Rest insured

Santam Limited and its subsidiaries

Reviewed Interim Report

for the six months ended 30 June 2009

CONTENTS

NON-EXECUTIVE DIRECTORS
BTPKM Gamedze, DCM Gihwala, JG le Roux,
NM Magau, JP Möller, P de V Rademeyer, J Rowse,
GE Rudman, DK Smith (Chairman), J van Zyl,
BP Vundla

EXECUTIVE DIRECTORS
IM Kirk (Chief Executive Officer),
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JSE share code: SNT
NSX share code: SNM

TRANSFER SECRETARIES
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SPONSOR
Investec Bank Limited

- 220% increase in headline earnings
- Underwriting returns under pressure due to increased claims
- Significant increase in return on insurance funds
- Good recovery of investment returns
- Strong cash flows generated
- Solvency ratio of 42%
- Interim dividend of 166 cents per share

Consolidated statement of financial position

	Notes	**Reviewed At 30 June 2009 R million**	Reviewed At 30 June 2008 R million	Audited At 31 Dec 2008 R million
ASSETS				
Non-current assets				
Property and equipment		**51**	54	42
Intangible assets		**171**	130	155
Deferred income tax		**57**	44	81
Investments in associates		**173**	226	195
Financial assets – at fair value through income				
Equity securities	4	**3 181**	3 669	3 111
Debt securities	4	**2 726**	2 464	2 688
Derivatives	4	**–**	–	1
Reinsurance assets		**672**	870	700
Current assets				
Financial assets – at fair value through income				
Derivatives	4	**32**	9	135
Reinsurance assets		**1 733**	1 702	1 281
Deferred acquisition costs		**224**	209	271
Loans and receivables including insurance receivables	4	**2 225**	2 137	2 688
Income tax assets		**39**	11	73
Short-term money market instruments		**3 530**	2 113	3 089
Cash and cash equivalents		**1 857**	2 054	1 938
Assets held for sale		**–**	2 239	–
Total assets		**16 671**	17 931	16 448
EQUITY				
Capital and reserves attributable to the company's equity holders				
Share capital		**107**	107	107
Treasury shares		**(658)**	(691)	(680)
Other reserves		**1 259**	1 204	1 251
Distributable reserves		**3 558**	3 205	3 586
Amounts recognised directly in equity relating to assets and liabilities held for sale		**–**	145	–
		4 266	3 970	4 264
Minority interest		**140**	133	138
Total equity		**4 406**	4 103	4 402
LIABILITIES				
Non-current liabilities				
Deferred income tax		**12**	3	12
Financial liabilities – at fair value through income				
Debt securities	6	**835**	788	972
Investment contracts		**–**	132	142
Derivatives	4	**–**	122	–
Financial liabilities – at amortised cost				
Cell owners' interest		**475**	422	447
Collateral guarantee contracts		**–**	87	93
Insurance liabilities		**2 049**	2 048	2 068
Current liabilities				
Financial liabilities – at fair value through income				
Investment contracts		**267**	244	251
Derivatives	4	**10**	–	–
Financial liabilities – at amortised cost				
Collateral guarantee contracts		**97**	–	–
Insurance liabilities		**6 588**	6 306	6 088
Deferred reinsurance acquisition revenue		**33**	50	82
Provisions for other liabilities and charges		**26**	87	25
Trade and other payables		**1 787**	1 689	1 828
Current income tax liabilities		**86**	69	38
Liabilities held for sale		**–**	1 781	–
Total liabilities		**12 265**	13 828	12 046
Total shareholders' equity and liabilities		**16 671**	17 931	16 448

Consolidated statement of comprehensive income

	Notes	**Reviewed Six months ended 30 June 2009 R million**	Reviewed Six months ended 30 June 2008 R million	Change %	Audited Year ended 31 Dec 2008 R million
Continuing operations					
Gross written premium		**7 291**	6 801	7%	14 179
Less: Reinsurance premium		**1 416**	1 282		2 306
Net premium		**5 875**	5 519	6%	11 873
Less: Change in unearned premium					
Gross amount		**(370)**	(229)		94
Reinsurers' share		**67**	54		63
Net insurance premium revenue		**6 178**	5 694	9%	11 716
Investment income	7	**365**	372	(2%)	949
Income from reinsurance contracts ceded		**127**	180		340
Net gains/(losses) on financial assets and liabilities at fair value through income		**56**	(480)	(112%)	(721)
Net income		**6 726**	5 766	17%	12 284
Insurance claims and loss adjustment expenses		**5 784**	5 096		9 422
Insurance claims and loss adjustment expenses recovered from reinsurers		**(1 281)**	(1 160)		(1 415)
Net insurance benefits and claims		**4 503**	3 936	14%	8 007
Expenses for the acquisition of insurance contracts		**1 067**	999		2 014
Expenses for marketing and administration		**647**	613		1 296
Expenses for asset management services rendered		**12**	12		26
Amortisation of intangible assets		**6**	6		7
Expenses		**6 235**	5 566	12%	11 350
Results of operating activities		**491**	200	146%	934
Finance costs		**(50)**	(45)		(152)
Share of (loss)/profit of associates		**(1)**	11		(8)
Impairment charge on net investment of associate		**(4)**	–		–
Profit before tax		**436**	166	163%	774
Income tax expense	8	**(104)**	7		(54)
Profit for the period from continuing operations		**332**	173	92%	720
Discontinued operations					
(Loss)/profit for the period from discontinued operations	5	**–**	(63)		25
Profit for the period		**332**	110	202%	745
Other comprehensive income					
Currency translation differences		**(28)**	99		5
Total comprehensive income for the period		**304**	209		750
Profit attributable to:					
– equity holders of the company		**316**	100	216%	724
– minority interest		**16**	10		21
		332	110		745
Total comprehensive income attributable to:					
– equity holders of the company		**288**	199	45%	729
– minority interest		**16**	10		21
		304	209		750
Earnings attributable to equity shareholders					
Earnings per share (cents)	10				
Basic earnings per share		**280**	89	215%	644
Diluted earnings per share		**276**	88	214%	640
Weighted average number of shares – millions		**112.75**	112.40		112.50
Weighted average number of ordinary shares for diluted earnings per share – millions		**114.48**	113.01		113.10

Consolidated statement of changes in equity

	Attributable to equity holders of the company					Minority interest	**Total**
	Share capital R million	Treasury shares R million	Other reserves R million	Distri-butable reserves R million	Amounts recognised directly in equity relating to assets and liabilities held for sale R million	R million	**R million**
Balance as at 1 January 2008	105	(726)	1 147	3 448	71	133	**4 178**
Profit for the period	–	–	–	724	–	21	**745**
Other comprehensive income:							**–**
Currency translation differences	–	–	5	–	–	–	**5**
Total comprehensive income for the period ended 31 December 2008	–	–	5	724	–	21	**750**
Proceeds from shares issued	2	–	–	–	–	–	**2**
Purchase of treasury shares	–	(29)	–	–	–	–	**(29)**
Sale of treasury shares	–	75	–	–	–	–	**75**
Loss on sale of treasury shares	–	–	–	(66)	–	–	**(66)**
Transfer to reserves	–	–	99	(99)	–	–	**–**
Share-based payments	–	–	–	39	–	–	**39**
Dividends paid	–	–	–	(460)	–	(16)	**(476)**
Amounts recognised directly in equity relating to assets and liabilities held for sale	–	–	–	–	(71)	–	**(71)**
Balance as at 31 December 2008	**107**	**(680)**	**1 251**	**3 586**	**–**	**138**	**4 402**
Profit for the period	–	–	–	316	–	16	**332**
Other comprehensive income:							**–**
Currency translation differences	–	–	(28)	–	–	–	**(28)**
Total comprehensive income for the period ended 30 June 2009	**–**	**–**	(28)	316	–	16	**304**
Purchase of treasury shares	–	(17)	–	–	–	–	**(17)**
Sale of treasury shares	–	39	–	–	–	–	**39**
Loss on sale of treasury shares	–	–	–	(31)	–	–	**(31)**
Transfer to reserves	–	–	36	(36)	–	–	**–**
Share-based payments	–	–	–	21	–	–	**21**
Dividends paid	–	–	–	(298)	–	(14)	**(312)**
Balance as at 30 June 2009	**107**	**(658)**	**1 259**	**3 558**	**–**	**140**	**4 406**
Balance as at 1 January 2008	105	(726)	1 147	3 448	71	133	**4 178**
Profit for the period	–	–	–	100	–	10	**110**
Other comprehensive income:							
Currency translation differences	–	–	99	–	–	–	**99**
Total comprehensive income for the period ended 30 June 2008	–	–	99	100	–	10	**209**
Proceeds from shares issued	2	–	–	–	–	–	**2**
Purchase of treasury shares	–	(21)	–	–	–	–	**(21)**
Sale of treasury shares	–	56	–	–	–	–	**56**
Loss on sale of treasury shares	–	–	–	(52)	–	–	**(52)**
Transfer to reserves	–	–	32	(32)	–	–	**–**
Share-based payments	–	–	–	14	–	–	**14**
Dividends paid	–	–	–	(273)	–	(10)	**(283)**
Amounts recognised directly in equity relating to assets and liabilities held for sale	–	–	(74)	–	74	–	**–**
Balance as at 30 June 2008	**107**	**(691)**	**1 204**	**3 205**	**145**	**133**	**4 103**

Consolidated statement of cash flows

	Notes	**Reviewed Six months ended 30 June 2009 R million**	Reviewed Six months ended 30 June 2008 R million	Audited Year ended 31 Dec 2008 R million
Cash generated from operations		**958**	981	1 527
Interest paid		**(50)**	(45)	(152)
Income tax paid		**2**	(493)	(669)
Net cash from operating activities		**910**	443	706
Cash flows from investing activities				
Cash (utilised)/generated in investment activities		**(515)**	952	921
Acquisition of subsidiary	9	**(11)**	(3)	(3)
Cash acquired through acquisition of subsidiary		**2**	–	(1 139)
Purchases of equipment		**(18)**	(30)	(48)
Purchases of software		**(17)**		
Proceeds from sale of equipment		**–**	–	1
Acquisition of associated companies		**–**	(55)	(55)
Acquisition of book of business		**(2)**	–	(10)
Proceeds from sale of business operations		**–**	57	61
Net cash from investing activities		**(561)**	921	(272)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		**–**	2	2
Purchase of treasury shares		**(17)**	(21)	(29)
Proceeds on sale of treasury shares		**8**	3	10
Decrease in investment contract liabilities		**(136)**	(177)	(138)
Dividends paid to company's shareholders		**(298)**	(273)	(460)
Dividends paid to minorities		**(14)**	(10)	(16)
Increase in cell owners' interest		**28**	86	111
Net cash used in financing activities		**(429)**	(390)	(520)
Net (decrease)/increase in cash and cash equivalents		**(80)**	974	(86)
Cash and cash equivalents at beginning of period		**1 938**	1 983	1 983
Exchange gains on cash and cash equivalents		**(1)**	152	41
Cash and cash equivalents at end of period		**1 857**	3 109	1 938
Assets held for sale		**–**	(1 055)	–
Cash and cash equivalents at end of period – Continuing operations		**1 857**	2 054	1 938
Cash flows relating to discontinued operations				
Included in the above are the following cash flows from discontinued operations:				
Operating cash flows		**–**	(214)	(453)
Investing cash flows		**–**	318	(400)
Financing cash flows		**–**	–	(1)
Net increase in cash and cash equivalents		**–**	104	(854)
Cash and cash equivalents at beginning of period		**–**	812	812
Translation gains on cash and cash equivalents		**–**	139	42
Cash and cash equivalents at end of period		**–**	1 055	–

Notes to the interim financial information

1. Basis of presentation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with IAS 34 – *Interim Financial Reporting* and in compliance with the Listing Requirements of the JSE Limited. The condensed consolidated interim financial information does not include all of the information required by IFRS for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRS.

Short-term money market instruments are instruments with a maturity of less than 12 months. Movements in these instruments have been included under investing activities on the statement of cash flows. Comparatives have been restated.

In the 2008 statement of financial position and statement of comprehensive income, the European insurance operations are presented in terms of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

2. Accounting policies

The principal accounting policies applied in preparing the reviewed results for the six months ended 30 June 2009 are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- IAS 1 (revised) – *Presentation of Financial Statements*

  The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The group has elected to present one performance statement: a statement of comprehensive income and to rename the balance sheet to the statement of financial position. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8 – *Operating segments*

  This standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

  Segments have been identified by business activity, i.e. insurance activities and investment activities. The insurance activities comprise commercial insurance, personal insurance and alternative risks.

  Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the group Executive committee (Exco) that is responsible for strategic decisions.

3. Segment information

Exco reviews the group's internal reporting in order to assess performance and allocate resources. The operating segments identified are representative of the internal structure of the group.

Exco reviews the two core activities of the group, i.e. insurance activities, and investment activities, on a monthly basis. Insurance activities are all insurance underwriting activities undertaken by the group and comprise commercial insurance, personal insurance and alternative risks. Insurance activities are also further analysed by insurance class. Investment activities are all investment-related activities undertaken by the group.

Exco considers the performance of insurance activities based on gross written premium as a measure of growth as well as underwriting result and net insurance result as a measure of profitability.

Investment activities are measured based on net investment income and income from associated companies.

Other information provided to Exco is measured in a manner consistent with that in the financial statements.

3.1 For the six months ended 30 June 2009

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	7 291	146	**7 437**
Gross written premium	7 291		**7 291**
Net written premium	5 875		**5 875**
Net earned premium	6 178		**6 178**
Claims incurred	4 503		**4 503**
Net commission	940		**940**
Management expenses	641	6	**647**
Underwriting result	94	(6)	**88**
Investment return on insurance funds	218		**218**
Net insurance result	312	(6)	**306**
Investment income net of management fee		141	**141**
Income from associates net of impairment		(5)	**(5)**
Amortisation of intangible assets	(6)		**(6)**
Income before taxation	306	130	**436**
Total assets	10 559	6 112	**16 671**
Total liabilities	11 396	869	**12 265**

Insurance class	Gross written premium R million	Under-writing result R million	Total assets R million	Total liabilities R million
Accident and health	188	5	28	137
Alternative risk	1 025	9	386	1 865
Crop	67	103	2	5
Engineering	278	55	97	285
Guarantee	6	4	13	27
Liability	503	244	659	2 022
Miscellaneous	9	(6)	7	24
Motor	2 956	(4)	68	1 422
Property	2 064	(339)	1 281	2 580
Transportation	195	17	87	303
Unallocated	–	–	14 043	3 595
Total	**7 291**	**88**	**16 671**	**12 265**
Comprising:				
Commercial insurance	3 453	161	2 175	5 691
Personal insurance	2 813	(82)	67	1 114
Alternative risk	1 025	9	386	1 865
Unallocated	–	–	14 043	3 595
Total	**7 291**	**88**	**16 671**	**12 265**

3.2 For the six months ended 30 June 2008

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	6 801	(271)	**6 530**
Gross written premium	6 801		**6 801**
Net written premium	5 519		**5 519**
Net earned premium	5 694		**5 694**
Claims incurred	3 936		**3 936**
Net commission	819		**819**
Management expenses	613		**613**
Underwriting result	326	–	**326**
Investment return on insurance funds	129		**129**
Net insurance result	455	–	**455**
Investment income net of management fee		(294)	**(294)**
Income from associates		11	**11**
Amortisation of intangible assets	(6)		**(6)**
Income before taxation	449	(283)	**166**
Total assets	9 324	6 368	**15 692**
Total liabilities	11 113	934	**12 047**

Insurance class	Gross written premium R million	Under-writing result R million	Total assets R million	Total liabilities R million
Accident and health	184	20	32	134
Alternative risk	968	3	440	1 881
Crop	82	66	6	13
Engineering	244	69	85	266
Guarantee	7	4	21	36
Liability	516	231	849	2 012
Miscellaneous	10	3	6	23
Motor	2 719	185	90	1 235
Property	1 896	(253)	1 173	2 525
Transportation	175	4	79	279
Unallocated	–	(6)	12 911	3 643
Total	**6 801**	**326**	**15 692**	**12 047**
Comprising:				
Commercial insurance	3 256	246	2 318	6 126
Personal insurance	2 577	83	23	397
Alternative risk	968	3	440	1 881
Unallocated	–	(6)	12 911	3 643
Total	**6 801**	**326**	**15 692**	**12 047**

3.3 For the year ended 31 December 2008

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	14 179	(472)	**13 707**
Gross written premium	14 179		**14 179**
Net written premium	11 873		**11 873**
Net earned premium	11 716		**11 716**
Claims incurred	8 007		**8 007**
Net commission	1 674		**1 674**
Management expenses	1 283	13	**1 296**
Underwriting result	752	(13)	**739**
Investment return on insurance funds	540		**540**
Net insurance result	1 292	(13)	**1 279**
Investment income net of management fee		(490)	**(490)**
Income from associates		(8)	**(8)**
Amortisation of intangible asset	(7)	–	**(7)**
Income before taxation	1 285	(511)	**774**
Total assets	10 318	6 130	**16 448**
Total liabilities	11 050	996	**12 046**

Insurance class	Gross written premium R million	Under-writing result R million	Total assets R million	Total liabilities R million
Accident and health	378	37	30	135
Alternative risk	1 726	(31)	549	2 014
Crop	575	74	151	321
Engineering	539	121	76	288
Guarantee	20	13	16	30
Liability	1 130	410	684	2 038
Miscellaneous	23	8	5	20
Motor	5 535	275	50	1 217
Property	3 859	(172)	606	1 864
Transportation	394	17	86	313
Unallocated	–	(13)	14 195	3 806
Total	**14 179**	**739**	**16 448**	**12 046**
Comprising:				
Commercial insurance	7 176	649	1 684	5 289
Personal insurance	5 277	134	20	937
Alternative risk	1 726	(31)	549	2 014
Unallocated	–	(13)	14 195	3 806
Total	**14 179**	**739**	**16 448**	**12 046**

	Reviewed At 30 June 2009 R million	Reviewed At 30 June 2008 R million	Audited At 31 Dec 2008 R million
4. Financial assets			
The group's financial assets are summarised below by measurement category.			
Financial assets at fair value through income	**5 929**	6 020	5 935
Loans and receivables	**2 225**	2 137	2 688
Total financial assets	**8 154**	8 157	8 623
Financial assets at fair value through income			
Equity securities:			
– quoted	**2 849**	3 651	2 764
– unquoted	**332**	18	347
	3 181	3 669	3 111
Derivatives (net)	**22**	(113)	136
Debt securities			
– quoted			
government and other bonds	**1 626**	1 121	1 369
long-term money market instruments	**815**	805	776
– unquoted			
redeemable preference shares	**285**	538	543
	2 726	2 464	2 688
Total financial assets at fair value through income	**5 929**	6 020	5 935

5. Assets held for sale and discontinued operations

Santam Europe Limited and Westminster Motor Insurance Association were disposed of on 15 September 2008 and 22 December 2008, respectively. The following are the results for these companies until the date of disposal included as "Discontinued operations" on the statement of comprehensive income.

Analysis of the result of discontinued operations			
Gross written premium	–	210	250
Net premium	–	30	26
Net insurance premium revenue	–	392	447
Net investment and reinsurance income	–	12	56
Release of translation reserve			71
Net profit on sale of business operations	–	17	13
Net insurance benefits and claims	–	381	425
Expenses	–	92	113
(Loss)/Profit before tax	–	(52)	49
Income tax	–	(11)	(24)
(Loss)/Profit for the period from discontinued operations	–	(63)	25

	Reviewed At 30 June 2009 R million	Reviewed At 30 June 2008 R million	Audited At 31 Dec 2008 R million
6. Debt securities – at fair value through income			
At the beginning of the year	**972**	908	908
Fair value adjustment	**(137)**	(120)	64
	835	788	972

During 2007 the company issued unsecured subordinated callable notes to the value of R1 billion in two tranches. The fixed effective rate for the R600 million issue was 8.6% and 9.6% for the second tranch of R400 million, representing the R203 companion bond plus an appropriate credit spread at the time of the issues. The fixed coupon rate, based on the nominal value of the issues, amounts to 8.25% and for both tranches the optional redemption date is 15 September 2017. Between the optional redemption date and the final maturity date of 15 September 2022, a variable interest rate (JIBAR-based) plus additional margin will apply.

Per conditions set by the Regulator, Santam is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue income statement volatility.

	Reviewed At 30 June 2009 R million	Reviewed At 30 June 2008 R million	Audited At 31 Dec 2008 R million
7. Investment income			
Dividend income	**141**	173	342
Interest income	**300**	182	466
Foreign exchange differences	**(76)**	17	141
	365	372	949
8. Tax			
South African normal taxation			
Current year	**76**	72	153
Charge for the year	**55**	63	127
STC	**21**	9	26
Prior year	**(4)**	2	3
Foreign taxation	**10**	9	16
Income taxation for the year	**82**	83	172
Deferred taxation	**22**	(90)	(118)
Current year	**16**	(96)	(114)
STC	**6**	6	(1)
Prior year	**–**		(3)
	104	(7)	54
Reconciliation of taxation rate (%)			
Normal South African taxation rate	**28.0**	28.0	28.0
Adjust for			
– Exempt income	**(6.1)**	(20.6)	(9.7)
– Investment results	**(3.0)**	(26.4)	(15.1)
– STC	**2.6**	11.8	3.3
– Other	**2.4**	3.0	0.5
Net reduction	**(4.1)**	(32.2)	(21.0)
Effective rate (%)	**23.9**	(4.2)	7.0

	Reviewed Six months ended 30 June 2009	Reviewed Six months ended 30 June 2008	Reviewed Year ended 31 Dec 2008
9. Business combinations			
On 26 July 2009 the group increased its investment in Isure Services (Pty) Ltd from 25% to 100%, effective 1 January 2009. During 2008 an additional amount of R3 million was paid as part of the purchase agreement to acquire Admiral Professional Underwriting Agency (Pty) Ltd.			
Purchase consideration paid	**11**	3	3
Net asset value acquired	**(3)**	–	–
Less: Investment in associated share previously acquired	**1**	–	–
Goodwill	**9**	3	3
10. Earnings per share			
Basic earnings per share			
Profit attributable to the company's equity holders (R million)	**316**	100	724
Weighted average number of ordinary shares in issue (million)	**112.75**	112.40	112.50
Earnings per share (cents)	**280**	89	644
Earnings per share – Continuing operations (cents)	**280**	145	621
Earnings per share – Discontinued operations (cents)	**–**	(56)	23
Diluted earnings per share			
Profit attributable to the company's equity holders (R million)	**316**	100	724
Weighted average number of ordinary shares in issue (million)	**112.75**	112.40	112.50
Adjusted for share options	**1.73**	0.61	0.60
Weighted average number of ordinary shares for diluted earnings per share (million)	**114.48**	113.01	113.10
Diluted basic earnings per share (cents)	**276**	88	640
Diluted basic earnings per share – Continuing operations (cents)	**276**	143	618
Diluted basic earnings per share – Discontinued operations (cents)	**–**	(55)	22
Headline earnings per share			
Profit attributable to the company's equity holders	**316**	100	724
Adjust for:			
Impairment charge on net investment of associates	**4**	–	–
Profit on sale of subsidiaries and associates	**–**	–	8
Profit on sale of business operations	**–**	–	(2)
Translation reserve released on sale of European operations	**–**	–	(71)
Headline earnings (R million)	**320**	100	659
Weighted average number of ordinary shares in issue (million)	**112.75**	112.40	112.50
Headline earnings per share (cents)	**284**	89	586
Headline earnings per share – Continuing operations (cents)	**284**	145	621
Headline earnings per share – Discontinued operations (cents)	**–**	(56)	(35)
Diluted headline earnings per share			
Headline earnings (R million)	**320**	100	659
Weighted average number of ordinary shares for diluted earnings per share (million)	**114.48**	113.01	113.10
Diluted headline earnings per share (cents)	**280**	88	582
Diluted headline earnings per share – Continuing operations (cents)	**280**	143	618
Diluted headline earnings per share – Discontinued operations (cents)	**–**	(55)	(36)
11. Dividends per share			
Dividend per share (cents)	**166**	166	430

COMMENTS

The six months under review have been challenging from an underwriting perspective. While Santam's underwriting margin was under pressure, in line with the experience of the industry overall, investment returns improved on the back of firmer equity markets, especially when viewed against the losses suffered on the company's equity portfolio during the first half of 2008. Overall earnings for the group showed a significant improvement with headline earnings of R320 million being 220% higher than the same period in 2008, equating to a headline earnings per share of 284 cents compared to 89 cents in 2008.

Growth of 7% in gross written premiums was a credible achievement in the current economic conditions, comparing favourably with industry experience. Positive growth was achieved across most classes of business; however, achieving an appropriate rate for the risk insured is a challenge.

The net underwriting result declined significantly to R88 million during the first half of the year, compared to the R326 million earned during the first six months of 2008. The overall net underwriting margin of 1.4% was adversely impacted by negative margins in the property and motor classes. Underwriting performance of the personal and non-specialist commercial business came under significant pressure as there was a marked increase in both claims frequency and cost. Although margins in commercial motor remained satisfactory, personal lines motor experienced negative underwriting margins, in particular the component sourced through the portfolio management business unit. The company did not escape the number of large industrial accident and fire-related claims experienced in the industry which adversely affected underwriting margins as evidenced by the negative return of the property class. Of the specialist classes, the liability and crop businesses continued to perform particularly well. The net acquisition cost ratio of 25.7% increased slightly from the 25.1% for the same period in 2008, mainly due to a higher net commission ratio as a result of reduced reinsurance commission earned.

The investment return on insurance funds of R218 million was higher than the R129 million for the comparable period in 2008. The increased returns were mainly as a result of higher float balances, good returns from interest-bearing instruments and the float balance no longer containing any listed equity component. The group's operating activities generated healthy cash flows of R958 million during the reporting period.

The combined effect of the insurance activities resulted in a net insurance margin of 5% for the past six months compared to 8% for the comparable period in 2008.

Performance of the investment portfolio improved significantly during the reporting period in line with the strengthening of equity markets. This was in contrast to the negative fair value returns on equities during the first half of 2008 when the investment markets were severely depressed. The company continues with its strategy of proactive hedging of its equity investments to minimise capital losses in the event of lower market levels. Despite a reduction in interest rates during the period, interest earnings were higher in comparison to the first six months of 2008 due to higher levels of interest-bearing instruments.

Net earnings from associated companies were negative for the period mainly due to lower earnings from key associates and start-up losses in new ventures.

The group solvency ratio was a healthy 42% as at 30 June 2009 and remains within our long-term target range of between 35% and 45%.

Further allocations were made to black staff in terms of Santam's Broad Based Black Economic Empowerment (BBBEE) scheme.

The board would like to extend its gratitude to Santam's management, staff, brokers and other business partners for their efforts and contributions during the past six months.

PROSPECTS

Underwriting margins are expected to remain under pressure during the second half of the year, although the likelihood of a repeat of the high value property fire claims during the first half of the year is considered to be low. It is anticipated that the market will remain soft for both commercial and personal lines business as the recovery of the domestic economy is not expected before 2010. Economic growth is expected to remain low, impacting adversely on industry growth. Of particular concern is the low level of disposable income of individuals and earnings pressure on businesses which make achievement of an appropriate rate for the risk insured difficult. The company will continue its efforts to optimise profitability in all aspects of the business with a strong focus on risk management and improving effectiveness. Having the benefit of diversification, Santam is well positioned to face these challenges.

Although general consensus is that financial markets are stabilising, short-term volatility of financial markets can still impact on our investment portfolio during 2009. The company has taken additional proactive steps to reduce its downside exposure to equity markets, while retaining meaningful upside potential. This was done using appropriate derivative structures. At the current capital levels it is considered appropriate to maintain sufficient exposure to the various asset classes, including equities, in order to achieve acceptable long-term returns on shareholder funds. In line with general consensus we expect interest rates to remain at current or lower levels for the foreseeable future, limiting major growth in returns on cash-related investments.

The company has made an offer to purchase the entire shareholding of Emerald Insurance Company and Emerald Underwriting Managers. These transactions are subject to Regulatory and shareholder approval, expected by the end of the third quarter.

After a successful partnership spanning 10 years with South Africa's first black-owned short-term insurance company, Santam sold its effective 35% interest in Lion of Africa Insurance Company to its existing co-shareholders, subject to Regulatory approval.

DECLARATION OF DIVIDEND (NUMBER 111)

Notice is hereby given that the board has declared an interim dividend of 166 cents per share (2008: 166 cents). Shareholders are advised that the last day to trade "cum dividend" will be Friday, 11 September 2009. The shares will trade "ex dividend" from the commencement of business on Monday, 14 September 2009. The record date will be Friday, 18 September 2009, and the payment date will be Monday, 21 September 2009. Certified shareholders may not dematerialise or rematerialise their shares between Monday, 14 September 2009, and Friday, 18 September 2009, both dates inclusive.

AUDITORS' REPORT

The company's external auditors, Pricewaterhouse-Coopers Inc, have reviewed the condensed financial report. A copy of their unqualified review opinion is available on request at the company's registered office.

On behalf of the board

DK Smith	**IM Kirk**
Chairman	*Chief Executive Officer*

26 August 2009