

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

-----  
FORM 10-Q  
-----

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2001

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

0-26038  
Commission file number

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

Delaware  
(State or other jurisdiction of incorporation or organization)

98-0152841  
(IRS Employer Identification No)

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

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

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

Yes [ x ] No [ ]

As of December 31, 2001, 32,163,417 shares of Common Stock (\$0.004 par value) were outstanding.

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RESMED INC. AND SUBSIDIARIES  
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PART I - FINANCIAL INFORMATION Item 1

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RESMED INC. AND SUBSIDIARIES  
Condensed Consolidated Balance Sheets (Unaudited)  
(in US\$ thousands, except share data)

	December 31, 2001	June 30, 2001
	<C>	<C>
<b>&lt;S&gt;</b>		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 64,047	\$ 40,136
Marketable securities - available-for-sale . . . . .	72,804	62,616
Accounts receivable, net of allowance for doubtful accounts of 945 at December 31, 2001 and \$892 at June 30, 2001 . . . . .	36,820	32,248
Inventories (Note 4) . . . . .	33,479	29,994
Deferred income taxes . . . . .	5,222	4,152
Prepaid expenses and other current assets . . . . .	13,421	8,736
	-----	-----
Total current assets. . . . .	225,793	177,882
	-----	-----
Property, plant and equipment, net of accumulated amortization of \$24,551 at December 31, 2001 and \$19,930 at June 30, 2001 . . . . .	60,370	55,092
Patents, net of accumulated amortization of \$1,274 at December 31, 2001 and \$1,030 at June 30, 2001 . . . . .	2,142	1,390
Goodwill (Note 6) . . . . .	55,213	47,870
Other assets. . . . .	7,906	5,856
	-----	-----
Total non-current assets. . . . .	125,631	110,208
	-----	-----
Total Assets. . . . .	\$ 351,424	\$ 288,090
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable. . . . .	\$ 6,768	\$ 7,971
Accrued expenses and other liabilities. . . . .	22,701	16,751
Income taxes payable. . . . .	7,965	8,888
	-----	-----
Total current liabilities . . . . .	37,434	33,610
	-----	-----
Non current liabilities:		
Deferred revenue. . . . .	5,926	4,114
Convertible subordinated notes. . . . .	180,000	150,000
	-----	-----
Total non current liabilities . . . . .	185,926	154,114
	-----	-----
Total liabilities . . . . .	223,360	187,724
	-----	-----
Stockholders' equity:		
Preferred Stock, \$0.01 par value, 2,000,000 shares authorized; none issued. . . . .	-	-
Series A Junior Participating Preferred Stock, \$0.01 par value, 250,000 shares authorized; none issued. . . . .	-	-
Common stock, \$0.004 par value, 100,000,000 shares authorized; Issued and outstanding 32,163,417 at December 31, 2001 and 31,478,780 at June 30, 2001 . . . . .	129	126
Additional paid-in capital. . . . .	60,886	52,675
Retained earnings . . . . .	94,454	77,137
Accumulated other comprehensive loss (Note 5) . . . . .	(27,405)	(29,572)
	-----	-----
Total stockholders' equity. . . . .	128,064	100,366
	-----	-----
Commitments and contingencies (Note 8) . . . . .	-	-
	-----	-----
Total liabilities and stockholders' equity. . . . .	\$ 351,424	\$ 288,090
	=====	=====

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## PART I - FINANCIAL INFORMATION

Item 1

&lt;TABLE&gt;

&lt;CAPTION&gt;

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

	Three Months Ended		Six Months Ended	
	December 31		December 31,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net revenue . . . . .	\$48,924	\$34,366	\$95,053	\$65,448
Cost of sales . . . . .	17,087	11,345	32,383	21,340
Gross profit . . . . .	31,837	23,021	62,670	44,108
Operating expenses:				
Selling, general and administrative . . . . .	14,774	10,724	29,059	20,315
Research and development . . . . .	3,617	2,505	6,978	4,894
Total operating expenses . . . . .	18,391	13,229	36,037	25,209
Income from operations . . . . .	13,446	9,792	26,633	18,899
Other income (expense), net:				
Interest income (expense), net . . . . .	(833)	105	(1,568)	103
Government grants . . . . .	-	72	-	72
Other, net . . . . .	(79)	498	38	1,381
Total other income (expense), net . . . . .	(912)	675	(1,530)	1,556
Income before income taxes . . . . .	12,534	10,467	25,103	20,455
Income taxes . . . . .	(3,755)	(3,569)	(7,786)	(6,977)
Net income . . . . .	\$ 8,779	\$ 6,898	\$17,317	\$13,478
Basic earnings per share . . . . .	\$ 0.27	\$ 0.22	\$ 0.54	\$ 0.44
Diluted earnings per share . . . . .	\$ 0.26	\$ 0.21	\$ 0.51	\$ 0.41
Basic shares outstanding (000's) . . . . .	32,043	31,037	31,882	30,923
Diluted shares outstanding (000's) . . . . .	34,293	33,222	34,193	33,150

&lt;/TABLE&gt;

See accompanying notes to unaudited condensed consolidated financial statements.

## PART I - FINANCIAL INFORMATION

Item 1

&lt;TABLE&gt;

&lt;CAPTION&gt;

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

	Six Months Ended	
	December 31,	
	2001	2000
<S>	<C>	<C>
Cash flows from operating activities:		
Net income . . . . .	\$ 17,317	\$ 13,478
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization . . . . .	4,461	3,743
Amortization of deferred borrowing costs . . . . .	629	-
Provision for service warranties . . . . .	71	50
Foreign currency options revaluations . . . . .	953	463
Changes in operating assets and liabilities:		
Accounts receivable, net . . . . .	(3,725)	(4,550)
Inventories . . . . .	(4,306)	(4,352)

Prepaid expenses and other current assets . . . . .	(4,267)	(1,729)
Accounts payable, accrued expenses and other liabilities. . . . .	4,486	4,932
	-----	-----
Net cash provided by operating activities . . . . .	15,619	12,035
	-----	-----
Cash flows from investing activities:		
Purchases of property, plant and equipment. . . . .	(9,453)	(22,335)
Patents registration costs. . . . .	(627)	(267)
Purchase of non-trading investments . . . . .	(2,339)	(1,704)
Business acquisitions, net of cash acquired of \$369 (Note 7). . . . .	(6,544)	-
Purchases of marketable securities - available-for-sale . . . . .	(239,813)	(17,263)
Proceeds from sale or maturity of marketable securities - available for sale.	230,204	19,654
	-----	-----
Net cash used in investing activities . . . . .	(28,572)	(21,915)
	-----	-----
Cash flows provided by financing activities:		
Proceeds from issuance of common stock, net . . . . .	8,214	4,537
Proceeds from borrowings, net of borrowing costs. . . . .	28,402	10,000
Repayment of borrowings . . . . .	-	(5,500)
	-----	-----
Net cash provided by financing activities . . . . .	36,616	9,037
	-----	-----
Effect of exchange rate changes on cash . . . . .	248	(550)
	-----	-----
Net increase (decrease) in cash and cash equivalents. . . . .	23,911	(1,393)
	-----	-----
Cash and cash equivalents at beginning of period. . . . .	40,136	18,250
	-----	-----
Cash and cash equivalents at end of period. . . . .	\$ 64,047	\$ 16,857
	=====	=====
Supplemental disclosure of cash flow information:		
Income taxes paid . . . . .	\$ 10,733	\$ 5,837
Interest paid . . . . .	3,600	285
Fair value of assets acquired on acquisition. . . . .	\$ 2,634	-
	=====	=====
Liabilities assumed . . . . .	(1,131)	-
Goodwill on acquisition . . . . .	5,410	-
	-----	-----
Cash paid for acquisitions. . . . .	6,913	-
	-----	-----

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.

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PART I - FINANCIAL INFORMATION Item 1

RESMED INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(1) Organization and Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended December 31, 2001 and the six months ended December 31, 2001 are not necessarily indicative of the results that may be expected for the year ending June 30, 2002.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant 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 recorded at the time of shipment. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially capitalized recognized as revenue over the life of the service contract. Revenue from sale of marketing and distribution rights is initially deferred and recognized as revenue over the life of the contract.

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RESMED INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(2) Summary of Significant Accounting Policies, Continued  
-----

(c) Cash and Cash Equivalents  
-----

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

(d) Inventories  
-----

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

(e) Property, Plant and Equipment  
-----

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

(f) Patents  
-----

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

(g) Foreign Currency  
-----

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

(h) Research and Development  
-----

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

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RESMED INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(2) Summary of Significant Accounting Policies, Continued  
-----

(i) Earnings Per Share  
-----

The weighted average shares used to calculate basic earnings per share was 32,043,000 and 31,037,000 for the three-month periods ended December 31, 2001 and 2000, respectively, and 31,882,000 and 30,923,000 for the six-month periods ended December 31, 2001 and 2000 respectively. The difference between basic earnings per share and diluted earnings per share is attributable to the impact of outstanding stock options during the periods presented. Stock options had the effect of increasing the number of shares used in the calculation (by application of the treasury stock method) by 2,250,000 and 2,185,000 for the three-month periods ended December 31, 2001 and 2000, respectively, and by 2,311,000 and 2,227,000 for the six-month periods ended December 31, 2001 and 2000, respectively.

(j) Financial Instruments  
-----

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

(k) Foreign Exchange Risk Management  
-----

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

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

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

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PART I - FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(2) Summary of Significant Accounting Policies, Continued  
-----

(k) Foreign Exchange Risk Management, Continued  
-----

The Company is exposed to credit-related losses in the event of non-performance by counter parties to financial instruments. The credit exposure of foreign exchange options at December 31, 2001 was \$1,467,000 which represents the positive fair value of options held by the Company.

The Company held foreign currency option contracts with notional amounts totaling \$173,250,000 and \$223,752,000 at December 31, 2001 and June 30, 2001, respectively to hedge foreign currency items. These contracts mature at various dates prior to June 2003.

(l) Income Taxes  
-----

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

(m) Marketable Securities  
-----

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

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

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

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PART I - FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(2) Summary of Significant Accounting Policies, Continued  
-----

(n) Warranty  
-----

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

(o) Impairment of Long-Lived Assets  
-----

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including certain identifiable intangible assets, when events and circumstances indicate that the carrying amount of an asset may not be recovered. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(3) Accounting Changes  
-----

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

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

In accordance with SFAS 142 the Company has completed its initial

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

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

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PART I - FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(3) Accounting Changes, Continued

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

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

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PART I - FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(4) Inventories

Inventories were comprised of the following at December 31, 2001 and June 30, 2001:

<TABLE>  
<CAPTION>  
(In \$US thousands)

	December 31, 2001	June 30, 2001
Raw materials . . .	\$ 7,102	\$ 7,584
Work in progress .	441	98
Finished goods . .	25,936	22,312
	-----	-----
	\$ 33,479	\$ 29,994
	-----	-----

</TABLE>

(5) Comprehensive Income

As of July 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income", which established standards for the reporting and



display of comprehensive income and its components in the financial statements.

The table below presents other comprehensive (income) loss:

(In US\$thousands)	Foreign Currency Items	Unrealized Gains on Securities	Accumulated Other Comprehensive Loss
<S>	<C>	<C>	<C>
Beginning balance, July 1, 2001. . .	\$ 29,572	-	\$ 29,572
Current period change. . . . .	(1,785)	(382)	(2,167)
Ending balance, December 31, 2001.	\$ 27,787	(382)	\$ 27,405

The Company does not provide for US income taxes on foreign currency translation adjustments since it does not provide for such taxes on undistributed earnings of foreign subsidiaries. Accumulated other comprehensive loss at December 31, 2001 and June 30, 2001 consisted of foreign currency translation adjustments with net debit balances of \$27.8 million and \$29.6 million, respectively and unrealized gains on securities of \$382,000 (net of tax of \$197,000) and zero, respectively.

(6) Goodwill and Other Intangible Assets

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

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PART I - FINANCIAL INFORMATION Item 1

RESMED INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(6) Goodwill and Other Intangible Assets, Continued

(In US\$ thousands, except per share amounts)	Three months ended December 31		Six months ended December 31	
<S>	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
<b>Operating Income:</b>				
Reported income from operations . . . . .	\$13,446	\$9,792	\$26,633	\$18,899
Add back: goodwill amortization . . . . .	-	139	-	292
Adjusted income from operations . . . . .	\$13,446	\$9,931	\$26,633	\$19,191
<b>Net Income:</b>				
Reported net income . . . . .	\$ 8,779	\$6,898	\$17,317	\$13,478
Add back: goodwill amortization after tax . . . . .	-	139	-	292
Adjusted net income . . . . .	\$ 8,779	\$7,037	\$17,317	\$13,770
<b>Basic Earnings per share:</b>				
Reported basic earnings per share . . . . .	\$ 0.27	\$ 0.22	\$ 0.54	\$ 0.44
Goodwill amortization after tax . . . . .	-	-	-	\$ 0.01
Adjusted basic earnings per share . . . . .	\$ 0.27	\$ 0.22	\$ 0.54	\$ 0.45
<b>Diluted Earnings per share:</b>				
Reported diluted earnings per share . . . . .	\$ 0.26	\$ 0.21	\$ 0.51	\$ 0.41
Goodwill amortization after tax . . . . .	-	-	-	\$ 0.01
Adjusted diluted earnings per share . . . . .	\$ 0.26	\$ 0.21	\$ 0.51	\$ 0.42

</TABLE>

Changes in the carrying amount of goodwill for the six months ended December 31, 2001, were as follows:

<TABLE>	
<CAPTION>	
<S>	<C>
(In US\$thousands)	
Balance at June 30, 2001 . . . . .	\$47,870
Foreign currency translation adjustments . .	1,933
Goodwill on acquisition of Labhardt (Note 7)	3,993
Contingent goodwill payment for MAP (Note 7)	1,417
	-----
Balance at December 31, 2001 . . . . .	\$55,213
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</TABLE>

Other intangible assets amounted to \$2.1 million (net of accumulated amortization of \$1.3 million) and \$1.4 million (net of accumulated amortization of \$1.0 million) at December 31, 2001 and June 30, 2001, respectively. These intangible assets consist of patents and are amortized over the estimated useful life of the patent, generally five years. There are no expected residual values related to these intangible assets.

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RESMED INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(7) Business Acquisition

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

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

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

(8) Commitments and Contingencies

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We are currently engaged in litigation relating to the enforcement and defense of certain of our patents. In January 1995, we filed a complaint in the United States District Court for the Southern District of California seeking monetary damages from and injunctive relief against Respirationics for alleged infringement of three ResMed patents. In February 1995, Respirationics filed a complaint in the United States District Court for the Western District of Pennsylvania against us seeking a declaratory judgment that Respirationics does not infringe claims of these patents and that our patents are invalid and unenforceable. The two actions were combined and are proceeding in the United States District Court for the Western District of Pennsylvania. In June 1996, we filed an additional complaint against Respirationics for infringement of a fourth ResMed patent, and that complaint was consolidated with the earlier action. As of this date, Respirationics has brought three partial summary judgment motions for non-infringement of the ResMed patents; the Court has granted each of the motions. In December 1999, in response to the Court's ruling on Respirationics' third summary judgment motion, the parties jointly stipulated to a dismissal of charges of infringement under the fourth ResMed patent, with us reserving the right to reassert the charges in the event of a favorable ruling on appeal. We intend to appeal the summary judgment rulings after a final judgment in the consolidated litigation has been entered in the District Court proceedings.

In January 2001, our subsidiary MAP Medizin-Technologie GmbH filed a lawsuit with the Regional Court in Munich against Hofrichter Medizintechnik GmbH seeking an injunction regarding the sale of certain flow generators as well as damages for the unauthorized and infringing use of one of our trademarks and utility patent. On May 4, 2001, MAP obtained a favorable judgment from the Civil Chamber of Munich Court that enjoined the defendant from using MAP's patent, which judgment has been appealed.

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

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RESMED INC. AND SUBSIDIARIES  
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF  
OPERATIONS

NET REVENUE  
-----

Net revenue increased for the three months ended December 31, 2001 to \$48.9 million from \$34.4 million, for the three months ended December 31, 2000, an increase of \$14.6 million or 42%. For the six-month period ended December 31, 2001 net revenue increased to \$95.1 million from \$65.4 million for the six-month period ended December 31, 2000, an increase of \$29.6 million or 45%. Both the three-month and six-month increases in net revenue were attributable to an increase in unit sales of the Company's flow generators and accessories in both domestic and international markets and also to the acquisition of MAP Medizin-Technologie GmbH "MAP". Net revenue in North and Latin America increased to \$24.3 million from \$18.9 million for the quarter, and to \$45.9 million from \$36.3 million for the six-month periods ended December 31, 2001 and 2000 respectively. Net revenue in international markets increased to \$24.6 million from \$15.5 million for the quarter, and to \$49.2 million from \$29.1 million for the six-month periods ended December 31, 2001 and 2000, respectively.

GROSS PROFIT  
-----

Gross profit increased for the three months ended December 31, 2001 to \$31.8 million from \$23.0 million for the three months ended December 31, 2000, an increase of \$8.8 million or 38%. Gross profit as a percentage of net revenue decreased for the quarter ended December 31, 2001 to 65% from 67% for the quarter ended December 31, 2000 reflecting the impact of a relative shift in the geographical sales mix, with relatively higher sales in the lower margin domestic market.

For the six-month period ended December 31, 2001 gross profit increased to \$62.7 million from \$44.1 million in the same period of fiscal 2001, an increase of \$18.6 million or 42%. Gross profit as a percentage of net revenue decreased for the six-month period ended December 31, 2001 to 66% from 67% for the six months ended December 31, 2000. This decline also resulted from a relative shift in the geographical sales mix.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES  
-----

Selling, general and administrative expenses increased for the three months ended December 31, 2001 to \$14.8 million from \$10.7 million for the three months ended December 31, 2000, an increase of \$4.1 million or 38%. As a percentage of net revenue, selling, general and administrative expenses for the three months ended December 31, 2001 declined to 30.2% from 31.2% for the three months ended December 31, 2000. The increase in selling, general and administrative expenses was primarily due to an increase in the number of sales and administrative personnel and other expenses related to the increase in Company sales, including SG&A expenses associated with MAP's operations.

Selling, general and administrative expenses for the six months ended December 31, 2001 increased to \$29.1 million from \$20.3 million for the six months ended December 31, 2000, an increase of \$8.8 million or 43%. As a percentage of net revenue selling, general and administration expenses declined to 30.6% for the six months ended December 31, 2001 from 31.0% in the six months ended December 31, 2000.

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PART I - FINANCIAL INFORMATION

Item 1

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RESMED INC. AND SUBSIDIARIES  
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF  
OPERATIONS

RESEARCH AND DEVELOPMENT EXPENSES  
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Research and development expenses increased for the three months ended December 31, 2001 to \$3.6 million from \$2.5 million for the three months ended December 31, 2000, an increase of \$1.1 million or 44%. As a percentage of net revenue, research and development expenses increased to 7.4% for the three months ended December 31, 2001 compared to 7.3% for the three months ended December 31, 2000. The increase in research and development expenses was due to increased salaries associated with an increase in personnel and increased charges for consulting fees, clinical trials and technical assessments incurred to facilitate development of new products, and also included research and development expenditure undertaken by MAP.

For the six-month period ended December 31, 2001 research and development expenses increased to \$7.0 million from \$4.9 million for the same period in fiscal 2001, an increase of \$2.1 million or 43%. As a percentage of net revenue, research and development expenses was 7.3% for the six months ended December 31, 2001 compared to 7.5% for the six months ended December 31, 2000. The increase in research and development expenses was due to increased salaries

associated with an increase in personnel and increased charges for consulting fees, clinical trials and technical assessments incurred to facilitate development of new products, and also included research and development expenditure undertaken by MAP.

OTHER INCOME (EXPENSE), NET

Other income (expenses), net, decreased for the three months ended December 31, 2001 to net expense of \$0.9 million from net income of \$0.7 million for the three months ended December 31, 2000. The increase in other expense primarily reflects increased interest expense associated with the convertible debt issue in June 2001, partially offset by interest income from cash and marketable securities.

Other income (expenses), net decreased for the six months ended December 31, 2001 to net expense of \$1.5 million from net income of \$1.5 million for the six months ended December 31, 2000. The increase in other expense was attributable to increased interest expense associated with the convertible debt issue in June 2001 and significant reduction in net foreign currency exchange gains.

INCOME TAXES

The Company's effective income tax rate declined to approximately 30.0% for the three months ended December 31, 2001 from approximately 34.1% for the three months ended December 31, 2000 and for the six-month period ended December 31, 2001 declined to 31.0% from 34.1% for the six-month period ended December 31, 2000. The lower tax rate was primarily due to the lowering of the corporate tax rate in Australia from 34% to 30% effective from July 1, 2001. The Company also benefits from a 125% tax deduction on R&D expenditure undertaken in Australia, which further reduces the effective tax rate on Australian sourced income.

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PART I - FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES  
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2001 and June 30, 2001, the Company had cash and cash equivalents and marketable securities available-for-sale of approximately \$136.9 million and \$102.8 million, respectively. The Company's working capital approximated \$188.4 million and \$144.3 million, at December 31, 2001 and June 30, 2001, respectively.

During the six months ended December 31, 2001, the Company generated cash of \$15.6 million from operations, primarily as a result of increased profit from operations offset by increases in inventory and accounts receivable balances. During the six months ended December 31, 2000 approximately \$12.0 million of cash was generated by operations.

The Company's capital expenditures for the six-month periods ended December 31, 2001 and 2000 aggregated \$9.5 million and \$22.3 million respectively. The majority of the expenditures in the six-month period ended December 31, 2001 related to a deposit for the purchase of land in Sydney described below, a computer system upgrade and acquisition of production tooling and equipment. The reduction in expenditures in the six month period ended December 31, 2001 compared to the six months ended December 31, 2000 reflects the capital expenditure of \$17.2 million on the company's US headquarters in Poway, California in July 2000. As a result of these capital expenditures, the Company's December 31, 2001 balance sheet reflects net property plant and equipment of approximately \$60.4 million at December 31, 2001 compared to \$55.1 million at June 30, 2001.

On July 3, 2001, the Company received \$30.0 million in over allotments for its 4% convertible subordinated notes issue. This increased the total amount of convertible subordinated notes issued to \$180.0 million.

On November 15, 2001, the Company acquired all the common stock of Labhardt AG, its Swiss distributor, for total consideration, including acquisition costs, of \$5.5 million. The acquisition has been accounted for as a purchase and accordingly, the results of operations of Labhardt AG have been included in the Company's consolidated financial statements from November 15, 2001. The excess of the purchase price over the fair value of the net identifiable assets acquired of \$1.5 million has been recorded as goodwill.

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

The Company has paid an initial deposit of \$2.4 million associated with the purchase of a 30-acre site at Norwest Business Park, located northwest of Sydney, Australia. The land cost, staged over an 18-month period, is

approximately \$21 million and the Company expects the first building, a manufacturing facility, to be operational on this site in 2003. New research and development and office facilities are expected to be completed in 2004. It is estimated that the building costs will be approximately \$22.5 million and anticipate that this cost will eventually be more than half offset by the sale of the Company's existing Sydney facility. The purchase will be funded from existing cash reserves.

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PART I - FINANCIAL INFORMATION

Item 2

RESMED INC. AND SUBSIDIARIES  
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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

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

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PART I - FINANCIAL INFORMATION

Item 3

RESMED INC. AND SUBSIDIARIES  
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN CURRENCY MARKET RISK

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

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

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

The table below provides information about the Company's foreign currency derivative financial instruments and presents such information in US dollar equivalents. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency call options held at December 31, 2001. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for the Company's foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under the options contracts.

<TABLE>  
<CAPTION>

(In US\$ thousands)	Fiscal Year			Fair Value	
	2002	2003	Total	Assets/(Liabilities)	
				December 31 2001	June 30 2001
<S>	<C>	<C>	<C>	<C>	<C>
Foreign Exchange Call Options					
(Receive AUS\$/Pay US\$)					
Option amount . . . . .	\$75,000	\$54,000	\$129,000	\$588	\$577
Average contractual exchange rate	AUS \$1 = USD 0.581	AUS \$1 = USD 0.549	AUS \$1 = USD 0.567		
(Receive AUS\$/Pay Euro)					
Option amount . . . . .	\$7,537	\$36,713	\$44,250	\$879	\$20
Average contractual exchange rate	AUS \$1 = Euro 0.610	AUS \$1 = Euro 0.591	AUS \$1 = Euro 0.594		

</TABLE>

INTEREST RATE RISK

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

At December 31, 2001, we maintained a portion of our cash and cash equivalents in financial instruments with original maturities of three months or less. We maintain a short-term investment portfolio containing financial instruments in which the majority of funds invested have original maturities of greater than three months but less than twelve months. The financial instruments, principally comprised of corporate obligations, are subject to interest rate risk and will decline in value if interest rates increase.

A hypothetical 100 basis point change in interest rates during the three months ended December 31, 2001, would have resulted in approximately \$0.3 million change in pre-tax income. In addition, the value of our marketable securities would change by approximately \$0.5 million following a hypothetical 100 basis point change in interest rates. We do not use derivative financial instruments in our investment portfolio.

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PART II - FINANCIAL INFORMATION Item 1-6

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RESMED INC. AND SUBSIDIARIES

- Item 1 Legal Proceedings  
See Note 8 to the Condensed Consolidated Financial Statements
- Item 2 Changes in Securities and Use of Proceeds  
None
- Item 3 Defaults Upon Senior Securities  
None
- Item 4 Submission of Matters to a Vote of Security Holders  
None
- Item 5 Other Information  
None
- Item 6 Exhibits and Reports on Form 8-K  
(a) Exhibits  
None  
(b) Reports on Form 8-K  
None

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PART II - FINANCIAL INFORMATION Signatures

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RESMED INC. AND SUBSIDIARIES  
SIGNATURES

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

ResMed Inc.

/S/ PETER C FARRELL

- -----  
Peter C Farrell  
President and Chief Executive Officer

/S/ ADRIAN M SMITH

- -----  
Adrian M Smith  
Vice President Finance and Chief Financial Officer