

ResMed Inc Announces Record Financial Results for Quarter and Six Months Ended December 31, 1999

February 2 2000

SAN DIEGO California, February 2 2000....ResMed Inc. (NYSE:RMD) announced record financial results for the quarter and six months ended December 31, 1999. Net income for the quarter, was \$5.4 million (a 37% increase) or \$0.34 per share (on a diluted basis) compared with net income of \$3.9 million or \$0.25 per share for the December 1998 quarter. Income from operations for the quarter was \$8.6 million, compared to \$6.0 million for the same period in fiscal 1999, representing a 43% improvement. Company revenues for the quarter were \$28.1 million, an increase of 31% over the year ago figures.

The improved quarterly profit reflects higher levels of sales in all markets, when compared to fiscal 1999. Gross margin, at 69% for the quarter was higher than the 68% recorded in the December 1998 quarter, reflecting a modest shift in the geographical sales mix as well as improved manufacturing capacity utilization.

Selling, general and administration costs for the quarter were \$9.0 million, an increase of \$2.1 million, over year ago figures. This increase related primarily to an expansion of selling and administration personnel to meet market requirements as well as increased investment in IT activities.

Company research and development expenditure, at approximately 7% of net revenues, increased during the three months ended December 31, 1999 to \$2.0 million from \$1.6 million in the quarter ended December 31, 1998. This R&D investment reflects a number of new products under development as well as ResMed's continuing commitment to innovation within its product portfolio.

The company's working capital approximated \$41.6 million and \$32.5 million, at December 31, 1999 and June 30, 1999, respectively. The increase in working capital reflects an increase in cash/marketable securities and management's decision to increase inventories, particularly in the US and Europe, to support sales growth.

For the six months ended December 31, 1999 Company revenues were \$54.1 million, an increase of 33% over the six months ended December 31, 1998. Net income for the six months was \$10.2 million or \$0.65 per share, compared with net income of \$7.1 million or \$0.46 per share for the same period in fiscal 1999. Net income increased by 44% while EPS improved 41% over the period.

Peter C Farrell, PhD, Chairman and Chief Executive Officer, expressed considerable satisfaction with the Company's performance: "These continued record results are particularly satisfying and continue ResMed's robust sales and profit performance. Net income was \$5.4 million for the Company's second quarter of fiscal 2000, representing a 37% increase over the same period in fiscal 1999. Domestic sales increased by 22% over the previous December 1998 quarter to a record \$14.9 million reflecting the continuing strong domestic demand for our sleep products and despite some softness in the non-invasive ventilation area. We are particularly encouraged by our strong domestic growth in the masks and accessories business where revenues grew by 46%, notwithstanding several new mask offerings introduced by competitors during this quarter. International sales increased by 43% over the previous December 1998 quarter to a record \$13.2

million for the quarter. This excellent international sales performance demonstrates the benefits of our long-term strategy of globally diversifying our revenue base."

Dr Farrell also commented: "I believe that ResMed is well positioned for future growth with the anticipated third quarter release of our newly developed Mirage Ultra mask and the new ResMed S6 CPAP range."

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. ResMed was also named as one of the Supercharged Ten in **Forbes** 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. In addition, ResMed was recently added to the Standard and Poor's SmallCap 600 Index in the US.

Further information can be obtained by contacting Walter Flicker at ResMed Inc at (858) 689-2400 ext. 211.

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)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Net revenue	\$28,135	21,480	54,080	40,724
Cost of sales	8,604	6,964	16,828	13,048
Gross profit	<u>19,531</u>	<u>14,516</u>	<u>37,252</u>	<u>27,676</u>
Operating expenses				
Selling, general and administrative expenses	8,996	6,898	17,405	13,253
Research and development expenses	1,971	1,636	3,861	3,069
Total operating expenses	<u>10,967</u>	<u>8,534</u>	<u>21,266</u>	<u>16,322</u>
Income from operations	<u>8,564</u>	<u>5,982</u>	<u>15,986</u>	<u>11,354</u>
Other income (expense), net:				
Interest income, net	203	196	337	403
Government grants	139	134	279	264
Other income (expense), net	(644)	(336)	(913)	(1,214)
Total other income (expense), net	<u>(302)</u>	<u>(6)</u>	<u>(297)</u>	<u>(547)</u>
Income before income taxes	8,262	5,976	15,689	10,807
Income taxes	(2,900)	(2,063)	(5,492)	(3,710)
Net income	<u>5,362</u>	<u>3,913</u>	<u>10,197</u>	<u>7,097</u>
Basic earnings per share	\$0.36	0.27	\$0.68	0.48
Diluted earnings per share	\$0.34	0.25	\$0.65	0.46

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

	December 31, <u>1999</u>	June 30, <u>1999</u>
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 11,543	11,108
Marketable securities – available for sale	7,710	5,626
Accounts receivable, net of allowance for doubtful accounts of \$595 at December 31, 1999 and \$421 at June 30, 1999	20,332	17,898
Inventories	15,902	10,725
Deferred income taxes	2,398	2,392
Prepaid expenses and other current assets	3,912	3,022
Total current assets	<u>61,797</u>	<u>50,771</u>
Property, plant and equipment, net of accumulated amortization of \$10,880 at December 31, 1999 and \$8,511 at June 30, 1999	32,066	29,322
Patents, net of accumulated amortization of \$687 at December 31, 1999 and \$570 at June 30, 1999	979	782
Goodwill, net of accumulated amortization of \$1,763 at December 31, 1999 and \$1,459 at June 30, 1999	6,069	6,555
Other assets	2,839	2,459
Total Assets	<u>\$103,750</u>	<u>89,889</u>
 Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$6,814	4,772
Accrued expenses	8,399	7,779
Income taxes payable	4,940	5,691
Total current liabilities	<u>20,153</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 15,019,132 at December 31, 1999 and 14,808,000 at June 30, 1999	60	59
Additional paid-in capital	36,384	33,736
Retained earnings	53,478	43,281
Accumulated other comprehensive income (loss)	(6,325)	(5,429)
Total stockholders' equity	<u>83,597</u>	<u>71,647</u>
Commitments and contingencies	-	-
	<u>\$103,750</u>	<u>89,889</u>