

ResMed Inc Announces Record Financial Results for Quarter Ended September 30, 2000

October 31, 2000

SAN DIEGO, California, October 31, 2000...ResMed Inc (NYSE:RMD) announced record earnings results for the quarter ended September 30, 2000. Net income for the quarter increased 36% to \$6.6 million from \$4.8 million, or to \$0.20 per share (on a diluted basis) from \$0.15 per share, compared to the September 1999 quarter. Income from operations for the quarter was also a record at \$9.1 million, compared to \$7.4 million for the same period in fiscal 2000. Company net revenue for the quarter was \$31.1 million, an increase of 20% over year ago figures, despite a 20% decrease in the value of the Euro from which about 30% of revenues were derived.

The improved quarterly net income reflected higher levels of sales in all global markets, when compared to fiscal 2000. Gross profit, at 68% for the quarter was consistent with the September 1999 quarter.

Selling, general and administration costs for the quarter were \$9.6 million, an increase of \$1.2 million, over the same period in fiscal 2000. 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 7.7% of net revenues, increased during the three months ended September 30, 2000 to \$2.4 million from \$1.9 million in the quarter ended September 30, 1999. The increase of 26% 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.

On July 7, 2000, the Company purchased the land and buildings of its US headquarters in Poway, California for \$17.2 million. The purchase was funded by a combination of cash reserves and an unsecured loan facility. Inventories at \$16.3 million were, as a percent of sales, consistent with year ago figures and days sales outstanding were within ResMed's normal range of variation.

Peter C Farrell PhD, Chairman and Chief Executive Officer, expressed considerable satisfaction with the Company's performance. "These record results for the September quarter were achieved despite significant adverse currency movements, reflecting the underlying strength of ResMed's sales and profit growth. Domestic sales increased for the quarter to \$17.4 million, reflecting strong domestic demand for our sleep products, and despite continued softness in the non-invasive ventilation area. Excluding bilevel device revenues, domestic sleep sales grew at an impressive 28% for the September quarter. International sales also increased by an encouraging 22%, over the September 1999 quarter to \$13.7 million, despite an adverse impact of \$1.6 million from the devaluation of international currencies, notably the Euro and Australian dollar, over the same period in fiscal 2000. Indeed, the September quarter international sales performance is remarkable as the result was achieved with a 10% sequential fall in the Euro over the most recent three month period. In local currency terms, international sales increased by a robust 36% and group sales increased by 26% over the previous September quarter. Furthermore, net income to revenues in the quarter was a record 21% and the results posted represent the 22nd successive quarter in which First Call consensus earnings estimates have been met or exceeded.

ResMed's recently released Ultra Mirage masks and the ResMed S6 CPAP range have achieved excellent sales during the quarter and provide a solid platform for growth in both our domestic and international markets. We continue to invest heavily in product innovation and at the same time we are continuing to develop the previously mentioned stroke and congestive heart failure opportunities. Our commitment and belief to these new market opportunities has never been stronger and we recently started a new business group to provide a sharper focus to these areas.

On the personnel front, Dr Christopher Bartlett, Daewoo Professor and Chair, Program for Global Leadership at the Harvard Business School, has agreed to join the ResMed Board. We welcome Chris and look forward to his strategic and organizational contributions."

Dr Farrell also commented "ResMed is delighted to be named once again in this year's Forbes annual list of the 200 Best Small Companies in America. This represents the fourth consecutive year ResMed has made the Forbes 200 list".

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 four consecutive years; in 2000, ResMed was ranked #34 up from #172 in 1997. In both 1999 and 2000, ResMed was listed as one of **Business Week's** Hundred Hot Growth Companies and 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 or by visiting the Company's multilingual web site at www.resmed.com.

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, including statements regarding the Company's future revenue and earnings projections and the development of new markets for the Company's products, 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.

RESMED INC. AND SUBSIDIARIESConsolidated Statements of Income (Unaudited)
(In US\$ thousands, except per share data)

	Three Months Ended <u>September 30,</u>	
	<u>2000</u>	<u>1999</u>
Net revenue	\$ 31,082	\$ 25,945
Cost of sales	9,995	8,224
Gross profit	<u>21,087</u>	<u>17,721</u>
Operating expenses		
Selling, general and administrative	9,591	8,409
Research and development	2,389	1,890
Total operating expenses	<u>11,980</u>	<u>10,299</u>
Income from operations	<u>9,107</u>	<u>7,422</u>
Other income (expenses), net		
Interest income (expense), net	(2)	134
Government grants	-	140
Other, net	883	(269)
Total other income (expenses), net	<u>881</u>	<u>5</u>
Income before income taxes	9,988	7,427
Income taxes	3,408	2,592
Net income	<u>\$ 6,580</u>	<u>\$ 4,835</u>
Basic earnings per share	\$0.21	\$0.16
Diluted earnings per share	\$0.20	\$0.15
Basic shares outstanding	30,810	29,690
Diluted shares outstanding	33,078	31,304

RESMED INC. AND SUBSIDIARIESConsolidated Balance Sheets (Unaudited)
(In US\$ thousands except share and per share data)

	September 30, <u>2000</u>	June 30, <u>2000</u>
Assets		
Current assets:		
Cash and cash equivalents	\$13,620	\$18,250
Marketable securities – available for sale	3,300	3,713
Accounts receivable, net of allowance for doubtful accounts of \$861 at September 30, 2000 and \$833 at June 30, 2000	26,283	24,688
Inventories	16,258	15,802
Deferred income taxes	2,417	2,361
Prepaid expenses and other current assets	5,059	4,358
Total current assets	<u>66,937</u>	<u>69,172</u>
Property, plant and equipment, net of accumulated depreciation of \$14,447 at September 30, 2000 and \$13,552 at June 30, 2000	51,474	36,576
Patents, net of accumulated amortization of \$790 at September 30, 2000 and \$789 at June 30, 2000	1,277	1,342
Goodwill, net of amortization of \$1,988 at September 30, 2000 and \$2,003 at June 30, 2000	5,040	5,626
Other assets	2,357	2,878
Total assets	<u>127,085</u>	<u>115,594</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	6,356	5,929
Accrued expenses	9,697	9,224
Income taxes payable	7,746	6,469
Short-term debt	7,000	-
Total current liabilities	<u>30,799</u>	<u>21,622</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 30,983,064 at September 30, 2000 and 30,593,921 at June 30, 2000	124	122
Additional paid-in capital	44,047	41,495
Retained earnings	72,087	65,507
Accumulated other comprehensive loss	(19,972)	(13,152)
Total stockholders' equity	<u>96,286</u>	<u>93,972</u>
Commitments and contingencies	-	-
Total liabilities and stockholders' equity	<u>\$127,085</u>	<u>\$ 115,594</u>