

Dear Shareholders of Lenmed Investments Ltd

In keeping with our commitment to improve communication with our shareholders and following on from the letter from the Lead Independent Director on 30th July, we have pleasure in providing you with a brief update on events at and since the AGM, which was held on 5th August 2021.

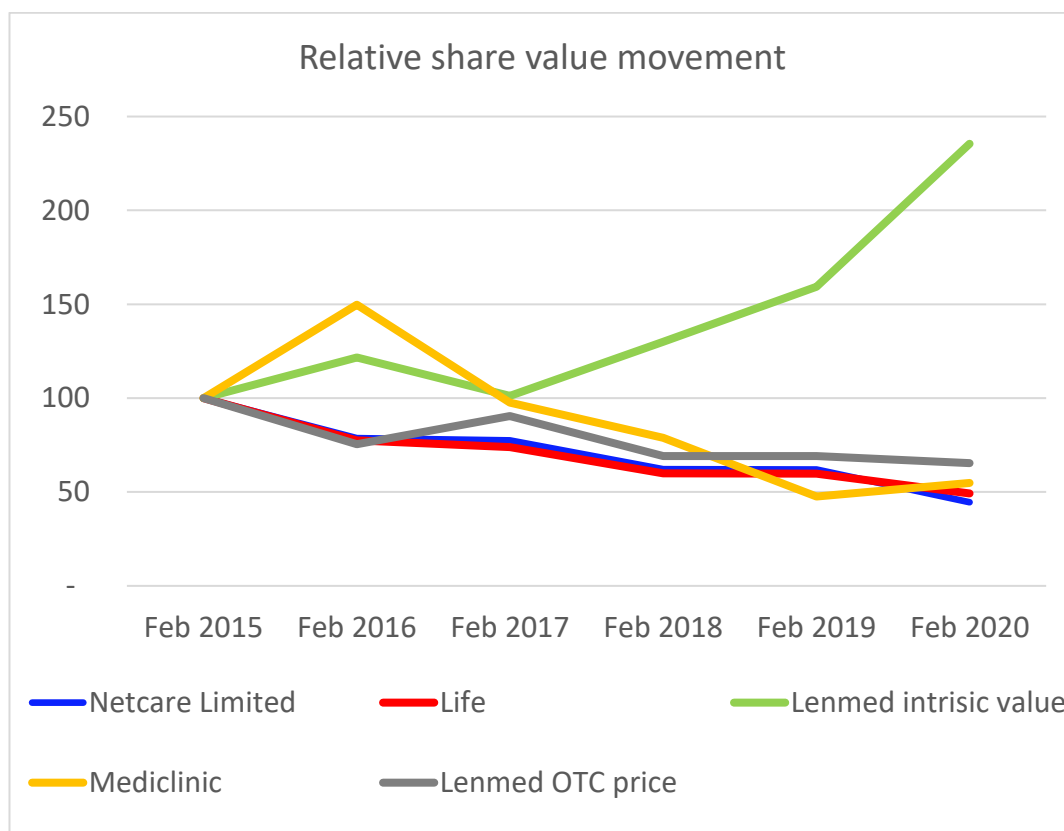
1. AGM

This year we were once again required to conduct the meeting virtually due to the social distancing protocols because of Covid-19. We were very pleased to note that 38 members of our shareholder community attended (representing a record 79.59% of the total issued shares), demonstrating that technology is being embraced not only by Lenmed but by a high number of our shareholders.

The formal proceedings included presentations by our CEO, Amil Devchand and our CFO, Fredré Meiring. We would like to draw your attention to several the key take-aways which affect your investment.

- 1.1 Compound returns in EBITDA (earnings before interest, taxation, depreciation and amortization) over the period 2015 to 2020 (pre-Covid-19) averaged 27% p.a. This is a recognised measure of management's performance and by all standards is an exceptional result.
- 1.2 2021 was negatively affected by Covid-19 but we used this period to rebase our costs, increase the number of specialists operating from our facilities, increase the depth of our management team with a number of key appointments in clinical operations as well as technology, acquired additional facilities; and restructured our loans to improve liquidity and reduce pressure on the balance sheet. These initiatives will see Lenmed being leaner and more effective operationally going forward and enable it to benefit from the post Covid-19 era as normality returns.

- 1.3 A number of shareholders raised the fact that the share price on the OTC is not reflective of the underlying value and performance of the Group. This is an issue that is of considerable concern to the board. Without derogating this point, it is worth noting that a comparison of the share-price performance of Lenmed and its listed peers, shows that Lenmed has achieved a better outcome than Medi-Clinic, Netcare and Life.



- 1.4 One of the highlights of 2021 was the purchase of a majority interest in the 46 bed Howick Private Hospital from Medi-Clinic. It has considerable potential for future growth as the population and industrial activity in the region is burgeoning. The acquisition represents the 12th hospital in the Group and increases our ability to serve more communities in KZN.
- 1.5 The year-to-date trading results for the first 4 months of the 2022 financial year are very encouraging. The group seems to have weathered the third wave of Covid-19 and the impact of the riots in KZN and Gauteng. Performance is in line with that of the four months of March to June 2019 and operating conditions are returning to normal. We anticipate the release of the interim results in early November 2021.
- 1.6 In the light of these exceptional outcomes, management has a right to feel disappointed that certain shareholders felt it necessary to vote against all resolutions tabled at the AGM and to suggest that the morale of the Group

employees was low. This statement was rebutted strongly by the CEO and by the Chair of the Social and Ethics Committee who confirmed Lenmed has professional, committed and engaged staff. Despite this, all resolutions including the remuneration policy and its implementation were passed at the AGM.

- 1.7 It was pleasing to note that the majority of shareholders expressed support for the professional manner in which the Company is run, its strategy and management team.

2. BUSINESS ACTIVITY SINCE THE AGM

2.1 DIVIDENDS

At the AGM, several shareholders raised the question as to the timing of the resumption of dividend payments to shareholders. The circumstances around dividends bear repeating:

- Dividends were suspended from 2011 when the group embarked on a growth strategy and raised equity through a rights issue;
- The growth strategy was designed to provide long term value for the shareholders by increasing the critical mass of the group to allow it to compete more favorably with its peers and to seek a listing on a more established exchange in the future;
- As you will note from the highlights above, this strategy has been effective and successful;
- The board intended declaring a dividend from the earnings in 2020 and had advised shareholders of this at the AGM held **in September 2019**;
- The advent of Covid-19 thwarted these dividend intentions. Shareholders should note that even if the group had been paying dividends at that time, they would have had to be suspended in the light of Covid-19 due to cash containment;
- Dividends may only be paid with the consent of the funding banks, which is normal in almost any lending scenario. In addition, they are subject to the legal obligation in terms of the Companies Act for the board to satisfy itself that the group is liquid and solvent, both pre and post the dividend and able to meet its obligations for the next 12 months;
- Management is in discussions with the banks to get their in principle consent to pay out dividends and thereafter to determine parameters acceptable to the banks that will allow the group to formulate a fixed dividend policy;

- Once the approval has been obtained and the parameters determined (expected before the financial year-end) the board will announce this policy and provide for the appropriate dividend to be paid from the 2022 results.

2.2 WORKING CAPITAL

Now that more normal conditions prevail, we have been able to reduce stock levels and improve the debtors' book, thus improving cash flow and the balance sheet ratios.

2.3 B-BBEE

Lenmed has achieved a level 1 rating – this is an industry best as far as we know. Reaching this objective not only raises our status in this measure but aligns the group with its founding principles of providing opportunity not only to previously disadvantaged doctors and medical staff but our suppliers and communities as well.

2.4 SAFETY OF EMPLOYEES

We believe strongly that the vaccines are a worthwhile preventative measure of the consequences of Covid-19 and help secure the safety of our staff, medical practitioners, patients and visitors. Fortunately, the majority of our staff and suppliers share this belief and we have achieved a vaccination rate of 88% in this group.

2.5 HOWICK

We have negotiated the purchase of additional shares in Lenmed Howick Private Hospital so that we now control 87% of the hospital.

2.6 GHANA

In addition to the new investment in Howick we have concluded an agreement, subject to exchange control approval, to manage the Bank of Ghana Private Hospital in Accra, Ghana. This modern hospital was completed in 2020 and consists of 70 beds. This will be an asset light investment initially, with the option for direct investment in the future.

This will be the third hospital run by Lenmed outside of South Africa, joining earlier investments in Botswana and Mozambique. Several other opportunities in the rest of Africa are also under consideration.

2.7 SHARE VALUE

The role of management is to focus on the business and its operations and to avoid undue focus on the share price. Sound business doctrine requires that management should look after and maximise profitability and the share price will look after itself. This is true if the share price is determined in appropriate market conditions.

Lenmed does not have enough critical mass to seek a listing on a major exchange. It believes that it should have an EBITDA of at least R1billion per annum. The objective is to reach this target by 2025. In order to provide shareholders with some liquidity in the share price of their investment prior to that being achieved, Lenmed established an OTC arrangement through an alternative exchange - OTC Express. Unfortunately, this has not been effective and alternatives are being explored. In addition to this, other options for shareholder value unlock, including share buy-backs, are under consideration. This matter will continue to be an essential focus for the board and will provide regular updates to shareholders in this regard.

3. CONCLUSION

I would like to assure you that your investment is in safe hands and that Lenmed strives to produce exceptional outcomes through the efforts of its highly motivated and dedicated teams. I look forward to sharing our mid-year results with you in the next letter to shareholders.

Prakash Devchand
Chairman
21 October 2021