



Message from the Managing Director

On behalf of the Directors I am pleased to report that Group performance year to date is trading at expectations and the Company is looking forward to finishing the financial year strongly. The past six months has been an exciting and active period for our staff and our newly acquired businesses.

Key Highlights

- Strong full year results expected, driven by organic growth across the portfolio and performance from the newly acquired businesses that has either met or exceeded pre-acquisition expectations.
- Operating cash flow has strengthened, driven by a reduction in debtors and inventory.
- Integration efforts are progressing well and the Company will benefit from a full six month earnings contribution from these businesses in 2H16.
- Significant revenue and cost synergies are emerging following the recent acquisitions.
- Paragon should be better placed to provide full year revenue and earnings guidance in June given the challenges associated with accurately forecasting performance of the recently acquired businesses.
- Paragon was added to the All Ordinaries Index on 18th of March 2016.

Paragon Care

General Market Update

Sales Growth	Overall the Company has experienced continued sales growth across the product portfolios.
Cash Flow	<ul style="list-style-type: none">– Stronger cash flow from operation has been achieved in 3Q16, driven namely by reductions in debtors and inventory.– Pleasingly, the once off imbalance in the first half between operating payments and collections, due to the net assets acquired in the recent acquisitions, is now being redressed with a stronger conversion of earnings to cash.– The Company's cash management regime has been strengthened following the employment of a National Credit Manager to ensure application of trading terms with customers is consistent across the Group.– Initiatives to optimise inventory holdings have been implemented throughout the Group, these measures will deliver even stronger cash flows from operations in the future.
EPS	The Company is on track to deliver significant EPS growth year on year.
Government/Healthcare reviews	As is commonly known, there are a number of initiatives by Governments and private health funds to explore cost minimisation within the sector. To date, the Company has not had any direct exposure to these measures and a review of our portfolio shows that any exposure in the future will not have a material effect on the Company's earnings profile.

Update on acquisitions and their integration

All three acquisitions have added significant value to Paragon's platform economics and customer-centric business model, where our customers are able to procure a range products and services from one supplier and reduce their cost of transacting.

I am pleased to report that all three companies are performing well and we are looking forward to delivering on the organic growth opportunities each of these companies offers over the next few years.

Update on Acquisitions and their Integration (Continued)



Western Biomedical

As the largest independent healthcare supplier into Western Australia; the company provides Paragon with broader geographical distribution as well as a strong platform and sales gateway into the west for a variety of products within our portfolio.

Recent Events

Capital Equipment	We have identified key staff within Western Biomedical to take ownership of the capital equipment portfolio for Western Australia. Although the true impact of this initiative will be realised next financial year, we look forward to some early opportunities being secured between now and the end of the 2016 financial year.
Ophthalmic/ Optometry	A sales representative from Designs for Vision is in the process of partnering with the Western Biomedical sales team to capitalize on the sales channels in place within Western Australia.
Third Party Logistics	We are achieving continual growth in third party logistics revenue through partnerships with East coast suppliers seeking a solution for their Western Australian customers.
Earn-out	The earn-out calculation for Western Biomedical is based on the incremental growth from FY15 EBITDA to FY17 EBITDA. Payment of the earn-out is on track for 2017.



Designs For Vision

Paragon's customer base has expanded to the fast growing ophthalmic/optometry sector. This area also has strong growth opportunities for some of Paragon's existing products due to the aging population.

Recent Events:

SAP Hana (Cloud version of SAP B1)	The business is expected to move from its current ERP software to SAP Hana in May to then integrate with Paragon on a single business unit database.
International and local freight review	Due to the combined buying volumes, we have identified significant savings in freight which will predominately flow into FY17.
Inventory Management	We have identified a significant opportunity to reduce inventory levels and improve working capital position while ensuring that same day delivery to customers is still achievable.
Earn-out	The earn-out calculation for Designs for Vision is based on the incremental growth from FY15 EBITDA to FY17 EBITDA with a condition that FY16 EBITDA is higher than FY15 EBITDA. Payment for the earn-out is on track for 2017 with the aforementioned FY16 hurdle anticipated to be met.



Meditron

The business provides Paragon with a significantly expanded device portfolio, enabling the business to broaden its market share.

Recent Events:

SAP Hana (Cloud version of SAP B1)	By July 2016, the business will move from its current ERP software to SAP Hana and integrate with Paragon Care on a single business unit database.
International and local freight review	Following on from the Designs for Vision freight review we have also identified savings in freight which will predominately flow into FY17.
Earn-out	The business has performed very well since being acquired and it is likely that the vendor will be entitled to an earn-out payment. The current trend suggests it will be at the higher end of the spectrum.

Organic Growth Initiatives

Stralus Bed Success

Following an extensive research and development program to develop a class leading aged care bed we are pleased to report that sales for this bed is providing consistent revenue streams for the Company. Many aged care facilities have shown significant interest in this bed due to the extreme low height that this bed can be lowered to, ensuring the resident's safety particularly when sleeping. This aesthetically pleasing range can integrate seamlessly with surrounding furnishings.

National Service & Maintenance

We are consolidating all the equipment/device service and maintenance offerings within the Group into one national team with cross training on the suite of products underway. This initiative will increase Paragon's national servicing capability and drive organic revenue growth.

New Products Added to the Portfolio

NeuroCom Balance Solutions

- The NeuroCom Balance range is a recent addition from the current distribution agreement between Paragon Care and Natus Medical.
- NeuroCom Balance Solutions are recognised worldwide as the gold standard for the assessment and rehabilitation of balance and mobility disorders. Initial research and development for the product was supported by a grant from NASA. This study evaluated the effects of space flight on vestibular function and balance control in astronauts.
- There are over 2,000 systems in use globally with a broad range of medical disciplines, including otolaryngology, neurology, physiatry, orthopaedics/sports medicine, geriatrics and physical rehabilitation, to address a wide range of acute and chronic disorders.
- NeuroCom Balance solutions have the largest market share in their class in the US.

Thermi - Aesthetic Technology

Thermi is an award-winning aesthetic technology company focused on innovative alternatives to conventional plastic surgery. As the anti-aging trend continues to explode consumers are seeking new, non-surgical and innovative solutions to reduce the effects of aging.

In the last quarter Paragon Care has received TGA clearance for two very exciting new products.

ThermiRF - ThermiRF is an exciting platform that offers both non-invasive and minimally invasive aesthetic applications. ThermiRF provides superior results that are effective, safe and comfortable. A suite of procedures are available on the ThermiRF platform, including ThermiTight™ (skin laxity and sculpting), ThermiRase™ (frown lines), ThermiSmooth™ (wrinkles), ThermiDry (excessive sweating) and newest ground breaking application ThermiVa™, for vulvovaginal rejuvenation.

ThermiVa - Vaginal laxity is a largely under-reported condition often experienced by women after vaginal childbirth or menopause. Available on its own or as a part of the ThermiRF platform, ThermiVa is a ground breaking product. It is a non-invasive, non-surgical procedure that is performed in the office setting, providing a tremendous cost saving to the patient.



Mark Simari
Managing Director

About Paragon Care Limited (PGC)

Paragon Care is a Melbourne based, listed company with the ASX (PGC), which has progressively acquired businesses in the healthcare sector. It is a leading provider of medical equipment, devices and consumables for the Australian and New Zealand healthcare market. These are high growth markets driven by the ageing of the population, continuously rising consumer expectations and increasing government spending. By combining a series of strategic acquisitions of class leading companies, Paragon Care has positioned itself to provide end to end solutions including equipment and consumable solutions for acute, aged, primary, community and hospital care.

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