HIGHLIGHTS

- *18% increase in gross written premium*
- *52% improvement in underwriting surplus*
- *Headline earnings per share based on long-term rate of return increases by 9%*
- *Strong cash flow generated by operating activities*

INCOME STATEMENT

	Notes	Unaudited **Six months ended 30 June 2002 R millions**	Six months ended 30 June 2001 R millions	% Change	Audited Year ended 31 December 2001 R millions
Gross written premium		**3 429**	2 898	18	6 206
Net written premium		**2 549**	2 325	10	4 574
Net earned premium		**2 568**	2 311	11	4 760
Claims incurred		**1 807**	1 637		3 366
Acquisition costs		**682**	622		1 297
Underwriting surplus		**79**	52	52	97
Investment return on insurance funds		**48**	43		88
Operating profit		**127**	95	34	185
Investment return based on the long-term rate of return	2	**217**	193		398
Income from associates		**(12)**	–		2
Income before taxation		**332**	288	15	585
Taxation	4	**82**	63		128
Minority interest		**5**	3		12
Headline earnings based on the long-term rate of return		**245**	222	10	445
Short-term investment fluctuations	3	**(98)**	90		126
Attributable earnings to shareholders		**147**	312	(53)	571
		Cents	Cents		Cents
Headline earnings per share based on the long-term rate of return		**220**	202	9	404
Attributable earnings per share		**132**	284	(53)	518
Dividends per share		**65**	59	10	154

Santam Limited and its subsidiaries

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2002

BALANCE SHEET

	Unaudited		Audited
	As at 30 June 2002 R millions	As at 30 June 2001 R millions	As at 31 December 2001 R millions
ASSETS			
Non-current assets			
Fixed assets	**34**	41	36
Investments	**3 245**	3 534	3 600
Listed at market value	**2 581**	3 033	2 939
Unlisted at directors' valuation	**629**	445	620
Investment in associated companies	**35**	56	41
Technical assets	**1 576**	1 239	1 800
Current assets	**2 497**	1 970	2 022
Amounts due by debtors, reinsurers and outstanding premiums	**921**	885	935
Cash and cash equivalents	**1 576**	1 085	1 087
Total assets	**7 352**	6 784	7 458
EQUITY AND LIABILITIES			
Capital and reserves	**3 283**	3 019	3 230
Minority shareholders' interest	**32**	23	29
Deferred taxation	**135**	162	116
Technical provisions	**3 200**	3 104	3 458
Current liabilities and provisions	**702**	476	625
Total equity and liabilities	**7 352**	6 784	7 458
Number of shares in issue (millions)	**111,4**	110,1	110,9
Weighted average number of shares in issue (millions)	**111,1**	109,8	110,2
Net asset value per share (cents)	**2 946**	2 742	2 914
Solvency margin (%)	**68**	68	71

STATEMENT OF CHANGES IN EQUITY

	Unaudited		Audited
	Six months ended 30 June 2002 R millions	Six months ended 30 June 2001 R millions	Year ended 31 December 2001 R millions
Balance as at beginning of period	**3 230**	2 795	2 795
Shares issued	**12**	8	24
Attributable income to shareholders	**147**	312	571
Dividends paid	**(106)**	(96)	(160)
Balance as at end of period	**3 283**	3 019	3 230

CASH FLOW STATEMENT

	Unaudited		Audited
	Six months ended 30 June 2002 R millions	Six months ended 30 June 2001 R millions	Year ended 31 December 2001 R millions
Cash generated from operations	**163**	73	(89)
Income before taxation	**332**	288	585
Depreciation charged	**8**	16	25
Other non-cash adjustments	**12**	2	(7)
Investment income	**(154)**	(154)	(315)
Net investment surplus	**(25)**	(184)	(311)
Long-term rate of return adjustment	**(86)**	102	140
Change in working capital	**76**	3	(206)
Dividends and interest received	**140**	134	315
Cash generated by operating activities	**303**	207	226
Taxation paid	**(81)**	(33)	(70)
Dividends paid	**(106)**	(95)	(162)
Cash retained from operating activities	**116**	79	(6)
Proceeds from ordinary shares issued	**12**	8	24
Investment in associated companies	**(5)**		
Cash utilised in addition to fixed assets	**(5)**	(3)	(2)
Increase in investments and liquid assets	**118**	84	16

ACCOUNTING POLICY AND BASIS OF PRESENTATION

The interim consolidated financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice on interim reporting (AC 127) and are consistent with those used in the annual financial statements for the year ended 31 December 2001 except for the change in the accounting policy as mentioned further on.

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

The investment return on insurance funds represents the interest earned on the funds generated from insurance activities.

CHANGE IN ACCOUNTING POLICY

During the year, the company changed its accounting policy with respect to the treatment of investment income. Previously, the net unrealised surplus resulting from the revaluation of investments, and the realised surplus resulting from the sale of investments, were directly transferred to equity as non-distributable and distributable reserves respectively.

From this year, the realised and unrealised surplus are recognised in the income statement. The comparative amounts have been appropriately restated. As there has been no change to the opening reserve balances, the effect of this change on attributable earnings is as follows:

	Six months ended 30 June 2002 R millions	Six months ended 30 June 2001 R millions	Year ended 31 December 2001 R millions
Gross increase in attributable earnings	**25**	184	311
Taxation	**(38)**	(28)	(50)
Net decrease in attributable earnings	**(13)**	156	261
Reconciliation of headline earnings			
Attributable income	**147**	312	571
Net investment surplus	**(25)**	(184)	(311)
Taxation on investment surplus	**38**	28	50
Headline and attributable earnings as stated in terms of previous policy	**160**	156	310
Headline and attributable earnings per share (cents)	**144**	142	282

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICY FOR THE LONG-TERM RATE OF RETURN ADJUSTMENT

The long-term rate of return adjustment represents the difference between the actual investment return earned on shareholders' funds during the year and the long-term investment return calculated on the basis described below. The long-term investment return is determined by the directors and is based on historical experience and current market conditions having regard to inflation expectations and consensus economic and investment forecasts.

The long-term investment return of 13% pre-tax is calculated on a monthly basis on the fair value of the investments held in the shareholders' funds, excluding holdings in associated companies. The directors are of the opinion that this rate of return is appropriate and has been selected with a view to ensuring that investment returns credited to headline earnings are consistent with the actual returns expected to be earned over the long-term.

The directors are also of the opinion that the change to this method appropriately discloses total earnings of the company.

	Unaudited		Audited
	Six months ended 30 June 2002 R millions	Six months ended 30 June 2001 R millions	Year ended 31 December 2001 R millions
2 INVESTMENT RETURN BASED ON THE LONG-TERM RATE OF RETURN			
Interest	**53**	53	102
Dividends	**57**	62	133
Net investment surplus	**25**	184	311
Investment management fee	**(4)**	(4)	(8)
Investment return: shareholders	**131**	295	538
Long-term rate of return adjustment	**86**	(102)	(140)
Investment return based on the long-term rate of return	**217**	193	398
3 NET LONG-TERM RATE OF RETURN ADJUSTMENT			
Gross investment return	**86**	(102)	(140)
Tax	**12**	12	14
Net long-term rate of return adjustment	**98**	(90)	(126)
A comparison of the aggregate actual and calculated long-term returns after tax since 1 January 2001 is set out below:			
Actual returns	**536**	252	458
Long-term returns	**(508)**	(162)	(332)
Excess aggregate short-term fluctuations	**28**	90	126
4 TAXATION			
Analysis of income tax			
Operating profit	**41**	32	62
Investment return	**53**	43	80
Long-term rate of return adjustment	**(12)**	(12)	(14)
Income tax on headline earnings based on the long-term rate of return	**82**	63	128

Santam Limited and its subsidiaries

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2002

SEGMENTAL REPORT

	Gross premiums Unaudited		Underwriting surplus Unaudited	
	Six months ended 30 June 2002 R millions	Six months ended 30 June 2001 R millions	Six months ended 30 June 2002 R millions	Six months ended 30 June 2001 R millions
Insurance class				
Property	**1 219**	1 042	**23**	21
Transportation	**122**	105	**9**	5
Motor	**1 431**	1 298	**31**	4
Accident and health	**104**	90	**8**	13
Guarantee	**107**	37	**9**	10
Liability	**191**	126	**5**	7
Engineering	**124**	79	**(5)**	8
Miscellaneous	**131**	121	**(1)**	(16)
	3 429	2 898	**79**	52

Note:

Due to the general nature of the balance sheet, segmental reporting is limited to the income statement.

COMMENTS

The group has changed its reporting format to conform to international trends and to enable industry comparison. Headline earnings per share based on the long-term rate of return increased by 9% to 220 cents per share.

Apart from market related premium increases, a steady growth in market share in selected areas has brought about the increase in gross written premium. The 34% increase in operating profit to R127 million was mainly as a result of the improvement in the underwriting surplus. No catastrophic losses were experienced during the period and the claims in both the corporate and niche business sectors were unusually low. As a result, an underwriting surplus of R79 million (June 2001: R52 million) was achieved.

Unfortunately, the group could not escape the impact of adverse market movements and its investment portfolios performed significantly below the assumed long-term rate of return of 13%. However, on a relative basis, the portfolio managers have performed well and outperformed their benchmarks. Over an 18 month-period the actual return earned still exceeds the long-term target.

Cash flows generated by operating activities improved mainly due to better management of working capital.

The solvency margin has decreased slightly from 71% at the previous year-end to 68%, predominantly as a result of the increased premium volume.

Against the background of the strong cash flow and healthy solvency margin, the interim dividend is increased to 65 cents per share, in terms of the dividend policy.

PROSPECTS

The group is pursuing various initiatives to increase stakeholders' wealth. Negotiations are in progress to acquire a majority interest in a specialist UK insurer at a cost of approximately R350 million. This transaction is subject to final contractual arrangements and regulatory approval. Successful consummation will have a beneficial financial impact on the group, and is an important strategic step towards diversification of its income base.

Storm and flood damages were experienced during July and August. There has also been an alarming increase in the cost of imported components for motor vehicle repairs. Provided that these conditions do not continue, performance will be in line with set goals. Reduced costs and improved underwriting discipline are expected to support achievement of targeted results.

DECLARATION OF DIVIDEND (NUMBER 96)

Notice is hereby given that the board has declared an interim dividend of 65 cents per share (2001: 59 cents). Shareholders are advised that the last day to trade "cum dividend" will be Thursday, 19 September 2002. The shares will trade "ex dividend" from the commencement of business on Friday, 20 September 2002. The record date will be Friday, 27 September 2002 and the payment date will be Monday, 30 September 2002. Share certificates may not be dematerialised or rematerialised between Friday, 20 September 2002 and Friday, 27 September 2002, both dates inclusive.

On behalf of the board

L VERMAAK — Chairman

J VAN ZYL — Chief executive

27 August 2002

NON-EXECUTIVE DIRECTORS

L Vermaak (Chairman), JJ Geldenhuys*,

EM Groeneweg*, JG le Roux*,

NM Magau*, AR Martin*,

JE Newbury*, P De V Rademeyer,

GE Rudman, DK Smith, BP Vundla*

*Independent non-executive directors

EXECUTIVE DIRECTORS

J van Zyl (Chief executive), JA van Tonder,

JW Wilken

COMPANY SECRETARY

VF Malie

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