

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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**FORM 10-Q**  
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- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

0-26038  
Commission file number:

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

Delaware  
(State or other jurisdiction of incorporation or organization)

98-0152841  
(IRS Employer Identification No)

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

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

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

Yes  No

As of November 8, 2002 there were 33,014,120 shares of Common Stock (\$0.004 par value) outstanding.

# RESMED INC AND SUBSIDIARIES

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

	September 30, 2002	June 30, 2002
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$73,570	\$72,860
Marketable securities available-for-sale	15,633	19,979
Accounts receivable, net	46,696	46,199
Inventories, net (Note 4)	45,086	41,173
Deferred income taxes	10,215	9,289
Prepaid expenses and other current assets	3,754	4,213
Total current assets	<u>194,954</u>	<u>193,713</u>
Property, plant and equipment, net of accumulated amortization of \$33,629 at September 30, 2002 and \$31,084 at June 30, 2002	80,078	79,279
Patents, net of accumulated amortization of \$1,985 at September 30, 2002 and \$1,862 at June 30, 2002	2,695	2,653
Goodwill (Note 6)	92,533	92,536
Other assets	6,355	8,010
Total non-current assets	<u>181,661</u>	<u>182,478</u>
Total assets	<u>\$376,615</u>	<u>\$376,191</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$12,022	\$11,605
Accrued expenses	15,756	15,273
Deferred revenue	1,919	1,779
Income taxes payable	5,786	6,905
Payable for property purchase	11,261	11,552
Current portion of deferred profit on sale-leaseback	1,865	1,933
Total current liabilities	<u>48,609</u>	<u>49,047</u>
Non current liabilities:		
Deferred revenue	7,675	7,259
Convertible subordinated notes (Note 10)	118,250	123,250
Deferred profit on sale-leaseback	3,109	3,705
Total non current liabilities	<u>129,034</u>	<u>134,214</u>
Total liabilities	<u>\$177,643</u>	<u>183,261</u>
Stockholders' equity:		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; none issued	-	-
Series A Junior Participating preferred stock, \$0.01 par value, 250,000 shares authorized; none issued	-	-
Common stock \$0.004 par value 100,000,000 shares authorized; issued and outstanding 32,948,419 at September 30, 2002 and 32,818,160 at June 30, 2002 (excluding 360,347 and 290,047 shares held as Treasury Stock respectively)	132	132
Additional paid-in capital	95,744	94,153
Retained earnings	124,214	114,643
Treasury stock	(9,794)	(7,873)
Accumulated other comprehensive loss (Note 5)	(11,324)	(8,125)
Total stockholders' equity	<u>198,972</u>	<u>192,930</u>
Commitments and contingencies (Note 8)	-	-
Total liabilities and stockholders' equity	<u>\$376,615</u>	<u>\$376,191</u>

See the accompanying notes to the 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 September 30,	
	2002	2001
Net revenue	\$58,586	\$46,129
Cost of sales	20,889	15,296
Gross profit	37,697	30,833
Operating expenses:		
Selling, general and administrative	17,791	14,285
Research and development	4,395	3,361
Total operating expenses	22,186	17,646
Income from operations	15,511	13,187
Other income (expense), net:		
Interest income (expense), net	(883)	(735)
Gain on extinguishment of debt	338	-
Other, net	(967)	117
Total other income (expense), net	(1,512)	(618)
Income before income taxes	13,999	12,569
Income taxes	4,428	4,031
Net income	\$9,571	\$8,538
Basic earnings per share	\$0.29	\$0.27
Diluted earnings per share	\$0.28	\$0.25
Basic shares outstanding (000's)	32,882	31,722
Diluted shares outstanding (000's)	34,121	34,093

See the accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended September 30,	
	2002	2001
Cash flows from operating activities:		
Net income	\$9,571	\$8,538
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,725	2,228
Amortization of deferred borrowing costs	248	303
Provision for service warranties	41	49
Foreign currency options revaluation	1,668	635
Gain on debt extinguishment	(338)	-
Profit on sale and lease-back of building	(469)	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(371)	(574)
Inventories	(4,235)	(2,405)
Prepaid expenses and other current assets	(78)	(3,027)
Accounts payable, accrued expenses and other liabilities	(712)	5,481
Net cash provided by operating activities	8,050	11,228
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,796)	(2,654)
Patent registration costs	(305)	(394)
Purchase of non-trading investments	(250)	(1,060)
Business acquisitions, net	(300)	-
Purchases of marketable securities - available-for-sale	(4,000)	(195,498)
Proceeds from sale or maturity of marketable securities-available-for-sale	8,217	175,598
Net cash used in investing activities	(1,434)	(24,008)
Cash flows provided by financing activities:		
Proceeds from issuance of common stock, net	1,591	5,319
Proceeds from borrowings, net of borrowing costs	-	28,402
Redemption of borrowings	(4,530)	-
Purchase of treasury stock	(1,921)	-
Net cash provided by (used in) financing activities	(4,860)	33,721
Effect of exchange rate changes on cash	(1,046)	(633)
Net increase/(decrease) in cash and cash equivalents	710	20,308
Cash and cash equivalents at beginning of period	72,860	40,136
Cash and cash equivalents at end of period	\$73,570	\$60,444
Supplemental disclosure of cash flow information:		
Income taxes paid	\$5,922	\$4,213
Interest paid	-	-

See the accompanying notes to the condensed consolidated financial statements.

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

(1) Organization and Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending June 30, 2003.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company transactions and balances have been eliminated on consolidation.

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

(b) Revenue Recognition

Revenue on product sales is recorded at the time of shipment and acceptance of legal liability by third parties. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized ratably over the life of the service contract. Revenue received in advance from rental unit contracts is initially deferred and recognized ratably over the life of the rental contract. Revenue from sale of marketing or distribution rights is initially deferred and recognized ratably as revenue over the life of the contract.

(c) Cash and Cash Equivalents

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

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

(2) Summary of Significant Accounting Policies, (continued)

(d) Inventories

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

(e) Property, Plant and Equipment

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

(f) Patents

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

(g) Goodwill

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

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

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

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

(2) Summary of Significant Accounting Policies, (continued)

(h) Foreign Currency

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

(i) Research and Development

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

(j) Earnings Per Share

The weighted average shares used to calculate basic earnings per share was 32,882,000 and 31,722,000 for the three month periods ended September 30, 2002 and 2001, respectively. The difference between basic earnings per share and diluted earnings per share is attributable to the impact of outstanding stock options during the periods presented. Stock options had the effect of increasing the number of shares used in the calculation (by application of the treasury stock method) by 1,239,000 and 2,371,000 for the three-month periods ended September 30, 2002 and 2001, respectively. Options of 1,538,000 and nil for the three-month periods ended September 30, 2002 and 2001 respectively, were not included in the computation of diluted earnings per share as the effect of exercising these options would have been anti-dilutive.

(k) Financial Instruments

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

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



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

(2) Summary of Significant Accounting Policies, (continued)

(l) Foreign Exchange Risk Management

The Company enters into various types of foreign exchange contracts in managing its foreign exchange risk, including derivative financial instruments encompassing forward exchange contracts and foreign currency options.

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

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

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. The credit exposure of foreign exchange options at September 30, 2002 and June 30, 2002 was \$1.0 million and \$2.8 million respectively, which represents the positive fair value of options held by the Company.

The Company held foreign currency option contracts with notional amounts totaling \$132.6 million and \$160.5 million at September 30, 2002 and June 30, 2002 respectively to hedge foreign currency items. These contracts mature at various dates prior to July 2004.

(m) Income Taxes

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

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

(2) Summary of Significant Accounting Policies, (continued)

(n) Marketable Securities

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

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

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

(o) Warranty

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

(p) Impairment of Long-Lived Assets

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

(q) Capitalized Software Production Costs

Software development costs have been capitalized and will be amortized to the cost of product revenues over the estimated economic lives (generally three to five years) of the products that include such software. Total net capitalized software production costs were \$1,378,000 and \$1,132,000 at September 30, 2002 and June 30, 2002 respectively.

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

(3) Accounting Changes

In July 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 146, Accounting for Restructuring Costs. SFAS 146 applies to costs associated with an exit activity (including restructuring) or with a disposal of long-lived assets. Those activities can include eliminating or reducing product lines, terminating employees and contracts, and relocating plant facilities or personnel. Under SFAS 146, a company will record a liability for a cost associated with an exit or disposal activity when that liability is incurred and can be measured at fair value. SFAS 146 will require a company to disclose information about its exit and disposal activities, the related costs, and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002, with earlier adoption encouraged. Under SFAS 146, a company may not restate its previously issued financial statements and SFAS 146 grandfathers the accounting for liabilities that a company had previously recorded under Emerging Issues Task Force Issue 94-3. The Company believes that the adoption of SFAS 146 will not have a material impact on the results of operations, financial position and liquidity of the Company.

The FASB issued SFAS 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002, which is effective for fiscal years beginning after May 15, 2002, but may be adopted early. SFAS 145 rescinds SFAS 4 and SFAS 64, which required that all gains and losses from extinguishment of debt be aggregated, and if material, classified as an extraordinary item. As a result, gains and losses from debt extinguishment are to be classified as extraordinary only if they meet the criteria set forth in Accounting Principles Board Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. SFAS 145 also requires that sale-leaseback accounting be used for capital lease modifications with economic effects similar to sale-leaseback transactions. The Company has elected to adopt SFAS 145 early and has classified gains from the extinguishment of debt as other income in its Consolidated Statements of Income.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." For long-lived assets to be held and used, SFAS 144 retains the requirements of SFAS 121 to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and fair value. Further, SFAS 144 eliminates the requirement to allocate goodwill to long-lived assets to be tested for impairment, describes a probability-weighted cash flow estimation approach to deal with situations in which alternative courses of action to recover the carrying amount of a long-lived asset are under consideration or a range is estimated for the amount of possible future cash flows, and establishes a "primary-asset" approach to determine the cash flow estimation period. For long-lived assets to be disposed of other than by sale (e.g. assets abandoned, exchanged or distributed to owners in a spin-off), SFAS 144 requires that such assets be considered held and used until disposed.

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

(3) Accounting Changes, (continued)

Further, an impairment loss should be recognized at the date an asset is exchanged for a similar productive asset or distributed to owners in a spin-off if the carrying amount exceeds its fair value. The Company believes that the adoption of SFAS 144 will not have a material impact on the results of operations, financial position and liquidity of the Company.

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

With the adoption of SFAS 142, the Company reassessed the useful lives and residual values of all acquired intangible assets to make any necessary amortization period adjustments. Based on that assessment, only goodwill was determined to have an indefinite useful life and no adjustments were made to the amortization period or residual values of other intangible assets. In accordance with SFAS 142 the Company has completed its initial assessment of goodwill impairment. The results of the review indicated that no impaired goodwill currently exists.

Effective July 1, 2001, the Company adopted SFAS 141, "Business Combinations". SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001.

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations," which requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs would be capitalized as part of the carrying amount of the long-lived asset and depreciated over the life of the asset. The liability is accreted at the end of each period through charges to operating expense. If the obligation is settled for other than the carrying amount of the liability, the Company will recognize a gain or loss on settlement. The provisions of SFAS 143 are effective for fiscal years beginning after June 15, 2002. The initial adoption of SFAS 143 did not have a material impact on the results of operations, financial position and liquidity of the Company.

(4) Inventories

Inventories were comprised of the following at September 30, 2002 and June 30, 2002 (in thousands):

	September 30, 2002	June 30, 2002
Raw materials	\$8,934	\$8,130
Work in progress	2,078	2,057
Finished goods	34,074	30,986
	<u>\$45,086</u>	<u>\$41,173</u>

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

## (5) Comprehensive Income

The table below presents other comprehensive (income) loss:

(in US\$ 000's)	Foreign Currency Items	Unrealized Gains (Losses) on Securities	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Accumulated Comprehensive Income (Loss)
Beginning balance, July 1, 2002	(\$8,230)	\$105	(\$8,125)	\$114,643	\$106,518
Current period change	(3,116)	(83)	(3,199)	9,571	6,372
Ending balance, September 30, 2002	<u>(\$11,346)</u>	<u>\$22</u>	<u>(\$11,324)</u>	<u>\$124,214</u>	<u>\$112,890</u>

The Company does not provide for US income taxes on foreign currency translation adjustments since it does not provide for such taxes on undistributed earnings of foreign subsidiaries. Accumulated other comprehensive loss at September 30, 2002 and June 30, 2002 consisted of foreign currency translation adjustments with net debit balances of \$11.3 million and \$8.2 million, respectively and unrealized gains on securities with net credit balance of \$22,000 (net of tax of \$12,000) and \$105,000 (net of tax \$57,000), respectively.

## (6) Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the three months ended September 30, 2002, were as follows:

(In US\$ thousands)	
Balance at June 30, 2002	\$92,536
Goodwill on acquisition of John Stark and Associates	300
Foreign currency translation adjustments	(303)
Balance at September 30, 2002	<u>\$92,533</u>

Other intangible assets amounted to \$2.7 million (net of accumulated amortization of \$2.0 million) and \$2.7 million (net of accumulated amortization of \$1.9 million) at September 30, 2002 and June 30, 2002, respectively. These intangible assets consist of patents and are amortized over the estimated useful life of the patent, generally five years. There are no expected residual values related to these intangible assets.

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

## (7) Stockholders' Equity

## Stock Options

The Company has granted stock options to personnel, including officers and directors, in accordance with both the 1995 Option Plan and the 1997 Equity Participation Plan (collectively the "Plans"). These options have expiration dates of ten years from the date of grant and vest over three years. The Company granted these options with the exercise price equal to the market value as determined at the date of grant.

The following table summarizes outstanding stock option plan balances as at September 30, 2002

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding option	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	5,347,481	\$27.51	1,016,802
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>5,347,481</b>	<b>\$27.51</b>	<b>1,016,802</b>

The Company applies APB Opinion No. 25 in accounting for its Plans and as all stock options are issued at market price on date of issue, no compensation cost has been recognized for its stock options. Had the Company determined compensation cost under SFAS 123, the fair value at the grant date for its stock options would have reduced the Company's net income to the pro forma amounts indicated below:

	Three Months Ended September 30,	
	2002	2001
Net income (in thousands):		
As reported	\$9,571	\$8,538
Tax effected compensation cost	(3,332)	(4,584)
Pro forma	6,239	3,954
Basic earnings per common share:		
As reported	\$0.29	\$0.27
Pro forma	\$0.19	\$0.12
Diluted income per common and common equivalent share:		
As reported	\$0.28	\$0.25
Pro forma	\$0.18	\$0.12

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

(7) Stockholders' Equity, (continued)

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: weighted average risk-free interest rates of 3.3% and 4.8% for the three months ended September 30, 2002 and fiscal 2002 respectively; no dividend yield; expected option lives of 3.4 years for the three months ended September 30, 2002 and 5.5 years for fiscal 2002 and volatility of 63% for the three-months ended September 30, 2002 and 60% for fiscal 2002.

Fair Value of compensation costs by period of Grant are noted below (in thousands except per share data):

Year of Grant	Three Months Ended		Average Exercise Price	Fair Value at Date of Grant	Fair Value at Sep 30, 2002
	September 30, 2002	2001			
2003	\$1,954	-	\$25.42	\$11.89	\$14.46
2002	2,485	5,019	50.18	26.10	11.98
2001	666	1,786	27.27	13.41	14.96
2000	21	243	14.14	6.56	18.59
1999	-	5	11.31	5.27	19.80
Compensation Cost	\$5,126	\$7,053			
Tax Effected	\$3,332	\$4,584			

(8) Commitments and Contingencies

The Company is currently engaged in litigation relating to the enforcement and defense of certain of its patents.

In January 1995 ResMed Limited filed a complaint in the United States District Court for the Southern District of California seeking monetary damages from and injunctive relief against Respironics, Inc. for alleged infringement of three of its patents. In February 1995, Respironics, Inc. filed a complaint in the United States District Court for the Western District of Pennsylvania against ResMed Limited seeking a declaratory judgment that Respironics, Inc. does not infringe claims of these patents and that ResMed Limited's patents are invalid and unenforceable. The Respironics, Inc. complaint also made the University of Sydney a party as the University of Sydney is the assignee of one of the patents in suit; ResMed Limited is the exclusive licensee of that patent. The two actions were combined and are proceeding in the United States District Court for the Western District of Pennsylvania. In June 1996, ResMed Limited filed an additional complaint against Respironics, Inc. for infringement of a fourth ResMed patent, and that complaint was consolidated with the earlier action. As of this date, Respironics, Inc. has brought three partial summary judgment motions for non-infringement of the ResMed patents; the Court has granted each of the motions. In December 1999, in response to the Court's ruling on Respironics, Inc.'s third summary judgment motion, the parties jointly stipulated to a dismissal of charges of infringement under the fourth ResMed patent, with us reserving the right to reassert the charges in the event of a favorable ruling on appeal. It is the Company's intention to appeal the summary judgment rulings after a final judgment in the consolidated litigation has been entered in the District Court proceedings.

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

(8) Commitments and Contingencies, (continued)

On August 26, 2002, ResMed Inc., ResMed Corp. and ResMed Limited filed a lawsuit in Federal District Court in San Diego against Fisher & Paykel Healthcare Inc and Fisher & Paykel Healthcare Limited ("Fisher & Paykel Healthcare"). The ResMed complaint seeks a judgment that selected Fisher & Paykel Healthcare mask products (ACLAIM and ACLAIM 2 masks) infringe patents held by ResMed. The complaint further charges the defendants with the copying of ResMed proprietary mask technology and alleges violations of the Lanham Act, trademark and trade dress infringement and common law violations relating to the appearance of ResMed mask products.

On October 11, 2002, ResMed Inc, ResMed Corp, and ResMed Limited filed a lawsuit in Federal District Court in San Diego against Respironics, Inc. ResMed's suit seeks a judgment that certain Respironics, Inc.'s mask products (Contour Deluxe, Comfort Classic, Comfort Select, and Image3 masks) infringe patents held by ResMed. The complaint further charges Respironics, Inc. with copying ResMed's proprietary mask technology, and alleges violation of the Lanham Act, trademark and trade dress infringement, and common law violations relating to the appearance of ResMed mask products. ResMed seeks an injunction and damages.

On October 16, 2002 Respironics, Inc. filed a law suit in Federal District Court for the Western District of Pennsylvania against ResMed Limited seeking a declaratory judgment that Respironics, Inc. does not infringe those patents that are the subject of ResMed's complaint filed in San Diego on October 11, 2002, that such patents are invalid and unenforceable and that Respironics has not committed any other trademark, trade dress or common law violations.

As a preliminary issue motions are to be argued regarding the forum in which the Respironics, Inc. action should proceed (i.e. San Diego or Pittsburgh).

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

In addition to the matters described above, in the normal course of business, the Company is subject to routine litigation incidental to the business. While the results of this litigation cannot be predicted with certainty, the Company believes that the final outcome of these ordinary course litigations will not have a material adverse effect on its consolidated results of operations or financial condition.

(9) Business Acquisitions

**Three months ended September 30, 2002**

On July 24, 2002 the Company acquired the business of John Stark and Associates, its Texas representative, for total consideration of \$300,000 in cash. The acquisition has been accounted for as a purchase and accordingly, the results of operations of John Stark & Associates shall be included within the Company's consolidated financial statements from July 24, 2002. The excess of the purchase price over the fair value of net identifiable assets acquired of \$nil has been recorded as goodwill.



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

(9) Business Acquisitions (continued)

**Fiscal year ended June 30, 2002**

**Servo Magnetics, Inc. (SMI).** On May 14, 2002, the Company acquired all of the common stock of Servo Magnetics Incorporated through a merger with our wholly-owned subsidiary, Servo Magnetics Acquisition Inc., for total consideration, including acquisition costs, of \$32.6 million. Consideration included the issue of 853,448 shares for fair value of \$24.8 million with the balance of the acquisition cost paid in cash. Upon consummation of the merger, the surviving corporation, Servo Magnetics Acquisition Inc., changed its name to Servo Magnetics, Inc.

The acquisition has been accounted for as a purchase and accordingly, the results of operations of SMI have been included in the Company's consolidated financial statements from May 14, 2002. The excess of the purchase price over the fair value of the net identifiable assets acquired of \$1.9 million has been recorded as goodwill.

Purchased in-process research and development of \$350,000 was expensed upon acquisition of SMI because technological feasibility of the products under development had not been established and no further alternative uses existed. The value of in-process technology was calculated by identifying research projects in areas for which technological feasibility had not been established, estimating the costs to develop the purchased in-process technology into commercially viable products, estimating the resulting net cash flows from such products, discounting the net cash flows to present value, and applying the reduced percentage completion of the projects thereto. The discount rates used in the analysis were 19% and were based on the risk profile of the acquired assets.

Purchased research and development projects related to electrical motor systems used in the company's flow generator devices and other medical and data storage equipment. Key assumptions used in the analysis included gross margins of 34%. As of the date of acquisition, new motor systems for use in medical and health applications are expected to be completed and commercially available by 2004. These projects have estimated costs to complete totaling approximately \$0.5 million.

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

**Labhardt AG.** On November 15, 2001, the Company's wholly owned subsidiary ResMed International Inc. acquired all the Common Stock of Labhardt AG, its Swiss distributor for total cash consideration including acquisition costs of \$5.5 million.

The acquisition has been accounted for as a purchase and accordingly, the results of operations of Labhardt AG have been included in the Company's consolidated financial statements from November 15, 2001. The excess of the purchase price over the fair value of the net identifiable assets acquired of \$1.3 million has been recorded as goodwill.

Pro-forma financial information related to SMI and Labhardt AG are not included as the effects would not be significant to the consolidated financial statements.

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

(10) Long-Term Debt

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

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

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

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

During the three months ended September 30, 2002 the Company repurchased \$5.0 million face value of its convertible subordinated notes. The total purchase price of the notes was \$4.6 million, including \$0.1 million in accrued interest. The Company recognized a gain of \$0.2 million, net of tax, on these transactions.

During fiscal 2002, the Company repurchased \$56.8 million face value of its convertible subordinated notes. The total purchase price of the notes was \$49.1 million, including \$0.6 million in accrued interest. The Company recognized a gain of \$4.0 million, net of tax of \$2.5 million, on these transactions.

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

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

**RESMED INC AND SUBSIDIARIES****Management Discussion and Analysis of Financial Conditions and Results of Operations****Net Revenue**

Net revenue increased for the three months ended September 30, 2002 to \$58.6 million from \$46.1 million for the three months ended September 30, 2001, an increase of \$12.5 million or 27%. Net revenue in North and Latin America increased to \$28.3 million from \$21.6 million or 31% and internationally increased to \$30.3 million from \$24.6 million or 23% for the same time periods.

The increase in net revenue is primarily attributable to an increase in unit sales of the Company's flow generators and accessories in both domestic and international markets. Sales also benefited from a 10% appreciation of the Euro against the US dollar and a full quarter of sales from our recently acquired subsidiary, Servo Magnetics, Inc (SMI). Sales of flow generators for the quarter increased by 22% compared to the quarter ended September 30, 2001, 20% in North and Latin America and 24% internationally. Sales of mask systems, motors and other accessories increased by 33%; 43% in North and Latin America; and 22% internationally, for the three months ended September 30, 2002 compared to the quarter ended September 30, 2001.

**Gross Profit**

Gross profit increased for the three months ended September 30, 2002 to \$37.7 million from \$30.8 million for the three months ended September 30, 2001, an increase of \$6.9 million or 22%. Gross profit as a percentage of net revenue for the quarter ended September 30, 2002 was 64%, compared to 67% in the September 30, 2001 quarter. The lower margin was predominantly attributable to increased sales from our acquired subsidiaries, MAP and SMI, whose gross margins are lower than the historical average margins achieved by our Company as a whole, and to an appreciation of the Australian dollar against the US dollar since the majority of our costs are incurred in Australian dollars.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses increased for the three months ended September 30, 2002 to \$17.8 million from \$14.3 million for the three months ended September 30, 2001, an increase of \$3.5 million or 25%. As a percentage of net revenue, selling, general and administrative expenses for the three months ended September 30, 2002 was 30%, broadly consistent with the percentage for the September 30, 2001 quarter of 31%. The increase in gross selling, general and administrative expenses was due primarily to an expansion of selling and administration personnel associated with the growth of company operations.

**Research and Development Expenses**

Research and development expenses increased for the three months ended September 30, 2002 to \$4.4 million from \$3.4 million for the three months ended September 30, 2001, an increase of \$1.0 million or 31%. As a percentage of net revenue, research and development expenses for the three months ended September 30, 2002 increased to 7.5% from 7.3% for the period ended September 30, 2001. The increase in gross research and development expenses was due to an appreciation of the Australian dollar against the US dollar, since our research and development costs are primarily incurred in Australian dollars, and increased salaries associated with an increase in personnel and increased charges for consulting fees and technical assessments incurred to facilitate development of new products including the recently released Mirage Vista nasal mask and S7 lightweight CPAP flow generator.

**RESMED INC AND SUBSIDIARIES****Management Discussion and Analysis of Financial Conditions and Results of Operations****Other Income (Expenses), Net**

Other income (expenses), net decreased for the three months ended September 30, 2002 to net expense of \$1.5 million from net expense of \$0.6 million for the three months ended September 30, 2001. The increase in other expense, net over the three-month period primarily reflects foreign currency losses on foreign currency derivatives.

**Income Taxes**

The Company's effective income tax rate for the three months ended September 30, 2002 was approximately 31.6%, which was broadly consistent with the effective tax rate of 32.1% for the three months ended September 30, 2001.

**Liquidity and Capital Resources**

The Company had cash and cash equivalents and marketable securities available-for-sale of approximately \$89.2 million and \$92.8 million, at September 30, 2002 and June 30, 2002, respectively. The Company's working capital approximated \$146.3 million and \$144.7 million, at September 30, 2002 and June 30, 2002, respectively.

During the three months ended September 30, 2002, the Company's operations generated cash of \$8.1 million. During the three months ended September 30, 2001 approximately \$11.2 million of cash was provided by operations. The reduction in cash from operations reflects an increase in inventory balances and a change in the timing of tax payments.

The Company's capital expenditures for the three month periods ended September 30, 2002 and 2001 aggregated \$4.8 million and \$2.7 million, respectively. The majority of the expenditures in the three-month period ended September 30, 2002 related to payments for construction of our new manufacturing facility, a computer disaster recovery system and acquisition of production tooling and equipment. As a result of these capital expenditures, the Company's September 30, 2002 balance sheet reflects net property, plant and equipment of approximately \$80.1 million at September 30, 2002, compared to \$79.3 million at June 30, 2002.

During the three months ended September 30, 2002 and the fiscal year ended June 30, 2002, we repurchased \$5.0 million and \$56.8 million face value of our convertible subordinated notes respectively. The total purchase price of the notes repurchased during the quarter was \$4.6 million, including \$0.1 million in accrued interest. We recognized a gain of \$0.2 million, net of tax, on these transactions. As at September 30, 2002 and June 30, 2002, we had convertible subordinated notes outstanding of \$118.3 and \$123.3 million respectively.

**RESMED INC AND SUBSIDIARIES****Management Discussion and Analysis of Financial Conditions and Results of Operations****Liquidity and Capital Resources, (continued)**

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

On October 2, 2001, we paid \$1.4 million as final consideration associated with the purchase of MAP on February 16, 2001. The amount has been recorded as goodwill.

On November 15, 2001, we acquired all of the common stock of Labhardt AG, our Swiss distributor, for total cash consideration, including acquisition costs, of \$5.5 million. The acquisition has been accounted for as a purchase and, accordingly, the results of operations of Labhardt AG have been included in our consolidated financial statements from November 15, 2001. The excess of the purchase price over the fair value of the net identifiable assets acquired of \$1.3 million has been recorded as goodwill.

On April 26, 2002, we settled our purchase of a 30-acre site at Norwest Business Park, located northwest of Sydney, Australia. The acquisition cost was \$23.6 million, including deferred payments of \$5.7 million due in October 2002 and \$5.7 million due in April 2003. We expect the first building, a manufacturing facility, to be completed on this site in fiscal year 2004. New research and development and office facilities are expected to be completed in 2004. We estimate that the building costs will be approximately \$30.0 million.

On May 8, 2002, we completed a sale and leaseback transaction of our Australian facility located at North Ryde in Sydney, Australia. The property was sold for \$18.5 million with a three-year leaseback and a further one-year option. The profit before tax on sale of the property of \$5.5 million will be amortized over the lease period. The cash made available from the sale will be utilized for the construction of our new facilities at Norwest Business Park also located in Sydney, Australia.

On May 14, 2002 we acquired all of the common stock of Servo Magnetics Inc. ("SMI") for total consideration, including acquisition costs, of \$32.6 million. Consideration included the issue of 853,448 shares for fair value of \$24.8 million, with the balance of the acquisition cost paid in cash. Subsequent to the acquisition, we repaid all SMI's existing bank loans totaling \$3.0 million.

The acquisition has been accounted for as a purchase and accordingly, the results of operations of SMI have been included in the our consolidated financial statements from May 14, 2002. The excess of the purchase price over the fair value of the net identifiable assets acquired of \$1.9 million has been recorded as goodwill.

On June 6, 2002, the Board of Directors authorized us to repurchase up to 4 million shares of our outstanding common stock. For fiscal year 2002, we repurchased 290,047 shares at a cost of \$7.9 million and during the quarter ended September 30, 2002 we repurchased 70,300 shares at a cost of \$1.9 million. We may continue to repurchase shares of our common stock for cash in the open market, or in negotiated or block transactions, from time to time as market and business conditions warrant.

**RESMED INC AND SUBSIDIARIES****Management Discussion and Analysis of Financial Conditions and Results of Operations****Liquidity and Capital Resources, (continued)**

Details of contractual obligations at September 30, 2002 are as follows:

In \$ 000's	Payments Due by Period			
	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-Term Debt	-	\$118,250	-	-
Operating Leases	\$4,597	8,412	\$2,252	\$336
Unconditional Purchase Obligations	12,061	-	-	-
<b>Total Contractual Cash Obligations</b>	<b>16,658</b>	<b>126,662</b>	<b>2,252</b>	<b>336</b>

Details of other commercial commitments at September 30, 2002 are as follows:

In \$000's	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than 1 year	1-3 years	4-5 years	Over 5 years
Lines of Credit	\$76	\$76	\$-	\$-	\$-
Standby Letters of Credit	-	-	-	-	-
Guarantees <sup>(1)</sup>	13,236	11,414	636	-	1,186
Standby Repurchase Obligations	-	-	-	-	-
Other Commercial Commitments	652	652	-	-	-
<b>Total Commercial Commitments</b>	<b>13,964</b>	<b>12,142</b>	<b>636</b>	<b>-</b>	<b>1,186</b>

<sup>(1)</sup> The above guarantees relate to guarantees provided by banks. Guarantees of \$11.3 million relate to deferred payments due on our land purchase at Norwest and have been recorded as a liability in our financial accounts. The guarantees are secured by cash deposits held with the bank. The balance of the guarantees relate to guarantees required by statutory authorities as a pre-requisite to developing our site at Norwest and requirements under contractual obligations with insurance companies transacting with our German subsidiaries.

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

We expect to satisfy all of our short term and long term liquidity requirements through a combination of cash on hand and cash generated from operations.

**RESMED INC AND SUBSIDIARIES****Management Discussion and Analysis of Financial Conditions 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 of America requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis we evaluate our estimates, including those related to allowance for doubtful accounts, inventory reserves, warranty obligations, impaired assets, intangible assets, income taxes, revenue recognition and contingencies and litigation.

We state these accounting policies in the notes to the financial statements and at relevant sections in this discussion and analysis. The estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

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

(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 customer's financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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

(3) Valuation of Goodwill, Intangible and Other Long-Lived Assets. We use assumptions in establishing the carrying value, fair value and estimated lives of our long-lived assets and goodwill. The criteria used for these evaluations include management's estimate of the asset's continuing ability to generate positive income from operations and positive cash flow in future periods compared to the carrying value of the asset, as well as the strategic significance of any identifiable intangible asset in our business objectives. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Useful lives and related amortization or depreciation expense are based on our estimate of the period that the assets will generate revenues or otherwise be used by 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.

**RESMED INC AND SUBSIDIARIES****Management Discussion and Analysis of Financial Conditions and Results of Operations****Critical Accounting Principles and Estimates (continued)**

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

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



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

**Foreign Currency Market Risk**

Our functional currency is the U.S. dollar, although we transact business in various foreign currencies including a number of major European currencies, as well as the Australian dollar. We have significant foreign currency exposure through both our Australian manufacturing activities and international sales operations.

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

The table below provides information in US dollar equivalents on our foreign-currency denominated financial assets by legal entity functional currency (in thousands):

	Foreign Currency Financial Assets							
	AUD	USD	EUR	GBP	SGD	NZD	SEK	CHF
AUD Functional Currency Entities:								
Assets	-	\$41,732	\$8,620	\$2,409	\$1,445	\$94	\$451	\$299
Liability	-	(3,602)	(35)	(4,843)	(34)	-	(18)	-
Net Total	-	38,130	8,585	(2,434)	1,411	94	433	299
USD Functional Currency Entities:								
Assets	\$16,912	-	-	-	-	-	-	-
Liability	-	-	-	-	-	-	-	-
Net Total	\$16,912	-	-	-	-	-	-	-
Euro Functional Currency Entities:								
Assets	\$4,663	65	-	-	-	-	-	1,487
Liability	-	(105)	-	-	-	-	-	-
Net Total	\$4,663	(40)	-	-	-	-	-	1,487

The table below provides information about our foreign currency derivative financial instruments and presents such information in U.S. dollar equivalents. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency call options held at September 30, 2002. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for our foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under the options contracts.

(In thousands except exchange rates)	FY 2003	FY 2004	Total	Fair Value Assets / (Liabilities)	
				September 30, 2002	June 30, 2002
Foreign Exchange Call Options					
(Receive AU\$\$/Pay U.S.\$)					
Option amount	\$39,000	\$66,000	\$105,000	\$896	\$2,341
Average contractual exchange rate	AUS \$1 = USD 0.548	AUS\$1=USD 0.591	AUS \$1 = USD 0.575		
(Receive AU\$\$/Pay Euro)					
Option amount	\$27,583	-	\$27,583	\$113	\$423
Average contractual exchange rate	AUS \$1 = Euro 0.591		AUS \$1 = Euro 0.591		
Total				1,009	2,764

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

**Interest Rate Risk**

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

At September 30, 2002, we maintained a portion of our cash and cash equivalents in financial instruments with original maturities of three months or less. We maintain a short-term investment portfolio containing financial instruments in which the majority of funds invested have original maturities of greater than three months but less than twelve months. The financial instruments, principally comprised of corporate obligations, are subject to interest rate risk and will decline in value if interest rates increase.

A hypothetical 100 basis point change in interest rates during the three months ended September 30, 2002, would have resulted in approximately \$0.1 million change in pre-tax income. In addition, the value of our marketable securities would change by approximately \$0.1 million following a hypothetical 100 basis point change in interest rates. We do not use derivative financial instruments in our investment portfolio.

**Forward-Looking Statements**

This report on Form 10-Q contains or may contain certain forward-looking statements and information that are based on the beliefs of our management as well as estimates and assumptions made by, and information currently available to our management. The words “believe,” “expect,” “anticipate,” “estimate,” “plan,” “future” and other similar expressions generally identify forward-looking statements, including, in particular, statements regarding the development and approval of new products and product applications, 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 below and elsewhere in this report. In addition, important factors to consider in evaluating such forward-looking statements include changes or developments in social, economic, market, legal or regulatory circumstances, changes in our business or growth strategy or an inability to execute our strategy due to changes in our industry or the economy generally, the emergence of new or growing competitors, the actions or omissions of third parties, including suppliers, customers, competitors and governmental authorities, and various other factors. Should any one or more of these risks or uncertainties materialize, or the underlying estimates or assumptions prove incorrect, actual results may vary significantly from those expressed in such forward-looking statements, and there can be no assurance that the forward-looking statements contained in this report will in fact occur.

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

**Risk Factors**

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

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

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

**Our business depends on our ability to market effectively to dealers of home health care products and sleep clinics.** We market our products primarily to home health care dealers and to sleep clinics that diagnose obstructive sleep apnea (OSA) and other sleep disorders. We believe that home health care dealers and sleep clinics play a significant role in determining which brand of product a patient will use. For example, in the United States, when a physician at a sleep clinic prescribes the use of a product, the patient typically purchases the product from a home health care dealer. The physician may or may not prescribe a specific brand of product. If a specific brand is prescribed, we believe the brand prescribed depends upon the brand of product that is used in the sleep clinic. If a specific brand is not prescribed, the home health care dealer may recommend a specific brand. Occasionally, even if the physician prescribes a specific brand, a home health care dealer may substitute a competitive product for the patient. We have limited resources to market to the more than 2,000 U.S. sleep clinics and the more than 4,000 home health care dealer branch locations, most of which use, sell or recommend several brands of products. In addition, home health care dealers have experienced price pressures as government and third-party reimbursement have declined for home care products, and home health care dealers are requiring price discounts and longer periods of time to pay for products purchased from us. We cannot assure you that sleep clinic physicians will continue to prescribe our products, or that home health care dealers or patients will not substitute competing products when a prescription specifying our products has been written. The success of our business depends on our ability to market effectively to home health care dealers and sleep clinics and to ensure that our products are properly marketed and sold by these third parties.

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

**Risk Factors (continued)**

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

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

**If we fail to integrate our recent acquisitions with our operations, our business could suffer.** The integration of acquired operations requires significant efforts from our company and the acquired entity. We may find it difficult to integrate the operations our of acquired entities. Personnel may leave because of the acquisition and distributors or suppliers may terminate their arrangements with acquired entities, or demand amended terms to these arrangements. Additionally, our management may have their attention diverted while trying to integrate the acquisitions. This diversion or these difficulties in integration could have an adverse impact on us. If we are not able to successfully integrate the operations of acquired entities, we may not realize the anticipated benefits of the acquisition.

**We manufacture substantially all of our products outside the United States and sell a significant portion of our products in non-U.S. markets, subjecting us to various risks relating to international activities that could adversely affect our overall profitability.** Sales outside North and Latin America accounted for approximately 51%, 48%, and 46% of our net revenues in fiscal years 2002, 2001 and 2000, respectively. We expect that sales within these areas will account for approximately 50% of our net revenues in the foreseeable future. Our sales outside of North America and our operations in Europe, Australia and Asia are subject to several difficulties and risks that are separate and distinct from those we face in our domestic operations, including:

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

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

**Risk Factors (continued)**

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

**Government and private insurance plans may not reimburse patients for our products, which could result in reductions in sales or selling prices for our products.** Our ability to sell our products depends in large part on the extent to which reimbursement for the cost of our products will be available from government health administration authorities, private health insurers and other organizations. These third party payors are increasingly challenging the prices charged for medical products and services. Therefore, even if a product is approved for marketing, we cannot assure you that reimbursement will be allowed for such product or that the reimbursement amount will be adequate or, if adequate, will not subsequently be reduced. For example, in some markets, such as Spain, France and Germany, government reimbursement is currently available for purchase or rental of our products but is subject to constraints such as price controls or unit sales limitations. In other markets, such as Australia and the United Kingdom, there is currently limited or no reimbursement for devices that treat sleep disordered breathing related respiratory conditions. Additionally, future legislation or regulation concerning the health care industry or third party or governmental coverage and reimbursement, particularly, legislation or regulation limiting consumers' reimbursement rights may harm our business. As we continue to develop new products, those products will generally not qualify for reimbursement, if at all, until they are approved for marketing. In the United States, we sell our products primarily to home health care dealers and to sleep clinics. We do not file claims and bill governmental programs and other third party payors directly for reimbursement for our products. However, we are still subject to laws and regulations relating to governmental reimbursement programs, particularly Medicaid and Medicare.

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

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

**Risk Factors (continued)****Complying with regulations is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.**

We are subject to various federal, state, local and international regulations regarding our business activities. Failure to comply with various regulations could result in, among other things, recalls of our products, substantial fines and/or criminal charges against us and our employees.

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

Before we can market or sell a new medical device in the United States, we must obtain FDA clearance, which can be a lengthy and time-consuming process. We generally receive clearance from the FDA to market our products in the United States under Section 510(k) of the Federal Food, Drug, and Cosmetic Act or our products are exempt from the 510(k) clearance process. We have modified some of our 510(k) approved products without submitting new 510(k) notices, which we do not believe were required. However, if the FDA disagrees with us and requires us to submit new 510(k) notifications for modifications to our existing products, we may be required to stop marketing the products while the FDA reviews the 510(k) notification. Any new product introduction or existing product modification could be subjected to a lengthier, more rigorous FDA examination process. For example, in certain cases we may need to conduct clinical trials of a new product prior to submitting a 510(k) notice. Additionally, we may be required to obtain premarket approvals for our products. The requirements of these more rigorous processes could delay product introductions and increase the costs associated with FDA compliance. Marketing and sale of our products outside the United States are also subject to regulatory clearances and approvals, and if we fail to obtain these regulatory approvals, our sales could suffer. We cannot assure you that any new products we develop will receive required regulatory approvals from U.S. or foreign regulatory agencies.

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

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

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

**Risk Factors (continued)**

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

We face the risks that:

- third parties will infringe our intellectual property rights;
- our non-disclosure agreements will be breached;
- we will not have adequate remedies for infringement;
- our trade secrets will become known to or independently developed by our competitors; or
- any third parties will be issued patents that may prevent the sale of our products or require us to license and pay fees or royalties in order for us to be able to market some of our products.

We are currently engaged in litigation relating to the enforcement and defense of a number of our patents. Additional litigation may be necessary to enforce patents issued to us, to protect our proprietary rights, or to defend third party claims that we have infringed upon proprietary rights of others. The defense and prosecution of patent claims, including these pending claims, as well as participation in other inter-party proceedings, can be expensive and time consuming, even in those instances in which the outcome is favorable to us. If the outcome of any litigation or proceeding brought against us were adverse, we could be subject to significant liabilities to third parties, could be required to obtain licenses from third parties or could be required to cease sales of the affected products. Additionally, the laws regarding the enforceability of patents vary from country to country, and we cannot assure you that any patent issues we face will be uniformly resolved, or that local laws will provide us with consistent rights and benefits.

**We are subject to product liability claims that may exceed the scope and amount of our insurance coverage, which would expose us to liability for uninsured claims.** We are subject to potential product liability claims as a result of the design, manufacture and marketing of medical devices. Any product liability claim brought against us, with or without merit, could result in the increase of our product liability insurance rates. In addition, we would have to pay any amount awarded by a court in excess of our policy limits.

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

**Risk Factors (continued)**

Our insurance policies have various exclusions, and thus we may be subject to a product liability claim for which we have no insurance coverage, in which case, we may have to pay the entire amount of any award. We cannot assure you that our insurance coverage will be adequate or that all claims brought against us will be covered by our insurance. Insurance varies in cost and can be difficult to obtain, and we cannot assure you that we will be able to obtain insurance in the future on terms acceptable to us or at all. A successful product liability claim brought against us in excess of our insurance coverage, if any, may require us to pay substantial amounts, which could harm our business.

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

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

- the introduction of new products by us or our competitors;
- the geographic mix of product sales;
- the success of our marketing efforts in new regions;
- changes in third party reimbursement;
- timing of regulatory clearances and approvals;
- timing of orders by distributors;
- expenditures incurred for research and development;
- competitive pricing in different regions;
- seasonality;
- the cost and effect of promotional and marketing programs;
- the effect of foreign currency transaction gains or losses; and
- other activities of our competitors

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



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

**Risk Factors (continued)**

**Delaware law, provisions in our charter and our shareholder rights plan could make the acquisition of our company by another company more difficult.** Provisions of our certificate of incorporation may have the effect of delaying or preventing changes in control or management which might be beneficial to us or our securityholders. In particular, our board of directors is divided into three classes, serving for staggered three-year terms. Because of this classification it will require at least two annual meetings to elect directors constituting a majority of our board of directors.

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

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

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

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**RESMED INC AND SUBSIDIARIES**  
**Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934 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 recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Within 90 days prior to the date of this report, 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. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Company completed its evaluation.

**RESMED INC. AND SUBSIDIARIES**

Item 1 Legal Proceedings  
Refer Note 8 to the Condensed Consolidated Financial Statements

Item 2 Changes in Securities and Use of Proceeds  
None

Item 3 Defaults Upon Senior Securities  
None

Item 4 Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Shareholders was held on November 11, 2002. The holders of 22,527,765 shares of the Company's stock (approximately 68% of the outstanding shares) were present at the meeting in person or by proxy. The matters voted upon at the meeting were (1) to elect three directors, to serve for a three year term; (2) to ratify the selection of auditors of the Company for the fiscal year ending June 30, 2003; and (3) to transact such other business as may properly come before the meeting.

- (1) Dr Christopher G Roberts, Mr Donagh McCarthy and Mr Louis A Simpson, nominated by the Company's Board of Directors, were elected to serve until 2005. There were no other nominees.

Shares were voted as follows:

Name	For	Withholding Vote For
Dr Christopher G Roberts	22,412,643	85,449
Mr Donagh McCarthy	22,349,759	148,322
Mr Louis A Simpson	22,411,454	86,298

- (2) The selection of KPMG LLP as independent public accountants for the 2003 fiscal year was ratified: affirmative votes, 22,382,952 shares; negative votes 144,813 shares.

- (3) There was no other business transacted at the meeting.

Item 5 Other Information  
None

Item 6 Exhibits and Report on Form 8-K

- a) Exhibits  
None

- b) Reports on Form 8-K

On September 11, 2002, the Registrant filed a report on Form 8-K relating to the Registrant's Regulation FD, Disclosure and Certifications of its Chief Executive Officer and Chief Financial Officer

**RESMED INC AND SUBSIDIARIES**  
**SIGNATURES**

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

ResMed Inc.

**/s/ PETER C. FARRELL**

.....  
Peter C Farrell  
President and Chief Financial Officer

**/s/ ADRIAN M. SMITH**

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

**RESMED INC AND SUBSIDIARIES  
CERTIFICATIONS**

I, Peter C. Farrell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ResMed Inc;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 12, 2002

**/s/ PETER C. FARRELL**

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Peter C. Farrell  
Chairman and Chief Executive Officer

**RESMED INC AND SUBSIDIARIES  
CERTIFICATIONS**

I, Adrian M. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ResMed Inc;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 12, 2002

**/s/ ADRIAN M. SMITH**

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Adrian M. Smith

Vice President Finance and Chief Financial Officer