SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

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FORM 10-Q

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[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

0-26038
Commission file number:

ResMed Inc
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

98-0152841
(IRS Employer Identification No)

14040 Danielson St
Poway CA 92064-6857
United States Of America
(Address of principal executive offices)

(858) 746 2400
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [x] No [_]

As of March 31, 2002, there were 32,273,707 shares of Common Stock ($0.004 par value) outstanding.

RESMED INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION Item 1

RESMED INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except share and per share data)

<TABLE>
<CAPTION>

| | March 31, 2002 | June 30, 2001 |
|---|---|---|
| <S> | <C> | <C> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $56,228 | $40,136 |
| Marketable securities - available-for-sale | 56,823 | 62,616 |
| Accounts receivable, net of allowance for doubtful accounts of $777 at March 31, 2002 and $892 at June 30, 2001 | 43,966 | 32,248 |
| Inventories (Note 4) | 33,680 | 29,994 |
| Deferred income taxes | 4,397 | 4,152 |
| Prepaid expenses and other current assets | 15,437 | 8,736 |
| Total current assets | 210,531 | 177,882 |
| Property, plant and equipment, net of accumulated depreciation of $27,118 at March 31, 2002 and $19,930 at June 30, 2001 | 65,542 | 55,092 |
| Patents, net of accumulated amortization of $1,531 at March 31, 2002 and $1,030 at June 30, 2001 | 2,623 | 1,390 |
| Goodwill (Note 6) | 54,642 | 47,870 |
| Other assets | 7,803 | 5,856 |
| Total non-current assets | 130,610 | 110,208 |
| TOTAL ASSETS | $341,141 | $288,090 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $12,371 | $7,971 |
| Accrued expenses and other liabilities | 26,497 | 16,751 |
| Income taxes payable | 8,825 | 8,888 |
| Total current liabilities | 47,693 | 33,610 |

| | | |
|---|---|---|
| Non current liabilities: | | |
| Deferred revenue | 5,730 | 4,114 |
| Convertible subordinated notes (Note 8) | 146,000 | 150,000 |
| Total non current liabilities | 151,730 | 154,114 |
| TOTAL LIABILITIES | 199,423 | 187,724 |
| 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, 250,000 shares authorized; none issued | - | - |
| Common Stock, $0.004 par value, 100,000,000 shares authorized; issued and outstanding 32,273,707 at March 31, 2002 and 31,478,780 at June 30, 2001 | 129 | 126 |
| Additional paid-in capital | 61,977 | 52,675 |
| Retained earnings | 104,833 | 77,137 |
| Accumulated other comprehensive loss (Note 5) | (25,221) | (29,572) |
| TOTAL STOCKHOLDERS' EQUITY | 141,718 | 100,366 |
| Commitments and contingencies (Note 9) | - | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $341,141 | $288,090 |

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.





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

<TABLE>
<CAPTION>

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| <S> | <C> | <C> | <C> | <C> |
| Net revenue | $52,776 | $42,680 | $147,829 | $108,128 |
| Cost of sales | 19,005 | 13,757 | 51,388 | 35,097 |
| Gross profit | 33,771 | 28,923 | 96,441 | 73,031 |

| | | | | |
|---|---|---|---|---|
| Operating expenses: | | | | |
| Selling, general and administrative | 16,408 | 13,727 | 45,467 | 34,042 |
| Provision for restructure | - | 550 | - | 550 |
| Donation to Research Foundation | 1,000 | - | 1,000 | - |
| Research and development | 3,792 | 3,017 | 10,770 | 7,911 |
| In process research and development write-off | - | 17,677 | - | 17,677 |
| Total operating expenses | 21,200 | 34,971 | 57,237 | 60,180 |
| Income from operations | 12,571 | (6,048) | 39,204 | 12,851 |
| Other income (expenses), net: | | | | |
| Interest income (expense), net | (893) | (256) | (2,461) | (153) |
| Other, net | 433 | 448 | 471 | 1,901 |
| Total other income (expense), net | (460) | 192 | (1,990) | 1,748 |
| Income before income taxes | 12,111 | (5,856) | 37,214 | 14,599 |
| Income taxes | (3,585) | (4,338) | (11,371) | (11,315) |
| Income before extraordinary item | 8,526 | (10,194) | 25,843 | 3,284 |
| Extraordinary gain on debt extinguishment, net of tax | 1,853 | - | 1,853 | - |
| Net income (loss) | $10,379 | ($10,194) | $27,696 | $3,284 |
| Basic earnings per share: | | | | |
| Before extraordinary item | $0.26 | ($0.33) | $0.81 | $0.11 |
| Extraordinary gain on debt extinguishment | 0.06 | - | 0.06 | - |
| Basic earnings (loss) per share | $0.32 | ($0.33) | $0.87 | $0.11 |
| Diluted earnings per share: | | | | |
| Before extraordinary item | $0.25 | ($0.30) | $0.76 | $0.10 |
| Extraordinary gain on debt extinguishment | 0.06 | - | 0.05 | - |
| Diluted earnings (loss) per share | $0.31 | ($0.30) | $0.81 | $0.10 |
| Basic share outstanding | 32,217 | 31,246 | 31,992 | 31,030 |
| Diluted shares outstanding | 33,924 | 33,691 | 34,101 | 33,330 |

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION Item 1

RESMED INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

<TABLE>
<CAPTION>

| | Nine Months Ended March 31, | |
|---|---|---|
| | 2002 | 2001 |
| <S> | <C> | <C> |
| Cash flows from operating activities: | | |
| Net income | $27,696 | $3,284 |
| Adjustment to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,007 | 5,708 |
| Amortization of deferred borrowing costs | 954 | - |
| Provision for service warranties | (113) | 99 |
| Foreign currency options revaluations | 340 | 2,588 |
| Extraordinary gain on debt extinguishment | (1,853) | - |
| Restructuring provision | - | 550 |
| Purchased in process researched and development write off | - | 17,677 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (10,536) | (6,501) |
| Inventories | (4,712) | (6,569) |
| Prepaid expenses and other current assets | (6,436) | (2,674) |
| Accounts payable, accrued expenses and other liabilities | 14,838 | 5,471 |
| Net cash provided by operating activities | 27,185 | 19,633 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (15,819) | (24,435) |
| Patent registration costs | (975) | (386) |
| Purchase of non-trading investments | (2,839) | (2,216) |
| Business acquisitions, net of cash acquired of $369 (Note 7) | (6,544) | (14,899) |
| Purchases of marketable securities - available-for-sale | (350,743) | (17,263) |
| Proceeds from sale of marketable securities - available-for-sale | 356,685 | 20,976 |
| Net cash used in investing activities | (20,235) | (38,223) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock, net | 9,305 | 5,971 |
| Proceeds from borrowings, net of borrowing costs | 28,402 | 27,500 |
| Repayment of short term debt | - | (6,213) |
| Redemption of borrowings | (29,935) | - |
| Net cash provided by financing activities | 7,772 | |

| | | |
|---|---|---|
| 27,258 | | |
| Effect of exchange rate changes on cash | 1,370 | |
| (2,348) | | |
| Net (decrease)/increase in cash and cash equivalents | 16,092 | |
| 6,320 | | |
| Cash and cash equivalents at beginning of period | 40,136 | |
| 18,250 | | |
| Cash and cash equivalents at end of period | $56,228 | |
| $24,570 | | |
| Supplemental disclosure of cash flow information: | | |
| Income taxes paid | $13,620 | |
| $8,601 | | |
| Interest paid | 3,868 | |
| 565 | | |
| Fair value of assets acquired on acquisition: | $2,634 | |
| $30,194 | | |
| Liabilities assumed | (1,131) | |
| (21,876) | | |
| Goodwill on acquisition | 5,410 | |
| 47,119 | | |
| Consideration for acquisition, including acquisition costs | 6,913 | |
| 55,437 | | |
| Cash paid for acquisition | 6,913 | |
| 15,266 | | |
| Balance Payable | $ - | |
| $40,171 | | |

See accompanying notes to condensed consolidated financial statements.

</TABLE>





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(1) Organization and Basis of Presentation

ResMed Inc. (the Company), is a Delaware Corporation formed in March 1994 as a holding company for the ResMed Group. The Company designs, manufactures and markets devices for the evaluation and treatment of sleep disordered breathing, primarily obstructive sleep apnea. The Company's principal manufacturing operations are located in Australia. Other major distribution and sales sites are located in the United States, the United Kingdom, France, Germany, Sweden and Singapore.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2002 and the nine months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending June 30, 2002.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates.

(b) Revenue Recognition

Revenue on product sales is recorded at the time of shipment. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially capitalized and recognized as revenue over the life of the service contract. Revenue from sale of marketing and distribution rights is initially deferred and recognized as revenue over the life of the contract.





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(c) Cash and Cash Equivalents

Cash equivalents include certificates of deposit, commercial paper, and other highly liquid investments stated at cost, which approximates market. Investments with original maturities of 90 days or less are considered to be cash equivalents for purposes of the condensed consolidated financial statements.

(d) Inventories

Inventories are stated at the lower of cost, determined principally by the first-in, first-out method, or net realizable value.

(e) Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, generally two to ten years. Straight-line and accelerated methods of depreciation are used for tax purposes. Maintenance and repairs are charged to expense as incurred.

(f) Patents

The registration costs for new patents are capitalized and amortized over the estimated useful life of the patent, generally five years. In the event of a patent being superseded, the unamortized costs are written off immediately.

(g) Foreign Currency

The consolidated financial statements of the Company's non-US subsidiaries are translated into US dollars for financial reporting purposes. Assets and liabilities of non-US subsidiaries whose functional currencies are other than the US dollar are translated at period end exchange rates, and revenue and expense transactions are translated at average exchange rates for the period. Cumulative translation adjustments are recognized as part of "Comprehensive Income," as described in Note 5, and are included in accumulated other comprehensive loss on the condensed consolidated balance sheet until such time as the subsidiary is sold or substantially or completely liquidated. Gains and losses on transactions, denominated in other than the functional currency of the entity, are reflected in

operations.

(h) Research and Development

All research and development costs are expensed in the period incurred.





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(i) Earnings per Share

The weighted average shares used to calculate basic earnings per share was 32,217,000 and 31,246,000 for the quarters ended March 31, 2002 and 2001, respectively, and 31,992,000 and 31,030,000 for the nine-month periods ended March 31, 2002 and 2001, respectively. The difference between basic earnings per share and diluted earnings per share is attributable to the impact of outstanding stock options during the periods presented. Stock options had the effect of increasing the number of shares used in the calculation (by application of the treasury stock method) by 1,707,000 and 2,445,000 for the quarters ended March 31, 2002 and 2001, respectively, and by 2,109,000 and 2,300,000 for the nine-month periods ended March 31, 2002 and 2001, respectively.

(j) Financial Instruments

The carrying value of financial instruments, such as cash and cash equivalents, marketable securities - available-for-sale, accounts receivable, government grants, foreign currency option contracts, short term debt, taxes payable and accounts payable approximate their fair value. The Company does not hold or issue financial instruments for trading purposes.

(k) Foreign Exchange Risk Management

The Company enters into foreign currency call options in managing its foreign exchange risk. The purpose of the Company's foreign currency hedging activities is to protect the Company from adverse exchange rate fluctuations with respect to net cash movements resulting from the sales of products to foreign customers and Australian manufacturing activities. The Company enters into foreign currency option contracts to hedge anticipated sales and manufacturing costs denominated principally in Australian dollars and Euros. The terms of such foreign currency option contracts generally do not exceed two years.

Unrealized gains or losses are recognized as incurred in the consolidated balance sheets as either other assets or other liabilities and are recorded within other income, net on the Company's condensed consolidated statements of income. Unrealized gains and losses on currency derivatives are determined based on dealer quoted prices.

As of July 1, 2000 the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), which standardizes the accounting for derivative instruments. Under the restrictive definition of hedge effectiveness contained in SFAS 133, the Company's hedging contracts do not have hedge effectiveness and are therefore marked to market with resulting gains or losses being recognized in earnings in the period of change.





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(k) Foreign Exchange Risk Management, Continued

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. The credit exposure of foreign exchange options at March 31, 2002 was $2,214,000 which represents the positive fair value of options held by the Company.

The Company held foreign currency option contracts with notional amounts totaling $135,068,000 and $223,752,000 at March 31, 2002 and June 30, 2001, respectively to hedge foreign currency items. These contracts mature at various dates prior to June 2003.

(l) Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(m) Marketable Securities

Management determines the appropriate classification of its investments in debt and equity securities at the time of purchase and re-evaluates such determination at each balance sheet date. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value, with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive income (loss).

At March 31, 2002 and June 30, 2001, the Company's investments in debt securities were classified on the condensed consolidated balance sheets as marketable securities-available-for-sale. These investments are diversified among high credit quality securities in accordance with the Company's investment policy.

The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and interest are included in interest income (expense). Realized gains and losses are included in other income or expense. The cost of securities sold is based on the specific identification method.





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(2) Summary of Significant Accounting Policies, Continued

(n) Warranty

Estimated future warranty costs related to products are accrued to operations in the period in which the related revenue is recognized.

(o) Impairment of Long-Lived Assets

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including certain identifiable intangible assets, when events and circumstances indicate that the carrying amount of an asset may not be recovered. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of

an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(3) Accounting Changes

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs would capitalized as part of the carrying amount of the long-lived asset and depreciated over the life of the asset. The liability is accreted at the end of each period through charges to operating expense. If the obligation is settled for other than the carrying amount of the liability, the Company will recognize a gain or loss on settlement. The provisions of SFAS No. 143 are effective for fiscal years beginning after June 15, 2002. The Company has not yet determined the impact, if any, of adoption of SFAS No. 143.

Effective July 1, 2001, the Company adopted SFAS No. 141, "Business Combinations". SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The Company has evaluated the impact of SFAS 141 and believes that it will not have a material impact on the results of operations, financial position and liquidity of the Company.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. As allowed under the Standard, the Company has adopted SFAS 142 effective July 1, 2001. SFAS 142 requires goodwill and intangible assets with indefinite useful lives to no longer be amortized, but instead be tested for impairment at least annually.





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(3) Accounting Changes, Continued

With the adoption of SFAS 142, the Company reassessed the useful lives and residual values of all acquired intangible assets to make any necessary amortization period adjustments. Based on that assessment, only goodwill was determined to have an indefinite useful life and no adjustments were made to the amortization period or residual values of other intangible assets.

In accordance with SFAS 142 the Company has completed its initial assessment of goodwill impairment. The results of the review indicated that no impaired goodwill currently exists.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." For long-lived assets to be held and used, SFAS No. 144 retains the requirements of SFAS No. 121 to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and fair value. Further, SFAS No. 144 eliminates the requirement to allocate goodwill to long-lived assets to be tested for impairment, describes a probability-weighted cash flow estimation approach to deal with situations in which alternative courses of action to recover the carrying amount of a long-lived asset are under consideration or a range is estimated for the amount of possible future cash flows, and establishes a "primary-asset" approach to determine the cash flow estimation period. For long-lived assets to be disposed of other than by sale (e.g. assets abandoned, exchanged or distributed to owners in a spin-off), SFAS No. 144 requires that such assets be considered held and used until disposed of. Further, an impairment loss should be recognized at the date an asset is exchanged for a similar productive asset or distributed to owners in a spin-off if the carrying amount exceeds its fair value.

(4) Inventories

Inventories were comprised of the following at March 31, 2002 and June 30,

2001:

<TABLE>
<CAPTION>

| (in US$ thousands) | March 31, 2002 | June 30, 2001 |
|---|---|---|
| <S> | <C> | <C> |
| Raw materials | $7,329 | $7,584 |
| Work in progress | 654 | 98 |
| Finished goods | 25,697 | 22,312 |
| | $33,680 | $29,994 |

</TABLE>





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(5) Comprehensive Income

As of July 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income", which established standards for the reporting and display of comprehensive income and its components in the financial statements.

The table below presents other comprehensive (income) loss:

<TABLE>
<CAPTION>

| (In US$ thousands) | Foreign Currency Items | Unrealized Gains on Securities | Accumulated Other Comprehensive Loss |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Beginning balance, July 1, 2001 | $29,572 | - | $29,572 |
| Current period change | (4,252) | (99) | (4,351) |
| Ending balance, March 31, 2002 | $25,320 | (99) | $25,221 |

</TABLE>

The Company does not provide for US income taxes on foreign currency translation adjustments since it does not provide for such taxes on undistributed earnings of foreign subsidiaries. Accumulated other comprehensive loss at March 31, 2002 and June 30, 2001 consisted of foreign currency translation adjustments with net debit balances of $25.3 million and $29.6 million, respectively and unrealized gains on securities of $99,000 (net of tax of $51,000) and zero, respectively.





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(6) Goodwill and Other Intangible Assets

As described in Note 3, the Company adopted SFAS 142 on July 1, 2001. The following table reconciles the prior year's reported operating income and net income to their respective pro-forma balances adjusted to exclude goodwill amortization expense which is no longer recorded under SFAS 142.

<TABLE>
<CAPTION>

| | Three months ended | Nine months |
|---|---|---|

ended

| (In US$ thousands, except per share amounts) | March 31 2002 | 2001 | March 31 2002 | 2001 |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Operating Income: | | | | |
| Reported income from operations | $12,571 | $(6,048) | $39,204 | $12,851 |
| Add back: goodwill amortization | - | 435 | - | 727 |
| Adjusted income (loss) from operations | $12,571 | $(5,613) | $39,204 | $13,578 |
| Net Income: | | | | |
| Reported net income (loss) before extraordinary item | $8,526 | $(10,194) | $25,843 | $3,284 |
| Add back: goodwill amortization after tax | - | 435 | - | 727 |
| Adjusted net income (loss) before extraordinary item | $8,526 | $(9,759) | $25,843 | $4,011 |
| Extraordinary item | 1,853 | - | 1,853 | - |
| Adjusted net income (loss) | $10,379 | $(9,759) | $27,696 | $4,011 |
| Basic Earnings per share: | | | | |
| Reported basic earnings (loss) per share before extraordinary item | $0.26 | $(0.33) | $0.81 | $0.11 |
| Goodwill amortization after tax | - | 0.01 | - | $0.02 |
| Adjusted basic earnings (loss) per share before extraordinary item | $0.26 | $(0.32) | $0.81 | $0.13 |
| Extraordinary item | $0.06 | - | $0.06 | - |
| Adjusted basic earnings (loss) per share | $0.32 | $(0.32) | $0.87 | $0.13 |
| Diluted Earnings per share: | | | | |
| Reported diluted earnings (loss) per share before extraordinary item | $0.25 | $(0.30) | $0.76 | $0.10 |
| Goodwill amortization after tax | - | 0.01 | - | $0.02 |
| Adjusted diluted earnings (loss) per share before extraordinary item | $0.25 | $(0.29) | $0.76 | $0.12 |
| Extraordinary item | $0.06 | - | $0.05 | - |
| Adjusted diluted earnings (loss) per share | $0.31 | $(0.29) | $0.81 | $0.12 |

</TABLE>

Changes in the carrying amount of goodwill for the nine months ended March 31, 2002, were as follows:

<TABLE>

| <S> | <C> |
|---|---|
| (In US$ thousands) | |
| Balance at June 30, 2001 | $47,870 |
| Foreign currency translation adjustments | 1,362 |
| Goodwill on acquisition of Labhardt (Note 7) | 3,993 |
| Contingent goodwill payment for MAP (Note 7) | 1,417 |
| Balance at March 31, 2002 | $54,642 |

</TABLE>





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(6) Goodwill and Other Intangible Assets, Continued

Other intangible assets amounted to $2.6 million (net of accumulated amortization of $1.5 million) and $1.4 million (net of accumulated amortization of $1.0 million) at March 31, 2002 and June 30, 2001, respectively. These intangible assets consist of patents and are amortized over the estimated useful life of the patent, generally five years. There are no expected residual values related to these intangible assets.

(7) Business Acquisition

On November 15, 2001 the Company acquired all the common stock of Labhardt AG, its Swiss distributor, for total cash consideration, including acquisition costs, of $5.5 million.

The acquisition has been accounted for as a purchase and accordingly, the results of operations of Labhardt AG have been included in the Company's consolidated financial statements from November 15, 2001. The excess of the purchase price over the fair value of the net identifiable assets acquired of $1.5 million has been recorded as goodwill.

During the December quarter, the Company paid an amount of $1.4 million as final consideration associated with the purchase of MAP Medizin-Technologie GmbH on February 16, 2001. The amount has been recorded as goodwill.

(8) Convertible Subordinated Notes

On June 20, 2001 the Company issued $150.0 million of 4% convertible subordinated notes that are due to mature on June 20, 2006. On July 3, 2001, the Company issued an additional $30.0 million in over allotments. This increased the total amount of convertible subordinated notes issued to $180.0 million.

The notes are convertible, at the option of the holder, at any time on or prior to maturity, into shares of common stock of ResMed Inc. The notes are convertible at a conversion price of $60.60 per share, which is equal to a conversion rate of 16.5017 shares per $1,000 principal amount of notes, subject to adjustment.

Interest is to be paid on the notes on June 20 and December 20 of each year, beginning December 20, 2001.





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(8) Convertible Subordinated Notes, Continued

The Company may redeem some or all of the notes at any time before June 20, 2004 at a redemption price of $1,000 per $1,000 principal amount of notes, plus accrued and unpaid interest, if any, to the redemption date, if the closing price of the Company's common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing of the provisional redemption notice. Upon any such provisional redemption, the Company will make an additional payment in cash equal to $166.67 per $1,000 principal amount of notes, less the amount of any interest actually paid on the notes before the provisional redemption date.

The Company may also redeem some or all of the notes at any time on or after June 22, 2004, but prior to June 20, 2005, at a redemption price equal to 101.6% of the principal amount of notes redeemed, and at any time after June 19, 2005, at a redemption price of 100.8% of the principal amount of notes, plus in any case accrued and unpaid interest, if any, to the redemption date, if the closing price of the Company's common stock has exceeded 130% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing of the optional redemption notice.

The notes are general unsecured obligations and are subordinated to all of the Company's existing and future senior indebtedness and will be effectively subordinated to all of the indebtedness and liabilities of the Company's subsidiaries. The indenture governing the notes does not limit the Company or its subsidiaries from incurring senior indebtedness or other indebtedness.

During the quarter ended March 31, 2002, the Company repurchased $34.0 million face value of its convertible subordinated notes. The total purchased price of the notes was $30.2 million, including $0.3 million in accrued interest. The Company recognized an extraordinary gain of $1.9 million, net of tax of $1.1 million, on these transactions. As at March 31, 2002, the Company had convertible subordinated notes outstanding of $146.0 million.

(9) Commitments and Contingencies
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We are currently engaged in litigation relating to the enforcement and defense of certain of our patents.

In January 1995, we filed a complaint in the United States District Court for the Southern District of California seeking monetary damages from and injunctive relief against Respironics for alleged infringement of three ResMed patents. In February 1995, Respironics filed a complaint in the United States District Court for the Western District of Pennsylvania against us seeking a declaratory judgment that Respironics does not infringe claims of these patents and that our patents are invalid and unenforceable. The two actions were combined and are proceeding in the United States District Court for the Western District of Pennsylvania.





RESMED INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(9) Commitments and Contingencies, Continued
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In June 1996, we filed an additional complaint against Respironics for infringement of a fourth ResMed patent, and that complaint was consolidated with the earlier action. As of this date, Respironics has brought three partial summary judgment motions for non-infringement of the ResMed patents; the Court has granted each of the motions.

In December 1999, in response to the Court's ruling on Respironics' third summary judgment motion, the parties jointly stipulated to a dismissal of charges of infringement under the fourth ResMed patent, with us reserving the right to reassert the charges in the event of a favorable ruling on appeal. We intend to appeal the summary judgment rulings after a final judgment in the consolidated litigation has been entered in the District Court proceedings.

In January 2001, our subsidiary MAP Medizin-Technologie GmbH filed a lawsuit with the Regional Court in Munich against Hofrichter Medizintechnick GmbH seeking an injunction regarding the sale of certain flow generators as well as damages for the unauthorized and infringing use

of one of our trademarks and utility patent. On May 4, 2001, MAP obtained a favorable judgment from the Civil Chamber of Munich Court that enjoined the defendant from using MAP's patent, which judgment has been appealed.

While we are prosecuting the above actions, there can be no assurance that we will be successful.





RESMED INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operation

Net Revenue

Net revenue increased for the three months ended March 31, 2002 to $52.8 million from $42.7 million for the three months ended March 31, 2001, an increase of $10.1 million or 24%. For the nine-month period ended March 31, 2002 net revenue increased to $147.8 million from $108.1 million for the nine-month period ended March 31, 2001, an increase of $39.7 million or 37%. Both the three month and nine month increases in net revenue were attributable to an increase in unit sales of the Company's flow generators and accessories in both domestic and international markets and also to the acquisition on February 16, 2001 of MAP Medizin-Technologie GmbH "MAP". Domestic revenue for the quarter increased to $26.7 million from $21.3 million for the previous year quarter, and to $72.5 million from $57.6 million for the nine-month periods ended March 31, 2002 and 2001 respectively. Despite relatively flat sales in our German markets reflecting the impact of health care policy changes in Germany, net revenue in international markets increased to $26.1 million from $21.4 million for the quarter, and to $75.3 million from $50.6 million for the nine month periods ended March 31, 2002 and 2001, respectively.

Gross Profit

Gross profit increased for the three months ended March 31, 2002 to $33.8 million from $28.9 million for the three months ended March 31, 2001, an increase of $4.9 million or 17%. Gross profit as a percentage of net revenue declined for the quarter ended March 31, 2002 to 64.0% from 67.8% for the quarter ended March 31, 2001. The decline in gross margins reflects a change in geographical sales mix, with a relatively higher percentage of domestic sales, which achieve lower margins, compared to international markets.

For the nine-month period ended March 31, 2002 gross profit increased to $96.4 million from $73.0 million in the same period of fiscal 2001, an increase of $23.4 million or 32%. Gross profit as a percentage of net revenue was 65.2% and 67.5% for the nine-month periods ended March 31, 2002 and 2001 respectively. The decline in gross margin reflects a change in geographical sales mix, with a relatively higher percentage of domestic sales, which achieve lower margins, compared to international markets.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended March 31, 2002 to $16.4 million from $13.7 million for the three months ended March 31, 2001, an increase of $2.7 million or 20%. As a percentage of net revenue, selling, general and administrative expenses for the three months ended March 31, 2002 declined to 31.1% from 32.2% for the three months ended March 31, 2001. The increase in selling, general and administrative expenses was primarily due to increase in the number of sales and administrative personnel and other expenses related to the increase in Company sales.





RESMED INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operation

Selling, General and Administrative Expenses, Continued

Selling, general and administrative expenses for the nine months ended March 31, 2002 increased to $45.5 million from $34.0 million for the nine months ended March 31, 2001, an increase of $11.5 million or 34%. As a percentage of net revenue selling, general and administration expenses declined to 30.8% for the nine months ended March 31, 2002 from 31.5% in the nine months ended March 31, 2001.

Provision for Restructure

Subsequent to the purchase of MAP, the Company restructured MAP's French activities and for the three months ended March 31, 2001, took a charge of $550,000 associated with the closure of MAP's unprofitable French operations.

Research and Development Expenses

Research and development expenses increased for the three months ended March 31, 2002 to $3.8 million from $3.0 million for the three months ended March 31, 2001, an increase of $0.8 million or 26%. As a percentage of net revenue, research and development expenses increased to 7.2% for the three months ended March 31, 2002 compared to 7.1% for the three months ended March 31, 2001. The increase in research and development expenses was due to increased salaries associated with an increase in personnel and increased charges for consulting fees, clinical trials and technical assessments incurred to facilitate development of new products and also included research and development expenditure undertaken by MAP.

For the nine-month period ended March 31, 2002 research and development expenses increased to $10.8 million from $7.9 million for the same period in fiscal 2001, an increase of $2.9 million. As a percentage of net revenue, research and development expenses was 7.3% for the nine months ended March 31, 2002 and 2001. The increase in research and development expenses was due to increased salaries associated with an increase in personnel and increased charges for consulting fees, clinical trials and technical assessments incurred to facilitate development of new products.





RESMED INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operation

In Process Research and Development Write-Off

During the quarter ended March 31, 2001, purchased in process research and development of $17,677,000 was expensed upon acquisition of MAP because technological feasibility of the products under development had not been established and no further alternative uses existed. The value of in process technology was calculated by identifying research projects in areas for which technological feasibility had not been established, estimating the costs to develop the purchased in process technology into commercially viable products, estimating the resulting net cash flows from such products, discounting the net cash flows to present value, and applying the reduced percentage completion of the projects thereto. The discount rates used in the analysis were between 27% and 33% and were based on the risk profile of the acquired assets.

The Company believes that the assumptions used to value the acquired intangible assets were reasonable at the time of acquisition. No assurance can be given, however, that the underlying assumptions used to estimate expected project revenues, development costs or profitability, or events associated with such projects, will transpire as estimated. For these reasons, among others, actual results may vary from the projected results.

Donation to Research Foundation

The Company donated $1.0 million for the establishment of the ResMed Sleep Disordered Breathing Foundation. The Foundation's mission is to promote awareness of and research into the serious medical consequences of untreated sleep disordered breathing (SDB).

Extraordinary Gain on Debt Extinguishment

During the quarter ended March 31, 2002, the Company repurchased $34.0 million face value of its convertible subordinated notes. The total purchase price of the notes was $30.2 million, including $0.3 million in accrued interest. The Company recognized an extraordinary gain of $1.9 million, net of tax of $1.1 million, on these transactions.





RESMED INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operation

Other Income (Expense), Net

Other income (expense), net, decreased for the three months ended March 31, 2002 to net expense of $460,000 from net income of $192,000 for the three months ended March 31, 2001. The decrease in other income primarily reflects increased interest expense associated with the convertible debt issue in June 2001, partially offset by interest income from cash and marketable securities.

Other income (expense), net decreased for the nine months ended March 31, 2002 to net expense of $2.0 million from net income of $1.7 million for the nine months ended March 31, 2001. The increase in other expense was attributable to increased interest expense associated with the convertible debt issue in June 2001 and significant reduction in net foreign currency exchange gains.

Income Taxes

The Company's effective income tax rate declined to approximately 29.6% for the three months ended March 31, 2002 from approximately 35.1% (excluding a non-recurring in process research and development write-down of $17.7 million and restructuring charge of $0.6 million) for the three months ended March 31, 2001. For the nine-month period ended March 31, 2002 the Company's effective income tax rate declined to 30.6% from 34.5% for the nine-month period ended March 31, 2001. The lower tax rate was primarily due to the lowering of the corporate tax rate in Australia from 34% to 30% effective July 1, 2001. The Company also benefits from a 125% tax deduction on R&D expenditure undertaken in Australia, which further reduces the effective tax rate on Australian sourced income.

Liquidity and Capital Resources

As of March 31, 2002 and June 30, 2001, the Company had cash and cash equivalents and marketable securities available-for-sale of approximately $113.1 million and $102.8 million, respectively. The Company's working capital approximated $162.8 million and $144.3 million at March 31, 2002 and June 30, 2001 respectively.

During the nine months ended March 31, 2002, the Company generated cash of $27.2 million from operations, primarily as a result of increased profit from operations offset by increases in inventory and accounts receivable balances. During the nine months ended March 31, 2001 approximately $19.6 million of cash was generated by operations.





RESMED INC AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition
and Results of Operation

Liquidity and Capital Resources, Continued

The Company's capital expenditures for the nine-month periods ended March 31, 2002 and 2001 aggregated $15.8 million and $24.4 million respectively. The majority of the expenditures in the nine-month period ended March 31, 2002 related to a deposit for the purchase of land in Sydney described below, a computer system upgrade and acquisition of production tooling and equipment. The capital expenditures in the nine months ended March 31, 2001 primarily reflected the capital expenditure of $17.2 million on the company's US headquarters in Poway, California in July 2000. As a result of these capital expenditures, the Company's balance sheet reflects net property plant and equipment of approximately $65.5 million at March 31, 2002 compared to $55.1 million at June 30, 2001.

On July 3, 2001, the Company issued $30.0 million in over allotments for its 4% convertible subordinated notes issue. At this date, the total amount of convertible subordinated notes issued was $180.0 million. During the quarter, the Company repurchased $34.0 million face value of its convertible subordinated notes. The total purchase price of the notes was $30.2 million, including $0.3 million in accrued interest. The Company recognized an extraordinary gain of $1.9 million, net of tax of $1.1 million, on these transactions. As at March 31, 2002, the Company had convertible subordinated notes outstanding of $146.0 million.

The Company may from time to time seek to retire its convertible subordinated notes through cash purchases and/or exchanges for equity securities in open market purchases, privately negotiated transactions, or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, the Company's liquidity requirements, and current or future contractual obligations of the Company, if any, that may directly or indirectly apply to such transactions.

On November 15, 2001, the Company acquired all the common stock of Labhardt AG, its Swiss distributor, for total consideration, including acquisition costs, of $5.5 million. The acquisition has been accounted for as a purchase and

accordingly, the results of operations of Labhardt AG have been included in the Company's consolidated financial statements from November 15, 2001. The excess of the purchase price over the fair value of the net identifiable assets acquired of $1.5 million has been recorded as goodwill.

During the December quarter, the Company paid an amount of $1.4 million as final consideration associated with the purchase of MAP on February 16, 2001. The amount has been recorded as goodwill.

During the December quarter, the Company paid an initial deposit of $2.4 million associated with the purchase of a 30-acre site at Norwest Business Park, located northwest of Sydney, Australia. On April 26, 2002, the purchase was settled with an initial payment of $11.3 million, with deferred payments (inclusive of interest) of $5.7 million due in October 2002 and $5.7 million due in April 2003. The Company expects the first building, a manufacturing facility, to be operational on this site in 2003. New research and development and office facilities are expected to be completed in 2004. It is estimated that the building costs will be approximately $30.0 million.





RESMED INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operation

Liquidity and Capital Resources, Continued

On May 8, 2002, the Company completed a sale and leaseback transaction for its Australian facility located at North Ryde in Sydney, Australia. The property was sold for $18.3 million with a three-year leaseback and a further one-year option. The profit before tax on sale of the property of $5.5 million will be amortized over the lease period. The cash made available from the sale will be utilized for the construction of the Company's new facilities at Norwest Business Park.

The results of the Company's international operations are affected by changes in exchange rates between currencies. Changes in exchange rates may negatively affect the Company's consolidated net revenue and gross profit margins from international operations. The Company is exposed to the risk that the dollar value equivalent of anticipated cash flows will be adversely affected by changes in foreign currency exchange rates. The Company manages this risk through foreign currency option contracts.

The Company expects to satisfy all of its short term liquidity requirements through a combination of cash on hand and cash generated from operations.

Critical Accounting Principles and Estimates

In response to the SEC's Release numbers 33-8040 "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" and 33-8056, "Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations," we have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis we evaluate our estimates, including those related to allowance for doubtful accounts, inventory reserves, warranty obligations, impaired assets, intangible assets, income taxes, revenue recognition and contingencies and litigation. We state these accounting policies in the notes to the financial statements and at relevant sections in this discussion and analysis. The estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

We believe that the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements:





RESMED INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition and Results of Operation

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering customer's financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventory Adjustments. Inventories are stated at lower of cost or market. We review the components of inventory on a regular basis for excess, obsolete and impaired inventory based on estimated future usage and sales. The likelihood of any material inventory write-downs is dependent on changes in competitive conditions, new product introductions by us or our competitors, or rapid changes in customer demand.

Valuation of Goodwill, Intangible and Other Long-Lived Assets. We use assumptions in establishing the carrying value, fair value and estimated lives of our long-lived assets and goodwill. The criteria used for these evaluations include management's estimate of the asset's continuing ability to generate positive income from operations and positive cash flow in future periods compared to the carrying value of the asset, as well as the strategic significance of any identifiable intangible asset in our business objectives. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Useful lives and related amortization or depreciation expense are based on our estimate of the period that the assets will generate revenues or otherwise be used by the Company. Factors that would influence the likelihood of a material change in our reported results include significant changes in the asset's ability to generate positive cash flow, loss of legal ownership or title to the asset, a significant decline in the economic and competitive environment on which the asset depends, significant changes in our strategic business objectives, utilization of the asset, and a significant change in the economic and/or political conditions in certain countries.

Valuation of Deferred Income Taxes. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The likelihood of a material change in our expected realization of these assets is dependent on future taxable income, our ability to deduct tax loss carryforwards against future taxable income, the effectiveness of our tax planning and strategies among the various tax jurisdictions that we operate in, and any significant changes in the tax treatment received on our business combinations.

Provision for Warranty. We provide for the estimated cost of product warranties at the time the related revenue is recognized. The amount of this provision is determined by using a financial model which takes into consideration actual historical expenses and potential risks associated with the Company's different products. This financial model is then used to calculate the future probable expenses related to warranty and the required level of the warranty provision. Although we engage in product improvement programs and processes, our warranty obligation is affected by product failure rates and costs incurred to correct those product failures. Should actual product failure rates or estimated costs to repair those product failures differ from our estimates, revisions to our estimated warranty provision would be required.





RESMED INC. AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Market Risk

The Company's functional currency is the US dollar although the Company transacts business in various foreign currencies including a number of major European currencies as well as the Australian dollar. The Company has significant foreign currency exposure through both its Australian manufacturing activities and international sales operations.

The Company has established a foreign currency hedging program using purchased currency options to hedge foreign-currency-denominated financial assets, liabilities and manufacturing expenditure. The goal of this hedging program is to economically guarantee or lock in the exchange rates on the Company's foreign currency exposures denominated in Euros and Australian dollars. Under this program, increases or decreases in the Company's foreign-currency-denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments.

The Company does not use foreign currency forward exchange contracts or purchased currency options for trading purposes.

The table below provides information about the Company's foreign currency derivative financial instruments and presents such information in US dollar equivalents. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency call options held at March 31, 2002. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for the Company's foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under the options contracts.

<TABLE>
<CAPTION>

| (In US$ thousands) | Fiscal Year 2002 | 2003 | Total | Fair Value Assets/(Liabilities) March 31 2002 | June 30 2001 |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Foreign Exchange Call Options | | | | | |
| (Receive AUS$/Pay US$) | | | | | |
| Option amount | $36,000 | $54,000 | $90,000 | $717 | $577 |
| Average contractual exchange rate | AUS $1 = USD 0.581 | AUS $1 = USD 0.549 | AUS $1 = USD 0.561 | | |
| (Receive AUS$/Pay Euro) | | | | | |
| Option amount | $6,680 | $38,388 | $45,068 | $1,497 | $20 |
| Average contractual exchange rate | AUS $1 = Euro 0.599 | AUS $1 = Euro 0.591 | AUS $1 = Euro 0.592 | | |

</TABLE>





RESMED INC. AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to risk associated with changes in interest rates affecting the return on investments.

At March 31, 2002, the Company maintained a portion of its cash and cash equivalent in financial instruments with original maturities of three months or less. We maintain a short-term investment portfolio containing financial instruments in which the majority of funds invested have original maturities of greater than three months but less than twelve months. The financial instruments, principally comprised of corporate obligations, are subject to interest rate risk and will decline in value if interest rates increase.

A hypothetical 100 basis point change in interest rates during the three months ended March 31, 2002, would have resulted in approximately $0.3 million change in pre-tax income. In addition, the value of our marketable securities would change by approximately $0.5 million following a hypothetical 100 basis point change in interest rates. We do not use derivative financial instruments in our investment portfolio.

Forward-Looking Statements

This report on Form 10Q contains or may contain certain forward-looking statements and information that are based on the beliefs of our management as well as estimates and assumptions made by, and information currently available to our management. The words "believe," "expect," "anticipate," "estimate," "plan," "future" and other similar expressions generally identify forward-looking statements, including, in particular, statements regarding the development and approval of new products and product applications, pending litigation, and the development of new markets for the Company's products, such as the CHF and stroke markets. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these forward-looking statements. Such forward-looking statements reflect the views of our management at the time such statements are made and are subject to a number of risks, uncertainties, estimates and assumptions, including, without limitation, and in addition to those identified in the text surrounding such

statements, those identified below and elsewhere in this report. In addition, important factors to consider in evaluating such forward-looking statements include changes or developments in social, economic, market, legal or regulatory circumstances, changes in our business or growth strategy or an inability to execute our strategy due to changes in our industry or the economy generally, the emergence of new or growing competitors, the actions or omissions of third parties, including suppliers, customers, competitors and governmental authorities, and various other factors. Should any one or more of these risks or uncertainties materialize, or the underlying estimates or assumptions prove incorrect, actual results may vary significantly from those expressed in such forward-looking statements, and there can be no assurance that the forward-looking statements contained in this report will in fact occur.





RESMED INC. AND SUBSIDIARIES
RISK FACTORS

The risks and uncertainties that may affect our business, financial condition or results of operations include the following:

Our inability to compete successfully in our markets may harm our business.

The markets for our SDB products are highly competitive and are characterized by frequent product improvements and evolving technology. Our ability to compete successfully depends, in part, on our ability to develop innovative new products and to be the first to market with those products. The development of innovative new products by our competitors or the discovery of alternative treatments or potential cures for the conditions that our products treat could result in our products becoming noncompetitive or obsolete.

Additionally, some of our competitors have greater financial, research and development, manufacturing and marketing resources than we do. The past several years have seen a trend towards consolidation in the health care industry and in the markets for our products. Industry consolidation could result in greater competition if our competitors combine their resources or if our competitors are acquired by other companies with greater resources than ours. This competition could increase pressure on us to reduce the selling prices of our products or could cause us to increase our spending on research and development and sales and marketing. If we are unable to develop innovative new products, maintain competitive pricing, and offer products that consumers perceive to be as reliable as those of our competitors, our sales or gross margins could decrease which would harm our business.

Our business depends on our ability to market effectively to dealers of home health care products and sleep clinics.

We market our products primarily to home health care dealers and to sleep clinics that diagnose OSA and other sleep disorders. We believe that home health care dealers and sleep clinics play a significant role in determining which brand of CPAP product a patient will use. For example, in the United States, when a physician at a sleep clinic prescribes the use of a CPAP product, the patient typically purchases the product from a home health care dealer. The physician may or may not prescribe a specific brand of CPAP product. If a specific brand is prescribed, we believe the brand prescribed depends upon the brand of CPAP product that is used in the sleep clinic. If a specific brand is not prescribed, the home health care dealer may recommend a specific brand. Occasionally, even if the physician prescribes a specific brand, a home health care dealer may substitute a competitive CPAP product for the patient. We have limited resources to market to the more than 2,000 U.S. sleep clinics and the more than 4,000 home health care dealer branch locations, most of which use, sell or recommend several brands of CPAP products.





RESMED INC. AND SUBSIDIARIES
RISK FACTORS

Our business depends on our ability to market effectively to dealers of home health care products and sleep clinics, Continued

In addition, home health care dealers have experienced price pressures as government and third-party reimbursement have declined for home care products, and home health care dealers are requiring price discounts and longer periods of time to pay for products purchased from us. We cannot assure you that sleep clinic physicians will continue to prescribe our products, or that home health care dealers or patients will not substitute competing products when a

prescription specifying our products has been written. The success of our business depends on our ability to market effectively to home health care dealers and sleep clinics and to ensure that our products are properly marketed and sold by these third parties.

We intend to expand our marketing activities to target the population with a predisposition to SDB as well as primary care physicians and specialists. We cannot assure you that these marketing efforts will be successful in increasing awareness of our products.

If we are unable to support our continued growth, our business could suffer.

We have experienced rapid and substantial growth. As we continue to grow, the complexity of our operations increases, placing greater demands on our management. Our ability to manage our growth effectively depends upon our ability to implement and improve our financial and management information systems on a timely basis and to effect other changes in our business. Unexpected difficulties during expansion, the failure to attract and retain qualified employees, the failure to successfully replace or upgrade our management information systems, the failure to manage costs or our inability to respond effectively to growth or plan for future expansion could cause our growth to stop. If we fail to manage our growth, our business could suffer.

We manufacture substantially all of our products outside the United States and sell a significant portion of our products in non-U.S. markets, subjecting us to various risks relating to international activities that could adversely affect our overall profitability.

Sales outside North and Latin America accounted for approximately 48%, 46%, and 43% of our net revenues in fiscal years 2001, 2000 and 1999, respectively. As a result of the MAP acquisition, we expect that sales within these areas will account for approximately 50% of our net revenues in the foreseeable future. Our sales outside of North America and our operations in Europe, Australia and Asia are subject to several difficulties and risks that are separate and distinct from those we face in our domestic operations, including:







We manufacture substantially all of our products outside the United States and sell a significant portion of our products in non-U.S. markets, subjecting us to various risks relating to international activities that could adversely affect our overall profitability, Continued

... fluctuations in currency exchange rates;
... tariffs and other trade barriers;
... compliance with foreign medical device manufacturing regulations;
... reduction in third party payer reimbursement for our products;
... inability to obtain import licenses;
... changes in trade policies and in domestic and foreign tax policies;
... possible changes in export or import restrictions; and
... the modification or introduction of other governmental policies with potentially adverse effects.

Fluctuations in foreign currency exchange rates could result in declines in our reported sales and earnings.

Since our international sales and a significant portion of our manufacturing costs are denominated in local currencies and not in U.S. dollars, our reported sales and earnings are subject to fluctuations in foreign exchange rates. We had foreign currency transaction losses in recent periods and may have further losses in the future. We expect that international sales will continue to be a significant portion of our business and that a significant portion of our manufacturing costs will continue to be denominated in Australian dollars.

Government and private insurance plans may not reimburse patients for our products, which could result in reductions in sales or selling prices for our products.

Our ability to sell our products depends in large part on the extent to which reimbursement for the cost of our products will be available from government health administration authorities, private health insurers and other organizations. These third party payors are increasingly challenging the prices charged for medical products and services. Therefore, even if a product is approved for marketing, we cannot assure you that reimbursement will be allowed for such product or that the reimbursement amount will be adequate or, if adequate, will not subsequently be reduced. For example, in some markets, such as Spain, France and Germany, government reimbursement is currently available for purchase or rental of our products but is subject to constraints such as

price controls or unit sales limitations. In other markets, such as Australia and the United Kingdom, there is currently limited or no reimbursement for devices that treat sleep disordered breathing related respiratory conditions. Additionally, future legislation or regulation concerning the health care industry or third party or governmental coverage and reimbursement, particularly, legislation or regulation limiting consumers' reimbursement rights may harm our business.





RESMED INC. AND SUBSIDIARIES
RISK FACTORS

Government and private insurance plans may not reimburse patients for our products, which could result in reductions in sales or selling prices for our products, Continued

As we continue to develop new products, those products will generally not qualify for reimbursement, if at all, until they are approved for marketing. In the United States, we sell our products primarily to home health care dealers and to sleep clinics. We do not file claims and bill governmental programs and other third party payors directly for reimbursement for our products. However, we are still subject to laws and regulations relating to governmental reimbursement programs, particularly Medicaid and Medicare.

In particular, the federal Anti-Kickback Law prohibits persons from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce either the referral of an individual, or the furnishing, recommending or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. The government has interpreted this law broadly to apply to the marketing and sales activities of manufacturers and distributors like us. Many states have adopted laws similar to the federal Anti-Kickback Law. We are also subject to other federal and state fraud laws applicable to payment from any third party payer. These laws prohibit persons from knowingly and willfully filing false claims or executing a scheme to defraud any healthcare benefit program, including private third party payors. These laws may apply to manufacturers and distributors who provide information on coverage, coding, and reimbursement of their products to persons who do bill third party payors. Any violation of these laws and regulations could result in civil and criminal penalties, including fines.

Complying with FDA and other regulations is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.

We are subject to various federal, state, local and international regulations regarding the testing, manufacture, distribution, marketing, promotion, record keeping and reporting of our products. In particular, our failure to comply with FDA regulations could result in, among other things, recalls of our products, substantial fines and/or criminal charges against us and our employees.

Product sales, introductions or modifications may be delayed or canceled as a result of the FDA or similar foreign regulations, which could cause our sales to decline.

Before we can market or sell a new medical device in the United States, we must obtain FDA clearance, which can be a lengthy and time-consuming process. We generally receive clearance from the FDA to market our products in the United States under Section 510(k) of the Federal Food, Drug, and Cosmetic Act or our products are exempt from the 510(k) clearance process. We have modified some of our 510(k) approved products without submitting new 510(k) notices, which we do not believe were required.





RESMED INC. AND SUBSIDIARIES
RISK FACTORS

Product sales, introductions or modifications may be delayed or canceled as a result of the FDA or similar foreign regulations, which could cause our sales to decline, Continued

However, if the FDA disagrees with us and requires us to submit new 510(k) notifications for modifications to our existing products, we may be required to stop marketing the products while the FDA reviews the 510(k) notification. Any new product introduction or existing product modification could be subjected to a lengthier, more rigorous FDA examination process. For example, in certain

cases we may need to conduct clinical trials of a new product prior to submitting a 510(k) notice. Additionally, we may be required to obtain premarket approvals for our products. The requirements of these more rigorous processes could delay product introductions and increase the costs associated with FDA compliance. Marketing and sale of our products outside the United States are also subject to regulatory clearances and approvals, and if we fail to obtain these regulatory approvals, our sales could suffer. We cannot assure you that any new products we develop will receive required regulatory approvals from U.S. or foreign regulatory agencies.

Off label marketing of our products could result in substantial penalties.

Clearance under Section 510(k) only permits us to market our products for the uses indicated on the labeling cleared by the FDA. We may request additional label indications for our current products, and the FDA may deny those requests outright, require additional expensive clinical data to support any additional indications or impose limitations on the intended use of any cleared products as a condition of clearance. If the FDA determines that we have marketed our products for off label use, we could be subject to fines, injunctions or other penalties.

Disruptions in the supply of components from our single source suppliers could result in a significant reduction in sales and profitability.

We purchase uniquely configured components for our devices from single-source suppliers. We cannot assure you that a replacement supplier would be able to configure its components for our devices on a timely basis or, in the alternative, that we would be able to reconfigure our devices to integrate the replacement part. A reduction or stoppage in supply while a replacement supplier reconfigures its components, or while we reconfigure our components for the replacement part, would limit our ability to manufacture our devices, which could result in a significant reduction in sales and profitability. We cannot assure you that our inventories would be adequate to meet our production needs during any prolonged interruption of supply.





RESMED INC. AND SUBSIDIARIES
RISK FACTORS

Our intellectual property may not protect our products, and our products may infringe on the intellectual property rights of third parties.

We rely on a combination of patents, trade secrets and non-disclosure agreements to protect our intellectual property. Our success depends, in part, on our ability to obtain and maintain United States and foreign patent protection for our products, their uses and our processes to preserve our trade secrets and to operate without infringing on the proprietary rights of third parties. We have a number of pending patent applications, and we do not know whether any patents will issue from any of these applications. We do not know whether any of the claims in our issued patents or pending applications will provide us with any significant protection against competitive products or otherwise be commercially valuable. Legal standards regarding the validity of patents and the proper scope of their claims are still evolving, and there is no consistent law or policy regarding the valid breadth of claims. Additionally, there may be third party patents, patent applications and other intellectual property relevant to our products and technology which are not known to us and that block or compete with our products.

We face the risks that:

... third parties will infringe our intellectual property rights;

... our non-disclosure agreements will be breached;

... we will not have adequate remedies for infringement;

... our trade secrets will become known to or independently developed by our competitors; or

... any third parties will be issued patents that may prevent the sale of our products or require us to license and pay fees or royalties in order for us to be able to market some of our products.

We are currently engaged in litigation relating to the enforcement and defense of five of our patents. Additional litigation may be necessary to enforce patents issued to us, to protect our proprietary rights, or to defend third party claims that we have infringed upon proprietary rights of others. The defense and prosecution of patent claims, including these pending claims, as well as participation in other inter-party proceedings, can be expensive and time consuming, even in those instances in which the outcome is favorable to us.

If the outcome of any litigation or proceeding brought against us were adverse, we could be subject to significant liabilities to third parties, could be required to obtain licenses from third parties or could be required to cease sales of the affected products. Additionally, the laws regarding the enforceability of patents vary from country to country, and we cannot assure you that any patent issues we face will be uniformly resolved, or that local laws will provide us with consistent rights and benefits.





RESMED INC. AND SUBSIDIARIES
RISK FACTORS

We are subject to product liability claims that may exceed the scope and amount of our insurance coverage, which would expose us to liability for uninsured claims.

We are subject to potential product liability claims as a result of the design, manufacture and marketing of medical devices. Any product liability claim brought against us, with or without merit, could result in the increase of our product liability insurance rates. In addition, we would have to pay any amount awarded by a court in excess of our policy limits. Our insurance policies have various exclusions, and thus we may be subject to a product liability claim for which we have no insurance coverage, in which case, we may have to pay the entire amount of any award. We cannot assure you that our insurance coverage will be adequate or that all claims brought against us will be covered by our insurance. Insurance varies in cost and can be difficult to obtain, and we cannot assure you that we will be able to obtain insurance in the future on terms acceptable to us or at all. A successful product liability claim brought against us in excess of our insurance coverage, if any, may require us to pay substantial amounts, which could harm our business.

Our business could suffer if we lose the services of key members of our management.

We are dependent upon the continued services of key members of our senior management and a limited number of key employees and consultants. The loss of the services of any one of these individuals could significantly disrupt our operations. Additionally, our future success will depend, among other factors, on our ability to continue to hire and retain the necessary qualified scientific, technical and managerial personnel. We compete for such personnel with numerous other companies, academic institutions and organizations.

Our quarterly operating results are subject to fluctuation for a variety of reasons.

Our operating results have, from time to time, fluctuated on a quarterly basis and may be subject to similar fluctuations in the future. These fluctuations may result from a number of factors, including:

... the introduction of new products by us or our competitors;

... the geographic mix of product sales;

... the success of our marketing efforts in new regions;

... changes in third party reimbursement;

... timing of regulatory clearances and approvals;

... timing of orders by distributors;

... expenditures incurred for research and development;

... competitive pricing in different regions;

... seasonality;

... the cost and effect of promotional and marketing programs; and

... the effect of foreign currency transaction gains or losses.





RESMED INC. AND SUBSIDIARIES
RISK FACTORS

If a natural or man-made disaster strikes our manufacturing facilities, we will be unable to manufacture our products for a substantial amount of time and our sales will decline.

We manufacture a significant portion of our products in our facilities in Australia. These facilities and the manufacturing equipment we use to produce our products would be costly to replace and could require substantial lead time to repair or replace. The facilities may be affected by natural or man made disasters and in the event it was affected by a disaster, we would be forced to rely on third party manufacturers. Although we believe we possess adequate insurance for damage to our property and the disruption of our business from casualties, such insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

Delaware law, provisions in our charter and our shareholder rights plan could make the acquisition of our company by another company more difficult.

Provisions of our certificate of incorporation may have the effect of delaying or preventing changes in control or management which might be beneficial to us or our security holders. In particular, our board of directors is divided into three classes, serving for staggered three-year terms. Because of this classification it will require at least two annual meetings to elect directors constituting a majority of our board of directors.

Delaware law, provisions in our charter and our shareholder rights plan could make the acquisition of our company by another company more difficult, Continued

Additionally, our board of directors has the authority to issue up to 2,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without further vote or action by the stockholders. Under our stockholders rights plan, we have also issued purchase rights to the holders of our common stock that entitle those holders to purchase our Series A Junior Participating Preferred Stock at a discount, under certain circumstances. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control, may discourage bids for our common stock at a premium over the market price of our common stock and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.





RESMED INC. AND SUBSIDIARIES
RISK FACTORS

You may not be able to enforce the judgments of U.S. courts against some of our assets or officers and directors.

A substantial portion of our assets are located outside the United States. Additionally, two of our six directors and three of our eight officers reside outside the United States, along with all or a substantial portion of the assets of these persons. As a result, it may not be possible for investors to enforce judgments of U.S. courts relating to any liabilities under U.S. securities laws against our assets, those persons or their assets. In addition, we have been advised by our Australian counsel that some doubt exists as to the ability of investors to pursue claims based on U.S. securities laws against these assets or these persons in Australian courts.

The information contained in this section is not intended to be an exhaustive description of the risks and uncertainties inherent in our business or in our strategic plans.





RESMED INC AND SUBSIDIARIES

Item 1 Legal Proceedings
See Note 9 to the Condensed Consolidated Financial Statements

Item 2 Changes in Securities and Use of Proceeds
None

Item 3 Defaults Upon Senior Securities
None

Item 4 Submission of Matters to a Vote of Security Holders
None

Item 5 Other Information
None

Item 6 Exhibits and Report on Form 8K
(a) Exhibits
None

(b) Reports on Form 8-K
None





RESMED INC AND SUBSIDIARIES
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ResMed Inc

/s/ PETER C FARRELL
Peter C Farrell
President and Chief Executive Officer

/s/ ADRIAN M SMITH
Adrian M Smith
Vice President Finance and Chief Financial Officer