

# MEDIA RELEASE

---

## RESMED INC ANNOUNCES RECORD FINANCIAL RESULTS FOR QUARTER AND SIX MONTHS ENDED DECEMBER 31, 2002

---

SYDNEY, Australia, February 4, 2003....ResMed Inc (ASX:RMD) announced record revenue and operating profit results for the quarter and six months ended December 31, 2002. Revenue for the quarter was US\$65.3 million, an increase of 33% over the year ago figure. Net operating profit for the quarter increased by 20% to US\$16.1 million. Net income for the quarter increased 18% to US\$10.4 million from US\$8.8 million, or to US\$0.30 per share (on a diluted basis) from US\$0.26 per share, compared to the December 2001 quarter.

Selling, general and administration (SG&A) costs for the quarter were US\$20.9 million, an increase of US\$6.2 million over the same period in fiscal 2001. The increase in gross SG&A related primarily to an increase in selling and administration personnel to meet expanding opportunities in the sleep-disordered breathing (SDB) market, the inclusion of Servo Magnetics Inc. (SMI) and litigation costs associated with outstanding patent infringement lawsuits against competitors. SG&A expenditure as a percentage of revenue was 32% in the December quarter compared to 30% for the same period in fiscal 2001. Excluding legal costs, SG&A as a percentage of revenue, was 31%.

Research and development expenditure, at 7.4% of revenues, increased during the three months ended December 31, 2002 to US\$4.8 million from US\$3.6 million in the quarter ended December 31, 2001. The increase of 34% in research and development outlays reflects ResMed's continuing commitment to innovation within its product portfolio, as well as an ongoing commitment to clinical research and product development, particularly in the evolving hypertension, stroke and congestive heart failure markets.

For the six months ended December 31, 2002 Company revenues were US\$123.9 million, an increase of 30% over the US\$95.1 million for the six months ended December 31, 2001. Net income for the six months was US\$20.0 million or US\$0.58 per share, compared with net income of US\$17.3 million or US\$0.51 per share for the same period in fiscal 2001. Net income increased by 15% over the prior year period.

Inventories of US\$45.4 million were flat this quarter compared to the September 2002 quarter. Accounts receivable days sales outstanding at 68 days remain favorable, compared to industry peers, and represent an improvement of 4 days, compared to the September 2002 quarter.

During the quarter, the Company repurchased US\$5.0 million face value of its convertible subordinated notes. The purchase price of the notes was US\$4.8 million including US\$0.1 million in accrued interest. On extinguishment, the Company recognized a gain of US\$0.1 million after taxes. The debt repurchase represents part of ResMed's ongoing capital management activities. In addition, the Company repurchased approximately 55,000 of its shares during the quarter, for US\$1.6 million.

Peter C. Farrell PhD, Chairman and Chief Executive Officer, commented, "These record profit and revenue results for the December quarter reflect ResMed's continuing strong sales and profit growth. Our operating cash flow for the December quarter was an encouraging US\$12.1 million. American sales increased by 33% over the December 2001 quarter to a record US\$32.3 million, reflecting very healthy American demand for our SDB products as well as contributions from our recently acquired subsidiary, SMI. Excluding SMI, American sales grew by a healthy 26%. Rest of world sales increased by 34%, over the December 2001 quarter, reflecting continued recovery in the German market and, to a lesser extent, stronger Euro.

Dr. Farrell also commented, "We are very pleased with market acceptance of our recently released small nasal mask, the Mirage Vista and our new flow generator, the S7 Lightweight. We expect to introduce several more innovative products into the market during calendar year 2003. We are also very excited about opportunities in the cardiovascular area and are encouraged by recent studies linking obstructive sleep apnea, a form of sleep-disordered breathing, with overt hypertension. Also, a just released study from Germany and Australia, published in the January issue of *CIRCULATION*, shows that treatment of obstructive sleep apnea with nasal CPAP reduces hypertension by an average of 10 mm. of mercury pressure and consequentially reduces the risk of both stroke and heart disease by an expected 56% and 37% respectively. We will continue to invest in this area, including developing new markets, new distribution channels and new products. Looking forward, we project the overall market for our products to continue to grow at an approximate 20% annual rate over the next 12-18 months. We continue to believe that our annual revenue growth will exceed this market growth rate."

Dr. Farrell added, "Finally, the *New England Journal of Medicine* published a short article in its January 23<sup>rd</sup> edition, indicating that professional football players had a prevalence of sleep-disordered breathing approximately five times higher than earlier studies predicted for their age group (less than 30 years of age), despite their better physical conditioning than the general population. The study, funded by the ResMed Sleep Disordered Breathing Foundation, was based on sleep screening at eight National Football League teams during spring training, followed by 52 full sleep studies (polysomnography). 34% (about ten times the expected proportion) of the high-risk linemen (with higher body mass index and neck circumference) were diagnosed as having sleep-disordered breathing. In addition, the linemen's systolic and diastolic blood pressure was significantly elevated ( $P < 0.01$ ), when compared to other players. This is a concern, not just for professional athletes, but for the populace at large, due to the higher risk of premature death, from either stroke or heart disease, for anyone with a moderately high level of sleep-disordered breathing or sleep apnea."

ResMed is a leading developer, manufacturer, and marketer of medical equipment for the diagnosis treatment and management of sleep-disordered breathing, selling a comprehensive range of products in over 60 countries.

ResMed will host a conference call at 8.30 a.m. Australian Eastern Daylight Time (AEDT) today to discuss these quarterly results. Individuals wishing to access the conference call may do so via ResMed's Web site at [www.resmed.com](http://www.resmed.com). Please allow extra time prior to the call to visit the site and download the streaming media player (Windows Media Player) required to listen to the Internet broadcast. The online archive of the broadcast will be available approximately 90 minutes after the live call and will be available for two weeks. A telephone replay of the conference call is available by dialing (800) 642 1687 (American) and +1 (706) 645 9291 (rest of world) and entering conference ID No. 7936044.

Further information can be obtained by contacting Adrian Smith at ResMed Inc, Sydney, 02 9886 5407 or by visiting the Company's multilingual Web site at [www.resmed.com](http://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, the development of new markets for the Company's products and the performance and potential of the Company's new 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 SUBSIDIARIES**  
**Consolidated Statements of Income (Unaudited)**  
(In US\$ thousands, except per share data)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net revenue	US\$65,293	US\$48,924	US\$123,879	US\$95,053
Cost of sales	23,454	17,087	44,343	32,383
Gross profit	<u>41,839</u>	<u>31,837</u>	<u>79,536</u>	<u>62,670</u>
Operating expenses:				
Selling, general and administrative	20,931	14,774	38,622	29,059
Research and development	4,836	3,617	9,231	6,978
Total operating expenses	<u>25,767</u>	<u>18,391</u>	<u>47,853</u>	<u>36,037</u>
Income from operations	<u>16,072</u>	<u>13,446</u>	<u>31,683</u>	<u>26,633</u>
Other income (expenses), net:				
Interest income (expense), net	(743)	(833)	(1,626)	(1,568)
Gain on extinguishment of debt	191	-	529	-
Other, net	(318)	(79)	(1,385)	38
Total other income (expenses), net	<u>(870)</u>	<u>(912)</u>	<u>(2,482)</u>	<u>(1,530)</u>
Income before income taxes	15,202	12,534	29,201	25,103
Income taxes	4,818	3,755	9,246	7,786
Net income	<u>US\$10,384</u>	<u>US\$8,779</u>	<u>US\$19,955</u>	<u>US\$17,317</u>
Basic earnings per share	US\$0.31	US\$0.27	US\$0.61	US\$0.54
Diluted earnings per share	US\$0.30	US\$0.26	US\$0.58	US\$0.51
Basic earnings per CDI	US\$0.031	US\$0.027	US\$0.061	US\$0.054
Diluted earnings per CDI	US\$0.030	US\$0.026	US\$0.058	US\$0.051
Basic shares outstanding	32,994	32,043	32,939	31,882
Diluted shares outstanding	34,346	34,293	34,234	34,193

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

	December 31, <u>2002</u>	June 30, <u>2002</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	US\$82,468	US\$72,860
Marketable securities - available for sale	4,114	19,979
Accounts receivable, net	49,243	46,199
Inventories	45,422	41,173
Deferred income taxes	9,844	9,289
Prepaid expenses and other current assets	5,685	4,213
	<hr/>	<hr/>
Total current assets	196,776	193,713
	<hr/>	<hr/>
Property, plant and equipment, net of accumulated depreciation	85,066	79,279
Patents, net of accumulated amortization	2,926	2,653
Goodwill	96,167	92,536
Other assets	6,203	8,010
	<hr/>	<hr/>
TOTAL ASSETS	US\$387,138	US\$376,191
	<hr/>	<hr/>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	US\$12,454	US\$11,605
Accrued expenses	15,583	15,273
Income taxes payable	4,924	6,905
Payable for property purchase	5,812	11,552
Deferred revenue	5,065	3,636
Current portion of deferred profit on sale leaseback	1,926	1,933
	<hr/>	<hr/>
Total current liabilities	45,764	50,904
	<hr/>	<hr/>
NON CURRENT LIABILITIES:		
Deferred Revenue	6,578	5,402
Deferred profit on sale and leaseback	2,728	3,705
Convertible subordinated notes	113,250	123,250
	<hr/>	<hr/>
Total non-current liabilities	122,556	132,357
	<hr/>	<hr/>
Total liabilities	US\$168,320	US\$183,261
	<hr/>	<hr/>
STOCKHOLDERS' EQUITY:		
Preferred stock, US\$0.01 par value, 2,000,000 shares authorized; none issued	-	-
Series A Junior Participating preferred stock, US\$0.01 par value, 250,000 shares authorized; none issued	-	-
Common Stock US\$0.004 par value 100,000,000 shares authorized; issued and outstanding 33,018,205 at December 31, 2002 and 32,818,160 at June 30, 2002 (excluding 415,365 and 290,047 shares held as Treasury Stock respectively)	132	132
Additional paid-in capital	97,507	94,153
Retained earnings	134,598	114,643
Treasury stock	(11,415)	(7,873)
Accumulated other comprehensive income (loss)	(2,004)	(8,125)
	<hr/>	<hr/>
TOTAL STOCKHOLDERS' EQUITY	US\$218,818	US\$192,930
	<hr/>	<hr/>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	US\$387,138	US\$376,191
	<hr/>	<hr/>