

VIRTUS HEALTH 2014 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

The 2014 financial year marked Virtus Health's first full financial year as a listed company.

On the domestic front, a lot has changed since we listed in June last year. We are no longer the only IVF provider listed on the ASX; and we have seen the entry of a new low cost provider in the market. Mixed conditions in the market also saw a lower level of full service volumes than originally anticipated – although this was offset by a growth in cycles performed in The Fertility Centre low cost service.

Amidst this change Virtus has not only maintained, but increased its market share in the Australian market. We also exceeded our pro-forma earnings forecasts provided in the Virtus Health prospectus; and demonstrated we have a solid business, with multiple sources of growing revenue.

The market fundamentals for IVF remain sound; it is a large and growing market. As the “awareness” of and competition in IVF increases, we see a corresponding increase in the rate of enquiries coming into our clinics. This is not by accident – Virtus has built an enviable position in the Australian IVF market. We have a network of leading fertility specialists, scientists and support staff, an excellent reputation for delivering quality service and outcomes, and well recognised brands that attract patients.

This past year we commenced our international expansion– a key component of our corporate growth strategy that will further strengthen the business. In May we acquired 70% of Sims Clinic in Ireland. We are delighted by the manner in which Sims has embraced their role in the group and with a management and clinical team, led by founding shareholders, Dr Anthony Walsh and Dr David Walsh the integration of Sims has progressed

very well. We are also on track to open the first Virtus branded clinic in Singapore at the end of this year.

We have continued to develop the capability of our specialised diagnostic services which complement our ARS capability. New tests have been added to our diagnostic platforms and there has been significant interest in the non-invasive prenatal testing service, a test for Down Syndrome, which is available both to our own specialists and third party obstetricians and gynaecologists and other practitioners.

The increasing application of genetic testing within the specialty of reproductive medicine has led to the formation of our own Genetics Working Party which brings together Virtus Health fertility specialists, scientists and two external specialists who are supporting the development of the Virtus strategy in this field. We recognize the importance of these specialised diagnostic activities in their contribution to improvement of ARS success rates and the treatment of complex patient infertility conditions; \$1m has been invested in these advanced diagnostic technologies.

In financial terms we had a successful year and Sue Channon will cover the highlights in her presentation.

Before handing over to Sue Channon, the CEO of Virtus Health, I would like to acknowledge the leadership, ability and hard work of Sue and her team that has been central to the company's success. Under Sue's leadership the company has made a successful transition to a listed company and is delivering on the strategies outlined in the prospectus.

The long term outlook for Virtus Health continues to provide opportunities for sustainable growth in the domestic and international markets.

As we have stated previously, IVF activity in Australia is prone to short term local economic influences. In the first quarter of the new financial year, Virtus fresh cycle activity grew by 1.3% overall compared to the first quarter of last year, with growth achieved in each of our state activities. In Ireland Sims Clinic cycles grew by 5.5% in the first quarter of the financial year compared to prior year comparative period. We are broadly comfortable with consensus market forecasts and our current expectation is for low to mid-teen per cent growth in earnings.

Your board and management are committed to building shareholder value and ensuring the future growth of Virtus Health. We are also committed to maintaining a strong balance sheet while continuing to review capital management.

I am pleased to announce that we have completed a renegotiation of our bank facilities; we have extended our facilities to September 2019 and added a further \$60m of debt capacity to support our growth and acquisition strategies.

On behalf of the Board I thank all our shareholders for your support.

I will hand over to Sue Channon now for her detailed report on this past year.

Thank you,

Peter Macourt
Chairman
Virtus Health Limited
29th October 2014