

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, 2010

**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)

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At April 27, 2010, there were 75,824,040 shares of Common Stock (\$0.04 par value) outstanding. This number excludes 8,293,568 shares held by the registrant as treasury shares.

RESMED INC. AND SUBSIDIARIES

INDEX

<b>Part I</b>	<b><a href="#">Financial Information</a></b>	3
Item 1	<a href="#">Financial Statements</a>	3
	<a href="#">Condensed Consolidated Balance Sheets (Unaudited) as of March 31, 2010 and June 30, 2009</a>	3
	<a href="#">Condensed Consolidated Statements of Income (Unaudited) for the Three Months Ended March 31, 2010 and 2009 and the Nine Months Ended March 31, 2010 and 2009</a>	4
	<a href="#">Condensed Consolidated Statements of Cash Flows (Unaudited) for the Nine Months Ended March 31, 2010 and 2009</a>	5
	<a href="#">Notes to the Condensed Consolidated Financial Statements (Unaudited)</a>	6
Item 2	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	25
Item 3	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	39
Item 4	<a href="#">Controls and Procedures</a>	41
<b>Part II</b>	<b><a href="#">Other Information</a></b>	42
Item 1	<a href="#">Legal Proceedings</a>	42
Item 1A	<a href="#">Risk Factors</a>	42
Item 2	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	43
Item 3	<a href="#">Defaults Upon Senior Securities</a>	43
Item 4	<a href="#">Reserved</a>	44
Item 5	<a href="#">Other Information</a>	44
Item 6	<a href="#">Exhibits</a>	44
	<a href="#">Signatures</a>	

[Table of Contents](#)

## PART I - FINANCIAL INFORMATION

Item 1

## Item 1. Financial Statements

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

	March 31, 2010	June 30, 2009
<b>ASSETS</b>		
<u>Current assets</u>		
Cash and cash equivalents	\$520,936	\$415,650
Accounts receivable, net	223,670	212,096
Inventories, net (note 4)	197,812	157,431
Deferred income taxes	44,573	44,368
Income taxes receivable	7,429	2,067
Prepaid expenses and other current assets	32,247	21,672
Investment securities (note 3)	3,691	-
Total current assets	<u>1,030,358</u>	<u>853,284</u>
<u>Non-current assets</u>		
Property, plant and equipment, net (note 6)	405,098	377,613
Goodwill (note 7)	215,440	213,169
Other intangibles, net (note 8)	36,050	35,023
Deferred income taxes	21,201	19,364
Other assets	5,347	5,261
Investment securities (note 3)	-	4,254
Total non-current assets	<u>683,136</u>	<u>654,684</u>
Total assets	<u>\$1,713,494</u>	<u>\$1,507,968</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<u>Current liabilities</u>		
Accounts payable	\$51,856	\$48,293
Accrued expenses	86,816	67,018
Deferred revenue	31,031	28,881
Income taxes payable	40,573	56,972
Deferred income taxes	473	391
Current portion of long-term debt (note 9)	114,231	67,545
Total current liabilities	<u>324,980</u>	<u>269,100</u>
<u>Non-current liabilities</u>		
Deferred income taxes	9,694	11,137
Deferred revenue	13,505	15,238
Long-term debt (note 9)	29,466	94,191
Income taxes payable	3,618	3,110
Total non-current liabilities	<u>56,283</u>	<u>123,676</u>
Total liabilities	<u>381,263</u>	<u>392,776</u>
Commitments and contingencies (note 12)	-	-
<u>Stockholders' equity</u>		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; none issued		
Common stock, \$0.004 par value, 200,000,000 shares authorized; issued and outstanding 75,777,092 at March 31, 2010 and 75,251,209 at June 30, 2009 (excluding 8,293,568 and 6,701,925 shares held as treasury stock, respectively)	303	301
Additional paid-in capital	617,190	522,982
Retained earnings	831,710	694,791
Treasury stock, at cost	(285,190)	(208,659)
Accumulated other comprehensive income (note 5)	168,218	105,777
Total stockholders' equity	<u>1,332,231</u>	<u>1,115,192</u>
Total liabilities and stockholders' equity	<u>\$1,713,494</u>	<u>\$1,507,968</u>

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Net revenues	\$ 278,659	\$ 227,865	\$ 800,785	\$ 668,776
Cost of sales	112,076	88,922	319,819	271,682
Gross profit	166,583	138,943	480,966	397,094
Operating expenses:				
Selling, general and administrative	84,133	70,866	244,984	212,289
Research and development	18,279	13,882	55,252	46,089
Amortization of acquired intangible assets	1,992	1,677	5,967	5,304
Donation to Foundation	1,000	-	3,000	1,000
Total operating expenses	105,404	86,425	309,203	264,682
Income from operations	61,179	52,518	171,763	132,412
Other income (expense), net:				
Interest income, net	4,092	2,218	9,383	8,115
Other, net	2,387	(1,142)	7,515	(1,224)
Total other income, net	6,479	1,076	16,898	6,891
Income before income taxes	67,658	53,594	188,661	139,303
Income taxes	18,824	14,396	51,742	38,225
Net income	\$ 48,834	\$ 39,198	\$ 136,919	\$ 101,078
Basic earnings per share	\$ 0.65	\$ 0.52	\$ 1.82	\$ 1.33
Diluted earnings per share (note 2-j)	\$ 0.63	\$ 0.51	\$ 1.77	\$ 1.31
Basic shares outstanding (000's)	75,438	75,821	75,324	75,725
Diluted shares outstanding (000's)	77,830	77,255	77,178	77,264

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

[Table of Contents](#)

PART I - FINANCIAL INFORMATION

Item 1

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

	Nine Months Ended March 31,	
	2010	2009
<b>Cash flows from operating activities:</b>		
Net income	\$136,919	\$101,078
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,090	39,065
Stock-based compensation costs	21,850	19,084
Provision for product warranties	2,241	2,108
Foreign currency revaluation	(8,821)	20,550
Write-down of cost-method investments	250	1,306
Tax benefit from stock option exercises	(8,142)	(3,385)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	(13,228)	(24,598)
Inventories, net	(34,906)	(16,106)
Prepaid expenses, net deferred income taxes and other current assets	(11,483)	(190)
Accounts payable, accrued expenses and other liabilities	(1,519)	29,735
Net cash provided by operating activities	<u>129,251</u>	<u>168,647</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(40,533)	(83,853)
Proceeds from disposals of property, plant and equipment	-	1,070
Capitalized interest	-	(1,494)
Patent registration costs	(3,478)	(3,441)
Proceeds from sale of maturing investment securities	1,050	-
Business acquisitions, net of cash acquired of \$1,260	(10,660)	(322)
Purchases of cost-method investments	-	(899)
Proceeds from disposal of business assets and contracts	284	1,762
Purchases of foreign currency options	(1,479)	(1,274)
Proceeds from exercise of foreign currency options	10,804	814
Net cash used in investing activities	<u>(44,012)</u>	<u>(87,637)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock, net	65,351	19,920
Proceeds from borrowings	-	80,137
Tax benefit from stock option exercises	8,142	3,385
Purchases of treasury stock	(76,532)	(55,604)
Repayment of borrowings	(18,438)	(38,435)
Net cash (used in)/provided by financing activities	<u>(21,477)</u>	<u>9,403</u>
Effect of exchange rate changes on cash	41,524	(84,419)
Net increase in cash and cash equivalents	105,286	5,994
Cash and cash equivalents at beginning of period	415,650	321,078
Cash and cash equivalents at end of period	<u>\$520,936</u>	<u>\$327,072</u>
<b>Supplemental disclosure of cash flow information:</b>		
Income taxes paid	\$ 77,510	\$ 9,082
Interest paid	<u>\$ 1,661</u>	<u>\$ 4,492</u>
Fair value of assets acquired in acquisitions, excluding cash	\$ 7,937	\$ -
Liabilities assumed	(3,909)	-
Goodwill on acquisition	8,715	322
Fair value of contingent consideration	(2,083)	-
Cash paid for acquisitions	<u>\$ 10,660</u>	<u>\$ 322</u>

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

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

(1) Organization and Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending June 30, 2010.

The condensed consolidated financial statements for the three and nine months ended March 31, 2010 and 2009 are unaudited and should be read in conjunction with the condensed consolidated financial statements and notes thereto included in our Form 10-K for the year ended June 30, 2009.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation

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

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

(b) Revenue Recognition

Revenue on product sales is generally recorded upon shipment, at which time title and risk of loss transfers to the customer. Revenue on product sales which require customer acceptance is not recorded until acceptance is received. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized ratably over the life of the service contract. Revenue received in advance from rental unit contracts is initially deferred and recognized ratably over the life of the rental contract. Freight charges billed to customers are included in revenue. All freight related expenses are charged to cost of sales. Taxes assessed by government authorities that are imposed on and concurrent with revenue-producing transactions, such as sales and value added taxes, are reported on a net basis (excluded from revenue).

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

(2) Summary of Significant Accounting Policies, Continued

(b) Revenue Recognition, Continued

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

(c) Cash and Cash Equivalents

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

(d) Inventories

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

(e) Property, Plant and Equipment

Property, plant and equipment, including rental equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, generally two to ten years except for buildings, which are depreciated over an estimated useful life of 40 years. Straight-line and accelerated methods of depreciation are used for tax purposes. Maintenance and repairs are charged to expense as incurred.

We capitalize interest in connection with the construction of facilities. Actual construction costs incurred relating to facilities under active development qualify for interest capitalization. Interest capitalization ceases when the construction of a facility is complete and available for use. During the three and nine months ended March 31, 2010, we did not capitalize interest relating to such construction costs. During the three months and nine months ended March 31, 2009, we capitalized \$0.3 million and \$1.5 million, respectively.

(f) Research and Development

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

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

(2) Summary of Significant Accounting Policies, Continued

(g) Intangible Assets

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

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

(h) Goodwill

We conducted our annual review for goodwill impairment during the final quarter of fiscal 2009. The results of the review during the final quarter of fiscal 2009 indicated that goodwill was not impaired. In conducting our review of goodwill impairment we identified reporting units, being components of our operating segment of each of the entities acquired and giving rise to the goodwill. The fair value for each reporting unit was determined based on discounted cash flows and involved a two-step process as follows:

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

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

(i) Foreign Currency

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



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

(2) Summary of Significant Accounting Policies, Continued

(j) Earnings Per Share

Basic earnings per share is computed by dividing the net income available to common stockholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share, 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 weighted average shares used to calculate basic earnings per share were 75,438,000 and 75,821,000 for the three months ended March 31, 2010 and 2009, respectively and were 75,324,000 and 75,725,000 for the nine months ended March 31, 2010 and 2009, respectively. The difference between basic earnings per share and diluted earnings per share is attributable to the impact of outstanding stock options and restricted stock units during the periods presented. Stock options and restricted stock units had the effect of increasing the number of shares used in the calculation (by application of the treasury stock method) by 2,392,000 and 1,434,000 for the three months ended March 31, 2010 and 2009, respectively, and 1,854,000 and 1,539,000 for the nine months ended March 31, 2010 and 2009, respectively.

The weighted average number of outstanding stock options and restricted stock units not included in the computation of diluted earnings per share were 513,000 and 8,065,000 for the three months ended March 31, 2010 and 2009, respectively, and 907,000 and 7,360,000 for the nine months ended March 31, 2010 and 2009 respectively, as the effect of exercising these options would have been anti-dilutive.

Basic and diluted earnings per share for the three months ended March 31, 2010 and 2009 and the nine months ended March 31, 2010 and 2009 are calculated as follows (in thousands except per share data):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Numerator:				
Net income, used in calculating diluted earnings per share	\$ 48,834	\$ 39,198	\$ 136,919	\$ 101,078
Denominator:				
Basic weighted-average common shares outstanding	75,438	75,821	75,324	75,725
Effect of dilutive securities:				
Stock options and restricted stock units	2,392	1,434	1,854	1,539
Diluted weighted average shares	77,830	77,255	77,178	77,264
Basic earnings per share	\$ 0.65	\$ 0.52	\$ 1.82	\$ 1.33
Diluted earnings per share	\$ 0.63	\$ 0.51	\$ 1.77	\$ 1.31

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

(2) Summary of Significant Accounting Policies, Continued

(k) Financial Instruments

The carrying value of financial instruments, such as cash and cash equivalents, accounts receivable and accounts payable, approximate their fair value because of their short-term nature. The carrying value of long-term debt approximates the fair value as the principal amounts outstanding are subject to variable interest rates that are based on market rates which are regularly reset. Foreign currency option contracts are marked to market and therefore reflect their fair value. We do not hold or issue financial instruments for trading purposes. The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(l) Foreign Exchange Risk Management

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

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

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

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

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

(2) Summary of Significant Accounting Policies, Continued

(m) Income Taxes

We account for income taxes in accordance with the Financial Accounting Standards Board's ("FASB") authoritative guidance for accounting for income taxes, which requires deferred tax assets and liabilities to be recognized using enacted tax rates for the effect of temporary differences between the financial statement and tax bases of recorded assets and liabilities. The guidance also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that a portion of the deferred tax asset will not be realized. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. We have determined that our future taxable income will be sufficient to recover our deferred tax assets, reported net of any valuation allowance. If in the future we determine that a change has occurred which will not allow this recovery, we will revise any valuation allowance against our deferred tax assets. This will result in a charge against our income tax provision.

The calculation of our effective tax rate is dependent upon the geographic composition of our worldwide earnings, tax regulations governing each region and the availability of tax credits. In addition, the calculation of our tax liabilities involves uncertainties in the application of complex tax laws and regulations. We recognize these uncertainties in accordance with the relevant accounting guidance. The final payment of the amounts regarding these uncertainties may ultimately prove to be less than or greater than our estimate. If this occurs there will be either a benefit or a charge to our income tax provision.

(n) Investment Securities

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

At March 31, 2010 and June 30, 2009, the investments in debt securities are classified on the accompanying condensed consolidated balance sheet as investment securities.

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

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

## (o) Warranty

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

Changes in the liability for product warranty for the nine months ended March 31, 2010 are as follows (in thousands):

Balance at July 1, 2009	\$ 8,295
Warranty accruals for the nine months ended March 31, 2010	11,728
Warranty costs incurred for the nine months ended March 31, 2010	(9,487)
Foreign currency translation adjustments	943
Balance at March 31, 2010	\$11,479

## (p) Impairment of Long-Lived Assets

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

## (q) Cost-Method Investments

The aggregate carrying amount of our cost-method investments at March 31, 2010 and June 30, 2009, was \$1.9 million and \$2.2 million, respectively. We review the carrying value of these investments at each balance sheet date. During the three and nine months ended March 31, 2010, we recognized \$Nil and \$0.3 million, respectively, of impairment losses related to one of our investments. This was based on the determination that the impairment was other-than temporary. The written down investment related to a privately held service company. The expense associated with this impairment has been included in the other income (expense) line within the condensed consolidated statements of income. We have determined, subsequent to the impairment charge, that the carrying value of our remaining cost method investments do not exceed their estimated fair values.

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

(2) Summary of Significant Accounting Policies, Continued

(r) Stock-Based Employee Compensation

We have granted stock options and restricted stock units to personnel, including officers and directors, under the ResMed Inc. 2009 Incentive Award Plan (the “2009 Plan”), the 2006 Incentive Award Plan, as amended (the “2006 Plan”) and the Amended and Restated ResMed Inc. 2006 Incentive Award Plan (the “2006 Amended Plan”). These options and restricted stock units have expiration dates of seven years from the date of grant and vest over one or four years. We granted the options with the exercise price equal to the market value as determined at the date of grant. We have also offered to our personnel, including officers, the right to purchase shares of our common stock at a discount under the ResMed Inc. 2009 Employee Stock Purchase Plan (the “ESPP”).

We measure the compensation expense of all stock-based awards at fair value on the date of grant and recognize the compensation expense over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model. Such value is recognized as expense over the service period, using the straight-line method for stock-based awards. The fair value of restricted stock units is equal to the market value as determined at the date of grant.

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

	Three months ended March 31,		Nine months ended March 31,	
	2010	2009	2010	2009
Stock options:				
Weighted average grant date fair value	\$16.53	\$11.96	\$16.06	\$10.56
Weighted average risk-free interest rate	2.4%	2.1%	2.2%	1.9%
Expected option life in years	5.0	4.8	4.0 - 5.0	4.0 - 4.8
Expected volatility	32%	37%	32 - 40%	27 - 38%
ESPP purchase rights:				
Weighted average risk-free interest rate	0.2%	0.9%	0.2%	1.3%
Expected option life in years	6 months	6 months	6 months	6 months
Expected volatility	23%	55%	23 - 55%	33 - 55%

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

- (2) Summary of Significant Accounting Policies, Continued
- (r) Stock-Based Employee Compensation, Continued

Expected volatilities are based on a combination of historical volatilities of our stock and the implied volatilities from traded options of our stock corresponding to the expected term of the options. We use a combination of the historic and implied volatilities as we believe the addition of the implied volatility is more representative of our future stock price trends. While there is a tradable market of options on our common stock, less emphasis is placed on the implied volatility of these options due to the relative low volumes of these traded options and the difference in the terms compared to our employee options. The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and our historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

- (3) Investment Securities

The estimated fair value of investment securities as of March 31, 2010 and June 30, 2009 are \$3.7 million and \$4.3 million, respectively. These investments are diversified among high credit quality investment grade securities in accordance with our investment policy. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

At March 31, 2010, our investment securities were held in AAA rated auction securities with various maturities between July 2039 and November 2047. These investments had regular roll-over or auction dates at which time the interest rates were re-set or the investments were redeemed for cash. During the nine months ended March 31, 2010, one of our investment securities was redeemed at par value for consideration of \$1.1 million. During the nine months ended March 31, 2010, there were no auctions with respect to the remaining investment securities due to the current liquidity issues surrounding the domestic and global capital markets. We continue to earn interest on these investments in accordance with the contract until the next auction occurs. During November 2008, we accepted an offer from UBS that gave us a right to sell our investment securities back to UBS at full par value after June 29, 2010. At March 31, 2010, we have classified the investment securities as a current asset (non-current asset at June 30, 2009) as we expect to receive the cash relating to this investment within the next 3 months. However, in the event we need to access the funds invested in these auction rate securities prior to June 29, 2010, we may not be able to liquidate these securities at the par value. We also believe the current lack of liquidity of these investments is temporary and have therefore recorded the excess of the carrying value over the fair value of \$0.3 million to comprehensive income within stockholders' equity. Additionally, based on our ability to access our cash and cash equivalents, expected operating cash flows, and other sources of cash, we do not anticipate the current lack of liquidity on these investments will affect our ability to operate the business in the ordinary course.

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

(4) Inventories

Inventories were comprised of the following at March 31, 2010 and June 30, 2009 (in thousands):

	March 31, 2010	June 30, 2009
Raw materials	\$74,460	\$53,392
Work in progress	2,716	2,500
Finished goods	120,636	101,539
Inventories, net	\$197,812	\$157,431

(5) Comprehensive Income/(Loss)

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

	Three months ended March 31,		Nine months ended March 31,	
	2010	2009	2010	2009
Net income	\$48,834	\$ 39,198	\$136,919	\$ 101,078
Foreign currency translation gains/(losses)	(491)	(18,163)	61,953	(199,768)
Unrealized gain/(loss) on investment securities	(22)	452	488	(118)
Comprehensive income/(loss)	\$48,321	\$ 21,487	\$199,360	(\$ 98,808)

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

(6) Property, Plant and Equipment

Property, plant and equipment were comprised of the following as of March 31, 2010 and June 30, 2009 (in thousands):

	March 31, 2010	June 30, 2009
Machinery and equipment	\$112,114	\$88,146
Computer equipment	101,322	90,243
Furniture and fixtures	34,267	33,297
Vehicles	2,797	2,661
Clinical, demonstration and rental equipment	68,726	63,227
Leasehold improvements	19,607	19,404
Land	60,917	56,224
Buildings	253,276	232,530
	653,026	585,732
Accumulated depreciation and amortization	(247,928)	(208,119)
Property, Plant and Equipment, net	\$405,098	\$377,613

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

(7) Goodwill

Changes in the carrying amount of goodwill for the nine months ended March 31, 2010, were as follows (in thousands):

Balance at July 1, 2009	\$ 213,169
Goodwill on acquisition of Laboratories Narval SA	8,183
Earn-out accrual on prior year business acquisition	532
Foreign currency translation adjustments	(6,444)
<b>Balance at March 31, 2010</b>	<b>\$ 215,440</b>

On October 1, 2009 we acquired 100% of the outstanding shares of Laboratoires Narval SA. Based in France, Laboratoires Narval manufactures and distributes a mandibular repositioning device (“MRD”) that offers a solution to patients for snoring and obstructive sleep apnea (“OSA”), especially for those with mild OSA. With this acquisition, we add another therapy to supplement our existing positive airway pressure-based solutions, providing a broader offering for this patient group. The total purchase price was EUR 8 million in cash with potential contingent consideration cash payments of EUR 2 million based on the achievement of certain revenue milestones. In relation to the potential contingent consideration we have recognized a liability of EUR 1.4 million, which is based on the expectation that 70% of the revenue milestones will be achieved. The acquisition is not considered a material business combination. The acquisition of Laboratoires Narval has been accounted for using purchase accounting and is included in our consolidated financial statements from October 1, 2009. We have not incurred any material acquisition-related costs in connection with the acquisition of Laboratoires Narval.

(8) Other Intangible Assets

Other intangible assets are comprised of the following as of March 31, 2010, and June 30, 2009 (in thousands):

	March 31, 2010	June 30, 2009
Developed/core product technology	\$38,809	\$34,388
Accumulated amortization	(23,366)	(20,215)
<b>Developed/core product technology, net</b>	<b>15,443</b>	<b>14,173</b>
Trade names	2,381	2,200
Accumulated amortization	(1,349)	(1,103)
<b>Trade names, net</b>	<b>1,032</b>	<b>1,097</b>
Customer relationships	15,252	15,560
Accumulated amortization	(8,670)	(7,363)
<b>Customer relationships, net</b>	<b>6,582</b>	<b>8,197</b>
Patents	39,194	31,830
Accumulated amortization	(26,201)	(20,274)
<b>Patents, net</b>	<b>12,993</b>	<b>11,556</b>
<b>Other intangibles, net</b>	<b>\$36,050</b>	<b>\$35,023</b>

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



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

(9) Long-Term Debt

Long-term debt at March 31, 2010, and June 30, 2009 consists of the following (in thousands):

	March 31, 2010	June 30, 2009
Current portion of long-term debt	\$114,231	\$67,545
Non-current portion of long-term debt	\$29,466	\$94,191
Total Long Term Debt	\$143,697	\$161,736

**Revolving Facility**

On April 30, 2010, ResMed Inc., and our wholly-owned subsidiaries, ResMed Corp., ResMed EAP Holdings Inc. and ResMed Motor Technologies Inc., entered into a Fourth Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement (“the Loan Agreement”) with Union Bank, N.A (formerly Union Bank of California, N.A). The Loan Agreement was modified in order that the minimum fixed charge coverage ratio was revised to exclude all indebtedness owing to Union Bank, N.A.

The entire outstanding principal amount must be repaid in full before March 1, 2011. The outstanding principal amount due under the revolving facility will bear interest at a rate equal to LIBOR plus 0.75% to 1.00% (depending on the applicable leverage ratio). At March 31, 2010, there was \$64.1 million outstanding under this revolving facility.

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

In the third amendment, the Loan Agreement was also amended to modify certain financial covenants. The minimum fixed charge coverage ratio was revised to exclude capital expenditures related to construction of our new headquarters building. The requirement that ResMed Corp. and ResMed Motor Technologies Inc. maintain minimum earnings before interest, taxes, depreciation and amortization, or EBITDA, was increased to \$15 million. Finally, the requirement that we meet certain minimum liquidity levels was eliminated.

The entire principal amount of the revolving facility and any accrued but unpaid interest may be declared immediately due and payable in the event of the occurrence of an event of default as defined in the Loan Agreement. Events of default include, among other items, failure to make payments when due, the occurrence of a material default in the performance of any covenants in the Loan Agreement or related amendments or a 35% or more change in control of ResMed Inc., ResMed Corp., ResMed Motor Technologies Inc. or ResMed EAP Holdings Inc. At March 31, 2010, we were in compliance with our debt covenants.

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

(9) Long-Term Debt, Continued

**Syndicated Facility**

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

Tranche A is a Euro (“EUR”) 50 million five-year term loan facility that refinanced all amounts outstanding under a previous facility. Tranche A bears interest at a rate equal to LIBOR for deposits denominated in EUR plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of ResMed Inc. and its subsidiaries (the “ResMed Group”) for the most recently completed fiscal year for the applicable interest period. The total outstanding principal amount of Tranche A must be repaid in full on June 8, 2011. At March 31, 2010, the Tranche A facility loan had an amount outstanding of EUR 15 million, equivalent to approximately U.S. dollars (“USD”) 20.3 million.

Tranche B is a USD 15 million term loan facility that may only be used for the purpose of financing capital expenditures and other asset acquisitions by the ResMed Group. Tranche B bears interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars, USD or British Pounds Sterling plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire principal amount must be repaid in full on June 8, 2011. At March 31, 2010, there was USD 9.0 million outstanding under the Tranche B loan facility.

Tranche C is a USD 60 million term loan facility that may only be used for the purpose of the payment by ResMed Limited of a dividend to ResMed Holdings Limited, which will ultimately be paid to ResMed Inc. Tranche C bears interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars or USD plus a margin of 0.70% or 0.80%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire outstanding principal amount was repaid in full during the three months ended June 30, 2009. At March 31, 2010, the Tranche C loan facility was no longer available.

Simultaneous with the Syndicated Facility Agreement, ResMed Limited entered into a working capital agreement with HSBC Bank Australia Limited for revolving, letter of credit and overdraft facilities up to a total commitment of 6.5 million Australian dollars, and ResMed (UK) Limited entered into a working capital agreement with HSBC Bank plc for a revolving cash advance facility for a total commitment of up to 3 million British Pounds Sterling. At March 31, 2010, there were no amounts outstanding under either of these facilities.

On September 30, 2008, our wholly-owned Australian subsidiary, ResMed Limited, agreed to amend and restate the Syndicated Facility Agreement entered into on June 8, 2006. The amended and restated agreement (“First Amended and Restated Syndicated Facility Agreement”) with the Hong Kong and Shanghai Banking Corporation, Sydney Branch as financier and HSBC Bank Australia Limited as facility agent and security trustee, provided for an additional Tranche D term loan facility in the amount of USD 50 million.

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

(9) Long-Term Debt, Continued

On September 30, 2009, ResMed Limited, agreed to amend and restate for a second time the Syndicated Facility Agreement. The second amended and restated agreement (“Second Amended and Restated Syndicated Facility Agreement”) provides for the extension of our Tranche D term loan facility in the amount of USD 50 million for an additional 12 month period and to increase the interest rate applicable to the Tranche D portion of the loan facility. The financier continues to have the right to assign part or all of its rights and/or obligations under the Second Amended and Restated Syndicated Facility Agreement to other financial institutions. The extended Tranche D loan facility bears interest at a rate equal to LIBOR for deposits denominated in USD, plus a margin of 2.25% or 2.50%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire principal amount of the additional loan facility must be repaid in full by September 30, 2010. At March 31, 2010, there was USD 50.0 million outstanding under the Tranche D loan facility.

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

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

**Prepayment Facility**

During the quarter ended September 30, 2009, ResMed EPN Limited, our wholly-owned UK subsidiary, obtained access to a Prepayment Facility with HSBC Invoice Finance (UK) Limited that provides for a cash advance facility up to a total commitment of 5 million British Pounds Sterling. These advances are limited to 75% of secured outstanding sales invoices. At March 31, 2010, there were no amounts outstanding under this facility.

Details of contractual debt maturities at March 31, 2010, are as follows (in thousands):

	Payments Due by Period						
	Total	2011	2012	2013	2014	2015	Thereafter
Long-term debt	\$143,697	\$ 114,231	\$ 29,466	\$ -	\$ -	\$ -	\$-

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

(10) Stockholders' Equity

**Common Stock.** On May 27, 2009, our Board of Directors approved a new share repurchase program, authorizing us to acquire up to an aggregate of 10.0 million shares of ResMed Inc. 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. This program cancels and replaces our previous share repurchase program previously authorized on June 6, 2002 for 8.0 million shares and pursuant to which we had repurchased 6,622,907 shares. The new program authorizes us to purchase in addition to the shares we repurchased under our previous program. There is no expiration date for this program. All share repurchases after May 29, 2009 have been executed in accordance with this program.

During the three and nine months ended March 31, 2010, we repurchased 0.2 million shares and 1.6 million shares at a cost of \$10.7 million and \$76.5 million, respectively. At March 31, 2010, we have repurchased a total of 8.3 million shares at a cost of \$285.2 million, of which 6.6 million shares were repurchased pursuant to the repurchase program approved on June 6, 2002 and 1.7 million were repurchased pursuant to the new repurchase program approved on May 27, 2009. Shares that are repurchased are classified as treasury stock pending future use and reduce the number of shares outstanding used in calculating earnings per share. At March 31, 2010, there is a remaining 8.3 million shares that can be repurchased under the approved share repurchase program.

**Preferred Stock.** In April 1997, the Board of Directors authorized 2,000,000 shares of \$0.01 par value preferred stock. No such shares were issued or outstanding at March 31, 2010.

**Stock Options and Restricted Stock Units.** We have granted stock options and restricted stock units to personnel, including officers and directors, in accordance with the 2006 Plan, the 2006 Amended Plan and the 2009 Plan, which was approved at the annual meeting of the stockholders of ResMed Inc. on November 18, 2009. These options and restricted stock units have expiration dates of seven years from the date of grant and vest over one or four years. We have granted the options with an exercise price equal to the market value as determined at the date of grant.

The maximum number of shares of our common stock authorized for issuance under the 2009 Plan is 11,460,825. The number of securities remaining available for future issuance under the 2009 Plan at March 31, 2010 is 3,548,046. The number of shares of our common stock available for issuance under the 2009 Plan will be reduced by (i) two and four tenths (2.4) shares, an increase from two and one tenth (2.1) shares, for each one share of common stock delivered in settlement of any "full-value award," which is any award other than a stock option, stock appreciation right or other award for which the holder pays the intrinsic value and (ii) one share for each share of common stock delivered in settlement of all other awards. The maximum number of shares, which may be subject to awards granted under the 2009 Plan to any individual during any calendar year, may not exceed 1,500,000 shares of our common stock (except in a participant's initial year of hiring up to 2,250,000 shares of our common stock may be granted).

At March 31, 2010, there was \$62.6 million in unrecognized compensation costs related to unvested stock-based compensation arrangements. This is expected to be recognized over a weighted average period of 2.8 years. The aggregate intrinsic value of the stock-based compensation arrangements outstanding and exercisable at March 31, 2010, was \$281.1 million and \$151.3 million, respectively. The aggregate intrinsic value of the options exercised during the three and nine months ended March 31, 2010 was \$17.9 million and \$41.9 million, respectively.

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

## (10) Stockholders' Equity, Continued

The following table summarizes option activity during the nine months ended March 31, 2010:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Term in Years
Outstanding at beginning of period	10,799,302	\$34.82	4.50
Granted	559,850	50.44	
Exercised	(2,042,251)	30.59	
Forfeited	(124,400)	41.63	
Outstanding at end of period	9,192,501	\$36.61	4.70
Exercise price range of granted options	\$40.39 - \$51.47		
Options exercisable at end of period	5,225,938	\$34.70	

The following table summarizes the activity of RSU's during the nine months ended March 31, 2010:

	Restricted Stock Units	Weighted Average Price	Weighted Average Remaining Term to Vest in Years
Outstanding at beginning of period	-	\$-	-
Granted	514,463	51.11	
Forfeited	(4,286)	51.08	
Outstanding at end of period	510,177	\$51.11	2.20

**Employee Stock Purchase Plan (the "ESPP").** The ESPP was approved at the annual meeting of the stockholders of ResMed Inc. on November 18, 2009, as an amendment to the previously approved employee stock purchase plan. Under the ESPP, participants are offered the right to purchase shares of our common stock at a discount during successive offering periods. Each offering period under the ESPP will be for a period of time determined by the Board of Directors' Compensation Committee of no less than 3 months and no more than 27 months. The purchase price for our common stock under the ESPP will be the lower of 85% of the fair market value of our common stock on the date of grant or 85% of the fair market value of our common stock on the date of purchase. An individual participant cannot subscribe for more than \$25,000 in common stock during any calendar year. As part of the approval of the ESPP at the annual meeting of the stockholders of ResMed Inc. on November 18, 2009, the number of shares of our common stock available for grant under the ESPP increased by 600,000 shares, from 500,000 shares to 1,100,000 shares. The number of securities remaining available for future issuance under the ESPP at March 31, 2010 is 627,766

During the three and nine months ended March 31, 2010, we recognized \$0.5 million and \$1.3 million, respectively, of stock-based compensation expense associated with the ESPP.

## (11) Fair Value Measurements

In determining the fair value measurements of our financial assets and liabilities, we consider the principal and most advantageous market in which we transact and consider assumptions that market participants would use when pricing the financial asset or liability. We maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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

(11) Fair Value Measurements, Continued

The hierarchies of inputs are as follows:

- Level 1: Input prices quoted in an active market for identical financial assets or liabilities;
- Level 2: Inputs other than prices quoted in Level 1, such as prices quoted for similar financial assets and liabilities in active markets, prices for identical assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data; and
- Level 3: Input prices quoted that are significant to the fair value of the financial assets or liabilities which are not observable nor supported by an active market.

The following table summarizes our financial assets and liabilities using the valuation input hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$520,936	\$-	\$-	\$520,936
Investment securities	-	3,691	-	3,691
Cost-method investments	-	-	1,932	1,932
Foreign currency options	-	14,508	-	14,508
	\$520,936	\$18,199	\$1,932	\$541,067

We determine the fair value of our financial assets as follows:

Cash and cash equivalents – The valuation used for our cash and other money market funds are derived from quoted market prices due to their short term nature and there is an active market for these financial instruments.

Investment securities – These securities represent our auction rate securities as described in Note 3. At March 31, 2010, we had investments totaling \$4.0 million at par value with an estimated fair value of \$3.7 million. The value of these securities are calculated by third party valuation models based on observable market prices and inputs including future cash flows, yields and spreads.

Cost-method investments – These investments include our holdings in privately held service companies and research companies that are not exchange traded and therefore not supported with observable market prices. However, these investments are valued by reference to their net asset values which can be market supported and observable inputs including future cash flows.

Foreign currency options – These financial instruments are valued using third party valuation models based on market observable inputs, including interest rate curves, on market spot currency prices, volatilities and credit risk.

The following table shows a reconciliation of the changes in the nine months ended March 31, 2010 for fair value measurements using significant unobservable inputs (thousands):

	Cost-Method Investments
Balance at July 1, 2009	\$2,201
Impairment of cost-method investment	(250)
Other	(45)
Foreign currency translation	26
Balance at March 31, 2010	\$1,932

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

(12) Legal Actions and Contingencies

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

During September and October 2004, we began receiving tax assessment notices for the audit of one of our German subsidiaries by the German tax authorities for the years 1996 through 1998. Certain aspects of these assessment notices are being contested and appealed to the German tax authority office. As the outcome of the appeal cannot be predicted with certainty, any tax issues resolved in a manner not consistent with our expectations may require us to adjust our provision for income tax in the period of resolution.

In February 2007, the University of Sydney commenced legal action in the Federal Court of Australia against us, claiming breach of a license agreement and infringement of certain intellectual property. The claim has been amended to include an allegation of breach of confidentiality. The university is seeking various types of relief, including an injunction against manufacturing, supplying, offering for sale, selling or exporting certain mask devices, payment of license fees, damages or an account of profits, interest, costs and declaration of a constructive trust over and assignment of certain intellectual property. In October 2007, we filed a defense denying the university's claim, as well as a cross-claim against the university seeking an order for rectification of the contract and alleging the university violated the Australian Trade Practices Act. The matter is ongoing. We do not expect the outcome of this matter to have a material adverse effect on our consolidated financial statements.

In January 2010, Vaughn Medical Equipment Repair Service, L.L.C., filed a complaint in the U.S. District court in Louisiana, against us and other defendants, alleging, among other things, anti-competitive conduct, conspiracy, defamation and tortious interference. We have filed our initial response to the suit, asking the court to dismiss the case. We do not expect the outcome of this matter to have a material adverse effect on our consolidated financial statements.

(13) Derivative Instruments and Hedging Activities

We transact business in various foreign currencies, including a number of major European currencies as well as the Australian dollar. We have significant foreign currency exposure through both our Australian manufacturing activities and international sales operations. We have established a foreign currency hedging program using purchased currency options and forward contracts to hedge foreign-currency-denominated financial assets, liabilities and manufacturing expenditures. The terms of such foreign currency hedging contracts generally do not exceed three years. The goal of this hedging program is to economically manage the financial impact of foreign currency exposures denominated in Euros, Australian dollars and British Pounds. Under this program, increases or decreases in our foreign-currency-denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments.

We have determined our hedge program to be a non-effective hedge. All movements in the fair value of the foreign currency instruments are recorded within other income, net in our condensed consolidated statements of income. We do not enter into financial instruments for trading or speculative purposes.

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

(13) Derivative Instruments and Hedging Activities, Continued

We held foreign currency instruments with notional amounts totaling \$215.2 million and \$191.7 million at March 31, 2010 and June 30, 2009, respectively, to hedge foreign currency fluctuations. These contracts mature at various dates prior to June 30, 2012.

The fair value and effect of derivative instruments on our condensed consolidated financial statements were as follows:

	Asset Derivatives	March 31, 2010		Gain/(loss) recognized in Income on Derivative
Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Location of gain/ (loss) recognized in Income on Derivative	Nine Months Ended March 31, 2010
Foreign Exchange Contracts	Other Assets	\$14,508	Other Income/(Expense)	\$14,838

We are exposed to credit-related losses in the event of non-performance by counter parties to financial instruments. The credit exposure of foreign currency derivatives at March 31, 2010 and June 30, 2009 was \$14.5 million and \$7.8 million, respectively, which represents the positive fair value of our foreign currency derivatives. These values are included in the current and non-current balances of other assets on the condensed consolidated balance sheets.

(14) Subsequent Events

We have evaluated any events or transactions occurring after March 31, 2010 and noted that there have been no such events or transactions which would impact our consolidated financial statements for the three and nine months ended March 31, 2010.



**RESMED INC. AND SUBSIDIARIES**

**Item 2. 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," "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 the development and approval of new products and product applications, market expansion, pending litigation and the development of new markets for our products, such as cardiovascular and stroke markets. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these forward-looking statements. Such forward-looking statements reflect the views of our management at the time such statements are made and are subject to a number of risks, uncertainties, estimates and assumptions, including, without limitation, and in addition to those identified in the text surrounding such statements, those identified in our Annual Report on Form 10-K for the fiscal year ended June 30, 2009 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, changes in our business or growth strategy or an inability to execute our strategy due to changes in our industry or the economy generally, the emergence of new or growing competitors, the actions or omissions of third parties, including suppliers, customers, competitors and governmental authorities and various other factors. Should any one or more of these risks or uncertainties materialize, or underlying estimates or assumptions prove incorrect, actual results may vary significantly from those expressed in such forward-looking statements, and there can be no assurance that the forward-looking statements contained in this report will in fact occur.

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, in addition to the other cautionary statements and risks described elsewhere in this report and in our other filings with the 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, 2010. Management's discussion and analysis ("MD&A") of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of ResMed Inc. MD&A is provided as a supplement to, and should be read in conjunction with selected financial data and condensed consolidated financial statements and notes, included herein.

We are a leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing ("SDB") and other respiratory disorders. During the three and nine months ended March 31, 2010, we continued our efforts to build awareness of the consequences of untreated SDB, and to grow our business in this market. In our efforts, we have attempted to raise awareness through market and clinical initiatives highlighting the relationship between sleep-disordered breathing/obstructive sleep apnea and co-morbidities, such as cardiac disease, diabetes, hypertension and obesity, as well as the dangers of sleep apnea in regard to occupational health and safety, especially in the transportation industry.

We are committed to ongoing investment in research and development and product enhancements. During the three and nine months ended March 31, 2010, we invested \$18.3 million and \$55.3 million, respectively, on research and development activities. Since the development of Continuous Positive Airway Pressure ("CPAP"), we have developed a number of innovative products for SDB and other respiratory disorders including airflow generators, diagnostic products, mask systems, headgear and other accessories. Our new product release schedule remains active across both our mask and flow generator categories. We have recently introduced the S9™ AutoSet and Elite products, the ApneaLink™ Plus, our type 3 device for home sleep testing, the Swift™ FX mask and the Mirage™ SoftGel mask. We are taking steps to increase awareness of the health dangers of sleep-disordered breathing by sponsoring educational programs targeted at the primary care physician community. We believe these efforts should further increase awareness of both doctors and patients about the relationship between sleep-disordered breathing, obstructive sleep apnea and co-morbidities such as cardiac disease, diabetes, hypertension and obesity. We believe these efforts should also support our efforts to inform the community of the dangers of sleep apnea in occupational health and safety, especially in the transport industry.

During the three months ended March 31, 2010, our net revenue increased by 22% when compared to the three months ended March 31, 2009. Gross margin was 60% for the three months ended March 31, 2010 compared to 61% for the three months ended March 31, 2009. Diluted earnings per share for the three months ended March 31, 2010 increased to \$0.63 per share, up from \$0.51 per share in the three months ended March 31, 2009.

At March 31, 2010, our cash and cash equivalents totaled \$520.9 million, our total assets were \$1.7 billion and our stockholders' equity was \$1.3 billion.

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

Net revenue increased for the three months ended March 31, 2010 to \$278.7 million compared to \$227.9 million for the three months ended March 31, 2009, an increase of \$50.8 million or 22%. The increase in net revenue is primarily attributable to an increase in unit sales of our flow generators, masks and accessories. Movements in international currencies against the U.S. dollar positively impacted revenues by approximately \$9.2 million during the three months ended March 31, 2010. Excluding the impact of favorable foreign currency movements, net revenue for the three months ended March 31, 2010 increased by 18% compared to the three months ended March 31, 2009.

Net revenue in North and Latin America increased for the three months ended March 31, 2010 to \$146.8 million from \$122.5 million for the three months ended March 31, 2009, an increase of 20%. We believe this growth has been generated by increased public and physician awareness of sleep-disordered breathing and growth generated from our recent product releases including the S9 flow generator, bilevel flow generator and masks. Net international revenue, which includes all markets outside North and Latin America, for the three months ended March 31, 2010 increased to \$131.9 million from \$105.4 million, compared to the three months ended March 31, 2009, an increase of 25%. Movements in international currencies against the U.S. dollar positively impacted international revenues by approximately \$9.2 million during the three months ended March 31, 2010. Excluding the impact of movements in international currencies, international sales grew by 16% compared to the three months ended March 31, 2009. We believe this international sales growth predominantly reflects growth in the overall sleep-disordered breathing market and growth generated from our recent product releases, including the S9 flow generator, bilevel flow generator and masks.

Revenue from the sales of flow generators, including humidifiers, for the three months ended March 31, 2010 totaled \$161.3 million, an increase of 23% compared to the three months ended March 31, 2009 of \$131.1 million, including increases of 17% in North and Latin America and 28% internationally. Revenue from the sales of masks and other accessories for the three months ended March 31, 2010 totaled \$117.4 million, an increase of 21% compared to the three months ended March 31, 2009 of \$96.7 million, including increases of 23% in North and Latin America and 19% internationally. Excluding the impact of favorable currency movements, international revenue increased by 20% and 10% for revenue of flow generators and masks and other accessories, respectively, for the three months ended March 31, 2010 compared to the three months ended March 31, 2009. We believe these increases primarily reflect growth in the overall sleep-disordered breathing market and contributions from new products.

The following table summarizes the percentage movements in our net revenue for the three months ended March 31, 2010 compared to the three months ended March 31, 2009:

	North and Latin America	International	Total	International (Constant Currency) *	Total (Constant Currency)
Flow generators	17%	28%	23%	20%	18%
Masks and other accessories	23%	19%	21%	10%	18%
Total	20%	25%	22%	16%	18%

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

**RESMED INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and Results of Operations****Net Revenue, continued**

Net revenue for the nine months ended March 31, 2010, increased to \$800.8 million or 20% as compared to \$668.8 million for the nine months ended March 31, 2009. For the nine months ended March 31, 2010, revenue from sales of flow generators increased by 21% compared to the nine months ended March 31, 2009, including increases of 19% in North and Latin America and 23% internationally. Revenue from sales of masks and other accessories increased by 18%, including increases of 21% in North and Latin America and 13% internationally, for the nine months ended March 31, 2010 compared to the nine months ended March 31, 2009. Movement in international currencies against the U.S. dollar positively impacted net revenue by approximately \$17.2 million during the nine months ended March 31, 2010. Excluding the impact of favorable currency movements, total revenue for the nine months ended March 31, 2010 increased by 17% compared to the nine months ended March 31, 2009. We believe these increases primarily reflect growth in the overall sleep-disordered breathing market and sales from our new products.

The following table summarizes the percentage movements in our net revenue for the nine months ended March 31, 2010 compared to the nine months ended March 31, 2009:

	North and Latin America	International	Total	International (Constant Currency) *	Total (Constant Currency)
Flow generators	19%	23%	21%	17%	18%
Masks and other accessories	21%	13%	18%	8%	16%
Total	20%	20%	20%	14%	17%

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

**Gross Profit**

Gross profit increased for the three months ended March 31, 2010 to \$166.6 million from \$138.9 million for the three months ended March 31, 2009, an increase of \$27.6 million or 20%. Gross profit as a percentage of net revenue for the three months ended March 31, 2010 decreased to 59.8% from 61.0% for the three months ended March 31, 2009.

Gross profit increased for the nine months ended March 31, 2010 to \$481.0 million from \$397.1 million for the nine months ended March 31, 2009, an increase of \$83.9 million or 21%. Gross profit as a percentage of net revenue for the nine months ended March 31, 2010 was 60.1% compared to 59.4% for the nine months ended March 31, 2009.

The decrease in gross margins for the three months ended March 31, 2010 is primarily due to the appreciation of the Australian dollar against the U.S. dollar as the majority of our manufacturing labor and overhead is denominated in Australian dollars. The increase in gross margins for the nine months ended March 31, 2010 is primarily due to cost efficiencies attributable to manufacturing and supply chain improvements and a favorable change in product mix as sales of our higher margin products represented a higher proportion of our sales.

**RESMED INC. AND SUBSIDIARIES**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses increased for the three months ended March 31, 2010 to \$84.1 million from \$70.9 million for the three months ended March 31, 2009, an increase of \$13.3 million or 19%. Selling, general and administrative expenses, as a percentage of net revenue, were 30.2% for the three months ended March 31, 2010 compared to 31.1% for the three months ended March 31, 2009.

Selling, general and administrative expenses increased for the nine months ended March 31, 2010 to \$245.0 million from \$212.3 million for the nine months ended March 31, 2009, an increase of \$32.7 million or 15%. Selling, general and administrative expenses, as a percentage of net revenue, were 30.6% for the nine months ended March 31, 2010 compared to 31.7% for the nine months ended March 31, 2009.

The increase in selling, general and administrative expenses was primarily due to an increase in the number of sales and administrative personnel to support our growth, stock-based compensation costs and other expenses related to the increase in our sales. The increase in selling, general and administrative expenses was also impacted by the net depreciation of the U.S. dollar against international currencies, which increased our expenditure by approximately \$5.8 million and \$10.2 million for the three and nine months ended March 31, 2010, respectively, as reported in U.S. dollars. As a percentage of net revenue, we expect our future selling, general and administrative expense to be between 30% and 31%.

**Research and Development Expenses**

Research and development expenses increased for the three months ended March 31, 2010 to \$18.3 million from \$13.9 million for the three months ended March 31, 2009, an increase of \$4.4 million or 32%. Research and development expenses, as a percentage of net revenue, were 6.6% for the three months ended March 31, 2010, compared to 6.1% for the three months ended March 31, 2009.

Research and development expenses increased for the nine months ended March 31, 2010 to \$55.3 million from \$46.1 million for the nine months ended March 31, 2009, an increase of \$9.2 million or 20%. Research and development expenses, as a percentage of net revenue, were 6.9% for the nine months ended March 31, 2010, compared to 6.9% for the nine months ended March 31, 2009.

The increase in research and development expenses was primarily due to an increase in charges for consulting fees and an increase in clinical trials. The increase in research and development expenses was also due to the net appreciation of international currencies against the U.S. dollar, which increased our expenses by approximately \$3.9 million and \$7.1 million for the three and nine months ended March 31, 2010, as reported in U.S. dollars. As a percentage of net revenue, we expect our future research and development expense to continue to be between 6% and 8%.

**Amortization of Acquired Intangible Assets**

Amortization of acquired intangible assets for the three and nine months ended March 31, 2010 totaled \$2.0 million and \$6.0 million, respectively, as compared to \$1.7 million and \$5.3 million for the three and nine months ended March 31, 2009, respectively. The increase in amortization expense is attributable to the acquisition of Laboratories Narval SA and the appreciation of the Euro against the U.S. dollar as the majority of the acquired intangible assets are denominated in Euros.

**RESMED INC. AND SUBSIDIARIES**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Donations to Foundation**

For the three and nine months ending March 31, 2010, we donated a total of \$1.0 million and \$3.0 million, respectively, to the ResMed Foundation. The Foundation was established primarily to promote research into the deleterious medical consequences of untreated sleep-disordered breathing and to increase public and physician awareness of the importance of sleep and respiratory health throughout the world. For the three and nine months ending March 31, 2009, we donated a total of \$Nil and \$1.0 million, respectively, to the ResMed Foundation.

**Other Income, Net**

Other income, net for the three and nine months ended March 31, 2010 was \$6.5 million and \$16.9 million, respectively, compared to \$1.1 million and \$6.9 million for the three and nine months ended March 31, 2009, respectively. The increase in other income, net, was predominately due to gains on foreign currency and hedging transactions and an increase in interest income, net, during the three and nine months ended March 31, 2010, respectively.

**Income Taxes**

Our effective income tax rate of approximately 27.8% for the three months ended March 31, 2010 was higher than our effective income tax rate of approximately 26.9% for the three months ended March 31, 2009. The higher tax rate was primarily due to a change in the geographic mix of taxable income. Our effective income tax rate of approximately 27.4% for the nine months ended March 31, 2010 was consistent with our effective tax rate of 27.4% for the nine months ended March 31, 2009.

We continue to benefit from the Australian corporate tax rate of 30% and certain Australian research and development tax benefits because we generate the majority of our taxable income in Australia.

**Net Income**

As a result of the factors above, our net income for the three months ended March 31, 2010 was \$48.8 million or \$0.63 per diluted share compared to net income of \$39.2 million or \$0.51 per diluted share for the three months ended March 31, 2009, an increase of 25% and 24%, respectively, over the three months ended March 31, 2009.

As a result of the factors above, our net income for the nine months ended March 31, 2010 was \$136.9 million or \$1.77 per diluted share, compared to net income of \$101.1 million or \$1.31 per diluted share for the nine months ended March 31, 2009, an increase of 36% and 35%, respectively, over the nine months ended March 31, 2009.

**RESMED INC. AND SUBSIDIARIES**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Liquidity and Capital Resources**

As of March 31, 2010 and June 30, 2009, we had cash and cash equivalents of \$520.9 million and \$415.7 million, respectively. Working capital was \$705.4 million and \$584.2 million at March 31, 2010 and June 30, 2009, respectively.

Inventories at March 31, 2010 were \$197.8 million, an increase of \$50.1 million or 34% over the March 31, 2009 balance of \$147.7 million. The percentage increase in inventories mainly reflects an increase in materials for new products and the impact of movements in foreign currency exchange rates, particularly the appreciation of the Australian dollar and Euro relative to the U.S. dollar.

Accounts receivable at March 31, 2010 were \$223.7 million, an increase of \$27.7 million or 14% over the March 31, 2009 accounts receivable balance of \$196.0 million. Accounts receivable days outstanding of 70 days at March 31, 2010 decreased by 4 days compared to the 74 days at March 31, 2009. Our allowance for doubtful accounts as a percentage of total accounts receivable at March 31, 2010 and June 30, 2009 was 3.4% and 3.4%, respectively. To date we have not experienced any significant adverse decline in the credit quality of our customers and it remains broadly consistent with our past experience.

At March 31, 2010 no capital lease obligations exist. Details of contractual obligations at March 31, 2010 are as follows:

In \$000's	Payments Due by Period						
	Total	Mar 31, 2011	Mar 31, 2012	Mar 31, 2013	Mar 31, 2014	Mar 31, 2015	Thereafter
Long-Term Debt	\$143,697	\$114,231	\$29,466	\$ -	\$ -	\$ -	\$ -
Operating Leases	34,578	11,546	8,271	4,242	3,046	2,783	4,690
Purchase Obligations	109,660	101,453	2,022	3,077	3,108	-	-
Total Contractual Obligations <sup>(A)</sup>	\$287,935	\$227,230	\$39,759	\$7,319	\$6,154	\$2,783	\$4,690

<sup>(A)</sup> The liabilities related to unrecognized tax benefits are not included in the above contractual obligations because the timing cannot be reliably estimated.

Details of other commercial commitments as at March 31, 2010 are as follows:

In \$000's	Amount of Commitment Expiration Per Period						
	Total	Mar 31, 2011	Mar 31, 2012	Mar 31, 2013	Mar 31, 2014	Mar 31, 2015	Thereafter
Standby Letters of Credit	\$ 36	\$ 36	\$ -	\$ -	\$ -	\$ -	\$ -
Guarantees*	90,719	65,581	18,360	551	2,564	551	3,112
Other Commercial Commitments	619	168	46	-	-	-	405
Total Commercial Commitments	\$91,374	\$ 65,785	\$ 18,406	\$ 551	\$ 2,564	\$ 551	\$ 3,517

\* The above guarantees relate mainly to guarantees required as part of our debt facilities and requirements under contractual obligations with insurance companies transacting with our German subsidiaries.

**RESMED INC. AND SUBSIDIARIES**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Liquidity and Capital Resources, Continued**

**Revolving Facility**

On April 30, 2010, ResMed Inc., and our wholly-owned subsidiaries, ResMed Corp., ResMed EAP Holdings Inc. and ResMed Motor Technologies Inc., entered into a Fourth Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement ("the Loan Agreement") with Union Bank, N.A (formerly Union Bank of California, N.A). The Loan Agreement was modified in order that the minimum fixed charge coverage ratio was revised to exclude all indebtedness owing to Union Bank, N.A.

The entire outstanding principal amount must be repaid in full before March 1, 2011. The outstanding principal amount due under the revolving facility will bear interest at a rate equal to LIBOR plus 0.75% to 1.00% (depending on the applicable leverage ratio). At March 31, 2010, there was \$64.1 million outstanding under this revolving facility.

**Syndicated Facility**

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

Tranche A is a Euro ("EUR") 50 million five-year term loan facility that refinanced all amounts outstanding under a previous facility. Tranche A bears interest at a rate equal to LIBOR for deposits denominated in EUR plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of ResMed Inc. and its subsidiaries (the "ResMed Group") for the most recently completed fiscal year for the applicable interest period. The entire outstanding principal amount must be repaid in full on June 8, 2011. At March 31, 2010, the Tranche A facility loan had an amount outstanding of EUR 15 million, equivalent to approximately U.S. dollars ("USD") 20.3 million

Tranche B is a USD 15 million term loan facility that may only be used for the purpose of financing capital expenditures and other asset acquisitions by the ResMed Group. Tranche B bears interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars, USD or British Pounds Sterling plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire principal amount must be repaid in full on June 8, 2011. At March 31, 2010 there was USD 9.0 million outstanding under the Tranche B loan facility.



**RESMED INC. AND SUBSIDIARIES****Management's Discussion and Analysis of Financial Condition and Results of Operations****Liquidity and Capital Resources, Continued**

Tranche C is a USD 60 million term loan facility that may only be used for the purpose of the payment by ResMed Limited of a dividend to ResMed Holdings Limited, which will ultimately be paid to ResMed Inc. Tranche C bears interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars or USD plus a margin of 0.70% or 0.80%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire outstanding principal amount was repaid in full during the three months ended June 30, 2009. At March 31, 2010, the Tranche C loan facility was no longer available.

Simultaneous with the Syndicated Facility Agreement, ResMed Limited entered into a working capital agreement with HSBC Bank Australia Limited for revolving, letter of credit and overdraft facilities up to a total commitment of 6.5 million Australian dollars, and ResMed (UK) Limited entered into a working capital agreement with HSBC Bank plc for a revolving cash advance facility for a total commitment of up to 3 million British Pounds Sterling. At March 31, 2010, there were no amounts outstanding under either of these facilities.

On September 30, 2008, our wholly-owned Australian subsidiary, ResMed Limited, agreed to amend and restate the Syndicated Facility Agreement entered into on June 8, 2006. The amended and restated agreement ("First Amended and Restated Syndicated Facility Agreement") with the Hong Kong and Shanghai Banking Corporation, Sydney Branch as financier and HSBC Bank Australia Limited as facility agent and security trustee, provided for an additional Tranche D term loan facility in the amount of USD 50 million.

On September 30, 2009, ResMed Limited, agreed to amend and restate for a second time the Syndicated Facility Agreement. The second amended and restated agreement ("Second Amended and Restated Syndicated Facility Agreement") provides for the extension of our Tranche D term loan facility in the amount of USD 50 million for an additional 12 month period and to increase the interest rate applicable to the Tranche D portion of the loan facility. The financier continues to have the right to assign part or all of its rights and/or obligations under the Second Amended and Restated Syndicated Facility Agreement to other financial institutions. The extended Tranche D loan facility bears interest at a rate equal to LIBOR for deposits denominated in USD, plus a margin of 2.25% or 2.50%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire principal amount of the additional loan facility must be repaid in full by September 30, 2010. At March 31, 2010 there was USD 50.0 million outstanding under the Tranche D loan facility.

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

**RESMED INC. AND SUBSIDIARIES**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Liquidity and Capital Resources, Continued**

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

**Prepayment Facility**

During the quarter ended September 30, 2009, ResMed EPN Limited, our wholly owned UK subsidiary, obtained access to a Prepayment Facility with HSBC Invoice Finance (UK) Limited that provides for a cash advance facility up to a total commitment of 5 million British Pounds Sterling. These advances are limited to 75% of secured outstanding sales invoices. At March 31, 2010, there were no amounts outstanding under this facility.

We expect to satisfy all of our short-term liquidity requirements through a combination of cash on hand, cash generated from operations and our \$13.0 million in undrawn facilities, which was available at March 31, 2010.

**Common stock**

On May 27, 2009, our Board of Directors approved a new share repurchase program, authorizing us to acquire up to an aggregate of 10.0 million shares of ResMed Inc. common stock. During the three and nine months ended March 31, 2010, we repurchased 0.2 million and 1.6 million shares, respectively, at a cost of \$10.7 million and \$76.5 million, respectively. At March 31, 2010, we have repurchased a total of 8.3 million shares at a cost of \$285.2 million, of which 6.6 million shares were repurchased pursuant to the repurchase program approved on June 6, 2002 and 1.7 million shares were repurchased pursuant to the new repurchase program approved on May 27, 2009. Shares that are repurchased are classified as treasury stock pending future use and reduce the number of shares outstanding used in calculating earnings per share. At March 31, 2010, 8.3 million additional shares can be repurchased under the share repurchase program approved May 27, 2009.

**RESMED INC. AND SUBSIDIARIES**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Critical Accounting Principles and Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

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

- (1) Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering a customer's financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.
- (2) Inventory Adjustments. Inventories are stated at lower of cost or market and are determined by the first-in, first-out method. We review the components of inventory on a regular basis for excess, obsolete and impaired inventory based on estimated future usage and sales. The likelihood of any material inventory write-downs is dependent on changes in competitive conditions, new product introductions by us or our competitors, or rapid changes in customer demand.
- (3) Valuation of Deferred Income Taxes. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The likelihood of a material change in our expected realization of these assets is dependent on future taxable income, the intrinsic value of stock options, our ability to deduct tax loss carry forwards against future taxable income, the effectiveness of our tax planning strategies among the various tax jurisdictions that we operate in, and any significant changes in the tax treatment received on our business combinations.

**RESMED INC. AND SUBSIDIARIES**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Critical Accounting Principles and Estimates, Continued**

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

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

(6) Revenue Recognition. Revenue on product sales is recorded at the time of shipment, at which time title and risk of loss transfers to the customer. Revenue on product sales, which require customer acceptance, is not recorded until acceptance is received. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized ratably over the life of the service contract. Revenue received in advance from rental unit contracts is initially deferred and recognized ratably over the life of the rental contract. Revenue from sale of marketing and distribution rights is initially deferred and recognized ratably as revenue over the life of the contract. Freight charges billed to customers are included in revenue. All freight-related expenses are charged to cost of sales. We do not recognize revenues to the extent that we offer a right of return or other recourse with respect to the sale of our products, other than returns for product defects or other warranty claims, nor do we recognize revenues if we offer variable sale prices for subsequent events or activities. As part of our sales processes we may provide upfront discounts for large orders, one-time special pricing to support new product introductions, sales rebates for centralized purchasing entities or price-breaks for regular order volumes. The costs of all such programs are recorded as an adjustment to revenue. Our products are predominantly therapy-based equipment and require no installation. As such, we have no significant installation obligations.

**RESMED INC. AND SUBSIDIARIES**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Critical Accounting Principles and Estimates, Continued**

(7) Stock-Based Compensation. We measure the compensation of all stock-based awards at fair value on date of grant. Such value is recognized as compensation expense over the service period, net of estimated forfeitures. We estimate the fair value of employee stock options using a Black-Scholes valuation model. The fair value of an award is affected by our stock price on the date of grant as well as other assumptions including the estimated volatility of our stock price over the term of the awards and the estimated period of time that we expect employees to hold their stock options. The risk-free interest rate assumption we use is based upon U.S. Treasury yield curve appropriate for the expected life of the awards. Expected volatilities are based on a combination of historical volatilities of our stock and the implied volatilities from traded options of our stock corresponding to the expected term of the options. We use a combination of the historic and implied volatilities as we believe the addition of the implied volatility is more representative of our future stock price trends. In order to determine the estimated period of time that we expect employees to hold their stock options, we have used historical rates by employee groups. The estimation of stock awards, including options and restricted stock units, that will ultimately vest requires judgment, and to the extent actual results differ from our estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. The aforementioned inputs entered into the option valuation model we use to fair value our stock awards are subjective estimates and changes to these estimates will cause the fair value of our stock awards and related stock-based compensation expense we record to vary.

(8) Income Tax. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50 percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

**Recently Issued Accounting Pronouncements**

In September 2006 and February 2008, the FASB issued authoritative guidance on fair value measurements, which defined fair value, established a framework for measuring fair value using generally accepted accounting principles, and expanded disclosures about fair value measurements. We adopted this guidance on July 1, 2008 with the exception of the application of the guidance to non-recurring non-financial assets and liabilities, which we adopted on July 1, 2009. This adoption did not have a material impact on our unaudited condensed consolidated financial statements.

In January 2010, the FASB issued authoritative guidance on fair value measurements, the valuation techniques and inputs used, in the activity of Level 3 fair value measurements, and transfers between Level 1, 2 and 3. We will adopt this guidance in our annual report of fiscal 2010 except for the provisions of this update that will be effective in our fiscal 2012.

**RESMED INC. AND SUBSIDIARIES**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Recently Issued Accounting Pronouncements, Continued**

In December 2007 and April 2009, the FASB revised the authoritative guidance on business combinations, which established principles and requirements for how the acquirer in a business combination recognizes and measures all assets and liabilities acquired in a transaction at their acquisition date fair value. The authoritative guidance also change the accounting treatment for specific transactions such as the recognition of contingent liabilities, the recognition of capitalized in-process research and development, restructuring costs, the treatment of acquisition related transaction costs and changes in the income tax valuation allowances. We have adopted this guidance on July 1, 2009.

In March 2008, the FASB issued authoritative guidance on disclosures about derivative instruments and hedging activities, which requires disclosure of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. We have adopted this guidance on July 1, 2009 and have included the required additional disclosures.

In May 2009 and February 2010, the FASB issued authoritative guidance on subsequent events, which provides rules on recognition and disclosure for events and transactions occurring after the balance sheet date but before the financial statements are issued or available to be issued. We have adopted this guidance and it did not have a material impact on our unaudited condensed consolidated financial statements.

In June 2009, the FASB established that the "FASB Accounting Standards Codification" ("Codification") will become the single official source of authoritative U.S. GAAP (other than guidance issued by the SEC), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related accounting literature. Thereby, only one level of authoritative U.S. GAAP will exist, and all other literature will be considered non-authoritative. The Codification does not change U.S. GAAP. The Codification was adopted on July 1, 2009 and it did not have a material impact on our unaudited condensed consolidated financial statements.

In September 2009, the FASB amended the authoritative guidance on revenue recognition for arrangements with multiple deliverables and arrangements that include software elements. This new guidance permits prospective or retrospective adoption. We will prospectively adopt this guidance from July 1, 2010 and do not believe it will have a material impact on our consolidated financial statements.

**Off-Balance Sheet Arrangements**

As of March 31, 2010, we are not involved in any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC.

**RESMED INC. AND SUBSIDIARIES**

**Item 3. 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 dollar. We have significant foreign currency exposure through both our Australian manufacturing activities and international sales operations. We have established a foreign currency hedging program using purchased currency options and forward contracts to hedge foreign-currency-denominated financial assets, liabilities and manufacturing expenditures. The goal of this hedging program is to economically manage the financial impact of foreign currency exposures denominated in Euros and Australian 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 table below provides information in U.S. dollar equivalents on our significant foreign-currency-denominated financial assets and liabilities at March 31, 2010 (in thousands):

	Foreign Currency Financial Assets									
	Australian Dollar (AUD)	US Dollar (USD)	Euro (EUR)	Great Britain Pound (GBP)	Canadian Dollar (CAD)	Singapore Dollar (SGD)	New Zealand Dollar (NZD)	Swedish Krona (SEK)	Swiss Franc (CHF)	Norwegian Kroner (NOK)
<b>AUD Functional</b>										
Currency Entities:										
Assets	-	100,383	62,213	584	-	88	777	1,163	649	894
Liability	-	(86,784)	(44,209)	(473)	-	(165)	(554)	-	(64)	(129)
Net Total	-	13,599	18,004	111	-	(77)	223	1,163	585	765
<b>USD Functional</b>										
Currency Entities:										
Assets	-	-	-	-	8,178	-	-	-	-	-
Liability	-	-	-	-	-	-	-	-	-	-
Net Total	-	-	-	-	8,178	-	-	-	-	-
<b>EURO Functional</b>										
Currency Entities:										
Assets	-	1	-	-	-	-	-	-	-	-
Liability	-	(286)	-	(3,567)	-	-	-	(30)	(70)	(417)
Net Total	-	(285)	-	(3,567)	-	-	-	(30)	(70)	(417)
<b>GBP Functional</b>										
Currency Entities:										
Assets	-	522	3,491	-	-	-	-	-	-	-
Liability	-	-	(4,549)	-	-	-	-	(8)	-	-
Net Total	-	522	(1,058)	-	-	-	-	(8)	-	-
<b>SGD Functional</b>										
Currency Entities:										
Assets	1,096	9,784	6,709	43	-	-	-	141	33	302
Liability	(2,347)	(27,748)	(75)	(7)	-	-	-	-	-	-
Net Total	(1,251)	17,964	6,634	36	-	-	-	141	33	302

**RESMED INC. AND SUBSIDIARIES**

**Quantitative and Qualitative Disclosures About Market Risk**

**Foreign Currency Market Risk, Continued**

The table below provides information about our foreign currency derivative financial instruments and presents the information in U.S. dollar equivalents. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency hedges held at March 31, 2010. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for our foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under our option contracts.

(In thousands except exchange rates) Foreign Exchange Call Options	FY 2010	FY 2011	FY 2012	Total	Fair Value Assets / (Liabilities)	
					Mar 31, 2010	Jun 30, 2009
<b>Receive AUD/Pay USD</b>						
Option amount	\$25,500	\$72,500	\$30,000	\$128,000	\$6,918	\$5,903
Ave. contractual exchange rate	AUD 1 = USD 0.8243	AUD 1 = USD 0.8245	AUD 1 = USD 0.9272	AUD 1 = USD 0.8464		
<b>Receive AUD/Pay Euro</b>						
Option amount	\$12,162	\$60,133	\$14,864	\$87,159	\$7,590	\$1,894
Ave. contractual exchange rate	AUD 1 = Euro 0.5863	AUD 1 = Euro 0.5871	AUD 1 = Euro 0.6123	AUD 1 = Euro 0.5912		
<b>Receive AUD/Pay GBP</b>						
Option Amount	-	-	-	-	\$-	\$18
Ave. contractual exchange rate	-	-	-	-		

**Interest Rate Risk**

We are exposed to risk associated with changes in interest rates affecting the return on our cash and cash equivalents, investment securities and debt. At March 31, 2010, we maintained cash and cash equivalents of \$520.9 million containing financial instruments that have original maturities of less than 90 days. These financial instruments are 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, 2010, we had total long-term debt, including the current portion of those obligations, of \$143.7 million. All of this debt is subject to variable interest rates. A hypothetical 10% change in interest rates during the three months ended March 31, 2010, would not have had a material impact on pretax income. We have no interest rate hedging agreements.

**Credit Market Risk**

At March 31, 2010, we held a number of investment securities in AAA rated auction securities with UBS which had various maturities between July 2039 and November 2047. During November 2008, we accepted an offer that gave us a right to sell our investment securities back to UBS at full par value after June 29, 2010. However, in the event we need to access the funds invested in these auction rate securities prior to June 29, 2010 we may not be able to liquidate these securities at the par value. We believe the current lack of liquidity of these investments is temporary and have therefore recorded the excess of the carrying value over the fair value to comprehensive income within stockholders equity. Additionally, based on our ability to access our cash and cash equivalents, expected operating cash flows, and other sources of cash, we do not anticipate the current lack of liquidity on these investments will affect our ability to operate the business in the ordinary course.



**RESMED INC. AND SUBSIDIARIES**

**Item 4. Controls and Procedures**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow 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, 2010.

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

**RESMED INC. AND SUBSIDIARIES**

**Item 1 Legal Proceedings**

The information required by this Item is incorporated herein by reference to Note 12, "Legal Actions and Contingencies," to the unaudited condensed consolidated financial statements under Part I, Item 1 of this report.

**Item 1A Risk Factors**

The discussion of our business and operations should be read together with the risk factors contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2009, which was filed with the SEC and describes the various risks and uncertainties to which we are or may become subject. At March 31, 2010, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended June 30, 2009 except for the following:

In March 2010, the President signed the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the "PPACA"), which makes changes that are expected to impact the pharmaceutical and medical device industries. One of the principal aims of the PPACA as currently enacted is to expand health insurance coverage to approximately 32 million Americans who are currently uninsured. We cannot predict at this time the impact of these coverage expansions, if any, on the sales of our products.

The PPACA also contains a number of provisions designed to generate the revenues necessary to fund the coverage expansions among other things. This includes new fees or taxes on certain health-related industries, including medical device manufacturers. Beginning in 2013, with limited exceptions, entities that manufacture, produce or import medical devices will be required to pay a deductible excise tax in an amount equal to 2.3 percent of the price for which such devices are sold in the United States. Though there are some exceptions to the excise tax, this excise tax does apply to all of the Company's products.

In addition to PPACA discussed above, the effect of which cannot presently be fully quantified given its recent enactment, various healthcare reform proposals have also emerged at the state level. We cannot predict whether future healthcare initiatives will be implemented at the federal or state level or the effect any future legislation or regulation will have on us. The taxes imposed by the new federal legislation and, the expansion in the federal government's role in the U.S. healthcare industry and the increased funding and focus on comparative clinical effectiveness research that compares and evaluates the risks and benefits, clinical outcomes, effectiveness and appropriateness of products may result in decreased profits to us, lower reimbursements by payors for our products, and reduced medical procedure volumes, all of which may adversely affect. The PPACA as well as other state and/or federal healthcare reform measures that may be adopted in the future could have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with anti-kickback and fraud regulations could result in substantial penalties and changes in our business operations. In particular, the federal Anti-Kickback Law prohibits persons from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce either the referral of an individual, or the furnishing, recommending or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. The U.S. government has interpreted this law broadly to apply to the marketing and sales activities of manufacturers and distributors like us.

**RESMED INC. AND SUBSIDIARIES**

**Item 1A Risk Factors, Continued**

The recently enacted PPACA, among other things, amends the intent requirement of the federal anti-kickback and criminal health care fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Many states and other governments have adopted laws similar to the federal Anti-Kickback Law. We are also subject to other federal and state fraud laws applicable to payment from any third party payer. These laws prohibit persons from knowingly and willfully filing false claims or executing a scheme to defraud any healthcare benefit program, including private third party payers. These laws may apply to manufacturers and distributors who provide information on coverage, coding, and reimbursement of their products to persons who do bill third party payers. Any violation of these laws and regulations could result in civil and criminal penalties (including fines), increased legal expenses and exclusions from governmental reimbursement programs, all of which could have a material adverse effect upon our business, financial conditions and results of operations.

The PPACA also imposes new reporting and disclosure requirements on device and drug manufacturers for any “transfer of value” made or distributed to prescribers and other healthcare providers, effective March 30, 2013. Such information will be made publicly available in a searchable format beginning September 30, 2013. In addition, device and drug manufacturers will also be required to report and disclose any investment interests held by physicians and their immediate family members during the preceding calendar year. Failure to submit required information may result in civil monetary penalties of up to an aggregate of \$150,000 per year (and up to an aggregate of \$1 million per year for “knowing failures”), for all payments, transfers of value or ownership or investment interests not reported.

**Item 2 Unregistered Sales of Equity Securities and Use of Proceeds**

Purchases of equity securities. The following table summarizes purchases by us of our common stock during the three months ended March 31, 2010:

Period 2010	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
January 1- January 31, 2010	79,900	50.73	8,176,868	8,446,039
February 1 – February 28, 2010	116,700	56.97	8,293,568	8,329,339
March 1 – March 31, 2010	-	-	8,293,568	8,329,339
Total	196,600	54.43	8,293,568	8,329,339

<sup>(1)</sup> On May 27, 2009, the Board of Directors authorized us to repurchase up to 10.0 million shares of our outstanding common stock. There is no expiration date for this program. For the nine months ended March 31, 2010 and 2009, we repurchased 1,591,643 and 1,477,689 shares at a cost of \$76.5 million and \$52.7 million, respectively. Since the inception of the share buyback program, we have repurchased 6,622,907 shares before May 27, 2009 and 1,670,661 shares after that date at a total cost of \$285.2 million.

**Item 3 Defaults Upon Senior Securities**

None

**RESMED INC. AND SUBSIDIARIES**

**Item 4**      **Reserved**

**Item 5**      **Other Information**

None

**Item 6**      **Exhibits**

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

- 3.1      First Restated Certificate of Incorporation of ResMed Inc. <sup>(1)</sup>
- 3.2      Fourth Amended and Restated Bylaws of ResMed Inc. <sup>(2)</sup>
- 10.1     Fourth Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement <sup>(3)</sup>
- 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

<sup>(1)</sup> Incorporated by reference to Exhibit 3.1 to the Registrants' Annual Report on Form 10-K for the Fiscal Year ended June 30, 2007.

<sup>(2)</sup> Incorporated by reference to Exhibit 3.1 to the Registrants' Current Report on Form 8-K filed on December 14, 2007.

<sup>(3)</sup> Filed herewith.

**RESMED INC. AND SUBSIDIARIES**

**Signatures**

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

April 30, 2010

ResMed Inc.

**/s/ KIERAN T. GALLAHUE**.....

Kieran T. Gallahue  
Chief Executive Officer  
(Principal Executive Officer)

**/s/ BRETT A. SANDERCOCK**.....

Brett A. Sandercock  
Chief Financial Officer  
(Principal Financial Officer)

FOURTH AMENDMENT  
TO SECOND AMENDED AND RESTATED REVOLVING LOAN AGREEMENT

This Fourth Amendment to Second Amended and Restated Revolving Loan Agreement (this "Amendment") is entered into as of April 30, 2010, by and among ResMed Corp., a Minnesota corporation ("ResMed"), RESMED EAP HOLDINGS INC., a Delaware corporation ("Holdings"), and RESMED MOTOR TECHNOLOGIES INC., a Delaware corporation ("RMT"; ResMed, Holdings and RMT are sometimes referred to herein individually as a "Borrower," and collectively, as "Borrowers"), RESMED INC., a Delaware corporation, as guarantor, each lender from time to time party to the Loan Agreement (as defined below) (collectively, the "Lenders" and individually, a "Lender"), and UNION BANK, N.A. (f/k/a UNION BANK OF CALIFORNIA, N.A.), as Administrative Agent (in such capacity, "Agent").

RECITALS

Borrowers, Agent and the Lenders are parties to that certain Second Amended and Restated Revolving Loan Agreement dated as of March 1, 2006, as amended from time to time prior to the date hereof, including by that certain First Amendment to Second Amended and Restated Revolving Loan Agreement dated as of May 3, 2007, that certain Second Amendment to Second Amended and Restated Revolving Loan Agreement dated as of January 28, 2008 and that certain Third Amendment to Second Amended and Restated Revolving Loan Agreement dated as of February 27, 2009 (collectively, the "Loan Agreement"). The parties desire to amend the Loan Agreement in accordance with the terms of this Amendment. Unless otherwise defined, all initially capitalized terms in this Amendment shall be as defined in the Loan Agreement.

NOW, THEREFORE, the parties agree as follows:

1. All references in the Loan Documents to Borrowers' and Guarantor's address at 14040 Danielson Street, Poway, CA 92064-6857, shall mean and refer to 9001 Spectrum Center Blvd., San Diego, CA 92123.

2. Effective as of March 31, 2010, the following defined term in Section 1.1 of the Loan Agreement is amended and restated in its entirety to read as follows:

"Fixed Charge Coverage Ratio" means, as of the last day of any Fiscal Quarter, the ratio of (a) EBITDA of Parent and its Subsidiaries, on a consolidated basis, for the fiscal period consisting of the four (4) Fiscal Quarters ended on that date minus Capital Expenditures made by Parent and its Subsidiaries on a consolidated basis during such fiscal period to (b) the sum of (i) Interest Expense of Parent and its Subsidiaries on a consolidated basis for such fiscal period plus (ii) Cash Income Taxes of Parent and its Subsidiaries on a consolidated basis with respect to such fiscal period plus (iii) Cash dividends on Parent's Common Stock paid during such period plus (iv) the current portion of long-term debt of Parent and its Subsidiaries on a consolidated basis on such date (provided that, notwithstanding the presentation by KPMG, LLP (or other independent public accountants of recognized standing selected by Parent) to the contrary, (x) all Indebtedness owing by Borrowers to Agent and Lenders hereunder, and (y) that portion of the Indebtedness owing by ResMed Limited to HSBC due more than one year from any date of determination, shall not constitute "current portion of long-term debt") plus (v) the current portion of long-term Capital Lease Obligations of Parent and its Subsidiaries on a consolidated basis on such date.

3. Schedule 2 to Exhibit B to the Loan Agreement is hereby replaced with Schedule 2 attached hereto.

4. No course of dealing on the part of Lenders, Agent or its officers, nor any failure or delay in the exercise of any right under the Loan Documents by Agent or any Lender, shall operate as a waiver thereof, and any single or partial exercise of any such right shall not preclude any later exercise of any such right. Agent's or Lenders' failure at any time to require strict performance by Borrowers of any provision of any Loan Document shall not affect any right of Lenders or Agent thereafter to demand strict compliance with and performance of such provision. Any suspension or waiver of a right must be in writing signed by an officer of Agent, in accordance with Section 12.2 of the Loan Agreement.

---

5. The Loan Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Agent or Lenders under the Loan Agreement, as in effect prior to the date hereof. Upon the effectiveness of this Amendment, all references in the Loan Documents to the "Loan Agreement" shall be deemed to refer to the Loan Agreement, as amended by this Amendment.

6. Each Borrower represents and warrants that the representations and warranties contained in Article 4 of the Loan Agreement are true and correct in all material respects as of the date of this Amendment (except such representations and warranties which are by their terms expressly limited to an earlier date, in which case the same were true and correct in all material respects as of such earlier date), and that, after giving effect to this Amendment, no Event of Default has occurred and is continuing.

7. As a condition to the effectiveness of this Amendment, Agent shall have received, in form and substance satisfactory to Agent, the following:

(a) this Amendment, duly executed by Borrowers;

(b) all reasonable costs and expenses of the Agent incurred through the date of this Amendment, which may be debited from any of Borrower's accounts; and

(c) such other documents, and completion of such other matters, as Agent may reasonably deem necessary or appropriate.

8. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

***[Balance of Page Intentionally Left Blank]***

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

**BORROWER**

RESMED CORP.,  
a Minnesota corporation

By: /s/ **DAVID PENDARVIS**

Name: David Pendarvis

Title: Secretary

Address:  
9001 Spectrum Center Blvd.  
San Diego, CA 92123  
Attn: General Counsel

Telecopier: 858-746-2830  
Telephone: 858-746-2400

**BORROWER**

RESMED MOTOR TECHNOLOGIES INC.,  
a Delaware corporation

By: /s/ **DAVID PENDARVIS**

Name: David Pendarvis

Title: Secretary

Address:  
9001 Spectrum Center Blvd.  
San Diego, CA 92123  
Attn: General Counsel

Telecopier: 858-746-2830  
Telephone: 858-746-2400

**BORROWER**

RESMED EAP HOLDINGS INC.,  
a Delaware corporation

By: /s/ **DAVID PENDARVIS**

Name: David Pendarvis

Title: Secretary

Address:  
9001 Spectrum Center Blvd.  
San Diego, CA 92123  
Attn: General Counsel

Telecopier: 858-746-2830  
Telephone: 858-746-2400

**GUARANTOR**

RESMED INC.,  
a Delaware corporation

By: /s/ **DAVID PENDARVIS**

Name: David Pendarvis

Title: Secretary

Address:  
9001 Spectrum Center Blvd.  
San Diego, CA 92123  
Attn: General Counsel

Telecopier: 858-746-2830  
Telephone: 858-746-2400

*[Signature Page to Fourth Amendment to Second Amended and Restated Revolving Loan Agreement]*

*[Signatures Continued on Next Page]*



---

UNION BANK, N.A.,  
as Administrative Agent and Lender

By: s/ **MARK ADELMAN**

Name: Mark Adelman

Title: Vice President

Address:  
UNION BANK, N.A.  
530 B Street, 4th Floor  
San Diego, California 92101  
Mail Code: S420  
Attention: Mark Adelman VP

Telecopier: (619) 230-3516  
Telephone: (619) 230-3766

*[Signature Page to Fourth Amendment to Second Amended and Restated Revolving Loan Agreement]*

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

I, Kieran T. Gallahue, 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 30, 2010

/s/ KIERAN T. GALLAHUE

Kieran T. Gallahue  
Chief Executive Officer  
(Principal Executive Officer)

**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 30, 2010

/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 ended March 31, 2010 (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 30, 2010

/s/ KIERAN T. GALLAHUE

Kieran T. Gallahue  
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. This certification 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 this certification 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 it 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 ended March 31, 2010 (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 30, 2010

/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. This certification 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 this certification 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 it by reference.