



ResMed Inc. Announces Results for the Fourth Quarter and Fiscal Year 2015

Revenue increased 9% to \$453 million; up 17% on a constant currency basis

GAAP diluted earnings per share of \$0.61, or non-GAAP earnings per share of \$0.68

Operating cash flow of \$99.6 million

Company repurchased 941,000 shares in the fourth quarter

Quarterly dividend increased by 7% to \$0.30 per share

San Diego, July 30, 2015 – ResMed Inc. (NYSE: RMD) today announced results for its quarter ended June 30, 2015. Revenue for the quarter was \$453.1 million, a 9 percent increase compared with the quarter ended June 30, 2014 (a 17 percent increase on a constant currency basis). Net income was \$87.5 million, consistent with the quarter ended June 30, 2014. Diluted earnings per share for the quarter were \$0.61, consistent with the quarter ended June 30, 2014.

The results for the quarter ended June 30, 2015 were impacted by two non-recurring items: first, expenses of \$5.0 million (\$3.5 million, net of tax) associated with the field safety notice in response to results of the SERVE-HF clinical trial and second, donations of \$6.0 million (\$3.8 million, net of tax), which were comprised of a \$5.0 million donation to the University of California - San Diego to fund a center of excellence and endowed chair in the field of pulmonary and critical care medicine and an incremental donation of \$1.0 million to the ResMed Foundation. Non-GAAP net income for the quarter ended June 30, 2015 was \$96.4 million, a 3 percent increase compared with the quarter ended June 30, 2014 (non-GAAP measures exclude the impact of expenses associated with the SERVE-HF field safety notice, donations and amortization of acquired intangibles in the current quarter and the restructuring expenses and amortization of acquired intangibles in the prior year quarter). Non-GAAP diluted earnings per share for the quarter were \$0.68, a 3 percent increase compared with the quarter ended June 30, 2014.

“We finished the year with strong double-digit constant currency revenue growth and greater than 50 percent flow generator growth in the Americas during the fourth quarter. As expected, we have also achieved a solid return to growth in our mask business. We have continued our active share repurchase program and the board has also declared an increase in our dividend,” said Mick Farrell, ResMed’s chief executive officer. “This quarter we grew our healthcare informatics capability with the acquisition of CareTouch and earlier today, we announced the acquisition of Curative Medical, an investment in China that will provide a complementary brand with a robust respiratory care and sleep apnea product portfolio. We will continue to invest in R&D and manufacturing for the Curative brand in China as we grow our new ResMed-Curative business.” Farrell concluded, “Our global team ended fiscal year 2015 with a strong \$1.7 billion in revenues as we continue to drive towards our goal of changing 20 million lives by 2020 with innovative products and solutions that improve patient outcomes, reduce the impact of chronic disease and lower healthcare costs.”

Analysis of fourth quarter results

In the fourth quarter of fiscal year 2015, revenue in the Americas was \$273.7 million, a 27 percent increase over the prior year's quarter. Revenue in combined Europe and Asia Pacific was \$179.4 million, a 10 percent decrease compared with the quarter ended June 30, 2014 (a 5 percent increase on a constant currency basis).

Including one-off expenses of \$5.0 million in relation to the SERVE-HF field safety notice, gross margin in the fourth quarter was 57.3 percent. Excluding these one-off expenses, the gross margin for Q4 FY15 was 58.4%, lower than the prior year's quarter, mainly due to an unfavorable impact from foreign exchange rate movements, an unfavorable geographic mix, declines in average selling prices and an unfavorable product mix.

Selling, general and administrative expenses were \$123.2 million for the fourth quarter of fiscal year 2015, a 1 percent increase (a 12 percent increase on a constant currency basis) over the quarter ended June 30, 2014. SG&A expenses improved to 27.2 percent of revenue in the quarter, compared with 29.4 percent in the quarter ended June 30, 2014.

Research and development expenses were \$28.5 million for the fourth quarter of fiscal year 2015, or 6.3 percent of revenue. R&D expenses decreased by 10 percent (a 5 percent increase on a constant currency basis) compared with the quarter ended June 30, 2014.

Amortization of acquired intangible assets was \$2.1 million during the quarter. Stock-based compensation costs incurred during the quarter of \$13.1 million consisted of expenses associated with employee equity grants, and the company's employee stock purchase plan.

Operating profit for the quarter was \$99.5 million and cash flow from operations was \$99.6 million.

Fiscal year 2015 results

Revenue for the year ended June 30, 2015 was \$1.7 billion, an 8 percent increase compared with the year ended June 30, 2014 (a 13 percent increase on a constant currency basis). Net income was \$352.9 million, a 2% increase compared with the year ended June 30, 2014. Diluted earnings per share for the year were \$2.47, a 3% increase compared with the year ended June 30, 2014. Non-GAAP earnings per share for the year were \$2.57, a 4% increase compared with the year ended June 30, 2014.

Share repurchase program

During the quarter, the company repurchased 941,000 shares at a cost of \$55.9 million, as part of its ongoing capital management program.

Dividend program

The ResMed board of directors today declared a quarterly dividend of \$0.30 per share, an increase of 7 percent from the previous dividend. The dividend will have a record date of August 20, 2015, payable on September 17, 2015. The dividend will be paid in U.S. currency to holders of ResMed's common stock trading on the New York Stock Exchange. Holders of Chess Depositary Instruments trading on the Australian Securities Exchange will receive an equivalent amount in Australian currency, based on the exchange rate on the record date, and reflecting the 10:1 ratio between CDIs and NYSE shares. The ex-dividend date will be August 18, 2015 for common stock holders and for CDI holders. ResMed has received a waiver from the ASX's settlement operating rules, which will allow ResMed to defer processing conversions between its common stock and CDI registers from August 18, 2015 through August 20, 2015, inclusive.

Webcast details

ResMed will discuss its financial and business results and outlook on its webcast at 1:30 p.m. U.S. Pacific Standard Time today. The live webcast of the call can be accessed on ResMed's Investor Relations website at investors.resmed.com. Please go to this section of the website and click on the icon for the "Q4 2015 earnings webcast" to register and listen to the live webcast. The online archive of the broadcast will be available on ResMed's website after the live call. In addition, a telephone replay of the conference call will be available approximately two hours after the call by dialing 855-859-2056 (U.S.) and +1 404-537-3406 (international) and entering a passcode of 77902512. The telephone replay will be available until August 13, 2015.

About ResMed

The global team at ResMed (NYSE:RMD) is united in the commitment to change millions of lives with every breath. With more than 4,000 employees and a presence in over 100 countries, the company has been pioneering new and innovative devices and treatments for sleep-disordered breathing, chronic obstructive pulmonary disease, and other chronic diseases for more than 25 years. ResMed's world-leading products and innovative solutions improve the quality of life for millions of patients worldwide, reduce the impact of chronic disease, and save healthcare costs. For more information about ResMed and its businesses, visit www.resmed.com or follow @resmed on Twitter.

Safe harbor statement

Statements contained in this release that are not historical facts are "forward-looking" statements as contemplated by the Private Securities Litigation Reform Act of 1995. These forward-looking statements—including statements regarding ResMed's projections of future revenue or earnings, expenses, new product development, new product launches and new markets for its products—are subject to risks and uncertainties, which could cause actual results to materially differ from those projected or implied in the forward-looking statements. Additional risks and uncertainties are discussed in ResMed's periodic reports on file with the U.S. Securities & Exchange Commission. ResMed does not undertake to update its forward-looking statements.

Investors:

Agnes Lee
Senior Director, Investor Relations
(858) 836-5971
investorrelations@resmed.com

News Media:

Alison Graves
Director, Global Corporate Communications
(858) 836-6789
news@resmed.com

- More -

RESMED INC AND SUBSIDIARIES
Condensed Consolidated Statements of Income (Unaudited)
(In thousands, except per share data)

| | Three Months Ended June 30, | | Twelve Months Ended June 30, | |
|---|--------------------------------|-----------|---------------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net revenue | \$453,064 | \$415,211 | \$1,678,912 | \$1,554,973 |
| Cost of sales | 188,605 | 153,953 | 662,487 | 565,187 |
| SERVE-HF field safety notice expenses ⁽¹⁾ | 5,029 | - | 5,029 | - |
| Gross profit | 259,430 | 261,258 | 1,011,396 | 989,786 |
| Operating expenses: | | | | |
| Selling, general and administrative | 123,250 | 122,242 | 472,627 | 450,414 |
| Research and development | 28,523 | 31,796 | 114,865 | 118,226 |
| Restructuring expenses ⁽¹⁾ | - | 6,326 | - | 6,326 |
| Donations ⁽¹⁾ | 6,000 | - | 6,000 | - |
| Amortization of acquired intangible assets | 2,110 | 2,408 | 8,668 | 9,733 |
| Total operating expenses | 159,883 | 162,772 | 602,160 | 584,699 |
| Income from operations ⁽¹⁾ | 99,547 | 98,486 | 409,236 | 405,087 |
| Other income (expenses), net: | | | | |
| Interest income (expense), net | 4,666 | 5,925 | 20,430 | 25,107 |
| Other, net | (97) | 2,224 | 6,250 | 884 |
| Total other income (expenses), net | 4,569 | 8,149 | 26,680 | 25,991 |
| Income before income taxes | 104,116 | 106,635 | 435,916 | 431,078 |
| Income taxes | 16,654 | 18,897 | 83,030 | 85,805 |
| Net income ⁽¹⁾ | \$87,462 | \$87,738 | \$352,886 | \$345,273 |
| Basic earnings per share | \$0.62 | \$0.62 | \$2.51 | \$2.44 |
| Diluted earnings per share ⁽¹⁾ | \$0.61 | \$0.61 | \$2.47 | \$2.39 |
| Non-GAAP diluted earnings per share, excluding the impact of SERVE-HF field safety notice expenses, donations, restructuring expenses and amortization of acquired intangible assets ⁽¹⁾ | \$0.68 | \$0.66 | \$2.57 | \$2.47 |
| Basic shares outstanding | 140,819 | 140,537 | 140,468 | 141,474 |
| Diluted shares outstanding | 142,702 | 143,086 | 142,687 | 144,359 |

(1) See reconciliation of non-GAAP financial measures in table at end of press release.

- More -

RESMED INC AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited - In thousands)

| | June 30, 2015 | June 30, 2014 |
|---|------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$717,249 | \$905,730 |
| Accounts receivable, net | 362,568 | 359,593 |
| Inventories | 246,859 | 165,418 |
| Prepayments, deferred income taxes and other current assets | 117,506 | 125,468 |
| Total current assets | 1,444,182 | 1,556,209 |
| Property, plant and equipment, net | 387,758 | 434,277 |
| Goodwill and other intangible assets, net | 311,403 | 334,510 |
| Deferred income taxes and other non-current assets | 40,917 | 35,966 |
| Total non-current assets | 740,078 | 804,753 |
| Total assets | \$2,184,260 | \$2,360,962 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$81,112 | \$85,405 |
| Accrued expenses | 132,976 | 130,656 |
| Deferred revenue | 36,097 | 42,370 |
| Income taxes payable | 16,278 | 10,392 |
| Deferred income taxes | 796 | 717 |
| Current portion of long-term debt | 0 | 18 |
| Total current liabilities | 267,259 | 269,558 |
| Non-current liabilities: | | |
| Deferred income taxes | 8,062 | 10,716 |
| Deferred revenue | 19,284 | 16,352 |
| Income taxes payable | 1,754 | 5,318 |
| Non-current portion of long-term debt | 300,594 | 300,770 |
| Total non-current liabilities | 329,694 | 333,156 |
| Total liabilities | 596,953 | 602,714 |
| STOCKHOLDERS' EQUITY: | | |
| Common stock | 562 | 561 |
| Additional paid-in capital | 1,228,795 | 1,117,644 |
| Retained earnings | 1,976,020 | 1,780,396 |
| Treasury stock | (1,444,554) | (1,291,910) |
| Accumulated other comprehensive income | (173,516) | 151,557 |
| Total stockholders' equity | \$1,587,307 | \$1,758,248 |
| Total liabilities and stockholders' equity | \$2,184,260 | \$2,360,962 |

- More -

RESMED INC AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited - In thousands)

| | Year Ended June 30, 2015 | Year Ended June 30, 2014 |
|--|--------------------------------|--------------------------------|
| Cash flows from operating activities: | | |
| Net income | \$352,886 | \$345,273 |
| Adjustment to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 73,056 | 73,454 |
| Changes in fair value of business combination contingent consideration | (132) | (6,283) |
| Gain on disposal of business | (709) | - |
| Stock-based compensation costs | 47,855 | 43,457 |
| Excess tax benefit from stock-based compensation arrangements | (24,959) | (16,335) |
| Changes in operating assets and liabilities, net of effect of acquisitions: | | |
| Accounts receivable, net | (28,259) | (35,108) |
| Inventories, net | (99,524) | (15,851) |
| Prepaid expenses, net deferred income taxes and other current assets | (22,849) | 5,814 |
| Accounts payable, accrued expenses and other liabilities | 85,815 | (3,153) |
| Net cash provided by operating activities | 383,180 | 391,268 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (62,502) | (72,722) |
| Patent registration costs | (9,442) | (8,434) |
| Business acquisitions, net of cash acquired | (29,407) | (3,852) |
| Investments in cost-method investments | (10,750) | (10,850) |
| Proceeds from sale of business | 937 | - |
| Purchases of foreign currency contracts | (700) | (1,477) |
| (Payments) / Proceeds on maturity of foreign currency contracts | (31,207) | 2,348 |
| Net cash used in investing activities | (143,071) | (94,987) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock, net | 38,806 | 33,354 |
| Excess tax benefit from stock-based compensation arrangements | 24,959 | 16,335 |
| Purchases of treasury stock | (160,300) | (202,169) |
| Payment of business combination contingent consideration | (458) | (1,117) |
| Proceeds from borrowings, net of borrowing costs | 160,000 | 557,834 |
| Repayment of borrowings | (161,536) | (560,035) |
| Dividends paid | (157,262) | (141,518) |
| Net cash (used in) / provided by financing activities | (255,791) | (297,316) |
| Effect of exchange rate changes on cash | (172,799) | 30,717 |
| Net increase / (decrease) in cash and cash equivalents | (188,481) | 29,682 |
| Cash and cash equivalents at beginning of period | 905,730 | 876,048 |
| Cash and cash equivalents at end of period | 717,249 | 905,730 |

- More -

Reconciliation of Non-GAAP Financial Measures (Unaudited)
(In US\$ thousands, except share and per share data)

The measure, "non-GAAP operating income" is reconciled with GAAP income from operations below:

| | Three Months Ended June 30, | | Twelve Months Ended June 30, | |
|---|--------------------------------|---------|---------------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| GAAP income from operations | 99,547 | 98,486 | 409,236 | 405,087 |
| SERVE-HF field safety notice expenses | 5,029 | - | 5,029 | - |
| Donations | 6,000 | - | 6,000 | - |
| Restructuring expenses | - | 6,326 | - | 6,326 |
| Amortization of acquired intangible assets ^(A) | 2,110 | 2,408 | 8,668 | 9,733 |
| Non-GAAP operating income (excluding the impact of SERVE-HF field safety notice expenses, donations, restructuring expenses and amortization of acquired intangible assets) | 112,686 | 107,220 | 428,933 | 421,146 |

The measures "non-GAAP net income" and "non-GAAP diluted earnings per share" are reconciled with GAAP net income and GAAP diluted earnings per share in the table below:

| | Three Months Ended June 30, | | Twelve Months Ended June 30, | |
|---|--------------------------------|---------|---------------------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| GAAP net income | 87,462 | 87,738 | 352,886 | 345,273 |
| SERVE-HF field safety notice expenses, net of tax ^(A) | 3,521 | - | 3,521 | - |
| Donations, net of tax ^(A) | 3,796 | - | 3,796 | - |
| Restructuring expenses, net of tax ^(A) | - | 4,222 | - | 4,222 |
| Amortization of acquired intangible assets, net of tax ^(A) | 1,600 | 1,843 | 6,551 | 7,406 |
| Non-GAAP net income ^(A) | 96,379 | 93,803 | 366,754 | 356,901 |
| Diluted shares outstanding | 142,702 | 143,086 | 142,687 | 144,359 |
| GAAP diluted earnings per share | \$0.61 | \$0.61 | \$2.47 | \$2.39 |
| Non-GAAP diluted earnings per share ^(A) | \$0.68 | \$0.66 | \$2.57 | \$2.47 |

^(A) ResMed excludes SERVE-HF field safety notice expenses, donations, restructuring expenses and amortization of acquired intangible assets from their evaluation of ongoing operations and believes investors benefit from excluding these charges to facilitate a more meaningful evaluation of current operating performance.

ResMed believes that diluted earnings per share, which exclude the impact of SERVE-HF field safety notice expenses, donations, restructuring expenses and the amortization of acquired intangible assets, is an additional measure of performance investors can use to compare operating results between reporting periods.

ResMed uses non-GAAP information internally in planning, forecasting, and evaluating the results of operations in the current period and in comparing it to past periods. ResMed believes this information provides investors better insight in evaluating ResMed's performance from core operations and provides consistent financial reporting. Our use of non-GAAP measures is intended to supplement, and not to replace, our presentation of net income and other GAAP measures. Like all non-GAAP measures, non-GAAP earnings are subject to inherent limitations because they do not include all the expenses that must be included under GAAP.

- End -