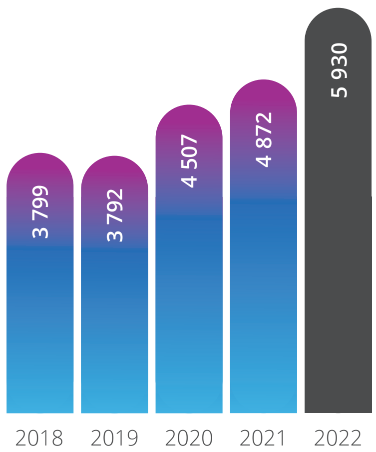
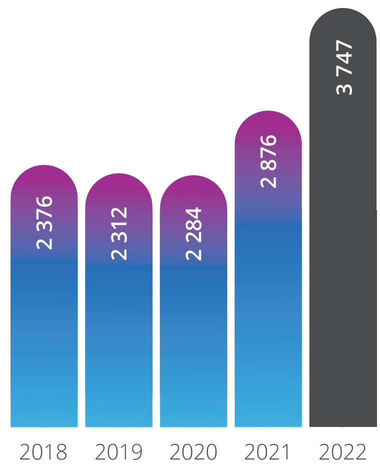
UNAUDITED INTERIM RESULTS

for the six months ended 31 December 2022

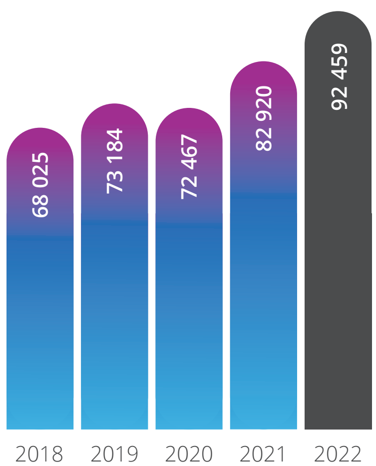
NORMALISED PROFIT FROM OPERATIONS
(R million)



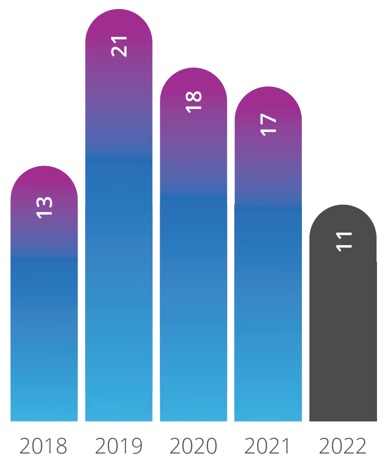
NORMALISED HEADLINE EARNINGS
(R million)



EMBEDDED VALUE
(R million)



NEW INITIATIVES SPEND[1]
(%)



1 *As a % of normalised profit from operations prior to spend on new initiatives.*

COMMENTARY

The Group delivered a strong operating performance demonstrating the efficacy of the Vitality shared-value (SV) model, despite specific macro-economic challenges across each of its three composites, South Africa, United Kingdom and Vitality Global. New business growth was robust, and the Group made significant progress in its organic growth of new businesses as the cost of new initiatives reduced significantly, now close to the Group's guidance of 10% of normalised operating profit.

The period under review was complex, with several issues coalescing to create considerable potential risk for the environment:

1. Most of the world has moved on from the COVID-19 pandemic, with some long COVID risk remaining. However, China experienced significant complexity as severe lockdowns were followed by the lifting of the Zero-COVID policy, leading to a subsequent wave of infections.
2. The war in Ukraine dragged out, with sustained inflationary pressures resulting in considerable macro-economic complexity, volatile interest rates within markets in which Discovery operates, a particularly strong US dollar, and the cost of living crisis in many regions.
3. Severe energy shortages in South Africa resulted in constrained economic growth.

Within this context, the Group focused on the following strategies:

1. Ensuring the efficacy, repeatability and scalability of the Vitality SV model
2. Generating strong growth in quality earnings, without recourse to capital, in line with Discovery's target Operating Model
3. Ensuring financial prudence and immunisation from volatile interest rates
4. Creating a platform for strong future growth

STRONG PERFORMANCE THROUGH STRATEGIC EXECUTION OF THE SV BUSINESS MODEL AND ORGANIC GROWTH

The Group delivered consistent positive performance across each composite over the period. High levels of client engagement in the Vitality SV model led to superior lapse and mortality experience, and drove strong operating profit and new business growth in core markets, except for China. The cost of new initiatives reduced significantly, from 17%[1] of normalised operating profit in the prior period to 11% in the current period – Discovery Bank's spend has remained well within plan despite the increased costs of high levels of client acquisition, and Amplify Health has made significant progress in its development and anticipates rapid deployment of its solutions.

For the six months ended 31 December 2022, normalised operating profit for the Group increased by 22% to R5 930 million and normalised headline earnings increased by 30% to R3 747 million. Core new business annualised premium income (API) increased by 15% to R11 061 million, excluding products in rundown[2] (if included, API increased by 7% to R11 206 million). Income from non-insurance business lines increased 51% to R2 528 million. The return on opening embedded value (RoEV) of 14.4%, annualised, benefited from R1.8 billion positive experience variances generated over the period. Each composite delivered a robust performance:

- **South Africa's** (SA) normalised operating profit grew 23%, and core new business API increased 15%.
- **United Kingdom's (**UK) normalised operating profit grew 15%, and core new business API[2] increased 34%.
- **Vitality Global's** (VG) normalised operating profit grew 33% and core new business API[2] reduced 12%, following challenging conditions in China for PAH.

Discovery employs a conservative and deliberate strategy to ensure that interest movements have little impact on the Group. In line with this strategy, Vitality Life in the UK implemented an interest rate hedge in FY2020, which continued to perform effectively over the reporting period in the face of significant interest rate movements. Interest rate movements in SA create volatility in Discovery's headline earnings but have little impact on solvency, liquidity, and cash flows and have no impact on the operations of the Group. Consequently, the Group has a stated policy of normalising for the impact of interest rate movements in the presentation of normalised headline earnings.

1 *As a percentage of normalised profit from operations before new initiatives.*

2 *Core new business annualised premium income (API) excluding products in rundown of Vitality Invest and Ping An Health reinsurance business. The prior period has been restated accordingly (refer to Annexure A).*

The effect during the reporting period was geared as interest rate movements in the prior period increased headline earnings but decreased them during the current reporting period. This predominantly explains the difference between the 9% decline in headline earnings per share (basic) to 453.6 cents compared with the 30% growth in normalised headline earnings per share (basic) to 570.2 cents.

The following table provides a summary of the performance:

	Normalised profit from operations (Current period, in ZAR million)	% change (Current period vs prior period)	Core new business API Current period, in ZAR million	% change (Current period vs prior period)
Discovery Health	1 825	4%	4 442	23%
Discovery Life	2 518	30%	1 485	17%
Discovery Invest	592	15%	1 505	(1%)
Discovery Insure – Personal[1]	4	(73%)	616	3%
Discovery Bank	(398)	20%		
Other SA initiatives and head office costs	(148)	15%	356	(21%)
SA Composite[2]	**4 414**	**23%**	**8 566**	**15%**
VitalityHealth	867	2%	890	26%
VitalityLife	536	48%	801	45%
Other UK initiatives and head office costs	(126)	(25%)		
UK Composite	**1 277**	**15%**	**1 691**	**34%**[3]
VHI – Ping An Health Insurance (PAH)	84	(40%)	804	(12%)[3]
VHI – Other	(44)	52%		
Vitality Network	199	52%		
Vitality Global	**239**	**33%**	**804**	**(12%)**[3]
Normalised profit from operations[2]	**5 930**	**22%**		
Normalised headline earnings	**3 747**	**30%**		
Core new business API[2, 3]			**11 061**	**15%**

1 Includes Discovery Insure's share of equity accounted losses of R17 million (prior: R19 million).

2 Includes for SA Vitality: normalised profit from operations of R21 million (prior: R39 million); core new business API of R162 million (prior: R34 million).

3 Core new business API excludes products in rundown of Vitality Invest and Ping An Health reinsurance business (refer Annexure A).

CASH GENERATION IMPROVEMENT ENHANCES FINANCIAL RESILIENCE

Cash generation across the Group continued to improve as expected, particularly following a reduction in Discovery Life's COVID-19 mortality claims. Cash was used to repay debt, resulting in a commensurate reduction in the Group's financial leverage ratio. The Group previously announced that it anticipated raising a specific quantum of equity capital to fund the R1.5 billion capital contribution injected into PAH in October 2021. Given its strong performance and consequent cash generation, the Group has decided that this contribution will rather be absorbed within the existing capital plan.

BUSINESS-SPECIFIC PERFORMANCE

SOUTH AFRICA, INCLUDING NEW INITIATIVES

The SA Composite's normalised operating profit increased by 23% to R4 414 million and new business by 15% to R8 566 million. Discovery Life generated a strong performance, with Group Life returning to profit, and Discovery Health and Discovery Invest were robust, while Discovery Insure generated a modest profit in ongoing challenging conditions. Discovery Bank continued with its excellent progress in customer acquisition and improved its credit penetration, with further investment in product innovation and digital capabilities as the Bank evolves into a composite-maker in the retail Discovery ecosystem.

DISCOVERY BANK

Discovery Bank's (DB) operating loss for the reporting period was R398 million, 20% better than the previous period, notwithstanding a 46% increase in new business acquisition costs, which represented approximately 30% of the operating loss for the period as growth continues to exceed expectations. DB continues to expand its client base, with 581 500 primary clients (385 200 clients in December 2021) and 1 313 000 accounts (793 200 accounts in December 2021). DB is close to delivering on its recently established medium-term average daily new-to-Bank sales target rate of 1 000 clients per day and showing significant progress towards the target of 1 million clients by 2026.

Retail deposits at 31 December grew by 33% to R12.7 billion versus the prior period, with growth in advances of 19% to R4.8 billion, over the same period. DB's share of new credit issued was at 15% (by value) of credit card advances in the third quarter of 2022, up from 5% in the third quarter of 2021, yet customer quality remains excellent with high average levels of non-interest revenue per client. The quality-focused credit strategy was also evidenced by the low credit loss ratio of 1.8%. The benefits of the business model continue to manifest in high levels of client engagement, resulting in net income growth of 71% to R706 million and improving operating leverage, with operating costs remaining constant in real terms notwithstanding the significant customer growth and expanded product offering.

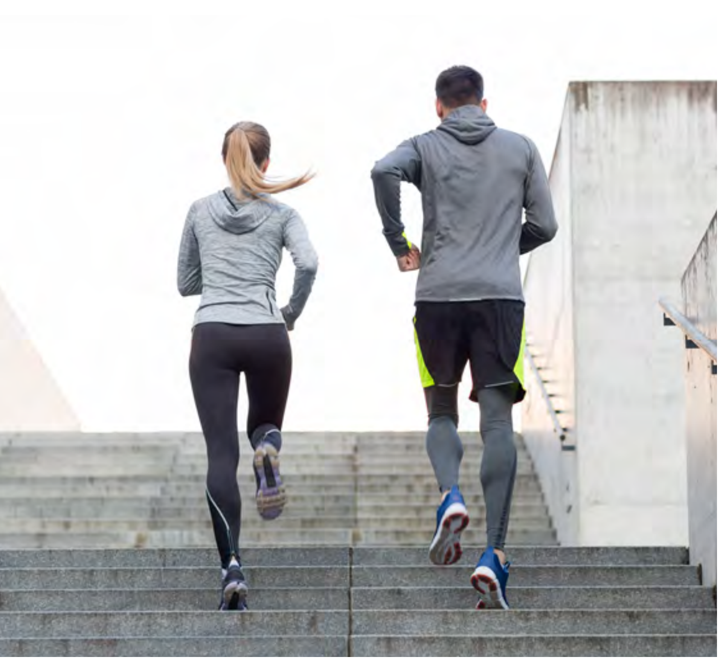
DISCOVERY HEALTH

Discovery Health's (DH) normalised operating profit increased by 4% to R1 825 million, and new business API of the schemes under administration increased by 23% to R4 442 million. Robust top-line growth, with net income increasing 9% to R4 893 million, was constrained by elevated once-off costs, which included an acceleration of technology and infrastructure project spend. Non-medical scheme lives (including FlexiCare, Discovery Gap Cover and Discovery Healthy Company) grew by 22% to 290 000, and total non-scheme revenue now represents 15% of total DH revenue (13% in the prior period). The strategic focus on leveraging technology to drive efficiencies and improve service levels has increased digital engagement, with 70% of all customer engagements completed through digital channels, up from 68% in the prior period.

Discovery Health Medical Scheme (DHMS) delivered a strong performance over the period, driven by higher-than-expected new business, with lapses continuing to remain below pre-COVID-19 levels. DHMS remains in a strong financial position, with an unaudited solvency of 35% as at December 2022. In recognition of socio-economic pressures, DHMS provided financial relief to members through the deferred implementation of the 2022 contribution increase to 1 October 2022. This deferral has protected DHMS members in real terms, cumulatively saving members R8.6 billion over 2021 and 2022, while simultaneously ensuring that DHMS is correctly priced for forecast medical inflation. DHMS also recently launched the WELLTH Fund, representing the single largest investment into the preventative approach to long-term health of DHMS members, considering the impact COVID-19 has had on members' care.

DISCOVERY LIFE

Discovery Life's (DL) normalised operating profit increased 30% to R2 518 million, driven by a strong operational performance in Individual Life and Group Life returning to profit following the severe impact of COVID-19 in the prior period. New business increased by 17% to R1 485 million, driven by strong automatic contribution increases and strong Group Life growth. A 14.8% return on embedded value (including Invest) highlights the positive operational experience, with good persistency and mortality offsetting worse-than-expected morbidity claims experience and a lower new business margin at 4.5% versus 6.8% in the prior period. DL's (including Invest) financial position remains robust, with a solvency ratio of 177% and a strong and improving liquidity buffer, with cash flow improving to R688 million. As a result of movements in the level and shape of the long-term yield curves, DL was impacted by a R862 million negative economic assumption, which is normalised for in the presentation of normalised operating profit, consistent with prior reporting.



DISCOVERY INVEST

Discovery Invest's normalised operating profit increased 15% to R592 million, with average monthly unit-linked assets 7% higher than the prior period. The release of a previously raised tax reserve boosted the result, following the 1 July 2022 implementation of a tax amendment, with a corresponding increase in tax payable. Ending assets under administration grew by 3% to R131 billion and assets under management by 4% to R88.2 billion, while linked assets in Discovery funds remained high at 80.7%. New business API, including annual contribution increases, declined 1% to R1 505 million, and net flows of R2.9 billion were 6% lower in a challenging environment for industry discretionary savings products, amid weak market performance and the impact of rand volatility on offshore flows.

DISCOVERY INSURE

Discovery Insure (DI) personal lines generated a modest operating profit of R21 million, before R17 million in equity-accounted losses (R19 million prior loss). Personal lines' profit declined 38% year-on-year but was a significant improvement from the R183 million loss over the most recent six-month period of H2 FY 2022. This improvement results from the selective repricing that started in January 2022 and various claims reduction initiatives that were implemented in H2 FY 2022. Power surge claims continued to rise as loadshedding frequency increased to the highest levels since loadshedding began in 2007. However, the increased costs have been mitigated through pricing changes and claims efficiency initiatives. The increase in theft frequency of selective high-value vehicles remained an industry-wide problem, with car manufacturers also making efforts to reduce theft risk. New business increased by 3% to R616 million, influenced in part by pricing initiatives, while top-line revenue growth remained strong, with gross written premiums increasing by 11% to R2 579 million.

UNITED KINGDOM, INCLUDING NEW INITIATIVES

The UK Composite's normalised operating profit increased by 16% to £62.7 million (up 15% to R1 277 million). Earned premiums increased by 11% year-on-year to £483.6 million (up 10% to R9 855 million), and total lives insured increased by 15% to 1.66 million. Core new business API was strong, increasing by 35% to £83 million (34% to R1 691 million), excluding Vitality Invest (VI), following last year's decision to close the business. The closure of VI is still expected during 2023. VitalityHealth has benefited from its evolution into a comprehensive, digital-first health insurer as it builds healthcare capabilities in an environment of continued healthcare demand and strain in the UK.

VITALITYHEALTH

VitalityHealth's (VH) normalised operating profit grew 3% to £42.5 million (2% to R867 million) off a strong prior period result, curtailed somewhat by elevated new business strain, as new business API increased 26% year-on-year to £43.7 million (up 26% to R890 million). PMI claims returned to pre-COVID-19 levels, partly offset by the 30 June 2022 UPR release of £15.2 million (R304 million). VH raised a £5.4 million (R110 million) UPR adjustment at 31 December 2022 in anticipation of higher-than-normal inflationary hospital tariff increases.

Excellent retention was maintained, and earned premiums grew by 12% to £305.5 million (11% to R6 225 million), excluding UPR adjustments. The total number of lives increased by 18% to 903 000. Cash generation was robust over the period, with the back book generating £65 million (R1 324 million) in cash. After new business acquisition costs and investment in developing the business, the book generated a £21.3 million (R434 million) cash surplus.

VITALITYLIFE

VitalityLife's (VL) normalised operating profit grew by 49% to £26.3 million (up 48% to R536 million). The result was particularly strong given positive operating experience variances over the period, most notably the benefit of significantly improved premium indexation in the higher inflationary environment. This benefit is a combination of a multi-year focus on continuous improvement of the quality of the portfolio, including an increase in the proportion of index-linked policies as well as prior implementation of persistency initiatives. New business API increased by 45% to £39.3 million (45% to R801 million), strongly supported by the new pricing engine. The interest rate hedge structure continues to negate the impact of interest rate movements, although more active rebalancing was required given the exceptionally high levels of interest rate volatility in the period, resulting in a £1.9 million cost. Continued focus on retention delivered 9% higher earned premiums, to £178.1 million (up 8% to R3 630 million), while lives covered grew by 11% year-on-year, to 758 000.

Excellent retention was maintained, and earned premiums increased by 11% to £483.6 million

VITALITY GLOBAL, INCLUDING NEW INITIATIVES

Vitality Global's operating profits increased by 15% to US$13.8 million (33% to R239 million), constrained by the strength of the US dollar over the period against most global currencies. Vitality Network (VN) continued to deliver strong growth and key market expansions. Vitality Health International (VHI) continued to make progress with Amplify Health, while Ping An Health Insurance's (PAH) growth was constrained by challenging operating conditions and subdued investment returns.

VITALITY NETWORK

Vitality Network (VN) grew profits 32% to US$11.5 million (52% to R199 million) with excellent progress across the business and continued investment in expansion opportunities. Revenue from insurance partners increased by 20% to US$35.3 million (38% to R613 million), with continued monetisation of global partnerships. VN now operates in 37 global markets, with Vitality membership from insurance partners increasing by 24% to 3.4 million. Vitality-integrated premiums from our partners declined 7% to US$708.9 million (increased by 7% to R12.3 billion), with some markets facing challenging conditions, although sales in Asia are demonstrating a steady recovery.

New growth opportunities arose over the period with the launch of TATA AIA Vitality in India, a more comprehensive roll-out of Vitality in Manulife Canada, and the expansion of the partnership in Latin America with Prudential. The business continues to drive product innovation and delivery through Vitality 1, enhancing the platform's performance and driving operating efficiencies.

VITALITY HEALTH INTERNATIONAL

Vitality Health International's (VHI) profit declined by 29% to US$2.3 million (18% to R40 million). The decline was driven largely by reduced profitability in PAH due to weak investment performance and a challenging operating environment. VHI remains a key investment and growth area for the Group as it looks to further globalise its health capabilities and IP through key strategic partnerships.

The operating environment in China was particularly complex, as the period coincided with significant lockdowns and resulting investment market volatility, as well as the subsequent lifting of the Zero-COVID policy, with the concomitant wave of infections. New business on the PAH insurance licence declined 12%, constrained by widespread lockdowns, a difficult economic backdrop, and challenges experienced by several channels. Written premium on the PAH insurance licence increased 14%, whereas total written premiums remained unchanged at R20.4 billion, given the anticipated gradual run-down of Ping An Life's business reinsured by PAH. For the calendar year 2022, business on the PAH insurance licence outperformed the relatively flat market by 13 percentage points, supported by continued retention initiatives.

The subsequent lifting of the Zero-COVID policy towards the end of the reporting period resulted in a significant wave of COVID-19 infections, although PAH's COVID claims have been limited to date. PAH has taken an appropriately conservative approach to reserving, which together with 46% lower investment returns over the period, negatively impacted the otherwise robust underlying profitability. Over calendar year 2022, the combined ratio improved 0.9 percentage points to 93.6%. PAH pre-tax profits declined 44% to R624 million, with the Group's share of after-tax profit less Discovery's costs declining 40% to R84 million. The company's balance sheet remains strong, with comprehensive solvency of 266%.

Amplify Health continued to build its integrated health solutions for the pan-Asian market as previously announced and acquired AiDA Technologies, a leading provider of artificial intelligence solutions to companies across Asia Pacific. Strong revenue generated from the Amplify Health transaction exceeded Amplify's equity-accounted losses for the period, resulting in a profit for the Group overall.

STRATEGY, GROWTH PROSPECTS AND DIVIDEND

Discovery's growth strategy is based on the efficacy, repeatability and scalability of its Vitality shared-value model. Since this model is inherently a new business model, growth is pursued via organic growth and global partnerships. The performance during the period has enhanced the Group's confidence in this strategy. The Group's capital plan and dividend policy have followed a disciplined approach to facilitate this strategy so that Discovery can deliver significant real growth in quality earnings and strong returns, without recourse to additional capital, thereby creating enduring shareholder value. The historical dividend coverage ratio has been derived mathematically from the organic build model and has been set at four to five times coverage.

In 2020, the COVID-19 pandemic emerged, creating considerable uncertainty and both macro and micro risks, and consequently, the Group followed a conservative approach to capital management – the dividend was suspended, a strategy of reducing financial leverage was pursued, and further structures were implemented to ensure that the Group remains protected from movements in interest rates. Importantly, the pursuit of growth was not curtailed and the Group during this period increased the spend on new initiatives to over 20% of operating profit, most notably on the build of Discovery Bank, and the Group followed the PAH capital raise in China, with its contribution of R1.5 billion in October 2021.

In the period, the positive manifestation of these strategies has been clear: operating profit has grown strongly, the leverage ratio has reduced significantly and spend on new initiatives has reduced close to the 10% target level, with Discovery Bank operating within plan and rapidly approaching profitability and scale. In addition, the strong performance and consequent cash generation has now removed the need to pursue the stated capital placement previously announced to fund the PAH capital contribution already made. Discovery is still of the view that, given these developments and the current rates of growth, the ordinary dividend should not be reinstated for the current period and this will be revisited at the end of the financial year.

Discovery's growth strategy is based on the efficacy, repeatability and scalability of its Vitality shared-value model.

NOTES TO ANALYSTS

Any forecast financial information contained in this announcement has not been reviewed or reported on by the Company's external auditors.

Discovery has published supplemental unaudited information on the website. For this and other results information, visit **https://www.discovery.co.za/corporate/investor-relations** and go to Financial and annual reports.

On behalf of the Board

ME Tucker	**A Gore**
Chairperson	Group Chief Executive

Sandton
22 February 2023

STATEMENT OF FINANCIAL POSITION
at 31 December 2022

R million	Group December 2022 Unaudited	Group June 2022 Audited
Assets		
Goodwill	**4 968**	4 912
Intangible assets	**6 593**	6 539
Property and equipment	**3 939**	3 811
Assets arising from insurance contracts	**59 943**	56 645
Deferred tax asset	**4 170**	4 455
Deferred acquisition costs	**666**	640
Assets arising from contracts with customers	**1 799**	1 549
Investment in equity-accounted investees	**6 124**	6 008
Financial assets		
– Loans and advances to customers at amortised cost	**4 374**	3 944
– Investments at amortised cost	**8 259**	7 161
– Investments at fair value through profit or loss	**150 673**	141 494
– Derivative financial instruments at fair value through profit or loss	**787**	276
Insurance receivables, contract receivables and other receivables	**14 092**	13 113
Non-current assets held for sale	**164**	171
Current tax asset	**100**	220
Reinsurance contracts	**641**	511
Cash and cash equivalents	**17 658**	19 775
TOTAL ASSETS	**284 950**	271 224
Equity		
Capital and reserves		
Ordinary share capital and share premium	**10 350**	10 178
Perpetual preference share capital	**779**	779
Other reserves	**4 181**	3 621
Retained earnings	**41 868**	38 972
Equity	**57 178**	53 550
Non-controlling interest	**6**	5
TOTAL EQUITY	**57 184**	53 555
Liabilities		
Liabilities arising from insurance contracts	**115 037**	109 200
Liabilities arising from reinsurance contracts	**13 463**	13 192
Deferred tax liability	**9 577**	9 335
Contract liabilities to customers	**715**	944
Financial liabilities		
– Borrowings at amortised cost	**20 141**	20 584
– Other payables	**13 483**	15 123
– Deposits from customers	**13 005**	10 881
– Investment contracts at fair value through profit or loss	**41 854**	37 361
– Derivative financial instruments at fair value through profit or loss	**75**	202
Employee benefits	**303**	320
Current tax liability	**113**	527
TOTAL LIABILITIES	**227 766**	217 669
TOTAL EQUITY AND LIABILITIES	**284 950**	271 224

The order in which individual line items are presented in the Statement of financial position has been amended to better reflect their respective liquidity, as far as possible, from least liquid to the most liquid items. No values were reclassified or restated between line items.

INCOME STATEMENT
for the six months ended 31 December 2022

R million	**Group Six months ended December 2022 Unaudited**	Group Six months ended December 2021 Unaudited	% Change	Group Year ended June 2022 Audited
Insurance premium revenue	**29 133**	29 218		58 782
Reinsurance premiums	**(4 641)**	(3 906)		(8 262)
Net insurance premium revenue	**24 492**	25 312	(3%)	50 520
Fee income from administration businesses	**7 056**	6 180		12 752
Vitality income	**1 943**	1 739		3 495
Net banking fee and commission income	**449**	280	60%	645
Banking fee and commission income	**583**	391		853
Banking fee and commission expense	**(134)**	(111)		(208)
Net bank interest and similar income	**268**	138	94%	318
Bank interest and similar income using the effective interest rate	**591**	377		811
Bank interest and similar expense using the effective interest rate	**(323)**	(239)		(493)
Investment income using the effective interest rate method	**299**	145		296
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**7 359**	8 330		(1 825)
Other income	**742**	610		1 341
Net income	**42 608**	42 734	3%	67 542
Net claims and policyholders' benefits	**(16 506)**	(15 944)	(4%)	(30 900)
Claims and policyholders' benefits	**(19 717)**	(20 283)		(38 207)
Insurance claims recovered from reinsurers	**3 211**	4 339		7 218
Recapture of reinsurance	**–**	–		89
Acquisition costs	**(3 361)**	(3 061)		(4 774)
Marketing and administration expenses	**(13 694)**	(12 047)		(25 209)
Amortisation of intangibles from business combinations	**(27)**	(30)		(59)
Expected credit losses	**(43)**	(19)		(67)
Recovery of expenses from reinsurers	**1 624**	1 237		2 859
Net transfer to/from assets and liabilities under insurance contracts	**(2 910)**	(6 078)		(1 494)
– change in assets arising from insurance contracts	**3097**	4 119		5 786
– change in assets arising from reinsurance contracts	**124**	57		63
– change in liabilities arising from insurance contracts	**(5 835)**	(9 780)		(6 935)
– change in liabilities arising from reinsurance contracts	**(208)**	(996)		(577)
– economic assumption adjustments net of discretionary margins	**(88)**	522		169
Fair value adjustment to liabilities under investment contracts	**(2 593)**	(1 576)		(40)
Profit from operations	**5 098**	5 216	(2%)	7 858
Finance costs	**(931)**	(834)		(1 658)
Foreign exchange gains	**30**	128		155
Gain on dilution and disposal of equity-accounted investments	**–**	4		33
Reversal of impairment of equity-accounted investments	**–**	–		134
Share of net profits from equity-accounted investments	**53**	207		422
Profit before tax	**4 250**	4 721	(10%)	6 944
Income tax expense	**(1 307)**	(1 416)	8%	(1 465)
Profit for the period	**2 943**	3 305	(11%)	5 479
Profit attributable to:				
– ordinary shareholders	**2 912**	3 277		5 422
– preference shareholders	**31**	28		56
– non-controlling interest	*****	*		1
	2 943	3 305	(11%)	5 479
Earnings per share for profit attributable to ordinary shareholders of the company during the period (cents):				
– basic	**443.1**	498.8	(11%)	825.5
– diluted	**436.7**	492.5	(11%)	817.8

** Amount is less than R500 000.*

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the six months ended 31 December 2022

R million	**Group Six months ended December 2022 Unaudited**	Group Six months ended December 2021 Unaudited	% Change	Group Year ended June 2022 Audited
Profit for the period	**2 943**	3 305	(11%)	5 479
Items that are or may be reclassified subsequently to profit or loss:				
Currency translation differences	**496**	1 729		467
Cash flow hedges	**32**	117		309
– unrealised gains	**36**	146		322
– tax on unrealised gains	**–**	(5)		(2)
– gains recycled to profit or loss	**(5)**	(26)		(10)
– tax on recycled gains	**1**	2		(1)
Share of other comprehensive income from equity-accounted investments	**11**	470		601
– change in fair value of debt instruments at fair value through other comprehensive income	**(11)**	18		17
– currency translation differences	**22**	452		584
Other comprehensive income for the period, net of tax	**539**	2 316	(77%)	1 377
Total comprehensive income for the period	**3 482**	5 621	(38%)	6 856
Attributable to:				
– ordinary shareholders	**3 450**	5 593	(38%)	6 799
– preference shareholders	**31**	28		56
– non-controlling interest	**1**	*		1
Total comprehensive income for the period	**3 482**	5 621	(38%)	6 856

* *Amount is less than R500 000.*

GROUP STATEMENT OF CASH FLOWS

for the six months ended 31 December 2022

R million	**Group Six months ended December 2022 Unaudited**	Group Six months ended December 2021 Unaudited	Group Year ended June 2022 Audited
Cash flow from operating activities	**(790)**	2 185	3 597
Cash generated by operations	**7 695**	8 554	18 475
Purchase of investments held to back policyholder liabilities	**(35 314)**	(42 395)	(56 588)
Proceeds from disposal of investments held to back policyholder liabilities	**30 303**	36 138	38 411
Working capital changes	**(3 772)**	(66)	2 468
Cash generated from operating activities	**(1 088)**	2 231	2 766
Dividends received	**186**	482	600
Interest received	**2 086**	1 057	2 824
Interest paid	**(932)**	(786)	(1 412)
Taxation paid	**(1 042)**	(799)	(1 181)
Cash flow from investing activities	**(740)**	(3 420)	(4 704)
Purchase of financial assets	**(16 295)**	(16 065)	(32 878)
Proceeds from disposal of financial assets	**16 567**	14 968	31 482
Purchase of property and equipment	**(210)**	(122)	(275)
Proceeds from disposal of property and equipment	**2**	13	25
Purchase of software and other intangible assets	**(751)**	(743)	(1 567)
Proceeds from disposal of software and other intangible assets	**–**	–	2
Additional investment in equity-accounted investments	**(109)**	(1 525)	(1 593)
Dividends from equity-accounted investments	**56**	54	100
Cash flow from financing activities	**(651)**	(127)	518
Dividends paid to preference shareholders	**(31)**	(28)	(56)
Proceeds from borrowings	**3 856**	1 548	3 261
Repayment of borrowings	**(4 476)**	(1 647)	(2 687)
Net decrease in cash and cash equivalents	**(2 181)**	(1 362)	(589)
Cash and cash equivalents at beginning of the year	**19 619**	20 013	20 013
Exchange gains on cash and cash equivalents	**220**	1 105	195
Cash and cash equivalents including bank overdraft at end of the period	**17 658**	19 756	19 619
Reconciliation to Statement of financial position			
Cash and cash equivalents	**17 658**	19 756	19 775
Bank overdraft included in borrowings at amortised cost	**–**	–	(156)
Cash and cash equivalents at end of the period	**17 658**	19 756	19 619

GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2022

R million	Attributable to equity holders of the Company				Attributable to equity holders of the Company					
	Ordinary share capital and share premium	Perpetual preference share capital	Share-based payment reserve	Investment reserve[1]	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
Period ended 31 December 2022										
At beginning of the period	10 178	779	798	35	2 823	(35)	38 972	53 550	5	53 555
Total comprehensive income for the period	–	31	–	(11)	517	32	2 912	3 481	1	3 482
Profit for the period	–	31	–	–	–	–	2 912	2 943	*	2 943
Other comprehensive income	–	–	–	(11)	517	32	–	538	1	539
Transactions with owners	172	(31)	22	–	–	–	(16)	147	–	147
Share issue	514	–	–	–	–	–	–	514	–	514
Increase in treasury shares	(514)	–	–	–	–	–	–	(514)	–	(514)
Delivery of treasury shares	172	–	(156)	–	–	–	(16)	–	–	–
Employee share option schemes:										
– Value of employee services	–	–	178	–	–	–	–	178	–	178
Dividends paid to preference shareholders	–	(31)	–	–	–	–	–	(31)	–	(31)
At end of the period	10 350	779	820	24	3 340	(3)	41 868	57 178	6	57 184
Period ended 31 December 2021										
At beginning of the period	10 151	779	489	18	1 772	(344)	33 550	46 415	4	46 419
Total comprehensive income for the period	–	28	–	18	2 181	117	3 277	5 621	*	5 621
Profit for the period	–	28	–	–	–	–	3 277	3 305	*	3 305
Other comprehensive income	–	–	–	18	2 181	117	–	2 316	–	2 316
Transactions with owners	12	(28)	151	–	–	–	–	135	–	135
Share issue	443	–	–	–	–	–	–	443	–	443
Increase in treasury shares	(443)	–	–	–	–	–	–	(443)	–	(443)
Delivery of treasury shares	12	–	(12)	–	–	–	–	–	–	–
Employee share option schemes:										
– Value of employee services	–	–	163	–	–	–	–	163	–	163
Dividends paid to preference shareholders	–	(28)	–	–	–	–	–	(28)	–	(28)
At end of the period	10 163	779	640	36	3 953	(227)	36 827	52 171	4	52 175

1 This relates to fair value adjustments on those equity instruments designated at fair value through other comprehensive income (FVOCI) and those debt instruments measured at FVOCI, in terms of IFRS 9 Financial Instruments.

** Amount is less than R500 000.*

DISCLOSURE

for the six months ended 31 December 2022

1. FAIR VALUE HIERARCHY

The Group's financial instruments measured at fair value have been disclosed using a fair value hierarchy. The hierarchy has three levels that reflect the significance of the inputs used in measuring fair value. These are as follows:

Level 1 includes financial instruments that are measured using unadjusted, quoted prices in an active market for identical financial instruments. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 includes financial instruments that are valued using techniques based significantly on observable market data. Instruments in this category are valued using:

(a) quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or

(b) valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3 includes financial instruments that are valued using valuation techniques that incorporate information other than observable market data and where at least one input (which could have a significant effect on instruments' valuation) cannot be based on observable market data.

	31 December 2022			
R million (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments mandatorily at fair value through profit or loss:				
– Equity portfolios	59 562	5 117	–	64 679
– Debt portfolios	46 616	1 104	–	47 720
– Money market portfolios	–	16 021	–	16 021
– Multi-asset portfolio	–	22 253	–	22 253
Derivative financial instruments at fair value:				
– used as cash flow hedges	–	41	–	41
– not designated as hedging instruments	–	746	–	746
Total financial assets	106 178	45 282	–	151 460
Non-financial assets				
Non-current assets held for sale[1]	–	–	164	164
Total non-financial assets	–	–	164	164
Financial liabilities				
Investment contracts at fair value through profit or loss	–	41 854	–	41 854
Derivative financial instruments at fair value:				
– used as cash flow hedges	–	25	–	25
– not designated as hedging instruments	–	50	–	50
Total financial liabilities	–	41 929	–	41 929

1 The non-current assets held for sale was disposed on 1 February 2023.

There were no transfers between level 1 and 2 during the current financial period.

1. FAIR VALUE HIERARCHY *continued*

	30 June 2022			
R million (audited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments mandatorily at fair value through profit or loss:				
– Equity portfolios	54 271	3 677	–	57 948
– Debt portfolios	46 672	920	–	47 592
– Money market portfolios	–	14 680	–	14 680
– Multi-asset portfolios	–	21 274	–	21 274
Derivative financial instruments at fair value:				
– used as cash flow hedges	–	17	–	17
– not designated as hedging instruments	–	259	–	259
Total financial assets	100 943	40 827	–	141 770
Non-financial assets				
Non-current assets held for sale	–	–	171	171
Total non-financial assets	–	–	171	171
Financial liabilities				
Investment contracts at fair value through profit or loss	–	37 361	–	37 361
Derivative financial instruments at fair value:				
– used as cash flow hedges	–	56	–	56
– not designated as hedging instruments	–	146	–	146
Total financial liabilities	–	37 563	–	37 563

Specific valuation techniques used to value financial instruments in level 2

If a quoted market price is not available on a recognised stock exchange or from a broker for non-exchange traded financial instruments, the fair value of the instrument is estimated by the asset managers, using valuation techniques including the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

1. FAIR VALUE HIERARCHY *continued*

Instruments	Valuation technique	Main inputs and assumptions (level 2 fair value hierarchy items):
Within equity portfolios, Equity-linked notes	The calculation of the daily value of the equity linked investments is made by the provider of the note. Discovery has procedures in place to ensure that these prices are correct. Aside from the daily reasonableness checks versus similar funds and movement since the prior day's price, the fund values are calculated with reference to a specific formula or index, disclosed to the policyholders, which is recalculated by Discovery in order to check if the price provided by the provider is correct.	▪ discount rate ▪ spot prices of the underlying
Multi-assets	The fair values of third-party financial liabilities arising on the consolidation of mutual funds are determined using the quoted put (exit) price provided by the fund manager and discounted for the applicable notice period. The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.	▪ discount rate
Money Market instruments	Money market instruments are valued by discounting the future cash flows using a risk-adjusted discount rate.	▪ discount rate, credit spread
Investment contracts at fair value through profit or loss	Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the Group. The investment contract obliges the Group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity: certain discounted cash flow models are used to determine the fair value of the stream of future payments.	▪ discount rate ▪ spot price of underlying
Derivatives	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: ▪ Discounted cash flow model ▪ Black-Scholes model ▪ Combination technique models	▪ discount rate ▪ spot prices of the underlying ▪ correlation factors ▪ volatilities ▪ earnings yield ▪ valuation multiples

2. EXCHANGE RATES TO ZAR USED IN THE PREPARATION OF THESE RESULTS

	USD	GBP	RMB
31 December 2022			
– Average	**17.35**	**20.38**	**2.48**
– Closing	**16.99**	**20.45**	**2.45**
30 June 2022			
– Average	15.22	20.25	2.35
– Closing	16.47	20.00	2.46
31 December 2021			
– Average	15.03	20.49	2.33
– Closing	15.91	21.51	2.50

While the GBP average rate for the six months remained largely in line with the average of the prior period, the USD strengthened significantly against the ZAR (and most other currencies), compared to the prior period.

There was a smaller differential between average and closing rates of exchange for ZAR against the USD and GBP currencies for the six months ended 31 December 2022 when compared to the previous two reporting periods. This resulted in a reduced impact on the foreign currency translation reserve movement when compared to the previous reporting periods.

3. SEGMENTAL INFORMATION
for the six months ended 31 December 2022

R million	SA Health	SA Life	SA Invest	SA Insure[3]	SA Vitality	SA Bank	UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments[4]	IFRS total
Income statement												
Insurance premium revenue	112	8 158	7 414	2 536	–	–	6 425	3 630	1 271	29 546	(413)	29 133
Reinsurance premiums	(1)	(1 850)	–	(206)	–	–	(919)	(1 971)	(107)	(5 054)	413	(4 641)
Net insurance premium revenue	111	6 308	7 414	2 330	–	–	5 506	1 659	1 164	24 492	–	24 492
Fee income from administration businesses[1]	4 121	–	1 454	9	–	–	18	–	1 454	7 056	–	7 056
Vitality income[1]	–	–	–	–	1 293	–	185	113	352	1 943	–	1 943
Net banking fee and commission income	–	–	–	–	–	438	–	–	11	449	–	449
Banking fee and commission income[1]	–	–	–	–	–	583	–	–	–	583	–	583
Banking fee and commission expense	–	–	–	–	–	(145)	–	–	11	(134)	–	(134)
Net bank interest and similar income	–	–	–	–	–	268	–	–	–	268	–	268
Bank interest and similar income using the effective interest rate	–	–	–	–	–	591	–	–	–	591	–	591
Bank interest and similar expense using the effective interest rate	–	–	–	–	–	(323)	–	–	–	(323)	–	(323)
Investment income earned on assets backing policyholder liabilities	–	3	–	68	–	–	26	71	6	174	(174)	–
Finance charge on negative reserve funding	–	–	–	–	–	–	–	932	–	932	(932)	–
Inter-segment funding[2]	–	(255)	255	–	–	–	–	–	–	–	–	–
Net fair value gains/(losses) on financial assets at fair value through profit or loss	(12)	322	5 271	(6)	(1)	–	(9)	(984)	858	5 439	1 920	7 359
Other income	673	2	–	–	1	–	13	–	53	742	–	742
Net income	4 893	6 380	14 394	2 401	1 293	706	5 739	1 791	3 898	41 495	814	42 309
Net claims and policyholders' benefits	(32)	(4 013)	(6 250)	(1 390)	–	–	(2 445)	(459)	(1 917)	(16 506)	–	(16 506)
Claims and policyholders' benefits	(33)	(5 672)	(6 250)	(1 573)	–	–	(3 230)	(1 201)	(2 035)	(19 994)	277	(19 717)
Insurance claims recovered from reinsurers	1	1 659	–	183	–	–	785	742	118	3 488	(277)	3 211
Acquisition costs	(16)	(899)	(642)	(377)	(54)	–	(529)	(995)	151	(3 361)	–	(3 361)
Marketing and administration expenses												
– depreciation and amortisation	(68)	(3)	(5)	(32)	(4)	(157)	(192)	(28)	(384)	(873)	(84)	(957)
– derecognition of intangible assets and property and equipment	–	–	–	(4)	–	–	(60)	(18)	(5)	(87)	–	(87)
– other expenses	(2 953)	(1 149)	(587)	(518)	(1 214)	(904)	(2 219)	(1 278)	(1 822)	(12 644)	(6)	(12 650)
Expected credit losses	–	–	–	–	–	(43)	–	–	–	(43)	–	(43)
Recovery of expenses from reinsurers	–	–	–	–	–	–	530	1 094	–	1 624	–	1 624
Net transfer to/from assets and liabilities under insurance contracts												
– change in assets arising from insurance contracts	–	2 361	–	–	–	–	–	1 303	–	3 664	(567)	3 097
– change in assets arising from reinsurance contracts	–	53	–	–	–	–	(11)	7	10	59	65	124
– change in liabilities arising from insurance contracts	1	(302)	(5 972)	(60)	–	–	54	(13)	648	(5 644)	(191)	(5 835)
– change in liabilities arising from reinsurance contracts	–	93	–	–	–	–	–	(868)	–	(775)	567	(208)
Fair value adjustment to liabilities under investment contracts	–	(3)	(346)	–	–	–	–	–	(705)	(1 054)	(1 539)	(2 593)
Share of net profits from equity-accounted investments	–	–	–	(16)	–	–	–	–	91	75	(22)	53
Normalised profit/(loss) from operations	1 825	2 518	592	4	21	(398)	867	536	(35)	5 930	(963)	4 967
Economic assumptions adjustments net of discretionary margins and interest rate derivative	–	(862)	–	–	–	–	–	(38)	–	(900)	812	(88)
Economic assumption adjustments net of discretionary margins	–	(862)	–	–	–	–	–	774	–	(88)	–	(88)
Fair value losses on VitalityLife interest rate derivative	–	–	–	–	–	–	–	(812)	–	(812)	812	–
Investment income earned on shareholder investments and cash	33	7	32	–	20	–	3	7	29	131	168	299
Intercompany investment income	–	–	–	–	–	–	–	–	531	531	(531)	–
Net fair value gains/(losses) on financial assets at fair value through profit or loss	–	37	7	–	–	–	(1)	(86)	(1)	(44)	44	–
Expenses related to Prudential Book transfer	–	–	–	–	–	–	–	(92)	–	(92)	92	–
Amortisation of intangibles from business combinations	–	–	–	(22)	–	–	–	–	(27)	(49)	22	(27)
Market rentals related to Head Office building adjusted for finance costs and depreciation	–	–	–	–	–	–	–	–	(73)	(73)	73	–
Finance costs	–	–	–	–	(3)	–	(5)	(82)	(695)	(785)	(146)	(931)
Intercompany finance costs	(172)	–	–	–	–	–	–	(129)	(237)	(538)	538	–
Foreign exchange gains	1	4	6	–	–	–	–	–	19	30	–	30
Profit/(loss) before tax	1 687	1 704	637	(18)	38	(398)	864	116	(489)	4 141	109	4 250
Income tax expense	(455)	(459)	(219)	2	(11)	110	(185)	55	(36)	(1 198)	(109)	(1 307)
Profit/(loss) for the period	1 232	1 245	418	(16)	27	(288)	679	171	(525)	2 943	–	2 943

1 Discovery's Revenue includes 'Fee income from administration businesses', 'Vitality Income' and 'Banking fee and commission income'. The split of revenue according to the timing of satisfaction of performance obligations is R8 481 million over time and R1 101 million at a point-in-time.

2 The inter-segment funding of R255 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.

3 This segment relates to SA Insure - Personal lines.

4 The segment information is presented on the same basis as reported to the Chief Executive Officers of the reportable segments. The segment total is then adjusted for accounting reclassifications and entries required to produce IFRS compliant results. These adjustments include the following:
- *The VitalityLife results, for business written on the Prudential Assurance Company license, are reclassified to account for the contractual arrangement as a reinsurance contract under IFRS 4.*
- *Unit trusts which the Group controls in terms of IFRS10 are consolidated into Discovery's results for IFRS purposes. The IFRS reporting adjustments include the effects of consolidating the unit trusts into Discovery's results, effectively being the income and expenses relating to units held by third parties.*
- *The effects of eliminating intercompany transactions on consolidation and normalised operating profit adjustments.*
- *The effects of reclassifying items to align to IFRS results.*

DISCLOSURE *continued*
for the six months ended 31 December 2022

3. SEGMENTAL INFORMATION *continued*
for the six months ended 31 December 2021

R million	SA Health	SA Life	SA Invest	SA Insure[3]	SA Vitality	SA Bank	UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments[4]	IFRS TOTAL
Income statement												
Insurance premium revenue	87	7 337	7 712	2 260	–	–	5 606	3 359	3 256	29 617	(399)	29 218
Reinsurance premiums	(1)	(1 730)	–	(36)	–	–	(714)	(1 755)	(69)	(4 305)	399	(3 906)
Net insurance premium revenue	86	5 607	7 712	2 224	–	–	4 892	1 604	3 187	25 312	–	25 312
Fee income from administration businesses[1]	3 818	–	1 388	9	–	–	14	–	958	6 187	(7)	6 180
Vitality income[1]	–	–	–	–	1 140	–	181	115	303	1 739	–	1 739
Net banking fee and commission income	–	–	–	–	–	275	–	–	5	280	–	280
Banking fee and commission income[1]	–	–	–	–	–	391	–	–	–	391	–	391
Banking fee and commission expense	–	–	–	–	–	(116)	–	–	5	(111)	–	(111)
Net bank interest and similar income	–	–	–	–	–	138	–	–	–	138	–	138
Bank interest and similar income using the effective interest rate	–	–	–	–	–	377	–	–	–	377	–	377
Bank interest and similar expense using the effective interest rate	–	–	–	–	–	(239)	–	–	–	(239)	–	(239)
Investment income earned on assets backing policyholder liabilities	–	1	–	59	–	–	–	4	3	67	(67)	–
Finance charge on negative reserve funding	–	–	–	–	–	–	–	(168)	–	(168)	168	–
Inter-segment funding[2]	–	(341)	341	–	–	–	–	–	–	–	–	–
Net fair value gains/(losses) on financial assets at fair value through profit or loss	13	293	6 223	3	1	3	(27)	159	966	7 634	696	8 330
Other income	572	7	–	–	–	–	9	–	22	610	–	610
Net income	4 489	5 567	15 664	2 295	1 141	416	5 069	1 714	5 444	41 799	790	42 589
Net claims and policyholders' benefits	(20)	(5 175)	(6 224)	(1 349)	–	–	(2 228)	(476)	(472)	(15 944)	–	(15 944)
Claims and policyholders' benefits	(20)	(8 395)	(6 224)	(1 349)	–	–	(2 876)	(1 149)	(540)	(20 553)	270	(20 283)
Insurance claims recovered from reinsurers	–	3 220	–	–	–	–	648	673	68	4 609	(270)	4 339
Acquisition costs	(12)	(814)	(592)	(342)	(46)	–	(481)	(737)	131	(2 893)	(168)	(3 061)
Marketing and administration expenses												
– depreciation and amortisation	(47)	(4)	(5)	(42)	(6)	(129)	(241)	(31)	(377)	(882)	(84)	(966)
– derecognition of intangible assets and property and equipment	–	–	–	(6)	–	–	–	–	–	(6)	–	(6)
– other expenses	(2 659)	(1 063)	(573)	(500)	(1 050)	(766)	(1 871)	(1 056)	(1 467)	(11 005)	(70)	(11 075)
Expected credit losses	–	–	–	–	–	(19)	–	–	–	(19)	–	(19)
Recovery of expenses from reinsurers	–	–	–	–	–	–	451	786	–	1 237	–	1 237
Transfer to/from assets and liabilities under insurance contracts												
– change in assets arising from insurance contracts	–	3 769	–	–	–	–	–	(2 318)	35	1 486	2 633	4 119
– change in assets arising from reinsurance contracts	–	62	–	–	–	–	(15)	7	4	58	(1)	57
– change in liabilities arising from insurance contracts	(1)	439	(7 283)	(21)	–	–	166	(11)	(3 047)	(9 758)	(22)	(9 780)
– change in liabilities arising from reinsurance contracts	–	(846)	–	–	–	–	–	2 483	–	1 637	(2 633)	(996)
Fair value adjustment to liabilities under investment contracts	–	(1)	(470)	–	–	–	–	–	(574)	(1 045)	(531)	(1 576)
Share of net profits from equity-accounted investments	–	–	–	(20)	–	–	–	–	227	207	–	207
Normalised profit/(loss) from operations	1 750	1 934	517	15	39	(498)	850	361	(96)	4 872	(86)	4 786
Investment income earned on shareholder investments and cash	17	6	16	–	16	–	18	1	8	82	63	145
Intercompany investment income	–	–	–	–	–	–	–	3	448	451	(451)	–
Economic assumptions adjustments net of discretionary margins and interest rate derivative	–	498	–	–	–	–	–	(46)	–	452	70	522
Economic assumption adjustments net of discretionary margins	–	498	–	–	–	–	–	24	–	522	–	522
Fair value gains on VitalityLife interest rate derivatives	–	–	–	–	–	–	–	(70)	–	(70)	70	–
Net fair value gains/(losses) on financial assets at fair value through profit or loss	–	34	16	–	–	–	–	60	102	212	(212)	–
Gain on dilution and disposal of equity-accounted investments	–	–	–	4	–	–	–	–	–	4	–	4
Expenses related to Prudential Book transfer	–	–	–	–	–	–	–	(92)	–	(92)	92	–
Covid-19 Vaccination programme	–	–	–	–	–	–	–	–	(137)	(137)	137	–
Amortisation of intangibles from business combinations	–	–	–	–	–	–	–	–	(30)	(30)	–	(30)
Market rentals related to Head Office building adjusted for finance costs and depreciation	–	–	–	–	–	–	–	–	(83)	(83)	83	–
Finance costs	(1)	–	–	–	–	–	(3)	(50)	(640)	(694)	(140)	(834)
Intercompany finance costs	(145)	–	–	–	–	–	(3)	(113)	(195)	(456)	456	–
Foreign exchange gains	2	18	18	–	–	–	–	–	90	128	–	128
Profit/(loss) before tax	1 623	2 490	567	19	55	(498)	862	124	(533)	4 709	12	4 721
Income tax expense	(448)	(728)	(159)	(8)	(16)	128	(186)	(28)	41	(1 404)	(12)	(1 416)
Profit/(loss) for the period	1 175	1 762	408	11	39	(370)	676	96	(492)	3 305	–	3 305

1 Discovery's Revenue includes 'Fee income from administration businesses', 'Vitality Income' and 'Banking fee and commission income'. The split of revenue according to the timing of satisfaction of performance obligations is R7 550 million over time and R760 million at a point-in-time.

2 The inter-segment funding of R341 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.

3 This segment relates to SA Insure - Personal lines.

4 The segment information is presented on the same basis as reported to the Chief Executive Officers of the reportable segments. The segment total is then adjusted for accounting reclassifications and entries required to produce IFRS compliant results. These adjustments include the following:
- *The VitalityLife results, for business written on the Prudential Assurance Company license, are reclassified to account for the contractual arrangement as a reinsurance contract under IFRS 4.*
- *Unit trusts which the Group controls in terms of IFRS10 are consolidated into Discovery's results for IFRS purposes. The IFRS reporting adjustments include the effects of consolidating the unit trusts into Discovery's results, effectively being the income and expenses relating to units held by third parties.*
- *The effects of eliminating intercompany transactions on consolidation and normalised operating profit adjustments.*
- *The effects of reclassifying items to align to IFRS results.*

4. EARNINGS, HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS

	Group Six months ended December 2022 Unaudited	Group Six months ended December 2021 Unaudited	% Change	Group Year ended June 2022 Audited
Earnings per share (cents):				
– basic	**443.1**	498.8	(11%)	825.5
– diluted	**436.7**	492.5	(11%)	817.8
Headline earnings per share (cents):				
– basic	**453.6**	499.1	(9%)	792.4
– diluted	**447.0**	492.7	(9%)	785.0
Normalised headline earnings per share (cents):				
– basic	**570.2**	437.7	30%	885.5
– diluted	**562.0**	432.2	30%	877.3
Number of shares used in calculation				
Weighted number of shares in issue ('000)	**657 288**	656 862		656 901
Diluted weighted number of shares ('000)	**666 964**	665 290		663 082

Headline earnings reconciliation

Headline earnings per share is disclosed per the JSE Limited Listings Requirements and is calculated in accordance with the circular titled "Headline Earnings" issued by SAICA, as amended from time to time. Headline earnings per share is based on the net profit after tax attributable to ordinary shareholders adjusted for items of a capital nature and the weighted average number of ordinary shares in issue.

	Group six months ended 31 December 2022 Unaudited			Group six months ended 31 December 2021 Unaudited			% Change	Group Year ended June 2022 Audited
R million	**Gross**	**Tax**	**Net**	Gross	Tax	Net		Net
Profit attributable to the ordinary shareholders			**2 912**			3 277	(11%)	5 422
Adjusted for:								
– loss on derecognition of property and equipment	**5**	**(1)**	**4**	6	(2)	4		12
– loss on disposal of property and equipment	**–**	**–**	**–**	–	–	–		3
– loss on derecognition of intangible assets	**82**	**(17)**	**65**	–	–	–		32
– gain on disposal of intangible assets	**–**	**–**	**–**	–	–	–		(102)
– adjustments attributable to equity-accounted investments:								
– gain on dilution and disposal of equity-accounted investments	**–**	**–**	**–**	(4)	1	(3)		(29)
– reversal of impairment of equity-accounted investments	**–**	**–**	**–**	–	–	–		(134)
Headline earnings			**2 981**			3 278	(9%)	5 204

DISCLOSURE *continued*

for the six months ended 31 December 2022

4. EARNINGS, HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS *continued*

Normalised headline earnings reconciliation

Normalised headline earnings is calculated per Discovery's policy as set out in the Accounting Policies at the end of the results announcement. Management considers that Normalised headline earnings is an appropriate alternative performance measure to enhance the comparability and understanding of the financial performance of the Group.

	Group six months ended 31 December 2022 Unaudited			Group six months ended 31 December 2021 Unaudited			% Change	Group Year ended June 2022 Audited
R million	**Gross**	**Tax**	**Net**	Gross	Tax	Net		Net
Headline earnings			**2 981**			3 278	(9%)	5 204
Adjusted for:								
– economic assumption adjustments net of discretionary margins and interest rate derivatives	**900**	**(241)**	**659**	(452)	131	(321)		10
– loss/(gain) on economic assumption adjustments net of discretionary margins[1]	**88**	**(74)**	**14**	(522)	144	(378)		(195)
– loss on fair value changes on VitalityLife interest rate derivative	**812**	**(167)**	**645**	70	(13)	57		205
– loss/(gain) on fair value changes in the time value of swaption contract in VitalityLife	**86**	**(18)**	**68**	(60)	11	(49)		367
– other	**49**	**(10)**	**39**	(69)	37	(32)		235
– amortisation of intangible assets arising from business combinations	**27**	**(5)**	**22**	30	(6)	24		46
– gain on disposal of intangible assets	**–**	**–**	**–**	–	–	–		102
– recognition of deferred tax assets on assessed losses not recognised in previous periods	**–**	**–**	**–**	–	–	–		(14)
– loss/(gain) on fair value changes on foreign exchange contracts not designated as hedges	**–**	**–**	**–**	(99)	28	(71)		1
– increase or decrease in deferred tax balances resulting from use of different tax rates on items that were excluded from normalised headline earnings	**–**	**–**	**–**	–	15	15		59
– adjustments attributable to equity-accounted investments								
– amortisation of intangible assets arising from business combinations	**22**	**(5)**	**17**	–	–	–		41
Normalised headline earnings			**3 747**			2 876	30%	5 816

1 *The Gross economic assumption adjustment, net of discretionary margin comprises of a loss in SA Life of R862 million (31 December 2021: gain R498 million) and a gain in UK Life of R774 million (31 December 2021: gain R24million)*

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS

5.1 Impact of long-term interest rates in the SA and UK markets

The long-term insurance businesses in SA and the UK are exposed to long-term nominal and real interest rates given the impact of rates on the long-term assumptions applicable to valuation of insurance contracts. The period under review was characterised by aggressive global monetary policy tightening by central banks following sustained inflationary pressure, resulting in rapidly increasing global bond yields. For Discovery Life, this impact of higher long-term interest rates manifests mainly as a lower discounted value of future cash flows and therefore a lower valuation of those contracts. For VitalityLife, higher long-term rates will mainly manifest as higher expected investment returns resulting in lower costs to fulfil future insurance contracts and a positive impact on the valuation (before hedging). As noted with previous results announcements, the actual cash flows themselves are not materially affected nor would it have material negative solvency or liquidity consequences.

Should the observed reference interest rates revert, these valuation results will reverse as can be seen with the positive variance experienced in SA in the comparative first six month period. Given the sometimes extreme volatility of these impacts on results and given that it has little or no bearing on underlying operating performance of these businesses, consistent with prior years, Discovery has excluded these effects, net of tax, in the presentation of normalised earnings measures. This treatment in the presentation of normalised measures is consistent with prior years and also largely consistent with the available election under the soon to be adopted new accounting standard for insurance contracts (IFRS17) to isolate such economic impacts in other comprehensive income (OCI).

5.1.1 DISCOVERY LIFE SA – IMPACT OF ECONOMIC ASSUMPTIONS

The impact of the economic assumptions in profit or loss, was a net loss in SA Life of R862 million (2021: net gain of R498 million). The loss for the six months ending 31 December 2022 was primarily driven by the changes in the South African nominal yield curve as well as nominal and real yield curve changes on dollar denominated business.

5.1.2 VITALITY LIFE UK– IMPACT OF ECONOMIC ASSUMPTIONS NET OF INTEREST RATE RISK MITIGATION STRATEGY

As previously reported, VitalityLife first implemented interest rate risk mitigation strategies during the financial year ended 30 June 2020 to protect itself against the risk of further declines in long-term interest rates by entering into derivative contracts. This strategy continues to ensure that the VitalityLife business operated well within its pre-determined risk appetite.

During the six months ended 31 December 2022 the strategy proved to be effective during the extreme volatility in the UK bond markets following political changes. The net loss incurred within the UK Life Segmental of GBP 1.9 million (R38 million) (2021: net loss GBP 2.2 million (R46 million)) consisted of:

- economic assumption gains amounting to GBP 38 million (R774 million) (2021: gain GBP 1.2 million (R24 million))
- less net fair value losses on interest rate derivatives (including fair value losses on the swap contracts and intrinsic value gains of the swaption contract) of GBP 39.8 million (R812 million) (2021: losses GBP 3.4 million (R70 million)).

Against this should be seen the net fair value write-off of the time value of the swaption contract of GBP 4.2 million (R86 million) (2021: gain GBP 2.9 million (R60 million)). On this basis, the effective net loss recognised in profit or loss resulting from economic assumptions, including all hedge impacts amounts to GBP 6.1 million (R124 million) (2021: net gain of GBP 0.7 million (R14 million)) while a component of the gain for the six months ended 31 December 2022 was recognised directly to discretionary margins in term of the Group's accounting policy (refer below).

Per Discovery's accounting policy, where insurance contracts are backed by assets, other than negative reserves, changes in economic assumptions are recognised directly in profit or losses. Furthermore, positive changes in economic assumptions are first recognised separately in profit or loss to the extent that it reverses related losses previously recognised in profit or loss. Thereafter, positive changes in economic assumptions increase discretionary margins. Accordingly, the positive economic assumption change recognised in profit or loss does not fully offset the recognised hedge losses.

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.1 Impact of long-term interest rates in the SA and UK markets *continued*

5.1.3 IMPACT ON CASH COLLATERAL BALANCES HELD

The reduction in Group cash and cash equivalents to R17 658 million at 31 December 2022 from R19 775 million at 30 June 2022 includes R1 671 million (GBP81.7 million) return of inward collateral and increase in outward collateral related to the interest rate hedge structures. These movements were because of the effect of increased UK interest rates over the period.

5.2 Amplify Health

During the six months ended 31 December 2022, Amplify Health continued to build its integrated health solutions for the Pan-Asian market as previously announced and acquired AiDA Technologies, a leading provider of artificial intelligence solutions to companies across Asia Pacific. The equity-accounted loss in respect of Discovery's 25% interest for the six months ended 31 December 2022 amounted to R57 million and was included in the 'Vitality Health International - Other' in the presentation of Normalised profit from operations. The revenue recognised by Vitality Health International arising from the Amplify Health contractual arrangement and deliverables relating to the build and transfer of intellectual property as part of the arrangement amounted to approximately R225 million.

5.3 Borrowings

R million	Reference	December 2022	June 2022
Borrowing from banks and listed debt		**15 824**	16 308
– United Kingdom borrowings	5.3.1	**3 154**	3 122
– South African borrowings	5.3.2	**12 670**	13 186
Bank overdraft in underlying liabilities of consolidated Unit Trusts		**–**	156
Lease liabilities		**4 317**	4 120
– 1 Discovery Place		**3 358**	3 373
– Other lease liabilities		**959**	747
Total borrowings at amortised cost		**20 141**	20 584

5.3.1 UNITED KINGDOM BORROWINGS

Facility amount GBP million	Variable rate[1]	Capital repayment and maturity date	Carrying value GBP (Rand) million December 2022 GBP	December 2022 R	June 2022 GBP	June 2022 R
56	SONIA + 2.85%[1,2]	At maturity – 12 December 2025	**55**	**1 121**	14	276
25	SONIA + 2,75%[1]	At maturity – 25 December 2025	**24**	**508**	100	1 999
75	SONIA + 3%[1]	At maturity – 21 December 2024	**75**	**1 525**	–	–
34	SONIA + 1.31%[1]	At maturity – 19 October 2022	–	–	42	847
			154	**3 154**	156	3 122

1 Interest payable quarterly in arrears.
2 This is a revolving credit facility.

Total finance cost in respect of the UK borrowings for the period ended 31 December 2022 was GBP 4.3 million (R88 million) (31 December 2021: GBP 2.8 million (R57 million)).

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.3 Borrowings *continued*

5.3.2 SOUTH AFRICAN BORROWINGS

CREDIT RATING

In January 2023 Moody's Investors Service ("Moody's") reaffirmed Discovery Limited's Global scale long-term issuer rating of Ba3 and the national scale long- term issuer rating at A1.za. The outlook was unchanged as stable, aligned to the outlook of the country.

5.3.2.1 DISCOVERY LIMITED

Facility amount R million	Variable rate	Interest rate per annum	Capital repayment and maturity date	Carrying value R million December 2022	Carrying value R million June 2022
Listed DMTN[4]					
500	3-month Jibar + 161 bps	9.71%[1,3]	At maturity – 21 November 2022	**–**	503
500	3-month Jibar + 205 bps	6.30%[1,3]	At maturity – 21 August 2023	**504**	503
200	–	10.46%[2]	At maturity – 21 November 2024	**202**	202
800	3-month Jibar + 191 bps	10.31%[1,3]	At maturity – 21 November 2024	**807**	805
1 200	3-month Jibar + 191 bps	9.21%[1,3]	At maturity – 21 November 2024	**1 217**	1 217
700	3-month Jibar + 180 bps	10.29%[1,3]	At maturity – 21 August 2026	**706**	704
300	3-month Jibar + 180 bps	9.40%[1,3]	At maturity – 21 August 2026	**303**	303
792	3-month Jibar + 173 bps	–	At maturity – 21 May 2027	**798**	792
226	3-month Jibar + 180 bps	–	At maturity – 21 May 2029	**228**	226
Unlisted DMTN[4, 5]					
1 100	–	8.92%[3]	At maturity – 10 March 2023	**1 105**	1 104
2 500	–	9.62%[3]	At maturity – 22 February 2025	**2 522**	2 520
Other					
1 000	3-month Jibar + 245 bps	10.28%[1,3]	At maturity – 2 March 2023	**1 005**	1 003
1 400	3-month Jibar + 125 bps[3]	–	At maturity – 12 October 2022	**–**	702
				9 397	10 584

1 The interest rate has been fixed through interest rate swaps.
2 Interest is payable semi-annually in arrears.
3 Interest payable quarterly in arrears.
4 DMTN refers to the R10 billion Discovery Domestic Medium Term Note (DMTN) program registered in 2017.
5 During the financial year ended 30 June 2020, Discovery Limited refinanced R3.6 billion bank syndicated loans through the issue of unlisted DMTN notes. The notes, although underwritten by a bank until maturity, are structured to enable short-term issuances into the commercial paper market on an ongoing basis.

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.3 Borrowings *continued*

5.3.2 SOUTH AFRICAN BORROWINGS *continued*

5.3.2.2 DISCOVERY CENTRAL SERVICES

Facility amount R million	Interest rate per annum	Capital repayment and maturity date	Carrying value R million December 2022	Carrying value R million June 2022
1 400	10.60%[1]	At maturity – 20 December 2023	**1 414**	1 417
650	11.56%[2]	Various – final 29 October 2027	**472**	494
691	3-month Jibar + 1.9% [1]	At maturity – 30 June 2027	**692**	691
1 500	3-month Jibar + 1.45% [1]	At maturity – 8 June 2024	**695**	–
			3 273	2 602

1 Interest payable quarterly in arrears.
2 Instalments of interest and capital are monthly.

Total finance costs in respect of South African borrowings and related hedges for the six months ended 31 December 2022 was R615 million (31 December 2021: R563 million).

5.4 Capital management, financial leverage ratio and covenants

The Group's capital is defined as capital and reserves attributable to shareholders, as presented in the consolidated Statement of financial position. The Group's objectives when managing capital are:

- To comply with the statutory capital requirements required by the regulators of the insurance markets in which the Group operates;
- To maintain a capital buffer in excess of the statutory capital requirements in order to reduce the risk of breaching the statutory; requirements in the event of deviations from the main assumptions affecting the Group's insurance businesses;
- To ensure that sufficient capital is available to fund the Group's working capital and strategic capital requirements;
- To achieve an optimal and efficient capital funding profile; and
- To consider capital management needs both in the short- term and over a five-year planning horizon.

Discovery has a Finance and Capital Committee that ensures alignment in strategic financial management between the centre and subsidiaries within South Africa, UK and US. The committee is the governance body for all capital allocation activities across the Group.

A range of capital raising options are available to manage the capital structure of the Group, which includes the issue of new shares, debt, reinsurance arrangements and other hybrid instruments.

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.4 Capital management, financial leverage ratio and covenants *continued*

5.4.1 FINANCIAL LEVERAGE RATIO

As part of the capital management process, the Group monitors its capital structure utilising various measures, one of which is the Financial Leverage Ratio (FLR). This ratio is calculated as total debt[1] divided by total debt plus total equity. The Group's strategy is to maintain a prudent FLR of 28.0% per the Group Risk Appetite statement. However, the 28.0% measure is merely a risk appetite indicator and does not necessarily indicate any form of a breach in terms of regulatory or covenant restrictions. The table below summarises the FLR position as at the end of the reporting period.

R million	**December 2022**	June 2022
– Borrowings at amortised cost	**15 824**	16 464
– Guaranteed deposit facilities	**300**	300
Total debt and guarantees	**16 124**	16 764
Total equity	**57 184**	53 555
Financial leverage ratio %	**22.0%**	23.8%

1 Excluding all IFRS 16 lease liabilities of R4 317 million (June 2022: R4 120 million).

The FLR at 31 December 2022 is within Discovery's risk appetite.

5.4.2 REGULATORY CAPITAL

For Group subsidiaries that operate in the insurance and financial services sectors, the relevant regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the period.

Discovery Life and Discovery Insure are regulated under the Insurance Act 18 of 2017 (Insurance Act), and the related Prudential Standards, while Vitality Health and Vitality Life are regulated under the European Solvency II regulatory regime.

The table below summarises the capital requirements on the statutory basis, across the Group subsidiaries, and the actual solvency capital held in relation to this requirement as at the end of the reporting period.

	December 2022		June 2022	
	Statutory capital requirements	**Cover**	Statutory capital requirements	Cover
Discovery Life	**R20 697 million**	**1.8 times**	R20 322 million	1.7 times
Discovery Insure	**R1 145 million**	**1.4 times**	R1 138 million	1.2 times
Vitality Health	**GBP 121 million (R2 474 million)**	**1.5 times**	GBP 117.2 million (R2 344 million)	1.5 times
Vitality Life	**GBP 292.8 million (R5 988 million)**	**2.2 times**	GBP 297.1 million (R5 943 million)	2.1 times

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.4 Capital management, financial leverage ratio and covenants *continued*

5.4.3 DEBT COVENANTS

As per JSE Limited Listings and Debt Listings disclosure requirements, the following are the key debt covenant ratios and their proximity to minimum requirements as per the contractual financial covenants.

Debt covenant	Minimum requirement	**December 2022**	June 2022
Group Debt[1] to EBITDA Ratio[2]	Less than 2.5 times	**1.6 times**	1.8 times
Group financial indebtedness to embedded value – Group financial indebtedness is as per Group Debt in the calculation	Less than 30% of Group Embedded value	**18.5%**	20.3%
Discovery Life Statutory Capital Requirement (SCR)	SCR cover must be more than 1.1 times	**1.8 times**	1.7 times
Group embedded value	Greater than R30 billion	**R92 459 million**	R86 258 million
New business embedded value must not be negative.	Positive value of new business for 3 consecutive 6-month periods	**Dec 2022: R940 million June 2022: R1 124 million Dec 2021: R937 million**	June 2022: R1 124 million Dec 2021: R937 million June 2021: R946 million

1 *Group debt is contractually defined and means the aggregate consolidated financial indebtedness of the Group and excludes items such as the 1 Discovery Place (1 DP) lease and includes guarantees issued to third parties.*

2 *EBITDA is contractually defined and specifically includes items such as dividends from associates, rental paid on 1DP and excludes items deemed extraordinary, such as economic assumption adjustments, and specified FinRe arrangements.*

5.4.4 CAPITAL MANAGEMENT AND ORDINARY DIVIDENDS

As noted in the Commentary section "Strategy, growth prospects and dividend", the Group remains confident in its continued growth prospects and has eliminated the need to pursue the stated capital placement related to Ping An Health. The Group has not reinstated the interim ordinary dividend for the current period, and this will be revisited at the end of the financial year.

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.5 Consolidation of Discovery Unit Trusts

Unit trusts which the Group controls in terms of IFRS 10 are consolidated into Discovery's results for accounting purposes, which results in the recognition of the underlying assets and liabilities of each of the funds.

As these policies are linked, the consolidation of the Discovery Unit Trusts has no impact on the net asset value for shareholders. Assets and liabilities of these Discovery Unit Trusts however increased by R2 680 million, compared to the prior financial year ended 30 June 2022, with movements in the following line items on the Group's Statement of financial position:

R million	**December 2022**	June 2022	Movements
Investments at fair value through profit or loss	**24 152**	22 128	2 024
Insurance receivables, contract receivables and other receivables	**776**	1 022	(246)
Cash and cash equivalents	**2 564**	1 690	874
Other assets	**50**	22	28
Total change in assets	**27 542**	24 862	2 680
Investment contracts at fair value through profit or loss	**26 481**	24 320	2 161
Borrowings at amortised costs (bank overdraft)	**–**	156	(156)
Other payables	**1 043**	512	531
Other liabilities	**18**	(126)	144
Total change in liabilities	**27 542**	24 862	2 680

There are significant trade volumes in the underlying funds of Discovery Unit Trusts. The cash flow impact of the movement in policyholder investments for the year is included in the following line items on the Group's Statement of cash flows:

- Purchase of investments held to back policyholder liabilities includes cash outflows of R16 474 million.
- Proceeds from the disposal of investments held to back policyholder liabilities includes cash inflows of R14 724 million.

5.6 Material transactions with related parties

DISCOVERY LONG-TERM INCENTIVE PLAN TRUST

At the annual general meeting held on 28 November 2019, the shareholders approved the establishment of the Discovery Long-Term Incentive Plan Trust ("Trust") with the purpose, inter-alia, to subscribe, purchase and/or otherwise acquire and hold Discovery ordinary shares from time to time for the benefit of the share-based payment plan for employees, in accordance with the requirements of the Trust. During December 2022, 4 182 946 (2021: 3 194 870) new shares were issued by Discovery Limited to the Trust at a value of R514 million (2021: R443 million). In addition, during the six months ended 31 December 2022, shares of 1 402 275 vested with participants. In terms of IFRS, while held in the Trust, these shares are treated as treasury shares and not treated as issued, for accounting purposes.

5.7 Major customers and other Discovery entities not part of Discovery Group

DISCOVERY HEALTH MEDICAL SCHEME (DHMS)

Discovery Health administers DHMS and provides managed care services for which it charges an administration fee and a managed healthcare fee respectively. These fees are determined on an annual basis and approved by the trustees of DHMS. The fees totalled R3 546 million for the six months ended 31 December 2022 (2021: R3 271 million). Discovery offers the members of DHMS access to the Vitality programme.

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.8 Shareholder information

5.8.1 DIRECTORATE

Changes to the Board of Discovery Limited from 1 July 2022 to the date of this announcement are as follows:

- Mr HL Bosman, a non-executive director, retired from the Board, effective 1 December 2022. This follows the unbundling by Rand Merchant Investment Holdings Limited of its shareholding in Discovery Limited earlier in 2022. Mr Bosman has served as a non-executive director of the Company since 2014 and has served as the former chairperson and member of the Risk and Compliance Committee and as a member of the Remuneration Committee and the Nominations Committee. Mr Bosman has also retired as a non-executive director of Discovery Life Limited, Discovery Health (Pty) Limited and Discovery Vitality (Pty) Limited.
- Mr HD Kallner, Mr NS Koopowitz, Dr A Ntsaluba and Mr A Pollard will be stepping down as executive directors of the Board of Discovery Limited, effective 1 March 2023. This is aligned with the Group's organisation around the three distinct composites, Discovery in South Africa, Vitality in the United Kingdom and Vitality Global resulting in Discovery Board now focused on issues that span all composites as opposed to strategy and execution within each composite. These key executives will continue to play a central role in the formulation and execution of the Group's strategy via the Group Executive Committee. Mr Kallner, in addition to his primary role as the Chief Executive Officer of Discovery Bank Limited, will resume his role as Chief Executive Officer of the Discovery business composite in South Africa, with effect from 1 March 2023.

Changes in company secretary of Discovery Limited from 1 July 2022 to the date of this announcement are as follows:

- Ms NN Mbongo has resigned as the Group Company Secretary with effect from 31 March 2023 to pursue another opportunity outside the Discovery Group. The Board has commenced the process of appointing a suitable replacement for Ms Mbongo and shareholders and noteholders will be advised of the appointment of a new Company Secretary in due course.

5.8.2 DIVIDEND DECLARATION IN RESPECT OF THE SIX MONTHS ENDED 31 DECEMBER 2022

5.8.2.1 B PREFERENCE SHARE CASH DIVIDEND DECLARATION:

On Friday, 17 February 2023, the directors declared an interim gross cash dividend of 476.91781 cents (381.53425 cents net of dividend withholding tax) per B preference share for the period 1 July 2022 to 31 December 2022, payable from the income reserves of the Company. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued preference share capital at the declaration date is 8 million B preference shares. The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 7 March 2023
Shares commence trading "ex" dividend	Wednesday, 8 March 2023
Record date	Friday, 10 March 2023
Payment date	Monday, 13 March 2023

B Preference share certificates may not be dematerialised or rematerialised between Wednesday, 8 March 2023 and Friday, 10 March 2022, both days inclusive.

5.8.2.2 ORDINARY SHARE CASH DIVIDEND DECLARATION:

The Board has decided not to declare an interim ordinary dividend. Refer to earlier discussion under "5.4.4 Capital management and ordinary dividends".

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.9 Accounting policies

New accounting standards effective

IFRS 9 FINANCIAL INSTRUMENTS: GENERAL HEDGE ACCOUNTING ADOPTED EFFECTIVE 1 JULY 2022

The Group has elected to adopt and transition to IFRS 9 general hedge accounting prospectively from 1 July 2022. The revised general hedge accounting requirements are better aligned with the entity's risk management activities. The Group currently applies hedge accounting to certain cash flow hedges of interest rate risk related to borrowings. The total hedge reserve remains unchanged on transition. As at 1 July 2022, the risk management strategy and the hedge documentation for all micro hedges has been updated to comply with the requirements of IFRS 9 general hedge accounting. The impact on the Group financial results, disclosures or comparative information as a result of these amendments is immaterial.

New accounting standards not yet effective

IFRS 17 INSURANCE CONTRACTS, EFFECTIVE 1 JULY 2023

For the Discovery Group, IFRS 17 will be effective from 1 July 2023. IFRS 17 provides comprehensive guidance on accounting for insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features.

IFRS 17 requires the standard to be applied either retrospectively (full or modified retrospective) or applying the fair value approach. Given the availability of reliable and accurate data and actuarial models, Discovery has elected to apply IFRS 17 retrospectively as far as possible, otherwise a modified retrospective approach will be applied. The retrospective approach will require Discovery to identify, recognise and measure groups of insurance contracts as if IFRS 17 had always applied. The retrospective approach provides Discovery with the benefit of analysing the impact of IFRS 17 on its results by model changes, assumption changes, changes in the discount rates and unexpected stresses such as the financial crisis in 2008/9 and the COVID-19 pandemic. Based on the work completed, the impact of retrospective restatement is limited for most of the short-term business lines, and more pronounced for long-term insurers.

For an overview of the requirements of IFRS 17 and differences between IFRS 4 and IFRS 17, please refer to the Discovery Group Annual Financial Statements for the year ended 30 June 2022, Appendix B Group Accounting Policies, note 29 IFRS 17 Insurance Contracts.

PROJECT GOVERNANCE

- The Group CFO heads up the IFRS 17 Executive Working Committee which comprises of the respective Insurance business CFOs, Chief Actuaries, and IT specialists. The IFRS 17 Executive Working Committee is supported by a Technical Advisory Group comprising of IFRS Specialists, Actuaries, Financial Managers, and Tax specialists. The Committee also consults with external audit firms where necessary.
- The Executive Working Committee is responsible for providing overall strategic direction to the project and monitoring progress and interdependencies with other group initiatives. The committee is also providing policy guidance and technical support for the implementation in each of its subsidiaries.
- The Executive Working Committee reports into the Group Finance and Capital Committee (FCC) in its capacity as a sub-committee of the Group Executive Committee and recommends and suggests its final proposal to the IFRS 17 Governance Committee. The IFRS 17 Governance Committee comprises of non-executive directors from the various Actuarial and Audit Committees within the insurance business lines and ultimately reports to the Audit Committees and the Boards.
- KPMG Inc., as current joint auditor, and Deloitte and Touche as proposed joint auditor following the mandatory audit firm rotation of PricewaterhouseCoopers Inc., have been engaged to provide the external audit assurance for IFRS 17 in their capacity as the external auditors for the financial year ending 30 June 2024, the first year that Discovery will apply IFRS 17. A combined assurance approach is being followed whereby group internal audit and external audit are incrementally testing the new IFRS 17 landscape.

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.9 Accounting policies *continued*

New accounting standards not yet effective *continued*

IFRS 17 INSURANCE CONTRACTS, EFFECTIVE 1 JULY 2023 *continued*

IFRS 17 IMPLEMENTATION PROGRESS

As noted in the annual financial statements for the year ended 30 June 2022, the Group is progressing well with the various project streams to implement IFRS 17 when it becomes applicable to Discovery's next financial year commencing on 1 July 2023. Management is finalising a financial impact assessment to fully analyse the transitional Statement of financial position to be presented as the restated comparative opening balance adjustments as at 1 July 2022 as well as the retrospective reporting periods leading up to the transitional Statement of financial position. There were several interpretation items across the auditing and industry communities relating to the standard as well as divergence in practice that, until recently, have been topics of debate. Most notably, in South Africa and the United Kingdom revenue authorities have promulgated tax legislation to cater for the transition to IFRS 17 and tax treatment under IFRS 17 on 5 January 2023 and 9 November 2022 respectively.

QUANTIFICATION OF THE IMPACT

As noted above, Discovery is in process of finalising the quantification of the transition to IFRS 17, together with obtaining assurance from the external auditors on the transition, as well as the related policies and methodologies.

From the work completed to date, Discovery has made the following observations regarding the directional impact of IFRS 17 compared to IFRS 4. These include:

- The impact of short-term business lines such as Discovery Insure, the AfricaHealth offering and the Ping An Health investment in associate are expected to be immaterial. VitalityHealth has a higher impact because of its higher initial insurance acquisition cash flows which are treated differently under IFRS 17 compared to IFRS 4, including the available election to create a deferred acquisition cost asset (DAC) which will be allowable under IFRS 17.
- For the long-term insurance businesses of Discovery Life in SA and VitalityLife in UK, the impact will be more pronounced. It is expected that these businesses would see increased reserves as a result of an increase in the IFRS 17 margins (both risk margins and contractual service margins (CSM)) compared to the IFRS 4 margins currently (compulsory margins and discretionary margins). It is expected that the impact on the best estimate liability will be immaterial. The impact of increased reserves on transition reduces the equity position on transition date but is subsequently released to profit as services, represented by coverage units as defined in IFRS 17, are rendered under these contracts in the future. It is interesting to note that various international rating agencies have considered this impact resulting from IFRS 17 and that they deem the CSM so recognised as a component of equity (either in full or in part depending on circumstance of the insurer and views of the rating agencies).
- As noted in the annual financial statements for the year ended 30 June 2022, Discovery will make use of the election, as allowed in IFRS 17, to disaggregate insurance finance income and expense (IFIE) between profit or loss and other comprehensive income (OCI) when such presentation better reflects the underlying economic substance of the long-term contract. On transition the OCI balance at point of transition is largely a function of the macro-economic environment and resulting reference interest rates and yield curves at the time of transition. Given that ruling rates as at 30 June 2022 are known, Discovery will reflect an accumulated OCI loss on transition and such balance will effectively also reduce the equity position. This position will reverse should rates revert to levels as at the date on which the policies were originated or alternatively will be reclassified to profit or loss, but does not have an impact on overall cash flows of the underlying contracts.
- At this stage, the impact of IFRS 17 on regulatory capital is expected to be immaterial given that the Group has fully adopted the SAM basis in South Africa and the European Solvency II in the United Kingdom, and other than possible second order taxation implications, IFRS 17 should not impact the regulatory capital assessment nor should it have a material impact on the Group's embedded value.

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.9 Accounting policies *continued*

New accounting standards not yet effective *continued*

PROJECT FOCUS

The IFRS 17 project team will focus on the following key areas during the next financial reporting period:

- Complete the system development and key controls for implementation of IFRS 17.
- Produce and request business sign-off.
- External audit of transition balances, models and controls.
- Continue with the IFRS 4/ IFRS 17 parallel runs.
- Finalise and produce IFRS 17 compliant financial statements part of parallel run.
- Finalise management reporting, and where applicable, key performance measures.
- Continue engaging with the executives and non-executives through training initiatives, to ensure robust implementation of IFRS 17.
- Finalise business-as-usual future financial and data governance processes and financial reporting controls.
- Reporting to and education of financial analysts and investors with regards to the application and impact from a Discovery Group perspective.

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.10 Normalised headline earnings

Discovery assesses its performance using Normalised headline earnings, an alternative non-IFRS profit measure, alongside its IFRS profit measures. Management considers that Normalised Headline Earnings Per Share (NHEPS) is an appropriate alternative performance measure to enhance the comparability and understanding of the financial performance of the Group.

Non-IFRS measures are not uniformly defined or used by all entities and may not be comparable with similarly labelled measures and disclosures provided by other entities.

Discovery calculates headline earnings in accordance with the latest SAICA Circular 'Headline Earnings'. NHEPS is calculated by starting with headline earnings and adjusted to exclude material items that are not considered to be part of Discovery's normal operations as follows:

- Once-off transactions, for example restructuring costs, initial costs related to the Prudential book transfer, transaction costs related to interest rate derivatives and initial deferred tax assets raised on previously unrecognised assessed losses;
- Unusual items – Discovery considers items to be unusual when they have limited predictive value and it is reasonable that items of a similar nature would not necessarily arise for several future annual reporting periods. These adjustments include those gains or losses impacting profit or loss associated with changes in economic assumptions used by long-term insurers in the Group to the extent those are recognised in profit or loss, net of any gains or losses on derivatives to offset such changes in economic assumptions; or
- Income or expenses not considered to be part of Discovery's normal operations, for example amortisation of intangibles from business combinations and fair value gains or losses on foreign exchange contracts not designated as hedges.

Management is responsible for the calculation of NHEPS and determining the inclusions and exclusions in accordance with the policy. The Discovery Limited Audit Committee reviews the normalised headline earnings for transparency and consistency.

DISCLOSURE *continued*

for the six months ended 31 December 2022

5. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

5.11 Basis of preparation

STATEMENT OF COMPLIANCE

Discovery Limited is a company incorporated in South Africa.

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2022 (interim results) consolidate the results of Discovery and its subsidiaries (together the Group) and equity account the Group's interest in associates and joint ventures.

The interim results comprise the condensed consolidated statement of financial position at 31 December 2022, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 31 December 2022 and selected explanatory notes.

The interim results have been prepared in accordance with the JSE Limited Listings and Debt Listings Requirements, International Financial Reporting Standards (IFRS) including IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council as well as the requirements of the South African Companies Act 71 of 2008. The accounting policies adopted are consistent with the accounting policies applied in the prior Annual Financial Statements.

Amendments to standards effective from 1 July 2022 do not have a material effect on the Group's interim results. These interim results do not include all the notes typically included in the annual financial statements and should therefore be read in conjunction with the Group audited consolidated financial statements for the year ended 30 June 2022.

EXTERNAL REVIEW AND COMPARATIVE INFORMATION

The interim results for the six months ended 31 December 2022 have not been reviewed or audited by the Group's independent auditors PricewaterhouseCoopers Inc. and KPMG Inc. Comparative information for the six months ended 31 December 2021 was not reviewed or audited by the Group's independent auditors. Comparative information presented at and for the year ended 30 June 2022 within these financial statements has been extracted from the Group's audited consolidated financial statements for the year ended 30 June 2022.

EMBEDDED VALUE STATEMENT
for the six months ended 31 December 2022

The embedded value of Discovery consists of the following components:

- the adjusted net worth attributed to the business at the valuation date;
- plus: the present value of expected future shareholder cash flows from the in-force covered business;
- less: the cost of required capital.

The present value of future shareholder cash flows from the in-force covered business is calculated as the value of projected future after-tax shareholder cash flows of the business in-force at the valuation date, discounted at the risk discount rate.

The required capital are the assets attributed to the covered business above the amount required to back covered business liabilities, whose distribution to shareholders is restricted as they are allocated to cover regulatory and internal capital requirements.

The value of new business is the present value, at the point of sale, of the projected future after-tax shareholder cash flows of the new business written by Discovery, discounted at the risk discount rate, less an allowance for the reserving strain, initial expenses and cost of required capital. The value of new business is calculated using the current reporting date assumptions.

The embedded value includes the insurance and administration profits of the covered business in the Discovery Limited Group. Covered business includes business written in South Africa through Discovery Life ("Life"), Discovery Invest ("Invest"), Discovery Health ("Health") and Discovery Vitality ("Vitality"), and in the United Kingdom through VitalityLife and VitalityHealth. For Vitality Group, Ping An Health, Discovery Insure, Discovery Bank and Umbrella Funds, no published value has been placed on the current in-force business as the businesses have not yet reached suitable scale with predictable experience.

In August 2011, Discovery raised R800 million through the issue of non-cumulative, non-participating, non-convertible preference shares. For embedded value purposes this capital, net of share issue expenses, has been excluded from the adjusted net worth.

From June 2022, the VitalityLife embedded value has been adjusted to allow for the agreement with Prudential in May 2022 to defer the transfer of the VitalityLife business on the Prudential licence to the Vitality Life Limited licence ("the Part VII transfer").

The 31 December 2022 embedded value results and disclosures were not externally reviewed.

EMBEDDED VALUE STATEMENT *continued*

for the six months ended 31 December 2022

TABLE 1: GROUP EMBEDDED VALUE

R million	**31 December 2022**	31 December 2021	% change	30 June 2022
Shareholders' funds	**57 184**	52 175	10	53 555
Adjustment to shareholders' funds from published basis[1]	**(41 885)**	(38 378)	9	(39 764)
Adjusted net worth[2]	**15 299**	13 797	11	13 791
Value of in-force covered business before cost of required capital	**80 678**	74 679	8	76 077
Cost of required capital	**(3 518)**	(5 556)	37	(3 610)
Discovery Limited embedded value	**92 459**	82 920	12	86 258
Number of shares (millions)	**658.4**	656.9		657.0
Embedded value per share	**R140.43**	R126.23	11	R131.29
Diluted number of shares (millions)	**672.5**	668.3		668.3
Diluted embedded value per share[3]	**R137.49**	R124.08	11	R129.07

1 A breakdown of the adjustment to shareholders' funds is shown in the table below. Note that where relevant, adjustments have been converted using the closing exchange rate of R20.45/GBP (June 2022: R20.00/GBP; December 2021: R21.51/GBP).

R million	***31 December 2022***	*31 December 2021*	*30 June 2022*
Life net assets under insurance contracts	***(25 721)***	*(23 033)*	*(24 793)*
Vitality Life Limited net assets under insurance contracts	***(9 415)***	*(8 944)*	*(8 608)*
VitalityHealth financial reinsurance asset	***(3 382)***	*(2 855)*	*(3 021)*
VitalityHealth and Vitality Health Insurance Limited deferred acquisition costs (net of deferred tax)	***(466)***	*(415)*	*(450)*
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	***(10)***	*(12)*	*(11)*
Goodwill relating to the acquisition of Standard Life Healthcare and the Prudential joint venture	***(2 531)***	*(2 661)*	*(2 475)*
Intangible assets (net of deferred tax) in covered businesses	***(867)***	*(869)*	*(864)*
Net preference share capital	***(779)***	*(779)*	*(779)*
Reversal of 1 Discovery Place IFRS 16 financial lease accounting	***1 260***	*1 079*	*1 170*
Equity settled share based payment mark-to-market adjustment	***26***	*111*	*67*
	(41 885)	*(38 378)*	*(39 764)*

For the prior period ended 31 December 2021, the "Vitality Life Limited net assets under insurance contracts" included an adjustment for the Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts. From 30 June 2022, the Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts are no longer eliminated in the embedded value because the Discovery funding was settled as part of the agreement to defer the Part VII transfer, aligning the financial operation of all VitalityLife business on the Prudential licence.

The "equity settled share based payment mark-to-market adjustment" reflects the difference between the provision in the IFRS equity and the mark-to-market value of the equity settled share based payments.

2 *The following table sets out the capital position of the covered businesses with the required capital on a consistent basis to that used in the embedded value:*

R million	31 December 2022	31 December 2021	Restated 30 June 2022
Shareholders' funds	**57 184**	52 175	53 555
Adjustment to shareholders' funds	**(41 885)**	(38 378)	(39 764)
Adjusted net worth	**15 299**	13 797	13 791
Excess of available capital over adjusted net worth	**36 860**	34 851	35 342
Available capital	**52 159**	48 648	49 133
Required capital	**39 272**	36 388	38 658
Excess available capital	**12 887**	12 260	10 475

The excess of available capital over adjusted net worth reflects the difference between the adjusted net worth and the available capital. This includes:

- *The net preference share capital of R779 million which is included as available capital.*
- *The difference between Vitality Life Limited's Solvency II Pillar 1 Own Funds and its adjusted net worth. For the prior period ended 31 December 2021, this also adds back the negative reserves eliminated on the Discovery funded VitalityLife business on the Prudential licence.*
- *The difference between Life's Pillar 1 Own Funds and its adjusted net worth.*

The following table sets out the required capital for each of the covered businesses:

R million	31 December 2022	31 December 2021	Restated 30 June 2022
Health and Vitality	**1 067**	961	1 000
Life and Invest	**25 872**	24 006	25 403
VitalityHealth	**3 235**	3 171	3 164
VitalityLife	**9 098**	8 250	9 091
Total required capital	**39 272**	36 388	38 658

- *For Health and Vitality, the required capital was set equal to two times the monthly renewal expense and Vitality benefit cost.*
- *For Life and Invest, the required capital was set equal to 1.25 times the SAM Pillar 1 Solvency Capital Requirement.*
- *For VitalityHealth, the required capital amount was set equal to 1.35 times the Solvency II Pillar 1 Solvency Capital Requirement.*
- *For the VitalityLife business on the Prudential licence, the required capital was set equal to 1.5 times the UK Solvency I long-term insurance capital requirement as per the agreement with Prudential following the long-term delay of the Part VII transfer. For the business sold on the Vitality Life Limited licence, the required capital was set equal to 1.4 times the Solvency II Pillar 1 Solvency Capital Requirement. Note that for the prior period ended 30 June 2022, the total required capital for VitalityLife was incorrectly reported as R9 751 million resulting in a Total Required Capital of R39 318 million and Total Excess Available Capital of R9 815 million. This misstatement has been corrected above, and did not affect the embedded value as at 30 June 2022.*

3 *The diluted embedded value per share adjusts for treasury shares held in the Discovery BEE Share Trust and as part of Discovery's Long-term Incentive Plan where the impact is dilutive.*

EMBEDDED VALUE STATEMENT *continued*

for the six months ended 31 December 2022

TABLE 2: VALUE OF IN-FORCE COVERED BUSINESS

R million	Value before cost of required capital	Cost of required capital	Value after cost of required capital
at 31 December 2022			
Health and Vitality	**26 406**	**(493)**	**25 913**
Life and Invest[1]	**34 164**	**(1 510)**	**32 654**
VitalityHealth[2]	**10 586**	**(569)**	**10 017**
VitalityLife[2]	**9 522**	**(946)**	**8 576**
Total	**80 678**	**(3 518)**	**77 160**
at 31 December 2021			
Health and Vitality	23 844	(449)	23 395
Life and Invest[1]	31 342	(1 351)	29 991
VitalityHealth[2]	9 545	(514)	9 031
VitalityLife[2]	9 948	(3 242)	6 706
Total	74 679	(5 556)	69 123
at 30 June 2022			
Health and Vitality	24 528	(479)	24 049
Life and Invest[1]	32 073	(1 509)	30 564
VitalityHealth[2]	10 658	(583)	10 075
VitalityLife[2]	8 818	(1 039)	7 779
Total	76 077	(3 610)	72 467

1 Included in the Life and Invest value of in-force covered business is R1 889 million (June 2022: R1 734 million; December 2021: R1 834 million) in respect of investment management services provided on off balance sheet investment business. The net assets of the investment service provider are included in the adjusted net worth.

2 The value of in-force has been converted using the closing exchange rate of R20.45/GBP (June 2022: R20.00/GBP; December 2021: R21.51/GBP).

TABLE 3: GROUP EMBEDDED VALUE EARNINGS

R million	**Six months ended 31 December 2022**	Six months ended 31 December 2021	Year ended 30 June 2022
Embedded value at end of period	**92 459**	82 920	86 258
Less: embedded value at beginning of period	**(86 258)**	(74 645)	(74 645)
Increase in embedded value	**6 201**	8 275	11 613
Net change in capital[1]	**–**	(443)	(10)
Dividends paid	**31**	28	56
Transfer to hedging reserve	**(32)**	(116)	(309)
Employee share option schemes	**(178)**	(164)	(326)
Increase in treasury shares	**–**	443	–
Non-controlling interest	**(1)**	–	–
Embedded value earnings	**6 021**	8 023	11 024
Annualised return on opening embedded value	**14.4%**	22.7%	14.8%

1 The net change in capital reflects share issues (net of costs and proceeds) and an increase (decrease) in treasury shares in the period.

EMBEDDED VALUE STATEMENT *continued*
for the six months ended 31 December 2022

TABLE 4: COMPONENTS OF GROUP EMBEDDED VALUE EARNINGS

	Six months ended 31 December 2022				Six months ended 31 December 2021	Year ended 30 June 2022
R million	Net worth	Cost of required capital	Value of in-force covered business	**Embedded value**	Embedded value	Embedded value
Total profit from new business (at point of sale)	(2 772)	(152)	3 864	**940**	936	2 061
Profit from existing business						
– Expected return	3 663	(10)	312	**3 965**	3 218	6 799
– Change in methodology and assumptions[1]	1 040	310	(1 587)	**(237)**	247	867
– Experience variances	529	(21)	1 565	**2 073**	2 532	3 124
Impairment, amortisation and fair value adjustment[2]	(29)	–	–	**(29)**	(6)	(52)
Increase in goodwill and intangibles	(151)	–	–	**(151)**	(188)	(418)
Other initiative costs[3]	(231)	–	11	**(220)**	(225)	(836)
Non-recurring expenses	(106)	–	–	**(106)**	(15)	(130)
Acquisition costs[4]	(18)	–	(2)	**(20)**	(19)	(41)
Finance costs	(1 324)	–	–	**(1 324)**	(1 146)	(2 318)
Foreign exchange rate movements[5]	197	(36)	438	**599**	2 307	1 171
Other[6]	(6)	1	–	**(5)**	(14)	(16)
Return on shareholders' funds[7]	536	–	–	**536**	396	813
Embedded value earnings	1 328	92	4 601	**6 021**	8 023	11 024

1 *The changes in methodology and assumptions will vary over time to reflect adjustments to the model and assumptions as a result of changes to the operating and economic environment. The current period's changes are described in detail in Table 6 below (for previous periods refer to previous embedded value statements).*

2 *This item reflects the amortisation of the intangible assets reflecting the banking costs, Cambridge Mobile Telematics system spend and capital expenditure in Discovery Group Europe Limited.*

3 *This item includes the profits of non-covered businesses (including Discovery Insure, Vitality Group and Ping An Health) and costs of start-up businesses (including Discovery Bank, a commercial offering in Discovery Insure, and an Umbrella Fund offering in Invest). Head office costs which relate to non-covered business are also included in this item.*

4 *Acquisition costs relate to commission paid on the Life and Invest business and expenses incurred in writing Health and Vitality business that has been written over the period but will only be activated and on risk after the valuation date. These policies are not included in the embedded value or the value of new business and therefore the costs are not deducted from the value of new business.*

5 *This item includes foreign exchange gains / (losses) emerging through the income statement, in addition to translation impacts on the cost of required capital and value of in-force.*

6 *This item includes, among other items, the tangible tax impact from movements in covered business intangible assets, which are excluded from the net worth.*

7 *The return on shareholders' funds is shown net of tax and management charges.*

EMBEDDED VALUE STATEMENT *continued*

for the six months ended 31 December 2022

TABLE 5: EXPERIENCE VARIANCES

	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife		
R million	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	**Total**
Renewal expenses	63	–	27	(2)	1	–	(18)	–	**71**
Lapses and surrenders[1]	(16)	(29)	(39)	55	–	227	(70)	75	**203**
Mortality and morbidity[2]	–	–	11	17	278	–	14	–	**320**
Policy alterations	–	6	(261)	223	–	–	14	(14)	**(32)**
Backdated cancellations	–	–	–	–	–	–	–	–	**–**
Premium and fee income	79	–	23	101	15	–	(6)	27	**239**
Inflation-linked indexation[3]	–	–	6	153	–	–	(32)	266	**393**
Economic[4]	–	–	–	271	–	–	(1)	–	**270**
Commission	–	–	–	–	25	–	–	–	**25**
Tax[5]	67	–	124	(117)	(7)	–	76	–	**143**
Reinsurance	–	–	–	–	69	–	(12)	(10)	**47**
Maintain modelling term[6]	–	157	–	60	–	54	–	–	**271**
Vitality benefits	(14)	–	–	–	–	–	3	–	**(11)**
Other[7]	72	(1)	38	(33)	6	–	(6)	58	**134**
Total	251	133	(71)	728	387	281	(38)	402	**2 073**

1 *For VitalityHealth, the lapse and surrender experience reflects improved retention rates from strong performance across all channels coupled with a continued focus on renewal pricing strategies.*

2 *For VitalityHealth, while claim incidence has started to increase post-COVID, claims severity was lower than assumed for the period under review due predominantly to clinical risk management interventions.*

3 *This experience variance relates to premium and benefit increases for inflation-linked policies, net of increase holidays. During the period the actual inflation was higher than expected for those policies passing through an anniversary increase in-period. In previous embedded value statements, this experience variance was included under economic experience. Due to the significance of these experience variances in the current period as a result of the high inflation environment, this amount has been shown separately.*

4 *For Life and Invest, the experience includes higher than expected growth in asset values in the Invest business.*

5 *The tax variance arises due to the timing difference between the expected tax payments and actual payments.*

6 *For Health and Vitality, Life and Invest and VitalityHealth, the projection term is rebased at each year-end. Therefore, an experience variance arises because the total term of the in-force covered business is effectively increased by six months.*

7 *The key Other experience relates to cash flow timing variances in Life and Invest, profits and losses from companies within the VitalityHealth and VitalityLife segments which are not part of covered business, including the net impact of the VitalityLife swaption program, excluding gains or losses from the hedge which are included in the economic assumption changes item.*

EMBEDDED VALUE STATEMENT *continued*
for the six months ended 31 December 2022

TABLE 6: METHODOLOGY AND ASSUMPTION CHANGES

	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife		
R million	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	**Total**
Modelling changes[1]	–	–	(202)	107	–	–	24	(127)	**(198)**
Expenses	–	–	–	–	–	–	–	–	**–**
Lapses	–	(61)	–	–	–	–	–	–	**(61)**
Mortality and morbidity	–	–	–	–	–	–	–	–	**–**
Benefit changes	–	–	–	–	–	–	–	–	**–**
Vitality	–	–	–	–	–	–	–	–	**–**
Tax	–	–	–	–	–	–	–	1	**1**
Economic assumptions[2]	–	(321)	(14)	(162)	–	(731)	209	(238)	**(1 257)**
Premium and fee income[3]	–	1 063	–	–	–	–	–	–	**1 063**
Reinsurance and financing[4]	–	–	1 021	(850)	–	(15)	–	–	**156**
Other	–	–	2	57	–	–	–	–	**59**
Total	–	681	807	(848)	–	(746)	233	(364)	**(237)**

1 *For Life and Invest, the item reflects data corrections and adjustments to the tax calculations. For VitalityLife, the item reflects modelling improvements related to commission.*

2 *For Life and Invest and Health and Vitality, the economic assumptions item relates to the impact of updating the assumptions relative to the Johannesburg Stock Exchange ("JSE") nominal and real yield risk-free curves at 31 December 2022. For Life and Invest this item also includes the impact of updating exchange rate assumptions. For VitalityLife, the item includes the impact of updating the assumptions relative to the Solvency II yield curves and the IFRS interest rates, offset by the net change in the interest rate hedge. For VitalityHealth, the impact of updating the assumptions relative to the Solvency II yield curves results in a reduction to the annuity factor.*

3 *For Health and Vitality, the premium and fee income item relates to an update of the administration fee income escalations for certain plans recently renewed.*

4 *For Life and Invest, the reinsurance and financing item primarily relates to the impact of financing arrangements, where the future expected cash flows arising from part of the negative reserves are monetised to match other positive policy liabilities.*

EMBEDDED VALUE STATEMENT *continued*

for the six months ended 31 December 2022

TABLE 7: EMBEDDED VALUE OF NEW BUSINESS

R million	**Six months ended 31 December 2022**	Six months ended 31 December 2021	% Change	Year ended 30 June 2022
Health and Vitality				
Present value of future profits from new business (at point of sale)	**531**	391		958
Cost of required capital	**(20)**	(13)		(30)
Present value of future profits from new business (at point of sale) after cost of required capital	**511**	378	35	928
New business annualised premium income[1]	**2 238**	1 634	37	4 185
Life and Invest				
Present value of future profits from new business (at point of sale)[2]	**377**	465		795
Cost of required capital	**(48)**	(40)		(90)
Present value of future profits from new business (at point of sale) after cost of required capital	**329**	425	(23)	705
New business annualised premium income[3]	**1 496**	1 538	(3)	2 995
Annualised profit margin[4]	**2.8%**	3.4%		3.0%
Annualised profit margin excluding Invest business	**4.5%**	6.8%		5.3%
VitalityHealth[5]				
Present value of future profits from new business (at point of sale)	**80**	106		398
Cost of required capital	**(38)**	(32)		(81)
Present value of future profits from new business (at point of sale) after cost of required capital	**42**	74	(43)	317
New business annualised premium income[6]	**884**	752	18	1 648
Annualised profit margin[4]	**0.7%**	1.6%		2.6%
VitalityLife[7]				
Present value of future profits from new business (at point of sale)	**104**	100		219
Cost of required capital	**(46)**	(41)		(108)
Present value of future profits from new business (at point of sale) after cost of required capital	**58**	59	(2)	111
New business annualised premium income	**540**	416	30	882
Annualised profit margin[4]	**1.4%**	1.9%		1.4%

EMBEDDED VALUE STATEMENT *continued*
for the six months ended 31 December 2022

1 *Health new business annualised premium income is the gross contribution to the medical schemes. The new business annualised premium income shown above excludes premiums in respect of members who join an existing employer where the member has no choice of medical scheme, as well as premiums in respect of new business written during the period but only activated after 31 December 2022.*

The total Health and Vitality new business annualised premium income written over the period was R4 604 million (June 2022: R7 548 million; December 2021: R3 632 million).

2 *Included in the Life and Invest embedded value of new business is R7 million (June 2022: R55 million; December 2021: R35 million) in respect of investment management services provided on off balance sheet investment business.*

Risk business written prior to the valuation date allows certain Invest business to be written at financially advantageous terms, the impact of which has been recognised in the value of new business.

3 *Life new business is defined as Life policies to which Life became contractually bound during the reporting period, including policies whose first premium is due after the valuation date. Invest new business is defined as business where at least one premium has been received and which has not been refunded after receipt. Invest new business also includes Discovery Retirement Optimiser policies to which Life and Invest became contractually bound during the reporting period, including policies whose first premium is due after the valuation date.*

The new business annualised premium income of R1 496 million (June 2022: R2 995 million; December 2021: R1 538 million) (single premium APE: R674 million (June 2022: R1 421 million; December 2021: R746 million)) shown above excludes automatic premium increases and servicing increases in respect of existing business. The total new business annualised premium income written over the period, including automatic premium increases of R1 130 million (June 2022: R1 801 million; December 2021: R903 million) and servicing increases of R363 million (June 2022: R668 million; December 2021: R346 million) was R2 990 million (June 2022: R5 464 million; December 2021: R2 786 million) (single premium APE: R708 million (June 2022: R1 492 million; December 2021: R782 million)). Single premium business is included at 10% of the value of the single premium.

Policy alterations and internal replacement policies, including Discovery Retirement Optimisers added to existing Life Plans are shown in Table 5 as experience variances and not included as new business. Term extensions on existing contracts are not included as new business.

4 *The annualised profit margin is the value of new business expressed as a percentage of the present value of future premiums.*

5 *The VitalityHealth value of new business is calculated as the value at point of sale of the new business written premium in-force at the valuation date multiplied by the Margin multiplied by the Annuity Factor less the new business cash flows from point of sale to the valuation date. The assumptions for the Margin and Annuity Factor are shown in Table 8.*

6 *VitalityHealth new business is defined as individuals and employer groups which incepted during the reporting period. The new business annualised premium income shown above has been adjusted to exclude premiums in respect of members who join an existing employer group after the first month, as well as premiums in respect of new business written during the period but only activated after 31 December 2022.*

7 *VitalityLife new business is defined as policies to which VitalityLife became contractually bound during the reporting period, including policies whose first premium is due after the valuation date.*

Basis of preparation

TABLE 8: EMBEDDED VALUE ECONOMIC ASSUMPTIONS

		31 December 2022	31 December 2021	30 June 2022
Beta coefficient		**0.75**	0.75	0.75
Equity risk premium (%)		**3.5**	3.5	3.5
Risk discount rate (%)				
– Health and Vitality[1]		**14.375**	13.375	14.375
– Life and Invest[1]		**14.375**	13.875	14.875
– VitalityHealth		**6.365**	3.462	5.016
– VitalityLife		**6.399**	3.593	4.997
Rand / GBP exchange rate				
Closing		**20.45**	21.51	20.00
Average		**20.38**	20.49	20.25
Margin over Expense inflation to derive Medical inflation (%)				
South Africa		**3.00**	3.00	3.00
Expense inflation (%)[2]				
South Africa	– Health and Vitality	**7.82**	6.69	7.85
	– Life and Invest	**7.36**	6.64	7.74
United Kingdom		**3.75**	2.50	3.75
Pre-tax investment return (%)				
South Africa	– Cash[1]	**10.25**	9.75	10.75
	– Life and Invest bonds[3]	**11.75**	11.25	12.25
	– Health and Vitality bonds[3]	**11.75**	10.75	11.75
	– Equity[1]	**15.25**	14.75	15.75
United Kingdom	– VitalityHealth risk-free rate	**3.74**	0.84	2.39
	– VitalityLife risk–free rate	**3.77**	0.97	2.37
	– VitalityLife IFRS interest rate	**4.24**	1.82	2.92
	– VitalityLife investment return	**3.25**	1.58	2.00
Long-term corporation tax rate (%)				
South Africa		**27**	28	27
United Kingdom		**25**	25	25
VitalityHealth Assumptions				
– Margin (net of tax and cost of capital) (%)		**12.00**	12.30	12.00
– Annuity Factor		**6.49**	6.18	7.00
Projection term				
– Health and Vitality		**20 years**	20 years	20 years
– Discovery Life – VIF		**40 years**	40 years	40 years
– Group Life		**20 years**	20 years	20 years
– VitalityLife		**No cap**	No cap	No cap
– VitalityHealth[4]		**20 years**	20 years	20 years

1 *Derived as a margin over (or below for cash) the respective pre-tax investment return for bonds.*
2 *The inflation assumption is derived as the difference between the nominal and real yield curve at each duration. As an indication, the cash flow weighted average inflation is shown in the table. For the United Kingdom, the expense inflation assumption is aligned with the long-term market view of inflation.*
3 *As indications, the cash flow weighted averages derived from the relevant yield curve(s) are shown.*
4 *The VitalityHealth projection term of 20 years is used in the derivation of the Annuity Factor.*

EMBEDDED VALUE STATEMENT *continued*

for the six months ended 31 December 2022

The Discovery Limited embedded value is calculated based on a risk discount rate using the CAPM approach with specific reference to the Discovery beta coefficient. The assumed beta is fixed at 0.75. This has been set such that the risk discount rate proxies the result of a Weighted Average Cost of Capital approach with reference to the capital structure of the Group and the observed beta calculated using daily returns over a long time period. The observed beta is calculated with reference to the ALSI. The assumed beta will only change if the capital structure of the Group and / or the observed beta calculated using daily returns over a long time period suggest the beta assumption should depart significantly from the assumption at the financial year-end. As beta values reflect the historic performance of share prices relative to the market, they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly.

Life and Invest mortality, morbidity and lapse and surrender assumptions were derived from internal experience, where available, augmented by reinsurance and industry information.

The Health and Vitality lapse assumptions were derived from the results of recent experience investigations.

The VitalityHealth assumptions were derived from internal experience.

VitalityLife assumptions were derived from internal experience, where available, augmented by reinsurance, industry and Discovery Limited group information.

Renewal expense assumptions were based on the results of the latest expense and budget information.

The initial expenses included in the calculation of the embedded value of new business are the actual costs incurred excluding expenses of an exceptional or non-recurring nature.

The South African investment return assumptions for Life, Invest, Health and Vitality were set relative to the publicly available JSE risk-free nominal yield curve.

The current and projected tax position of the policyholder funds within the Life company has been taken into account in determining the net investment return assumption.

The risk-free rate assumption for VitalityHealth and VitalityLife was based on the single interest rate derived from the Prudential Regulatory Authority yield curve. The inflation rate is consistent with the long-term market view of inflation.

From 30 June 2018, VitalityHealth calculate the value of in-force at the valuation date as the in-force written premium multiplied by the Margin multiplied by the Annuity Factor, as set out in the table above. The Annuity Factor assumption is derived from assumed future lapse rates and premium increases. The Margin assumption reflects profit margins after tax and Cost of Capital. The assumptions underlying the Annuity Factor and Margin are set taking into account the current experience in the business at different durations.

The cost of required capital is calculated using the difference between the risk discount rate and the net of tax asset return on tangible assets. The Vitality Life Limited and the VitalityLife business on the Prudential licence required capital amount is assumed to earn the investment return assumption, which is set based on the return on a portfolio of government and corporate bonds assumed to back the required capital. The Life and Invest cost of required capital is calculated assuming shareholder cash flow is limited to the cash flow available after having met both the required capital amount and an internally defined liquidity target capital requirement of tangible assets.

The embedded value has been calculated in accordance with the Actuarial Society of South Africa's Advisory Practice Note ("APN") 107: Embedded Value Reporting, except the recommended disclosure of Free Surplus and Required Capital has been adjusted to take into account the nature of the capital requirements in the covered businesses as can be seen in Table 1 note 2.

EMBEDDED VALUE STATEMENT *continued*

for the six months ended 31 December 2022

Sensitivity to the embedded value assumptions

The risk discount rate uses the CAPM approach with specific reference to the Discovery beta coefficient. As beta values reflect the historic performance of share prices relative to the market, they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly. The sensitivity of the embedded value and the embedded value of new business at 31 December 2022 to changes in the risk discount rate is included in the tables below.

For each sensitivity illustrated below, all other assumptions have been left unchanged. No allowance has been made for management action such as risk premium increases where future experience is worse than the base assumptions.

TABLE 9: EMBEDDED VALUE SENSITIVITY

		Health and Vitality		Life and Invest		VitalityHealth		VitalityLife			
R million	Adjusted net worth[2]	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	**Embedded value**	% change
Base	15 299	26 406	(493)	34 164	(1 510)	10 586	(569)	9 522	(946)	**92 459**	
Impact of:											
Risk discount rate +1%	15 299	24 935	(533)	30 955	(1 600)	10 040	(540)	8 921	(827)	**86 650**	(6)
Risk discount rate -1%	15 299	28 034	(448)	37 981	(1 404)	11 190	(601)	10 197	(1 091)	**99 157**	7
Lapses -10%	15 097	27 271	(517)	37 359	(1 590)	11 750	(631)	10 170	(1 081)	**97 828**	6
Interest rates -1%[1]	14 427	26 548	(475)	34 820	(1 482)	11 190	(601)	9 716	(1 178)	**92 965**	1
Equity and property market value -10%	15 260	26 406	(493)	33 498	(1 494)	10 586	(569)	9 522	(946)	**91 770**	(1)
Equity and property return +1%	15 299	26 406	(493)	34 565	(1 509)	10 586	(569)	9 522	(946)	**92 861**	-
Renewal expenses -10%	15 403	28 998	(456)	34 837	(1 491)	11 359	(569)	9 725	(927)	**96 879**	5
Mortality and morbidity -5%	15 542	26 406	(493)	36 547	(1 419)	12 249	(569)	9 872	(925)	**97 210**	5
Projection term +1 year	15 299	26 737	(498)	34 263	(1 512)	10 670	(574)	9 522	(946)	**92 961**	1

1 *All economic assumptions were reduced by 1%.*

2 *The sensitivity impact on the VitalityLife net of tax change in negative reserves is included in the adjusted net worth column.*

The following table shows the effect of using different assumptions on the embedded value of new business.

TABLE 10: VALUE OF NEW BUSINESS SENSITIVITY

	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife			
R million	Value of new business	Cost of required capital	Value of new business	Cost of required capital	Value of new business	Cost of required capital	Value of new business	Cost of required capital	**Value of new business**	% change
Base	531	(20)	377	(48)	80	(38)	104	(46)	**940**	
Impact of:										
Risk discount rate +1%	489	(22)	279	(51)	38	(35)	48	(38)	**708**	(25)
Risk discount rate -1%	578	(18)	492	(45)	126	(40)	167	(55)	**1 205**	28
Lapses -10%	563	(21)	488	(51)	153	(42)	166	(57)	**1 199**	28
Interest rates -1%[1]	538	(19)	378	(47)	126	(40)	127	(69)	**994**	6
Equity and property return +1%	531	(20)	391	(48)	80	(38)	104	(46)	**954**	1
Renewal expense -10%	602	(19)	406	(48)	129	(38)	123	(44)	**1 111**	18
Mortality and morbidity -5%	531	(20)	438	(45)	185	(38)	121	(43)	**1 129**	20
Projection term +1 year	540	(20)	380	(48)	86	(38)	104	(46)	**958**	2
Acquisition costs -10%	547	(20)	461	(48)	97	(38)	178	(46)	**1 131**	20

1 *All economic assumptions were reduced by 1%.*

ANNEXURE A

This Annexure does not form part of the IFRS results. Discovery assesses its performance using alternative non-IFRS profit and income measures. These measures enhance the comparability and understanding of the financial performance of the Group.

NEW BUSINESS ANNUALISED PREMIUM INCOME

for the six months ended 31 December 2022

The new business annualised premium income (API) set out below provides a view of the scale of new business across all operations of the Group and does not necessarily reflect the new business attributable to the legal entities within the Group. For instance, Discovery Health Medical Scheme's (DHMS) new business is attributable to the medical scheme but is under the administration and marketing of Discovery Health which earns a fee in respect of such services.

Core new business API increased by 7% for the six months ended 31 December 2022 when compared to the same period in the prior year. Core new business API, excluding products in rundown of Vitality Invest and PAH reinsurance business, increased by 15% for the six months ended 31 December 2022 when compared to the corresponding prior period.

R million	**Group December 2022 Unaudited**	Group December 2021 Unaudited	% Change
Discovery Health[1]	**4 442**	3 598	23%
Discovery Life	**1 485**	1 267	17%
Discovery Invest	**1 505**	1 519	(1%)
Discovery Insure	**616**	597	3%
Discovery Vitality	**162**	34	376%
Other group initiatives[2]	**356**	453	(21%)
Total new business API from SA Composite	**8 566**	7 468	15%
Vitality Health	**890**	708	26%
Vitality Life	**801**	554	45%
Subtotal – continuing products	**1 691**	1 262	34%
Vitality Invest	**47**	319	(85%)
Total new business API from UK Composite	**1 738**	1 581	10%
Total new business API from VG Composite: Ping An Health (PAH)	**902**	1 426	(37%)
PAH own licence	**804**	916	(12%)
PAH reinsurance business[3]	**98**	510	(81%)
Core new business API of Group (as previously disclosed)	**11 206**	10 475	7%
Core new business API of Group, excluding products in rundown of Vitality Invest and PAH reinsurance business (restated)	**11 061**	9 646	15%

1 *New business API for Discovery Health includes new business API for all businesses administered by Discovery Health, including DHMS, Closed Schemes and offerings such as GAP cover and FlexiCare cover. The new business API for New Closed Schemes includes contracted new business API and business in the first twelve months of on-boarding. Closed Schemes refer to those restricted to certain employers and industries.*

2 *Other group initiatives include the Umbrella Fund and Discovery Insure commercial.*

3 *PAH's reinsurance business is largely closed to new business following the restructured co-operation with Ping An Life.*

Income from non-insurance business lines

(not included in new business API definition above)

R million	**Group December 2022 Unaudited**	Group December 2021 Unaudited	% Change
Discovery Health – Non-scheme administration income	**693**	589	18%
Discovery Bank – Net banking fee and commission income (NIR)	**438**	275	59%
Discovery Bank – Net bank interest and similar income (NII)	**268**	138	94%
Discovery Bank	**706**	413	71%
Income Vitality Global[1]	**1 129**	668	69%
Total income from non-insurance business lines	**2 528**	1 670	51%

1 Vitality Global income includes gross recurring and lump sum revenues earned by Vitality Group and specifically excludes revenue related to cost recoveries and rewards.

Calculation of New business API

New business API is calculated at 12 times the monthly premium for new recurring premium policies and 10% of the value of new single premium policies It also includes both automatic premium increases and servicing increases on existing long-term insurance policies. The amounts exclude indirect taxes.

The new business API in the table above differs from the new business API disclosed in the embedded value largely as a results of:

- The timing of inclusion of the policyholders in the calculation of new business API – in the embedded value, new business is included from the earlier of the date that the first premium has been received or when the policy is on risk, whereas in table above, new business is included when the policy has been contractually committed.
- Inclusion of automatic premium increases and servicing increases on existing life policies – these are included in the table above but excluded in the embedded value API values disclosed.

Refer to the footnotes to Table 7: Embedded Value of New Business for a more detailed description of the differences in new business disclosures between the embedded value and the table above.

GROSS INFLOWS UNDER MANAGEMENT

for the six months ended 31 December 2022

Gross inflows under management measures the total funds collected by Discovery. Gross inflows under management increased by 3% for the six months ended 31 December 2022 when compared to the same period in the prior year.

R million	**Group December 2022 Unaudited**	Group December 2021 Unaudited	% Change
Discovery Health	**50 239**	48 200	4%
Discovery Life	**8 160**	7 344	11%
Discovery Invest	**12 814**	12 888	(1%)
Discovery Insure	**2 545**	2 269	12%
Discovery Vitality	**1 294**	1 140	14%
Other group initiatives	**586**	223	163%
Gross inflows under management from South Africa Composite	**75 638**	72 064	5%
VitalityHealth	**6 641**	5 810	14%
VitalityLife	**3 743**	3 474	8%
Other group initiatives (includes VitalityInvest in run-off)	**1 072**	3 148	(66%)
Gross inflows under management from United Kingdom Composite	**11 456**	12 432	(8%)
Gross inflows from Vitality Global Composite	**1 472**	1 168	26%
Gross inflows under management	**88 566**	85 664	3%
Less collected on behalf of third parties	**(49 279)**	(47 511)	4%
Discovery Health	**(45 333)**	(43 723)	4%
Discovery Invest	**(3 946)**	(3 788)	4%
Gross income of Group per segmental information	**39 287**	38 153	3%
Gross income is made up as follows:			
– Insurance premium revenue	**29 546**	29 617	–
– Fee income from administration business	**7 056**	6 187	14%
– Vitality Income	**1 943**	1 739	12%
– Other income	**742**	610	22%
Gross income of Group per segmental information	**39 287**	38 153	3%

NORMALISED PROFIT FROM OPERATIONS

for the six months ended 31 December 2022

The following table shows the main components of the normalised profit from operations for the six months ended 31 December 2022:

R million	**Group December 2022 Unaudited**	Group December 2021 Unaudited	% Change
Discovery Health	**1 825**	1 750	4%
Discovery Life	**2 518**	1 934	30%
Discovery Invest	**592**	517	15%
Discovery Insure - Personal line	**4**	15	(73%)
Discovery Vitality	**21**	39	(46%)
Discovery Bank	**(398)**	(498)	20%
Other initiatives and head office costs[1]	**(148)**	(175)	15%
Normalised profit from South Africa Composite	**4 414**	3 582	23%
Vitality Health	**867**	850	2%
Vitality Life	**536**	361	48%
Vitality Invest	**(109)**	(93)	(17%)
Other initiatives and head office costs[1]	**(17)**	(8)	(113%)
Normalised profit from UK Composite	**1 277**	1 110	15%
Vitality Health International – Ping An Health	**84**	140	(40%)
Vitality Health International – Other[2]	**(44)**	(91)	52%
Vitality Network[2]	**199**	131	52%
Normalised profit from Vitality Global Composite	**239**	180	33%
Normalised profit from operations	**5 930**	4 872	22%

1 *Other initiatives and head office costs represent unallocated costs.*

2 *New initiatives and head office costs incurred in the VG Composite have been allocated to Vitality Network and Vitality Health International – Other and totalled R42 million for the six months ended 31 December 2022 (31 December 2021: R194 million).*

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Company tax reference number: 9652/003/71/7

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JSE share code:	DSBP ISIN: ZAE000158564
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** Executive.*
1 Retired effective 1 December 2022.
2 Stepped down from the Board effective 1 March 2023 as part of changes in governance structures

Debt officer DM Viljoen

Interim financial results
– prepared by G Pieterse CA(SA), L van Jaarsveldt CA(SA)
– supervised by DM Viljoen CA(SA)

Embedded value statement
– prepared by P Bolink FASSA
– supervised by A Rayner FASSA, FIA

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