

ASX ANNOUNCEMENT

VIRTUS HEALTH LIMITED (ASX: VRT)

31 January 2017

TRADING UPDATE

Sydney, Australia – Virtus Health (“Virtus”, ASX: VRT), Australia’s largest IVF provider, wishes to advise shareholders of trading activity in the first half of FY17 and the potential impact for the financial year ending 30 June 2017.

As reported in our update dated 9 November 2016 we are experiencing weak IVF cycle volumes. Medicare data released on 25 January 2017 confirmed that activity in the Australian market in the second quarter continued to fall below prior year levels with fresh cycle activity reported by Medicare in H1FY17 in Virtus state markets falling by 6.0% compared to the prior year comparative period. Virtus fresh cycle activity in Australia in this half has decreased by 7.2% on a like for like basis.

There are three main issues currently impacting Virtus cycle volumes:

- general market activity as described above;
- a combination of low cost competition and full service volume weakness has contributed to further market share losses in Victoria; and
- low cost competition in NSW has, we believe, continued to be a key reason for continued weakness in our NSW TFCs where volume is 19% below the prior year comparative period.

The level of this volume shortfall, should it continue in the second half will have a material impact on Virtus full year financial results compared to prior year. The exact level of the shortfall is highly dependent on fresh cycle activity in the second half of the financial year, and in particular, activity in the final quarter.

We anticipate that volumes and margin in our TFC activities in Queensland will come under pressure in H2FY17 as a result of increased low cost competition.

Virtus’ half year results are scheduled to be announced on 21 February 2017.

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About Virtus Health Limited

Virtus Health Limited (ASX:VRT) brings together leading clinicians, scientists, researchers and support staff to provide the very best in fertility care and related specialised diagnostic and day hospital services.

We have developed one of the most successful medical collaborations in the world. With 117 of the world's leading fertility specialists supported by over 1200 professional staff, we are the largest network and provider of fertility services in Australia and Ireland, with a growing presence in Denmark and Singapore. Our combined expertise creates a unique and powerful body of knowledge which when combined with the collegial team approach of our specialists and scientists, means we are able to find new and advanced solutions for achieving success for our patients.