

## **ResMed Inc Announces Record Financial Results for Quarter and Year Ended June 30, 2000**

**August 8, 2000**

SAN DIEGO, California, August 8, 2000....ResMed Inc (NYSE:RMD) announced record revenue and net income results for the quarter and the year ended June 30, 2000. Net income for the quarter increased 34% to \$6.2 million from \$4.6 million, or to \$0.19 per share (on a diluted basis) from \$0.15 per share, compared to the June 1999 quarter. Income from operations for the quarter was \$8.9 million, compared to \$7.2 million for the same period in fiscal 1999. Company net revenue for the quarter was \$31.6 million, an increase of 26% over year ago figures.

The improved quarterly net income reflected higher levels of sales in all global markets, when compared to fiscal 1999. Gross profit, at 68% for the quarter, was higher than the 66% recorded in the June 1999 quarter, reflecting improved manufacturing efficiencies.

Selling, general and administration costs for the quarter were \$10.1 million, an increase of \$2.6 million, over the same period in fiscal 1999. The increase in gross SG&A related primarily to an expansion of selling and administration personnel to meet expanding opportunities in the sleep disordered breathing market.

Research and development expenditure, at approximately 8% of net revenues, increased during the three months ended June 30, 2000 to \$2.5 million from \$2.0 million in the quarter ended June 30, 1999. The increase of 29% in research and development outlays reflected ResMed's continuing innovation within its product portfolio as well as an ongoing commitment to clinical research and product development, particularly in the evolving stroke and congestive heart failure markets.

Inventory levels at \$15.8 million were reduced by \$1.6 million during the quarter following the successful launch of the ResMed S6™ CPAP range and Ultra Mirage™ masks. In addition, days sales outstanding at 63 days declined by 4 days during the quarter.

Company revenues for fiscal 2000 were \$115.6 million, an increase of 30% over the year ended June 30, 1999. Net income after tax for the year was \$22.2 million or \$0.69 per share, on a diluted basis, compared with net income of \$16.1 million or \$0.52 per share for the same period in fiscal 1999. Net income increased by 38%, while EPS, on a diluted basis, improved by 33% over the same period.

Peter C Farrell PhD, Chairman and Chief Executive Officer, expressed considerable satisfaction with the Company's performance. "These record results for the June quarter and fiscal year 2000 reflect ResMed's continuing robust sales and profit growth. Domestic sales increased for the quarter to a record \$17.6 million, reflecting very healthy domestic demand for our sleep products, despite ongoing softness in the non-invasive ventilation area. Excluding bilevel device revenues, domestic sleep sales grew at an impressive 35% for the June quarter. International sales also increased by an encouraging 31%, over the June 1999 quarter to \$14.0 million despite an adverse impact of almost \$1 million from devaluation of the Euro over the same period in fiscal 1999. Excluding the Euro impact, in local currency terms, international sales increased by a very robust 39% and group sales by 29% over the previous June quarter."

Dr Farrell also commented "We are delighted with the excellent market reception to the newly released Ultra Mirage™ masks and the ResMed S6™ CPAP range. The original Mirage® masks, which were first released in 1997, were based upon detailed anthropometric research and are still considered the best nasal CPAP masks available. The newly released Ultra Mirage™ is based

upon further detailed research and we are delighted with its performance. Ultra Mirage™ masks will allow sleep clinics to have their nasal mask needs met by three mask sizes instead of clinics having to stock a myriad of non-Mirage mask designs with much inferior facial pressure, sealing and noise characteristics. These exciting flagship mask and CPAP products represent a new paradigm in the treatment of obstructive sleep apnea and provide an excellent platform for growth both in our domestic and international markets."

In addition, Dr Farrell stated that "The Company has now assembled an impressive team of people specifically dedicated to developing stroke and congestive heart failure opportunities as well as further developing our COPD business. These two former patient groups have a large incidence (>50%) of sleep disordered breathing, which has been shown, in several recent national and international studies, to be a profound independent risk factor for hypertension. In the AutoSet T™ and AutoSet CS™ product lines we remain confident that ResMed has developed the most appropriate technology to treat SDB in both stroke and congestive heart failure patients."

ResMed is a leading developer, manufacturer, and marketer of medical equipment for the diagnosis and treatment of sleep-disordered breathing, selling a comprehensive range of products in over 50 countries. ResMed made the **Forbes'** list of 200 Best Small Companies in America for three consecutive years; in 1999, ResMed was ranked #27 up from #172 in 1997. In both 1999 and 2000, ResMed was listed as one of **Business Week's** Hundred Hot Growth Companies and in 1999 ResMed was named by **FORTUNE** magazine as one of America's One Hundred Fastest Growing Companies.

Further information can be obtained by contacting Walter Flicker at ResMed Inc, San Diego, (858) 746 2400 ext. 2211.

Statements contained in this release, which are not historical facts, are "forward-looking" statements as contemplated by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those projected or implied in the forward looking statements. Such risks and uncertainties are discussed in the Company's Annual Report on Form 10-K for its most recent fiscal year. The AutoSet CS is subject to FDA clearance prior to sale in the U.S. market.

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**RESMED INC. AND SUBSIDIARIES**Consolidated Statements of Income  
(In US\$ thousands, except per share data)

	Three Months Ended June 30,		Year Ended June 30,	
	<u>2000</u> (unaudited)	<u>1999</u>	<u>2000</u>	<u>1999</u>
Net revenue	31,564	25,143	115,615	88,627
Cost of sales	10,011	8,467	36,991	29,416
Gross profit	<u>21,553</u>	<u>16,676</u>	<u>78,624</u>	<u>59,211</u>
Operating expenses				
Selling, general and administrative	10,123	7,525	36,987	27,414
Research and development	2,536	1,961	8,499	6,542
Total operating expenses	<u>12,659</u>	<u>9,486</u>	<u>45,486</u>	<u>33,956</u>
Income from operations	<u>8,894</u>	<u>7,190</u>	<u>33,138</u>	<u>25,255</u>
Other income (expenses), net				
Interest income, net	259	224	801	779
Government grants	-	431	279	833
Other, net	328	(723)	(52)	(2,290)
Total other income (expenses), net	<u>587</u>	<u>(68)</u>	<u>1,028</u>	<u>(678)</u>
Income before income taxes	9,481	7,122	34,166	24,577
Income taxes	3,290	2,485	11,940	8,475
Net income	<u>6,191</u>	<u>4,637</u>	<u>22,226</u>	<u>16,102</u>
Basic earnings per share	\$0.20	\$0.16	\$0.74	\$0.55
Diluted earnings per share	\$0.19	\$0.15	\$0.69	\$0.52
Basic shares outstanding	30,543	29,559	30,153	29,416
Diluted shares outstanding	32,754	31,140	32,303	31,068

**RESMED INC. AND SUBSIDIARIES**Consolidated Balance Sheets  
(In US\$ thousands except share and per share data)

	June 30, <u>2000</u>	June 30, <u>1999</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$18,250	\$11,108
Marketable securities - available for sale	3,713	5,626
Accounts receivable, net of allowance for doubtful accounts of \$833 and \$421 at June 30, 2000 and 1999, respectively	24,688	17,898
Inventories	15,802	10,725
Deferred income taxes	2,361	2,392
Prepaid expenses and other current assets	4,358	3,022
Total current assets	<u>69,172</u>	<u>50,771</u>
Property, plant and equipment, net of accumulated depreciation of \$13,552 and \$8,511 at June 30, 2000 and 1999, respectively	36,576	29,322
Patents, net of accumulated amortization of \$789 and \$570 at June 30, 2000 and 1999, respectively	1,342	782
Goodwill, net of amortization of \$2,003 and \$1,459 at June 30, 2000 and 1999, respectively	5,626	6,555
Other assets	2,878	2,459
Total assets	<u>115,594</u>	<u>89,889</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	5,929	4,772
Accrued expenses	9,224	7,779
Income taxes payable	6,469	5,691
Total current liabilities	<u>21,622</u>	<u>18,242</u>
Stockholders' equity:		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; none issued	-	-
Series A Junior Participating preferred stock, \$0.01 par value, 150,000 shares authorized; none issued	-	-
Common Stock \$0.004 par value 50,000,000 shares authorized; issued and outstanding 30,593,921 at June 30, 2000 and 29,616,000 at June 30, 1999	122	118
Additional paid-in capital	41,495	33,677
Retained earnings	65,507	43,281
Accumulated other comprehensive loss	(13,152)	(5,429)
Total stockholders' equity	<u>93,972</u>	<u>71,647</u>
Commitments and contingencies	-	-
Total liabilities and stockholders' equity	<u>\$ 115,594</u>	<u>\$ 89,889</u>