with historical levels, which resulted in a reduction in debt levels as at 31 December 2023. The group remained within its financial covenant ratios as at 31 December 2023 and raised a R3 billion revolving credit facility to refinance upcoming debt maturities.

Noteholders are advised that the information in this announcement has not been audited, reviewed or otherwise reported on by the Company's external auditors.

Stellenbosch

15 February 2024

Debt Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited