

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2007

Commission file number: 001-15317

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.)

1404 Danielson Street

Poway, CA 92064-6857

United States of America

(Address of principal executive offices)

(858) 746-2400

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act

Title of each class

Common Stock, \$.004 Par Value

Name of each exchange upon which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (S 229.405 of this Chapter) is not contained herein and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of registrant as of December 31, 2006 (the last business day of the registrant's most recently completed second fiscal quarter), computed by reference to the closing sale price of such stock on the New York Stock Exchange, was approximately \$3,684,206,000. (All directors, executive officers, and 10% stockholders of registrant are considered affiliates.)

At August 17, 2007, registrant had 77,485,037 shares of Common Stock, \$.004 par value, issued and outstanding. This number excludes 2,657,518 shares held by the registrant as treasury shares.

Portions of the registrant's definitive Proxy Statement to be delivered to shareholders in connection with the registrant's 2007 Annual Meeting of Stockholders, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this report.

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Activa, ActiveCell, Adapt SV, Adaptiv, Aerial, Aero-Click, Aero-Fix, ApneaLink, AutoVPAP, AutoScan, AutoSet, AutoSet CS, AutoSet Spirit, AutoSet T, AutoSet Vantage, AutoSet.com, AutoSet-CS.com, AutoView, Bubble Cushion, Bubble Mask, Elisée, Eole, Escape, Helia, HumidAire, IPAP MAX, IPAP MIN, Kidsta, Magellan, Malibu, MAP, MEPAL, Meridian, MESAM, minni Max, Mirage, Protégé, Moritz biLEVEL, Papillon, Poly-MESAM, ResCap, ResControl, ResMed, S6, S7, S8, SELFSET, SleepVantage, SmartStart, Spirit, Spiro+, Sullivan, Swift, Tango, T₁Control, Ultra Mirage, Vential, VPAP, VS Easyfit are our trademarks.

As used in this 10-K, the terms “we”, “us”, “our” and “the Company” refer to ResMed Inc., a Delaware corporation, and its subsidiaries, on a consolidated basis, unless otherwise stated.

PART I

Cautionary Note Regarding Forward-Looking Statements

This report 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. All statements other than statements regarding historical facts are forward-looking statements. The words “believe,” “expect,” “anticipate,” “intend,” “seek,” “will,” “will continue,” “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, market expansion, pending litigation, and the development of new markets for our products, such as cardiovascular 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 each of which applies only as of the date of this report. 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 in Item 1A “Risk Factors” 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, the impact of future developments related to the recently announced product recall, and various other factors subject to risks and uncertainties which could cause actual results to materially differ from those projected or implied in the forward-looking statements. 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.

ITEM 1 BUSINESS

General

We are a leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing and other respiratory disorders. Sleep-disordered breathing, or SDB, includes obstructive sleep apnea, or OSA, and other respiratory disorders that occur during sleep. When we were formed in 1989, our primary purpose was to commercialize a treatment for OSA developed by Professor Colin Sullivan. This treatment, nasal Continuous Positive Airway Pressure, or CPAP, was the first successful noninvasive treatment for OSA. CPAP systems deliver pressurized air, typically through a nasal mask, to prevent collapse of the upper airway during sleep.

Since the development of CPAP, we have developed a number of innovative products for SDB and other respiratory disorders including airflow generators, diagnostic products, mask systems, headgear and other accessories. Our growth has been fuelled by geographic expansion, increased awareness of respiratory conditions as a significant health concern among physicians and patients, and our research and product development efforts.

We employ approximately 2,700 people and sell our products in over 68 countries through a combination of wholly owned subsidiaries and independent distributors.

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Our web site address is www.resmed.com. We make our periodic reports, together with any amendments, available on our web site, free of charge, as soon as reasonably practicable after we electronically file or furnish the reports with the Securities and Exchange Commission.

Corporate History

ResMed Inc., a Delaware corporation, was formed in March 1994 as the ultimate holding company for our Americas, Asia-Pacific and European operating subsidiaries. On June 1, 1995, we completed an initial public offering of common stock and on June 2, 1995 our common stock commenced trading on the NASDAQ National Market. On September 30, 1999 we transferred our principal public listing to the New York Stock Exchange, or NYSE, trading under the ticker symbol RMD. On November 25, 1999, we established a secondary listing of our common stock via Chess Depository Instruments, or CDI's, on the Australian Stock Exchange, or ASX, also under the symbol RMD. Ten CDI's on the ASX represent one share of our common stock on the NYSE. On July 1, 2002, we converted our ASX listing status from a foreign exempt listing to a full listing.

Our Australian subsidiary, ResMed Holdings Limited, was originally organized in 1989 by Dr. Peter Farrell to acquire from Baxter Center for Medical Research Pty Limited, or Baxter, the rights to certain technology relating to CPAP treatment as well as Baxter's existing CPAP device business. Baxter had sold CPAP devices in Australia since 1988, having acquired the rights to the technology in 1987.

Since formation we have acquired a number of operating businesses including:

Name of Entity	Date of Acquisition
Dieter W. Priess Medtechnik	February 7, 1996
Premium Medical SARL	June 12, 1996
Innovmedics Pte Ltd	November 1, 1997
EINAR Egnell AB	January 31, 2000
MAP Medizin Technologie GmbH	February 16, 2001
Labhardt AG	November 15, 2001
Servo Magnetics Inc.	May 14, 2002
John Stark and Associates	July 24, 2002
Respro Medical Company Limited	July 2, 2003
Resprecare BV	December 1, 2004
Hoefner Medizintechnik GmbH	February 14, 2005
Saime SA	May 19, 2005
Pulmomed Medizinisch-Technische Geräte GmbH	July 1, 2005
PolarMed Holding AS	December 1, 2005
Western Medical Marketing	October 4, 2006

Segment Information

The Company believes that, given the single market focus of its operations solely in the sleep-disordered breathing sector of the respiratory medicine industry, and the inter-dependence of its products, the Company operates as a single operating segment. See Note 16 – Segment Information of the Notes to Financial Statements (Part II, Item 8) for financial information regarding segment reporting. Financial information about our revenues from and assets located in foreign countries is also included in the notes to our consolidated financial statements.

The Market

Sleep is a complex neurological process that includes two distinct states: rapid eye movement, or REM, sleep and non-rapid eye movement, or non-REM, sleep. REM sleep, which is about 20-25% of

total sleep experienced by adults, is characterized by a high level of brain activity, bursts of rapid eye movement, increased heart and respiration rates, and paralysis of many muscles. Non-REM sleep is subdivided into four stages that generally parallel sleep depth; stage 1 is the lightest and stage 4 is the deepest.

The upper airway has no rigid support and is held open by active contraction of upper airway muscles. Normally, during REM sleep and deeper levels of non-REM sleep, upper airway muscles relax and the airway narrows. Individuals with narrow upper airways or poor muscle tone are prone to temporary collapses of the upper airway during sleep, called apneas, and to near closures of the upper airway called hypopneas. These breathing irregularities result in a lowering of blood oxygen concentration, causing the central nervous system to react to the lack of oxygen or increased carbon dioxide and signaling the body to respond. Typically, the individual subconsciously arouses from sleep, causing the throat muscles to contract, opening the airway. After a few gasping breaths, blood oxygen levels increase and the individual can resume a deeper sleep until the cycle repeats itself. Sufferers of OSA typically experience ten or more such cycles per hour. While these awakenings greatly impair the quality of sleep, the individual is not normally aware of these disruptions. In addition, OSA has recently been recognized as a cause of hypertension and a significant co-morbidity for heart disease, stroke and diabetes.

Scientists estimate that one in five adults have some form of obstructive sleep apnea. In the United States alone, this represents approximately 43 million people. Despite the high prevalence of OSA, there is a general lack of awareness of OSA among both the medical community and the general public. It is estimated that less than 10% of those with OSA have been diagnosed or treated. Many healthcare professionals are often unable to diagnose OSA because they are unaware that such non-specific symptoms as excessive daytime sleepiness, snoring, hypertension and irritability are characteristic of OSA.

While OSA has been diagnosed in a broad cross-section of the population, it is predominant among middle-aged men and those who are obese, smoke, consume alcohol in excess or use muscle-relaxing and pain-killing drugs. A strong association has been discovered between OSA and a number of cardiovascular diseases. Recent studies have shown that SDB is present in approximately 80% of patients with drug-resistant hypertension, approximately 60% of stroke patients and approximately 50% of patients with congestive heart failure. More recently, studies have shown a connection between SDB and diabetes: recent studies indicate that SDB is independently associated with glucose intolerance and insulin resistance.

Sleep-Disordered Breathing and Obstructive Sleep Apnea

Sleep-disordered breathing encompasses all physiological processes that cause detrimental breathing patterns during sleep. Manifestations include OSA, central sleep apnea, or CSA, and hypoventilation syndromes that occur during sleep. Hypoventilation syndromes are generally associated with obesity, chronic obstructive lung disease and neuromuscular disease. OSA is the most common form of SDB.

Sleep fragmentation and the loss of the deeper levels of sleep caused by OSA can lead to excessive daytime sleepiness, reduced cognitive function, including memory loss and lack of concentration, depression and irritability. OSA sufferers also experience an increase in heart rate and an elevation of blood pressure during the cycle of apneas. Several studies indicate that the oxygen desaturation, increased heart rate and elevated blood pressure caused by OSA may be associated with increased risk of cardiovascular morbidity and mortality due to angina, stroke and heart attack. Patients with OSA have been shown to have impaired daytime performance in a variety of cognitive functions including problem solving, response speed and visual motor coordination, and studies have linked OSA to increased occurrences of traffic and workplace accidents.

Generally, an individual seeking treatment for the symptoms of OSA is referred by a general practitioner to a specialist for further evaluation. The diagnosis of OSA typically requires monitoring the patient during sleep at either a sleep clinic or the patient's home. During overnight testing, respiratory parameters and sleep patterns may be monitored, along with other vital signs such as heart rate and blood oxygen levels. Simpler tests, using devices such as our Apnealink, or our automatic positive airway pressure devices, monitor airflow during sleep, and use computer programs to analyze airflow patterns. These tests allow sleep clinicians to detect any sleep disturbances such as apneas, hypopneas or subconscious awakenings. We estimate that there are currently around 3,000 sleep clinics in the United States, a substantial portion of which are affiliated with hospitals. The number of sleep clinics has expanded significantly from approximately 100 such facilities in 1985.

Existing Therapies

Before 1981, the primary treatment for OSA was a tracheotomy, a surgical procedure to cut a hole in the patient's windpipe to create a channel for airflow. Most recently, alternative treatments have involved either uvulopalatopharyngoplasty, or UPPP, in which surgery is performed on the upper airway to remove excess tissue and to streamline the shape of the airway, implanting a device to add support to the soft palate, or mandibular advancement, in which the lower jaw is moved forward to widen the patient's airway. UPPP alone has a poor success rate; however, when performed in conjunction with multi-stage upper airway surgical procedures, a greater success rate has been claimed. These combined procedures, performed by highly specialized surgeons, are expensive and involve prolonged and often painful recovery periods.

CPAP, by contrast, is a non-invasive means of treating OSA. CPAP was first used as a treatment for OSA in 1980 by Dr. Colin Sullivan, the past Chairman of our Medical Advisory Board. CPAP systems were commercialized for treatment of OSA in the United States in the mid 1980's. Today, use of CPAP is generally acknowledged as the most effective and least invasive therapy for managing OSA.

During CPAP treatment, a patient sleeps with a nasal interface connected to a small portable airflow generator that delivers room air at a positive pressure. The patient breathes in air from the flow generator and breathes out through an exhaust port in the interface. Continuous air pressure applied in this manner acts as a pneumatic splint to keep the upper airway open and unobstructed. Interfaces include nasal masks and nasal pillows. Sometimes, when a patient leaks air through their mouth, a full-face mask may need to be used, rather than a nasal interface.

CPAP is not a cure and therefore, must be used on a nightly basis as long as treatment is required. Patient compliance has been a major factor in the efficacy of CPAP treatment. Early generations of CPAP units provided limited patient comfort and convenience. Patients experienced soreness from the repeated use of nasal masks and had difficulty falling asleep with the CPAP device operating at the prescribed pressure. In more recent years, product innovations to improve patient comfort and compliance have been developed. These include more comfortable patient interface systems; delay timers that gradually raise air pressure allowing the patient to fall asleep more easily; bilevel air flow generators, including Variable Positive Airway Pressure, or VPAP systems, which provide different air pressures for inhalation and exhalation; heated humidification systems to make the airflow more comfortable; and autotitration devices that reduce the average pressure delivered during the night.

Business Strategy

We believe that the SDB market will continue to grow in the future due to a number of factors including increasing awareness of OSA, improved understanding of the role of SDB treatment in the management of cardiac, neurologic, metabolic and related disorders, and an increase in home-based

diagnosis. Our strategy for expanding our business operations and capitalizing on the growth of the SDB market consists of the following key elements:

Continue Product Development and Innovation. We are committed to ongoing innovation in developing products for the diagnosis and treatment of SDB. We have been a leading innovator of products designed to more effectively treat SDB, increase patient comfort and encourage compliance with prescribed therapy. For example, in 1999 we introduced the Mirage Full Face Mask. This mask contains an inflatable air pocket, which conforms to the patient's facial contours, creating a more comfortable and better seal. In 2002, we introduced the AutoSet Spirit flow generator, our second-generation autotitrating device that adapts to the patient's breathing patterns to more effectively treat OSA. In 2003, we introduced the Mirage Activa nasal mask, with active cushion technology to automatically seal mask leaks. In 2004, we introduced the Mirage Swift nasal pillows system, a less obtrusive, lightweight, and flexible alternative to nasal masks. In 2005, we introduced the S8 range of CPAP, a small flow generator with optional integrated humidification. In 2007, we launched several new patient interfaces including the Mirage Quattro, a full face mask that offers dual-wall cushion with spring air technology which accommodates movement during sleep, and the Mirage Liberty, which combines our nasal pillow technology in a full face mask product with a minimalist design. We believe that continued product development and innovation are key factors to our ongoing success. Approximately 12% of our employees are devoted to research and development activities. In fiscal year 2007, we invested \$50.1 million, or 7% of our revenues, in research and development.

Expand Geographic Presence. We market our products in over 68 countries to sleep clinics, home healthcare dealers and third party payers. We intend to increase our sales and marketing efforts in our principal markets, as well as expand the depth of our presence in other geographic regions.

Increase Public and Clinical Awareness. We intend to continue to expand our existing promotional activities to increase awareness of SDB and our treatment alternatives. These promotional activities target the population with predisposition to SDB as well as primary care physicians and specialists, such as cardiologists, neurologists and pulmonologists. In addition, we also target special interest groups, including the National Stroke Association, the American Heart Association and the National Sleep Foundation.

During fiscal years 2007, 2006 and 2005, we donated \$Nil, \$0.8 million and \$0.5 million, respectively, to the ResMed Foundation in the United States, and the ResMed Foundation in Australia, to further enhance research and awareness of SDB. The contributions to the Foundations reflect ResMed's commitment to medical research into sleep-disordered breathing, particularly the treatment of obstructive sleep apnea.

Expand into New Clinical Applications. We continually seek to identify new applications of our technology for significant unmet medical needs. Recent studies have established a clinical association between OSA and both stroke and congestive heart failure, and have recognized SDB as a cause of hypertension or high blood pressure. Research also indicates that SDB is independently associated with glucose intolerance and insulin resistance. We have developed a device for the treatment of Cheyne-Stokes breathing in patients with congestive heart failure. In addition, we maintain close working relationships with a number of prominent physicians to explore new medical applications for our products and technology. We have recently received Food and Drug Administration, or FDA, clearance and launched a new product in the United States for the treatment of respiratory insufficiency due to central sleep apnea, mixed apnea and periodic breathing, called the Adapt SV. The Adapt SV uses a technology known as adaptive servo-ventilation and was first made available to a select group of U.S. key opinion leader sites beginning in the third quarter of fiscal year 2006. Adaptive servo-ventilation, utilizes an advanced algorithm to calculate a patient-specific minute ventilation target and automatically adjusts pressure support to maintain the target. We believe this

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technology has allowed physicians to successfully treat complex breathing disorders in some patients who had previously tried and failed traditional positive airway pressure therapy.

Leverage the Experience of our Management Team. Our senior management team has extensive experience in the medical device industry in general, and in the field of SDB in particular. We intend to continue to leverage the experience and expertise of these individuals to maintain our innovative approach to the development of products and increase awareness of the serious medical problems caused by SDB.

Products

Our portfolio of products for the treatment of OSA and other forms of SDB includes airflow generators, diagnostic products, mask systems, headgear and other accessories.

Air Flow Generators

We produce CPAP, VPAP and AutoSet systems for the titration and treatment of SDB. The flow generator systems deliver positive airway pressure through a patient interface, either a small nasal mask, nasal pillows system, or full-face mask.

Our VPAP units deliver ultra-quiet, comfortable bilevel therapy. There are two preset pressures: a higher pressure as the patient breathes in, and a lower pressure as the patient breathes out. Breathing out against a lower pressure makes treatment more comfortable, particularly for patients who need high pressure levels or for those with impaired breathing ability.

AutoSet systems are based on a proprietary technology to monitor breathing and can also be used in the diagnosis, treatment and management of OSA. CPAP and VPAP flow generators accounted for approximately 52%, 52% and 49% of our net revenues in fiscal years 2007, 2006 and 2005, respectively.

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With the acquisition of Saime SA in May 2005, we increased our presence in the European homecare ventilation market. The VS and Elisée range of products are sophisticated, yet easy to use for physicians, clinicians and patients. We believe these devices complement our VPAP III, VPAP Adapt SV and Autoset CS2 for patients who need ventilatory assistance.

VPAP PRODUCTS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
VPAP II	Bilevel portable device providing different pressure levels for inhalation and exhalation, improved pressure switching and reduced noise output and spontaneous breath triggering.	March 1996
COMFORT	Bilevel device with limited features.	March 1996
VPAP II ST	Bilevel portable device with spontaneous and spontaneous/timed breath triggering modes of operation.	April 1996
VPAP II STA	Bilevel device with alarms.	August 1998
VPAP MAX	Bilevel ventilatory support system for the treatment of adult patients with respiratory insufficiency or respiratory failure.	November 1998
Moritz S**	Bilevel portable device providing different pressure levels for inhalation and exhalation with integrated humidifier.	October 2001
Moritz ST**	Bilevel ST device with spontaneous and spontaneous/timed breath triggering modes of operation, and with power failure alarms, system with integrated humidifier.	October 2001
VPAP III	Updated Bilevel portable device encompassing improved pressure synchronization, spontaneous breath triggering and reduced noise.	April 2003
VPAP III ST	Updated Bilevel ST portable device encompassing improved pressure synchronization, spontaneous and spontaneous/timed breath triggering modes of operation and reduced noise.	April 2003
VPAP III STA	An upgraded Bi-level device with alarm features.	August 2004
Adapt SV	The newest and most highly evolved bilevel device which uses adaptive servo-ventilation technology to treat patients with central sleep apnea, mixed apnea and periodic breathing.	March 2006
VPAP Malibu	Auto-adjusting bilevel device utilizing the smooth pressure waveform of the VPAP Adapt SV to achieve ultimate comfort for non-compliant CPAP users.	April 2007

* Not cleared for marketing in the United States
 # Sold outside United States only

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VENTILATION PRODUCTS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
Helia 2*#	Dual mode ventilator that combines volumetric and barometric ventilation modes.	August 1998
Eole 3 XLS*#	Ventilator device providing conventional volumetric ventilation through both controlled and assisted-controlled ventilation with etv functions.	December 1999
VS Serena*#	Bi-level ventilator providing all ventilation modes with two pressure levels.	June 2001
VS Ultra*#	Dual mode ventilator that combines volumetric and barometric ventilation from leakage to valve type with single or double limb circuit.	March 2002
VS Integra*#	Pressure support ventilator that combines pressure modes with leakage or valve ventilators.	March 2002
Elisée 350*#	Ventilator for use in Intensive Care Unit combining all conventional ventilation modes, diagnostic and monitoring functions.	December 2003
Elisée 150*#	Ventilator device that combines volumetric and barometric ventilation modes with single or double limb circuit.	June 2004
Elisée 370*#	Ventilator for use in Intensive Care Unit combining all conventional ventilation modes, diagnostic functions with external monitoring interface for ventilation loops.	September 2004
Elisée 250*#	Ventilator for use in transport and emergency situations.	April 2005

* Not cleared for marketing in the United States
Sold outside United States only

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AIR FLOW GENERATORS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
Automatic Positive Airway Pressure		
AutoSet CS*#	Automatic ventilatory assistance device specifically designed to normalize ventilation in congestive heart failure patients with Cheyne Stokes respiration.	December 1998
AutoSet T	Autotitrating device, which continually adjusts CPAP treatment pressure based on patient airway resistance.	March 1999
AutoSet Spirit	Modular, autotitrating device with advanced compliance monitoring and optional integrated humidifier.	September 2001
Magellan*#	Autotitrating device using airway resistance measurement.	March 2003
AutoSet Respond	Autotitrating device with basic compliance monitoring and optional integrated humidifier.	September 2003
AutoSet CS2*#	Modular, automatic device specifically designed to normalize ventilation in congestive heart failure patients with Cheyne Stokes respiration. The device has an optional integrated humidifier.	August 2004
CPAP		
Max II nCPAP*#	CPAP device with or without integrated humidifier. Features low noise and reduced pressure swings.	April 1997
Mini Max nCPAP*#	CPAP device with integrated and attachable humidifier and low noise levels.	March 2000
ResMed S6 series	Quiet, compact CPAP device with various comfort features.	June 2000
ResMed S7 series	A CPAP device with optional integrated humidifier.	July 2002
ResMed S8 Series	A small CPAP device with optional integrated humidification.	June 2005
C-Series Tango	An entry level CPAP device with optional humidification	March 2007

* Not cleared for marketing in the United States
 # Sold outside United States only

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Mask Systems and Diagnostic Products

Mask systems are one of the most important elements of SDB treatment systems. Masks are a primary determinant of patient comfort and as such may drive or impede patient compliance with therapy. We have been a consistent innovator in masks, improving patient comfort while minimizing size and weight. Masks, accessories, motors and diagnostic products accounted for approximately 48%, 48% and 51% of our net revenues in fiscal years 2007, 2006 and 2005, respectively.

MASK PRODUCTS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
Mirage Mask	Proprietary mask design with a contoured nasal cushion that adjusts to patient's facial contours. Quiet, light and low profile.	August 1997
Ultra Mirage Mask	Advanced version of the Mirage system with reduced noise characteristics and improved forehead bridge.	June 2000
Mirage Full Face Mask Series 2	Mirage-based full-face mask system. Provides an effective method of applying ventilatory assist Noninvasive Positive Pressure Ventilation therapy. Can be used to address mouth-breathing problems in conventional bilevel or CPAP therapy.	October 2001
Papillon Mask*#	Nasal mask with only four major parts, allows simplified handling for patients and distributors.	April 2002
Mirage Vista Mask	Small nasal mask without forehead supports.	November 2002
Ultra Mirage Full Face Mask	Full-face mask incorporating our latest adjustable forehead support technology.	August 2003
Mirage Activa Mask	Nasal mask system utilizing Active Seal technology to mitigate leak and improve patient comfort.	October 2003
Mirage Swift	A light and unobtrusive nasal cannula mask system.	August 2004
Silent Papillon Mask*#	A low noise nasal mask with simplified assembly.	March 2005
Hospital Full Face Mask	Disposable full face mask specifically designed for hospital use.	April 2005
Hospital Nasal Mask	Disposable nasal mask specifically designed for hospital use.	April 2005
Ultra Mirage II	Advanced version of the Ultra Mirage Nasal System with improved comfort and ease of fit through enhanced forehead pads and support.	July 2005
Meridian Nasal Mask	A value line nasal mask that is simple yet comfortable.	February 2006
Mirage Swift II	Improved design to reduce noise and airflow pattern.	April 2007
Mirage Quattro	ResMed's fourth generation full face mask, delivering an individualized fit for over 95% of users.	April 2007
Mirage Liberty	A full face mask that seals individually at the mouth and nose. With less skin contact and an open field of vision, this unobtrusive mask feels light on the face.	May 2007

* Not cleared for marketing in the United States
 # Sold outside United States only

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We market sleep recorders for the diagnosis and titration of SDB in sleep clinics and hospitals. These diagnostic systems record relevant respiratory and sleep data, which can be analyzed by a sleep specialist or physician who can then tailor an appropriate OSA treatment regimen for the patient.

DIAGNOSTIC PRODUCTS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
Poly-MESAM Portable Diagnostic System* ^a #	Configurable cardio-respiratory polygraphy system up to 8 channels, includes ECG, thorax and abdomen belts, PLMS sensor.	February 1995
MEPAL Diagnostic System* ^a #	Polysomnography system designed for use in the sleep laboratory.	February 1999
Embla ^a	Digital sleep recorder that provides comprehensive sleep diagnosis in a sleep laboratory.	October 1999
Embletta ^a	Pocket-size digital recorder that performs ambulatory sleep studies.	November 2000
MEPAL <i>mobil</i> * ^a # Diagnostic System	Ambulatory polysomnography system.	March 2001
ApneaLink (MicroMesam)	A portable Sleep Apnea screening device for use by sleep professionals and primary care physicians.	April 2004
ApneaLink + Oximetry	A portable Sleep Apnea screening device with oximetry measurement	June 2007

* Not cleared for marketing in the United States
Sold outside United States only
a Not manufactured by ResMed

Accessories and Other Products

To enhance patient comfort, convenience and compliance, we market a variety of other products and accessories. These products include humidifiers, such as the HumidAire, H2i and H3i, which connect directly with the CPAP, VPAP and AutoSet flow generators to humidify and heat the air delivered to the patient. Their use helps prevent the drying of nasal passages that can cause discomfort. Other optional accessories include cold passover humidifiers, carry bags and breathing circuits. To assist those professionals diagnosing or managing the treatment of patients there are data communications and control products such as the ResLink, ResControl and ResControl II modules that facilitate the transfer of data and other information to and from the flow generators. Since the May 2002 acquisition of ResMed Motor Technologies Inc., we have also sold custom electric motors, primarily for use in data storage and aerospace applications, but we do not expect custom electric motor sales to contribute material revenues in the future.

Product Development and Clinical Trials

We have a strong track record in innovation in the sleep market. In 1989, we introduced our first CPAP device. Since then we have been committed to an ongoing program of product advancement and development. Currently, our product development efforts are focused on not only improving our current product offerings, but also expanding into new product applications.

In 1999, we introduced the AutoSet T flow generator, an autotitrating device that adapts to the patient's breathing patterns to effectively prevent apneas. In 2001, we introduced our next generation autotitrating device, the AutoSet Spirit. The AutoSet Spirit is an autotitrating modular device with optional integrated humidifier. In 2003, we introduced the Activa nasal mask using our patented Active Cushion Technology, which automatically seals mask leaks. In 2004, we launched our Mirage Swift mask, a light and unobtrusive nasal cannula mask system. Also, in 2004 we launched an improved AutoSet CS 2 (outside the United States only) to treat congestive heart failure patients with significant central sleep apnea. In 2006, we launched the Adapt SV within the United States. This product is for the treatment of respiratory insufficiency due to central sleep apnea, mixed apnea and periodic breathing and uses a technology known as adaptive servo-ventilation.

We continually seek to identify new applications of our technology for significant unmet medical needs. SDB is associated with a number of symptoms beyond excessive daytime sleepiness and irritability. Recent studies have established a clinical association between SDB and hypertension, stroke, congestive heart failure and diabetes. We support clinical trials in the United States, Germany, France, the United Kingdom, Italy, Switzerland and Australia to develop new clinical applications for our technology.

We consult with physicians at major sleep centers throughout the world to identify technological trends in the treatment of SDB. Some of these physicians served on our Medical Advisory Board during fiscal year 2006. During fiscal year 2007, we reorganized our Medical Advisory Board into several regional advisory boards. New product ideas are also identified by our marketing staff, direct sales force, network of distributors, manufacturers' representatives, customers and patients. Typically, our internal development staff then develops these ideas, where appropriate, into new products.

In fiscal years 2007, 2006 and 2005 we invested \$50.1 million, \$37.2 million and \$30.0 million, respectively, on research and development.

Sales and Marketing

We currently market our products in over 68 countries using a network of distributors, independent manufacturers' representatives and our direct sales force. We attempt to tailor our marketing approach

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to each national market, based on regional awareness of SDB as a health problem, physician referral patterns, consumer preferences and local reimbursement policies.

North America and Latin America. Our products are typically purchased by a home healthcare dealer who then sells the products to the patient. The decision to purchase our products, as opposed to those of our competitors, is made or influenced by one or more of the following individuals or organizations: the prescribing physician and his or her staff; the home healthcare dealer; the insurer and the patient. In the United States, our sales and marketing activities are conducted through a field sales organization made up of regional territory representatives, program development specialists and regional sales directors. Our U.S. field sales organization markets and sells products to home healthcare dealer branch locations throughout the United States.

We also promote and market our products directly to sleep clinics. Patients who are diagnosed with OSA and prescribed CPAP treatment are typically referred by the diagnosing sleep clinic to a home healthcare dealer to fill the prescription. The home healthcare dealer, in consultation with the referring physician, will assist the patient in selecting the equipment, fit the patient with the appropriate mask and set the flow generator pressure to the prescribed level.

In the United States, our sales employees are managed by the Chief Operating Officer Americas and Vice President of Sales. Sales in North and Latin America accounted for 53%, 52% and 51% of our net revenues for fiscal years 2007, 2006 and 2005, respectively.

Europe. We market our products in most major European countries. We have wholly-owned subsidiaries in Austria, Finland, France, Germany, Spain, Sweden, Norway, Netherlands, Switzerland and the United Kingdom that sell our products directly into those countries. We use independent distributors to sell our products in other areas of Europe. Distributors are selected in each country based on their knowledge of respiratory medicine and a commitment to SDB therapy. In each country in which we have a subsidiary, a local senior manager is responsible for direct national sales. In many countries in Europe, we sell our products to home healthcare dealers who then sell the products to the patients. In Germany, we also operate a home healthcare company, in which we provide products and services directly to patients, and receive reimbursement directly from third party payers.

Our European Chief Operating Officer is responsible for coordination of all European activities and, in conjunction with local management, the direct sales activity in Europe. Sales in Europe accounted for 39%, 39% and 41% of our total net revenues for fiscal years 2007, 2006 and 2005, respectively.

Asia Pacific. Marketing in Asia Pacific and the rest of the world is the responsibility of our Senior Vice President Sales & Marketing Asia Pacific. We have wholly-owned subsidiaries in Australia, Hong Kong, Japan, Malaysia, New Zealand, Singapore, China and India that sell our products directly into those countries. We use a combination of our direct sales force and independent distributors in Australia and New Zealand, and use independent distributors to sell our products elsewhere in Asia Pacific. Sales in Asia Pacific and the rest of the world accounted for 8%, 9% and 8% of our total net revenues for the fiscal years 2007, 2006 and 2005, respectively.

Other Marketing Efforts. We continue to pursue other suitable opportunities with professional and healthcare associations to raise awareness of the comorbidity of SDB in cardiovascular disease patients, including coronary artery disease, congestive heart failure, hypertension and stroke.

We also continue to work to raise awareness of SDB in diabetes. Current research is increasingly showing an independent association between OSA and type 2 diabetes. Accordingly, we initiated a study investigating the prevalence of OSA in the type 2 diabetic population. Due to the high

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prevalence of the SDB and type 2 diabetes, we are now actively supporting the American Association of Diabetes Educators and are in the process of setting up further initiatives to develop the SDB market in the diabetic population. ResMed is also reaching out to diabetes patients. Through our partnership with the American Diabetes Association, a sleep laboratory is now present at every *Diabetes Expo* meeting where patients have the opportunity to learn about diabetes self-management.

Manufacturing

Our principal manufacturing facility is located in Sydney, Australia and comprises a 155,000 square foot manufacturing facility. Our manufacturing operations consist primarily of assembly and testing of our flow generators, masks and accessories. Of the numerous raw materials, parts and components purchased for assembly of our therapeutic and diagnostic sleep disorder products, most are off-the-shelf items available from multiple vendors. We generally manufacture to our internal sales forecasts and fill orders as received. Over the last few years, the manufacturing processes have been transformed along lean manufacturing guidelines to flow lines staffed by dedicated teams. Each team is responsible for the manufacture and quality of their product group and decisions are based on performance and quality measures, including customer feedback.

Our quality management system is based upon the requirements of ISO 9001, ISO 13485, FDA Quality System Regulations for Medical Devices and the Medical Device Directive (93/42/EEC). Our Sydney, Australia and San Diego, California facilities are each accredited to ISO 9001 and ISO 13485. These two sites have third party audits conducted by the ISO certification bodies at regular intervals.

As part of the acquisition of Saime SA on May 19, 2005, we acquired a 7,000 square foot manufacturing facility in Paris, France. This facility is accredited to ISO 13485 and is primarily responsible for the assembly of the Saime brand of mechanical ventilators and associated accessories.

We also manufacture high-quality electric motors for our flow generator devices at our ResMed Motor Technologies Inc. facility. We have recently leased a larger site of 72,000 square feet at Chatsworth, California and moved our Resmed Motor Technology operations into this facility during the year ended June 30, 2007.

Third-Party Reimbursement

The cost of medical care in many of the countries in which we operate is funded in substantial part by government and private insurance programs. In Germany, we receive payments directly from these payers. Outside Germany, although we do not generally receive payments for our products directly from these payers, our success in major markets is dependent upon the ability of patients to obtain adequate reimbursement for our products.

In the United States, our products are purchased primarily by home healthcare dealers, hospitals or sleep clinics, which then invoice third-party payers directly for reimbursement. Domestic third-party payers include Medicare, Medicaid and corporate health insurance plans. These payers may deny reimbursement if they determine that a device is not used in accordance with cost-effective treatment methods, or is experimental, unnecessary or inappropriate. The long-term trend towards managed healthcare, or legislative proposals to reform healthcare, could control or significantly influence the purchase of healthcare services and products and could result in lower prices for our products. In some foreign markets, such as Spain, France and Germany, government reimbursement is currently available for purchase or rental of our products, however, subject to constraints such as price controls or unit sales limitations. In Australia and in some other foreign markets, there is currently limited or no reimbursement for devices that treat OSA.

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For example, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the 2003 Act) reduced medical reimbursement for respiratory drugs and home oxygen to homecare providers and placed a freeze on current reimbursement levels for Durable Medical Equipment (DME) through 2008. As required by the 2003 Act, Medicare plans to implement competitive bidding of durable medical equipment in 10 of the largest Metropolitan Statistical Areas (MSA) by the end of 2007, and in 80 of the largest MSAs by the end of 2009. In addition, the U.S. Congress passed the Deficit Reduction Act of 2005 (2005 Act) in February 2006 which contained Medicare payment reductions for home oxygen equipment, and certain durable medical equipment classified by Medicare as capped rental equipment. In August 2006, the Centers for Medicare and Medicaid Services published a proposed regulation to implement the 2005 Act which could reduce Medicare reimbursement in 2007 for oxygen equipment. Additional reimbursement reductions for home oxygen were proposed in President Bush's Fiscal Year 2007 budget proposal, and could also be enacted into law. Both the federal government and state legislatures are considering options for containing growth in the Medicaid program.

Even though we do not file claims or bill governmental programs and other third-party payers directly for reimbursement for our products sold in the United States, we are still subject to laws and regulations relating to governmental programs, and any violation of these laws and regulations could result in civil and criminal penalties, including fines. 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 payers. These laws may apply to manufacturers and distributors who provide information on coverage, coding and reimbursement of their products to persons who bill third-party payers. We continuously strive to comply with these laws and believe that our arrangements do not violate these laws. Liability may still arise from the intentions or actions of the parties with whom we do business or from a different governmental agency interpretation of the laws.

Service and Warranty

We generally offer one-year and two-year limited warranties on our flow generator products. Warranties on mask systems are for 90 days. In most markets, we rely on our distributors to repair our products with parts supplied by us. In the United States, home healthcare dealers generally arrange shipment of products to our San Diego facility for repair.

We receive returns of our products from the field for various reasons. We believe that the level of returns experienced to date is consistent with levels typically experienced by manufacturers of similar devices. We provide for warranties and returns based on historical data.

Competition

The markets for our products are highly competitive. We believe that the principal competitive factors in all of our markets are product features, reliability and price. Customer support, reputation and efficient distribution are also important factors.

We compete on a market-by-market basis with various companies, some of which have greater financial, research, manufacturing and marketing resources than us. In the United States, our principal

market, Respirationics Inc.; DeVilbiss, a division of Sunrise Medical Inc.; Nellcor Puritan Bennett, a division of Covidien Ltd.; and Fisher & Paykel Healthcare Corporation Limited are the primary competitors for our products. Our principal European competitors are also Respirationics, DeVilbiss, and Nellcor Puritan Bennett, as well as regional European manufacturers. The disparity between our resources and those of our competitors may increase as a result of the trend towards consolidation in the healthcare industry. In addition, our products compete with surgical procedures and dental appliances designed to treat OSA and other SDB related respiratory conditions. The development of new or innovative procedures or devices by others could result in our products becoming obsolete or noncompetitive, which would harm our revenues and financial condition.

Any product developed by us that gains regulatory clearance will have to compete for market acceptance and market share. An important factor in such competition may be the timing of market introduction of competitive products. Accordingly, the relative speed with which we can develop products, complete clinical testing and regulatory clearance processes and supply commercial quantities of the product to the market are important competitive factors. In addition, our ability to compete will continue to be dependent on the extent to which we are successful in protecting our patents and other intellectual property.

Patents and Proprietary Rights and Related Litigation

Through our subsidiaries ResMed Limited, MAP Medizin-Technologie GmbH, ResMed Motor Technologies Inc., and Saime SAS, we own or have licensed rights to 271 issued United States patents (including 82 design patents) and 376 issued foreign patents. In addition, there are 338 pending United States patent applications (including 113 design patent applications), 641 pending foreign patent applications, 610 registered foreign designs and 266 pending foreign designs. Some of these patents, patent applications and designs relate to significant aspects and features of our products.

Of our patents, 13 United States patents and 27 foreign patents are due to expire in the next five years, with 1 foreign patent due to expire in 2008, 2 in 2010, 16 in 2011, and 8 in 2012; and 7 United States patents in 2008, 2 United States patents in 2010, and 4 United States patents in 2011. We believe that the expiration of these patents will not have a material adverse impact on our competitive position.

We rely on a combination of patents, trade secrets, copyrights, trademarks and non-disclosure agreements to protect our proprietary technology and rights.

Litigation may be necessary to enforce patents issued to us, to protect our rights, or to defend third-party claims of infringement by us of the proprietary rights of others. Patent laws regarding the enforceability of patents vary from country to country. Therefore, there can be no assurance that patent issues will be uniformly resolved, or that local laws will provide us with consistent rights and benefits.

Government Regulations

Our products are subject to extensive regulation particularly as to safety, efficacy and adherence to FDA Quality System Regulation, and related manufacturing standards. Medical device products are subject to rigorous FDA and other governmental agency regulations in the United States and similar regulations of foreign agencies abroad. The FDA regulates the introduction, manufacture, advertising, labeling, packaging, marketing, distribution and record keeping for such products, in order to ensure that medical products distributed in the United States are safe and effective for their intended use. In addition, the FDA is authorized to establish special controls to provide reasonable assurance of the safety and effectiveness of most devices. Non-compliance with applicable requirements can result in import detentions, fines, civil penalties, injunctions, suspensions or losses of regulatory approvals,

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recall or seizure of products, operating restrictions, refusal of the government to approve product export applications or allow us to enter into supply contracts, and criminal prosecution.

The FDA requires that a manufacturer introducing a new medical device or a new indication for use of an existing medical device obtain either a Section 510(k) premarket notification clearance or a premarket approval, or PMA, before introducing it into the U.S. market. Our products currently marketed in the United States are marketed in reliance on 510(k) pre-marketing clearances as either Class I or Class II devices. The process of obtaining a Section 510(k) clearance generally requires the submission of performance data and often clinical data, which in some cases can be extensive, to demonstrate that the device is “substantially equivalent” to a device that was on the market before 1976 or to a device that has been found by the FDA to be “substantially equivalent” to such a pre-1976 device. As a result, FDA approval requirements may extend the development process for a considerable length of time. In addition, in some cases, the FDA may require additional review by an advisory panel, which can further lengthen the process. The PMA process, which is reserved for new devices that are not substantially equivalent to any predicate device and for high-risk devices or those that are used to support or sustain human life, may take several years and requires the submission of extensive performance and clinical information.

As a medical device manufacturer, all of our domestic and Australian manufacturing facilities are subject to inspection on a routine basis by the FDA. We believe that our design, manufacturing and quality control procedures are in substantial compliance with the FDA’s regulatory requirements.

Sales of medical devices outside the United States are subject to regulatory requirements that vary widely from country to country. Approval for sale of our medical devices in Europe is through the CE mark process. Where appropriate, our products are CE marked to the European Union’s Medical Device Directive. Under the CE marketing scheme, our products are classified as either Class I or Class II. Our devices are listed in Australia with the Therapeutic Goods Administration, or TGA, and in Canada with Health Canada.

Employees

As of June 30, 2007, we had approximately 2,700 employees or full time consultants, of which approximately 1,100 persons were employed in warehousing and manufacturing, 300 in research and development and 1,300 in sales, marketing and administration. Of our employees and consultants, approximately, 1,150 were located in Australia, 550 in the United States, 900 in Europe and 100 in Asia.

We believe that the success of our business will depend, in part, on our ability to attract and retain qualified personnel. None of our employees is covered by a collective bargaining agreement. We believe that our relationship with our employees is good.

ITEM 1A RISK FACTORS

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere, and the other information contained, in this Report and in our other filings with the SEC, including our subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on us, our business, financial condition and results of operations could be seriously harmed. In that event, the market price for our common stock will likely decline, and you may lose all or part of your investment.

Our inability to compete successfully in our markets may harm our business. The markets for our sleep-disordered breathing 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, manufacture and market innovative new 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 make our products noncompetitive or obsolete. Current competitors, new entrants, academics, and others are trying to develop new devices, alternative treatments or cures, and pharmaceutical solutions to the conditions our products treat.

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 healthcare 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 healthcare products and sleep clinics. We market our products primarily to home healthcare dealers and to sleep clinics that diagnose OSA and other sleep disorders. We believe that home healthcare dealers and sleep clinics play a significant role in determining which brand of product a patient will use. The success of our business depends on our ability to market effectively to home healthcare dealers and sleep clinics to ensure that our products are properly marketed and sold by these third parties.

We have limited resources to market to approximately the 3,000 U.S. sleep clinics and the more than 6,000 home healthcare dealer branch locations, most of which use, sell or recommend several brands of products. In addition, home healthcare dealers have experienced price pressures as government and third-party reimbursement has declined for home healthcare products, and home healthcare 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 healthcare dealers or patients will not substitute competing products when a prescription specifying our products has been written.

We have expanded our marketing activities to target the population with a predisposition to sleep-disordered breathing as well as primary care physicians and various medical specialists. We cannot assure you that these marketing efforts will be successful in increasing awareness or sales of our products.

Any inability to market effectively our products outside the U.S. could impact our profitability. Approximately half our revenues are generated outside the U.S., in over 68 different countries. Many of these countries have unique regulatory, medical and business environments, which may adversely impact our ability to market our products. If we are unable to market effectively our products outside the U.S., our overall financial performance could decline.

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 and research and development costs will continue to be denominated in Australian dollars.

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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 on our ability to implement and improve our financial and management information systems on a timely basis and to effect other changes in our business including, the ability to monitor and improve manufacturing systems, information technology, and quality and regulatory compliance systems, among others. 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 effectively and efficiently our growth, our costs could increase faster than our revenues and our business could suffer.

If we fail to integrate our recent acquisitions with our operations, our business could suffer. During the past three fiscal years we have acquired Western Medical Marketing, PolarMed, Pulmomed, Saime, Hoefner and Resprecare. We continue to integrate these acquisitions into our operations. The integration requires significant efforts from each company and we may find it difficult to integrate the operations as personnel may leave and licensees, distributors or suppliers may terminate their arrangements or demand amended terms to these arrangements. Additionally, our management may have their attention diverted while trying to integrate these companies. If we are not able to successfully integrate the operations, we may not realize the anticipated benefits of these acquisitions.

We are subject to various risks relating to international activities that could affect our overall profitability. We manufacture substantially all of our products outside the U.S. and sell a significant portion of our products in non-U.S. markets. Sales outside North and Latin America accounted for approximately 47% and 48% of our net revenues in the years ended June 30, 2007 and 2006, respectively. 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 U.S. operations, including:

- fluctuations in currency exchange rates;
- tariffs and other trade barriers;
- compliance with foreign medical device manufacturing regulations;
- difficulty in enforcing agreements and collect receivables through foreign legal systems;
- reduction in third party payer reimbursement for our products;
- inability to obtain import licenses;
- changes in trade policies and in U.S. and foreign tax policies;
- possible changes in export or import restrictions; and
- the modification or introduction of other governmental policies with potentially adverse effects.

Government and private insurance plans may not adequately 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 payers are increasingly challenging the prices charged for medical products and services and can, without notice, deny coverage for treatments that may include the use of the Company's products. Therefore, even if a product is approved for

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marketing, we cannot assure you that reimbursement will be allowed for the product, that the reimbursement amount will be adequate or, that the reimbursement amount, even if initially 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 conditions. Additionally, future legislation or regulation concerning the healthcare industry or third party or governmental coverage and reimbursement, particularly legislation or regulation limiting consumers' reimbursement rights, may harm our business.

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 healthcare dealers and to sleep clinics. We do not file claims and bill governmental programs or other third party payers 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 addition to reimbursement for our products, our customers depend in part on reimbursement by government and private health insurers for other products. Any proposed reductions in reimbursement, if they occur, may have a material impact on our customers. Any material impact on our customers may indirectly affect our sales to those customers, or the collectibility of receivables we have from those customers.

Failure to comply with anti-kickback and fraud regulations could result in substantial penalties and changes in our business operations. 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 U.S. government has interpreted this law broadly to apply to the marketing and sales activities of manufacturers and distributors like us. Many states and other governments 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 payers. 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 payers. Any violation of these laws and regulations could result in civil and criminal penalties (including fines), increased legal expenses and exclusions from governmental reimbursement programs, all of which could have a material adverse effect upon our business, financial conditions and results of operations.

Complying with Food and Drug Administration, or FDA, and other regulations is an expensive and time-consuming process, and any failure to comply could have a materially adverse effect on the Company's business, financial condition, or results of operations. We are subject to various federal, state, local and international regulations regarding our business activities. Failure to comply with these regulations could result in, among other things, recalls of our products, substantial fines and criminal charges against us or against our employees. Furthermore, our products could be subject to recall if the FDA or we determine, for any reason, that our products are not safe or effective. Any recall or other regulatory action could increase our costs, damage our reputation, affect our ability to supply customers with the quantity of products they require and materially affect our operating results. For example, in April 2007 we announced a worldwide voluntary product recall of approximately 300,000 of our S8 flow generators manufactured between July 2004 and May 2006. We have determined that there is a remote potential for a short circuit in the power connector. In only seven cases worldwide, device failures have led to thermal damage to the device, with a remote

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potential to ignite material external to the device. To date, no significant property damage or patient injury has been reported. The estimated cost of this action is \$59.7 million, which we recognized as an expense in the year ended June 30, 2007. We cannot assure you that this will be the total cost for the recall or that the total cost will not significantly exceed our estimates. Moreover, we cannot predict the effect this recall and the negative publicity associated with the recall will have on our reputation among physicians and customers. Our results of operations could be severely impacted if we have failed to accurately estimate the costs of this product recall or if physicians and customers cease to recommend and purchase our products as a result of this product recall.

Product sales, introductions or modifications may be delayed or canceled as a result of FDA regulations or similar foreign regulations, which could cause our sales and profits 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 Section 510(k) clearance process. We have modified some of our Section 510(k) approved products without submitting new Section 510(k) notices, which we do not believe were required. However, if the FDA disagrees with us and requires us to submit new Section 510(k) notifications for modifications to our existing products, we may be required to stop marketing the products while the FDA reviews the Section 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 before 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.

The Company is subject to substantial regulation related to quality standards applicable to its manufacturing and quality processes. Failure by the Company to comply with these standards could have an adverse effect on the Company's business, financial condition, or results of operations. The FDA regulates the approval, manufacturing, and sales and marketing of many of the Company's products in the U.S. Significant government regulation also exists in Canada, Japan, Europe, and other countries in which the Company conducts business. As a device manufacturer, the Company is required to register with the FDA and is subject to periodic inspection by the FDA for compliance with the FDA's Quality System Regulation ("QSR") requirements, which require manufacturers of medical devices to adhere to certain regulations, including testing, quality control and documentation procedures. In addition, the federal Medical Device Reporting regulations require the Company to provide information to the FDA whenever there is evidence that reasonably suggests that a device may have caused or contributed to a death or serious injury or, if a malfunction were to occur, could cause or contribute to a death or serious injury. Compliance with applicable regulatory requirements is subject to continual review and is rigorously monitored through periodic inspections by the FDA. In the European Community, the Company is required to maintain certain ISO certifications in order to sell its products and must undergo periodic inspections by notified bodies to obtain and maintain these certifications. Failure to comply with current governmental regulations and quality assurance guidelines could lead to temporary manufacturing shutdowns, product recalls or related field actions, product shortages or delays in product manufacturing. Efficacy or safety concerns, an increase in trends of adverse events in the marketplace, and/or manufacturing quality issues with respect to the Company's products could lead to product recalls or related field actions, withdrawals, and/or declining sales.

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 various suppliers, including some who are single-source suppliers for us. 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 halt in supply while a replacement supplier reconfigures its components, or while we reconfigure our devices 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.

Our intellectual property may not protect our products, and/or our products may infringe on the intellectual property rights of third partiesWe 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
- 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.

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. For example, we are currently appealing the decision of a court in Germany that entered judgment in favor of certain plaintiffs that had claimed they should be listed as co-inventors on two of our German patent applications. 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

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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, could be forced to design around the patents at issue or could be required to cease sales of the affected products. A license may not be available at all or on commercially viable terms, and we may not be able to redesign our products to avoid infringement. 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.

We are subject to potential 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. In April 2007, we announced a worldwide voluntary product recall of approximately 300,000 of our S8 flow generators manufactured between July 2004 and May 2006. We have determined that there is a remote potential for a short circuit in the power connector which can cause the device to fail. In only seven cases worldwide, device failures have led to thermal damage to the device, with a remote potential to ignite material external to the device. To date, no significant property damage or patient injury has been reported. However, we would likely be subject to product liability claims should any of these devices malfunction, resulting in injury to a patient or damage to property. 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.

We are subject to tax audits by various tax authorities in many jurisdictions. From time to time we may be audited by the tax authorities and are still subject to an ongoing German tax audit. Any final assessment resulting from this audit could result in material changes to our past or future taxable income, tax payable or deferred tax assets, and could require us to pay penalties and interest that could materially adversely affect our financial results.

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;

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- seasonality;
- the cost and effect of promotional and marketing programs;
- the effect of foreign currency transaction gains or losses; and
- other activities of our competitors.

Fluctuations in our quarterly operating results may cause the market price of our common stock to fluctuate.

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 and profitability will decline. Our 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 they were 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 it difficult for another company to acquire us. 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.

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. 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.

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 eight directors and three of our seven executive 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.

ITEM 1B UNRESOLVED STAFF COMMENTS

We have received no written comments regarding our periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of our fiscal year 2007 that remain unresolved.

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ITEM 2 PROPERTIES

Our principal executive offices and U.S. distribution facilities, consisting of approximately 144,000 square feet, are located in Poway (North San Diego County), California in a building we own. During the year ended June 30, 2007, we completed the construction of our new research and development and office facilities at our existing site in Norwest, Sydney, Australia, which consists of approximately 69,000 square feet. We own our principal manufacturing facility consisting of a 155,000 square foot complex at this same Norwest site in Sydney, Australia. During the year ended June 30, 2007, we commenced an extension to this manufacturing facility, which we expect to complete within the next fiscal year. We lease a 72,000 square foot facility for manufacture of electronic motors in Chatsworth, California. On July 7, 2005, we purchased a 9.78-acre parcel of land in San Diego for \$21.0 million. The new location at Kearney Mesa, San Diego will allow us to develop a new corporate headquarters. We commenced construction of our new corporate headquarters during 2007 and we expect to complete the project in March 2009.

Sales and warehousing facilities are either leased or owned in South Carolina and Oregon, U.S.A.; Abingdon, England; Munich, Germany; Bremen, Germany; Hochstadt, Germany; Lyon, France; Paris, France; Basel, Switzerland; Trollhaettan, Sweden; Villach and Vienna, Austria; Helsinki, Finland; Den Haag, Netherlands; Oslo, Norway; Kowloon, Hong Kong; Auckland, New Zealand and Singapore.

ITEM 3 LEGAL PROCEEDINGS

In the normal course of business, we are subject to routine litigation incidental to our business. While the results of this litigation cannot be predicted with certainty, we believe that their final outcome will not have a material adverse effect on our consolidated financial statements taken as a whole.

During September and October 2004, we began receiving tax assessment notices for the audit of one of our German subsidiaries by the German tax authorities for the years 1996 through 1998. Certain of these adjustments are being contested and appealed to the German tax authority office. We believe no additional provision is necessary for any tax adjustment that may result from the tax audit. However, the outcome of the audit cannot be predicted with certainty. Should any tax audit issues be resolved in a manner not consistent with management's expectations, we could be required to adjust our provision for income tax in the period of resolution.

In December 2002, three former contractors of our subsidiary MAP Medizin-Technologie GmbH initiated proceedings in Munich 1 Regional Court (Proceedings No. 7 O 23286/02), petitioning the Court for a declaration of inventorship with respect to MAP German Patent Applications identified as No. 100 31 079 and 101 92 802.5 and European Patent Application No. EP 01 967 819.7. On March 10, 2005, the Court entered judgment in favor of the plaintiffs, finding that they should be identified as co-inventors in place of certain individual defendants. In April 2005, MAP filed an appeal of that decision. We do not expect the outcome of this litigation to have an adverse material effect on our consolidated financial statements.

In March 2006, an Australian university made a demand that ResMed pay extra royalties pursuant to a current patent license agreement. ResMed rejected the demand and have informed the university that it does not consider the claim to have merit. In February 2007, the university commenced legal action in the Federal Court of Australia to pursue its claim against ResMed. ResMed is vigorously defending its position and does not expect the outcome of this claim to have an adverse material effect on ResMed's condensed consolidated financial statements.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5 MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol “RMD”. The following table sets forth for the fiscal periods indicated the high and low closing prices for the common stock as reported by the New York Stock Exchange.

	2007		2006	
	High	Low	High	Low
Quarter One, ended September 30	\$ 48.40	\$ 38.52	\$ 40.03	\$ 32.21
Quarter Two, ended December 31	51.08	39.53	42.72	37.01
Quarter Three, ended March 31	54.26	45.18	44.31	36.86
Quarter Four, ended June 30	51.41	41.25	48.50	41.76

As of August 17, 2007, there were 48 holders of record of our common stock. We have not paid any cash dividends on our common stock since the initial public offering of our common stock and we do not currently intend to pay cash dividends in the foreseeable future. We anticipate that all of our earnings and other cash resources, if any, will be retained for the operation and expansion of our business and for general corporate purposes.

All share and per share information has been adjusted to reflect the two-for-one stock split effected in the form of a 100% stock dividend that was declared on August 10, 2005 and distributed on September 30, 2005.

Sale of Unregistered Securities

During fiscal year 2006, and pursuant to the Indenture dated June 20, 2001 between us and American Stock Transfer & Trust Company, as trustee, holders of all of our 4% Convertible Subordinated Notes (“the Notes”) due 2006 converted the Notes into an aggregate of approximately 3,737,593 shares of our common stock, par value \$0.004, based on a conversion price of \$30.30 per share. The shares of common stock were issued solely to existing security holders upon conversion of the Notes pursuant to the exemption from registration provided under Section 3(a)(9) of the Securities Exchange Act 1993, as amended. We did not pay or give, directly or indirectly, any commission or other remuneration for soliciting such conversion.

Purchases of Equity Securities

The following table summarizes purchases by us of our common stock during the year ended June 30, 2007:

Period	Total Number of Shares	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Number of Shares that May yet be Purchased Under the Plans or Programs ⁽¹⁾
Opening Balance at July 1, 2006	2,254,918	\$ 18.36	2,254,918	5,745,082
July 2006	Nil			
August 2006	Nil			
September 2006	Nil			
October 2006	Nil			
November 2006	Nil			
December 2006	Nil			
January 2007	Nil			
February 2007	Nil			
March 2007	Nil			
April 2007	Nil			
May 2007	50,000	\$ 41.83	50,000	(50,000)
June 2007	Nil			
Total to June 30, 2007	2,304,918	\$ 18.87	2,304,918	5,695,082

⁽¹⁾ On June 6, 2002, the Board of Directors authorized us to repurchase up to 8.0 million shares of our outstanding common stock. There is no expiration date for the repurchase of these shares. For the years ended June 30, 2007 and 2006, we repurchased 50,000 and Nil shares at a cost of \$2.1 million and \$Nil, respectively. At June 30, 2007, we have repurchased a total of 2,304,918 shares at a cost of \$43.5 million. We may continue to repurchase shares of our common stock for cash in the open market, or in negotiated or block transactions, from time to time as market and business conditions warrant.

ITEM 6 SELECTED FINANCIAL DATA

The following table summarizes certain selected consolidated financial data for, and as of the end of, each of the fiscal years in the five-year period ended June 30, 2007. The data set forth below should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and related Notes included elsewhere in this Report. The consolidated statements of operations data for the years ended June 30, 2007, 2006 and 2005 and the balance sheet data as of June 30, 2007 and 2006 are derived from our audited consolidated financial statements included elsewhere in this Report. The consolidated statements of operations data for the years ended June 30, 2004 and 2003 and the balance sheet data as of June 30, 2005, 2004 and 2003 are derived from our audited consolidated financial statements not included herein. Historical results are not necessarily indicative of the results to be expected in the future, and the results for the years presented should not be considered indicative of our future results of operations.

Consolidated Statement of Income Data: (In thousands, except per share data)	Years Ended June 30				
	2007	2006	2005	2004	2003
Net revenues	\$ 716,332	\$ 606,996	\$ 425,505	\$ 339,338	\$ 273,570
Cost of sales	272,140	230,101	150,645	122,602	100,483
Voluntary product recall expenses	59,700	-	-	-	-
Gross profit	384,492	376,895	274,860	216,736	173,087
Selling, general and administrative expenses	237,326	200,168	135,703	104,706	85,313
Research and development expenses	50,106	37,216	30,014	26,169	20,534
Donations to research foundations	-	760	500	500	-
In-process research and development charge	-	-	5,268	-	-
Amortization of acquired intangible assets	6,897	6,327	870	-	-
Restructuring expenses	-	1,124	5,152	-	-
Total operating expenses	294,329	245,595	177,507	131,375	105,847
Income from operations	90,163	131,300	97,353	85,361	67,240
Other income (expenses):					
Interest income (expense), net	6,477	1,320	(808)	(1,683)	(2,549)
Other, net	1,333	774	81	990	1,907
Gain on extinguishment of debt	-	-	-	-	529
Total other income (expenses)	7,810	2,094	(727)	(693)	(113)
Income before income taxes	97,973	133,394	96,626	84,668	67,127
Income taxes	(31,671)	(45,183)	(31,841)	(27,384)	(21,398)
Net income	\$ 66,302	\$ 88,211	\$ 64,785	\$ 57,284	\$ 45,729
Basic earnings per share	\$ 0.86	\$ 1.22	\$ 0.94	\$ 0.85	\$ 0.69
Diluted earnings per share	\$ 0.85	\$ 1.16	\$ 0.91	\$ 0.82	\$ 0.66
Weighted average:					
Basic shares outstanding	76,709	72,307	68,643	67,389	66,108
Diluted shares outstanding	78,253	77,162	74,942	70,251	68,878

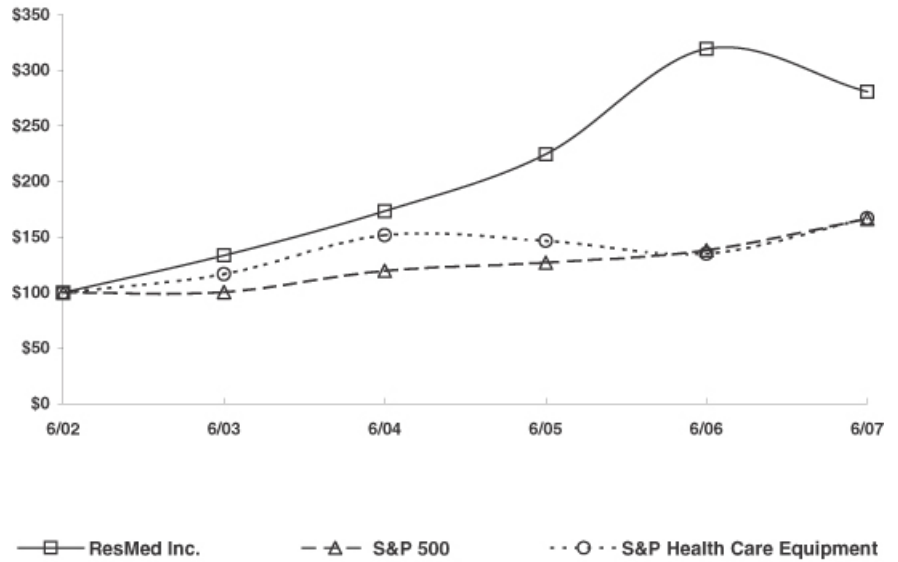
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All share and per share information has been adjusted to reflect the two-for-one stock split effected in the form of a 100% stock dividend that was declared on August 10, 2005 and distributed on September 30, 2005.

Consolidated Balance Sheet Data: (In thousands)	As of June 30				
	2007	2006	2005	2004	2003
Working capital	\$ 466,396	\$ 381,284	\$ 141,659	\$ 222,230	\$ 191,322
Total assets	1,252,042	1,012,921	774,146	549,151	459,595
Long-term debt, less current maturities	87,648	116,212	58,934	113,250	113,250
Total stockholders' equity	931,222	738,148	474,065	361,499	286,433

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among ResMed Inc., The S&P 500 Index
And The S&P Health Care Equipment Index



* \$100 invested on 6/30/02 in stock or index-including reinvestment of dividends. Fiscal year ending June 30.

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www.researchdatagroup.com/S&P.htm

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Management's discussion and analysis ("MD&A") of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of Resmed Inc. MD&A is provided as a supplement to, and should be read in conjunction with selected financial data and consolidated financial statements and notes, included herein.

We are a leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing and other respiratory disorders. Sleep-disordered breathing, or SDB, includes obstructive sleep apnea, or OSA, and other respiratory disorders that occur during sleep. When we were formed in 1989, our primary purpose was to commercialize a treatment for OSA developed by Professor Colin Sullivan. This treatment, nasal Continuous Positive Airway Pressure, or CPAP, was the first successful noninvasive treatment for OSA. CPAP systems deliver pressurized air, typically through a nasal mask, to prevent collapse of the upper airway during sleep.

We have invested significant resources in research and development and product enhancement. Since the development of CPAP, we have developed a number of innovative products for SDB and other respiratory disorders including airflow generators, diagnostic products, mask systems, headgear and other accessories. Our growth has been fuelled by geographic expansion, increased awareness of respiratory conditions as a significant health concern among physicians and patients, and our research and product development effort.

We currently employ approximately 2,700 people and market our products in over 68 countries using a network of distributors, independent manufacturers' representatives and our direct sales force. We market our products primarily to home health care dealers and sleep clinics. We attempt to tailor our marketing approach to each national market, based on regional awareness of SDB as a health problem, physician referral patterns, consumer preferences and local reimbursement policies.

Our principal manufacturing facility is located in Sydney, Australia, and we have additional manufacturing facilities in Combs La Ville, France and Chatsworth, California. Our manufacturing operations consist primarily of assembly and testing of our flow generators, masks and accessories. Of the numerous raw materials, parts and components purchased for assembly of our therapeutic and diagnostic sleep disorder products, most are off-the-shelf items available from multiple vendors. We generally manufacture to our internal sales forecasts and fill orders as received.

Business Acquisitions

Fiscal year ended June 30, 2007

Western Medical Marketing ("WMM"). On October 4, 2006 we acquired the business assets of WMM, a distribution business operating in the Pacific Northwest region of the U.S. for a total cash consideration of \$0.3 million. The acquisition has been accounted as a purchase and accordingly the results of operations of WMM have been included in our consolidated financial statements since October 4, 2006. An amount of \$0.3 million, representing the excess of the purchase price over the fair value of the identifiable net assets acquired, has been recorded as goodwill. We have completed our purchase price allocation at June 30, 2007.

Fiscal year ended June 30, 2006

PolarMed Holding AS ("PolarMed"). As disclosed in our consolidated financial statements and Form 10-K for the year ended June 30, 2006, we acquired 100% of the outstanding stock of

PolarMed, the holding company for PolarMed AS and its affiliates, on December 1, 2005, for net cash consideration of \$6.5 million. This was comprised of \$6.8 million in consideration less \$0.3 million of cash acquired. Additionally, as part of the acquisition, we assumed debt of \$1.5 million. Under the purchase agreement, we may also be required to make additional future payments of up to \$3.0 million based on the achievement of certain performance milestones following the acquisition through December 31, 2008. Of the \$3.0 million in potential future payments included within the purchase agreement, \$1.0 million was paid during the year ended June 30, 2007 as a result of the successful achievement of a performance milestone. This additional payment increased the total acquisition consideration to \$7.8 million from \$6.8 million and increased the amount recorded as goodwill to \$5.4 million from \$4.4 million.

Pulmomed Medizinisch-Technische Geräte GmbH (“Pulmomed”). As disclosed in our consolidated financial statements and Form 10-K for the year ended June 30, 2006, we acquired 100% of the outstanding stock of Pulmomed on July 1, 2005 for net cash consideration of \$2.5 million, including acquisition costs. Additionally, as part of the acquisition, we assumed debt of \$1.0 million. Under the purchase agreement, we may also be required to make additional future payments of up to \$0.9 million based on the achievement of certain performance milestones following the acquisition through June 30, 2007. Of the \$0.9 million in potential future payments included within the purchase agreement, \$0.3 million was paid during the year ended June 30, 2007 as a result of the successful achievement of a performance milestone. This additional payment was accrued at June 30, 2006, which increased the total acquisition consideration to \$2.8 million from \$2.5 million and increased the amount recorded as goodwill by \$0.3 million to \$2.1 million.

Fiscal year ended June 30, 2005

Saime SAS (“Saime”). We acquired 100% of the outstanding stock of Financiere ACE SAS, the holding company for Saime and its affiliates, on May 19, 2005, for net cash consideration of \$40.6 million. This consisted of \$51.1 million in consideration, including acquisition costs, less \$10.5 million of cash acquired. An amount of \$64.8 million, representing the excess of the purchase price over the fair value of the identifiable net assets acquired, has been recorded as goodwill.

Hoefner Medizintechnik GmbH (“Hoefner”). We acquired 100% of the outstanding stock of Hoefner on February 14, 2005, for net cash consideration of \$8.2 million. This consisted of the \$10.7 million in total consideration, including acquisition costs, less \$2.5 million of cash acquired. Under the purchase agreement, additional future payments of up to \$0.9 million were possible based on the achievement of certain performance milestones following the acquisition through December 31, 2006. Of the \$0.9 million in potential future payments, \$0.6 million was paid during fiscal 2006. The remaining \$0.3 million of the \$0.9 million was paid during the year ended June 30, 2007 as a result of the successful achievement of a performance milestone. This additional payment increased the total acquisition consideration to \$11.6 million and goodwill to \$9.1 million.

Resprecare BV (“Resprecare”). On December 1, 2004, we acquired substantially all the assets of Resprecare BV, our Dutch distributor, for initial consideration of \$5.9 million in cash, including acquisition costs. Under the purchase agreement, we potentially were also required to make up to \$1.4 million of additional future payments based on the achievement of certain milestones. Of these potential additional payments, \$0.6 million was paid in January 2005 and a further \$0.7 million was paid in January 2006 as a result of the integration of the Dutch subsidiary of our subsidiary MAP Medizin-Technologie GmbH, or MAP, with the newly-acquired Resprecare business. An amount of \$4.4 million, representing the excess of the purchase price over the fair value of identifiable net assets acquired of \$2.8 million, was recorded as goodwill.

In-Process Research and Development Charge (“IPR&D”)

On acquisition of Saime in May 2005, we recognized as an expense a charge of \$5.3 million with respect to IPR&D programs under active development by Saime that, at date of acquisition, had not reached technological feasibility and had no alternative future use.

Stock-Based Compensation Costs

We have granted stock options to personnel, including officers and directors, under our 1995 Option Plan (the “1995 Plan”), our 1997 Equity Participation Plan (the “1997 Plan”) and our 2006 Incentive Award Plan, as amended (the “2006 Plan” and together with the 1995 Plan and the 1997 Plan, the “Plans”). These options have expiration dates of seven or ten years from the date of grant and vest over three or four years. We granted these options with the exercise price equal to the market value as determined at the date of grant. We have also offered to our personnel, including officers and directors, the right to purchase shares of our common stock at a discount pursuant to our employee stock purchase plan (“ESPP”).

As of July 1, 2005, we adopted SFAS No.123(R) using the modified prospective method, which requires measurement of compensation expense of all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Under this method, the provisions of SFAS No.123(R) apply to all awards granted or modified after the date of adoption. In addition, the unrecognized expense of awards not yet vested at the date of adoption, determined under the original provisions of SFAS No.123, “Accounting for Stock Based Compensation” (“SFAS 123”), shall be recognized in net income in the periods after adoption. The fair value of stock options is determined using the Black-Scholes valuation model. Such value is recognized as expense over the service period, using the graded-attribution method for stock-based awards granted prior to July 1, 2005 and the straight-line method for stock-based awards granted after July 1, 2005.

The fair value of stock options granted under the Plans and purchase rights granted under our ESPP is estimated on the date of the grant using the Black-Scholes option-pricing model, assuming no dividends and the following assumptions:

	2007	Years ended June 30 2006	2005
Stock Options:			
Weighted average grant date fair value	\$14.53	\$12.75	\$8.49
Weighted average risk-free interest rate	4.3-5.1%	3.9-4.5%	4.0%
Dividend yield	-	-	-
Expected option life in years	4.0-5.2	3.9-5.2	3.5-4.6
Volatility	26-30%	28-30%	31%
ESPP Purchase rights:			
Weighted average risk-free interest rate	4.9-5.1%	3.2-4.9%	2.3%
Dividend yield	-	-	-
Expected option life	6 months	6 months	6 months
Volatility	30-41%	29-41%	31-38%

Expected volatilities are based on a combination of historical volatilities of our stock and implied volatilities from traded options of our stock. The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules

and our historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

Tax Expense

Our income tax rate is governed by the laws of the regions in which our income is recognized. To date, a substantial portion of our income has been subject to income tax in Australia where the statutory rate was 30% in fiscal years 2007, 2006 and 2005. During fiscal years 2007, 2006 and 2005, our consolidated effective tax rate has fluctuated between approximately 32% and approximately 34%. These fluctuations have resulted from, and future effective tax rates will depend upon, numerous factors, including the amount of research and development expenditures for which a 125% Australian tax deduction is available, the level of non-deductible expenses, and other tax credits or benefits available to us under applicable tax laws.

We account 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.

Fiscal Year Ended June 30, 2007 Compared to Fiscal Year Ended June 30, 2006

Net Revenues. Net revenue increased for the year ended June 30, 2007 to \$716.3 million from \$607.0 million for the year ended June 30, 2006, an increase of \$109.3 million or 18%. The increase in net revenue was attributable to an increase in unit sales of our flow generators, masks and accessories. Movements in international currencies against the U.S. dollar positively impacted revenues by approximately \$20.5 million for the year ended June 30, 2007. Excluding the impact of favorable foreign currency movements, sales for the year ended June 30, 2007 increased by 15% compared to the year ended June 30, 2006.

Net revenue in North and Latin America increased for the year ended June 30, 2007 to \$376.7 million from \$321.0 million for the year ended June 30, 2006, an increase of \$55.7 million or 17%. This growth has been generated by increased public and physician awareness of sleep-disordered breathing together with our continued investment in our sales force and marketing initiatives. Recent product releases, in particular the Adapt SV, Swift II and Mirage Quattro, have also contributed to our sales growth.

Net revenue in markets outside the Americas increased for the year ended June 30, 2007 to \$339.6 million from \$286.0 million for the years ended June 30, 2007 and 2006, respectively, an increase of 19%. International sales growth predominantly reflects growth in the overall sleep-disordered breathing market and the positive impact from movements of international currencies against the U.S. dollar. Excluding the positive impact from movements of international currencies, international sales grew by 12%.

Sales of flow generators for the year ended June 30, 2007 totaled \$370.6 million, an increase of 17% compared to the year ended June 30, 2006, including increases of 19% in North and Latin America and 16% elsewhere. Sales of mask systems, motors and other accessories totaled \$345.8 million, an increase of 19%, including increases of 16% in North and Latin America and 24% elsewhere, for the year ended June 30, 2007, compared to the year ended June 30, 2006. We believe these increases primarily reflect growth in the overall sleep-disordered breathing market and contributions from new products.

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Gross Profit. Gross profit increased for the year ended June 30, 2007 to \$384.5 million from \$376.9 million for the year ended June 30, 2006, an increase of \$7.6 million or 2%. Gross profit as a percentage of net revenue decreased for the year ended June 30, 2007 to 54% from 62% for the year ended June 30, 2006. The decrease in gross margin is primarily due to \$59.7 million of voluntary product recall expenses that we recognized during the year ended June 30, 2007. Excluding voluntary product recall expenses, gross profit as a percentage of revenue was 62% for the year ended June 30, 2007, which is consistent with the year ended June 30, 2006. Stock-based compensation expenses of \$1.1 million have been included in cost of sales for the year ended June 30, 2007 compared to \$0.9 million for the year ended June 30, 2006.

Voluntary Product Recall Expenses. On April 23, 2007, we initiated a worldwide voluntary product recall of approximately 300,000 units of our early production S8 flow generators. In these particular units, which were manufactured between July 2004 and May 15, 2006, there is a remote potential for a short circuit in the power supply connector. Furthermore, in seven cases worldwide, device failures have led to thermal damage to the device, with a remote potential to ignite material external to the device. We are working with our distribution partners globally to provide a replacement device to patients who have an affected S8 flow generator.

The estimated cost of this recall action is \$59.7 million which has been recognized as a charge to cost of sales in the condensed consolidated statement of income during the year ended June 30, 2007. At June 30, 2007, we have incurred costs of approximately \$16.3 million associated with the product recall. We expect the product recall to continue throughout fiscal year 2008. We cannot assure that the actual costs of the product recall will not differ from the amount we have estimated and recognized in our financial statements.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased for the year ended June 30, 2007 to \$237.3 million from \$200.2 million for the year ended June 30, 2006, an increase of \$37.1 million or 19%. As a percentage of net revenue, selling, general and administrative expenses for the year ended June 30, 2007 was 33% and is consistent with the year ended June 30, 2006. Stock-based compensation expenses of \$14.5 million have been included within selling, general and administrative expenses for the year ended June 30, 2007 compared to \$12.4 million for the year ended June 30, 2006.

The increase in selling, general and administrative expenses was primarily due to an increase in the number of sales and administrative personnel to support our growth, continued infrastructure investment, particularly in our European businesses, stock-based compensation costs and other expenses related to the increase in our sales. The increase in selling, general and administrative expenses was also attributable to net appreciation of international currencies against the U.S. dollar, which added approximately \$9.0 million to our expenses for the year ended June 30, 2007, as reported in U.S. dollars. As a percentage of net revenue, we expect our future selling, general and administrative expense to continue in the historical range of 32% to 34%.

Research and Development Expenses. Research and development expenses increased for the year ended June 30, 2007 to \$50.1 million from \$37.2 million for the year ended June 30, 2006, an increase of \$12.9 million or 35%. As a percentage of net revenue, research and development expenses were 7% for the year ended June 30, 2007 compared to 6% for the year ended June 30, 2006. Stock-based compensation costs of \$2.0 million have been included within research and development expenses for both the year ended June 30, 2007 and the year ended June 30, 2006.

The increase in research and development expenses was primarily due to an increase in the number of research and development personnel, increased charges for consulting fees and an increase in technical assessments incurred to facilitate development of new products. The increase in research

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and development expenses was also attributable to net appreciation of international currencies against the U.S. dollar, which added approximately \$2.4 million to our expenses for the year ended June 30, 2007, as reported in U.S. dollars. As a percentage of net revenue, we expect our future research and development expense to continue in the range of 6% to 7%.

Donations to Foundations. In the years ended June 30, 2007 and 2006, we donated \$Nil and \$0.8 million, respectively, to the ResMed Foundation in the United States, and the ResMed Foundation in Australia. The Foundations' overall mission includes the education of both the public and physicians about the inherent dangers of untreated SDB/OSA, particularly as it relates to cerebrovascular and cardiovascular disease.

Amortization of Acquired Intangible Assets. Amortization of acquired intangible assets for the year ended June 30, 2007 totaled \$6.9 million compared to \$6.3 million for the year ended June 30, 2006. The increase in amortization expense is mainly attributable to the appreciation of the Euro against the U.S. dollar as the majority of the acquired intangible assets are denominated in Euros. The amortized amounts in 2007 related to acquired intangible assets associated with the acquisitions of Pulmomed, PolarMed, Saime, Hoefner and Resprecare.

Restructuring Expenses. Restructuring expenses incurred for the year ended June 30, 2007 were \$Nil compared to \$1.1 million for the year ended June 30, 2006. Restructuring expenses for 2006 consisted of restructure charges associated with our integration of the separate operations of ResMed Germany and MAP into a single operating unit. We have completed the relocation of our ResMed Germany operation, previously located in Moenchengladbach, to Munich and associated integration of the back office functions including customer service, logistics and administration.

Other Income (Expense), Net. Other income, net for the year ended June 30, 2007 was \$7.8 million, an increase of \$5.7 million over the year ended June 30, 2006. This was predominantly due to higher interest income on additional cash balances, lower interest expense due to the reduction in our convertible debt, which was converted into equity during the quarter ended March 31, 2006 and higher foreign currency gains on foreign currency transactions and hedging.

Income Taxes. Our effective income tax rate decreased to approximately 32.3% for the year ended June 30, 2007 from approximately 33.9% for the year ended June 30, 2006. Our effective income tax rate was impacted by the tax benefit associated with the voluntary product recall expense that was recognized during the year ended June 30, 2007. Excluding the impact of voluntary product recall expenses, the effective income tax rate was 31.4% for the year ended June 30, 2007.

The decrease in our effective tax rate from June 30, 2006 is primarily due to the one-time additional income tax expense of \$3.5 million, which we incurred during the year ended June 30, 2006, associated with the repatriation of \$75 million in dividends received from certain controlled foreign corporations. These dividend payments were made to take advantage of a temporary tax incentive under the American Jobs Creation Act of 2004, which provides an 85% exclusion from U.S. taxable income for qualifying dividends.

We continue to benefit from the Australian corporate tax rate of 30% and certain Australian research and development tax benefits because we generate a majority of our taxable income in Australia. Excluding the impact of tax expense associated with the dividend payment in fiscal year 2006, our effective tax rate was 31.2%, which is broadly consistent with our effective tax rate for fiscal year 2007.

Net Income. As a result of the factors above, our net income for the year ended June 30, 2007 was \$66.3 million or \$0.85 per diluted share compared to net income of \$88.2 million or \$1.16 per diluted

share for the year ended June 30, 2006. The net after tax impact of the voluntary product recall expense of \$41.8 million described above resulted in a reduction of diluted earnings per share of \$0.53 on an after-tax basis for the year ended June 30, 2007. Excluding the impact of the voluntary product recall expense, diluted earnings per share was \$1.38, an increase of 19% over the year ended June 30, 2006.

Fiscal Year Ended June 30, 2006 Compared to Fiscal Year Ended June 30, 2005

Net Revenues. Net revenue increased for the year ended June 30, 2006 to \$607.0 million from \$425.5 million for the year ended June 30, 2005, an increase of \$181.5 million or 43%. The increase in net revenue was attributable to an increase in unit sales of our flow generators, masks and accessories and incremental sales contributed from acquisitions. Sales were negatively impacted by the appreciation of international currencies against the U.S. dollar (decreasing sales by approximately \$11.3 million).

Excluding the impact of acquisitions and unfavorable foreign currency movements sales for the year ended June 30, 2006 increased by 32% compared to the year ended June 30, 2005. Net revenue in North and Latin America increased for the year ended June 30, 2006 to \$321.0 million from \$218.1 million for the year ended June 30, 2005, an increase of \$102.9 million or 47%. This growth has been generated by increased public and physician awareness of sleep-disordered breathing together with our continued investment in our sales force and marketing initiatives. Recent product releases, in particular our Mirage Swift mask and S8 flow generator platform, have also contributed strongly to our sales growth.

Net revenue in markets outside the Americas increased for the year ended June 30, 2006 to \$286.0 million from \$207.4 million for the years ended June 30, 2006 and 2005 respectively, an increase of 38%. International sales growth for the year ended June 30, 2006 reflects organic growth in the overall sleep-disordered breathing market and the recent acquisitions of Resprecare, Hoefner, Saime, PolarMed and Pulmomed. These acquisitions contributed incremental revenue of \$52.7 million for the year ended June 30, 2006. Excluding the impact of acquisitions and unfavourable foreign currency movements, international sales for the year ended June 30, 2006 grew by 17% compared to the year ended June 30, 2005.

Sales of flow generators for the year ended June 30, 2006 totaled \$316.6 million, an increase of 51% compared to the year ended June 30, 2005, including increases of 47% in North and Latin America and 53% elsewhere. Sales of mask systems, motors and other accessories totaled \$290.4 million, an increase of 35%, including increases of 47% in North and Latin America and 16% elsewhere, for the year ended June 30, 2006, compared to the year ended June 30, 2005. These increases primarily reflect growth in the overall sleep-disordered breathing market, acquisitions during the year, and new product releases, particularly the Mirage Swift Mask and our new flow generator platform, the S8.

Gross Profit. Gross profit increased for the year ended June 30, 2006 to \$376.9 million from \$274.9 million for the year ended June 30, 2005, an increase of \$102.0 million or 37%. Gross profit as a percentage of net revenue decreased for the year ended June 30, 2006 to 62% from 65% for the year ended June 30, 2005. The reduction in gross margin reflects the change in product and geographical mix of sales with a higher proportion of sales in flow generators, which generate lower margins relative to our mask sales, and higher North and Latin American sales, which also typically generate lower margins relative to our international sales, as well as the additional stock-based compensation costs. Stock-based compensation expenses of \$0.9 million have been included within cost of sales for the year ended June 30, 2006 as compared to no stock-based compensation expense for the year ended June 30, 2005.

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Selling, General and Administrative Expenses. Selling, general and administrative expenses increased for the year ended June 30, 2006 to \$200.2 million from \$135.7 million for the year ended June 30, 2005, an increase of \$64.5 million or 48%. As a percentage of net revenue, selling, general and administrative expenses for the year ended June 30, 2006 was 33%, marginally higher than 32% in the year ended June 30, 2005. Stock-based compensation expenses of \$12.4 million have been included within selling, general and administrative expenses for the year ended June 30, 2006. Excluding the impact of stock-based compensation expenses, as a percentage of net revenue, selling, general and administrative expenses for the year ended June 30, 2006 were 31%, which is marginally lower than 32% in the year ended June 30, 2005.

The increase in selling, general and administrative expenses was primarily due to stock-based compensation costs, an increase in the number of sales and administrative personnel to support our growth, the acquisitions of Resprecare, Hoefner, Saime, PolarMed and Pulmomed, continued infrastructure investment, particularly in our European businesses, and other expenses related to the increase in our sales. As a percentage of net revenue, we expect our future selling, general and administrative expense to continue in the historical range of 31% to 34%.

Research and Development Expenses. Research and development expenses increased for the year ended June 30, 2006 to \$37.2 million from \$30.0 million for the year ended June 30, 2005, an increase of \$7.2 million or 24%. As a percentage of net revenue, research and development expenses were 6% for the year ended June 30, 2006 compared to 7% for the year ended June 30, 2005. Stock-based compensation costs of \$2.0 million have been included within research and development expenses for the year ended June 30, 2006. As a percentage of net revenue, we expect our future research and development expense to continue in the range of 5% to 7%.

Donations to Foundations. In the years ended June 30, 2006 and 2005, we donated \$0.8 million and \$0.5 million, respectively, to the ResMed Foundation in the United States, and the ResMed Foundation in Australia. The Foundations' overall mission includes the education of both the public and physicians about the inherent dangers of untreated SDB/OSA, particularly as it relates to cerebrovascular and cardiovascular disease.

In-process Research and Development Charge. No in-process research and development charge was incurred for the year ended June 30, 2006. For the year ended June 30, 2005, purchased in-process research and development of \$5.3 million was expensed upon the acquisition of Saime as technological feasibility of the products under development had not been established and no further alternative uses existed.

Amortization of Acquired Intangible Assets. Amortization of acquired intangible assets for the year ended June 30, 2006 totaled \$6.3 million compared to \$0.9 million for the year ended June 30, 2005. The amortized amounts in 2006 related to acquired intangible assets associated with the acquisitions of Pulmomed, PolarMed, Saime, Hoefner and Resprecare.

Restructuring Expenses. Restructuring expenses incurred for the year ended June 30, 2006 were \$1.1 million compared to \$5.2 million for the year ended June 30, 2005. Restructuring expenses for 2006 consisted of restructure charges associated with our integration of the separate operations of ResMed Germany and MAP into a single operating unit. We have completed the relocation of our ResMed Germany operation, previously located in Moenchengladbach, to Munich and associated integration of the back office functions including customer service, logistics and administration. We plan to continue to monitor the progress of this restructure and adjust our business strategies and personnel accordingly in an effort to maximize efficiencies and cost savings.

Other Income (Expense), Net. Other income, net for the year ended June 30, 2006 was \$2.1 million, an increase of \$2.8 million from other expense, net of \$0.7 million for the year ended

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June 30, 2005. This was predominantly due to higher interest income on additional cash balances and the lower interest expense due to the reduction in our convertible debt, which was converted into equity during the quarter ended March 31, 2006. Other factors included higher foreign currency gains on foreign currency transactions and hedging offset by an impairment loss of \$1.2 million on one of our cost method investments.

Income Taxes. Our effective income tax rate increased to approximately 33.9% for the year ended June 30, 2006 from approximately 33.0% for the year ended June 30, 2005. This was primarily due to the one-time additional income tax expense of \$3.5 million associated with the repatriation of \$75 million in dividends received from certain controlled foreign corporations. These dividend payments were made to take advantage of a temporary tax incentive under the American Jobs Creation Act of 2004, which provides an 85% exclusion from U.S. taxable income for qualifying dividends. The repatriation of these funds to the United States provides us with increased flexibility in the utilization of cash to further our strategic objectives.

Excluding the impact of the one-time additional income tax expense of \$3.5 million relating to the dividend repatriation, the effective tax rate for the year ended June 30, 2006 was 31.2%. This compares to an adjusted effective tax rate of approximately 31.2% for the year ended June 30, 2005 when excluding the impact of the non-deductible in-process research and development charge of \$5.3 million incurred in the prior year. We continue to benefit from the Australian corporate tax rate of 30% and certain Australian research and development tax benefits because we generate a majority of our taxable income in Australia.

Net Income. As a result of the factors above, our net income for the year ended June 30, 2006 was \$88.2 million or \$1.16 per diluted share compared to net income of \$64.8 million or \$0.91 per diluted share for the year ended June 30, 2005. The net after tax impact of stock-based compensation costs, restructuring expenses, in-process research and development charge, amortization of acquired intangible assets and the repatriation of funds described above resulted in a reduction of diluted earnings per share of \$0.26 and \$0.12 on an after-tax basis, respectively, for the years ended June 30, 2006 and 2005.

Liquidity and Capital Resources

As of June 30, 2007 and June 30, 2006, we had cash and cash equivalents and marketable securities available-for-sale of \$277.7 million and \$219.5 million, respectively. Working capital was \$466.4 million and \$381.3 million at June 30, 2007 and June 30, 2006, respectively. The increase in working capital predominantly reflects the growth and profitability of the business during the year.

Inventories at June 30, 2007 increased by \$41.0 million or 35% to \$157.2 million compared to June 30, 2006 inventories of \$116.2 million. The increase in inventories was higher than the increase of 18% in revenues in the year ended June 30, 2007 compared to the year ended June 30, 2006, which we believe reflects increased inventory levels to accommodate our increasing sales and the launch of several new products including the VPAP Malibu and Tango flow generators, and the Mirage Quattro and Mirage Liberty masks.

Accounts receivable at June 30, 2007 were \$167.8 million, an increase of \$29.7 million or 21% over the June 30, 2006 accounts receivable balance of \$138.1 million. The increase was higher than the 18% incremental increase in revenues for the year ended June 30, 2007 compared to the year ended June 30, 2006. Accounts receivable days sales outstanding of 77 days at June 30, 2007 increased by 7 days compared to 70 days at June 30, 2006. The increase was predominantly attributable to increases in credit terms in response to competitor actions. Our allowance for doubtful accounts as a percentage of total accounts receivable at June 30, 2007 and 2006 was 2.7% and 3.3%, respectively. The credit quality of our customers remains consistent with our past experience.

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During the year ended June 30, 2007, we generated cash of \$91.1 million from operations. This was lower than the cash generated from operations for the year ended June 30, 2006 of \$99.0 million and was primarily the result of the decrease in net income, higher working capital balances and product recall costs. The cash generated from operations included a reduction of \$12.4 million and \$9.8 million for the years ended June 30, 2007 and 2006, respectively, due to the adoption of SFAS 123(R) as tax benefits associated with employee stock options exercised during the year are required to be included within cashflows from financing activities.

Capital expenditures for the years ended June 30, 2007 and 2006 aggregated \$77.6 million and \$102.7 million, respectively. The capital expenditures for the year ended June 30, 2007 primarily reflected the construction of our new manufacturing, research and development building, office facilities, computer hardware and software, rental and loan equipment and purchase of production tooling equipment and machinery. As a result of these capital expenditures, our balance sheet reflects net property, plant and equipment of approximately \$310.6 million at June 30, 2007 compared to \$245.4 million at June 30, 2006.

During the year ended June 30, 2007, we completed the construction of our new research and development and office facilities at our existing site in Sydney, Australia. We incurred construction costs of \$12 million to complete our new building for the year ended June 30, 2007. We also commenced an extension to our manufacturing facility in Sydney, Australia. We have incurred \$7 million during the year and estimate additional construction cost of approximately \$7 million to complete the project. We expect to complete this extension within the next fiscal year and to fund the project through a combination of cash on hand and cash generated from operations.

On July 7, 2005, we purchased a 9.78-acre parcel of land in San Diego for \$21.0 million. The new location at Kearney Mesa, San Diego will allow us to develop a new corporate headquarters. We commenced construction of our new corporate headquarters during 2007 and to date have incurred expenditures of \$4 million. We estimate additional construction costs of \$91 million to complete the project. We expect to complete the project in March 2009 and to fund the project through a combination of cash on hand and our undrawn revolving loan of \$75 million.

Details of contractual obligations at June 30, 2007 are as follows:

In \$000's	Total	2008	2009	Payments Due by Period			
				2010	2011	2012	Thereafter
Long-Term Debt	\$ 115,434	\$ 28,272	\$ 43,885	\$ 16,933	\$ 20,319	\$ 6,025	\$ -
Operating Leases	34,506	9,634	8,188	6,198	3,900	2,227	4,359
Capital Leases	564	78	78	78	78	78	174
Unconditional Purchase Obligations	33,763	31,969	876	876	21	21	-
Total Contractual Cash Obligations	\$ 184,267	\$ 69,953	\$ 53,027	\$ 24,085	\$ 24,318	\$ 8,351	\$ 4,533

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Details of other commercial commitments at June 30, 2007 are as follows:

In \$000's	Total Amounts Committed	Amount of Commitment Expiration Per Period					Thereafter
		2008	2009	2010	2011	2012	
Standby Letters of Credit	\$ 36	\$ 36	\$ -	\$ -	\$ -	\$ -	\$ -
Guarantees*	57,426	607	25	270	54,627	-	1,897
Total Commercial Commitments	\$ 57,462	\$ 643	\$ 25	\$ 270	\$ 54,627	\$ -	\$ 1,897

*The above guarantees mainly relate to security provided as part of our Syndicated Facility Agreement and requirements under contractual obligations with insurance companies transacting with our German subsidiaries.

During fiscal year 2006, and pursuant to the Indenture dated June 20, 2001 between us and American Stock Transfer & Trust Company, as trustee, holders of all of the 4% Convertible Subordinated Notes ("the Notes") due 2006 converted the Notes into an aggregate of 3,737,593 shares of our common stock, par value \$0.004. The Notes were converted into 33 shares of our common stock for each \$1,000 principal amount of the Notes, at a conversion price of \$30.30 per share. The dilutive impact of these conversions has been reflected in our reported earnings per share.

On March 13, 2006, our wholly-owned subsidiaries ResMed Corp., ResMed Motor Technologies Inc. and ResMed EAP Holdings Inc. entered into a Second Amended and Restated Revolving Loan Agreement with Union Bank of California, N.A. as administrative agent for the Lenders (the "Loan Agreement"), that provides for a revolving loan of up to \$75 million. The Loan Agreement also contains customary covenants, including certain financial covenants and an obligation that we maintain certain financial ratios, including a maximum ratio of total debt to EBITDA (as defined in the Loan Agreement), a fixed charge coverage ratio, a minimum tangible net worth, and that certain of our subsidiaries maintain a minimum EBITDA and liquidity. We are currently in compliance with all of these covenants. Draws under the revolving loans must be made before March 1, 2011, at which time all unpaid principal and interest under both loans must be repaid. The outstanding principal amount due under the loans will bear interest at a rate equal to LIBOR plus 0.75% to 1.00% (depending on the applicable leverage ratio). At June 30, 2007 there were no amounts outstanding under the Loan Agreement.

On June 8, 2006, our wholly-owned Australian subsidiary, ResMed Limited, entered into a Syndicated Facility Agreement with HSBC Bank Australia Limited as original financier, facility agent and security trustee, that provides for a loan in three tranches.

Tranche A is a EUR 50 million term loan facility that refinances all amounts outstanding under a previous syndicated facility agreement dated May 16, 2005 between ResMed Limited and HSBC Bank Australia Limited, to fund the obligations of our wholly-owned French subsidiary ResMed SA under its agreement to acquire Saime. Tranche A bears interest at a rate equal to LIBOR for deposits denominated in EUR plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of ResMed Inc. and its subsidiaries, which we refer to as the ResMed Group, for the most recently completed fiscal year for the applicable interest period. Payments of principal must be made to reduce the total outstanding principal amount of Tranche A to EUR 37.75 million on June 30, 2008, EUR 27.5 million on June 30, 2009, EUR 15 million on December 31, 2009, and the entire outstanding principal amount must be repaid in full on June 8, 2011. At June 30, 2007, the Tranche A facility loan had an amount outstanding of \$65.3 million.

Tranche B is a USD 15 million term loan facility that may only be used for the purpose of financing capital expenditures and other asset acquisitions by the ResMed Group. Tranche B bears interest at a

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rate equal to LIBOR for deposits denominated in EUR, Australian dollars, USD, or Sterling plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire principal amount must be repaid in full on June 8, 2011. At June 30, 2007, the Tranche B facility loan had an amount outstanding of \$6.0 million.

Tranche C is a USD 60 million term loan facility that may only be used for the purpose of the payment by ResMed Limited of a dividend to ResMed Holdings Limited, which will ultimately be paid to ResMed Inc. Tranche C bears interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars or USD plus a margin of 0.70% or 0.80%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. Payments of principal must be made to reduce the total outstanding principal amount of Tranche C to USD 30 million on December 31, 2007 and the entire outstanding principal amount must be repaid in full by June 8, 2009. At June 30, 2007, the Tranche C facility loan had an amount outstanding of \$40.1 million.

The loans under the Syndicated Facility Agreement are secured by a pledge of one hundred percent of the shares of ResMed Inc.'s subsidiary, Saime, pursuant to a Pledge Agreement. The Syndicated Facility Agreement also contains customary covenants, including certain financial covenants and an obligation that ResMed Limited maintain certain financial ratios, including a minimum debt service cover ratio, a maximum ratio of total debt to EBITDA and a minimum tangible net worth. The entire principal amount of the loan and any accrued but unpaid interest may be declared immediately due and payable in the event of the occurrence of an event of default as defined in the Syndicated Facility Agreement. Events of default include, among other items, failure to make payments when due, breaches of representations, warranties or covenants, the occurrence of certain insolvency events, the occurrence of an event or change which could have a material adverse effect on ResMed Limited and its subsidiaries, and if ResMed Inc. ceases to control ResMed Limited, ResMed Corp., ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited, Take Air Medical Handels-GmbH or Saime. At June 30, 2007 we were in compliance with our debt covenants.

Simultaneous with the Syndicated Facility Agreement, ResMed Limited entered into a working capital agreement with HSBC Bank Australia Limited for revolving, letter of credit and overdraft facilities up to a total commitment of 6.5 million Australian dollars for one year, and ResMed (UK) Limited entered into a working capital agreement with HSBC Bank plc for a revolving cash advance facility up to a total commitment of 3 million Sterling for one year. At June 30, 2007 there was an amount of \$4.0 million outstanding under these working capital agreements.

We expect to satisfy all of our short-term liquidity requirements through a combination of cash on hand, cash generated from operations, our \$75 million undrawn revolving line of credit with Union Bank of California and our \$9.0 million undrawn facilities with HSBC.

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

Critical Accounting Principles and Estimates

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

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and liabilities. On an ongoing basis we evaluate our estimates, including those related to allowance for doubtful accounts, inventory reserves, warranty obligations, goodwill, impaired assets, intangible assets, income taxes, deferred tax valuation allowances, contingencies and stock-based compensation costs.

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 consolidated financial statements:

- (1) **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 a 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.
- (2) **Inventory Adjustments.** Inventories are stated at lower of cost or market and are determined by the first-in, first-out method. 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.
- (3) **Valuation of Goodwill, Intangible and Other Long-Lived Assets.** We use assumptions in establishing the carrying value, fair value and estimated lives of our goodwill, intangibles and other long-lived assets. 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 us. 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.
- (4) **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.
- (5) **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 our different products. This financial model is then used to calculate the future probable expenses related

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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.

(6) Revenue Recognition. Revenue on product sales is recorded at the time of shipment, at which time title transfers to the customer. Revenue on product sales which require customer acceptance is not recorded until acceptance is received. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized ratably over the life of the service contract. Revenue received in advance from rental unit contracts is initially deferred and recognized ratably over the life of the rental contract. Revenue from sale of marketing and distribution rights is initially deferred and recognized ratably as revenue over the life of the contract. Freight charges billed to customers are included in revenue. All freight-related expenses are charged to cost of sales.

We do not recognize revenues to the extent that we offer a right of return or other recourse with respect to the sale of our products or similarly offer variable sale prices for subsequent events or activities. However, as part of our sales processes we may provide upfront discounts for large orders, one time special pricing to support new product introductions, sales rebates for centralized purchasing entities or price-breaks for regular order volumes. The costs of all such programs are recorded as an adjustment to revenue. In our domestic sales activities we use a number of Manufacturer representatives to sell our products. These representatives are paid a direct commission on sales and act as an integral component of our domestic sales force. We do not sell our products to these representatives, and do not recognize revenue on such shipments. Our products are predominantly therapy-based equipment and require no installation. As such, we have no significant installation obligations.

(7) Stock-Based Compensation. In accordance with SFAS No.123(R), we measure the compensation of all stock-based awards at fair value on date of grant. Such value is recognized as compensation expense over the service period, net of estimated forfeitures. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results differ from our estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. We consider many factors when estimating expected forfeitures, including the type of awards, employee class, and historical experience. Actual results may differ substantially from these estimates.

(8) Voluntary Product Recall Expenses. We recognized an accrual for the estimated cost of the voluntary product recall at the time the liability was probable and the related expenses could be reasonably estimated. The amount of this accrual was determined taking into consideration the future probable expenses directly related to the product recall including expected return rates for the affected units, unit replacement costs, legal, consulting, logistical and administrative expenses. Should actual product recall costs differ from our estimated costs or should we receive additional feedback from our ongoing discussions with regulatory bodies, revisions to our estimated product recall accrual may be required.

Recently Issued Accounting Pronouncements

In June 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" and subsequently in May 2007 issued FSP FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB

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Statement No. 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken in a tax return. FIN 48 requires recognition of tax benefits that satisfy a greater than 50% probability threshold and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for us beginning July 1, 2007 and we are currently assessing the potential impact that the adoption of this Interpretation will have on our financial statements.

In September 2006, the FASB issued FASB No. 157, "Fair Value Measurements" ("FASB 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FASB 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are assessing the potential impact that the adoption of this standard will have on our financial statements.

During the year ended June 30, 2007 we adopted Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Current Year Misstatements" ("SAB 108"). SAB 108 requires analysis of misstatements using both an income statement (rollover) approach and a balance sheet (iron curtain) approach in assessing materiality and provides for a one-time cumulative effect transition adjustment. The adoption of SAB 108 did not have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). SFAS No. 159 gives us the irrevocable option to carry many financial assets and liabilities at fair values, with changes in fair value recognized in earnings. SFAS No. 159 is effective for us beginning July 1, 2008, although early adoption is permitted. We are currently assessing the potential impact, if any, should we elect the fair value option, that adoption of SFAS No. 159 will have on our financial statements.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET AND BUSINESS RISKS

Foreign Currency Market Risk

Our reporting currency is the U.S. dollar, although the financial statements of our non-U.S. subsidiaries are maintained in their respective local currencies. We transact business in various foreign currencies, including a number of major European currencies as well as the Australian dollar. We have significant foreign currency exposure through both our Australian manufacturing activities and international sales operations.

We have established a foreign currency hedging program using purchased currency options to hedge foreign-currency-denominated financial assets, liabilities and manufacturing expenditures. The goal of this hedging program is to economically guarantee or lock-in the exchange rates on our foreign currency exposures denominated in Euro's and the Australian dollar. Under this program, increases or decreases in our foreign-currency-denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments. We have determined our hedge program to be a non-effective hedge as defined under SFAS No. 133. The foreign currency derivatives portfolio is recorded in the consolidated balance sheets at fair value and included in other assets or other liabilities. All movements in the fair value of the foreign currency derivatives are recorded within other income, net on our consolidated statements of income.

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The table below provides information (in U.S. dollars) on our foreign-currency-denominated financial assets by legal entity functional currency as of June 30, 2007 (in thousands):

	Foreign Currency Financial Assets								
	Australian Dollar (AUD)	US Dollar (USD)	Euro (EUR)	Great Britain Pound (GBP)	Singapore Dollar (SGD)	New Zealand Dollar (NZD)	Swedish Krona (SEK)	Swiss Franc (CHF)	Norwegian Krone (NOK)
AUD									
Functional Currency Entities:									
Assets	\$ -	\$ 77,860	\$ 88,337	\$13,579	\$ 569	\$ 862	\$ 678	\$3,334	\$ 1,459
Liability	-	(34,413)	(68,907)	(6,321)	(5)	(75)	-	(7)	-
Net Total	-	43,447	19,430	7,258	564	787	678	3,327	1,459
USD									
Functional Currency Entities:									
Assets	58,714	-	-	-	-	-	-	-	-
Liability	-	-	-	-	-	-	-	-	-
Net Total	58,714	-	-	-	-	-	-	-	-
EURO									
Functional Currency Entities:									
Assets	-	1	982	-	-	-	-	-	-
Liability	(4)	(191)	(21)	(1,245)	-	-	(20)	-	-
Net Total	(4)	(190)	961	(1,245)	-	-	(20)	-	-
GBP									
Functional Currency Entities:									
Assets	-	689	7,467	-	-	-	-	-	-
Liability	-	-	(888)	-	-	-	-	(31)	(14)
Net Total	-	689	6,579	-	-	-	-	(31)	(14)
CHF									
Functional Currency Entities:									
Assets	2	293	14	1	-	-	-	-	-
Liability	-	(59)	(941)	(651)	-	-	-	-	(66)
Net Total	2	234	(927)	(650)	-	-	-	-	(66)
NOK									
Functional Currency Entities:									
Assets	-	-	-	-	-	-	-	-	-
Liability	-	(149)	(78)	(15)	-	-	(129)	-	-
Net Total	-	(149)	(78)	(15)	-	-	(129)	-	-
SEK									
Functional Currency Entities:									
Assets	-	-	-	-	-	-	-	-	-
Liability	-	(1,269)	(112)	(17)	-	-	-	-	(1,231)
Net Total	-	(1,269)	(112)	(17)	-	-	-	-	(1,231)

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The table below provides information about our foreign currency derivative financial instruments and presents the information in U.S. 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 June 30, 2007. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for our foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under the options contracts.

(In thousands except exchange rates)	FY 2008	FY 2009	Total	Fair Value Assets / (Liabilities) As of June 30	
				2007	2006
Foreign Exchange Call Options (Receive AUDS/Pay U.S.S)					
Option amount	\$72,000	\$45,000	\$117,000	\$3,558	\$1,035
Average contractual exchange rate (Receive AUDS/Pay GBPS)	AUD \$1 = USD 0.8088	AUD \$1 = USD 0.8383	AUD \$1 = USD 0.8199		
Option amount	\$6,026	\$-	\$6,026	\$82	\$-
Average contractual exchange rate (Receive AUDS/Pay Euro)	AUD \$1 = GBP 0.4300		AUD \$1 = GBP 0.4300		
Option amount	\$12,191	\$4,064	\$16,255	\$209	\$144
Average contractual exchange rate	AUD \$1 = Euro 0.6424	AUD \$1 = Euro 0.670	AUD \$1 = Euro 0.6490		

Interest Rate Risk

We are exposed to risk associated with changes in interest rates affecting the return on our cash and cash equivalents and debt. At June 30, 2007 we had total long-term debt, including the current portion of those obligations, of \$116.0 million. All of this debt is subject to variable interest rates. A hypothetical 10% change in interest rates during the year ended June 30, 2007, would not have a material impact on pretax income. We have no interest rate hedging agreements.

ITEM 8 CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

a) Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm	F1
Consolidated Balance Sheets as of June 30, 2007 and 2006	F2
Consolidated Statements of Income for the years ended June 30, 2007, 2006 and 2005	F3
Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended June 30, 2007, 2006 and 2005	F4
Consolidated Statements of Cash Flows for the years ended June 30, 2007, 2006 and 2005	F5
Notes to Consolidated Financial Statements	F6
Schedule II – Valuation and Qualifying Accounts and Reserves	

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b) Supplementary Data

Quarterly Financial Information (unaudited)—The quarterly results for the years ended June 30, 2007 and 2006 are summarized below (in thousands, except per share amounts):

2007	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net revenues	\$ 163,605	\$ 178,428	\$ 182,990	\$ 191,309	\$ 716,332
Gross profit	101,296	111,758	54,232	117,206	384,492
Net income/(loss)	24,999	28,995	(15,365)	27,674	66,302
Basic earnings per share	\$ 0.33	\$ 0.38	(\$ 0.20)	\$ 0.36	\$ 0.86
Diluted earnings per share	\$ 0.32	\$ 0.37	(\$ 0.20)	\$ 0.35	\$ 0.85

2006	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net revenues	\$ 127,127	\$ 146,416	\$ 162,281	\$ 171,172	\$ 606,996
Gross profit	80,119	91,726	100,866	104,184	376,895
Net income	16,442	22,314	26,362	23,093	88,211
Basic earnings per share	\$ 0.23	\$ 0.31	\$ 0.36	\$ 0.31	\$ 1.22
Diluted earnings per share	\$ 0.23	\$ 0.30	\$ 0.34	\$ 0.30	\$ 1.16

Note: Per share amounts for each quarter are computed independently, and, due to the computation formula, the sum of the four quarters may not equal the year. All share and per share information has been adjusted to reflect the two-for-one stock split effected in the form of a 100% stock dividend that was declared on August 10, 2005 and distributed on September 30, 2005.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2007. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B OTHER INFORMATION

None.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2007. Management based this assessment on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of ResMed Inc.'s internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on our assessment and those criteria, management has concluded that the Company did maintain effective internal control over financial reporting as of June 30, 2007.

KPMG LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of ResMed, Inc. included in this report, has issued an attestation report on management's assessment of internal control over financial reporting.

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RESMED INC. AND SUBSIDIARIES
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
ResMed Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that ResMed Inc. maintained effective internal control over financial reporting as of June 30, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). ResMed Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that ResMed Inc. maintained effective internal control over financial reporting as of June 30, 2007, is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by COSO. Also, in our opinion, ResMed Inc. maintained, in all material respects, effective internal control over financial reporting as of June 30, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ResMed Inc. and subsidiaries as of June 30, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended June 30, 2007, and our report dated August 27, 2007 expressed an unqualified opinion on those consolidated financial statements.

/s/ **KPMG LLP**
San Diego, California
August 27, 2007

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 8, 2007, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2007.

The Company has filed, as exhibits to this Annual Report on Form 10-K for the year ended June 30, 2007, the certifications of its Chief Executive Officer and Chief Financial Officer required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

On January 8, 2007, the Company submitted to the New York Stock Exchange the Annual CEO Certification required pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

ITEM 11 EXECUTIVE COMPENSATION

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 8, 2007, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2007.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 8, 2007, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2007.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

No material transactions.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference to our definitive Proxy Statement for our November 8, 2007, meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2007.

PART IV

ITEM 15 EXHIBITS AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

- (a) Consolidated Financial Statements and Schedule – The consolidated financial statements and schedule of the Company and its consolidated subsidiaries are set forth in the “Index to Consolidated Financial Statements” under Item 8 of this report.
- (b) Exhibit Lists
 - 3.1 First Restated Certificate of Incorporation of Registrant, as amended⁽¹⁵⁾
 - 3.2 Third Restated By-laws of Registrant⁽¹²⁾

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- 4.1 Form of certificate evidencing shares of Common Stock⁽¹⁾
- 4.3 Indenture dated as of June 20, 2001, between ResMed Inc. and American Stock Transfer & Trust Company⁽⁵⁾
- 4.4 Registration Rights Agreement dated as of June 20, 2001, by and between ResMed Inc., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Banc Alex Brown Inc., William Blair & Company, L.L.C., Macquarie Bank Limited and UBS Warburg LLC⁽⁵⁾
- 4.5 Registration Rights Agreement dated May 14, 2002 between ResMed Inc. and Leslie Hoffmar⁽⁶⁾
- 10.1 1995 Stock Option Plan⁽¹⁾
- 10.2 1997 Equity Participation Plan⁽³⁾
- 10.3 Licensing Agreement between the University of Sydney and ResMed Ltd dated May 17, 1991, as amended⁽¹⁾
- 10.5 Loan Agreement between the Australian Trade Commission and ResMed Ltd dated May 3, 1994⁽¹⁾
- 10.6 Lease for 10121 Carroll Canyon Road, San Diego CA 92131-1109, USA⁽⁴⁾
- 10.7 Sale and Leaseback Agreements for 97 Waterloo Rd, North Ryde, Australia⁽⁵⁾
- 10.8 Employment Agreement dated May 14, 2002, between Servo Magnetics Inc. and Leslie Hoffmar⁽⁶⁾
- 10.9 Agreement for the purchase of Lot 6001, Norwest Business Park, Baulkham Hills, Australia⁽⁶⁾
- 10.10 2003 Employee Stock Purchase Plan⁽⁷⁾
- 10.11 Loan Agreement between ResMed Limited and HSBC Bank Australia Limited⁽¹¹⁾
- 10.12 Securities Sale Agreement Financiere Ace S.A.S. dated as of May 4, 2005⁽¹¹⁾
- 10.13 First Amended and Restated Loan Agreement, dated as of November 1, 2005, by and among ResMed Corp., ResMed EAP Holdings Inc. and Union Bank of California, N.A. ⁽⁸⁾
- 10.14 Security Agreement, dated as of November 1, 2005, by and between ResMed EAP Holdings Inc. and Union Bank of California, N.A.⁽⁸⁾
- 10.15 Continuing Guaranty, dated as of November 1, 2005, by and between ResMed Corp. and ResMed EAP Holdings Inc and Union Bank of California, N.A. ⁽⁸⁾
- 10.16 Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc.⁽⁸⁾
- 10.17 Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc.⁽⁸⁾
- 10.18 Second Amended and Restated Revolving Loan Agreement, dated as of March 13, 2006, among ResMed Corp., Motor Technologies Inc., ResMed EAP Holdings Inc. and Union Bank of California, N.A. ⁽⁹⁾
- 10.19 Syndicated Facility Agreement, dated as of June 8, 2006, by and between ResMed Limited and HSBC Bank Australia Limited⁽¹⁰⁾

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10.20	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH ⁽¹⁰⁾
10.21	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited ⁽¹⁰⁾
10.22	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed (UK) Limited and HSBC Bank plc ⁽¹⁰⁾
10.23	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed Limited and HSBC Bank Australia Limited ⁽¹⁰⁾
10.24	ResMed Inc. 2006 Incentive Award Plan ⁽¹⁶⁾
10.25	Amendment No. 1 to the ResMed Inc. 2006 Incentive Award Plan ⁽¹³⁾
10.26	2006 Grant agreement for Board of Directors ⁽¹⁵⁾
10.27	2006 Grant agreement for Executive Officers ⁽¹⁵⁾
10.28	2006 Grant agreement for Australian Executive Officers ⁽¹³⁾
10.29	Form of Executive Agreement ⁽¹⁴⁾
21.1	Subsidiaries of the Registrant ⁽¹⁵⁾
23.1	Independent Registered Public Accounting Firm's Consent and Report on Schedule ⁽¹⁵⁾
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 ⁽¹⁵⁾
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 ⁽¹⁵⁾
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ⁽¹⁵⁾

⁽¹⁾ Incorporated by reference to the Registrant's Registration Statement on Form S-1 (No. 33-91094) declared effective on June 1, 1995.

⁽²⁾ Incorporated by reference to the Registrant's Registration Statement on Form 8-A12G filed on April 25, 1997.

⁽³⁾ Incorporated by reference to the Registrant's 1997 Proxy Statement.

⁽⁴⁾ Incorporated by reference to the Registrant's Report on Form 10-K dated June 30, 1998.

⁽⁵⁾ Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2001.

⁽⁶⁾ Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2002.

⁽⁷⁾ Incorporated by reference to the Registrant's 2003 Definitive Proxy Statement dated October 13, 2007.

⁽⁸⁾ Incorporated by reference to the Registrant's Form 8-K dated November 8, 2005.

⁽⁹⁾ Incorporated by reference to the Registrant's Form 8-K dated March 13, 2006.

⁽¹⁰⁾ Incorporated by reference to the Registrant's Form 8-K dated June 8, 2006.

⁽¹¹⁾ Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2005.

⁽¹²⁾ Incorporated by reference to the Registrant's Report on Form 8-K dated February 23, 2007.

⁽¹³⁾ Incorporated by reference to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2006.

⁽¹⁴⁾ Incorporated by reference to the Registrant's Report on Form 8-K dated July 9, 2007.

⁽¹⁵⁾ Filed herewith

⁽¹⁶⁾ Incorporated by reference to the Registrant's Report on Form 8-K dated November 9, 2006.

RESMED INC. AND SUBSIDIARIES
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
ResMed Inc.:

We have audited the accompanying consolidated balance sheets of ResMed Inc. and subsidiaries as of June 30, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended June 30, 2007. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ResMed Inc. and subsidiaries as of June 30, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, effective July 1, 2005, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of ResMed Inc.'s internal control over financial reporting as of June 30, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 27, 2007, expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

San Diego, California
August 27, 2007

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RESMED INC. AND SUBSIDIARIES
Consolidated Balance Sheets
June 30, 2007 and 2006
(In thousands, except share and per share data)

	June 30, 2007	June 30, 2006		
Assets				
Current assets:				
Cash and cash equivalents	\$ 257,792	\$ 219,544		
Marketable securities available-for-sale (note 4)	19,950	-		
Accounts receivable, net of allowance for doubtful accounts of \$4,704 and \$4,645 at June 30, 2007 and 2006, respectively	167,821	138,147		
Inventories, net (note 5)	157,204	116,194		
Deferred income taxes (note 14)	42,109	27,071		
Income taxes receivable	7,952	-		
Prepaid expenses and other current assets	15,971	9,763		
Total current assets	668,799	510,719		
Non-current assets:				
Property, plant and equipment, net of accumulated depreciation of \$154,559 and \$115,471 at June 30, 2007 and 2006, respectively (note 7)	310,580	245,376		
Goodwill (note 8)	206,778	195,612		
Other intangibles (note 8)	46,575	48,897		
Deferred income taxes (note 14)	9,206	5,265		
Other assets	10,104	7,052		
Total non-current assets	583,243	502,202		
Total assets	\$ 1,252,042	\$ 1,012,921		
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	\$ 53,039	\$ 45,045		
Accrued expenses (notes 9 and 20)	98,324	40,901		
Deferred revenue	18,865	15,344		
Income taxes payable	3,410	22,841		
Deferred income taxes (note 14)	415	435		
Current portion of long-term debt (note 10)	28,350	4,869		
Total current liabilities	202,403	129,435		
Non-current liabilities:				
Deferred income taxes (note 14)	18,297	17,642		
Deferred revenue	12,472	11,484		
Long-term debt (note 10)	87,648	116,212		
Total non-current liabilities	118,417	145,338		
Total liabilities	320,820	274,773		
Commitments and contingencies (notes 17, 18 and 19)			-	-
Stockholders' equity: (note 12)				
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; none issued	-	-		
Common stock, \$0.004 par value, 200,000,000 shares authorized; issued and outstanding 77,617,450 at June 30, 2007 and 75,772,316 at June 30, 2006 (excluding 2,304,918 and 2,254,918 shares held as Treasury stock respectively)	311	303		
Additional paid-in capital	421,701	353,464		
Retained earnings	436,954	370,652		
Treasury stock, at cost	(43,497)	(41,405)		
Accumulated other comprehensive income (note 6)	115,753	55,134		
Total stockholders' equity	931,222	738,148		
Total liabilities and stockholders' equity	\$ 1,252,042	\$ 1,012,921		

See accompanying notes to consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES
Consolidated Statements of Income
Years Ended June 30, 2007, 2006 and 2005
(In thousands, except per share data)

	June 30, 2007	June 30, 2006	June 30, 2005
Net revenues	\$ 716,332	\$ 606,996	\$ 425,505
Cost of sales ^(A)	272,140	230,101	150,645
Voluntary product recall expenses (note 20)	59,700	-	-
Gross profit	384,492	376,895	274,860
Operating expenses:			
Selling, general and administrative ^(A)	237,326	200,168	135,703
Research and development ^(A)	50,106	37,216	30,014
Donations to research foundations	-	760	500
In-process research and development charge	-	-	5,268
Amortization of acquired intangible assets	6,897	6,327	870
Restructuring expenses (note 11)	-	1,124	5,152
Total operating expenses	294,329	245,595	177,507
Income from operations	90,163	131,300	97,353
Other income (expenses):			
Interest income (expense), net	6,477	1,320	(808)
Other, net (note 13)	1,333	774	81
Total other income (expenses), net	7,810	2,094	(727)
Income before income taxes	97,973	133,394	96,626
Income taxes (note 14)	31,671	45,183	31,841
Net income	\$ 66,302	\$ 88,211	\$ 64,785
Basic earnings per share	\$ 0.86	\$ 1.22	\$ 0.94
Diluted earnings per share (note 2-j)	\$ 0.85	\$ 1.16	\$ 0.91
Basic shares outstanding	76,709	72,307	68,643
Diluted shares outstanding	78,253	77,162	74,942
^(A) Includes stock-based compensation costs as follows (note 2-r):			
Cost of sales	\$ 1,081	\$ 891	\$ -
Selling, general and administrative	14,474	12,372	-
Research and development	1,950	2,042	-
Total stock-based compensation costs	\$ 17,505	\$ 15,305	\$ -

See accompanying notes to consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity and Comprehensive Income
Years ended June 30, 2007, 2006 and 2005
(In thousands)

	Common Stock			Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income
	Shares	Amount	Additional Paid-in Capital	Shares	Amount				
Balance, June 30, 2004	69,589	\$ 270	\$ 132,740	(1,772)	\$ (30,440)	\$ 217,656	\$ 41,273	\$ 361,499	
Common stock issued on exercise of options	2,634	9	36,766					36,775	
Common stock issued on employee stock purchase plan	134	2	2,649					2,651	
Treasury stock purchases		(1)		(482)	(10,965)			(10,966)	
Tax benefit from exercise of options			7,710					7,710	
Comprehensive income:									
Net income						64,785		64,785	\$ 64,785
Other comprehensive income:									
Foreign currency translation adjustments							11,617	11,617	11,617
Unrealized losses on marketable securities							(6)	(6)	(6)
Comprehensive income/(loss)									\$ 76,396
Balance, June 30, 2005	72,357	\$ 280	\$ 179,865	(2,254)	\$ (41,405)	\$ 282,441	\$ 52,884	\$ 474,065	
Common stock issued on exercise of options (note 12)	1,805	7	30,790					30,797	
Common stock issued on employee stock purchase plan (note 12)	126	1	3,755					3,756	
Tax benefit from stock options exercised			10,107					10,107	
Common stock issued on conversion of convertible subordinated notes	3,738	15	113,235					113,250	
FAS123(R) stock-based compensation costs			15,712					15,712	
Comprehensive income (note 6):									
Net income						88,211		88,211	\$ 88,211
Other comprehensive income:									
Foreign currency translation adjustments							2,250	2,250	2,250
Comprehensive income/(loss)									\$ 90,461
Balance, June 30, 2006	78,026	\$ 303	\$ 353,464	(2,254)	\$ (41,405)	\$ 370,652	\$ 55,134	\$ 738,148	
Common stock issued on exercise of options (note 12)	1,747	7	32,672					32,679	
Common stock issued on employee stock purchase plan (note 12)	148	1	5,388					5,389	
Treasury stock purchases				(50)	(2,092)			(2,092)	
Tax benefit from exercise of options			12,682					12,682	
FAS123(R) stock-based compensation costs			17,495					17,495	
Comprehensive income:									
Net income						66,302		66,302	66,302
Other comprehensive income:									
Foreign currency translation adjustments							60,619	60,619	60,619
Comprehensive income/(loss)									\$ 126,921
Balance, June 30, 2007	79,921	\$ 311	\$ 421,701	(2,304)	\$ (43,497)	\$ 436,954	\$ 115,753	\$ 931,222	

See accompanying notes to consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended June 30, 2007, 2006 and 2005
(In thousands)

	June 30, 2007	June 30, 2006	June 30, 2005
Cash flows from operating activities:			
Net income	\$ 66,302	\$ 88,211	\$ 64,785
Adjustments to reconcile net income to net cash provided by operating activities:			
Voluntary product recall expenses	59,700	-	-
Depreciation and amortization	47,948	40,970	28,292
Provision for warranties	1,542	1,890	501
Deferred income taxes	(18,900)	(11,915)	(7,997)
Foreign currency options revaluation	(1,091)	3,796	293
Amortization of deferred borrowing costs	193	649	834
Stock-based compensation costs	17,505	15,305	-
Tax benefit from stock options exercised	(12,398)	(9,753)	-
Impairment of cost-method investment	-	1,156	-
Release of profit on sale of building	-	-	(2,371)
Purchased in-process research and development write-off	-	-	5,268
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net	(25,612)	(28,287)	(27,996)
Inventories, net	(30,467)	(25,041)	(22,562)
Prepaid expenses and other current assets	(12,035)	(2,432)	558
Accounts payable, accrued expenses, income taxes and other liabilities	(1,581)	24,479	31,474
Net cash provided by operating activities	91,106	99,028	71,079
Cash flows from investing activities:			
Purchases of property, plant and equipment	(77,556)	(102,749)	(39,691)
Capitalized interest	(412)	(1,100)	-
Purchases of marketable securities—available for sale	(21,950)	(2,000)	(401,546)
Proceeds from sale of marketable securities—available for sale	2,000	2,002	413,576
Patent registration costs	(3,965)	(3,115)	(2,819)
Business acquisitions, net of cash acquired of \$Nil (\$262 in 2006 and \$12,982 in 2005)	(1,912)	(10,526)	(54,425)
Purchases of non-trading investments	(1,622)	(2,386)	(1,873)
Net cash used in investing activities	(105,417)	(119,874)	(86,778)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	38,260	34,389	39,426
Repayment of assumed borrowings from acquisitions	-	(2,195)	(65,764)
Repayment of borrowings	(20,060)	(46,308)	-
Proceeds from borrowings, net of borrowing costs	9,590	102,128	62,500
Tax benefit from stock option exercises	12,398	9,753	-
Purchases of treasury stock	(2,092)	-	(10,966)
Net cash provided by financing activities	38,096	97,767	25,196
Effect of exchange rate changes on cash	14,463	438	3,781
Net increase in cash and cash equivalents	38,248	77,359	13,278
Cash and cash equivalents at beginning of the year	219,544	142,185	128,907
Cash and cash equivalents at end of the year	\$ 257,792	\$ 219,544	\$ 142,185
Supplemental disclosure of cash flow information:			
Income taxes paid, net of refunds	\$ 65,643	\$ 44,873	\$ 24,747
Interest paid, net of capitalized interest	5,426	4,566	4,530
Fair value of assets acquired in acquisitions	\$ -	\$ 11,517	\$ 89,188
Liabilities assumed	-	(6,816)	(99,270)
Goodwill on acquisition	1,588	5,553	78,949
Acquisition costs accrued	324	(1,279)	(1,726)
Acquisition costs paid	-	1,813	266
Cash paid for acquisition, including acquisition costs	\$ 1,912	\$ 10,788	\$ 67,407

See accompanying notes to consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(1) Organization and Basis of Presentation

ResMed Inc. (referred to herein as “we”, “us”, “our” or the “Company”) is a Delaware corporation formed in March 1994 as a holding company for the ResMed Group. Through our subsidiaries, we design, manufacture and market equipment for the diagnosis and treatment of sleep-disordered breathing and other respiratory disorders, including obstructive sleep apnea. Our manufacturing operations are located in Australia, Germany, France and the United States of America. Major distribution and sales sites are located in the United States of America, Germany, France, the United Kingdom, Switzerland, Australia and Sweden.

All share and per share information in the notes has been adjusted to reflect the two-for-one stock split effected in the form of a 100% stock dividend that was declared on August 10, 2005 and distributed on September 30, 2005.

(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 inter-company 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 generally recorded upon shipment, at which time title transfers to the customer. Revenue on product sales which require customer acceptance is not recorded until acceptance is received. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized ratably over the life of the service contract. Revenue received in advance from rental unit contracts is initially deferred and recognized ratably over the life of the rental contract. Revenue from sale of marketing or distribution rights is initially deferred and recognized ratably as revenue over the life of the contract. Freight charges billed to customers are included in revenue. All shipping and handling related expenses are charged to cost of sales.

We do not recognize revenues to the extent that we offer a right of return or other recourse with respect to the sale of our products, other than returns for product defects or other warranty claims, nor do we recognize revenues if we offer variable sale prices for subsequent events or activities. However, as part of our sales processes we may provide upfront discounts for large orders, one time special pricing to support new product introductions, sales rebates for centralized purchasing entities or price-breaks for regular order volumes. The costs of all such programs are recorded as an adjustment to revenue. In our U.S. sales activities we use a number of manufacturer representatives to sell our products. These representatives are paid a direct commission on sales and act as an integral component of our U.S. sales force. We do not sell our products to these representatives and do not recognize revenue on such shipments. Our products are predominantly therapy-based equipment and require no installation. As such, we have no significant installation obligations.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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 and are 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 consolidated statements of cash flows.

(d) Inventories

Inventories are stated at the lower of cost, determined principally by the first-in, first-out method, or net realizable value. We review and provide for any product obsolescence in our manufacturing and distribution operations with assessments of individual products and components (based on estimated future usage and sales) being performed throughout the year.

(e) Property, Plant and Equipment

Property, plant and equipment, including rental 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 except for buildings which are depreciated over an estimated useful life of 40 years. Maintenance and repairs are charged to expense as incurred.

We capitalize interest in connection with the construction of facilities. Actual construction costs incurred relating to facilities under active development qualify for interest capitalization. Interest capitalization ceases when the construction of a facility is complete and available for use. During the years ended June 30, 2007 and 2006, we capitalized \$0.4 million and \$1.1 million, respectively, of interest relating to such construction costs.

(f) Intangible Assets

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.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from seven to nine years. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. All of our intangible assets are subject to amortization. No impairment of intangible assets has been identified during any of the periods presented.

(g) Goodwill

We conducted our annual review for goodwill impairment during the final quarter of fiscal 2007. In conducting our review of goodwill impairment, we identified reporting units, being components of our operating segment, as each of the entities acquired and giving rise to the goodwill. The fair value for each reporting unit was determined based on estimated discounted cash flows. Our goodwill impairment review involved a two-step process as follows:

Step 1- Compare the fair value for each reporting unit to its carrying value, including goodwill. For each reporting unit where the carrying value, including goodwill, exceeds the reporting unit's fair value, move on to step 2. If a reporting unit's fair value exceeds the carrying value, no further work is performed and no impairment charge is necessary.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

Step 2- Allocate the fair value of the reporting unit to its identifiable tangible and non-goodwill intangible assets and liabilities. This will derive an implied fair value for the goodwill. Then, compare the implied fair value of the reporting unit's goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess.

The results of the review indicated that no impaired goodwill exists.

(h) Foreign Currency

The consolidated financial statements of our non-U.S. subsidiaries, whose functional currencies are other than U.S. dollars, are translated into U.S. dollars for financial reporting purposes. Assets and liabilities of non-U.S. subsidiaries whose functional currencies are other than the U.S. 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 detailed in Note 6, and are included in accumulated other comprehensive income in the consolidated balance sheets 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.

(i) Research and Development

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

(j) Earnings per Share

We calculate earnings per share in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" ("SFAS 128"), as amended by SFAS No. 123(R), "Share Based Payments" ("SFAS 123(R)"). SFAS 128 requires the presentation of "basic" earnings per share and "diluted" earnings per share. Basic earnings per share is computed by dividing the net income available to common stockholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share, net income is adjusted for the after-tax amount of interest associated with convertible debt, and the denominator includes both the weighted average number of shares of common stock outstanding and the number of dilutive common stock equivalents such as stock options and convertible notes.

The weighted average shares used to calculate basic earnings per share were 76,709,000, 72,307,000 and 68,643,000 for the years ended June 30, 2007, 2006 and 2005, 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 and the assumed conversion of our convertible notes. Stock options had the effect of increasing the number of shares used in the calculation (by application of the treasury stock method) by 1,544,000, 2,346,000 and 2,561,000 for the years ended June 30, 2007, 2006 and 2005, respectively. The assumed conversion of our convertible notes had the effect of increasing the number of shares used in the calculation by Nil, 2,509,000 and 3,738,000 for the years ended June 30, 2007, 2006 and 2005, respectively. During the year ended June 30, 2006 all of our convertible notes were converted to common stock.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

Stock options of 3,164,000, 1,103,000 and 568,000 for the years ended June 30, 2007, 2006 and 2005 respectively, were not included in the computation of diluted earnings per share as the effect of exercising these options would have been anti-dilutive.

Basic and diluted earnings per share for the years ended June 30, 2007, 2006 and 2005 are calculated as follows (in thousands except per share data):

	2007	2006	2005
Numerator:			
Net income	\$ 66,302	\$ 88,211	\$ 64,785
Adjustment for interest and deferred borrowing costs, net of income tax effect ⁽¹⁾	-	1,660	3,285
Net income, used in calculating diluted earnings per share	\$ 66,302	\$ 89,871	\$ 68,070
Denominator:			
Basic weighted-average common shares outstanding	76,709	72,307	68,643
Effect of dilutive securities:			
Stock options	1,544	2,346	2,561
Convertible subordinated notes	-	2,509	3,738
Diluted potential common shares	1,544	4,855	6,299
Diluted weighted average shares	78,253	77,162	74,942
Basic earnings per share	\$ 0.86	\$ 1.22	\$ 0.94
Diluted earnings per share ⁽¹⁾	\$ 0.85	\$ 1.16	\$ 0.91

⁽¹⁾ Diluted earnings per share has been calculated after adjusting the numerator (net income) by \$Nil, \$1,660,000 and \$3,285,000 for the years ended June 30, 2007, 2006 and 2005, respectively, for the effect of assumed conversion of our convertible notes, and the related reduction in interest expense, net of tax.

(k) Financial Instruments

The carrying value of financial instruments, such as cash and cash equivalents, marketable securities available-for-sale, accounts receivable and accounts payable, approximate their fair value because of their short-term nature. Foreign currency option contracts are marked to market and therefore reflect their fair value. We do not hold or issue financial instruments for trading purposes.

The fair value of financial instruments is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

(l) Foreign Exchange Risk Management

We enter into various types of foreign exchange contracts in managing our foreign exchange risk, including derivative financial instruments encompassing forward exchange contracts and foreign currency options.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

The purpose of our foreign currency hedging activities is to protect us from adverse exchange rate fluctuations with respect to net cash movements resulting from the sales of products to foreign customers and Australian manufacturing activities. We enter into foreign currency option contracts to hedge anticipated sales and manufacturing costs, principally denominated in Australian dollars and Euros. The terms of such foreign currency option contracts generally do not exceed three years.

Our foreign currency derivatives portfolio represents a cash flow hedge program against the net cash flow of our international manufacturing operations. We have determined our hedge program to be a non-effective hedge as defined under SFAS 133. The foreign currency derivatives portfolio is recorded in the consolidated balance sheets at fair value and included in other assets or other liabilities.

All movements in the fair value of the foreign currency derivatives are recorded within other income, net in our consolidated statements of income.

We are exposed to credit-related losses in the event of non-performance by counter parties to financial instruments. The credit exposure of foreign exchange options at June 30, 2007 and June 30, 2006 was \$3.8 million and \$1.2 million, respectively, which represents the positive fair value of options held by us.

We held foreign currency option contracts with notional amounts totaling \$139.3 million and \$193.4 million at June 30, 2007 and 2006, respectively, to hedge foreign currency items. These contracts mature at various dates before December 2008.

(m) Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities 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.

(n) Marketable Securities

Management determines the appropriate classification of our 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 we do 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.

At June 30, 2007 and 2006, the investments in debt securities were classified on the accompanying consolidated balance sheet as marketable securities-available-for-sale. These investments are diversified among high credit quality securities in accordance with our investment policy.

(o) Warranty

Estimated future warranty costs related to certain products are charged to operations in the period in which the related revenue is recognized. The liability for warranty costs are included in accrued expenses in our consolidated balance sheets.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

Changes in the liability for product warranty for the year ended June 30, 2007 are as follows (in thousands):

Balance at July 1, 2006	\$ 4,653
Warranty accruals for the year ended June 30, 2007	2,755
Warranty costs incurred for the year ended June 30, 2007	(1,214)
Foreign currency translation adjustments	846
Balance at June 30, 2007	\$ 7,040

(p) Impairment of Long-Lived Assets

We periodically evaluate 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 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 exceeds 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.

(q) Cost-Method Investments

The aggregate carrying amount of our cost-method investments at June 30, 2007 and June 30, 2006 was \$4.6 million and \$4.1 million, respectively. We review the carrying value of these investments at each balance sheet date. In fiscal 2007 and 2006, we recognized \$Nil and \$1.2 million, respectively, of impairment losses related to our cost-method investments, which include investments in privately held service companies, research companies and public companies. The expense associated with this impairment has been included in the other income (expense) line within the consolidated statements of income.

At June 30, 2007, we performed an analysis of the carrying value of these investments and an unrealized loss of \$1.7 million was identified in relation to an investment in a publicly listed company. The severity of the impairment (fair value is approximately 49% less than the cost) and the duration of the impairment (less than 18 months) correlate with a devaluation in the actual share price. As the investee is a publicly listed entity its share price will fluctuate with general market movements, however because we have no intention to sell this investment, and as the investee is involved in the growing sleep-disordered breathing industry we do not consider this investment to be other-than-temporary impaired at June 30, 2007. Except for this unrealized loss, we have determined that the fair values of our other investments exceeded their carrying values.

(r) Stock-based Employee Compensation

We have granted stock options to personnel, including officers and directors, under our 1995 Option Plan (the "1995 Plan"), our 1997 Equity Participation Plan (the "1997 Plan") and our 2006 Incentive Award Plan, as amended (the "2006 Plan" and together with the 1995 Plan and the 1997 Plan, the "Plans"). These options have expiration dates of seven or ten years from the date of grant and vest over

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

three or four years. We granted these options with the exercise price equal to the market value as determined at the date of grant. We have also offered to our personnel, including officers, the right to purchase shares of our common stock at a discount pursuant to our employee stock purchase plan ("ESPP").

(r) Stock-based Employee Compensation

Prior to July 1, 2005 we applied APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations, in accounting for our equity plans. For periods prior to July 1, 2005, we complied with the disclosure only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", or SFAS No. 123. Results for periods before July 1, 2005, have not been restated to reflect, and do not include the impact of SFAS No. 123(R) as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant (or within permitted discounted prices as it pertains to the ESPP). The following table illustrates the effect on net income and earnings per share for the year ended June 30, 2005, if we had applied the fair value recognition provisions of SFAS No. 123(R) for stock option grants using the fair value based method of accounting:

In thousands, except per share data	2005
Net income, as reported	\$ 64,785
Deduct: Stock-based employee compensation expense determined under fair value based method, net of related tax effects	(10,323)
Pro forma net income	\$ 54,462
Adjustment for interest and deferred borrowing costs, net of related tax effects	3,285
Pro forma net income used in calculating diluted earnings per share	\$ 57,747
Earnings per share:	
Basic - as reported	\$ 0.94
Basic - pro forma	\$ 0.80
Diluted - as reported	\$ 0.91
Diluted - pro forma	\$ 0.77

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

As of July 1, 2005, we adopted SFAS No.123(R) using the modified prospective method, which requires measurement of compensation expense of all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Under this method, the provisions of SFAS No.123(R) apply to all awards granted or modified after the date of adoption. In addition, the unrecognized expense of awards not yet vested at the date of adoption, determined under the original provisions of SFAS No.123 shall be recognized in net income in the periods after adoption. The fair value of stock options is determined using the Black-Scholes valuation model. Such value is recognized as expense over the service period, using the graded-attribution method for stock-based awards granted prior to July 1, 2005 and the straight-line method for stock-based awards granted after July 1, 2005. The fair value of stock options granted under our stock option plans and purchase rights granted under our ESPP is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

	2007	Years ended June 30 2006	2005
Stock Options:			
Weighted average grant date fair value	\$ 14.53	\$ 12.75	\$ 8.49
Weighted average risk-free interest rate	4.3-5.1%	3.9-4.5%	4.0%
Expected option life in years	4.0-5.2	3.9-5.2	3.5-4.6
Volatility	26-30%	28-30%	31%
ESPP Purchase rights:			
Weighted average risk-free interest rate	4.9-5.1%	3.2-4.9%	2.3%
Expected option life	6 months	6 months	6 months
Volatility	30-41%	29-41%	31-38%

Expected volatilities are based on a combination of historical volatilities of our stock and implied volatilities from traded options of our stock. The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and our historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

(3) New Accounting Pronouncements

In June 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" and subsequently in May 2007 issued FSP FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken in a tax return. FIN 48 requires recognition of tax benefits that satisfy a greater than 50% probability threshold and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for us beginning July 1, 2007 and we are currently assessing the potential impact that the adoption of this Interpretation will have on our financial statements.

In September 2006, the FASB issued FASB No. 157, "Fair Value Measurements" ("FASB 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FASB 157 is effective for financial

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(3) New Accounting Pronouncements, Continued

statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently assessing the potential impact that the adoption of this standard will have on our financial statements.

During the year ended June 30, 2007 we adopted Staff Accounting Bulletin (“SAB”) No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Current Year Misstatements” (“SAB 108”). SAB 108 requires analysis of misstatements using both an income statement (rollover) approach and a balance sheet (iron curtain) approach in assessing materiality and provides for a one-time cumulative effect transition adjustment. The adoption of SAB 108 did not have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS No. 159”). SFAS No. 159 gives us the irrevocable option to carry many financial assets and liabilities at fair values, with changes in fair value recognized in earnings. SFAS No. 159 is effective for us beginning July 1, 2008, although early adoption is permitted. We are currently assessing the potential impact, if any, should we elect the fair value option, that adoption of SFAS No. 159 will have on our financial statements.

(4) Marketable securities

The estimated fair value of marketable securities available for sale as of June 30, 2007 and 2006 was \$20.0 million and \$Nil, respectively. At June 30, 2007 contractual maturities of all marketable securities-available-for-sale were due less than one year. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties

(5) Inventories

Inventories, net were comprised of the following as of June 30, 2007 and 2006 (in thousands):

	2007	2006
Raw materials	\$ 68,911	\$ 41,979
Work in progress	1,965	3,520
Finished goods	86,328	70,695
	\$ 157,204	\$ 116,194

(6) Comprehensive Income

The components of comprehensive income, net of tax, were as follows (in thousands):

	2007	2006
Net income	\$ 66,302	\$ 88,211
Foreign currency translation gains	60,619	2,250
Comprehensive income	\$ 126,921	\$ 90,461

We do not provide for U.S. income taxes on foreign currency translation adjustments since we do not provide for such taxes on undistributed earnings of foreign subsidiaries.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(7) Property, Plant and Equipment

Property, plant and equipment is comprised of the following as of June 30, 2007 and 2006 (in thousands):

	2007	2006
Machinery and equipment	\$ 66,093	\$ 51,854
Computer equipment	73,114	52,277
Furniture and fixtures	27,865	21,572
Vehicles	2,985	2,795
Clinical, demonstration and rental equipment	52,128	40,615
Leasehold improvements	17,635	11,604
Land	61,503	55,946
Buildings	152,691	77,474
Construction in progress	11,125	46,710
	465,139	360,847
Accumulated depreciation and amortization	(154,559)	(115,471)
	\$ 310,580	\$ 245,376

(8) Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the year ended June 30, 2007, were as follows:

(In thousands)	2007
Balance at July 1, 2006	\$195,612
Foreign currency translation adjustments	9,578
Payment of earn-out relating to PolarMed	1,000
Payment of earn-out relating to Hoefner	331
Acquisition of Western Medical Marketing	257
Balance at June 30, 2007	\$206,778

Patents and other intangibles is comprised of the following as of June 30, 2007 and June 30, 2006:

(In thousands)	June 30, 2007	June 30, 2006
Developed/core product technology	\$ 33,187	\$31,336
Accumulated amortization	(10,028)	(4,992)
Developed/core product technology, net of accumulated amortization	23,159	26,344
Trade names	1,761	1,663
Accumulated amortization	(531)	(265)
Trade names, net of accumulated amortization	1,230	1,398
Customer relationships	17,685	16,362
Accumulated amortization	(4,629)	(2,094)
Customer relationships, net of accumulated amortization	13,056	14,268
Patents	22,683	16,151
Accumulated amortization	(13,553)	(9,264)
Patents, net of accumulated amortization	9,130	6,887
Patents and other intangibles, net of accumulated amortization	\$ 46,575	\$48,897

RESMED INC. AND SUBSIDIARIES
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(8) Goodwill and Other Intangible Assets, Continued

Intangible assets consist of patents, customer relationships, trade names and developed/core product technology and are amortized over the estimated useful life of the assets, generally between five and nine years. There are no expected residual values related to these intangible assets.

In fiscal year 2005, as part of the acquisition of Saime, we recognized an intangible asset with respect to developed/core product technology. Specifically, this technology related to the design and architecture of the hardware and algorithms that formed part of Saime's ventilation products and is the subject of patents and other intellectual property protections. This technology is separable from goodwill as it is capable of being sold, transferred or licensed. This represents proprietary know-how predominantly associated with the following portfolio of products that were technologically feasible at the date of acquisition:

- (i) Elisee Series: Combines all conventional ventilation modes and monitoring functions; and
- (iii) VS Series (including Serena, Ultra and Integra): A new generation of ventilators using new blower technology.

Both of these series of products continue to generate revenue which is consistent with the original expectations. Although no assurance can be given that the underlying assumptions used to value the acquired developed/core product technology will transpire as estimated, we remain confident in the assumptions used and, as a result, the net return of the Saime acquisition.

Amortization expense related to identifiable intangible assets, including patents, for the year ended June 30, 2007 was \$9.7 million. Estimated annual amortization expense for the years ending June 30, 2008 through June 30, 2012, including the effect of the Resprecare, Hoefner, Saime, Pulmomed and PolarMed acquisitions is shown below (in thousands):

Fiscal Year	Amortization expense
2008	\$ 10,088
2009	9,637
2010	9,001
2011	8,363
2012	7,531

(9) Accrued Expenses

Accrued expenses at June 30, 2007 and 2006 consist of the following (in thousands):

	2007	2006
Product warranties	\$ 7,040	\$ 4,653
Consulting and professional fees	3,764	2,851
Value added taxes and other taxes due	8,212	3,867
Employee related costs	23,942	20,804
Accrued interest	235	868
Marketing and promotional programs	3,828	3,024
Restructuring	48	138
Customer advance	1,168	1,102
Voluntary product recall	45,098	-
Other	4,989	3,594
	\$98,324	\$40,901

Refer to Note 20 for further details on the voluntary product recall expenses.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(10) Long-term Debt

Long-term debt at June 30, 2007 and 2006 consists of the following (in thousands):

	June 30, 2007	June 30, 2006
Long-term loan	\$ 28,272	\$ 4,796
Capital lease	78	73
Current portion of long-term debt	\$ 28,350	\$ 4,869
Long-term loan	\$ 87,162	\$ 115,644
Capital lease	486	568
Non-current portion of long-term debt	\$ 87,648	\$ 116,212

Convertible Subordinated Notes

During the year ended June 30, 2006 and pursuant to the Indenture dated June 20, 2001 between us and American Stock Transfer & Trust Company, as trustee, holders of all of the 4% Convertible Subordinated Notes (“the Notes”) due 2006 converted the Notes into an aggregate of 3,737,593 shares of our common stock, par value \$0.004. The Notes were converted into 33 shares of our common stock for each \$1,000 principal amount of the Notes, at a conversion price of \$30.30 per share. No payment was made for accrued interest on the Notes surrendered for conversion and the dilutive impact of these conversions has been reflected in the reported earnings per share.

Previous to the conversion, on January 5, 2006, we had exercised our right to call for an early redemption of all of the Notes, which at that time had an outstanding balance of \$113.25 million. We provided notice to the trustee and the holders of the Notes that we were to redeem the Notes on March 3, 2006 at a redemption price of approximately \$1,008 per \$1,000 principal amount of Notes, or 100.8% of the principal amount thereof plus accrued and unpaid interest to the redemption date. However, as noted above, holders of all of the Notes exercised their option to convert the Notes into our common stock.

Revolving Facility

On March 13, 2006, our wholly-owned subsidiaries ResMed Corp., Servo Magnetics Inc. and ResMed EAP Holdings Inc. entered into a Second Amended and Restated Revolving Loan Agreement with Union Bank of California, N.A. as administrative agent for the Lenders (the “Loan Agreement”), that provides for a revolving loan of up to \$75 million. Draws under the revolving loan must be made before March 1, 2011, at which time all unpaid principal and interest must be repaid. The outstanding principal amount due under the loan will bear interest at a rate equal to LIBOR plus 0.75% to 1.00% (depending on the applicable leverage ratio). At June 30, 2007 there were no amounts outstanding under the Loan Agreement.

The obligations of ResMed Corp., Servo Magnetics Inc. and ResMed EAP Holdings Inc. under the Loan Agreement are secured by substantially all of the personal property of each of ResMed Corp., Servo Magnetics Inc. and ResMed EAP Holdings Inc., and are guaranteed by ResMed Inc. under an Amended and Restated Continuing Guaranty and Pledge Agreement, which guaranty is secured by a pledge of the equity interests in ResMed Corp., Servo Magnetics Inc. and ResMed EAP Holdings Inc. held by ResMed Inc. The Loan Agreement also contains customary covenants, including certain financial covenants and an obligation that ResMed Inc. maintain certain financial ratios, including a maximum ratio of total debt to EBITDA (as defined in the Loan Agreement), a fixed charge coverage ratio, a minimum tangible net worth, and a minimum ResMed Corp., Servo Magnetics Inc. and ResMed EAP Holdings Inc. EBITDA and liquidity. The

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(10) Long-term Debt, Continued

entire principal amount of the Loan and any accrued but unpaid interest may be declared immediately due and payable in the event of the occurrence of an event of default as defined in the Loan Agreement. Events of default include, among other items, failure to make payments when due, the occurrence of a material default in the performance of any covenants in the Loan Agreement or related document or a 35% or more change in control of ResMed Inc., ResMed Corp., Servo Magnetics Inc. or ResMed EAP Holdings Inc. At June 30, 2007, we were in compliance with our debt covenants.

Syndicated Facility

On June 8, 2006, our wholly-owned Australian subsidiary, ResMed Limited, entered into a Syndicated Facility Agreement with HSBC Bank Australia Limited as original financier, facility agent and security trustee, that provides for a loan in three tranches.

Tranche A is a EUR 50 million term loan facility that refinances all amounts outstanding under a previous syndicated facility agreement dated May 16, 2005 between ResMed Limited and HSBC Bank Australia Limited, to fund the obligations of our wholly owned French subsidiary, ResMed SAS, under its agreement to acquire Saime SA. Tranche A bears interest at a rate equal to LIBOR for deposits denominated in EUR plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of ResMed Inc. and its subsidiaries (the "ResMed Group") for the most recently completed fiscal year for the applicable interest period. Payments of principal must be made to reduce the total outstanding principal amount of Tranche A to EUR 44.5 million on June 30, 2007, EUR 37.75 million on June 30, 2008, EUR 27.5 million on June 30, 2009, EUR 15 million on December 31, 2009, and the entire outstanding principal amount must be repaid in full on June 8, 2011. At June 30, 2007, the Tranche A facility loan had an amount outstanding of \$65.3 million.

Tranche B is a USD 15 million term loan facility that may only be used for the purpose of financing capital expenditures and other asset acquisitions by the ResMed Group. Tranche B bears interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars, USD or Sterling plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire principal amount must be repaid in full on June 8, 2011. At June 30, 2007, the Tranche B facility loan had an amount outstanding of \$6.0 million.

Tranche C is a USD 60 million term loan facility that may only be used for the purpose of the payment by ResMed Limited of a dividend to ResMed Holdings Limited, which will ultimately be paid to ResMed Inc. Tranche C bears interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars or USD plus a margin of 0.70% or 0.80%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. Payments of principal must be made to reduce the total outstanding principal amount of Tranche C to USD 30 million on December 31, 2007 and the entire outstanding principal amount must be repaid in full by June 8, 2009. At June 30, 2007, the Tranche C facility loan had an amount outstanding of \$40.1 million.

Simultaneous with the Syndicated Facility Agreement, ResMed Limited entered into a working capital agreement with HSBC Bank Australia Limited for revolving, letter of credit and overdraft facilities up to a total commitment of 6.5 million Australian dollars for one year, and ResMed (UK) Limited entered into a working capital agreement with HSBC Bank plc for a revolving cash advance facility up to a total commitment of 3 million Sterling for one year. At June 30, 2007, there was an amount of USD 4.0 million outstanding under these working capital agreements.

The loans under the Syndicated Facility Agreement are secured by a pledge of one hundred percent of the shares of ResMed Inc.'s subsidiary, Saime SAS, pursuant to a Pledge Agreement. The Syndicated Facility

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(10) Long-term Debt, Continued

Agreement also contains customary covenants, including certain financial covenants and an obligation that ResMed Limited maintain certain financial ratios, including a minimum debt service cover ratio, a maximum ratio of total debt to EBITDA and a minimum tangible net worth. The entire principal amount of the loan and any accrued but unpaid interest may be declared immediately due and payable in the event of the occurrence of an event of default as defined in the Syndicated Facility Agreement. Events of default include, among other items, failure to make payments when due, breaches of representations, warranties or covenants, the occurrence of certain insolvency events, the occurrence of an event or change which could have a material adverse effect on ResMed Limited and its subsidiaries, and if ResMed Inc. ceases to control ResMed Limited, ResMed Corp., ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited, Take Air Medical Handels-GmbH or Saime SAS.

The obligations of ResMed Limited under the loan are subject to two guarantee and indemnity agreements, one on behalf of ResMed Inc. and its U.S. subsidiary, ResMed Corp., and another on behalf of ResMed's international subsidiaries, ResMed SAS (other than Tranche C), ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH. At June 30, 2007, we were in compliance with our debt covenants.

Capital Lease

As part of the acquisition of Saime we assumed a capital lease over land and buildings. This lease contains an option to purchase the property, for nominal consideration, at the end of the lease term in September 2014.

Details of contractual debt maturities at June 30, 2007 are as follows (in thousands):

	Total	2008	2009	Payments Due by Period		
				2010	2011	Thereafter
Long-Term Debt	\$ 115,434	\$ 28,272	\$ 43,885	\$ 16,933	\$ 20,319	\$ 6,025
Capital Leases	564	78	78	78	78	252
Total	\$ 115,998	\$ 28,350	\$ 43,963	\$ 17,011	\$ 20,397	\$ 6,277

(11) Restructuring Expenses

There were no restructuring expenses incurred during the year ended June 30, 2007 compared to \$1.1 million incurred during the year ended June 30, 2006. The prior year restructuring expenses (predominantly one-time termination benefits) were associated with the integration of the separate operations of ResMed Germany and MAP into a single operating unit. We have substantially completed the relocation of our ResMed Germany operation (previously located in Moenchengladbach) to Munich and integration of the back office functions including customer service, logistics and administration.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(11) Restructuring Expenses, Continued

Following is a summary of the restructuring liabilities related to the restructure and integration of the separate operations of ResMed Germany and MAP into a single operating unit, that were recorded during the years ended June 30, 2006 and June 30, 2007 (in thousands):

	Accrued employee costs	Other accrued costs	Total accrued costs
Balance at June 30, 2004	\$ -	\$ -	\$ -
Restructuring expenses	4,673	479	5,152
Cash payments	(4,451)	(227)	(4,678)
Balance at June 30, 2005	\$ 222	\$ 252	\$ 474
Restructuring expenses	888	236	1,124
Cash payments	(1,044)	(408)	(1,452)
Foreign currency translation	(28)	20	(8)
Balance at June 30, 2006	\$ 38	\$ 100	\$ 138
Restructuring expenses	-	-	-
Cash payments	(8)	(87)	(95)
Foreign currency translation	2	3	5
Balance at June 30, 2007	\$ 32	\$ 16	\$ 48

(12) Stockholders' Equity

Stock Options. We have granted stock options to personnel, including officers and directors, in accordance with the Plans. These options have expiration dates of seven or ten years from the date of grant and vest over three or four years. We have granted these options with an exercise price equal to the market value as determined at the date of grant.

At our Annual Meeting of Shareholders that was held on November 8, 2006, our shareholders approved the 2006 Plan. The 2006 Plan succeeds and replaces the 1997 Plan, which was previously adopted by the Board of Directors and then approved by the shareholders in November 1997. In connection with the adoption of the 2006 Plan, we have terminated the 1997 Plan as to any and all future awards. Options granted under the 1997 Plan, which remain outstanding, will continue to be governed by the 1997 Plan.

The maximum number of shares of our common stock authorized for issuance under the 2006 Plan is 7,800,000 shares. The number of securities remaining available for future issuance under the 2006 Plan at June 30, 2007 is 5,651,850. The number of shares of our common stock available for issuance under the 2006 Plan will be reduced by (i) two and one tenth (2.1) shares for each one share of common stock delivered in settlement of any "full-value award," which is any award other than a stock option, stock appreciation right or other award for which the holder pays the intrinsic value and (ii) one share for each share of common stock delivered in settlement of all other awards. The maximum number of shares, which may be subject to awards granted under the 2006 Plan to any individual during any calendar year, may not exceed 1,000,000 shares of our common stock.

At June 30, 2007, there was \$41.4 million in unrecognized compensation costs related to unvested stock options. This is expected to be recognized over a weighted average period of 2.9 years. The aggregate

RESMED INC. AND SUBSIDIARIES
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(12) Stockholders' Equity, Continued

intrinsic value of the options outstanding and the options exercisable at June 30, 2007 was \$82.6 million and \$78.3 million, respectively. The aggregate intrinsic value of the options exercised during the years ended June 30, 2007 and June 30, 2006 was \$48.3 million and \$40.5 million, respectively. The total fair value of options that vested during the years ended June 30, 2007 and June 30, 2006 was \$13.6 million and \$17.1 million, respectively. The following table summarizes option activity during the year ended June 30, 2007:

The following table summarizes option activity:

	2007	Weighted Average Exercise Price	2006	Weighted Average Exercise Price	2005	Weighted Average Exercise Price
Outstanding at beginning of year	8,102,892	\$ 24.26	8,301,408	\$ 19.38	8,832,712	\$ 16.27
Granted	2,353,650	46.38	2,030,700	38.17	2,336,650	25.30
Exercised	(1,747,330)	18.70	(1,805,648)	17.06	(2,633,246)	13.97
Forfeited	(302,729)	31.98	(423,568)	26.09	(234,708)	18.34
Outstanding at end of year	8,406,483	\$ 31.43	8,102,892	\$ 24.26	8,301,408	\$ 19.38
Exercise price range of granted options	\$ 40.25-\$52.58		\$ 32.99-45.46		\$ 21.95-31.24	
Options exercisable at end of year	4,001,157	\$ 21.69	4,262,743	\$ 18.03	3,987,754	\$ 16.86

The following table summarizes information about stock options outstanding at June 30, 2007.

Range of Exercise Prices	Number Outstanding at June 30, 2007	Weighted Average Remaining Contractual Life In Years	Number Exercisable at June 30, 2007	Weighted Average Remaining Contractual Life In Years
\$ 0 - \$10	227,081	1.79	227,081	1.79
\$11 - \$20	1,759,476	5.16	1,716,136	5.12
\$21 - \$30	2,251,137	6.18	1,609,925	5.71
\$31 - \$40	1,897,239	8.27	418,890	8.14
\$41 - \$50	2,250,050	6.49	29,125	6.75
\$51 - \$60	21,500	6.59	-	-
	8,406,483	6.40	4,001,157	5.50

Employee Stock Purchase Plan ("ESPP"). The ESPP was approved by our shareholders at the Annual General Meeting in November 2003. Under the ESPP, participants are offered the right to purchase shares of our common stock at a discount during successive offering periods. Each offering period under the ESPP will be for a period of time determined by the Board of Directors' Compensation Committee of no less than 3 months and no more than 27 months. The purchase price for our common stock under the ESPP will be the lower of 85% of the fair market value of our common stock on the date of grant or 85% of the fair market value of our common stock on the date of purchase. An individual participant cannot subscribe for more than \$25,000 in common stock during any calendar year. On August 21, 2006, the Board of Directors

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(12) Stockholders' Equity, Continued

approved a reduction in the number of shares available for grant under the ESPP to 500,000 shares, effective as of November 9, 2006, the date of the shareholder approval of the 2006 Plan. The number of securities remaining available for future issuance under the ESPP at June 30, 2007 is 420,624.

During fiscal year 2007, we issued 148,639 shares to our employees in two offerings at an average share price of \$36.25. We recognized \$1.6 million of stock compensation expense associated with the ESPP.

Preferred Stock. In April 1997, the Board of Directors authorized 2,000,000 shares of \$0.01 par value preferred stock. No such shares were issued or outstanding at June 30, 2007.

Stock Purchase Rights. In April 1997, the Company implemented a plan to protect stockholders' rights in the event of a proposed takeover of the Company. Under the plan, each share of the Company's outstanding common stock carries one right to purchase Series A Junior Participating Preferred Stock (the "Right"). The Right enables the holder, under certain circumstances, to purchase common stock of the Company or of the acquiring person at a substantially discounted price ten days after a person or group publicly announces it has acquired or has tendered an offer for 20% or more of the Company's outstanding common stock. The plan and its accompanying Rights expired pursuant to their terms in April 2007 and the Rights are no longer outstanding.

Common Stock. On June 6, 2002, the Board of Directors authorized the Company to repurchase up to 8.0 million shares of outstanding common stock. During fiscal years 2007 and 2006, the Company repurchased 50,000 and Nil shares at a cost of \$2.1 million and \$Nil, respectively. As of June 30, 2007, we have repurchased a total of 2.3 million shares at a cost of \$43.5 million. Shares that are repurchased are classified as treasury stock pending future use and reduce the number of shares outstanding used in calculating earnings per share.

Convertible Subordinated Notes. During the year ended June 30, 2006, and pursuant to the Indenture dated June 20, 2001 between us and American Stock Transfer & Trust Company, as trustee, holders of all of the 4% Convertible Subordinated Notes due 2006 converted the notes into an aggregate of 3,737,593 shares of the Company's common stock, par value \$0.004. The notes were converted into 33 shares of our common stock for each \$1,000 principal amount of the notes, at a conversion price of \$30.30 per share. The dilutive impact of these conversions has been reflected in the reported earnings per share.

(13) Other, net

Other, net in the consolidated statements of income is comprised of the following at June 30, 2007, 2006 and 2005 (in thousands):

	2007	2006	2005
Gain on foreign currency transactions and hedging	\$1,203	\$ 1,853	\$ 36
Realized (loss) on sale of marketable securities	-	-	(34)
Impairment of cost method investment	-	(1,156)	-
Other	130	77	79
	\$1,333	\$ 774	\$ 81

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(14) Income Taxes

Income before income taxes for the years ended June 30, 2007, 2006 and 2005, was taxed under the following jurisdictions (in thousands):

	2007	2006	2005
U.S.	\$ 21,219	\$ 5,472	\$ (54)
Non-U.S.	76,754	127,922	96,680
	\$ 97,973	\$ 133,394	\$ 96,626

The provision for income taxes is presented below (in thousands):

	2007	2006	2005
Current:			
Federal	\$ 5,973	\$ 7,507	\$ 799
State	984	1,370	246
Non-U.S.	43,614	48,221	38,793
	50,571	57,098	39,838
Deferred:			
Federal	(977)	(3,353)	618
State	(225)	(390)	(29)
Non-U.S.	(17,698)	(8,172)	(8,586)
	(18,900)	(11,915)	(7,997)
Provision for income taxes	\$ 31,671	\$ 45,183	\$31,841

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. federal income tax rate of 34% (35% for 2006 and 34% for 2005) to pretax income as a result of the following (in thousands):

	2007	2006	2005
Taxes computed at statutory U.S. rate	\$33,311	\$46,688	\$32,853
Increase (decrease) in income taxes resulting from:			
Effect of AJCA dividend repatriation	-	3,537	-
State income taxes, net of U.S. tax benefit	982	939	165
Non-deductible expenses	874	777	580
Research and development credit	(4,092)	(3,085)	(2,743)
Tax effect of deemed dividends	1,438	1,846	590
Change in valuation allowance	1,580	1,665	637
Effect of non-U.S. tax rates	(2,425)	(6,731)	(3,419)
In-process research and development write-off	-	-	1,791
Foreign tax credits	(1,907)	(1,204)	-
Stock-based compensation expense	1,692	2,006	-
Other	218	(1,255)	1,387
	\$31,671	\$45,183	\$31,841

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(14) Income Taxes, Continued

Deferred tax assets and liabilities are classified as current or non-current according to the classification of the related asset or liability. The components of the Company's deferred tax assets and liabilities at June 30, 2007 and 2006 are as follows (in thousands):

	2007	2006
Deferred tax assets:		
Employee benefit obligations	\$ 3,634	\$ 3,274
Voluntary product recall accrual	13,530	-
Inventories	1,587	1,408
Provision for warranties	1,681	992
Provision for doubtful debts	1,028	1,024
Net operating loss carryforwards	2,827	2,598
Foreign tax credits	10,416	9,626
Unrealized foreign exchange losses	-	970
Capital loss carryover	490	521
Intercompany profit in inventories	23,660	18,611
Stock-based compensation expense	6,076	2,833
Other	2,126	2,448
	67,055	44,305
Less valuation allowance	(12,612)	(10,989)
Deferred tax assets	\$ 54,443	\$ 33,316
Deferred tax liabilities:		
Unrealized gain on foreign currency options	\$ -	\$ (353)
Unrealized foreign exchange gains	(3,419)	-
Property, plant and equipment	(1,494)	(1,673)
Goodwill and other intangibles	(15,905)	(16,500)
Other	(1,022)	(531)
Deferred tax liabilities	(21,840)	(19,057)
Net deferred tax asset	\$ 32,603	\$ 14,259

The net deferred tax assets and liabilities have been reported in the consolidated balance sheets at June 30, 2007 and 2006 as follows (in thousands):

	2007	2006
Current deferred tax asset	\$ 42,109	\$ 27,071
Non-current deferred tax asset	9,206	5,265
Current deferred tax liability	(415)	(435)
Non-current deferred tax liability	(18,297)	(17,642)
Net deferred tax asset	32,603	14,259

As of June 30, 2007, the Company had \$1,664,000, and \$12,860,000 of U.S. state and non-U.S. net operating loss carryforwards, respectively, which expire in various years through 2025 or carry forward

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(14) Income Taxes, Continued

indefinitely. The Company also had foreign tax credit carryforwards of \$10,416,000. The foreign tax credit carryforwards have expiration dates through 2017.

The valuation allowance at June 30, 2007, relates to a provision for uncertainty as to the utilization of foreign tax credits of \$10,416,000, net operating loss carryforwards for certain non-U.S. countries of \$1,671,000, capital loss items of \$490,000 and other deferred tax assets of \$34,000. We believe that it is more likely than not that the benefits of deferred tax assets, net of any valuation allowance, will be realized.

The Company has not provided for U.S. income and foreign withholding taxes on undistributed earnings from non-U.S. subsidiaries indefinitely invested outside the United States as of June 30, 2007. The total amount of these undistributed earnings at June 30, 2007 amounted to approximately \$379 million. Should the Company repatriate foreign earnings, the Company would have to adjust the income tax provision in the period management determined that the Company would repatriate earnings.

(15) Employee Retirement Plans

The Company contributes to a number of employee retirement plans for the benefit of its employees. These plans are detailed as follows:

(1) Australia - The Company contributes to defined contribution pension plans for each employee resident in Australia. All Australian employees, after serving a qualifying period, are entitled to benefits on retirement, disability or death. Employees may contribute additional funds to the plans. The Company contributes to the plans at the rate of 9% of the salaries of all Australian employees. Total Company contributions to the plans for the years ended June 30, 2007, 2006 and 2005, were \$4,798,474, \$3,846,000 and \$2,849,000, respectively.

(2) United Kingdom - The Company contributes to a defined contribution plan for each permanent United Kingdom employee. All employees, after serving a three-month qualifying period, are entitled to benefit on retirement, disability or death. Employees may contribute additional funds to the plan. The Company contributes to the plan at the rate of 5% of the salaries of all United Kingdom employees. Total Company contributions to the plan were \$242,586, \$109,000 and \$67,000 in fiscal 2007, 2006 and 2005, respectively.

(3) United States - The Company sponsors a defined contribution pension plan available to substantially all domestic employees. Company contributions to this plan are based on a percentage of employee contributions to a maximum of 3% of the employee's salary. Total Company contributions to the plan were \$759,702, \$531,000 and \$514,000 in fiscal 2007, 2006 and 2005, respectively.

(4) Switzerland - The Company sponsors a fixed return defined contribution fund for each permanent Swiss employee. As part of the Company's contribution to the fund, the Company guarantees a fixed 3% net return on accumulated contributions per annum. The Company contributes to the plan at variable rates that have averaged 10% of salaries over the last three years. Total Company contributions to the plan were \$259,041, \$182,000 and \$85,000 in fiscal 2007, 2006 and 2005, respectively.

(16) Segment Information

The Company operates solely in the sleep-disordered breathing sector of the respiratory medicine industry. The Company therefore believes that, given the single market focus of its operations and the inter-dependence of its products, the Company operates as a single operating segment. The Company assesses performance and allocates resources on the basis of a single operating entity.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(16) Segment Information, Continued

Financial information by geographic area for the years ended June 30, 2007, 2006 and 2005, is summarized below (in thousands):

	U.S.A	Germany	Australia	France	Rest of World	Total
2007						
Revenue from external customers	\$ 376,699	107,938	19,846	75,984	135,865	\$ 716,332
Long lived assets	\$ 60,224	17,813	218,537	8,083	16,027	\$ 320,684
2006						
Revenue from external customers	\$ 320,941	96,436	18,709	59,402	111,508	\$ 606,996
Long lived assets	\$ 54,118	17,190	162,522	7,080	11,518	\$ 252,428
2005						
Revenue from external customers	\$ 210,495	72,824	14,160	47,537	80,489	\$ 425,505
Long lived assets	\$ 32,090	11,615	130,310	2,544	6,900	\$ 183,459

Net revenues from external customers are based on the location of the customer. Long-lived assets of geographic areas are those assets used in the Company's operations in each geographical area and excludes intangibles, deferred tax assets and goodwill.

(17) Commitments

The Company leases buildings, motor vehicles and office equipment under operating leases. As part of the acquisition of Saimme the Company assumed a capital lease for land and buildings. This lease contains an option to purchase the property, for nominal consideration, at the end of the lease term. Rental charges for operating leases are expensed as incurred. Rent expenses under operating leases for the years ended June 30, 2007, 2006 and 2005 were approximately \$8.2 million, \$7.5 million and \$6.2 million, respectively. At June 30, 2007 the Company had the following future minimum lease payments under non-cancelable operating leases and capital leases (in thousands):

Years	Capital Leases	Operating Leases
2008	\$ 99	\$ 9,634
2009	96	8,188
2010	93	6,198
2011	90	3,900
2012	87	2,227
Thereafter	184	4,359
Total minimum lease payments	649	34,506
Less: Interest portion	(85)	-
Present value of net minimum lease payments	\$ 564	\$ 34,506

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(17) Commitments, Continued

Excluding lease commitments details of contractual obligations at June 30, 2007 are as follows (in thousands):

In \$000's	Total	2008	2009	Payments Due by Period			
				2010	2011	2012	Thereafter
Long-Term Debt	\$ 115,434	\$ 28,272	\$ 43,885	\$ 16,933	\$ 20,319	\$ 6,025	\$ -
Purchase Obligations	33,763	31,969	876	876	21	21	-
Total Contractual Obligations	\$ 149,197	\$ 60,241	\$ 44,761	\$ 17,809	\$ 20,340	\$ 6,046	\$ -

Details of other commercial commitments at June 30, 2007 are as follows (in thousands):

	Total	2008	2009	Amount of Commitment Expiration Per Period			
				2010	2011	2012	Thereafter
Standby Letters of Credit	\$ 36	\$ 36	\$ -	\$ -	\$ -	\$ -	\$ -
Guarantees*	57,426	607	25	270	54,627	-	1,897
Total Commercial Commitments	\$ 57,462	\$ 643	\$ 25	\$ 270	\$ 54,627	\$ -	\$ 1,897

* The above guarantees mainly relate to security provided as part of our Syndicated Facility Agreement and requirements under contractual obligations with insurance companies transacting with our German subsidiaries.

(18) Business Acquisitions

Fiscal year ended June 30, 2007

Western Medical Marketing (“WMM”). On October 4, 2006 we acquired the business assets of WMM, a distribution business operating in the Pacific Northwest region of the U.S. for a total cash consideration of \$0.3 million. The acquisition has been accounted as a purchase and accordingly the results of operations of WMM have been included in our consolidated financial statements since October 4, 2006. An amount of \$0.3 million, representing the excess of the purchase price over the fair value of the identifiable net assets acquired, has been recorded as goodwill. We have completed our purchase price allocation at June 30, 2007.

Fiscal year ended June 30, 2006

PolarMed Holding AS (“PolarMed”). As disclosed in our consolidated financial statements and Form 10-K for the year ended June 30, 2006, we acquired 100% of the outstanding stock of PolarMed, the holding company for PolarMed AS and its affiliates, on December 1, 2005, for net cash consideration of \$6.5 million. This was comprised of \$6.8 million in consideration less \$0.3 million of cash acquired. Additionally, as part of the acquisition, we assumed debt of \$1.5 million. Under the purchase agreement, we may also be required to make additional future payments of up to \$3.0 million based on the achievement of certain performance milestones following the acquisition through December 31, 2008. Of the \$3.0 million in potential future payments included within the purchase agreement, \$1.0 million was paid during the year ended June 30, 2007 as a result of the successful achievement of a performance milestone. This additional payment increased the total acquisition consideration to \$7.8 million from \$6.8 million and increased the amount recorded as goodwill to \$5.4 million from \$4.4 million.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(18) Business Acquisitions, Continued

Pulmomed Medizinisch-Technische Geräte GmbH (“Pulmomed”). As disclosed in our consolidated financial statements and Form 10-K for the year ended June 30, 2006, we acquired 100% of the outstanding stock of Pulmomed on July 1, 2005 for net cash consideration of \$2.5 million, including acquisition costs. Additionally, as part of the acquisition, we assumed debt of \$1.0 million. Under the purchase agreement, we may also be required to make additional future payments of up to \$0.9 million based on the achievement of certain performance milestones following the acquisition through June 30, 2007. Of the \$0.9 million in potential future payments included within the purchase agreement, \$0.3 million was paid during the year ended June 30, 2007 as a result of the successful achievement of a performance milestone. This additional payment was accrued at June 30, 2006, which increased the total acquisition consideration to \$2.8 million from \$2.5 million and increased the amount recorded as goodwill by \$0.3 million to \$2.1 million.

Fiscal year ended June 30, 2005

Saime SAS (“Saime”). We acquired 100% of the outstanding stock of Financiere ACE SAS, the holding company for Saime and its affiliates, on May 19, 2005, for net cash consideration of \$40.6 million. This consisted of \$51.1 million in consideration, including acquisition costs, less \$10.5 million of cash acquired. An amount of \$64.8 million, representing the excess of the purchase price over the fair value of the identifiable net assets acquired, has been recorded as goodwill.

Hoefner Medizintechnik GmbH (“Hoefner”). We acquired 100% of the outstanding stock of Hoefner on February 14, 2005, for net cash consideration of \$8.2 million. This consisted of the \$10.7 million in total consideration, including acquisition costs, less \$2.5 million of cash acquired. Under the purchase agreement, additional future payments of up to \$0.9 million were possibly based on the achievement of certain performance milestones following the acquisition through December 31, 2006. Of the \$0.9 million in potential future payments, \$0.6 million was paid during fiscal 2006. The remaining \$0.3 million of the \$0.9 million was paid during the year ended June 30, 2007 as a result of the successful achievement of a performance milestone. This additional payment increased the total acquisition consideration to \$11.6 million and goodwill to \$9.1 million.

Resprecare BV (“Resprecare”). On December 1, 2004, we acquired substantially all the assets of Resprecare BV, our Dutch distributor, for initial consideration of \$5.9 million in cash, including acquisition costs. Under the purchase agreement, we potentially were also required to make up to \$1.4 million of additional future payments based on the achievement of certain milestones. Of these potential additional payments, \$0.6 million was paid in January 2005 and a further \$0.7 million was paid in January 2006 as a result of the integration of the Dutch subsidiary of our subsidiary MAP with the newly-acquired Resprecare business. An amount of \$4.4 million, representing the excess of the purchase price over the fair value of identifiable net assets acquired of \$2.8 million, was recorded as goodwill.

(19) Legal Actions and Contingencies

In the normal course of business, we are subject to routine litigation incidental to our business. While the results of this litigation cannot be predicted with certainty, we believe that their final outcome will not have a material adverse effect on our consolidated financial statements taken as a whole.

During September and October 2004, the Company began receiving tax assessment notices for the audit of one of its German subsidiaries by the German tax authorities for the years 1996 through 1998. Certain of these adjustments are being contested and appealed to the German tax authority office. We believe no

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(19) Legal Actions and Contingencies, Continued

additional provision is necessary for any tax adjustment that may result from the tax audit. However, the outcome of the audit cannot be predicted with certainty. Should any tax audit issues be resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period of resolution.

On December 23, 2002, three former contractors of our subsidiary MAP Medizin-Technologie GmbH initiated proceedings in Munich 1 Regional Court (Proceedings No. 7 O 23286/02), petitioning the Court for a declaration of inventorship with respect to MAP German Patent Applications identified as No. 100 31 079 and 101 92 802.5 and European Patent Application No. EP 01 967 819.7. On March 10, 2005, the Court entered judgement in favor of the plaintiffs, finding that they should be identified as co-inventors in place of certain individual defendants. In April 2005, MAP filed an appeal of that decision. We do not expect the outcome of this litigation to have an adverse material effect on our consolidated financial statements.

In March 2006, an Australian university made a demand that ResMed pay extra royalties pursuant to a current patent license agreement. ResMed rejected the demand and have informed the university that it does not consider the claim to have merit. On 13 February 2007, the university commenced legal action in the Federal Court of Australia to pursue its claim against ResMed. ResMed is vigorously defending its position and does not expect the outcome of this claim to have an adverse material effect on ResMed's condensed consolidated financial statements.

(20) Voluntary Product Recall Expenses

On April 23, 2007, we initiated a worldwide voluntary recall of approximately 300,000 units of our early production S8 flow generators used for the treatment of obstructive sleep apnea. In S8 devices manufactured between July 2004 and May 15, 2006, there is a remote potential for a short circuit in the power supply connector. We are working with our distribution partners globally to provide a replacement device to patients who have an affected S8 flow generator.

The estimated cost of this action is \$59.7 million which has been recognized as a charge to cost of sales in the consolidated statement of income. As of June 30, 2007 we have a remaining liability of \$45.1 million which is accrued in the consolidated balance sheet. These direct and incremental costs represent our best estimate of probable costs based on current available data and take into account factors such as expected return rates for the affected units, unit replacement costs, legal, consulting, logistical and temporary contractor expenses directly associated with the recall. Accordingly, should actual product recall costs differ from our estimated costs, material revisions to our estimated product recall accrual may be required.

Following is a summary of the liabilities related to the voluntary product recall that were recorded during the year ended June 30, 2007 (in thousands):

	Total accrued costs
Balance at June 30, 2006	\$ -
Voluntary product recall expenses	59,700
Cash payments	(16,272)
Foreign currency translation	1,670
Balance at June 30, 2007	\$ 45,098

RESMED INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED JUNE 30, 2007, 2006 AND 2005
(in thousands)

	Balance at Beginning of Period	Charged to costs and expenses	Other (deductions)	Balance at end of period
Year ended June 30, 2007				
Applied against asset account				
Allowance for doubtful accounts	\$ 4,645	1,173	(1,114)	\$4,704
Year ended June 30, 2006				
Applied against asset account				
Allowance for doubtful accounts	\$ 3,199	1,577	(131)	\$4,645
Year ended June 30, 2005				
Applied against asset account				
Allowance for doubtful accounts	\$ 3,197	611	(609)	\$3,199

See accompanying report of independent registered public accounting firm.

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RESMED INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DATED August 24, 2007

ResMed Inc.

/s/ **PETER C. FARRELL**

Peter C. Farrell
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
<hr/> <p>/s/ PETER C. FARRELL Peter C. Farrell</p>	Chief Executive Officer, President, Chairman of the Board (Principal Executive Officer)	August 24, 2007
<hr/> <p>/s/ BRETT A. SANDERCOCK Brett A. Sandercock</p>	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 24, 2007
<hr/> <p>/s/ CHRISTOPHER G. ROBERTS Christopher G. Roberts</p>	Director	August 24, 2007
<hr/> <p>/s/ MICHAEL A. QUINN Michael A. Quinn</p>	Director	August 24, 2007
<hr/> <p>/s/ GARY W. PACE Gary W. Pace</p>	Director	August 24, 2007
<hr/> <p>/s/ DONAGH MCCARTHY Donagh McCarthy</p>	Director	August 24, 2007
<hr/> <p>/s/ RICHARD SULPIZIO Richard Sulpizio</p>	Director	August 24, 2007
<hr/> <p>/s/ RON TAYLOR Ron Taylor</p>	Director	August 24, 2007
<hr/> <p>/s/ JOHN P. WAREHAM John P. Wareham</p>	Director	August 24, 2007

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RESMED INC. AND SUBSIDIARIES
EXHIBIT INDEX

- 3.1 First Restated Certificate of Incorporation of Registrant, as amended ⁽¹⁵⁾
- 3.2 Third Restated By-laws of Registrant ⁽¹²⁾
- 4.1 Form of certificate evidencing shares of Common Stock ⁽¹⁾
- 4.3 Indenture dated as of June 20, 2001, between ResMed Inc. and American Stock Transfer & Trust Company ⁽⁵⁾
- 4.4 Registration Rights Agreement dated as of June 20, 2001, by and between ResMed Inc., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Banc Alex Brown Inc., William Blair & Company, L.L.C., Macquarie Bank Limited and UBS Warburg LLC ⁽⁵⁾
- 4.5 Registration Rights Agreement dated as of May 14, 2002 between ResMed Inc., and Mr Leslie Hoffman ⁽⁶⁾
- 10.1 1995 Stock Option Plan ⁽¹⁾
- 10.2 1997 Equity Participation Plan ⁽³⁾
- 10.3 Licensing Agreement between the University of Sydney and ResMed Ltd dated May 17, 1991, as amended ⁽¹⁾
- 10.5 Loan Agreement between the Australian Trade Commission and ResMed Limited dated May 3, 1994 ⁽¹⁾
- 10.6 Lease for 10121 Carroll Canyon Road, San Diego CA 92131-1109, USA ⁽⁴⁾
- 10.7 Sale and Leaseback Agreements for 97 Waterloo Rd, North Ryde, Australia ⁽⁵⁾
- 10.8 Employment Agreement dated as of May 14, 2002, between Servo Magnetics Acquisition Inc., and Mr Leslie Hoffman ⁽⁶⁾
- 10.9 Agreement for the purchase of Lot 6001, Norwest Business Park, Baulkham Hills, Australia ⁽⁶⁾
- 10.10 2003 Employee Stock Purchase Plan ⁽⁷⁾
- 10.11 Loan Agreement between ResMed Limited and HSBC Bank Australia Limited ⁽¹¹⁾
- 10.12 Securities Sale Agreement Financiere Ace S.A.S. dated as of May 4, 2005 ⁽¹¹⁾
- 10.13 First Amended and Restated Loan Agreement, dated as of November 1, 2005, by and among ResMed Corp., ResMed EAP Holdings Inc. and Union Bank of California, N.A. ⁽⁸⁾
- 10.14 Security Agreement, dated as of November 1, 2005, by and between ResMed EAP Holdings Inc. and Union Bank of California, N.A. ⁽⁸⁾
- 10.15 Continuing Guaranty, dated as of November 1, 2005, by and between ResMed Corp. and ResMed EAP Holdings Inc and Union Bank of California, N.A. ⁽⁸⁾
- 10.16 Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc. ⁽⁸⁾
- 10.17 Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc. ⁽⁸⁾
- 10.18 Second Amended and Restated Revolving Loan Agreement, dated as of March 13, 2006, among ResMed Corp., ResMed Motor Technologies Inc., ResMed EAP Holdings Inc. and Union Bank of California, N.A. ⁽⁹⁾
- 10.19 Syndicated Facility Agreement, dated as of June 8, 2006, by and between ResMed Limited and HSBC Bank Australia Limited ⁽¹⁰⁾
- 10.20 Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH ⁽¹⁰⁾

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10.21	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited ⁽¹⁾
10.22	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed (UK) Limited and HSBC Bank plc ⁽¹⁰⁾
10.23	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed Limited and HSBC Bank Australia Limited ⁽¹⁰⁾
10.24	ResMed Inc. 2006 Incentive Award Plan ⁽¹⁶⁾
10.25	Amendment No. 1 to the ResMed Inc. 2006 Incentive Award Plan ⁽¹³⁾
10.26	2006 Grant agreement for Board of Directors ⁽¹⁵⁾
10.27	2006 Grant agreement for Executive Officers ⁽¹⁵⁾
10.28	2006 Grant agreement for Australian Executive Officers ⁽¹³⁾
10.29	Form of Executive Agreement ⁽¹⁴⁾
21.1	Subsidiaries of the Registrant ⁽¹⁵⁾
23.1	Independent Registered Public Accounting Firm's Consent and Report on Schedule ⁽¹⁵⁾
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 ⁽¹⁵⁾
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 ⁽¹⁵⁾
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ⁽¹⁵⁾

(1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (No. 33-91094) declared effective on June 1, 1995.

(2) Incorporated by reference to the Registrant's Registration Statement on Form 8-A12G filed on April 25, 1997.

(3) Incorporated by reference to the Registrant's 1997 Proxy Statement.

(4) Incorporated by reference to the Registrant's Report on Form 10-K dated June 30, 1998.

(5) Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2001.

(6) Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2002.

(7) Incorporated by reference to the Registrant's 2003 Definitive Proxy Statement dated October 13, 2007.

(8) Incorporated by reference to the Registrant's Form 8-K dated November 8, 2005.

(9) Incorporated by reference to the Registrant's Form 8-K dated March 13, 2006.

(10) Incorporated by reference to the Registrant's Form 8-K dated June 8, 2006.

(11) Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2005.

(12) Incorporated by reference to the Registrant's Report on Form 8-K dated February 23, 2007.

(13) Incorporated by reference to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2006.

(14) Incorporated by reference to the Registrant's Report on Form 8-K dated July 9, 2007.

(15) Filed herewith.

(16) Incorporated by reference to the Registrant's Report on Form 8-K dated November 9, 2006.

CERTIFICATE OF INCORPORATION, AS AMENDED
FIRST RESTATED CERTIFICATE OF INCORPORATION
OF
RESMED INC.

ResMed Inc., a corporation organized and existing under the laws of the State of Delaware (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is ResMed Inc. The Corporation was originally incorporated under the name ResCare Medical Systems Ltd., and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on March 31, 1994.

2. Pursuant to Section 245 of the General Corporation Law of the State of Delaware, this First Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of the Corporation as theretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this First Restated Certificate of Incorporation.

3. The text of the Certificate of Incorporation as heretofore amended or supplemented is hereby restated to read in its entirety as follows:

"FIRST: The name of the corporation is:

ResMed Inc. (hereinafter referred to as the "Corporation").

SECOND: The address of the registered and principal office of the Corporation in this state is c/o 15 East North Street, in the City of Dover, County of Kent, State of Delaware 19901 and the name of the registered agent at said address is United Corporate Services, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the corporation laws of the State of Delaware.

FOURTH: a) The Corporation shall be authorized to issue the following shares of Capital Stock:

Class	Number of Shares	Par Value
Common Stock	100,000,000	\$ 0.004
Preferred Stock	2,000,000	\$ 0.01

b) The designations and the powers, preferences and rights, and the qualifications or restrictions thereof are as follows:

The Preferred Stock shall be issued from time to time in one or more series, with such distinctive serial designations as shall be stated and expressed in the resolution or resolutions providing for the issue of such shares from time to time adopted by the Board of Directors; and in such resolution or resolutions providing for the issuance of shares of each particular series, the Board of Directors is expressly authorized to fix the annual rate or rates of the dividends for the particular series; the dividend payment dates for the particular series and the date from which dividends on all shares of such series issued prior to the record date for the first dividend payment date shall be cumulative; the redemption price or prices for the particular series; the voting powers for the particular series; the rights, if any, of the holders of the shares of the particular series to convert the same into shares of any other series or class or other securities of the Corporation, with any provisions for the subsequent adjustment of such conversion rights; and to classify or reclassify any unissued shares by fixing or altering from time to time any of the foregoing rights, privileges and qualifications.

All shares of Preferred Stock of any one series shall be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative; and all Preferred Stock shall be of equal rank, regardless of series, and shall be identical in all respects except as to the particulars fixed by the Board as hereinabove provided or as fixed herein.

The Certificate of Designations of Series A Junior Participating Preferred Stock attached hereto as Exhibit A is incorporated herein by reference (the "Amended Certificate of Designations"). The Amended Certificate of Designations restates the Certificate of Designations of Series A Junior Participating Preferred Stock, filed with the Secretary of State of the State of Delaware on March 18, 1999, to integrate only the Certificate of Increase in Authorized Number of Series A Junior Participating Preferred Stock, filed with the Secretary of State of the State of Delaware on October 1, 1999.

FIFTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

- (1) The number of directors of the Corporation shall be such as from time to time shall be fixed by, or in the manner provided in the bylaws. Election of directors need not be by ballot unless the bylaws so provide.
- (2) The Board of Directors shall have power without the assent or vote of the stockholders:
 - (a) To make, alter, amend, change, add to or repeal the Bylaws of the Corporation; to fix and vary the amount to be reserved for any proper purpose; to authorize and cause to be executed mortgages and liens upon all or any part of the property of the Corporation; to determine the use and disposition of any surplus or net profits; and to fix the times for the declaration and payment of dividends.
 - (b) To determine from time to time whether, and to what times and places, and under what conditions the accounts and books of the Corporation (other than the stock ledger) or any of them, shall be open to the inspection of the stockholders.
- (3) The directors in their discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders or at any meeting of the stockholders called for the purpose of considering any such act or contract, and any contract or act that shall be approved or be ratified by the vote of the holders of a majority of the stock of the Corporation which is represented in person or by proxy at such meeting and entitled to vote thereat (provided that a lawful quorum of stockholders be there represented in person or by proxy) shall be as valid and as binding upon the Corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the Corporation, whether or not the contract or act would otherwise be open to legal attack because of directors' interest, or for any other reason.
- (4) In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of Delaware, of this certificate, and to any bylaws from time to time made by the stockholders; provided, however, that no bylaws so made shall invalidate any prior act of the directors which would have been valid if such by-law had not been made.

SIXTH: No director shall be liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except with respect to (1) a breach of the director's duty of loyalty to the Corporation or its stockholders, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) liability under Section 174 of the Delaware General Corporation Law or (4) a transaction from which the director derived an improper personal benefit, it being

the intention of the foregoing provision to eliminate the liability of the Corporation's directors to the Corporation or its stockholders to the fullest extent permitted by Section 102(b)(7) of the Delaware General Corporation Law, as amended from time to time. The Corporation shall indemnify to the fullest extent permitted by Sections 102(b)(7) and 145 of the Delaware General Corporation Law, as amended from time to time, each person that such Sections grant the Corporation power to indemnify.

SEVENTH: Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths (3/4) in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

EIGHTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors and officers are subject to this reserved power."

IN WITNESS WHEREOF, the Corporation has caused this First Restated Certificate of Incorporation to be signed by Peter C. Farrell, its Chief Executive Officer and President, this 5th day of March, 2001.

RESMED INC.,
a Delaware corporation

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

EXHIBIT A
AMENDED CERTIFICATE OF DESIGNATIONS
OF
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
OF
RESMED INC.

(Pursuant to Section 151 of the Delaware General Corporation Law)

RESMED INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "*Corporation*"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on April 15, 1997, and was amended, as set forth herein, to increase the authorized number of Series A Junior Participating Preferred Stock from 150,000 to 250,000 shares on October 1, 1999.

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "*Board of Directors*" or the "*Board*") in accordance with the provisions of the Certificate of Incorporation, the Board of Directors hereby creates a series of Preferred Stock, par value \$.01 per share (the "*Preferred Stock*"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Junior Participating Preferred Stock:

Section 1. *Designation and Amount.* The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "*Series A Preferred Stock*") and the number of shares constituting the Series A Preferred Stock shall be 250,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; *provided*, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. *Dividends and Distributions.*

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$.004 per share (the "*Common Stock*"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "*Quarterly Dividend Payment Date*"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event

under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section 2 immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. *Voting Rights.* The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. *Certain Restrictions.*

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any Subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. *Reacquired Shares.* Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. *Liquidation, Dissolution or Winding Up.* Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into

a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event.

Section 7. *Consolidation, Merger, etc.* In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. *No Redemption.* The shares of Series A Preferred Stock shall not be redeemable.

Section 9. *Rank.* The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock, except to the extent that any such other series specifically provides that it shall rank on a parity with or junior to the Series A Preferred Stock.

Section 10. *Amendment.* The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

IN WITNESS WHEREOF, the Corporation has caused this Amended Certificate of Designations of Series A Junior Participating Preferred Stock to be signed by Peter C. Farrell, its Chief Executive Officer and President, this 5th day of March, 2001.

**RESMED INC.,
a Delaware corporation**

By: /s/ PETER C. FARRELL

Peter C. Farrell
Chief Executive Officer and President

**CERTIFICATE OF AMENDMENT
OF THE RESTATED
CERTIFICATE OF INCORPORATION
OF
RESMED INC.,
A DELAWARE CORPORATION**

ResMed Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (this "Corporation"), DOES HEREBY CERTIFY:

1. The name of the Corporation is ResMed Inc. The Corporation was originally incorporated under the name ResCare Medical Systems Ltd., and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on March 31, 1994.

2. That the Board of Directors of this Corporation, acting pursuant to the authority of Section 141(f) of the General Corporation Law of the State of Delaware, adopted a resolution setting forth a proposed amendment of the Certificate of Incorporation of this Corporation. The resolution setting forth the proposed amendment is as follows:

"NOW, THEREFORE, BE IT RESOLVED, that the Restated Certificate of Incorporation of this Corporation be amended by changing the first paragraph of Article Fourth thereof so that, as amended, the first paragraph of Article Fourth shall read in its entirety as follows:

"FOURTH: a) The Corporation shall be authorized to issue the following shares of Capital Stock:

<u>Class</u>	<u>Number of Shares</u>	<u>Par Value</u>
Common Stock	200,000,000	\$ 0.004
Preferred Stock	2,000,000	\$ 0.01

3. This Amendment of the Restated Certificate of Incorporation was duly adopted by the holders of a majority of the issued and outstanding shares of the Common Stock of the Corporation, par value \$0.004 per share, in accordance with the provisions of Sections 222 and 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF the undersigned has caused this Certificate of Amendment to be duly executed as of the 9th day of May, 2006.

**RESMED INC.,
a Delaware corporation**

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

2006 GRANT AGREEMENT – US EXECUTIVES

RESMED INC.

TERMS OF STOCK OPTION

This document sets forth the terms of a Stock Option (the “Option”) granted by ResMed Inc., a Delaware corporation (the “Company”), pursuant to a Summary of Stock Option Grant (“Summary”) displayed at the Web site of the Company’s option plan administrator. The Summary, which specifies the person to whom the Option is granted (“Grantee”) and other specific details of the grant, and the electronic acceptance of the Summary at the Web site of the Company’s option plan administrator are incorporated herein by reference.

- A. Grantee is an employee of the Company or a Subsidiary of the Company.
- B. In consideration of services to be performed, Company desires to afford Grantee an opportunity to purchase shares of its Common Stock in accordance with the ResMed Inc. 2006 Incentive Award Plan, as the same may be amended or restated from time to time (the “Plan”), as hereinafter provided.
- C. Any capitalized terms not otherwise defined herein shall have the meaning accorded them under the Plan or in the Summary, as applicable.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound, agree as follows:

1. *Grant of Option.* Company hereby irrevocably grants to Grantee the right and option (the “Option”) to purchase all or any part of the aggregate number of shares of the Common Stock of Company specified in the Summary (the “Option Shares”) at the Option Price specified in the Summary (the “Option Price”), during the period and subject to the conditions set forth in this agreement and in the Summary.
2. *Option Period.* The Option Period begins on the Grant Date specified in the Summary and ends on the Expiration Date specified in the Summary, subject to earlier termination of the Option Period in accordance with Section 6 hereof. Any vested portion of the Option shall be exercised in accordance with the provisions of Sections 3, 4, 5 and 6 hereof during the Option Period. All rights to exercise the Option, and the Option Period, shall terminate on the Expiration Date or such earlier date specified in Section 6 hereof.
3. *Option Vesting and Acceleration.* The Option shall vest and become exercisable in accordance with the Vesting Schedule specified in the Summary. Vesting of the Option, however, shall terminate upon the Grantee’s Termination of Employment. Notwithstanding the Vesting Schedule specified in the Summary, in the event of a Change of Control, the Option shall be and become fully vested and exercisable as of the date of such Change of Control. For these purposes, Change of Control shall have the definition set forth in Section 23 hereof.
4. *Exercise of Option.* Except as provided in Section 9, this Option shall be exercisable during the Option Period in accordance with the Vesting Schedule (as the same may be modified by Section 3 hereof) and at the Option Price per share specified on the Summary. The installments provided for in the Summary are cumulative, such that each installment that vests but is not exercised, may be carried forward and exercised in any future year during the Option Period.
5. *Manner of Exercise.* Exercise of the Option shall be by written notice as directed by the Company, details of which will be provided to you. The notice shall be accompanied by payment in full in cash, check, or a combination thereof, in the aggregate amount of the Option Price specified in the Summary multiplied by the number of shares to be purchased by Grantee through such exercise, plus payment of all applicable withholding taxes. In addition, the Option Price and associated tax withholding obligations may be paid through the delivery of a notice that the Grantee has placed a market sell order with a broker with respect to the shares of Common Stock then issuable upon exercise of the Option, and the broker timely pays a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price and tax withholding obligations.

6. *Rights in Event of Death or Termination of Employment.*

- (a) If Grantee dies while employed by the Company or a Subsidiary, or within the first year after Termination of Employment, without having fully exercised the Option, the executors, administrators, legatees or distributees of Grantee's estate shall have the right, for a period of one year after the date of Grantee's death, to exercise the vested, unexercised and unexpired portion, if any, of the Option as of the date of Grantee's death, in whole or in part, to the same extent that Grantee could have exercised the Option immediately before Grantee's death, except that the Option may not be exercised under this subsection 6(a) after the Expiration Date.
- (b) In the event of Grantee's Termination of Employment for any reason, and after giving effect to Section 3 regarding Option acceleration, if applicable, the then vested, unexercised and unexpired portion, if any, of Grantee's Option as of the date of Termination of Employment may be exercised until the earlier of (i) the first anniversary of such Termination of Employment, or (ii) the Expiration Date specified in the Summary. After this date, the Option shall be automatically cancelled and the Option Period shall terminate.
- (c) For purposes of this Section 6, the employment relationship of an employee of the Company will be treated as continuing intact while he is on military or sick leave or other bona fide leave of absence if such leave does not exceed ninety days, so long as his right to re-employment is guaranteed either by statute or by contract, or in any other circumstance as may be required by law.

7. *Transferability of Option.*

- (a) Subject to subsection 7(b), the Option is not transferable by Grantee other than by will or by the laws of descent and distribution in the event of the Grantee's death, in which event the Option may be exercised by the heirs or legal representatives of the Grantee as provided in Section 6 hereof. The Option may be exercised during the lifetime of the Grantee only by the Grantee. Any attempt at assignment, transfer, pledge or disposition of the Option contrary to the provisions hereof or the levy of any execution, attachment or similar process upon the Option shall be null and void and without effect. Any exercise of the Option by a person other than the Grantee shall be accompanied by appropriate proofs of the right of such person to exercise the Option.
- (b) Notwithstanding the foregoing provisions of subsection 7(a), the Administrator, in its sole discretion, may permit the transfer of a non-qualified option held by the Grantee (i) pursuant to a DRO, or (ii) by gift or contribution to a Permitted Transferee. Any Option that has been so transferred shall continue to be subject to all of the terms and conditions as applicable to the original Grantee, and the transferee shall execute any and all such documents requested by the Administrator in connection with the transfer, including without limitation to evidence the transfer and to satisfy any requirements for an exemption for the transfer under applicable federal and state securities laws.

8. *Changes in Capital Structure.* The number of Option Shares covered by this Option and the Option Price shall be equitably adjusted in the event (the "Event") of (i) the payment of any dividend or the making of any distribution of Common Stock to holders of record of Common Stock, (ii) any stock split, combination of shares, recapitalization or other similar change; (iii) the merger or consolidation of the Company into or with any other corporation; or (iv) the reorganization, dissolution, liquidation or winding up of the Company, and the Grantee shall be entitled to receive such new, additional or other shares of stock of any class, or other property (including cash), as Grantee would have been entitled to receive as a matter of law in connection with such Event had Grantee held the Option Shares on the record date set for such Event. In addition, upon such change, the Option Price of the Option Shares or other securities subject to any unexercised portions of this Option shall be adjusted proportionately so that Grantee shall have the right to purchase the number of Option Shares (as adjusted) under this Option at an Option Price (as adjusted) which Grantee could purchase for the total purchase price applicable to the unexercised portion of this Option immediately prior to such Event had Grantee held the Option Shares on the record date set for such Event. Any fractional shares resulting from such calculation shall be eliminated. The Administrator shall have the authority to determine the adjustments to be made under this Section 8 and any such determination shall be final, binding and conclusive.

9. *Legal Requirements.*

- (a) If the listing, registration or qualification of the Option Shares upon any securities exchange or under any federal or state law, or the consent or approval of any governmental regulatory body is necessary or advisable as a condition of or in connection with the purchase of the Option Shares, the Company shall not be obligated to issue or deliver the certificates representing the Option Shares as to which the Option has been exercised unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained and is in effect. This Option does not hereby impose on the Company a duty to so list, register, qualify, maintain or effect or obtain consent or approval.
- (b) The shares of stock deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares or issued shares, which have then been reacquired by the Company. Such shares shall be fully paid and nonassessable.
- (c) The Grantee shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any Option Shares purchasable upon the exercise of any part of the Option unless and until such shares of Common Stock shall have been issued by the Company to the Grantee, as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company, or by the issuance of a stock certificate in Grantee's name.

10. *No Obligation to Exercise Option.* The Grantee shall be under no obligation to exercise the Option.

11. *Tax Withholding.* As a condition to the Company issuing the Option Shares on exercise of this Option, Grantee must pay or provide for all applicable income tax and social insurance withholding and payment on account obligations of the Company or its affiliate ("Employer"). The Company makes no representations or undertakings regarding the tax treatment of the Option. The liability for all applicable taxes is Grantee's responsibility. Where Grantee's Employer is liable to account for any sum in respect of income tax or social insurance or other tax withholding, the Option may not be exercised, assigned, or released unless Grantee has, at the Company's election: (a) delivered a check to the Employer sufficient to discharge the applicable taxes due; (b) authorized the Company to withhold from Option Shares to be issued, or (c) arranged to sell a sufficient number of the Option Shares through a broker and instructed the broker to immediately remit sufficient funds from the sale of such Common Stock to enable the Employer to satisfy the taxes due.

12. *Fractional Option Shares.* No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the exercise of this Option, but the Company shall issue one additional share of its Common Stock in lieu of each fraction of a share otherwise called for upon any exercise of this Option.

13. *Notices.* All notices required or permitted hereunder shall be in writing and shall be deemed to be properly given when personally delivered to the party entitled to receive the notice (which may include electronic delivery by email) or when sent by certified or registered mail, postage prepaid, properly addressed to the party entitled to receive such notice at the address stated below:

If to Company:	ResMed Inc. 14040 Danielson Street Poway, CA 92064 USA Attn: David Pendarvis, Corporate Secretary
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If to Grantee:	Address of Grantee on file with ResMed Inc. or its subsidiary
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14. *Administration.* This Option has been granted pursuant to the Plan adopted by the Board of Directors of the Company and approved by the stockholders of the Company, and is subject to the terms and provisions thereof. By acceptance hereof the Grantee acknowledges receipt of a copy of the Plan. All questions of interpretation and application of the Plan and this Option shall be determined by the Company, and such determination shall be final, binding and conclusive.

15. *No Rights to Employment or Future Awards.* The grant of this Option does not entitle Grantee to any other benefit or to future awards or rights under the Plan. The grant does not form an employment contract or relationship with the Company or any of its affiliates. The Option does not create a right to further employment nor interfere with the Company and its affiliate's right to terminate the employment

relationship at any time for any reason whatsoever, with or without cause, which rights to terminate are hereby expressly reserved (except to the extent that right is otherwise limited by law).

16. *Data Privacy Waiver.*
 - (a) Grantee hereby agrees that the Company and its affiliates are permitted to collect, store, hold, process, and transfer personal (and sensitive) information and data relating to the Grantee as part of its personnel and other business records and may use such information in the course of its business. Such information and data may include, but is not limited to, personal data, employment information, and financial information. The Company and its affiliates may use such data for compensation and benefit planning, to administer the Plan and other benefits plans, and otherwise in the course of its business.
 - (b) Grantee hereby agrees that the Company and its affiliates may disclose or transfer such personal data or information to third parties, including parties situated outside the country in which Grantee works or reside, even if the recipient country has different data privacy laws than those in the country where Grantee works or resides.
 - (c) This Section 16 applies to information and data held, used or disclosed in any medium.
17. *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
18. *Governing Law.* This Agreement shall be governed by and construed under the laws of the State of Delaware without regard to conflicts of laws or principles.
19. *Counterparts and Additional Terms.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures to this Agreement may be provided in electronic format in accordance with the Company's programs and policies permitting electronic delivery of signatures. The Option shall be subject to such additional terms and rights of Grantee regarding the Option as set forth in any executive agreement, severance agreement or change in control agreement between Grantee and the Company.
20. *Amendment.* This Agreement may not be amended in a material adverse way to Grantee except by an instrument in writing signed by the Grantee and the Company.
21. *Notification of Disposition.* If this Option is designated as an Incentive Stock Option, the Grantee shall give prompt notice to the Company of any disposition or other transfer of any shares of Common Stock acquired under this Agreement if such disposition or transfer is made (a) within two years from the Grant Date or (b) within one year after the transfer of such shares to the Grantee. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Grantee in such disposition or other transfer.
22. *Conformity to Securities Laws.* Grantee acknowledges that the Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and all applicable state and foreign securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.
23. *Certain Definitions.* The following term will have the following definition for this Agreement:
 - (a) *Change of Control* shall mean the occurrence of any of the following:
 - (i) a transaction or series of transactions whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition, *other than:*
 - (a) an acquisition by an employee benefit plan or any trustee holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company; or

- (b) an acquisition by the Company or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company; or
 - (c) an acquisition pursuant to the offering of shares of Common Stock by the Company to the general public through a registration statement filed with the Securities and Exchange Commission; or
 - (d) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change of Control under clause (iii).
- (ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered to be members of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office was a result of an actual or threatened election contest with respect to the election or removal of directors; or
- (iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of
- (x) a merger, consolidation, reorganization, or business combination or
 - (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or
 - (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
 - (a) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Successor Entity) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction; or
 - (b) after which more than 50% of the members of the board of directors of the Successor Entity were members of the Incumbent Board at the time of the Board's approval of the transaction or the agreement providing for the transaction.
- (iv) the Company's stockholders approve a liquidation or dissolution of the Company.

For purposes of subsection (i) above, the calculation of voting power shall be made as if the date of the acquisition were a record date for a vote of the Company's stockholders, and for purposes of subsection (iii) above, the calculation of voting power shall be made as if the date of the consummation of the transaction or at the consummation of the last of a series of related transactions were a record date for a vote of the Company's stockholders. For purposes of subsection (iii) *Successor Entity* means the Company or the "person" that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company.

IN WITNESS WHEREOF, the parties hereunto agree to the terms and conditions set forth above and in the Summary.

RESMED INC.

GRANTEE

/s/ PETER C. FARRELL

Peter C. Farrell
Chief Executive Officer

(Acceptance designated electronically
at the option plan administrator's Web site)

2006 GRANT AGREEMENT – AUSTRALIAN EXECUTIVES

RESMED INC.

TERMS OF STOCK OPTION

This document sets forth the terms of a Stock Option (the “Option”) granted by ResMed Inc., a Delaware corporation (the “Company”), pursuant to a Summary of Stock Option Grant (“Summary”) displayed at the Web site of the Company’s option plan administrator. The Summary, which specifies the person to whom the Option is granted (“Grantee”) and other specific details of the grant, and the electronic acceptance of the Summary at the Web site of the Company’s option plan administrator are incorporated herein by reference.

- A. Grantee is an employee of the Company or a Subsidiary of the Company.
- B. In consideration of services to be performed, Company desires to afford Grantee an opportunity to purchase shares of its Common Stock in accordance with the ResMed Inc. 2006 Incentive Award Plan, as the same may be amended or restated from time to time (the “Plan”), as hereinafter provided.
- C. Any capitalized terms not otherwise defined herein shall have the meaning accorded them under the Plan or in the Summary, as applicable.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound, agree as follows:

1. *Grant of Option.* Company hereby irrevocably grants to Grantee the right and option (the “Option”) to purchase all or any part of the aggregate number of shares of the Common Stock of Company specified in the Summary (the “Option Shares”) at the Option Price specified in the Summary (the “Option Price”), during the period and subject to the conditions set forth in this agreement and in the Summary.
2. *Option Period.* The Option Period begins on the Grant Date specified in the Summary and ends on the Expiration Date specified in the Summary, subject to earlier termination of the Option Period in accordance with Section 6 hereof. Any vested portion of the Option shall be exercised in accordance with the provisions of Sections 3, 4, 5 and 6 hereof during the Option Period. All rights to exercise the Option, and the Option Period, shall terminate on the Expiration Date or such earlier date specified in Section 6 hereof.
3. *Option Vesting and Acceleration.* The Option shall vest and become exercisable in accordance with the Vesting Schedule specified in the Summary. Vesting of the Option, however, shall terminate upon the Grantee’s Termination of Employment. Notwithstanding the Vesting Schedule specified in the Summary, in the event of a Change of Control, the Option shall be and become fully vested and exercisable as of the date of such Change of Control. For these purposes, Change of Control shall have the definition set forth in Section 23 hereof.
4. *Exercise of Option.* Except as provided in Section 9, this Option shall be exercisable during the Option Period in accordance with the Vesting Schedule (as the same may be modified by Section 3 hereof) and at the Option Price per share specified on the Summary. The installments provided for in the Summary are cumulative, such that each installment that vests but is not exercised, may be carried forward and exercised in any future year during the Option Period.
5. *Manner of Exercise.* Exercise of the Option shall be by written notice as directed by the Company, details of which will be provided to you. The notice shall be accompanied by payment in full in cash, check, or a combination thereof, in the aggregate amount of the Option Price specified in the Summary multiplied by the number of shares to be purchased by Grantee through such exercise, plus payment of all applicable withholding taxes. In addition, the Option Price and associated tax withholding obligations may be paid through the delivery of a notice that the Grantee has placed a market sell order with a broker with respect to the shares of Common Stock then issuable upon exercise of the Option, and the broker timely pays a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price and tax withholding obligations.

6. *Rights in Event of Death or Termination of Employment.*

- (a) If Grantee dies while employed by the Company or a Subsidiary, or within the first year after Termination of Employment, without having fully exercised the Option, the executors, administrators, legatees or distributees of Grantee's estate shall have the right, for a period of six months after the date of Grantee's death, to exercise the vested, unexercised and unexpired portion, if any, of the Option as of the date of Grantee's death, in whole or in part, to the same extent that Grantee could have exercised the Option immediately before Grantee's death, except that the Option may not be exercised under this subsection 6(a) after the Expiration Date.
- (b) In the event of Grantee's Termination of Employment for any reason, and after giving effect to Section 3 regarding Option acceleration, if applicable, the then vested, unexercised and unexpired portion, if any, of Grantee's Option as of the date of Termination of Employment may be exercised until the earlier of (i) the first anniversary of such Termination of Employment, or (ii) the Expiration Date specified in the Summary. After this date, the Option shall be automatically cancelled and the Option Period shall terminate.
- (c) For purposes of this Section 6, the employment relationship of an employee of the Company will be treated as continuing intact while he is on military or sick leave or other bona fide leave of absence if such leave does not exceed ninety days, so long as his right to re-employment is guaranteed either by statute or by contract, or in any other circumstance as may be required by law.

7. *Transferability of Option.*

- (a) Subject to subsection 7(b), the Option is not transferable by Grantee other than by will or by the laws of descent and distribution in the event of the Grantee's death, in which event the Option may be exercised by the heirs or legal representatives of the Grantee as provided in Section 6 hereof. The Option may be exercised during the lifetime of the Grantee only by the Grantee. Any attempt at assignment, transfer, pledge or disposition of the Option contrary to the provisions hereof or the levy of any execution, attachment or similar process upon the Option shall be null and void and without effect. Any exercise of the Option by a person other than the Grantee shall be accompanied by appropriate proofs of the right of such person to exercise the Option.
- (b) Notwithstanding the foregoing provisions of subsection 7(a), the Administrator, in its sole discretion, may permit the transfer of a non-qualified option held by the Grantee (i) pursuant to a DRO, or (ii) by gift or contribution to a Permitted Transferee. Any Option that has been so transferred shall continue to be subject to all of the terms and conditions as applicable to the original Grantee, and the transferee shall execute any and all such documents requested by the Administrator in connection with the transfer, including without limitation to evidence the transfer and to satisfy any requirements for an exemption for the transfer under applicable federal and state securities laws.

8. *Changes in Capital Structure.* The number of Option Shares covered by this Option and the Option Price shall be equitably adjusted in the event (the "Event") of (i) the payment of any dividend or the making of any distribution of Common Stock to holders of record of Common Stock, (ii) any stock split, combination of shares, recapitalization or other similar change; (iii) the merger or consolidation of the Company into or with any other corporation; or (iv) the reorganization, dissolution, liquidation or winding up of the Company, and the Grantee shall be entitled to receive such new, additional or other shares of stock of any class, or other property (including cash), as Grantee would have been entitled to receive as a matter of law in connection with such Event had Grantee held the Option Shares on the record date set for such Event. In addition, upon such change, the Option Price of the Option Shares or other securities subject to any unexercised portions of this Option shall be adjusted proportionately so that Grantee shall have the right to purchase the number of Option Shares (as adjusted) under this Option at an Option Price (as adjusted) which Grantee could purchase for the total purchase price applicable to the unexercised portion of this Option immediately prior to such Event had Grantee held the Option Shares on the record date set for such Event. Any fractional shares resulting from such calculation shall be eliminated. The Administrator shall have the authority to determine the adjustments to be made under this Section 8 and any such determination shall be final, binding and conclusive.

9. *Legal Requirements.*

- (a) If the listing, registration or qualification of the Option Shares upon any securities exchange or under any federal or state law, or the consent or approval of any governmental regulatory body is necessary or advisable as a condition of or in connection with the purchase of the Option Shares, the Company shall not be obligated to issue or deliver the certificates representing the Option Shares as to which the Option has been exercised unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained and is in effect. This Option does not hereby impose on the Company a duty to so list, register, qualify, maintain or effect or obtain consent or approval.
- (b) The shares of stock deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares or issued shares, which have then been reacquired by the Company. Such shares shall be fully paid and nonassessable.
- (c) The Grantee shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any Option Shares purchasable upon the exercise of any part of the Option unless and until such shares of Common Stock shall have been issued by the Company to the Grantee, as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company, or by the issuance of a stock certificate in Grantee's name.

10. *No Obligation to Exercise Option.* The Grantee shall be under no obligation to exercise the Option.

11. *Tax Withholding.* As a condition to the Company issuing the Option Shares on exercise of this Option, Grantee must pay or provide for all applicable income tax and social insurance withholding and payment on account obligations of the Company or its affiliate ("Employer"). The Company makes no representations or undertakings regarding the tax treatment of the Option. The liability for all applicable taxes is Grantee's responsibility. Where Grantee's Employer is liable to account for any sum in respect of income tax or social insurance or other tax withholding, the Option may not be exercised, assigned, or released unless Grantee has, at the Company's election: (a) delivered a check to the Employer sufficient to discharge the applicable taxes due; (b) authorized the Company to withhold from Option Shares to be issued, or (c) arranged to sell a sufficient number of the Option Shares through a broker and instructed the broker to immediately remit sufficient funds from the sale of such Common Stock to enable the Employer to satisfy the taxes due.

12. *Fractional Option Shares.* No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the exercise of this Option, but the Company shall issue one additional share of its Common Stock in lieu of each fraction of a share otherwise called for upon any exercise of this Option.

13. *Notices.* All notices required or permitted hereunder shall be in writing and shall be deemed to be properly given when personally delivered to the party entitled to receive the notice (which may include electronic delivery by email) or when sent by certified or registered mail, postage prepaid, properly addressed to the party entitled to receive such notice at the address stated below:

If to Company:	ResMed Inc. 14040 Danielson Street Poway, CA 92064 USA Attn: David Pendarvis, Corporate Secretary
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If to Grantee:	Address of Grantee on file with ResMed Inc. or its subsidiary
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14. *Administration.* This Option has been granted pursuant to the Plan adopted by the Board of Directors of the Company and approved by the stockholders of the Company, and is subject to the terms and provisions thereof. By acceptance hereof the Grantee acknowledges receipt of a copy of the Plan. All questions of interpretation and application of the Plan and this Option shall be determined by the Company, and such determination shall be final, binding and conclusive.

15. *No Rights to Employment or Future Awards.* The grant of this Option does not entitle Grantee to any other benefit or to future awards or rights under the Plan. The grant does not form an employment contract or relationship with the Company or any of its affiliates. The Option does not create a right to further employment nor interfere with the Company and its affiliate's right to terminate the employment

relationship at any time for any reason whatsoever, with or without cause, which rights to terminate are hereby expressly reserved (except to the extent that right is otherwise limited by law).

16. *Data Privacy Waiver.*

- (a) Grantee hereby agrees that the Company and its affiliates are permitted to collect, store, hold, process, and transfer personal (and sensitive) information and data relating to the Grantee as part of its personnel and other business records and may use such information in the course of its business. Such information and data may include, but is not limited to, personal data, employment information, and financial information. The Company and its affiliates may use such data for compensation and benefit planning, to administer the Plan and other benefits plans, and otherwise in the course of its business.
- (b) Grantee hereby agrees that the Company and its affiliates may disclose or transfer such personal data or information to third parties, including parties situated outside the country in which Grantee works or reside, even if the recipient country has different data privacy laws than those in the country where Grantee works or resides.
- (c) This Section 16 applies to information and data held, used or disclosed in any medium.

17. *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

18. *Governing Law.* This Agreement shall be governed by and construed under the laws of the State of Delaware without regard to conflicts of laws or principles.

19. *Counterparts and Additional Terms.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures to this Agreement may be provided in electronic format in accordance with the Company's programs and policies permitting electronic delivery of signatures. The Option shall be subject to such additional terms and rights of Grantee regarding the Option as set forth in any executive agreement, severance agreement or change in control agreement between Grantee and the Company.

20. *Amendment.* This Agreement may not be amended in a material adverse way to Grantee except by an instrument in writing signed by the Grantee and the Company.

21. *Notification of Disposition.* If this Option is designated as an Incentive Stock Option, the Grantee shall give prompt notice to the Company of any disposition or other transfer of any shares of Common Stock acquired under this Agreement if such disposition or transfer is made (a) within two years from the Grant Date or (b) within one year after the transfer of such shares to the Grantee. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Grantee in such disposition or other transfer.

22. *Conformity to Securities Laws.* Grantee acknowledges that the Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and all applicable state and foreign securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

23. *Certain Definitions.* The following term will have the following definition for this Agreement.

(a) *Change of Control* shall mean the occurrence of any of the following:

- (i) a transaction or series of transactions whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition, *other than*:
 - (a) an acquisition by an employee benefit plan or any trustee holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company; or

- (b) an acquisition by the Company or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company; or
 - (c) an acquisition pursuant to the offering of shares of Common Stock by the Company to the general public through a registration statement filed with the Securities and Exchange Commission; or
 - (d) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change of Control under clause (iii).
- (ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered to be members of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office was a result of an actual or threatened election contest with respect to the election or removal of directors; or
- (iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of
- (x) a merger, consolidation, reorganization, or business combination or
 - (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or
 - (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
 - (a) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Successor Entity) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction; or
 - (b) after which more than 50% of the members of the board of directors of the Successor Entity were members of the Incumbent Board at the time of the Board's approval of the transaction or the agreement providing for the transaction.
- (iv) the Company's stockholders approve a liquidation or dissolution of the Company.

For purposes of subsection (i) above, the calculation of voting power shall be made as if the date of the acquisition were a record date for a vote of the Company's stockholders, and for purposes of subsection (iii) above, the calculation of voting power shall be made as if the date of the consummation of the transaction or at the consummation of the last of a series of related transactions were a record date for a vote of the Company's stockholders. For purposes of subsection (iii) *Successor Entity* means the Company or the "person" that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company.

IN WITNESS WHEREOF, the parties hereunto agree to the terms and conditions set forth above and in the Summary.

RESMED INC.

GRANTEE

/s/ PETER C. FARRELL

Peter C. Farrell
Chief Executive Officer

(Acceptance designated electronically
at the option plan administrator's Web site)

Additional Information for Australian Participants

Offers under our 2006 Incentive Award Plan, as the same may be amended or restated from time to time (the "Stock Option Plan") in Australia are restricted to full or part-time employees or directors of ResMed, Inc. ("ResMed") or associated corporations.

1. Fully Paid Stock. The shares we will issue to employees under the Stock Option Plan will be fully paid shares of Common Stock of ResMed.
2. Number of Shares Available. The shares available (assuming all offers or options to acquire unissued shares are accepted) to Australian participants under the Stock Option Plan, plus the number of shares issued under any other equity participation plan in respect of ResMed shares of Common Stock issued to Australian employees and directors in the previous 5 years, represent less than 5% of the total number of outstanding shares of Common Stock of ResMed.
3. Grant and Exercise. Options offered to Australian participants under the Stock Option Plan will be granted for Nil or nominal consideration. The Options may be exercised in accordance with the Stock Option Plan, the ResMed, Inc. Terms of Stock Option and your Summary of Stock Option Grant.

You will be responsible for any taxes resulting from the purchase of ResMed shares offered under the Stock Option Plan. You should obtain specific professional advice as to the Australian taxation consequences for your circumstances resulting from any investment you elect to make through the Stock Option Plan.

4. Terms and Conditions of the Stock Option Plan

- 4.1 Options. The exercise price will be determined in accordance with the Stock Option Plan and set forth in your Summary of Stock Option Grant. Subject to any specific conditions in the Stock Option Plan, the exercise price will be not less than the Fair Market Value (as defined by the Stock Option Plan) or such other amount as determined by the Stock Option Plan Committee (as defined therein).

ResMed will not provide Australian participants with any loans or financial assistance under the Stock Option Plan.

The arrangements for exercise are set out in the Stock Option Plan and the ResMed, Inc. Terms of Stock Option and will be communicated to you by ResMed from time to time.

The Australian Securities & Investments Commission requires that ResMed give you an example of how the Australian dollar equivalent of the exercise price at the time of exercise will be calculated. This example is shown in the table below.

1. Exercise price in US\$	\$46.19
2. US\$ to AU\$ Exchange Rate*	US \$0.7669 = AUS \$1 or US \$1 = AUS \$1.304
3. Australian Dollar Equivalent Price	\$60.23

- 4.2 Shares Subject to Stock Option Plan. The Stock Option Plan will only grant options or other awards that relate to ResMed Common Stock.

5. Information on the Share Price. The indicative daily price of ResMed Common Stock quoted in US\$ and relevant Australian Dollar exchange rate are available on ResMed 's intranet site. These are indicative figures only.

ResMed will provide current market price information about its shares when an Australian participant requests it. To obtain information, please contact Arlene Martin, at ext. 2262, or via email at arlenem@resmed.com.

6. Discrepancies. To the extent that details contained in this document titled "Additional Information for Australian Participants" and any other documentation applicable to Australian participants in the Stock Option Plan (the "Australian Details") are inconsistent with details contained in other Stock Option Plan documentation, then the Australian Details will prevail in relation to the Australian participants.

* For the purposes of this example, all figures have been calculated using the intraday exchange rate applicable on November 10, 2006.

RESMED INC.
SUBSIDIARIES OF THE REGISTRANT

ResMed Corp. (a Minnesota corporation)

ResMed US Assembly Inc. (a Delaware corporation)

ResMed (Malaysia) Sdn Bhd (a Malaysian Corporation)⁽²⁾

ResMed (UK) Limited (a United Kingdom corporation)⁽¹⁾

ResMed Asia Pacific Limited (incorporated under the laws of New South Wales, Australia)⁽¹⁾

ResMed Deutschland GmbH (a German corporation, formerly ResMed Beteiligungs GmbH)⁽³⁾

ResMed EAP Holdings Inc. (a Delaware corporation)

ResMed Finland OY (a Finland corporation)⁽²⁾

ResMed Holdings Limited (incorporated under the laws of New South Wales, Australia)

ResMed Hong Kong Limited (a Hong Kong corporation)⁽²⁾

ResMed Germany Inc. (a Delaware corporation, formerly ResMed International Inc.)

ResMed KK (a Japanese corporation)⁽²⁾

ResMed Limited (incorporated under the laws of New South Wales, Australia)⁽¹⁾

ResMed New Zealand Limited (a New Zealand Corporation)⁽²⁾

ResMed GmbH Verwaltung (a German corporation)

ResMed GmbH and Co KG (a German corporation)⁽⁴⁾

ResMed R&D Limited (incorporated under the laws of New South Wales, Australia)⁽¹⁾

ResMed SAS (a French corporation)⁽²⁾

ResMed Singapore Pte Ltd (a Singaporean corporation)⁽²⁾

ResMed Spain SL (a Spanish corporation)⁽²⁾

ResMed Sweden AB (a Swedish corporation)⁽²⁾

ResMed Technology Motor Technologies Inc. (a Delaware corporation) (Formerly Servo Magnetics Inc.)

ResMed Schweiz AG (A Swiss corporation, formerly Labhardt AG)⁽²⁾

ResMed Austria Medizintechnik GmbH (an Austrian corporation)⁽²⁾

MAP Medische Techniek voor Arts en Patient BV (a Dutch corporation)⁽⁴⁾

MAP Medizin-Technologie GmbH (a German corporation)⁽⁴⁾

MAP Beteiligungs GmbH (a German corporation)⁽⁵⁾

Take Air Medical Handels GmbH (a German corporation)⁽⁶⁾

SCI PDG (a French corporation)⁽⁶⁾

OCA Beteiligung AG (a Luxembourg corporation)⁽⁶⁾

Hoefner Medizintechnik GmbH (a German corporation)⁽⁹⁾

ResMed Brasil Ltda (a Brazilian corporation)⁽⁷⁾

PolarMed A/S (a Danish corporation)⁽²⁾

PolarMed AS (a Norwegian corporation)⁽²⁾

ResMed Nederland BV (a Netherlands corporation)⁽²⁾

Saime SAS (a French corporation)⁽⁸⁾

ResMed Property Trust (incorporated under the laws of New South Wales, Australia)

ResMed Mexico, S de R.L. de C.V.⁽²⁾

ResMed India Private Ltd⁽²⁾

ResMed (Beijing) Commercial Co., Ltd⁽²⁾

(1)A subsidiary of ResMed Holdings Limited
(2)A subsidiary of ResMed EAP Holdings Inc.
(3)A subsidiary of ResMed Germany Inc.
(4)A subsidiary of ResMed Deutschland GmbH
(5)A subsidiary of MAP Medizin-Technologie GmbH
(6)A subsidiary of Saime SAS
(7)A subsidiary of ResMed Corp.
(8)A subsidiary of ResMed SAS
(9)A subsidiary of ResMed GmbH and Co KG

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

The Board of Directors and Stockholders
ResMed Inc.:

We consent to the incorporation by reference in the registration statement (Nos. 333-08013, 333-88231 and 333-115048) on Form S-8 and the registration statements (Nos. 333-70500 and 333-100825) on Form S-3 of ResMed Inc. of our reports dated August 27, 2007, with respect to the consolidated balance sheets of ResMed Inc. as of June 30, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended June 30, 2007, and the related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of June 30, 2007, and the effectiveness of internal control over financial reporting as of June 30, 2007, which reports appear in the June 30, 2007, annual report on Form 10-K of ResMed Inc.

Our report on the consolidated financial statements dated August 27, 2007 contains an explanatory paragraph that states that the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payment* on July 1, 2005.

/s/ KPMG LLP

San Diego, California
August 27, 2007

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Peter C. Farrell, certify that:

1. I have reviewed this annual report on Form 10-K of ResMed Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting practices; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 24, 2007

/s/ PETER C. FARRELL

Peter C. Farrell
Chairman and Chief Executive Officer

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Brett Sandercock, certify that:

1. I have reviewed this annual report on Form 10-K of ResMed Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting practices; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 24, 2007

/s/ BRETT A. SANDERCOCK

Brett A. Sandercock
Chief Financial Officer

The following certifications are being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. These certifications shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ResMed Inc., a Delaware corporation (the "Company"), hereby certifies, to his knowledge, that:

- (i) the accompanying Annual Report on Form 10-K of the Company for the year ended June 30, 2007 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 24, 2007

/s/ PETER C. FARRELL

Peter C. Farrell
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to ResMed Inc. and will be retained by ResMed Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ResMed Inc., a Delaware corporation (the "Company"), hereby certifies, to his knowledge, that:

- (i) the accompanying Annual Report on Form 10-K of the Company for the year ended June 30, 2007 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 24, 2007

/s/ BRETT A. SANDERCOCK

Brett A. Sandercock
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to ResMed Inc. and will be retained by ResMed Inc. and furnished to the Securities and Exchange Commission or its staff upon request.