

Resmed, Inc. Announces Record Financial Results for Quarter Ended September 30, 1999

October 27, 1999

SAN DIEGO, California, October 27, 1999....ResMed Inc. (NYSE: RMD) announced record financial results for the quarter ended September 30, 1999. Net income for the quarter increased 52% to \$4.8 million from \$3.2 million for the September 1998 quarter. Earnings per share, on a diluted basis, increased to \$0.31 per share from \$0.21 per share for the previous year. Income from operations for the quarter was \$7.4 million, compared to \$5.4 million for the prior year, an improvement of 38%. Company net revenues for the quarter were \$25.9 million, an increase of 35% over prior year figures.

The improved quarterly net income reflected higher levels of sales in domestic, European and Asia Pacific markets, when compared to fiscal 1999. Gross profit, at 68% for the quarter, was consistent with the September 1998 quarter.

Selling, general and administration costs for the quarter were \$8.4 million, an increase of \$2.1 million or 32%, over prior year figures. The increase in gross SG&A related primarily to an expansion of selling and administration personnel to meet market requirements.

Company research and development expense, at approximately 7.3% of net revenues, increased during the three months ended September 30, 1999 to \$1.9 million from \$1.4 million in the quarter ended September 30, 1998. The increase of 32% in research and development outlays reflects ResMed's continuing commitment to innovation within its product portfolio.

The Company's inventory holdings approximated \$14.0 million and \$10.7 million at September 30, 1999 and June 30, 1999, respectively. The increase in inventory reflects management's decision to increase inventory holdings, particularly in the US and Europe, to support sales growth.

Peter C. Farrell, PhD, Chairman and Chief Executive Officer, expressed considerable satisfaction with the Company's performance: "These results are both robust and encouraging as they were from internally derived growth based upon continuing strong domestic and international demand for our sleep products. The September quarter continued ResMed's admirable sales and profit performance. The increase of 52% in net income to \$4.8 million for the Company's September quarter was a particularly satisfying start to the fiscal year. Domestic sales increased to \$14.8 million, a 24% improvement on an exceptionally strong September 1998 quarter (which experienced a 71% increase over the September 1997 quarter); this was combined with excellent international performance. Sales increased to \$11.2 million internationally, a 52% improvement over the September 1998 quarter. Furthermore, ResMed's recent product releases, particularly AutoSet®T and the Mirage® full face masks, are achieving excellent sales. We will also be releasing further new products during fiscal 2000, including improved Mirage nasal mask systems. These new products will continue to provide a solid platform for ResMed's future growth in the sleep disordered breathing market."

Dr Farrell continued: "ResMed was also delighted to be named in the November 1 issue of **Forbes** as one of the Supercharged Ten on the magazine's list of the 200 Best Small Companies and one of 12 Companies to Watch, as ResMed made the 200 list for the 3rd consecutive year."

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 40 countries. In 1999, ResMed was named by **FORTUNE** magazine as one of America's One Hundred Fastest Growing Companies; was listed as one of **Business Week's** Hundred Hot Growth Companies; and was ranked #27 on **Forbes** 21st annual list of the 200 Best Small Companies, up from #63 in 1998 and #172 in 1997. In October 1999, ResMed also received the American Electronics Association San Diego High-Tech Industry Recognition Award in the Analytical, Industrial and Medical Instrument category.

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.

RESMED INC. AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)
(In US\$ thousands, except per share data)

	Three Months Ended	
	<u>September 30,</u>	
	<u>1999</u>	<u>1998</u>
Net revenue	\$25,945	19,244
Cost of sales	8,224	6,084
Gross profit	<u>17,721</u>	<u>13,160</u>
Operating expenses		
Selling, general and administrative expenses	8,409	6,355
Research and development expenses	1,890	1,433
Total operating expenses	<u>10,299</u>	<u>7,788</u>
Income from operations	<u>7,422</u>	<u>5,372</u>
Other income (expenses), net:		
Interest income, net	134	207
Government grants	140	130
Other income (expenses), net	(269)	(878)
Total other income (expenses), net	<u>5</u>	<u>(541)</u>
Income before income taxes	7,427	4,831
Income taxes	(2,592)	(1,647)
Net income	<u>\$ 4,835</u>	<u>3,184</u>
Basic earnings per share	\$0.33	\$ 0.22
Diluted earnings per share	\$0.31	\$ 0.21

RESMED INC. AND SUBSIDIARIES

**Consolidated Balance Sheets
(In US\$ thousands except per share data)**

	<u>September</u> <u>30,</u> <u>1999</u> (Unaudited)	<u>June 30,</u> <u>1999</u>
Assets		
Current assets:		
Cash and cash equivalents	\$10,835	11,108
Marketable securities - available for sale	6,710	5,626
Accounts receivable, net of allowance for doubtful accounts of \$565 at September 30, 1999 and \$421 at June 30, 1999	20,105	17,898
Government grants receivable	39	-
Inventories	13,988	10,725
Deferred income taxes	2,399	2,392
Prepaid expenses and other current assets	2,151	3,022
Total current assets	<u>56,227</u>	<u>50,771</u>
Property, plant and equipment, net of accumulated amortization of \$9,591 at September 30, 1999 and \$8,511 at June 30, 1999	30,176	29,322
Patents, net of accumulated amortization of \$616 at September 30, 1999 and \$570 at June 30, 1999	925	782
Goodwill, net of amortization of \$1,674 at September 30, 1999 and \$1,459 at June 30, 1999	6,559	6,555
Other assets	2,902	2,455
Total assets	<u>96,789</u>	<u>89,885</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	5,758	4,772
Accrued expenses	7,633	7,775
Income taxes payable	6,926	5,691
Total current liabilities	<u>20,317</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 14,876,000 at September 30, 1999 and 14,808,000 at June 30, 1999	60	55
Additional paid-in capital	34,340	33,736
Retained earnings	48,116	43,281
Accumulated other comprehensive income (loss)	(6,044)	(5,425)
Total stockholders' equity	<u>76,472</u>	<u>71,647</u>
Commitments and contingencies	-	-
	<u>\$96,789</u>	<u>89,885</u>