UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______to _______

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
(I.R.S. Employer Identification No.)

9001 Spectrum Center Blvd.
San Diego, CA 92123
United States of America
(Address of principal executive offices)

(858) 836-5000
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.004 per share	RMD	New York Stock Exchange

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

At April 26, 2021, there were 145,517,832 shares of Common Stock ($0.004 par value) outstanding. This number excludes 41,836,234 shares held by the registrant as treasury shares.

RESMED INC. AND SUBSIDIARIES

INDEX

Item 1. Financial Statements

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

	March 31, 2021	June 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 230,635	$ 463,156
Accounts receivable, net of allowances of $32,811 and $28,508 at March 31, 2021 and June 30, 2020, respectively	525,014	474,643
Inventories (note 3)	484,061	416,915
Prepaid expenses and other current assets	226,440	168,745
Total current assets	1,466,150	1,523,459
Non-current assets:		
Property, plant and equipment, net (note 3)	455,106	417,335
Operating lease right-of-use assets	128,755	118,348
Goodwill (note 4)	1,925,991	1,890,324
Other intangible assets, net (note 3)	409,559	448,168
Deferred income taxes	49,936	41,065
Prepaid taxes and other non-current assets	150,227	148,677
Total non-current assets	3,119,574	3,063,917
Total assets	$ 4,585,724	$ 4,587,376
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 117,222	$ 135,786
Accrued expenses	304,693	270,353
Operating lease liabilities, current	22,499	21,263
Deferred revenue	105,342	98,617
Income taxes payable (note 6)	314,795	64,755
Short-term debt, net (note 8)	11,990	11,987
Total current liabilities	876,541	602,761
Non-current liabilities:		
Deferred revenue	86,898	87,307
Deferred income taxes	12,474	13,011
Operating lease liabilities, non-current	115,266	101,880
Other long-term liabilities	6,067	8,347
Long-term debt, net (note 8)	719,046	1,164,133
Long-term income taxes payable (note 6)	60,198	112,910
Total non-current liabilities	999,949	1,487,588
Total liabilities	1,876,490	2,090,349
Commitments and contingencies (note 10)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 2,000,000 shares authorized; none issued	-	-
Common stock, $0.004 par value, 350,000,000 shares authorized; 187,352,828 issued and 145,516,594 outstanding at March 31, 2021 and 186,723,407 issued and 144,887,175 outstanding at June 30, 2020	582	580
Additional paid-in capital	1,586,545	1,570,694
Retained earnings	2,941,336	2,832,991
Treasury stock, at cost, 41,836,234 shares at March 31, 2021 and June 30, 2020	(1,623,256)	(1,623,256)
Accumulated other comprehensive loss	(195,973)	(283,982)
Total stockholders' equity	2,709,234	2,497,027
Total liabilities and stockholders' equity	$ 4,585,724	$ 4,587,376

See the accompanying notes to the unaudited condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)
(In US$ and in thousands, except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Net revenue - Sleep and Respiratory Care products	$ 674,931	$ 679,895	$ 2,042,909	$ 1,923,513
Net revenue - Software as a Service	93,836	89,560	277,813	263,156
Net revenue	768,767	769,455	2,320,722	2,186,669
Cost of sales - Sleep and Respiratory Care products	270,351	277,065	833,203	790,858
Cost of sales - Software as a Service	40,234	30,592	105,050	89,775
Cost of sales (exclusive of amortization shown separately below)	310,585	307,657	938,253	880,633
Amortization of acquired intangible assets - Sleep and Respiratory Care products	900	2,152	3,995	6,609
Amortization of acquired intangible assets - Software as a Service	10,024	9,984	30,071	31,015
Amortization of acquired intangible assets	10,924	12,136	34,066	37,623
Total cost of sales	321,509	319,793	972,319	918,256
Gross profit	447,258	449,662	1,348,403	1,268,413
Selling, general, and administrative	160,446	172,441	488,904	511,304
Research and development	55,941	51,449	165,409	149,425
Amortization of acquired intangible assets	7,445	8,272	23,377	21,872
Restructuring expenses (note 11)	-	-	8,673	-
Litigation settlement expenses	-	-	-	(600)
Total operating expenses	223,832	232,162	686,363	682,001
Income from operations	223,426	217,500	662,040	586,412
Other income (loss), net:				
Interest income	55	116	303	766
Interest expense	(5,878)	(9,968)	(18,644)	(31,180)
Loss attributable to equity method investments (note 5)	(4,969)	(5,295)	(9,895)	(19,082)
Other, net	5,371	(10,698)	10,647	(15,922)
Total other income (loss), net	(5,421)	(25,845)	(17,589)	(65,418)
Income before income taxes	218,005	191,655	644,451	520,994
Income taxes	296,486	28,518	365,046	77,155
Net income (loss)	$ (78,481)	$ 163,137	$ 279,405	$ 443,839
Basic earnings (loss) per share (note 9)	$ (0.54)	$ 1.13	$ 1.92	$ 3.08
Diluted earnings (loss) per share (note 9)	$ (0.54)	$ 1.12	$ 1.91	$ 3.05
Dividend declared per share	$ 0.39	$ 0.39	$ 1.17	$ 1.17
Basic shares outstanding (000's)	145,513	144,638	145,217	144,112
Diluted shares outstanding (000's)	145,513	145,680	146,394	145,490

See the accompanying notes to the unaudited condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(In US$ and in thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Net income (loss)	$ (78,481)	$ 163,137	$ 279,405	$ 443,839
Other comprehensive income (loss):				
Foreign currency translation (loss) gain adjustments	(32,822)	(120,318)	88,009	(113,427)
Comprehensive income (loss)	$ (111,303)	$ 42,819	$ 367,414	$ 330,412

See the accompanying notes to the unaudited condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Equity (Unaudited)
(In US$ and in thousands)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount		Shares	Amount			
Balance, June 30, 2020	**186,723**	**$ 580**	**$ 1,570,694**	**(41,836)**	**$ (1,623,256)**	**$ 2,832,991**	**$ (283,982)**	**$ 2,497,027**
Common stock issued on exercise of options	18	-	1,026	-	-	-	-	1,026
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	3	-	227	-	-	-	-	227
Stock-based compensation costs	-	-	16,071	-	-	-	-	16,071
Other comprehensive income	-	-	-	-	-	-	43,791	43,791
Cumulative effect adjustment from adoption of the credit loss standard, net of tax	-	-	-	-	-	(1,143)	-	(1,143)
Net income	-	-	-	-	-	178,372	-	178,372
Dividends declared	-	-	-	-	-	(56,511)	-	(56,511)
Balance, September 30, 2020	**186,744**	**$ 580**	**$ 1,588,018**	**(41,836)**	**$ (1,623,256)**	**$ 2,953,709**	**$ (240,191)**	**$ 2,678,860**
Common stock issued on exercise of options	29	-	1,857	-	-	-	-	1,857
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	451	2	(46,734)	-	-	-	-	(46,732)
Common stock issued on employee stock purchase plan	116	-	15,729	-	-	-	-	15,729
Stock-based compensation costs	-	-	15,370	-	-	-	-	15,370
Other comprehensive income	-	-	-	-	-	-	77,040	77,040
Net income	-	-	-	-	-	179,514	-	179,514
Dividends declared	-	-	-	-	-	(56,654)	-	(56,654)
Balance, December 31, 2020	**187,340**	**$ 582**	**$ 1,574,240**	**(41,836)**	**$ (1,623,256)**	**$ 3,076,569**	**$ (163,151)**	**$ 2,864,984**
Common stock issued on exercise of options	1	-	139	-	-	-	-	139
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	12	-	(3,431)	-	-	-	-	(3,431)
Common stock issued on employee stock purchase plan	-	-	6	-	-	-	-	6
Stock-based compensation costs	-	-	15,591	-	-	-	-	15,591
Other comprehensive income (loss)	-	-	-	-	-	-	(32,822)	(32,822)
Net income (loss)	-	-	-	-	-	(78,481)	-	(78,481)
Dividends declared	-	-	-	-	-	(56,752)	-	(56,752)
Balance, March 31, 2021	**187,353**	**$ 582**	**$ 1,586,545**	**(41,836)**	**$ (1,623,256)**	**$ 2,941,336**	**$ (195,973)**	**$ 2,709,234**

See the accompanying notes to the unaudited condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Equity (Unaudited)
(In US$ and in thousands)

	Common Stock		Additional Paid-in	Treasury Stock		Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Shares	Amount	Earnings	Income (Loss)	Total
Balance, June 30, 2019	**185,491**	**$ 575**	**$ 1,511,473**	**(41,836)**	**$ (1,623,256)**	**$ 2,436,410**	**$ (253,009)**	**$ 2,072,193**
Common stock issued on exercise of options	110	-	5,609	-	-	-	-	5,609
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	4	-	(327)	-	-	-	-	(327)
Stock-based compensation costs	-	-	13,256	-	-	-	-	13,256
Other comprehensive income (loss)	-	-	-	-	-	-	(37,576)	(37,576)
Net income	-	-	-	-	-	120,148	-	120,148
Dividends declared	-	-	-	-	-	(56,052)	-	(56,052)
Balance, September 30, 2019	**185,605**	**$ 575**	**$ 1,530,011**	**(41,836)**	**$ (1,623,256)**	**$ 2,500,506**	**$ (290,585)**	**$ 2,117,251**
Common stock issued on exercise of options	117	-	6,498	-	-	-	-	6,498
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	576	3	(40,764)	-	-	-	-	(40,761)
Common stock issued on employee stock purchase plan	137	-	12,190	-	-	-	-	12,190
Stock-based compensation costs	-	-	14,057	-	-	-	-	14,057
Other comprehensive income	-	-	-	-	-	-	44,467	44,467
Net income	-	-	-	-	-	160,554	-	160,554
Dividends declared	-	-	-	-	-	(56,150)	-	(56,150)
Balance, December 31, 2019	**186,435**	**$ 578**	**$ 1,521,992**	**(41,836)**	**$ (1,623,256)**	**$ 2,604,910**	**$ (246,118)**	**$ 2,258,106**
Common stock issued on exercise of options	34	1	1,815	-	-	-	-	1,816
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	30	-	(4,014)	-	-	-	-	(4,014)
Stock-based compensation costs	-	-	14,112	-	-	-	-	14,112
Other comprehensive income (loss)	-	-	-	-	-	-	(120,318)	(120,318)
Net income	-	-	-	-	-	163,137	-	163,137
Dividends declared	-	-	-	-	-	(56,408)	-	(56,408)
Balance, March 31, 2020	**186,499**	**$ 579**	**$ 1,533,905**	**(41,836)**	**$ (1,623,256)**	**$ 2,711,639**	**$ (366,436)**	**$ 2,256,431**

See the accompanying notes to the unaudited condensed consolidated financial statements.

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

	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
Cash flows from operating activities:		
Net income	$ 279,405	$ 443,839
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	120,034	116,341
Amortization of right-of-use assets	25,805	19,524
Stock-based compensation costs	47,032	41,421
Loss attributable to equity method investments (note 5)	9,895	19,082
(Gain) loss on equity investments (note 5)	(9,442)	14,519
Restructuring expenses (note 11)	8,673	-
Changes in fair value of business combination contingent consideration	-	(7)
Changes in operating assets and liabilities:		
Accounts receivable	(39,899)	(34,140)
Inventories	(48,393)	(22,564)
Prepaid expenses, net deferred income taxes and other current assets	(41,036)	(68,724)
Accounts payable, accrued expenses and other	158,119	(57,301)
Net cash provided by operating activities	510,193	471,990
Cash flows from investing activities:		
Purchases of property, plant and equipment	(74,805)	(77,360)
Patent registration costs	(11,149)	(7,391)
Business acquisitions, net of cash acquired	(30,704)	(27,910)
Purchases of investments (note 5)	(20,038)	(31,616)
Proceeds on maturity of foreign currency contracts	26,306	(32,177)
Net cash used in investing activities	(110,390)	(176,454)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	18,759	26,112
Taxes paid related to net share settlement of equity awards	(49,938)	(45,106)
Payments of business combination contingent consideration	(3,500)	(302)
Proceeds from borrowings, net of borrowing costs	90,000	990,000
Repayment of borrowings	(536,000)	(883,012)
Dividends paid	(169,917)	(168,610)
Net cash used in financing activities	(650,596)	(80,918)
Effect of exchange rate changes on cash	18,272	(8,885)
Net increase (decrease) in cash and cash equivalents	(232,521)	205,733
Cash and cash equivalents at beginning of period	463,156	147,128
Cash and cash equivalents at end of period	$ 230,635	$ 352,861
Supplemental disclosure of cash flow information:		
Income taxes paid, net of refunds	$ 180,307	$ 150,801
Interest paid	$ 18,644	$ 31,180
Fair value of assets acquired, excluding cash	$ 15,992	$ 14,922
Liabilities assumed	(3,309)	(4,294)
Goodwill on acquisition	24,202	20,550
Deferred payments	(1,681)	232
Fair value of contingent consideration	-	(3,500)
Cash paid for acquisitions	$ 35,204	$ 27,910

See the accompanying notes to the unaudited condensed consolidated financial statements.

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

(1) Summary of Significant Accounting Policies

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, Singapore, Malaysia, France, China and the United States. Major distribution and sales sites are located in the United States, Germany, France, the United Kingdom, Switzerland, Australia, Japan, China, Finland, Norway and Sweden. We also operate a Software as a Service (“SaaS”) business in the United States that includes out-of-hospital software platforms designed to support the professionals and caregivers who help people stay healthy in the home or care setting of their choice.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and the rules of the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all necessary adjustments, which consisted only of normal recurring items, have been included in the accompanying financial statements to present fairly the results of the interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the year ending June 30, 2021.

The condensed consolidated financial statements for the three and nine months ended March 31, 2021 and March 31, 2020 are unaudited and should be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the year ended June 30, 2020.

Revenue Recognition

In accordance with Accounting Standard Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers”, we account for a contract with a customer when there is a legally enforceable contract, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. We have determined that we have two operating segments, which are the sleep and respiratory disorders sector of the medical device industry (“Sleep and Respiratory Care”) and the supply of business management software as a service to out-of-hospital health providers (“SaaS”). Our Sleep and Respiratory Care revenue relates primarily to the sale of our products that are therapy-based equipment. Some contracts include additional performance obligations such as the provision of extended warranties and data for patient monitoring. Our SaaS revenue relates to the provision of software access with ongoing support and maintenance services as well as professional services such as training and consulting.

Disaggregation of revenue

The following table summarizes our net revenue disaggregated by segment, product and region (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
U.S., Canada and Latin America				
Devices	$ 192,897	$ 196,497	$ 595,287	$ 586,907
Masks and other	209,984	197,052	637,507	584,901
Total Sleep and Respiratory Care	$ 402,881	$ 393,549	$ 1,232,794	$ 1,171,808
Software as a Service	93,836	89,560	277,813	263,156
Total	$ 496,717	$ 483,109	$ 1,510,607	$ 1,434,964
Combined Europe, Asia and other markets				
Devices	$ 172,838	$ 195,038	$ 536,856	$ 509,274
Masks and other	99,212	91,308	273,259	242,431
Total Sleep and Respiratory Care	$ 272,050	$ 286,346	$ 810,115	$ 751,705
Global revenue				
Devices	$ 365,735	$ 391,535	$ 1,132,143	$ 1,096,181
Masks and other	309,196	288,360	910,766	827,332
Total Sleep and Respiratory Care	$ 674,931	$ 679,895	$ 2,042,909	$ 1,923,513
Software as a Service	93,836	89,560	277,813	263,156
Total	$ 768,767	$ 769,455	$ 2,320,722	$ 2,186,669

Performance obligations and contract balances

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of risk and/or control of our products are provided at a point in time. For products in our Sleep and Respiratory Care business, we transfer control and recognize a sale when products are shipped to the customer in accordance with the contractual shipping terms. For our SaaS business, revenue associated with professional services are recognized as they are provided. We defer the recognition of a portion of the consideration received when performance obligations are not yet satisfied. Consideration received from customers in advance of revenue recognition is classified as deferred revenue. Performance obligations resulting in deferred revenue in our Sleep and Respiratory Care business relate primarily to extended warranties on our devices and the provision of data for patient monitoring. Performance obligations resulting in deferred revenue in our SaaS business relate primarily to the provision of software access with maintenance and support over an agreed term and material rights associated with future discounts upon renewal of some SaaS contracts. Generally, deferred revenue will be recognized over a period of one year to five years. Our contracts do not contain significant financing components.

The following table summarizes our contract balances (in thousands):

	March 31, 2021	June 30, 2020	Balance sheet caption
Contract assets			
Accounts receivable, net	$ 525,014	$ 474,643	Accounts receivable, net
Unbilled revenue, current	12,540	9,452	Prepaid expenses and other current assets
Unbilled revenue, non-current	5,404	6,957	Prepaid taxes and other non-current assets
Contract liabilities			
Deferred revenue, current	(105,342)	(98,617)	Deferred revenue (current liabilities)
Deferred revenue, non-current	(86,898)	(87,307)	Deferred revenue (non-current liabilities)

Transaction price determination

Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. In our Sleep and Respiratory Care segment, the amount of consideration received and revenue recognized varies with changes in marketing incentives (e.g., rebates, discounts, free goods) and returns offered to customers and their customers. When we give customers the right to return eligible products and receive credit, returns are estimated based on an analysis of historical experience. However, returns of products, excluding warranty-related returns, are infrequent and insignificant. We adjust the estimate of revenue at the earlier of when the most likely amount of consideration can be estimated, the amount expected to be received changes, or when the consideration becomes fixed.

We offer our Sleep and Respiratory Care customers cash or product rebates based on volume or sales targets measured over quarterly or annual periods. We estimate rebates based on each customer’s expected achievement of its targets. In accounting for these rebate programs, we reduce revenue ratably as sales occur over the rebate period by the expected value of the rebates to be returned to the customer. Rebates measured over a quarterly period are updated based on actual sales results and, therefore, no estimation is required to determine the reduction to revenue. For rebates measured over annual periods, we update our estimates on a quarterly basis based on actual sales results and updated forecasts for the remaining rebate periods. We also offer discounts to both our Sleep and Respiratory Care as well as our SaaS customers as part of normal business practice and these are deducted from revenue when the sale occurs.

When Sleep and Respiratory Care or SaaS contracts have multiple performance obligations, we generally use an observable price to determine the stand-alone selling price by reference to pricing and discounting practices for the specific product or service when sold separately to similar customers. Revenue is then allocated proportionately, based on the determined stand-alone selling price, to each performance obligation. An allocation is not required for many of our Sleep and Respiratory Care contracts that have a single performance obligation, which is the shipment of our therapy-based equipment.

Accounting and practical expedient elections

We have elected to account for shipping and handling activities associated with our Sleep and Respiratory Care segment as a fulfillment cost within cost of sales, and record shipping and handling costs collected from customers in net revenue. We have also elected for all taxes assessed by government authorities that are imposed on and concurrent with revenue-producing transactions, such as sales and value added taxes, to be excluded from revenue and presented on a net basis. We have elected two practical expedients including the “right to invoice” practical expedient, which is relevant for some of our SaaS contracts as it allows us to recognize revenue in the amount of the invoice when it corresponds directly with the value of performance completed to date. The second practical expedient adopted permits relief from considering a significant financing component when the payment for the good or service is expected to be one year or less.

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

Lease Revenue

We lease sleep and respiratory medical devices to customers primarily as a means to comply with local health insurer requirements in certain foreign geographies. Device rental contracts include sales-type and operating leases, and contract terms vary by customer and include options to terminate or extend the contract. When lease contracts also include the sale of masks and accessories, we allocate contract consideration to those items on a relative standalone price basis and recognize revenue when control transfers to the customer.

The components of lease revenue were as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Sales-type lease revenue	$ 2,031	$ 3,784	$ 5,854	$ 9,110
Operating lease revenue	22,746	22,720	72,551	65,672
Total lease revenue	$ 24,777	$ 26,504	$ 78,405	$ 74,782

Provision for Warranty

We provide for the estimated cost of product warranties on our Sleep and Respiratory Care products at the time the related revenue is recognized. We determine the amount of this provision by using a financial model, which takes into consideration actual historical expenses and potential risks associated with our different products. We use this financial model to calculate the future probable expenses related to warranty and the required level of the warranty provision. Although we engage in product improvement programs and processes, our warranty obligation is affected by product failure rates and costs incurred to correct those product failures. Should actual product failure rates or estimated costs to repair those product failures differ from our estimates, we would be required to revise our estimated warranty provision.

New Accounting Pronouncements

(a) Recently issued accounting standards not yet adopted

ASU No. 2020-04 "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting"
In March 2020, the FASB issued ASU No. 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting" (Topic 848), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The guidance is effective for us as of March 12, 2020 through December 31, 2022. We are currently evaluating the impact that this guidance, if elected, will have on our consolidated financial statements.

(b) Recently adopted accounting pronouncements

ASU No. 2016-13 "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments"
In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments" (Topic 326), which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The guidance was adopted effective July 1, 2020 using the modified retrospective approach. We recognized the cumulative effect of adopting this guidance as an adjustment to the opening balance of retained earnings of $1.1 million, net of tax, related to our allowance for credit losses for accounts receivable. The adoption of this ASU did not have a material impact on our condensed consolidated financial statements.

ASU No. 2018-15 "Intangibles-Goodwill and Other-Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract"
In August 2018, the FASB issued ASU No. 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" (Subtopic 350-40), which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance was adopted effective July 1, 2020 and will be applied prospectively. Under the new ASU, capitalized implementation costs are presented as other non-current assets on our consolidated balance sheets and within operating cash flows on our consolidated statements of cash flows. The adoption of this ASU did not have a material impact on our condensed consolidated financial statements.

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

(2) Segment Information

We have quantitatively and qualitatively determined that we operate in two operating segments, which are the Sleep and Respiratory Care segment and the SaaS segment.

We evaluate the performance of our segments based on net revenues and income from operations. The accounting policies of the segments are the same as those described in note 2 of our consolidated financial statements included in our Form 10-K for the year ended June 30, 2020. Segment net revenues and segment income from operations do not include inter-segment profits and revenue is allocated to a geographic area based on where the products are shipped to or where the services are performed.

Certain items are maintained at the corporate level and are not allocated to the segments. The non-allocated items include corporate headquarters costs, stock-based compensation, amortization expense from acquired intangibles, restructuring expenses, litigation settlement expenses, deferred revenue fair value adjustment, interest income, interest expense and other, net. We neither discretely allocate assets to our operating segments, nor does our Chief Operating Decision Maker evaluate the operating segments using discrete asset information.

The table below presents a reconciliation of net revenues and net operating profit by reportable segments (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Net revenue by segment				
Total Sleep and Respiratory Care	$ 674,931	$ 679,895	$ 2,042,909	$ 1,923,513
Software as a Service	93,836	89,560	277,813	265,258
Deferred revenue fair value adjustment (1)	-	-	-	(2,102)
Total Software as a Service	93,836	89,560	277,813	263,156
Total	$ 768,767	$ 769,455	$ 2,320,722	$ 2,186,669
Depreciation and amortization by segment				
Sleep and Respiratory Care	$ 13,589	$ 14,134	$ 39,979	$ 43,012
Software as a Service	1,491	1,025	3,599	2,844
Amortization of acquired intangible assets and corporate assets	24,908	24,105	76,456	70,485
Total	$ 39,988	$ 39,264	$ 120,034	$ 116,341
Net operating profit by segment (2)				
Sleep and Respiratory Care (2)	$ 253,693	$ 250,209	$ 763,534	$ 678,468
Software as a Service (2)	23,052	18,738	70,929	63,874
Total	$ 276,745	$ 268,947	$ 834,463	$ 742,342
Reconciling items				
Corporate costs	$ 34,950	$ 31,039	$ 106,307	$ 94,933
Amortization of acquired intangible assets	18,369	20,408	57,443	59,495
Restructuring expenses	-	-	8,673	-
Litigation settlement expenses	-	-	-	(600)
Deferred revenue fair value adjustment (1)	-	-	-	2,102
Interest expense (income), net	5,823	9,852	18,341	30,414
Loss attributable to equity method investments	4,969	5,295	9,895	19,082
Other, net	(5,371)	10,698	(10,647)	15,922
Income before income taxes	$ 218,005	$ 191,655	$ 644,451	$ 520,994

(1) The deferred revenue fair value adjustment is a purchase price accounting adjustment related to MatrixCare which was acquired on November 13, 2018.

(2) During the three and nine months ended March 31, 2021, we recorded $0.0 million and $2.8 million of impairment for our operating lease right-of-use asset, respectively. The impairment related to leases for office space and was recorded within net operating profit. The impairment for the nine months ended March 31, 2021 attributable to Sleep and Respiratory Care was $1.6 million and $1.2 million for SaaS.

(3) Supplemental Balance Sheet Information

Components of selected captions in the condensed consolidated balance sheets consisted of the following (in thousands):

Inventories	March 31, 2021	June 30, 2020
Raw materials	$ 145,444	$ 128,096
Work in progress	3,750	2,807
Finished goods	334,867	286,012
Total inventories	$ 484,061	$ 416,915

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

Property, Plant and Equipment	March 31, 2021	June 30, 2020
Property, plant and equipment, at cost	$ 1,056,004	$ 969,166
Accumulated depreciation and amortization	(600,898)	(551,831)
Property, plant and equipment, net	$ 455,106	$ 417,335

Other Intangible Assets	March 31, 2021	June 30, 2020
Developed/core product technology	$ 383,124	$ 382,806
Accumulated amortization	(227,793)	(197,670)
Developed/core product technology, net	155,331	185,136
Customer relationships	278,196	279,370
Accumulated amortization	(91,550)	(80,922)
Customer relationships, net	186,646	198,448
Other intangibles	196,415	177,091
Accumulated amortization	(128,833)	(112,507)
Other intangibles, net	67,582	64,584
Total other intangibles, net	$ 409,559	$ 448,168

Intangible assets consist of developed/core product technology, trade names, non-compete agreements, customer relationships, and patents, which we amortize over the estimated useful life of the assets, generally between two years to fifteen years. There are no expected residual values related to these intangible assets.

(4) Goodwill

A reconciliation of changes in our goodwill by reportable segment is as follows (in thousands):

	Nine Months Ended March 31, 2021		
	Sleep and Respiratory Care	SaaS	Total
Balance at the beginning of the period	$ 614,448	$ 1,275,876	$ 1,890,324
Business acquisitions	4,707	19,495	24,202
Foreign currency translation adjustments	11,465	-	11,465
Balance at the end of the period	$ 630,620	$ 1,295,371	$ 1,925,991

(5) Investments

We have equity investments in privately held companies that are unconsolidated entities. The following discusses our investments in marketable equity securities, non-marketable equity securities, gains and losses on marketable and non-marketable equity securities, as well as our equity securities accounted for under the equity method.

Our marketable equity securities are publicly traded stocks measured at fair value and classified within Level 1 in the fair value hierarchy because we use quoted prices for identical assets in active markets. Marketable equity securities are recorded in prepaid expenses and other current assets on the condensed consolidated balance sheets.

Non-marketable equity securities consist of investments in privately held companies without readily determinable fair values and are recorded in prepaid taxes and other non-current assets on the condensed consolidated balance sheets. Non-marketable equity securities are reported at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. We estimate the fair value of our non-marketable equity investments using Level 3 inputs to assess whether impairment losses shall be recorded. All gains and losses on marketable and non-marketable equity securities, realized and unrealized, are recognized in other, net on the condensed consolidated statements of operations.

Equity investments whereby we have significant influence but not control over the investee, and are not the primary beneficiary of the investee's activities, are accounted for under the equity method. Under this method, we record our share of gains or losses attributable to equity method investments as a component of other, net on the condensed consolidated statements of operations.

Equity investments by measurement category were as follows (in thousands):

Measurement category	March 31, 2021	June 30, 2020
Fair value	$ 24,011	$ -
Measurement alternative	23,002	30,033
Equity method	16,714	14,109
Total	$ 63,727	$ 44,142

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

The following table shows a reconciliation of the changes in our equity investments (in thousands):

	Nine Months Ended March 31, 2021			
	Non-marketable securities	Marketable securities	Equity method investments	Total
Balance at the beginning of the period	$ 30,033	$ -	$ 14,109	$ 44,142
Investments	2,538	5,000	12,500	20,038
Observable price adjustments on non-marketable equity securities	1,000	-	-	1,000
Ongoing mark-to-market adjustments on marketable equity securities	-	8,442	-	8,442
Reclassifications (1)	(10,569)	10,569	-	-
Loss attributable to equity method investments	-	-	(9,895)	(9,895)
Carrying value at the end of the period	$ 23,002	$ 24,011	$ 16,714	$ 63,727

(1) During the nine months ended March 31, 2021, one of our investments, which was previously accounted for under the measurement alternative, completed its initial public offering which resulted in a change of accounting methodology to fair value.

	Nine Months Ended March 31, 2020			
	Non-marketable securities	Marketable securities	Equity method investments	Total
Balance at the beginning of the period	$ 30,436	$ -	$ 21,667	$ 52,103
Investments	14,116	-	17,500	31,616
Impairment of investments	(14,519)	-	-	(14,519)
Loss attributable to equity method investments	-	-	(19,082)	(19,082)
Carrying value at the end of the period	$ 30,033	$ -	$ 20,085	$ 50,118

Net unrealized gains recognized for equity investments held as of March 31, 2021 for the three and nine months ended March 31, 2021 were $4.7 million and $9.4 million, respectively, which related to publicly traded marketable equity securities and privately held non-marketable securities. Net unrealized losses recognized for equity investments held as of March 31, 2020 for the three and nine months ended March 31, 2020 were $9.1 million and $14.5 million, respectively, which related to impairments of privately held non-marketable securities.

(6) Income Taxes

In accordance with ASC 740 *Income Taxes*, each interim reporting period is considered integral to the annual period, and tax expense is measured using an estimated annual effective tax rate. An entity is required to record income tax expense each quarter based on its annual effective tax rate estimated for the full fiscal year and use that rate to provide for income taxes on a current year-to-date basis, adjusted for discrete taxable events that occur during the interim period.

Our income tax returns are based on calculations and assumptions subject to audit by various tax authorities. In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws. We regularly assess the potential outcomes of examinations by tax authorities in determining the adequacy of our provision for income taxes. Any final assessment resulting from tax audits may result in material changes to our past or future taxable income, tax payable or deferred tax assets, and may require us to pay penalties and interest that could materially adversely affect our financial results.

Our effective income tax rate for the three and nine months ended March 31, 2021 was 136.0% and 56.6%, respectively, as compared to 14.9% and 14.8% for the three and nine months ended March 31, 2020, respectively. The increase in our effective tax rate was primarily due to an increase in unrecognized tax benefits as outlined below. Additionally, the increase in our effective tax rate was impacted by the geographic mix of earnings and lower windfall tax benefits related to the vesting or settlement of employee share-based awards, which reduced our income tax expense by $0.6 million and $12.6 million for the three and nine months ended March 31, 2021, respectively, as compared to $2.4 million and $24.8 million for the three and nine months ended March 31, 2020, respectively.

We are under audit by the Australian Taxation Office (the "ATO") for the years 2009 to 2018 (the "Audit Period"). The audits primarily involve a transfer pricing dispute in which the ATO asserts we should have paid additional Australian taxes on income derived from our Singapore operations. The ATO issued Notices of Amended Assessments for the tax years 2009 to 2013 seeking a total of $266.0 million, consisting of $151.7 million in additional income tax and $114.3 million in penalties and interest. The 2014 to 2018 periods are still under audit and we have not yet received any Notices of Amended Assessments relative to those periods. A total of $98.8 million in tax has been prepaid in relation to the Audit Period, which is consistent with ATO procedural audit practice.

We do not agree with the ATO's assessments and continue to believe we are more likely than not to be successful in defending our position if the matter progresses to litigation. However, if we are not successful, we will be required to pay some or all of the additional income tax, accrued interest and penalties, including potential additional amounts relating to the 2014 to 2018 periods. To that end, we are engaged in ongoing discussions with the ATO to resolve the dispute for the entire Audit Period. Given the stage of those discussions, during the three and nine months ended March 31, 2021, we recorded $395.9 million of gross unrecognized tax benefits, including $53.3 million of accrued interest and penalties, associated with the ATO audits for the Audit Period. This amount reflects our estimate of the potential tax liability and is subject to change. If recognized, we estimate that approximately $254.8 million, of unrecognized tax benefits would affect our effective tax rate, which represents the $395.9 million of gross unrecognized tax benefits noted previously, adjusted for tax credits and deductions of $141.1 million. We have elected to recognize interest and penalties related to unrecognized tax benefits as a component of income taxes. The timing and resolution of the ATO audits are inherently uncertain, and the amounts we might ultimately pay, if any, upon resolution of issues raised by the ATO may differ materially from the amounts accrued. Although it is expected that the amount of unrecognized tax benefits may change in the next 12 months, an estimate of the range of the possible change cannot be made.

(7) Product Warranties

Changes in the liability for warranty costs, which is included in accrued expenses in our condensed consolidated balance sheets, are as follows (in thousands):

	Nine Months Ended March 31,	
	2021	2020
Balance at the beginning of the period	$ 21,132	$ 19,625
Warranty accruals for the period	11,521	10,879
Warranty costs incurred for the period	(11,253)	(9,620)
Foreign currency translation adjustments	1,566	(1,650)
Balance at the end of the period	$ 22,966	$ 19,234

(8) Debt

Debt consisted of the following (in thousands):

	March 31, 2021	June 30, 2020
Short-term debt	$ 12,000	$ 12,000
Deferred borrowing costs	(10)	(13)
Short-term debt, net	11,990	11,987
Long-term debt	$ 722,000	$ 1,168,000
Deferred borrowing costs	(2,954)	(3,867)
Long-term debt, net	$ 719,046	$ 1,164,133
Total debt	$ 731,036	$ 1,176,120

Credit Facility

On April 17, 2018, we entered into an amended and restated credit agreement (the "Revolving Credit Agreement"), as borrower, with lenders MUFG Union Bank, N.A., as administrative agent, joint lead arranger, joint book runner, swing line lender and letter of credit issuer, and Westpac Banking Corporation, as syndication agent, joint lead arranger and joint book runner. The Revolving Credit Agreement, among other things, provided a senior unsecured revolving credit facility of $800.0 million, with an uncommitted option to increase the revolving credit facility by an additional $300.0 million.

Additionally, on April 17, 2018, ResMed Limited entered into a Syndicated Facility Agreement (the "Term Credit Agreement"), as borrower, with lenders MUFG Union Bank, N.A., as administrative agent, joint lead arranger and joint book runner, and Westpac Banking Corporation, as syndication agent, joint lead arranger and joint book runner. The Term Credit Agreement, among other things, provides ResMed Limited a senior unsecured term credit facility of $200.0 million.

On November 5, 2018, we entered into a first amendment to the Revolving Credit Agreement to, among other things, increase the size of our senior unsecured revolving credit facility from $800.0 million to $1.6 billion, with an uncommitted option to increase the revolving credit facility by an additional $300.0 million.

Our obligations under the Revolving Credit Agreement are guaranteed by certain of our direct and indirect U.S. subsidiaries, and ResMed Limited's obligations under the Term Credit Agreement are guaranteed by us and certain of our direct and indirect U.S. subsidiaries. The Revolving Credit Agreement and Term Credit Agreement contain customary covenants, including, in each case, a financial covenant that requires that we maintain a maximum leverage ratio of funded debt to EBITDA (as defined in the Revolving Credit Agreement and Term Credit Agreement, as applicable). The entire principal amounts of the revolving credit facility and term credit facility, and, in each case, any accrued but unpaid interest may be declared immediately due and payable if an event of default occurs, as defined in the Revolving Credit Agreement and the Term Credit Agreement, as applicable. Events of default under the Revolving Credit Agreement and the Term Credit Agreement include, in each case, failure to make payments when due, the occurrence of a default in the performance of any covenants in the respective agreements or related documents, or certain changes of control of us, or the respective guarantors of the obligations borrowed under the Revolving Credit Agreement and Term Credit Agreement.

The Revolving Credit Agreement and Term Credit Agreement each terminate on April 17, 2023, when all unpaid principal and interest under the loans must be repaid. Amounts borrowed under the Term Credit Agreement will also amortize on a semi-annual basis, with a $6.0 million principal payment required on each such semi-annual amortization date. The outstanding principal amounts will bear interest at a rate equal to LIBOR plus 0.75% to 1.50% (depending on the then-applicable leverage ratio) or the Base Rate (as defined in the Revolving Credit Agreement and the Term Credit Agreement, as applicable) plus 0.0% to 0.50% (depending on the then-applicable leverage ratio). At March 31, 2021, the interest rate that was being charged on the outstanding principal amounts was 1.0%. An applicable commitment fee of 0.100% to 0.175% (depending on the then-applicable leverage ratio) applies on the unused portion of the revolving credit facility. As of March 31, 2021, we had $1.5 billion available for draw down under the revolving credit facility.

We are required to disclose the fair value of financial instruments for which it is practicable to estimate the value, even though these instruments are not recognized at fair value in the consolidated balance sheets. As the Revolving Credit and Term Credit Agreements' interest rate is calculated as LIBOR plus the spreads described above, its carrying amount is equivalent to its fair value as at March 31, 2021 and June 30, 2020, which was $234.0 million and $680.0 million, respectively. Quoted market prices in active markets for identical liabilities based inputs (Level 1) were used to estimate fair value.

Senior Notes

On July 10, 2019, we entered into a Note Purchase Agreement with the purchasers to that agreement, in connection with the issuance and sale of $250.0 million principal amount of our 3.24% senior notes due July 10, 2026, and $250.0 million principal amount of our 3.45% senior notes due July 10, 2029 (collectively referred to as the "Senior Notes"). Our obligations under the Note Purchase Agreement and the Senior Notes are unconditionally and irrevocably guaranteed by certain of our direct and indirect U.S. subsidiaries, including ResMed Corp., ResMed Motor Technologies Inc., Birdie Inc., Inova Labs, Inc., Brightree LLC, Brightree Home Health & Hospice LLC, Brightree Patient Collections LLC, ResMed Operations Inc., HEALTHCAREfirst Holding Company, HCF Holdco Company, HEALTHCAREfirst, Inc., CareFacts Information Systems, LLC and Lewis Computer Services, LLC, MatrixCare Holdings Inc., MatrixCare, Inc., Reciprocal Labs Corporation and ResMed SaaS Inc., under a Subsidiary Guaranty Agreement dated as of July 10, 2019. The net proceeds from this transaction were used to pay down borrowings on our Revolving Credit Agreement.

Under the terms of the Note Purchase Agreement, we agreed to customary covenants including with respect to our corporate existence, transactions with affiliates, and mergers and other extraordinary transactions. We also agreed that, subject to limited exceptions, we will maintain a ratio of consolidated funded debt to consolidated EBITDA (as defined in the Note Purchase Agreement) of no more than 3.50 to 1.00 as of the last day of any fiscal quarter, and will not at any time permit the amount of all priority secured and unsecured debt of us and our subsidiaries to exceed 10% of our consolidated tangible assets, determined as of the end of our most recently ended fiscal quarter. This ratio is calculated at the end of each reporting period for which the Note Purchase Agreement requires us to deliver financial statements, using the results of the 12 consecutive month period ending with such reporting period.

We are required to disclose the fair value of financial instruments for which it is practicable to estimate the value, even though these instruments are not recognized at fair value in the consolidated balance sheets. As of March 31, 2021, the Senior Notes have a carrying amount of $500.0 million, excluding deferred borrowing costs, and an estimated fair value of $519.3 million. Quoted market prices in active markets for identical liabilities based inputs (Level 1) were used to estimate fair value.

At March 31, 2021, we were in compliance with our debt covenants and there was $734.0 million outstanding under the Revolving Credit Agreement, Term Credit Agreement and Senior Notes.

(9) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings (loss) per share, 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 restricted stock units.

The calculation of diluted weighted average shares for the three months ended March 31, 2021 excluded 857,799 potentially dilutive common shares because we reported a net loss.

The weighted average number of outstanding stock options and restricted stock units not included in the computation of diluted earnings (loss) per share were 225,580 and 267,556 for the three months ended March 31, 2021 and 2020, respectively, and 200,341 and 128,789 for the nine months ended March 31, 2021 and 2020, respectively as the effect would have been anti-dilutive.

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

Basic and diluted earnings (loss) per share are calculated as follows (in thousands except per share data):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Numerator:				
Net income (loss)	$ (78,481)	$ 163,137	$ 279,405	$ 443,839
Denominator:				
Basic weighted-average common shares outstanding	145,513	144,638	145,217	144,112
Effect of dilutive securities:				
Stock options and restricted stock units	-	1,042	1,177	1,378
Diluted weighted average shares	145,513	145,680	146,394	145,490
Basic earnings (loss) per share	$ (0.54)	$ 1.13	$ 1.92	$ 3.08
Diluted earnings (loss) per share	$ (0.54)	$ 1.12	$ 1.91	$ 3.05

(10) Legal Actions and Contingencies

Litigation

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, individually or in aggregate, have a material adverse effect on our consolidated financial statements taken as a whole.

Taxation Matters

We are under audit by the ATO in three different cycles: tax years 2009 to 2013, tax years 2014 to 2017 and tax year 2018. Please refer to note 6 – Income Taxes, where we have provided an update in relation to this tax dispute in accordance with ASC 740 *Income Taxes*.

Contingent Obligations Under Recourse Provisions

We use independent financing institutions to offer some of our customers financing for the purchase of some of our products. Under these arrangements, if the customer qualifies under the financing institutions' credit criteria and finances the transaction, the customers repay the financing institution on a fixed payment plan. For some of these arrangements, the customer's receivable balance is with limited recourse whereby we are responsible for repaying the financing company should the customer default. We record a contingent provision, which is estimated based on historical default rates. This is applied to receivables sold with recourse and is recorded in accrued expenses.

During the nine months ended March 31, 2021 and March 31, 2020, receivables sold with limited recourse were $112.2 million and $99.8 million, respectively. As of March 31, 2021, the maximum exposure on outstanding receivables sold with recourse and contingent provision were $26.5 million and $7.9 million, respectively. As of June 30, 2020, the maximum exposure on outstanding receivables sold with recourse and contingent provision were $22.8 million and $6.6 million, respectively.

(11) Restructuring Expenses

In November 2020, we closed our Portable Oxygen Concentrator business, which was part of the Sleep and Respiratory Care segment. During the nine months ended March 31, 2021, we recognized restructuring expenses of $13.9 million primarily related to inventory write-downs of $5.2 million, accelerated amortization of acquired intangible assets of $5.1 million, asset impairments of $2.3 million, employee-related costs of $0.7 million and contract cancellation costs of $0.6 million. Of the total expense recognized during nine months ended March 31, 2020, the inventory write-down of $5.2 million is presented within cost of sales and the remaining $8.7 million in restructuring costs is separately disclosed as restructuring expenses on the condensed consolidated statements of operations. The restructure was substantially completed as of March 31, 2021 and we do not expect to incur additional material expenses in connection with this activity in the future.

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

Special 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," "intend," "anticipate," "will continue," "will," "estimate," "plan," "future" and other similar expressions, and negative statements of such expressions, generally identify forward-looking statements, including, in particular, statements regarding expectations of future revenue or earnings, expenses, new product development, new product launches, new markets for our products, litigation, and tax outlook. These forward-looking statements are made in accordance with 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. Forward-looking statements reflect the views of our management at the time the 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 our annual report on Form 10-K for the fiscal year ended June 30, 2020 and elsewhere in this report.

In addition, important factors to consider in evaluating such forward-looking statements include changes or developments in healthcare reform, social, economic, market, legal or regulatory circumstances, including the impact of public health crises such as the novel strain of coronavirus (COVID-19) that has spread globally; changes in our business or growth strategy or an inability to execute our strategy due to changes in our industry or the economy generally, the emergence of new or growing competitors, the actions or omissions of third parties, including suppliers, customers, competitors and governmental authorities and various other factors. If any one or more of these risks or uncertainties materialize, or underlying estimates or assumptions prove incorrect, actual results may vary significantly from those expressed in our forward-looking statements, and there can be no assurance that the forward-looking statements contained in this report will in fact occur.

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described in our annual report on Form 10-K for the fiscal year ended June 30, 2020, in addition to the other cautionary statements and risks described elsewhere in this report and in our other filings with the Securities and Exchange Commission ("SEC"), including our subsequent reports on Forms 10-Q and 8-K. These risks and uncertainties 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.

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

Overview

The following is an overview of our results of operations for the three and nine months ended March 31, 2021. Management's discussion and analysis of financial condition and results of operations ("MD&A") is intended to help the reader understand our results of operations and financial condition. Management's discussion and analysis is provided as a supplement to, and should be read in conjunction with, the condensed consolidated financial statements and notes included in this report.

We are a global leader in the development, manufacturing, distribution and marketing of medical devices and cloud-based software applications that diagnose, treat and manage respiratory disorders, including sleep disordered breathing ("SDB"), chronic obstructive pulmonary disease, neuromuscular disease and other chronic diseases. SDB includes obstructive sleep apnea and other respiratory disorders that occur during sleep. Our products and solutions are designed to improve patient quality of life, reduce the impact of chronic disease and lower healthcare costs as global healthcare systems continue to drive a shift in care from hospitals to the home and lower cost settings. Our cloud-based software digital health applications, along with our devices, are designed to provide connected care to improve patient outcomes and efficiencies for our customers.

Since the development of continuous positive airway pressure therapy, we have expanded our business by developing or acquiring a number of products and solutions for a broader range of respiratory disorders including technologies to be applied in medical and consumer products, ventilation devices, diagnostic products, mask systems for use in the hospital and home, headgear and other accessories, dental devices, portable oxygen concentrators and cloud-based software informatics solutions to manage patient outcomes and customer and provider business processes. Our growth has been fueled by geographic expansion, our research and product development efforts, acquisitions and an increasing awareness of SDB and respiratory conditions like chronic obstructive pulmonary disease as significant health concerns.

We are committed to ongoing investment in research and development and product enhancements. During the three months ended March 31, 2021, we invested $55.9 million on research and development activities, which represents 7.3% of net revenues, with a continued focus on the development and commercialization of new, innovative products and solutions that improve patient outcomes, create efficiencies for our customers and help physicians and providers better manage chronic disease and lower healthcare costs. Due to multiple acquisitions, including Brightree in April 2016, HEALTHCAREfirst in July 2018 and MatrixCare in November 2018, our operations now include out-of-hospital software platforms designed to support the professionals and caregivers who help people stay healthy in the home or care setting of their choice. These platforms comprise our SaaS business. These products, our cloud-based remote monitoring and therapy management system, and a robust product pipeline, should continue to provide us with a strong platform for future growth.

We have determined that we have two operating segments, which are the sleep and respiratory disorders sector of the medical device industry ("Sleep and Respiratory Care") and the supply of business management software as a service to out-of-hospital health providers ("SaaS").

During the three months ended March 31, 2021, our net revenue was consistent with the three months ended March 31, 2020. Gross margin was 58.2% for the three months ended March 31, 2021 compared to 58.4% for the three months ended March 31, 2020. Diluted loss per share was $0.54 for the three months ended March 31, 2021, compared to diluted earnings per share of $1.12 for the three months ended March 31, 2020. Unrecognized tax benefits as described at note 6 – Income Taxes impacted our diluted loss per share by $1.74 per share for the three months ended March 31, 2021.

At March 31, 2021, our cash and cash equivalents totaled $230.6 million, our total assets were $4.6 billion and our stockholders' equity was $2.7 billion.

In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we provide certain financial information on a "constant currency" basis, which is in addition to the actual financial information presented. In order to calculate our constant currency information, we translate the current period financial information using the foreign currency exchange rates that were in effect during the previous comparable period. However, constant currency measures should not be considered in isolation or as an alternative to U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP").

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

Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus ("COVID-19") as a pandemic. Our primary goal during the COVID-19 pandemic is the preservation of life. We have prioritized protecting the health and safety of our employees and continuing to use our employees' talents and our resources to help society meet and overcome the challenges the pandemic poses.

During the three months ended March 31, 2021, we did not observe material incremental demand for our ventilator devices and masks associated with the COVID-19 pandemic. Although there is still substantial uncertainty, we believe the global demand for ventilators and other respiratory support devices, used to treat COVID-19 patients, has largely been met. As such, we do not expect material COVID-19-generated demand for our ventilator products for the remainder of the fiscal year ending June 30, 2021.

Diagnostic pathways for sleep apnea treatment, including HME suppliers and sleep clinics, have been impacted and, in some instances, been required, or in the future may be required, to temporarily close due to governments' "shelter-in-place" orders, quarantines or similar orders or restrictions enacted to control the spread of COVID-19. In some countries, new patients are prescribed sleep apnea treatment through hospitals that are directing their resources to critical care, including COVID-19 treatment. The impact on these diagnostic and prescription pathways has resulted in a decrease in demand from new patients for our products designed to treat sleep apnea. Given the ongoing uncertainty regarding the duration and extent of the COVID-19 pandemic and measures taken to control the spread of COVID-19, we are uncertain as to the duration and extent of the impact on demand for our sleep devices. However, due to the nature of the installed base of existing patients using our devices, we have not seen any significant adverse impact on demand for re-supply of our masks.

Our SaaS business has also been affected by COVID-19 and measures taken to control the spread of COVID-19. Some of our existing and potential SaaS customers are HME distributors and, therefore, have been impacted, or may be impacted, by the same temporary business closures noted above. We also have existing and potential SaaS customers that operate care facilities and are either receiving and treating patients infected with COVID-19 or are implementing significant measures to safeguard their facilities against a potential COVID-19 outbreak. Given these challenging business conditions and the uncertain economic environment, we believe businesses have been less willing to adopt new or change SaaS platforms, which has adversely impacted our ability to engage new customers for our SaaS businesses, or expand the services used by existing customers.

Our ability to continue to operate without any significant negative impacts will in part depend on our ability to protect our employees. We have endeavored and continue to follow recommended actions of government and health authorities to protect our employees worldwide, but since COVID-19 was declared a pandemic in March 2020, we were able to broadly maintain our operations, and we are beginning the slow and careful process of progressively returning to work in some of our offices around the world. The pandemic has not negatively impacted our liquidity position.

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

Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020

Net Revenue

Net revenue for the three months ended March 31, 2021 decreased to $768.8 million from $769.5 million for the three months ended March 31, 2020, a decrease of $0.7 million or consistent on a percentage basis (a 3% decrease on a constant currency basis). The following table summarizes our net revenue disaggregated by segment, product and region for the three months ended March 31, 2021 compared to March 31, 2020 (in thousands):

	Three Months Ended March 31,			
	2021	2020	% Change	Constant Currency*
U.S., Canada and Latin America				
Devices	$ 192,897	$ 196,497	(2) %	
Masks and other	209,984	197,052	7	
Total Sleep and Respiratory Care	$ 402,881	$ 393,549	2	
Software as a Service	93,836	89,560	5	
Total	$ 496,717	$ 483,109	3	
Combined Europe, Asia and other markets				
Devices	$ 172,838	$ 195,038	(11) %	(18) %
Masks and other	99,212	91,308	9	0
Total Sleep and Respiratory Care	$ 272,050	$ 286,346	(5)	(13)
Global revenue				
Devices	$ 365,735	$ 391,535	(7) %	(10) %
Masks and other	309,196	288,360	7	4
Total Sleep and Respiratory Care	$ 674,931	$ 679,895	(1)	(4)
Software as a Service	93,836	89,560	5	5
Total	$ 768,767	$ 769,455	(0)	(3)

* Constant currency numbers exclude the impact of movements in international currencies.

Sleep and Respiratory Care

Net revenue from our Sleep and Respiratory Care business for the three months ended March 31, 2021 was $674.9 million, a decrease of 1% compared to net revenue for the three months ended March 31, 2020. Movements in international currencies against the U.S. dollar positively impacted net revenue by approximately $23.1 million for the three months ended March 31, 2021. Excluding the impact of currency movements, total Sleep and Respiratory Care net revenue for the three months ended March 31, 2021 decreased by 4% compared to the three months ended March 31, 2020. The decrease in net revenue was primarily attributable to a decrease in unit sales of our devices, including as a result of decreased COVID-19-related demand for our ventilators, partially offset by an increase in unit sales of our masks.

Net revenue from our Sleep and Respiratory Care business in the U.S., Canada and Latin America for the three months ended March 31, 2021 increased to $402.9 million from $393.5 million for the three months ended March 31, 2020, an increase of $9.3 million or 2%. The increase was primarily due to an increase in unit sales of our masks, partially offset by a decrease in unit sales of our devices.

Net revenue in combined Europe, Asia and other markets decreased for the three months ended March 31, 2021 to $272.1 million from $286.3 million for the three months ended March 31, 2020, a decrease of $14.3 million or 5% (a 13% decrease on a constant currency basis). The constant currency decrease in sales in combined Europe, Asia and other markets predominantly reflects a decrease in unit sales of our devices, including as a result of decreased COVID-19-related demand for our ventilators, partially offset by an increase in unit sales of our masks.

Net revenue from devices for the three months ended March 31, 2021 decreased to $365.7 million from $391.5 million for the three months ended March 31, 2020, a decrease of $25.8 million or 7%, including a decrease of 2% in the U.S., Canada and Latin America and a decrease of 11% in combined Europe, Asia and other markets (a 18% decrease on a constant currency basis). Excluding the impact of foreign currency movements, device sales for the three months ended March 31, 2021 decreased by 10%.

Net revenue from masks and other for the three months ended March 31, 2021 increased to $309.2 million from $288.4 million for the three months ended March 31, 2020, an increase of $20.8 million or 7%, including an increase of 7% in the U.S., Canada and Latin America and an increase of 9% in combined Europe, Asia and other markets (consistent with the prior year on a constant currency basis). Excluding the impact of foreign currency movements, masks and other sales increased by 4%, compared to the three months ended March 31, 2020.

Software as a Service

Net revenue from our SaaS business for the three months ended March 31, 2021 was $93.8 million, an increase of 5% compared to the three months ended March 31, 2020. The increase was predominantly due to continued growth in resupply service offerings.

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

Nine Months Ended March 31, 2021 Compared to the Nine Months Ended March 31, 2020

Net Revenue

Net revenue for the nine months ended March 31, 2021 increased to $2,320.7 million from $2,186.7 million for the nine months ended March 31, 2020, an increase of $134.1 million or 6% (a 4% increase on a constant currency basis). The following table summarizes our net revenue disaggregated by segment, product and region for the nine months ended March 31, 2021 compared to March 31, 2020 (in thousands):

	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020	% Change	Constant Currency*
U.S., Canada and Latin America				
Devices	$ 595,287	$ 586,907	1 %	
Masks and other	637,507	584,901	9	
Total Sleep and Respiratory Care	$ 1,232,794	$ 1,171,808	5	
Software as a Service	277,813	263,156	6	
Total	$ 1,510,607	$ 1,434,964	5	
Combined Europe, Asia and other markets				
Devices	$ 536,856	$ 509,274	5 %	(1) %
Masks and other	273,259	242,431	13	6
Total Sleep and Respiratory Care	$ 810,115	$ 751,705	8	2
Global revenue				
Devices	$ 1,132,143	$ 1,096,181	3 %	0 %
Masks and other	910,766	827,332	10	8
Total Sleep and Respiratory Care	$ 2,042,909	$ 1,923,513	6	4
Software as a Service	277,813	263,156	6	6
Total	$ 2,320,722	$ 2,186,669	6	4

* Constant currency numbers exclude the impact of movements in international currencies.

Sleep and Respiratory Care

Net revenue from our Sleep and Respiratory Care business for the nine months ended March 31, 2021 was $2,042.9 million, an increase of 6% compared to net revenue for the nine months ended March 31, 2020. Movements in international currencies against the U.S. dollar positively impacted net revenues by approximately $47.7 million for the nine months ended March 31, 2021. Excluding the impact of currency movements, total Sleep and Respiratory Care net revenue for the nine months ended March 31, 2021 increased by 4% compared to the nine months ended March 31, 2020. The increase in net revenue was primarily attributable to an increase in unit sales of our devices and masks.

Net revenue from our Sleep and Respiratory Care business in the U.S., Canada and Latin America for the nine months ended March 31, 2021 increased to $1,232.8 million from $1,171.8 million for the nine months ended March 31, 2020, an increase of $61.0 million or 5%. The increase was primarily due to an increase in unit sales of our masks.

Net revenue in combined Europe, Asia and other markets increased for the nine months ended March 31, 2021 to $810.1 million from $751.7 million for the nine months ended March 31, 2020, an increase of $58.4 million or 8% (a 2% increase on a constant currency basis). The constant currency increase in sales in combined Europe, Asia and other markets predominantly reflects an increase in unit sales of our devices and masks, partially offset by decreased COVID-19-related demand for our ventilators.

Net revenue from devices for the nine months ended March 31, 2021 increased to $1,132.1 million from $1,096.2 million for the nine months ended March 31, 2020, an increase of $36.0 million or 3%, including an increase of 1% in the U.S., Canada and Latin America and an increase of 5% in combined Europe, Asia and other markets (a 1% decrease on a constant currency basis). Excluding the impact of foreign currency movements, device sales for the nine months ended March 31, 2021 were consistent with the nine months ended March 31, 2020.

Net revenue from masks and other for the nine months ended March 31, 2021 increased to $910.8 million from $827.3 million for the nine months ended March 31, 2020, an increase of $83.4 million or 10%, including an increase of 9% in the U.S., Canada and Latin America and an increase of 13% in combined Europe, Asia and other markets (a 6% increase on a constant currency basis). Excluding the impact of foreign currency movements, masks and other sales increased by 8%, compared to the nine months ended March 31, 2020.

Software as a Service

Net revenue from our SaaS business for the nine months ended March 31, 2021 was $277.8 million, an increase of 6% compared to the nine months ended March 31, 2020. The increase was predominantly due to continued growth in resupply service offerings.

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

Gross Profit and Gross Margin

Gross profit decreased for the three months ended March 31, 2021 to $447.3 million from $449.7 million for the three months ended March 31, 2020, a decrease of $2.4 million or 1%. Gross margin, which is gross profit as a percentage of net revenue, for the three months ended March 31, 2021 was 58.2% compared to 58.4% for the three months ended March 31, 2020.

The decrease in gross margin for the three months ended March 31, 2021 compared to three months ended March 31, 2020 was due primarily to additional manufacturing costs associated with our new Singapore site commencing operations during the quarter, higher freight costs and geographic mix changes, partially offset by lower amortization of acquired intangibles.

Gross profit increased for the nine months ended March 31, 2021 to $1,348.4 million from $1,268.4 million for the nine months ended March 31, 2020, an increase of $80.0 million or 6%. Gross margin for the nine months ended March 31, 2021 was 58.1% compared to 58.0% for the nine months ended March 31, 2020.

The increase in gross margin for the nine months ended March 31, 2021 compared to the nine months ended March 31, 2020 was due primarily to favorable product mix, foreign currency movements and lower amortization of acquired intangibles, partially offset by restructuring expense of $5.2 million associated with inventory write-downs following the closure of the POC business.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses decreased for the three months ended March 31, 2021 to $160.4 million from $172.4 million for the three months ended March 31, 2020, a decrease of $12.0 million or 7%. Selling, general, and administrative expenses were unfavorably impacted by the movement of international currencies against the U.S. dollar, which increased our expenses by approximately $7.0 million, as reported in U.S. dollars. Excluding the impact of foreign currency movements, selling, general, and administrative expenses for the three months ended March 31, 2021 decreased by 11% compared to the three months ended March 31, 2020. As a percentage of net revenue, selling, general, and administrative expenses were 20.9% for the three months ended March 31, 2021, compared to 22.4% for the three months ended March 31, 2020.

The constant currency decrease in selling, general, and administrative expenses was primarily due to decreases in travel, marketing and bad debt expenses during the three months ended March 31, 2021 compared to three months ended March 31, 2020.

Selling, general, and administrative expenses decreased for the nine months ended March 31, 2021 to $488.9 million from $511.3 million for the nine months ended March 31, 2020, a decrease of $22.4 million or 4%. Selling, general, and administrative expenses were unfavorably impacted by the movement of international currencies against the U.S. dollar, which increased our expenses by approximately $13.5 million, as reported in U.S. dollars. Excluding the impact of foreign currency movements, selling, general, and administrative expenses for the nine months ended March 31, 2021 decreased by 7% compared to the nine months ended March 31, 2020. As a percentage of net revenue, selling, general, and administrative expenses were 21.1% for the nine months ended March 31, 2021, compared to 23.4% for the nine months ended March 31, 2020.

The constant currency decrease in selling, general, and administrative expenses was primarily due to decreases in travel, marketing and bad debt expenses during the nine months ended March 31, 2021 compared to nine months ended March 31, 2020.

Research and Development Expenses

Research and development expenses increased for the three months ended March 31, 2021 to $55.9 million from $51.4 million for the three months ended March 31, 2020, an increase of $4.5 million, or 9%. Research and development expenses were unfavorably impacted by the movement of international currencies against the U.S. dollar, which increased our expenses by approximately $3.0 million for the three months ended March 31, 2021, as reported in U.S. dollars. Excluding the impact of foreign currency movements, research and development expenses increased by 3% compared to the three months ended March 31, 2020. As a percentage of net revenue, research and development expenses were 7.3% for the three months ended March 31, 2021, compared to 6.7% for the three months ended March 31, 2020.

The increase in research and development expenses in constant currency terms was primarily due to increased investment in our digital health technologies and SaaS solutions.

Research and development expenses increased for the nine months ended March 31, 2021 to $165.4 million from $149.4 million for the nine months ended March 31, 2020, an increase of $16.0 million, or 11%. Research and development expenses were unfavorably impacted by the movement of international currencies against the U.S. dollar, which increased our expenses by approximately $5.3 million for the nine months ended March 31, 2021, as reported in U.S. dollars. Excluding the impact of foreign currency movements, research and development expenses increased by 7% compared to the nine months ended March 31, 2020. As a percentage of net revenue, research and development expenses were 7.1% for the nine months ended March 31, 2021, compared to 6.8% for the nine months ended March 31, 2020.

The increase in research and development expenses in constant currency terms was primarily due to increased investment in our digital health technologies and SaaS solutions.

Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets for the three months ended March 31, 2021 totaled $7.4 million compared to $8.3 million for the three months ended March 31, 2020. Amortization of acquired intangible assets for the nine months ended March 31, 2021 totaled $23.4 million compared to $21.9 million for the nine months ended March 31, 2020.

Restructuring Expenses

In November 2020, we closed our POC business, which was part of the Sleep and Respiratory Care segment. During the nine months ended March 31, 2021, we recognized restructuring expenses of $13.9 million primarily related to inventory write-downs of $5.2 million, accelerated amortization of acquired intangible assets of $5.1 million, asset impairments of $2.3 million, employee-related costs of $0.7 million and contract cancellation costs of $0.6 million. Of the total expense recognized during the nine months ended March 31, 2021, the inventory write-down of $5.2 million is presented within cost of sales and the remaining $8.7 million in restructuring costs is separately disclosed as restructuring expenses on the condensed consolidated statements of operations. We do not expect to incur additional expenses in connection with this activity in the future.

Total Other Income (Loss), Net

Total other income (loss), net for the three months ended March 31, 2021 was a loss of $5.4 million compared to a loss of $25.8 million for the three months ended March 31, 2020. The decrease was partially due to a decrease in interest expense to $5.9 million for the three months ended March 31, 2021 compared to $10.0 million for the three months ended March 31, 2020. Additionally, we recognized an unrealized gain of $4.7 million on our marketable and non-marketable equity securities for the three months ended March 31, 2021, whereas during the three months ended March 31, 2020, we recorded an impairment of $9.1 million on our non-marketable equity securities. We also recorded losses attributable to equity method investments for the three months ended March 31, 2021 of $5.0 million compared to $5.3 million for the three months ended March 31, 2020. The losses attributable to equity method investments relate to our joint venture with Verily, which is accounted for using the equity method, whereby we recognize our share of the joint venture’s losses.

Total other income (loss), net for the nine months ended March 31, 2021 was a loss of $17.6 million compared to a loss of $65.4 million for the nine months ended March 31, 2020. The decrease was partially due to a decrease in interest expense to $18.6 million for the nine months ended March 31, 2021 compared to $31.2 million for the nine months ended March 31, 2020. Additionally, we recognized an unrealized gain of $9.4 million on our marketable and non-marketable securities for the nine months ended March 31, 2021, whereas during the nine months ended March 31, 2020, we recorded an impairment of $14.5 million on our non-marketable equity securities. We also recorded lower losses attributable to equity method investments for the nine months ended March 31, 2021 of $9.9 million compared to $19.1 million for the nine months ended March 31, 2020. The losses attributable to equity method investments relate to our joint venture with Verily, which is accounted for using the equity method, whereby we recognize our share of the joint venture’s losses.

Income Taxes

Our effective income tax rate for the three and nine months ended March 31, 2021 was 136.0% and 56.6%, respectively, as compared to 14.9% and 14.8% for the three and nine months ended March 31, 2020, respectively. The increase to our effective tax rate was primarily the result of an increase in unrecognized tax benefits as outlined below.

Excluding the impact of the unrecognized tax benefit, our effective income tax rate for the three and nine months ended March 31, 2021 was 19.1% and 17.1%, respectively. The increase in our effective tax rate, excluding the impact of the unrecognized tax benefit, was due to the geographic mix of earnings and lower windfall tax benefits related to the vesting or settlement of employee share-based awards, which reduced our income tax expense by $0.6 million and $12.6 million for the three and nine months ended March 31, 2021, respectively, as compared to $2.4 million and $24.8 million for the three and nine months ended March 31, 2020, respectively.

We are under audit by the Australian Taxation Office (the “ATO”) for the years 2009 to 2018 (the “Audit Period”). The audits primarily involve a transfer pricing dispute in which the ATO asserts we should have paid additional Australian taxes on income derived from our Singapore operations. The ATO issued Notices of Amended Assessments for the tax years 2009 to 2013 seeking a total of $266.0 million, consisting of $151.7 million in additional income tax and $114.3 million in penalties and interest. The 2014 to 2018 periods are still under audit and we have not yet received any Notices of Amended Assessments relative to those periods. A total of $98.8 million in tax has been prepaid in relation to the Audit Period, which is consistent with ATO procedural audit practice.

We do not agree with the ATO's assessments and continue to believe we are more likely than not to be successful in defending our position if the matter progresses to litigation. However, if we are not successful, we will be required to pay some or all of the additional income tax, accrued interest and penalties, including potential additional amounts relating to the 2014 to 2018 periods. To that end, we are engaged in ongoing discussions with the ATO to resolve the dispute for the entire Audit Period. Given the stage of those discussions, during the three and nine months ended March 31, 2021, we recorded $395.9 million of gross unrecognized tax benefits, including $53.3 million of accrued interest and penalties, associated with the ATO audits for the Audit Period. This amount reflects our estimate of the potential tax liability and is subject to change. If recognized, we estimate that approximately $254.8 million of unrecognized tax benefits would affect our effective tax rate, which represents the $395.9 million of gross unrecognized tax benefits noted previously, adjusted for tax credits and deductions of $141.1 million. We have elected to recognize interest and penalties related to unrecognized tax benefits as a component of income taxes. The timing and resolution of the ATO audits are inherently uncertain, and the amounts we might ultimately pay, if any, upon resolution of issues raised by the ATO may differ materially from the amounts accrued. Although it is expected that the amount of unrecognized tax benefits may change in the next 12 months, an estimate of the range of the possible change cannot be made.

Our Singapore operations operate under certain tax holidays and tax incentive programs that will expire in whole or in part at various dates through June 30, 2030. As a result of the U.S. Tax Act, we treated all non-U.S. historical earnings as taxable, effective as of the year ended June 30, 2018. Therefore, future repatriation of cash held by our non-U.S. subsidiaries, if any, will generally not be subject to U.S. federal tax.

Net Income (Loss) and Earnings (Loss) per Share

As a result of the factors above, our net loss for the three months ended March 31, 2021 was $78.5 million compared to net income of $163.1 million for the three months ended March 31, 2020, a decrease of 148%. Our net income for the nine months ended March 31, 2021 was $279.4 million compared to net income of $443.8 million for the nine months ended March 31, 2020, a decrease of 37%.

Our diluted loss per share for the three months ended March 31, 2021 was $0.54 per diluted share compared to diluted earnings per share of $1.12 for the three months ended March 31, 2020, a decrease of 148%. Our diluted earnings per share for the nine months ended March 31, 2021 was $1.91 per diluted share compared to $3.05 for the nine months ended March 31, 2020, a decrease of 37%. Unrecognized tax benefits as described at note 6 – Income Taxes impacted our diluted loss per share for the three months ended March 31, 2021 and diluted earnings per share for the nine months ended March 31, 2021 by $1.74 per share.

Summary of Non-GAAP Financial Measures

In addition to financial information prepared in accordance with GAAP, our management uses certain non-GAAP financial measures, such as non-GAAP revenue, non-GAAP cost of sales, non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP net income, and non-GAAP diluted earnings per share, in evaluating the performance of our business. We believe that these non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, can provide investors better insight when evaluating our performance from core operations and can provide more consistent financial reporting across periods. For these reasons, we use non-GAAP information internally in planning, forecasting, and evaluating the results of operations in the current period and in comparing it to past periods. These non-GAAP financial measures should be considered in addition to, and not superior to or as a substitute for, GAAP financial measures. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Non-GAAP financial measures as presented herein may not be comparable to similarly titled measures used by other companies.

The measure "non-GAAP revenue" is equal to GAAP net revenue once adjusted for deferred revenue fair value adjustments applied in the purchase accounting for previous business combinations. The measure "non-GAAP cost of sales" is equal to GAAP cost of sales less amortization of acquired intangible assets relating to cost of sales and restructuring expense associated with inventory write-downs following the closure of the POC business. The measure "non-GAAP gross profit" is the difference between non-GAAP revenue and non-GAAP cost of sales, and "non-GAAP gross margin" is the ratio of non-GAAP gross profit to non-GAAP revenue.

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

These non-GAAP measures are reconciled to their most directly comparable GAAP financial measures below (in thousands, except percentages):

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
GAAP Net revenue	$ 768,767	$ 769,455	$ 2,320,722	$ 2,186,669
Add back: Deferred revenue fair value adjustment	-	-	-	2,102
Non-GAAP revenue	$ 768,767	$ 769,455	$ 2,320,722	$ 2,188,771
GAAP Cost of sales	$ 321,509	$ 319,793	$ 972,319	$ 918,256
Less: Amortization of acquired intangibles	(10,924)	(12,136)	(34,066)	(37,623)
Less: Restructuring - cost of sales	-	-	(5,232)	-
Non-GAAP cost of sales	$ 310,585	$ 307,657	$ 933,021	$ 880,633
GAAP gross profit	$ 447,258	$ 449,662	$ 1,348,403	$ 1,268,413
GAAP gross margin	58.2 %	58.4 %	58.1 %	58.0 %
Non-GAAP gross profit	$ 458,182	$ 461,798	$ 1,387,701	$ 1,308,138
Non-GAAP gross margin	59.6 %	60.0 %	59.8 %	59.8 %

The measure "non-GAAP income from operations" is equal to GAAP income from operations once adjusted for amortization of acquired intangibles, restructuring expense associated with the closure of the POC business, deferred revenue fair value adjustments applied in the purchase accounting for previous business combinations and litigation settlement expenses. Non-GAAP income from operations is reconciled with GAAP income from operations below (in thousands):

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
GAAP income from operations	$ 223,426	$ 217,500	$ 662,040	$ 586,412
Amortization of acquired intangibles - cost of sales	10,924	12,136	34,066	37,623
Amortization of acquired intangibles - operating expenses	7,445	8,272	23,377	21,872
Restructuring - cost of sales	-	-	5,232	-
Restructuring - operating expenses	-	-	8,673	-
Deferred revenue fair value adjustment	-	-	-	2,102
Litigation settlement expenses	-	-	-	(600)
Non-GAAP income from operations	$ 241,795	$ 237,908	$ 733,388	$ 647,409

The measure "non-GAAP net income" is equal to GAAP net income (loss) once adjusted for amortization of acquired intangibles (net of tax), reserve for disputed tax positions, restructuring expense associated with the closure of the POC (net of tax), (gain) loss on marketable equity securities, fair value adjustments recognized on non-marketable equity securities, deferred revenue fair value adjustments applied in the purchase accounting for previous business combinations (net of tax) and litigation settlement expenses (net of tax). The measure "non-GAAP diluted earnings per share" is the ratio of non-GAAP net income to diluted shares outstanding. These non-GAAP measures are reconciled to their most directly comparable GAAP financial measures below (in thousands, except for per share amounts):

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
GAAP net income (loss)	$ (78,481)	$ 163,137	$ 279,405	$ 443,839
Amortization of acquired intangibles - cost of sales, net of tax	8,395	9,287	26,136	28,765
Amortization of acquired intangibles - operating expenses, net of tax	5,721	6,330	17,936	16,723
Reserve for disputed tax positions	254,776	-	254,776	-
Restructuring - cost of sales, net of tax	-	-	4,663	-
Restructuring - operating expenses, net of tax	-	-	7,730	-
(Gain) loss on equity investments	-	-	(8,476)	-
Fair value impairment of investment	-	9,100	-	9,100
Deferred revenue fair value adjustment, net of tax	-	-	-	1,610
Litigation settlement expenses, net of tax	-	-	-	(528)
Non-GAAP net income	$ 190,411	$ 187,854	$ 582,170	$ 499,509
GAAP diluted shares outstanding	145,513	145,680	146,394	145,490
Anti-dilutive shares excluded from GAAP	858	-	-	-
Non-GAAP diluted shares outstanding	146,371	145,680	146,394	145,490
GAAP diluted earnings (loss) per share	$ (0.54)	$ 1.12	$ 1.91	$ 3.05
Non-GAAP diluted earnings per share	$ 1.30	$ 1.29	$ 3.98	$ 3.43

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

Liquidity and Capital Resources

As of March 31, 2021 and June 30, 2020, we had cash and cash equivalents of $230.6 million and $463.2 million, respectively. In response to the uncertainty associated with the COVID-19 pandemic, we had previously increased our cash and cash equivalents position by drawing down from our Revolving Credit Agreement. As we have not observed a significant impact to our cash flows due the pandemic, we have reduced our cash and cash equivalents and accordingly repaid our Revolving Credit Agreement. Working capital was $589.6 million and $920.7 million at March 31, 2021 and June 30, 2020, respectively. As of March 31, 2021, we had $0.7 billion of borrowings compared to $1.2 billion of borrowings at June 30, 2020. As of March 31, 2021, we had $1.5 billion available for draw down under the revolver credit facility and a combined total of $1.7 billion in cash and available liquidity under the revolving credit facility. We believe that cash generated from operations and available borrowings under our credit facility will be sufficient to fund our operations, including expected capital expenditures, for the next 12 months and beyond.

As of March 31, 2021 and June 30, 2020, our cash and cash equivalent balances held within the United States amounted to $42.6 million and $158.8 million, respectively. Our remaining cash and cash equivalent balances at March 31, 2021 and June 30, 2020, were $188.0 million and $304.4 million, respectively. Our cash and cash equivalent balances are held at highly rated financial institutions.

During the year ended June 30, 2018, as a result of the U.S. Tax Act, we treated all non-U.S. historical earnings as taxable, which resulted in additional tax expense of $126.9 million which was payable over the proceeding eight years. Therefore, future repatriation of cash held by our non-U.S. subsidiaries will generally not be subject to U.S. federal tax if repatriated.

Inventories at March 31, 2021 were $484.1 million, an increase of $67.1 million or 16% from the June 30, 2020 balance of $416.9 million. The increase in inventories was required to respond to additional complexity and elongation of our supply chain resulting from ongoing COVID-19 impacts.

Accounts receivable at March 31, 2021 were $525.0 million, an increase of $50.4 million or 11% compared to the June 30, 2020, balance of $474.6 million. Accounts receivable days outstanding of 60 days at March 31, 2021, were lower than days outstanding of 65 days at June 30, 2020. Our allowance for doubtful accounts as a percentage of total accounts receivable at March 31, 2021, was 5.9%, compared to 5.7% at June 30, 2020.

We recognize right-of-use assets and lease liabilities on the balance sheet for all operating leases except those that meet the definition of a short-term lease. As of March 31, 2021 and June 30, 2020, our right-of-use assets were $128.8 million and $118.3 million, respectively and our lease liabilities were $137.8 million and $123.1 million, respectively.

During the nine months ended March 31, 2021, we generated cash of $510.2 million from operations compared to $472.0 million for the nine months ended March 31, 2020. The increase in cash generated from operations during the nine months ended March 31, 2021, as compared to the nine months ended March 31, 2020 was primarily due to the increase in operating profit, partially offset by the increase in working capital driven by higher inventory levels. Movements in foreign currency exchange rates during the nine months ended March 31, 2021, had the effect of increasing our cash and cash equivalents by $18.3 million, as reported in U.S. dollars.

We have temporarily suspended our share repurchase program due to acquisitions, and more recently, as a response to the COVID-19 pandemic. Accordingly, we did not repurchase any shares during the three and nine months ended March 31, 2021 and 2020. In addition, during the nine months ended March 31, 2021 and 2020, we paid dividends to holders of our common stock totaling $169.9 million and $168.6 million, respectively.

Capital expenditures for the nine months ended March 31, 2021 and 2020, amounted to $74.8 million and $77.4 million, respectively. The capital expenditures for the nine months ended March 31, 2021, primarily reflected investment in production tooling, equipment and machinery, and computer hardware and software. At March 31, 2021, our balance sheet reflects net property, plant and equipment of $455.1 million compared to $417.3 million at June 30, 2020.

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

Contractual Obligations

Details of contractual obligations at March 31, 2021, are as follows (in thousands):

		Payments Due by March 31,					
	Total	2022	2023	2024	2025	2026	Thereafter
Debt	$ 734,000	$ 12,000	$ 12,000	$ 210,000	$ -	$ -	$ 500,000
Interest on debt	122,274	20,602	20,602	17,048	16,725	16,725	30,572
Operating leases	130,293	26,835	22,487	16,709	12,936	10,937	40,389
Purchase obligations	547,101	546,028	576	497	-	-	-
Total	$ 1,533,668	$ 605,465	$ 55,665	$ 244,254	$ 29,661	$ 27,662	$ 570,961

Details of other commercial commitments at March 31, 2021, are as follows (in thousands):

		Amount of Commitment Expiration Per Period					
	Total	2022	2023	2024	2025	2026	Thereafter
Standby letter of credit	$ 17,162	$ 3,759	$ 47	$ 480	$ -	$ -	$ 12,876
Guarantees*	5,813	2,266	75	62	73	36	3,301
Total	$ 22,975	$ 6,025	$ 122	$ 542	$ 73	$ 36	$ 16,177

* The above guarantees mainly relate to requirements under contractual obligations with insurance companies transacting with our German subsidiaries and guarantees provided under our facility leasing obligations.

Credit Facility

On April 17, 2018, we entered into an amended and restated credit agreement (as amended from time to time, the "Revolving Credit Agreement"), as borrower, with lenders MUFG Union Bank, N.A., as administrative agent, joint lead arranger, joint book runner, swing line lender and letter of credit issuer, and Westpac Banking Corporation, as syndication agent, joint lead arranger and joint book runner. The Revolving Credit Agreement, among other things, provided a senior unsecured revolving credit facility of $800.0 million, with an uncommitted option to increase the revolving credit facility by an additional $300.0 million.

Additionally, on April 17, 2018, ResMed Limited entered into a Syndicated Facility Agreement (the "Term Credit Agreement"), as borrower, with lenders MUFG Union Bank, N.A., as administrative agent, joint lead arranger and joint book runner, and Westpac Banking Corporation, as syndication agent, joint lead arranger and joint book runner. The Term Credit Agreement, among other things, provides ResMed Limited a senior unsecured term credit facility of $200.0 million.

On November 5, 2018, we entered into a first amendment to the Revolving Credit Agreement to, among other things, increase the size of our senior unsecured revolving credit facility from $800.0 million to $1.6 billion, with an uncommitted option to increase the revolving credit facility by an additional $300.0 million.

Our obligations under the Revolving Credit Agreement are guaranteed by certain of our direct and indirect U.S. subsidiaries, and ResMed Limited's obligations under the Term Credit Agreement are guaranteed by us and certain of our direct and indirect U.S. subsidiaries. The Revolving Credit Agreement and Term Credit Agreement contain customary covenants, including, in each case, a financial covenant that requires that we maintain a maximum leverage ratio of funded debt to EBITDA (as defined in the Revolving Credit Agreement and Term Credit Agreement, as applicable). The entire principal amounts of the revolving credit facility and term credit facility, and, in each case, any accrued but unpaid interest may be declared immediately due and payable if an event of default occurs, as defined in the Revolving Credit Agreement and the Term Credit Agreement, as applicable. Events of default under the Revolving Credit Agreement and the Term Credit Agreement include, in each case, failure to make payments when due, the occurrence of a default in the performance of any covenants in the respective agreements or related documents, or certain changes of control of us, or the respective guarantors of the obligations borrowed under the Revolving Credit Agreement and Term Credit Agreement.

The Revolving Credit Agreement and Term Credit Agreement each terminate on April 17, 2023, when all unpaid principal and interest under the loans must be repaid. Amounts borrowed under the Term Credit Agreement will also amortize on a semi-annual basis, with a $6.0 million principal payment required on each such semi-annual amortization date. The outstanding principal amounts will bear interest at a rate equal to LIBOR plus 0.75% to 1.50% (depending on the then-applicable leverage ratio) or the Base Rate (as defined in the Revolving Credit Agreement and the Term Credit Agreement, as applicable) plus 0.0% to 0.50% (depending on the then-applicable leverage ratio). On March 31, 2021, the interest rate that was being charged on the outstanding principal amounts was 1.0%. An applicable commitment fee of 0.100% to 0.175% (depending on the then-applicable leverage ratio) applies on the unused portion of the revolving credit facility. As of March 31, 2021, we had $1.5 billion available for draw down under the revolving credit facility.

Senior Notes

On July 10, 2019, we entered into a Note Purchase Agreement with the purchasers to that agreement, in connection with the issuance and sale of $250.0 million principal amount of our 3.24% senior notes due July 10, 2026, and $250.0 million principal amount of our 3.45% senior notes due July 10, 2029 (“Senior Notes”). Our obligations under the Note Purchase Agreement and the Senior Notes are unconditionally and irrevocably guaranteed by certain of our direct and indirect U.S. subsidiaries, including ResMed Corp., ResMed Motor Technologies Inc., Birdie Inc., Inova Labs, Inc., Brightree LLC, Brightree Home Health & Hospice LLC, Brightree Patient Collections LLC, ResMed Operations Inc., HEALTHCAREfirst Holding Company, HCF Holdco Company, HEALTHCAREfirst, Inc., CareFacts Information Systems, LLC and Lewis Computer Services, LLC, MatrixCare Holdings Inc., MatrixCare, Inc., Reciprocal Labs Corporation and ResMed SaaS Inc., under a Subsidiary Guaranty Agreement dated as of July 10, 2019. The net proceeds from this transaction were used to pay down borrowings on our Revolving Credit Agreement.

Under the terms of the Note Purchase Agreement, we agreed to customary covenants including with respect to our corporate existence, transactions with affiliates, and mergers and other extraordinary transactions. We also agreed that, subject to limited exceptions, we will maintain a ratio of consolidated funded debt to consolidated EBITDA (as defined in the Note Purchase Agreement) of no more than 3.50 to 1.00 as of the last day of any fiscal quarter, and will not at any time permit the amount of all priority secured and unsecured debt of us and our subsidiaries to exceed 10% of our consolidated tangible assets, determined as of the end of our most recently ended fiscal quarter. This ratio is calculated at the end of each reporting period for which the Note Purchase Agreement requires us to deliver financial statements, using the results of the 12 consecutive month period ending with such reporting period.

On March 31, 2021, we were in compliance with our debt covenants and there was a total of $734.0 million outstanding under the Revolving Credit Agreement, Term Credit Agreement and Senior Notes. We expect to satisfy all of our liquidity and long-term debt requirements through a combination of cash on hand, cash generated from operations and debt facilities.

Common Stock

Since the inception of our share repurchase programs and through March 31, 2021, we have repurchased a total of 41.8 million shares for an aggregate of $1.6 billion. We have temporarily suspended our share repurchase program due to recent acquisitions, and more recently, as a response to the COVID-19 pandemic. Accordingly, we did not repurchase any shares during the three and nine months ended March 31, 2021 and 2020. Shares that are repurchased are classified as treasury stock pending future use and reduce the number of shares outstanding used in calculating earnings (loss) per share. There is no expiration date for this program, and the program may be accelerated, suspended, delayed or discontinued at any time at the discretion of our board of directors. At March 31, 2021, 12.9 million additional shares can be repurchased under the approved share repurchase program.

Critical Accounting Principles and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis we evaluate our estimates, including those related to allowance for doubtful accounts, inventory reserves, warranty obligations, goodwill, potentially impaired assets, intangible assets, income taxes and contingencies.

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.

For a full discussion of our critical accounting policies, see our Annual Report on Form 10-K for the year ended June 30, 2020.

Recently Issued Accounting Pronouncements

See note 1 to the unaudited condensed consolidated financial statements for a description of recently issued accounting pronouncements, including the expected dates of adoption and estimated effects on our results of operations, financial positions and cash flows.

Off-Balance Sheet Arrangements

As of March 31, 2021, we are not involved in any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC.

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

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 and Singapore dollars. We have significant foreign currency exposure through our Australian and Singapore manufacturing activities and our international sales operations. We have established a foreign currency hedging program using purchased currency options and forward contracts to hedge foreign-currency-denominated financial assets, liabilities and manufacturing cash flows. The goal of this hedging program is to economically manage the financial impact of foreign currency exposures predominantly denominated in euros, Australian dollars and Singapore dollars. 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 do not enter into financial instruments for trading or speculative purposes. The foreign currency derivatives portfolio is recorded in the condensed 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 condensed consolidated statements of operations.

The table below provides information (in U.S. dollars) on our foreign currency denominated operating assets and liabilities and after considering our foreign currency hedging activities as of March 31, 2021 (in thousands):

	U.S. Dollar (USD)	Euro (EUR)	Canadian Dollar (CAD)	Chinese Yuan (CNY)
AUD Functional:				
Assets	477,966	90,639	-	19,615
Liability	(348,159)	(122,920)	-	(602)
Foreign Currency Hedges	(130,000)	-	-	(24,417)
Net Total	(193)	(32,281)	-	(5,404)
USD Functional:				
Assets	-	-	22,290	-
Liability	-	(442)	(2,546)	-
Foreign Currency Hedges	-	-	(15,909)	-
Net Total	-	(442)	3,835	-
SGD Functional:				
Assets	553,939	96,503	-	886
Liability	(242,185)	(62,948)	-	-
Foreign Currency Hedges	(275,000)	-	-	-
Net Total	36,754	33,555	-	886

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

The table below provides information about our material 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, collars and forward contracts held at March 31, 2021. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for our foreign currency derivative financial instruments, including the forward contracts used to hedge our foreign currency denominated assets and liabilities. These notional amounts generally are used to calculate payments to be exchanged under the contracts (in thousands, except exchange rates).

				Fair Value Assets / (Liabilities)	
Foreign Exchange Contracts	**Year 1**	**Year 2**	**Total**	**March 31, 2021**	**June 30, 2020**
AUD/USD					
Contract amount	130,000	-	130,000	(5,271)	-
Ave. contractual exchange rate	AUD 1 = USD 0.7936		AUD 1 = USD 0.7936		
AUD/Euro					
Contract amount	46,974	23,487	70,461	2,312	886
Ave. contractual exchange rate	AUD 1 = Euro 0.6239	AUD 1 = Euro 0.6700	AUD 1 = Euro 0.6385		
SGD/Euro					
Contract amount	41,102	-	41,102	170	126
Ave. contractual exchange rate	SGD 1 = Euro 0.6353	-	SGD 1 = Euro 0.6353		
SGD/USD					
Contract amount	275,000	-	275,000	(1,852)	(183)
Ave. contractual exchange rate	SGD 1 = USD 0.7489		SGD 1 = USD 0.7489		
AUD/CNY					
Contract amount	24,417	-	24,417	321	(161)
Ave. contractual exchange rate	AUD 1 = CNY 4.9450		AUD 1 = CNY 4.9450		
USD/CAD					
Contract amount	15,909	-	15,909	(1,305)	(83)
Ave. contractual exchange rate	USD 1 = CAD 1.3695		USD 1 = CAD 1.3695		

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 March 31, 2021, we held cash and cash equivalents of $230.6 million principally comprised of bank term deposits and at-call accounts and are invested at both short-term fixed interest rates and variable interest rates. At March 31, 2021, there was $234.0 million outstanding under the Revolving Credit Agreement and Term Credit Agreement, which are subject to variable interest rates. A hypothetical 10% change in interest rates during the three and nine months ended March 31, 2021, would not have had a material impact on pretax income. We have no interest rate hedging agreements.

RESMED INC. AND SUBSIDIARIES

Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports made pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow 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 in reaching a reasonable level of assurance management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) of the Exchange Act, 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 the end of the period covered by this report. 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 as of March 31, 2021.

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

RESMED INC. AND SUBSIDIARIES

Item 1 Legal Proceedings

We are involved in various legal proceedings, claims, investigations and litigation that arise in the ordinary course of our business. We investigate these matters as they arise, and accrue estimates for resolution of legal and other contingencies in accordance with Accounting Standard Codification Topic 450, "Contingencies". See note 10 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Litigation is inherently uncertain. Accordingly, we cannot predict with certainty the outcome of these matters. But we do not expect the outcome of these matters to have a material adverse effect on our consolidated financial statements when taken as a whole.

Item 1A Risk Factors

The discussion of our business and operations should be read together with the risk factors and contained in our annual report on Form 10-K for the fiscal year ended June 30, 2020, which was filed with the SEC and describe various material risks and uncertainties to which we are or may become subject. As of March 31, 2021, there have been no further material changes to such risk factors, except as follows:

We are subject to tax audits by various tax authorities in many jurisdictions. Our income tax returns are based on calculations and assumptions that require significant judgment, and are subject to audit by various tax authorities. In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws. We regularly assess the potential outcomes of examinations by tax authorities in determining the adequacy of our provision for income taxes.

We are under audit by the Australian Taxation Office (the "ATO") for the years 2009 to 2018 (the "Audit Period"). The audits primarily involve a transfer pricing dispute in which the ATO asserts we should have paid additional Australian taxes on income derived from our Singapore operations. The ATO issued Notices of Amended Assessments for the tax years 2009 to 2013 seeking a total of $266.0 million, consisting of $151.7 million in additional income tax and $114.3 million in penalties and interest. The 2014 to 2018 periods are still under audit and we have not yet received any Notices of Amended Assessments relative to those periods. A total of $98.8 million in tax has been prepaid in relation to the Audit Period, which is consistent with ATO procedural audit practice.

We do not agree with the ATO's assessments and continue to believe we are more likely than not to be successful in defending our position if the matter progresses to litigation. However, if we are not successful, we will be required to pay some or all of the additional income tax, accrued interest and penalties, including potential additional amounts relating to the 2014 to 2018 periods. To that end, we are engaged in ongoing discussions with the ATO to resolve the dispute for the entire Audit Period. Given the stage of those discussions, during the three and nine months ended March 31, 2021, we recorded $395.9 million of gross unrecognized tax benefits, including $53.3 million of accrued interest and penalties, associated with the ATO audits for the Audit Period. This amount reflects our estimate of the potential tax liability and is subject to change. If recognized, we estimate that approximately $254.8 million of unrecognized tax benefits would affect our effective tax rate, which represents the $395.9 million of gross unrecognized tax benefits noted previously, adjusted for tax credits and deductions of $141.1 million. We have elected to recognize interest and penalties related to unrecognized tax benefits as a component of income taxes. The timing and resolution of the ATO audits are inherently uncertain, and the amounts we might ultimately pay, if any, upon resolution of issues raised by the ATO may differ materially from the amounts accrued. Although it is expected that the amount of unrecognized tax benefits may change in the next 12 months, an estimate of the range of the possible change cannot be made

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of equity securities. On February 21, 2014, our board of directors approved our current share repurchase program, authorizing us to acquire up to an aggregate of 20.0 million shares of our common stock. The program allows us to repurchase shares of our common stock from time to time for cash in the open market, or in negotiated or block transactions, as market and business conditions warrant and subject to applicable legal requirements. There is no expiration date for this program, and the program may be accelerated, suspended, delayed or discontinued at any time at the discretion of our board of directors. All share repurchases after February 21, 2014 have been executed under this program.

We temporarily suspended our share repurchase program due to recent acquisitions, and more recently, as a response to the COVID-19 pandemic. As a result, we did not repurchase any shares during the three months ended March 31, 2021. However, there is no expiration date for this program, and we may, at any time, elect to resume the share repurchase program as the circumstances allow. Since the inception of the share buyback programs, we have repurchased 41.8 million shares at a total cost of $1.6 billion. At March 31, 2021, 12.9 million additional shares can be repurchased under the approved share repurchase program.

RESMED INC. AND SUBSIDIARIES

Item 3 Defaults Upon Senior Securities

None

Item 4 Mine Safety Disclosures

None

Item 5 Other Information

None

RESMED INC. AND SUBSIDIARIES

Item 6 Exhibits

Exhibits (numbered in accordance with Item 601 of Regulation S-K)

3.1	First Restated Certificate of Incorporation of ResMed Inc., as amended. (Incorporated by reference to Exhibit 3.1 to the Registrant's Report on Form 10-Q for the quarter ended September 30, 2013)
3.2	Sixth Amended and Restated Bylaws of ResMed Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on February 26, 2020)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from ResMed Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, filed on April 29, 2021, formatted in XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, (v) the Notes to the Condensed Consolidated Financial Statements.

RESMED INC. AND SUBSIDIARIES

Signatures

We have authorized the persons whose signatures appear below to sign this report on our behalf, in accordance with the Securities Exchange Act of 1934.

April 29, 2021

ResMed Inc.

/s/ **MICHAEL J. FARRELL**
Michael J. Farrell
Chief executive officer
(Principal Executive Officer)

/s/ BRETT A. SANDERCOCK
Brett A. Sandercock
Chief financial officer
(Principal Financial Officer)

RESMED INC. AND SUBSIDIARIES
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael J. Farrell, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 control 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 the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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.

April 29, 2021

/s/ MICHAEL J. FARRELL

Michael J. Farrell

Chief executive officer

(Principal Executive Officer)

Exhibit 31.2

RESMED INC. AND SUBSIDIARIES
CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brett A. Sandercock, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 control 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 the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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.

April 29, 2021

/s/ BRETT A. SANDERCOCK

Brett A. Sandercock

Chief financial officer

(Principal Financial Officer)

RESMED INC. AND SUBSIDIARIES
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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 Quarterly Report on Form 10-Q of the Company for the period endedMarch 31, 2021 (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.

April 29, 2021

/s/ MICHAEL J. FARRELL

Michael J. Farrell

Chief executive officer

(Principal 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. These certifications will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor will these certifications be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates them by reference.

RESMED INC. AND SUBSIDIARIES
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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 Quarterly Report on Form 10-Q of the Company for the period endedMarch 31, 2021 (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.

April 29, 2021

/s/ BRETT A. SANDERCOCK

Brett A. Sandercock

Chief financial officer

(Principal 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. These certifications will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor will these certifications be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates them by reference.