

Dear Shareholders of Lenmed Investments Ltd

In keeping with the strides that are being taken in companies world-wide to improve investor relations and in communicating more than financial information to shareholders, Lenmed is committed to communicate more pro-actively and regularly with its stakeholders. Accordingly, we have initiated a newsletter to shareholders of which this is the first. It deals with:

1. The forthcoming AGM,
2. The business performance since the year-end,
3. Corporate Governance,
4. Communication,
5. Remuneration policy,
6. The need to increase shareholder wealth; and
7. Dividends

Current day practice involves the Non-Executive Directors playing a more significant role in shareholder communication. I, as the Lead Independent Director (LID) have been asked to write to you to add to the information supplied to you by the Chairman, CEO and CFO in their reports in the annual integrated report, which has been circulated to you via the company website www.lenmed.co.za or is available to you on request.

1. ANNUAL GENERAL MEETING 5 AUGUST 2021

Notice of the AGM has been given in terms of the Companies Act. This is to be held virtually on Thursday, 5th August at 15:00. Not only is this the most important annual meeting between shareholders and the board but the CEO and the CFO will be making comprehensive presentations on the company and its progress. We believe that you will find these reports informative, enhance your appreciation for the way that the group has navigated a very difficult year and give you a far better understanding of your investment in Lenmed.

Lenmed Investments Ltd

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2. BUSINESS CONDITIONS AND PERFORMANCE

That the last two years have been extremely challenging would be an understatement. The reports of the Chairman and the CEO in the Integrated Report for 2021 deal comprehensively with the plans which management implemented to sustain the business in the face of the worst viral epidemic in a century; but it is not yet over and the current financial year ending in February 2022 is also being affected. We were ready for the second and third waves and we seem to have weathered them well. Our business is showing good signs of recovery and utilization of our facilities is steadily increasing. Although the occupancy levels are still lower than pre Covid levels, they are trending positively. Importantly, Medical scheme membership has remained resilient in spite of the economic impact of the pandemic. The Group has used this period to reassess and streamline its operations and accelerated its digital initiatives, with the aim of extracting maximum efficiencies. This will hold Lenmed in good stead for a post covid, normalized environment.

We can only hope that the vaccination process in SA and its neighbours is accelerated to ensure that a very high proportion of the populations is inoculated before a fourth wave causes further disruptions to the countries, their populations and economies.

The rioting and looting in KZN and Gauteng was another major event with which management had to contend recently. Rioters set fire to a large distribution centre only two buildings away from eThekweni Hospital, which blaze lasted all night. Fortunately, no damage was done to any of our hospitals, staff or patients in the regions that were affected by the unrest.

During the difficult times caused by Covid-19, Lenmed succeeded in acquiring another hospital, on this occasion in Howick, KZN. We see considerable potential in this investment and salute management in achieving this in conditions that were not conducive to expansion.

These events and other trading activities will be more fully discussed in the presentations to be undertaken by the CEO and CFO at the AGM.

In addition, management is working on a number of initiatives and plans for organic growth which are expected to be highly accretive to group profitability in the short term and in the future.

3. CORPORATE GOVERNANCE:

Lenmed is a public but unlisted company. Despite it being unlisted, in many respects it embraces corporate governance as if it were listed as we explain below.

In 2008, the then board of Lenmed made a bold decision to embark on a strategy of expansion and preparation for a potential listing of the company or a merger with another group in the future (a liquidity event). This strategy was driven by a need to expand the group to reach a critical mass to make the company relevant in an industry dominated by three major hospital groups which had enjoyed advantages in the apartheid era, which were not available to Lenmed.

That decision led to the appointment of independent non-executive directors. That too was a bold decision as the controlling shareholder elected to share decision-making with a group of independent directors who were steeped in corporate experience but who had no previous connection to Lenmed. At that stage, Professor Bhaskar Goolab was already appointed as a non-executive director.

Bharti Harie and I were privileged to be appointed as the first independent non-executives in 2010. Our credentials and experience have been set out in the integrated report since then. Two years later we were joined by Nomahlubi Simamane and in 2020 by Dr. Guni Goolab. Their credentials too are recorded in the integrated report. As a consequence of these appointments, the board (which is the only decision-making board in the group) consists of three executive directors and five non-executive directors of which four are independent. The board therefore is made up of a majority of non-executives.

The role of the non-executives was initially to assist the company in establishing and embedding corporate governance in its culture. This was a challenge at first but has

become routine now for the company as employees, directors and stakeholders have become aware of the advantages of corporate governance to the company and the stakeholders. The company has sub-committees charged with responsibilities for Audit and Risk, Remuneration and Nomination, Social and Ethics, Clinical Governance and latterly, Innovation and Disruption.

One of the key participants in this culture of corporate governance is the company secretary. William Somerville has been the company secretary for the past 10 years. Formerly Group Company Secretary of Absa where he worked for 17 years, he has enjoyed a career providing state of the art corporate governance in this field to many listed and unlisted companies. As part of his role, he has ensured that the sub-committees are guided by charters from the board, which stay abreast of the business conditions, that sub-committee work programs are established strictly in accordance with these charters and the requirements of King IV and that the meeting agendas address all these requirements. This allows the committees to report to shareholders in the integrated report that they have fulfilled all the responsibilities of the statutes and policies such as King IV. The company secretary also co-ordinates and oversees an evaluation of effectiveness of the Lenmed board and its committees every alternate year. Overall, the outcomes have been positive with only minor areas for improvement.

In addition, the company secretary oversees the compliance of the company with King IV and challenges the committees and board to address any shortcomings. In addition, the company has appointed a Lead Independent Director to step in when a potential for conflict exists. One of the key responsibilities of the LID is to lead an evaluation of the performance of the Chairman every two years. The Chairman has received an exceptionally positive performance review each time this has been completed. Lenmed complies with King IV in all material respects. The company's King IV register can be found on the Lenmed website. In addition, the board is very aware of situations in which there might be a conflict of interest. Disclosure of interests is a standard agenda item at every board and committee meeting. Where directors are conflicted, they recuse themselves from the meeting.

Several of the Non-executives might have served for long periods; but their independence is tested annually and considered not only by the directors but by third parties such as the company secretary, the internal auditors and others.

Lenmed's strategy is determined formally and annually by a group consisting of the board and the executives all of whom have responsibility for dedicated portfolios. The strategic planning meeting is held on a non-hierarchical basis and all participants make a contribution and build on proposals put to the meeting. Accordingly, the strategy is not driven by the controlling shareholders but by the board and executive.

The action plans form the basis of the key performance indicators for the executives in determining their objectives and assessing performance for remuneration.

4. COMMUNICATION:

The company is a public company with a high public interest score. As such it is subject to the Companies Act and King IV. These require the company to communicate with its shareholders and stakeholders through its annual integrated report, the interim report; and where applicable, special general meetings.

The company is compliant with these requirements. However, the board is committed to providing additional shareholder communication on a more frequent basis. Shareholders are encouraged to visit the Lenmed website www.lenmed.co.za regularly as this is the most effective manner of communicating with you and to keep you abreast of developments.

5. REMUNERATION POLICY:

The remuneration policy of the company is reviewed by the Remuneration Committee annually. Essentially, it determines that the company should pay a fair remuneration for fair work done. Lenmed seeks to compete effectively in the Healthcare industry in SA and throughout Africa. It cannot do this without an effective organisation and management structure and without paying market related remuneration to our executives, whom we have chosen for their special skills, their experience in the industry and their acceptance

of the Lenmed culture and strategy. Our remuneration policy will encourage them to lead the company to deliver the achievements we have planned. Since being voluntarily introduced in 2013 for shareholder approval at the AGM, the remuneration policy has been overwhelmingly supported by shareholders at each AGM from 2013 to 2020 (the policy is submitted to shareholders annually as recommended by King IV).

Accordingly, remuneration of the executive directors and the executive is determined by reference to their performance against objectives, which are congruent with the rewards of shareholders and the market, using professional market surveys and comparison with the big three hospital groups. We use these comparisons because we see ourselves competing for the best talent in the industry. This has allowed us to employ and retain top quality industry professionals who have worked in the largest hospital groups in SA. Full details are contained from page 42 in the annual integrated report, which you can find on the website www.lenmed.co.za

The packages paid to executive directors and executives are made up of a basic salary, an annual short-term incentive bonus and a long-term reward based on share appreciation. The determination of the share price appreciation is based on valuations of the share price done by a professional expert using a variety of recognized valuation methodologies and not the OTC price. We appreciate that this creates a dis-connect between the executive and the shareholders but if we were to use the OTC price, the executives would not receive a market related remuneration. This dis-connect is dealt with further below.

6. INCREASING SHAREHOLDER WEALTH

One of the most important responsibilities of your company board is the creation of additional wealth for our shareholders. This remains one of the major tenets of Lenmed's strategy. **Prior to the disruption of Covid-19, the growth in net profit in the company had risen by a compound rate of 21.4 % p.a. over the 10 years to February 2020.**

Ordinarily, a profit performance as exciting as this would have given rise to a substantial increase in value in the share price. The board had hoped to achieve this by listing the shares of the company on an OTC exchange. Unfortunately, the performance of the share

on the OTC has been disappointing. In 2012, we raised equity through a rights issue at 60cents a share after splitting the shares on a 100 for 1 basis, both of which were expected to improve liquidity in the share and demand from existing shareholders or third parties. It did attract an institutional shareholder in the form of Grindrod which now owns 8.5% of the company.

Despite the lack of dividends and disappointing share price on the OTC, the Growth strategy has achieved increased financial value in the company. At end-February 2021 and following an extremely difficult period caused by Covid-19, the net asset value of the company was R3.03. **The growth in value since 2012 has been +/- 500% over this period.**

Unfortunately, as mentioned above the OTC has not provided liquidity nor a share price reflective of the net asset value. This is an issue that is of considerable concern to the board as is the need to ensure that our shareholders can realise value from their investments when required. We strongly believe that the optimal manner to unlock the intrinsic value in the shares, is to follow an aggressive growth strategy to achieve critical mass in order to create a liquidity event such as a listing. Other options, including share buy-backs are under consideration and will continue to be an essential focus for the board to achieve a more realistic quotation on a more liquid exchange.

Please use the information above to accept that the company is doing better than is perceived and that the company's value is rising. Communicating that view in the market will have a positive effect on the share price, while the board will attempt to unlock value by other means available to it.

7. DIVIDENDS

As we referred to above, Lenmed embarked on a growth strategy to expand its size and to build its critical mass to achieve a future listing or liquidity event. This required borrowed capital. A condition of the terms of such borrowing was and remains that the company may not pay a dividend until a considerable part of the debt is repaid and the borrowers permit it. We were confident during 2019/2020 that we would be able to commence dividend payments and had provided for one in our cash flow estimates. Unfortunately, and as indicated in the 2020 and 2021 Integrated Reports, Covid-19 interfered with our plans to pay a dividend at the conclusion of the 2019/2020 financial year, as we took a prudent decision to retain cash reserves in the business until national economies stabilize.

It is still too early to assess the extent to which the SA economy will be affected by the combined consequences of Covid-19 and the rioting in KZN and Gauteng, however if our hospitals can perform at the same levels as before these black swan events, we hope to be able to re-introduce dividends from annual profits in 2022 and beyond. The board is working on a firm dividend policy and acceptable covenants with its banks and hopes to be able to introduce this policy to you in a forthcoming newsletter.

8. CONCLUSION

Thank you for your investment in Lenmed. I can assure you we are determined to achieve good investment outcomes for you and will keep you informed.

Mike Meehan
Lead Independent Director
30th July 2021