RESMED INC
Form 10-Q
November 03, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

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

For the transition period from to

Commission File Number: 001-15317

ResMed Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

98-0152841

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

9001 Spectrum Center Blvd.

San Diego, CA 92123

United States of America

(Address of principal executive offices)

(858) 836-5000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

At October 25, 2011, there were 166,298,681 shares of Common Stock ($0.004 par value) outstanding. This number excludes 19,206,473 shares held by the registrant as treasury shares.

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RESMED INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION Item 1

Item 1. Financial Statements

ResMed Inc. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(In US$ thousands, except share and per share data)

	September 30, 2011	June 30, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 610,063	$ 735,267
Accounts receivable, net of allowance for doubtful accounts of $10,425 and $11,476 at September 30, 2011 and June 30 2011, respectively	251,103	274,352
Inventories (note 3)	187,950	200,777
Deferred income taxes	13,357	13,875
Income taxes receivable	2,442	9,294
Prepaid expenses and other current assets	77,884	58,887
Total current assets	1,142,799	1,292,452
Non-current assets:		
Property, plant and equipment, net (note 5)	432,687	462,107
Goodwill (note 6)	267,688	235,487
Other intangibles, net (note 7)	63,940	47,911
Deferred income taxes	19,804	18,922
Other assets	8,374	12,043
Total non-current assets	792,493	776,470
Total assets	$ 1,935,292	$ 2,068,922
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	46,688	$ 55,194
Accrued expenses	103,274	103,787
Deferred revenue	41,918	45,125
Income taxes payable	29,146	3,931
Deferred income taxes	593	640
Current portion of long-term debt (note 8)	4,095	163
Total current liabilities	225,714	208,840
Non-current liabilities:		
Deferred income taxes	9,465	8,051
Deferred revenue	16,979	17,237
Long-term debt (note 8)	130,000	100,000
Income taxes payable	4,116	4,057
Total non-current liabilities	160,560	129,345
Total liabilities	386,274	338,185

Commitments and contingencies (notes 11)		
Stockholders equity: (note 9)		
Preferred stock, $0.01 par value, 2,000,000 shares authorized; none issued	0	0
Common stock, $0.004 par value, 350,000,000 shares authorized; 166,238,109 issued and 147,771,904 outstanding at September 30, 2011 and 165,783,516 issued and 151,668,786 outstanding at June 30, 2011	591	607
Additional paid-in capital	815,174	798,461
Retained earnings	1,162,380	1,111,862
Treasury stock, at cost, 18,466,205 shares at September 30, 2011, and 14,114,730 shares at June 30, 2011	(629,338)	(504,625)
Accumulated other comprehensive income (note 4)	200,211	324,432
Total stockholders equity	1,549,018	1,730,737
Total liabilities and stockholders equity	$ 1,935,292	$ 2,068,922

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

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PART I FINANCIAL INFORMATION Item 1

ResMed Inc. and Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

(In US$ thousands, except share and per share data)

	Three Months Ended September 30,	
	2011	2010
Net revenue	$ 314,774	$ 282,012
Cost of sales	129,720	108,058
Gross profit	185,054	173,954
Operating expenses:		
Selling, general and administrative	94,203	84,791
Research and development	26,206	19,739
Amortization of acquired intangible assets	3,771	2,030
Donation to Foundation	0	1,000
Total operating expenses	124,180	107,560
Income from operations	60,874	66,394
Other income, net:		
Interest income, net	6,924	5,097
Other, net	(1,301)	5,063
Total other income, net	5,623	10,160
Income before income taxes	66,497	76,554
Income taxes	15,979	19,846
Net income	$ 50,518	$ 56,708
Basic earnings per share	$ 0.34	$ 0.37
Diluted earnings per share (note 2j)	$ 0.33	$ 0.36
Basic shares outstanding (000 s)	150,366	151,474
Diluted shares outstanding (000 s)	154,051	156,752

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

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PART I FINANCIAL INFORMATION Item 1

ResMed Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In US$ thousands)

	Three Months Ended September 30, 2011	2010
Cash flows from operating activities:		
Net income	$ 50,518	$ 56,708
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,410	15,642
Impairment of long-lived assets	0	2,257
Stock-based compensation costs	7,205	8,350
Foreign currency revaluation	2,770	(7,519)
Gain on previously held equity interest resulting from business combination	(2,070)	0
Tax benefit from stock option exercises	(856)	(2,397)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	14,290	11,715
Inventories, net	4,243	(12,555)
Prepaid expenses, net deferred income taxes and other current assets	(31,036)	5,421
Accounts payable, accrued expenses and other liabilities	24,049	(18,479)
Net cash provided by operating activities	89,523	59,143
Cash flows from investing activities:		
Purchases of property, plant and equipment	(12,878)	(15,333)
Patent registration costs	(1,686)	(1,464)
Proceeds from sale of maturing investment securities	0	3,950
Purchases of other intangible assets	(7,000)	0
Business acquisitions, net of cash acquired	(51,923)	(21,150)
Purchases of cost-method investments	(1,165)	(1,166)
Purchases of foreign currency options	0	(113)
Proceeds from exercise of foreign currency options	2,967	4,368
Net cash used in investing activities	(71,685)	(30,908)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	9,354	13,756
Tax benefit from stock option exercises	856	2,397
Purchases of treasury stock	(121,697)	(22,637)
Proceeds from borrowings	80,000	0
Repayment of borrowings	(52,456)	(30,000)
Net cash (used in) financing activities	(83,943)	(36,484)
Effect of exchange rate changes on cash	(59,099)	59,477
Net increase in cash and cash equivalents	(125,204)	51,228
Cash and cash equivalents at beginning of period	735,267	488,776

Cash and cash equivalents at end of period	$ 610,063	$ 540,004
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 4,294	$ 22,293
Interest paid	$ 706	$ 419
Fair value of assets acquired, excluding cash	$ 24,421	$ 17,142
Liabilities assumed	(11,413)	(450)
Goodwill on acquisition	51,532	4,958
Total purchase price	64,540	21,650
Less: Consideration not paid in the current period	(12,617)	(500)
Cash paid for acquisition	$ 51,923	$ 21,150

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

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PART I FINANCIAL INFORMATION Item 1

RESMED INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

(1) Organization and Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending June 30, 2012.

The condensed consolidated financial statements for the three months ended September 30, 2011 and 2010 are unaudited and should be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the year ended June 30, 2011.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation

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

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

(b) Revenue Recognition

We generally record revenue on product sales at the time of shipment, when title transfers to the customer. We do not record revenue on product sales which require customer acceptance until we receive acceptance. We record royalty revenue from license agreements when earned. We initially defer service revenue received in advance from service contracts and recognize that deferred revenue ratably over the life of the service contract. We initially defer revenue we receive in advance from rental unit contracts and recognize that deferred revenue ratably over the life of the rental contract. Otherwise, we recognize revenue from rental unit contracts ratably over the life of the rental contract. We initially defer revenue from sale of marketing and distribution rights and recognize that deferred revenue ratably over the life of the contract.

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RESMED INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(2) Summary of Significant Accounting Policies, Continued

(b) Revenue Recognition, Continued

We include in revenue freight charges we bill to customers. We charge all freight-related expenses to cost of sales. Taxes assessed by government authorities that are imposed on and concurrent with revenue-producing transactions, such as sales and value added taxes, are excluded from revenue.

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

(c) Cash and Cash Equivalents

Cash equivalents include certificates of deposit and other highly liquid investments and we state them at cost, which approximates market. We consider investments with original maturities of 90 days or less to be cash equivalents for purposes of the condensed consolidated financial statements.

(d) Inventories

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

(e) Property, Plant and Equipment

We record property, plant and equipment, including rental equipment at cost. We compute depreciation expense using the straight-line method over the estimated useful lives of the assets. Useful lives are generally two to ten years except for buildings which are depreciated over an estimated useful life of forty years and leasehold improvements, which we amortize over the lease term. We charge maintenance and repairs to expense as we incur them.

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RESMED INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(2) Summary of Significant Accounting Policies, Continued

(f) Intangible Assets

We capitalize the registration costs for new patents and amortize the costs over the estimated useful life of the patent, which is generally five years. If a patent is superseded or product that is retired, any unamortized costs are written off immediately.

We amortize other intangible assets on a straight-line basis over their estimated useful lives, which range from two to nine years. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. We amortize all of our intangible assets. We have not identified any impairment of intangible assets during any of the periods presented.

(g) Goodwill

We conducted our annual review for goodwill impairment during the final quarter of fiscal 2011. In conducting our review of goodwill impairment, we identified 10 reporting units, being components of our operating segment. The fair value for each reporting unit was determined based on estimated discounted cash flows. Our goodwill impairment review involved the following process:

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

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

The results of Step 1 of our annual review indicated that no impaired goodwill exists as the fair value for each reporting unit significantly exceeded its carrying value.

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 our non-U.S. subsidiaries, whose functional currencies are other than U.S. dollars, are translated into U.S. dollars for financial reporting purposes. We translate assets and liabilities of non-U.S. subsidiaries whose functional currencies are other than the U.S. dollar at period end exchange rates, but translate revenue and expense transactions at average exchange rates for the period. We recognize cumulative translation adjustments as part of comprehensive income, as detailed in Note 4, and included those adjustments in accumulated other comprehensive income in the condensed consolidated balance sheets until the relevant subsidiary is sold or substantially or completely liquidated. We reflect gains and losses on transactions denominated in other than the functional currency of an entity in our results of operations.

(i) Research and Development
All research and development costs are expensed in the period incurred.

(j) Earnings Per Share
We compute basic earnings per share by dividing the net income available to common stockholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of shares of common stock outstanding and the number of dilutive common stock equivalents such as stock options and restricted stock units.

The weighted average number of outstanding stock options and restricted stock units not included in the computation of diluted earnings per share were 930,468 and 182,459 for the three months ended September 30, 2011 and 2010, respectively, as the effect would have been anti-dilutive. Basic and diluted earnings per share for the three months ended September 30, 2011 and 2010 are calculated as follows (in thousands except per share data):

	Three Months Ended September 30,	
	2011	2010
Numerator:		
Net Income, used in calculating diluted earnings per share	$ 50,518	$ 56,708
Denominator:		
Basic weighted-average common shares outstanding	150,366	151,474
Effect of dilutive securities:		
Stock options and restricted stock units	3,685	5,278
Diluted weighted average shares	154,051	156,752
Basic earnings per share	$ 0.34	$ 0.37
Diluted earnings per share	$ 0.33	$ 0.36

RESMED INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(2) Summary of Significant Accounting Policies, Continued

(k) Financial Instruments

The carrying value of financial instruments, such as cash and cash equivalents, accounts receivable and accounts payable, approximate their fair value because of their short-term nature. The carrying value of long-term debt approximates its fair value as the principal amounts outstanding are subject to variable interest rates that are based on market rates which are regularly reset. Foreign currency option contracts are marked to market and therefore reflect their fair value. We do not hold or issue financial instruments for trading purposes.

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(l) Foreign Exchange Risk Management

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

The purpose of our foreign currency hedging activities is to protect us from adverse exchange rate fluctuations with respect to net cash movements resulting from the sales of products to foreign customers and our Australian manufacturing activities. We enter into foreign currency 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.

We have determined our hedge program to be a non-effective hedge as defined under the FASB issued authoritative guidance. We record the foreign currency derivatives portfolio at fair value and include it in other assets in our condensed consolidated balance sheets. We do not offset the fair value amounts recognized for foreign currency derivatives. We classify purchases of foreign currency derivatives and proceeds received from the exercise of foreign currency derivatives as an investing activity within our consolidated statements of cash flows. We record all movements in the fair value of the foreign currency derivatives within other income, net in our condensed consolidated statements of income.

(m) Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We measure deferred tax assets and liabilities using the enacted tax rates we expect 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.

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PART I FINANCIAL INFORMATION Item 1

ResMed Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(2) Summary of Significant Accounting Policies, Continued

(n) Investment Securities

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

(o) Warranty

Estimated future warranty costs related to certain products are charged to operations in the period in which the related revenue is recognized. We include the liability for warranty costs in accrued expenses in our condensed consolidated balance sheets. Changes in the liability for warranty costs for the three months ended September 30, 2011 and 2010 are as follows (in thousands):

	Three months ended September 30,	
	2011	2010
Balance at the beginning of the period	$ 19,032	$ 11,507
Warranty accruals for the period	4,506	2,944
Warranty costs incurred for the period	(3,533)	(2,262)
Foreign currency translation adjustments	(1,940)	1,651
Balance at the end of the period	$ 18,065	$ 13,840

(p) Impairment of Long-Lived Assets

We periodically evaluate the carrying value of long-lived assets to be held and used, including certain identifiable intangible assets, when events and circumstances indicate that the carrying amount of an asset may not be recovered. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If assets are considered to be impaired, we recognize as the impairment the amount by which the carrying amount of the assets exceeds the fair value of the assets. We report assets to be disposed of at the lower of the carrying amount or fair value less costs to sell. During the three months ended September 30, 2011 and 2010, we recognized an impairment charge of $Nil and $2.3 million, respectively, relating to impaired long-lived assets that were no longer in use.

(q) Cost-Method Investments

The aggregate carrying amount of our cost-method investments at September 30, 2011 and June 30, 2011, was $3.1 million and $4.3 million, respectively. During the three months ended September 30, 2011 we remeasured a previously held equity interest to its acquisition-date fair value as a result of acquiring the remaining interest as part of a business combination and recognized a resulting gain of $2.1 million in Other

Income in the condensed consolidated statement of income. See Note 13 for additional information. We periodically evaluate the carrying value of our cost-method investments, when events and circumstances indicate that the carrying amount of an asset may not be recovered. We have determined that the carrying value of our cost method investments do not exceed their estimated fair values.

RESMED INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(2) Summary of Significant Accounting Policies, Continued

(r) Stock-Based Employee Compensation

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

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

We estimate the fair value of stock options granted under our stock option plans and purchase rights granted under the ESPP assuming no dividends and using the following assumptions:

	Three months ended September 30, 2011	Three months ended September 30, 2010
Stock options:		
Weighted average grant date fair value	$ 9.22	$ 9.29
Weighted average risk-free interest rate	1.4%	1.8%
Expected option life in years	5.29	5.0
Expected volatility	31%	32%
ESPP purchase rights:		
Weighted average risk-free interest rate	0.1%	0.3%
Expected option life in years	6 months	6 months
Expected volatility	24%	29%

The risk-free interest rate assumption we use is based upon U.S. Treasury yield curve at the time of grant appropriate for the expected life of the awards. Expected volatilities are based on a combination of historical volatilities of our stock and the implied volatilities from tradeable options of our stock corresponding to the expected term of the options. We use a combination of the historic and implied volatilities as the addition of the implied volatility is more representative of our future stock price trends. While there is a tradeable market of options on our common stock less emphasis is placed on the implied volatility of these options due to the relative low volumes of these traded options and the difference in the terms compared to our employee options. In order to determine the estimated period of time that we expect employees to hold their stock options, we use historical rates by employee groups.

(s) Recently Issued Accounting Pronouncement

In September 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. Under the amendments in this standard, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We will be required to adopt this standard for interim and annual reporting periods beginning after December 15, 2011. We do not expect the adoption of this standard in fiscal year 2012 to have a material impact on our condensed consolidated financial statements.

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PART I FINANCIAL INFORMATION Item 1

ResMed Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(2) Summary of Significant Accounting Policies, Continued

In June 2011, the FASB issued authoritative guidance with respect to the presentation of other comprehensive income in financial statements. The main provisions of the standard provide that an entity that reports other comprehensive income has the option to present comprehensive income in either a single statement or in a two-statement approach. A single statement must present the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income. In the two-statement approach, an entity must present the components of net income and total net income in the first statement, followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income. We will be required to adopt this standard for interim and annual reporting periods beginning after December 15, 2011. We do not expect the adoption of this standard in fiscal year 2012 to have a material impact on our condensed consolidated financial statements.

(3) Inventories
Inventories were comprised of the following at September 30, 2011 and June 30, 2011 (in thousands):

	September 30, 2011	June 30, 2011
Raw materials	$ 62,887	$ 73,836
Work in progress	1,756	4,147
Finished goods	123,307	122,794
Inventories, net	$ 187,950	$ 200,777

(4) Comprehensive Income
Accumulated other comprehensive income was comprised of foreign currency translation gains of $200.2 million at September 30, 2011 and $324.4 million at June 30, 2011.

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

(5) Property, Plant and Equipment
Property, plant and equipment were comprised of the following as of September 30, 2011 and June 30, 2011 (in thousands):

	September 30, 2011	June 30, 2011

Machinery and equipment	$ 140,444	$ 149,730
Computer equipment	85,346	89,263
Furniture and fixtures	47,213	48,545
Vehicles	2,896	3,073
Clinical, demonstration and rental equipment	93,567	96,808
Leasehold improvements	24,206	25,528
Land	63,476	67,584
Buildings	266,148	282,159
	723,296	762,690
Accumulated depreciation and amortization	(290,609)	(300,583)
Property, plant and equipment, net	$ 432,687	$ 462,107

(6) Goodwill

Changes in the carrying amount of goodwill for the three months ended September 30, 2011, were as follows (in thousands):

Balance at July 1, 2011	$ 235,487
Goodwill on business acquisition	51,532
Foreign currency translation adjustments	(19,331)
Balance at September 30, 2011	$ 267,688

Refer to Note 13 of the condensed consolidated financial statements for further details of acquisitions made during the period.

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PART I FINANCIAL INFORMATION Item 1

RESMED INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(7) Other Intangible Assets

Other intangible assets are comprised of the following as of September 30, 2011, and June 30, 2011 (in thousands):

	September 30, 2011	June 30, 2011
Developed/core product technology	$ 69,215	$ 59,293
Accumulated amortization	(34,130)	(34,480)
Developed/core product technology, net	35,085	24,813
Trade names	2,803	2,577
Accumulated amortization	(2,081)	(2,090)
Trade names, net	722	487
Non compete agreements	2,237	1,928
Accumulated amortization	(396)	(333)
Non compete agreements, net	1,841	1,595
Customer relationships	23,248	16,688
Accumulated amortization	(12,018)	(11,990)
Customer relationships, net	11,230	4,698
Patents	50,832	54,300
Accumulated amortization	(35,770)	(37,982)
Patents, net	15,062	16,318
Other intangibles, net	$ 63,940	$ 47,911

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

Refer to Note 13 of the condensed consolidated financial statements for further details of acquisitions made during the period.

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ResMed Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(8) Long-Term Debt

Long-term debt at September 30, 2011, and June 30, 2011 consists of the following (in thousands):

	September 30, 2011	June 30, 2011
Current portion of long-term debt	$ 4,095	$ 163
Non-current portion of long-term debt	130,000	100,000
Total long-term debt	$ 134,095	$ 100,163

Credit Facility

On February 10, 2011, we entered into a credit agreement with lenders, including Union Bank, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, HSBC Bank USA, National Association, as Syndication Agent and Union Bank, N.A., HSBC Bank USA, National Association, Commonwealth Bank of Australia and Wells Fargo Bank, N.A. The credit agreement provides a $300 million three-year revolving credit facility, with an uncommitted option to increase the credit facility by an additional $100 million. The credit facility also includes a $10 million sublimit for letters of credit. The credit facility terminates on February 10, 2014, at which time all unpaid principal and interest under the loans must be repaid. The outstanding principal amount due under the credit facility will bear interest at a rate equal to, at our option, either (i) LIBOR plus 1.5% to 2.0% (depending on the applicable leverage ratio) or (ii) a base rate, as defined in the Credit Agreement, plus 0.5% to 1.0% (depending on the applicable leverage ratio). Commitment fees of 0.25% to 0.375% (depending on the applicable leverage ratio) apply on the unused portion of the credit facility. When we executed the credit agreement, we used a portion of the credit facility to repay the outstanding balance under our previously existing revolving credit facility with Union Bank, N.A., which was then terminated.

Our obligations under the credit agreement are secured by (a) the corporate stock we hold in our subsidiaries ResMed Corp., ResMed Motor Technologies Inc. (ResMed Motor) and ResMed Assembly US Inc., (ResMed US), and (b) up to 65% of the ownership interests we hold in our subsidiary ResMed EAP Holdings LLC (ResMed EAP). Our obligations under the credit agreement are also guaranteed by our subsidiaries ResMed Corp, ResMed US and ResMed Motor. The credit agreement contains customary covenants, including certain financial covenants and an obligation that we maintain certain financial ratios, including a maximum ratio of Funded Debt to EBITDA (each as defined in the credit agreement), an interest coverage ratio and a maximum amount of annual capital expenditures. The entire principal amount of the credit facility and any accrued but unpaid interest may be declared immediately due and payable if an event of default occurs. Events of default include failure to make payments when due, a default in the performance of any covenants in the credit agreement or related documents or certain changes of control of us or our subsidiaries ResMed Corp., ResMed US, ResMed Motor, ResMed Limited, ResMed Holdings Ltd/LLC or ResMed EAP.

At September 30, 2011 we were in compliance with our debt covenants and there was $130.0 million outstanding under the credit agreement.

ResMed Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(8) Long-Term Debt, Continued

Prepayment Facility

During the year ended June 30, 2010, ResMed EPN Limited, our wholly-owned UK subsidiary, obtained access to a Prepayment Facility with HSBC Invoice Finance (UK) Limited that provides for a cash advance facility up to a total commitment of 5 million British Pounds Sterling. These advances are limited to 75% of secured outstanding sales invoices. At September 30, 2011, there were no amounts outstanding under this facility.

Assumed External Debt

As part of our acquisition of 100% of the shares of Gruendler GmbH on August 1, 2011, detailed in Note 13, we assumed debt of 4.7 million Euros. The debt comprises a number of loan agreements of varying terms with financial institutions and venture capital financiers. We repaid 1.8 million Euros during the three months ended September 30, 2011 and expect to settle the remaining outstanding loans within the next twelve months. Accordingly, all these loans have been treated as current liabilities in our condensed consolidated balance sheets. At September 30, 2011, there was 2.9 million Euros outstanding in respect of these loans.

(9) Stockholders Equity

Common Stock. On August 24, 2011, our board of directors approved a new share repurchase program, authorizing us to acquire up to an aggregate of 20.0 million shares of ResMed Inc. common stock. The program allows us to repurchase shares of our common stock from time to time for cash in the open market, or in negotiated or block transactions, as market and business conditions warrant. This program canceled and replaced our previous share repurchase program authorized on May 27, 2009 pursuant to which we had repurchased 9,952,274 shares. These were in addition to the 6,622,907 shares repurchased under an earlier program authorized on June 6, 2002. The new program authorizes us to purchase in addition to the shares we repurchased under our previous programs. There is no expiration date for this program. All share repurchases since August 24, 2011 have been executed in accordance with this program.

During the three months ended September 30, 2011, we repurchased 4.4 million shares at a cost of $124.7 million. At September 30, 2011, we have repurchased a total of 18.5 million shares at a cost of $629.3 million. Shares that are repurchased are classified as treasury stock pending future use and reduce the number of shares outstanding used in calculating earnings per share. At September 30, 2011, 18.1 million additional shares can be repurchased under the approved share repurchase program.

Preferred Stock. In April 1997, the Board of Directors authorized 2,000,000 shares of $0.01 par value preferred stock. No such shares were issued or outstanding at September 30, 2011 and June 30, 2011.

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RESMED INC. AND SUBSIDIARIES

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(Unaudited)

(9) Stockholders Equity, Continued

Stock Options and Restricted Stock Units. We have granted stock options and restricted stock units to personnel, including officers and directors, in accordance with the 2009 Plan. These options and restricted stock units have expiration dates of seven years from the date of grant and vest over one or four years. We have granted the options with an exercise price equal to the market value as determined at the date of grant.

The maximum number of shares of our common stock authorized for issuance under the 2009 Plan is 22,921,650. The number of securities remaining available for future issuance under the 2009 Plan at September 30, 2011 is 5,351,788. The number of shares of our common stock available for issuance under the 2009 Plan will be reduced by (i) two (2.0) shares for each one share of common stock delivered in settlement of any full-value award, which is any award other than a stock option, stock appreciation right or other award for which the holder pays the intrinsic value and (ii) one share for each share of common stock delivered in settlement of all other awards. The maximum number of shares, which may be subject to awards granted under the 2009 Plan to any individual during any calendar year, may not exceed 3,000,000 shares of our common stock (except in a participant s initial year of hiring up to 4,500,000 shares of our common stock may be granted).

At September 30, 2011, there was $53.9 million in unrecognized compensation costs related to unvested stock-based compensation arrangements. This is expected to be recognized over a weighted average period of 2.7 years. The aggregate intrinsic value of the stock-based compensation arrangements outstanding and exercisable at September 30, 2011 was $163.3 million and $78.6 million, respectively. The aggregate intrinsic value of the options exercised during the three months ended September 30, 2011 and 2010, was $5.6 million and $11.6 million, respectively.

The following table summarizes option activity during the three months ended September 30, 2011:

	2011	Weighted Average Exercise Price	Weighted Average Remaining Term to Vest in Years
Outstanding at beginning of period	12,230,684	$ 19.24	3.80 years
Granted	27,000	30.18	
Exercised	(448,082)	19.63	
Forfeited	(185,250)	24.34	
Outstanding at end of period	11,624,352	$ 19.17	3.55 years
Exercise price range of granted options	$ 29.80		
Options exercisable at end of period	7,180,012	$ 17.85	

The following table summarizes the activity of restricted stock units during the three months ended September 30, 2011:

	2011	Weighted Average Grant-Date Fair Value	Weighted Average Remaining Term to Vest in Years

Outstanding at beginning of period	1,635,686	$	30.16	1.73 years
Granted	111,839		30.64	
Vested	(12,331)		30.59	
Forfeited	(65,279)		28.71	
Outstanding at end of period	1,669,915	$	30.25	1.54 years

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ResMed Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(9) Stockholders Equity, Continued

Employee Stock Purchase Plan (the ESPP). The ESPP was approved at the annual meeting of our stockholders on November 18, 2009, as an amendment to the previously approved employee stock purchase plan. Under the ESPP, we offer participants the right to purchase shares of our common stock at a discount during successive offering periods. Each offering period under the ESPP will be for a period of time determined by the board of directors compensation committee of no less than 3 months and no more than 27 months. The purchase price for our common stock under the ESPP will be the lower of 85% of the fair market value of our common stock on the date of grant or 85% of the fair market value of our common stock on the date of purchase. An individual participant cannot subscribe for more than $25,000 in common stock during any calendar year. At September 30, 2011, the number of shares remaining available for future issuance under the ESPP is 775,000.

During the three months ended September 30, 2011, we recognized $0.5 million of stock-based compensation expense associated with the ESPP.

(10) Fair Value Measurements

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

The hierarchies of inputs are as follows:

Level 1: Input prices quoted in an active market for identical financial assets or liabilities;

Level 2: Inputs other than prices quoted in Level 1, such as prices quoted for similar financial assets and liabilities in active markets, prices for identical assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data; and

Level 3: Input prices quoted that are significant to the fair value of the financial assets or liabilities which are not observable nor supported by an active market.

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RESMED INC. AND SUBSIDIARIES

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(Unaudited)

(10) Fair Value Measurements, Continued

The following table summarizes our financial assets and liabilities, as at September 30, 2011, using the valuation input hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 610,063	$ 0	$ 0	$ 610,063
Cost-method investments	0	0	3,118	3,118
Foreign currency options	0	4,767	0	4,767
	$ 610,063	$ 4,767	$ 3,118	$ 617,948

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

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

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

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

The following table shows a reconciliation of the changes in the three months ended September 30, 2011 for fair value measurements using significant unobservable inputs (thousands):

	Cost-Method Investments
Balance at July 1, 2011	$ 4,264
Purchases	1,165
Elimination due to acquisition of entity (refer to Note 13)	(2,261)
Foreign currency translation	(50)
Balance at September 30, 2011	$ 3,118

We did not have any significant non-financial assets or liabilities measured at fair value on September 30, 2011 or June 30, 2011.

ResMed Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(11) Legal Actions and Contingencies

Litigation

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

During September and October 2004, we began receiving tax assessment notices for the audit of one of our German subsidiaries by the German tax authorities for the years 1996 through 1998. Certain aspects of these assessment notices are being contested in German tax court. As the outcome of these proceedings cannot be predicted with certainty, any tax issues resolved in a manner not consistent with our expectations may require us to adjust our provision for income tax in the period of resolution. However, the estimate of the range of loss or possible loss in relation to the tax assessment notices for the years which are being contested is immaterial to our condensed consolidated financial statements when taken as a whole.

In February 2007, the University of Sydney commenced legal action in the Federal Court of Australia against us, claiming breach of a license agreement and infringement of certain intellectual property. The claim has been amended to include an allegation of breach of confidentiality. The university is seeking various types of relief, including an injunction against manufacturing, supplying, offering for sale, selling or exporting certain mask devices, payment of license fees, damages or an account of profits, interest, costs and declaration of a constructive trust over and assignment of certain intellectual property. In October 2007, we filed a defense denying the university s claim, as well as a cross-claim against the university seeking an order for rectification of the contract and alleging the university violated the Australian Trade Practices Act. The matter is ongoing. Given the inherent uncertainty and unpredictability of litigation and due to the status of this legal action, no range of loss or possible loss can be reasonably estimated at this time. However, we do not expect the outcome of this matter to have a material adverse effect on our condensed consolidated financial statements when taken as a whole.

In March 2011, SMRT LLC filed suit against us in California Superior Court. SMRT is a former customer of ours, and the complaint alleges various claims arising out of our decision to stop selling product to SMRT. The complaint alleges claims for violation of state anti-trust and unfair competition laws, as well as various tortious interference claims. We filed a demurrer to the complaint, which the court granted in part and denied in part. SMRT later filed an amended complaint, alleging substantially the same claims. On October 17 we filed our answer, as well as a cross-complaint to collect outstanding accounts receivable. The matter is ongoing. Given the inherent uncertainty and unpredictability of litigation and due to the status of this legal action, no range of loss or possible loss can be reasonably estimated at this time. However, we do not expect the outcome of this matter to have a material adverse effect on our condensed consolidated financial statements when taken as a whole.

ResMed Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(11) Legal Actions and Contingencies, Continued

Litigation, Continued

In June 2011, Geltight Enterprises, LLC filed a complaint for patent infringement against us in the United States District Court Western District of Washington at Seattle. This Complaint alleges that we infringe Geltight s United States patent related to gel mask technology. On October 14, 2011, the court dismissed Geltight s claims against ResMed, with prejudice, with each side to bear its own costs. We do not expect the resolution of this matter to have a material adverse effect on our condensed consolidated financial statements when taken as a whole.

Contingent Obligations Under Recourse Provisions

We use independent leasing companies for the purpose of providing finance to certain customers for the purchase of our products. In some cases, we are contingently liable to the leasing companies in the event of a customer default, within certain limits, for unpaid installment receivables transferred to the leasing companies. The gross amount of receivables sold under these arrangements for the three months ended September 30, 2011 amounted to $3.2 million. The maximum potential amount of contingent liability under these arrangements at September 30, 2011 was $5.0 million. The recourse liability we recognized at September 30, 2011, in relation to these arrangements was $0.6 million.

(12) Derivative Instruments and Hedging Activities

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

We do not designate these foreign currency contracts as hedges. We have determined our hedge program to be a non-effective hedge as defined under the FASB issued authoritative guidance. All movements in the fair value of the foreign currency instruments are recorded within other income, net in our consolidated statements of income. We do not enter into financial instruments for trading or speculative purposes.

We held foreign currency instruments with notional amounts totaling $433.0 million and $309.9 million at September 30, 2011 and June 30, 2011, respectively, to hedge foreign currency fluctuations. These contracts mature at various dates prior to September 30, 2014.

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RESMED INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(12) Derivative Instruments and Hedging Activities, Continued

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

Derivatives Not Designated as Hedging Instruments	Asset Derivatives Balance Sheet Location	September 30, 2011 Fair Value	Location of gain recognized in Income on Derivative	Gain/(Loss) recognized in Income on Derivative Three Months Ended September 30, 2011
Foreign Exchange Contracts	Other Assets	$4,767	Other Income	($5,764)

We are exposed to credit-related losses in the event of non-performance by counter parties to financial instruments. The credit exposure of foreign currency derivatives at September 30, 2011 and June 30, 2011 was $4.8 million and $14.8 million, respectively, which represents the positive fair value of our foreign currency derivatives. These values are included in the current and non-current balances of other assets on the condensed consolidated balance sheets. We minimize counterparty credit risk by entering into derivative transactions with major financial institutions and, as such, we do not expect material losses as a result of default by our counterparties.

(13) Acquisitions of Businesses and Business Assets

On July 5, 2011 we acquired the remaining 87% of the outstanding shares of BiancaMed Ltd. (BiancaMed), an Irish medical technology company, that has developed and is marketing a convenient, non-contact device to monitor sleep and breathing in the home and hospital. We previously held 13% of the outstanding shares of BiancaMed which was recorded within cost-method investments. In conjunction with the acquisition of BiancaMed we re-measured the previously held equity interest to its acquisition-date fair value of $4.3 million based on the difference between the fair value of 100% of BiancaMed s shares less the fair value of the consideration transferred, excluding any control premium. As a result we recognized a gain of $2.1 million in Other Income during the three months ended September 30, 2011. The acquisition has been accounted for as a business combination using purchase accounting and is included in our consolidated financial statements from July 5, 2011. The acquisition is not considered a material business combination and was funded through cash on-hand. We have not incurred any material acquisition related costs.

On August 1, 2011 we acquired 100% of the outstanding shares of Gruendler GmbH, a developer and manufacturer of medical humidification products. These humidifiers can be used with a wide range of ventilators, from neonatal and pediatric, to non-invasive pressure support, to those used in the intensive care unit. Under the purchase agreement, we may also be required to make additional future payments of up to 5.5 million Euros based on the achievement of certain performance milestones following the acquisition. The acquisition has been accounted for as a business combination using purchase accounting and is included in our consolidated financial statements from August 1, 2011. The acquisition is not considered a material business combination and was funded through cash on-hand. We have not incurred any material acquisition related costs.

RESMED INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(13) Business Acquisitions, Continued

The cost of the acquisitions have been allocated to the assets acquired and liabilities assumed based on estimates of their respective fair values at the date of acquisition. We have not yet completed the purchase price allocation, as certain income tax related matters and the appraisals associated with the valuation of certain intangible assets are not yet complete. We do not believe that the completion of this work will materially modify the preliminary purchase price allocation. We expect to complete our purchase price allocation in the quarter ending December 31, 2011. The goodwill recognized as part of these acquisitions mainly represents the synergies that are unique to our combined businesses and the potential for new products and services to be developed in the future.

The following table summarizes the aggregated preliminary purchase price allocation of the assets acquired and liabilities assumed at the date of acquisitions based on an independent appraisal and internal studies (in thousands):

	Purchase Price Allocation	
Cash	$	4,136
Accounts receivable		352
Inventory		1,249
Other assets		488
Property, plant & equipment		3,627
Developed technology (useful life of 8 years)		16,039
Customer relationships (useful life of 3-5 years)		2,205
Trade name (useful life of 2-3 years)		461
Goodwill (non-amortizing, non-tax deductible)		51,532
Total assets acquired	$	80,089
Current liabilities, primarily consisting of accounts payable, accrued expenses, debt and deferred tax liabilities		(8,009)
Non-current liabilities, primarily consisting of deferred tax liabilities		(3,404)
Net assets acquired	$	68,676

RESMED INC. AND SUBSIDIARIES

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Special Note Regarding Forward-Looking Statements

This report contains or may contain certain forward-looking statements and information that are based on the beliefs of our management as well as estimates and assumptions made by, and information currently available to, our management. All statements other than statements regarding historical facts are forward-looking statements. The words believe, expect, anticipate, will continue, will, estimate, plan, future and expressions, and negative statements of such expressions, generally identify forward-looking statements, including, in particular, statements regarding the development and approval of new products and product applications, market expansion, pending litigation and the development of new markets for our products, such as cardiovascular and stroke markets. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these forward-looking statements. Such forward-looking statements reflect the views of our management at the time such statements are made and are subject to a number of risks, uncertainties, estimates and assumptions, including, without limitation, and in addition to those identified in the text surrounding such statements, those identified in our annual report on Form 10-K for the fiscal year ended June 30, 2011 and elsewhere in this report.

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

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

PART I FINANCIAL INFORMATION Item 2

RESMED INC. AND SUBSIDIARIES

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

Overview

The following is an overview of our results of operations for the three months ended September 30, 2011. Management s discussion and analysis (MD&A) of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of ResMed Inc. MD&A is provided as a supplement to, and should be read in conjunction with condensed consolidated financial statements and notes, included in this report.

We are a leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing (SDB) and other respiratory disorders. During the three months ended September 30, 2011, we continued our efforts to build awareness of the consequences of untreated SDB, and to grow our business in this market. In our efforts, we have attempted to raise awareness through market and clinical initiatives highlighting the relationship between sleep-disordered breathing/obstructive sleep apnea and co-morbidities, such as cardiac disease, diabetes, hypertension and obesity, as well as the dangers of sleep apnea in regard to occupational health and safety, especially in the transportation industry.

We are committed to ongoing investment in research and development and product enhancements. During the three months ended September 30, 2011, we invested $26.2 million on research and development activities. Since the development of continuous positive airway pressure (CPAP) therapy, we have developed a number of innovative products for SDB and other respiratory disorders including airflow generators, diagnostic products, mask systems, headgear and other accessories. Our new product release schedule remains active across both our mask and flow generator categories. We have recently introduced the Stellar ventilation device, the S9 VPAP series of bilevel devices, the Mirage FX mask and the Quattro FX mask. We are taking steps to increase awareness of the health dangers of sleep-disordered breathing by sponsoring educational programs targeted at the primary care physician community. We believe these efforts should further increase awareness of both doctors and patients about the relationship between sleep-disordered breathing, obstructive sleep apnea and co-morbidities such as cardiac disease, diabetes, hypertension and obesity. We believe these efforts should also support our efforts to inform the community of the dangers of sleep apnea in occupational health and safety, especially in the transport industry.

During the three months ended September 30, 2011, our net revenue increased by 12% when compared to the three months ended September 30, 2010. Gross margin was 58.8% for the three months ended September 30, 2011 compared to 61.7% for the three months ended September 30, 2010. Diluted earnings per share for the three months ended September 30, 2011 was $0.33 per share, compared to $0.36 per share for the three months ended September 30, 2010.

At September 30, 2011 our cash and cash equivalents totaled $610.1 million, our total assets were $1.9 billion and our stockholders equity was $1.5 billion.

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

RESMED INC. AND SUBSIDIARIES

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

Net Revenue

Net revenue increased for the three months ended September 30, 2011 to $314.8 million compared to $282.0 million for the three months ended September 30, 2010, an increase of $32.8 million or 12%. The increase in net revenue is primarily attributable to the strong growth in our masks and accessories sales. Movements in international currencies against the U.S. dollar positively impacted revenues by approximately $10.6 million during the three months ended September 30, 2011. Excluding the impact of favorable foreign currency movements, net revenue for the three months ended September 30, 2011 increased by 8% compared to the three months ended September 30, 2010.

Net revenue in North and Latin America increased for the three months ended September 30, 2011 to $169.3 million from $155.6 million for the three months ended September 30, 2010, an increase of 9%. We believe this increase predominantly reflects growth in the overall sleep-disordered breathing market and growth generated from our recent product releases including the S9 bilevel flow generators and the Quattro FX and Mirage FX masks. Net international revenue, which includes all markets outside North and Latin America, for the three months ended September 30, 2011, increased to $145.5 million from $126.4 million for the three months ended September 30, 2010, an increase of 15%. Excluding the impact of movements in international currencies, international sales grew by 7% compared to the three months ended September 30, 2010. We believe this increase in sales outside North and Latin America predominantly reflects growth in the overall sleep-disordered breathing market and growth generated from our recent product releases including the S9 bilevel flow generators and the Quattro FX and Mirage FX masks.

Net revenue from the sales of flow generators, including humidifiers, for the three months ended September 30, 2011 totaled $171.0 million, an increase of 6% compared to the three months ended September 30, 2010 of $161.8 million, including decreases of 2% in North and Latin America and increases of 12% internationally. Net revenue from the sales of masks and other accessories for the three months ended September 30, 2011 totaled $143.8 million, an increase of 20% compared to the three months ended September 30, 2010 of $120.2 million, including increases of 19% in North and Latin America and 21% internationally. Excluding the impact of favorable currency movements, international revenue increased by 5% and 12% for flow generators and masks and other accessories, respectively, for the three months ended September 30, 2011 compared to the three months ended September 30, 2010. Except for the decrease in sales of flow generators in North and Latin America, which were mainly due to the decline in our CPAP flow generator sales, we believe the increases primarily reflect growth in the overall sleep-disordered breathing market and contributions from new products.

The following table summarizes the percentage movements in our net revenue for the three months ended September 30, 2011 compared to the three months ended September 30, 2010:

	North and Latin America	International	Total	International (Constant Currency) *	Total (Constant Currency)
Flow generators	-2%	12%	6%	5%	1%
Masks and other accessories	19%	21%	20%	12%	17%
Total	9%	15%	12%	7%	8%

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

RESMED INC. AND SUBSIDIARIES

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

Gross Profit

Gross profit increased for the three months ended September 30, 2011 to $185.1 million from $174.0 million for the three months ended September 30, 2010, an increase of $11.1 million or 6%. Gross profit as a percentage of net revenue for the three months ended September 30, 2011 decreased to 58.8% from 61.7% for the three months ended September 30, 2010. The decline in gross margins for the three months ended September 30, 2011 is primarily due to unfavorable movements in foreign currencies, predominantly the appreciation of the Australian dollar against the U.S. dollar as the majority of our manufacturing labor and overhead is denominated in Australian dollars, and declines in our average selling prices. These negative impacts were partially offset by positive impacts associated with a favorable change in product mix, as sales of our higher margin products represented a higher proportion of our sales and cost savings attributable to manufacturing and supply chain improvements.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended September 30, 2011 to $94.2 million from $84.8 million for the three months ended September 30, 2010, an increase of $9.4 million or 11%. Selling, general and administrative expenses, as a percentage of net revenue, were 29.9% for the three months ended September 30, 2011 compared to 30.1% for the three months ended September 30, 2010.

The increase in selling, general and administrative expenses was primarily due to the net appreciation of international currencies against the U.S. dollar, which increased our expenses by approximately $5.4 million for the three months ended September 30, 2011, as reported in U.S. dollars. The increase in selling, general and administrative expenses was also due to an increase in the number of sales and administrative personnel to support our growth and other expenses related to the increase in our sales. As a percentage of net revenue, we expect our future selling, general and administrative expense to be approximately 30%.

Research and Development Expenses

Research and development expenses increased for the three months ended September 30, 2011 to $26.2 million from $19.7 million for the three months ended September 30, 2010, an increase of $6.5 million or 33%. Research and development expenses, as a percentage of net revenue, were 8.3% for the three months ended September 30, 2011, compared to 7.0% for the three months ended September 30, 2010.

The increase in research and development expenses was primarily due to an increase in the number of research and development personnel, consulting and contractor expenses and an increase in materials and tooling costs incurred to facilitate development of new products. The increase in research and development expenses was also due to the net appreciation of the Australian dollar against the U.S. dollar, which increased our expenses by approximately $2.9 million for the three ended September 30, 2011, as reported in U.S. dollars. As a percentage of net revenue, we expect our future research and development expenses to be approximately 8%.

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RESMED INC. AND SUBSIDIARIES

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

Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets for the three months ended September 30, 2011 totaled $3.8 million, as compared to $2.0 million for the three months ended September 30, 2010. The increase in amortization expense is mainly attributable to our recent acquisitions.

Donations to Foundation

For the three months ended September 30, 2011 we donated $Nil to the ResMed Foundation (the Foundation), as compared to $1.0 million for the three months ended September 30, 2010. The Foundation was established primarily to promote research into the deleterious medical consequences of untreated sleep-disordered breathing and to increase public and physician awareness of the importance of sleep and respiratory health throughout the world.

Other Income, Net

Other income, net for the three months ended September 30, 2011 was $5.6 million, compared to $10.2 million for the three months ended September 30, 2010. The decrease in other income, net, during the three months ended September 30, 2011, was predominantly due to losses on foreign currency and hedging transactions. This impact was partly offset by an increase in interest income, net, due to additional cash balances and an increase in interest rates on Australian dollar denominated deposits. Other income, net was also favorably impacted by a gain of $2.1 million on re-measurement of a previously held equity interest to its acquisition-date fair value as a result of the acquisition of BiancaMed.

Income Taxes

Our effective income tax rate of approximately 24.0% for the three months ended September 30, 2011 was lower than our effective income tax rate of approximately 25.9% for the three months ended September 30, 2010. The lower effective income tax rate was primarily due to a change in the geographic mix of our taxable income.

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

Net Income

As a result of the factors above, our net income for the three months ended September 30, 2011 was $50.5 million or $0.33 per diluted share compared to net income of $56.7 million or $0.36 per diluted share for the three months ended September 30, 2010, a decrease of 11% and 8%, respectively, over the three months ended September 30, 2010.

Liquidity and Capital Resources

As of September 30, 2011 and June 30, 2011, we had cash and cash equivalents of $610.1 million and $735.3 million, respectively. Working capital was $917.1 million and $1,083.6 million at September 30, 2011 and June 30, 2011, respectively.

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PART I FINANCIAL INFORMATION Item 2

ResMed Inc. and Subsidiaries

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

Liquidity and Capital Resources, Continued

As of September 30, 2011 and June 30, 2011, our cash and cash equivalent balances held within the United States amounted to $16.8 million and $111.2 million, respectively. Our remaining cash and cash equivalent balances at September 30, 2011 and June 30, 2011, of $593.3 million and $624.1 million, respectively, were held by our non-U.S. subsidiaries, indefinitely invested outside the United States. Our cash and cash equivalent balances are held at highly rated financial institutions. Should we repatriate our cash and cash equivalent balances held outside the U.S., we would have to adjust the income tax provision in the period any such repatriation were to occur.

Inventories at September 30, 2011 were $188.0 million, a decrease of $26.3 million or 12% over the September 30, 2010 balance of $214.2 million. The decrease in inventories mainly reflects a general improvement in inventory management compared to September 30, 2010.

Accounts receivable at September 30, 2011 were $251.1 million, an increase of $25.3 million or 11% over the September 30, 2010 accounts receivable balance of $225.8 million. Accounts receivable days outstanding of 71 days at September 30, 2011 increased by 1 day compared to the 70 days at September 30, 2010. Our allowance for doubtful accounts as a percentage of total accounts receivable at September 30, 2011 and June 30, 2011 was 4.0%. To date we have not experienced any significant decline in the credit quality of our customers and it remains broadly consistent with our past experience.

At September 30, 2011, no capital lease obligations exist. Details of contractual obligations at September 30, 2011 are as follows:

	Payments Due in the Year Ending September 30,						
In $000 s	Total	2012	2013	2014	2015	2016	Thereafter
Long-Term Debt	$ 134,095	$ 4,095	$ 0	$ 130,000	$ 0	$ 0	$ 0
Operating Leases	35,489	12,431	9,087	6,754	3,900	2,321	996
Purchase Obligations	98,964	97,206	1,758	0	0	0	0
Total (A)	$ 268,548	$ 113,732	$ 10,845	$ 136,754	$ 3,900	$ 2,321	$ 996

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

In addition to the contractual obligations set forth above, we may be required to make payments to the German tax authorities related to ongoing appeals of prior tax years under audit. During September and October 2004, we began receiving tax assessment notices for the audit of one of our German subsidiaries by the German tax authorities for the years 1996 through 1998. Certain aspects of these assessment notices are being contested in German tax court. We believe that we have provided adequate reserves for the matters under appeal with the German tax authorities. However, as the outcome of these proceedings cannot be predicted with certainty, any tax issues resolved in a manner not consistent with our expectations may require us to adjust our provision for income tax in the period of resolution. However, we believe the estimate of the range of loss or possible loss in relation to the tax assessment notices for the years which are being contested is not material to our condensed consolidated financial statements.

Details of other commercial commitments as at September 30, 2011 are as follows:

Amount of Commitment Expiration Per Year Ending September 30,

In $000 s	Total	2012	2013	2014	2015	2016	Thereafter
Standby Letters of Credit	$ 91	$ 56	$ 0	$ 0	$ 0	$ 0	$ 35
Guarantees	8,362	3,626	956	626	477	0	2,677
Other	1,380	608	386	386	0	0	0
Total	$ 9,833	$ 4,290	$ 1,342	$ 1,012	$ 477	$ 0	$ 2,712

RESMED INC. AND SUBSIDIARIES

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

Liquidity and Capital Resources, Continued

We use independent leasing companies for the purpose of providing finance to certain customers for the purchase of our products. In some cases, we are contingently liable to the leasing companies in the event of a customer default, within certain limits, for unpaid installment receivables transferred to the leasing companies. The gross amount of receivables sold under these arrangements for the three months ended September 30, 2011 amounted to $3.2 million. The maximum potential amount of contingent liability under these arrangements at September 30, 2011 was $5.0 million. The recourse liability we recognized at September 30, 2011, in relation to these leasing arrangements was $0.6 million.

Credit Facility

On February 10, 2011, we entered into a credit agreement with lenders, including Union Bank, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, HSBC Bank USA, National Association, as Syndication Agent and Union Bank, N.A., HSBC Bank USA, National Association, Commonwealth Bank of Australia and Wells Fargo Bank, N.A. The credit agreement provides a $300 million three-year revolving credit facility, with an uncommitted option to increase the credit facility by an additional $100 million. The credit facility also includes a $10 million sublimit for letters of credit. The credit facility terminates on February 10, 2014, at which time all unpaid principal and interest under the loans must be repaid. The outstanding principal amount due under the credit facility will bear interest at a rate equal to, at our option, either (i) LIBOR plus 1.5% to 2.0% (depending on the applicable leverage ratio) or (ii) a base rate, as defined in the credit agreement, plus 0.5% to 1.0% (depending on the applicable leverage ratio). Commitment fees of 0.25% to 0.375% (depending on the applicable leverage ratio) apply on the unused portion of the credit facility.

Our obligations under the credit agreement are secured by (a) the corporate stock we hold in our subsidiaries ResMed Corp., ResMed Motor Technologies Inc. (ResMed Motor) and ResMed Assembly US Inc., (ResMed US), and (b) up to 65% of the ownership interests we hold in our subsidiary ResMed EAP Holdings LLC (ResMed EAP). Our obligations under the credit agreement are also guaranteed by our subsidiaries ResMed Corp, ResMed US and ResMed Motor. The credit agreement contains customary covenants, including certain financial covenants and an obligation that we maintain certain financial ratios, including a maximum ratio of Funded Debt to EBITDA (each as defined in the Credit Agreement), an interest coverage ratio and a maximum amount of annual capital expenditures. The entire principal amount of the credit facility and any accrued but unpaid interest may be declared immediately due and payable if an event of default occurs. Events of default include failure to make payments when due, a default in the performance of any covenants in the credit agreement or related documents or certain changes of control of us or our subsidiaries ResMed Corp., ResMed US, ResMed Motor, ResMed Limited, ResMed Holdings Ltd/LLC or ResMed EAP. At September 30, 2011 there was $130.0 million outstanding under the credit agreement and we were in compliance with our debt covenants.

Prepayment Facility

During the year ended June 30, 2010, ResMed EPN Limited, our wholly-owned UK subsidiary, obtained access to a Prepayment Facility with HSBC Invoice Finance (UK) Limited that provides for a cash advance facility up to a total commitment of 5 million British Pounds Sterling. These advances are limited to 75% of secured outstanding sales invoices. At September 30, 2011, there were no amounts outstanding under this facility.

RESMED INC. AND SUBSIDIARIES

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

Acquired External Debt

As part of our acquisition of Gruendler GmbH on August 1, 2011, we assumed debt of 4.7 million Euros. The debt comprises a number of loan agreements of varying terms with financial institutions and venture capital financiers. We repaid 1.8 million Euros during the three months ended September 30, 2011 and expect to pay off the remaining outstanding loans within the next twelve months. Accordingly, all these loans have been treated as current liabilities in our condensed consolidated balance sheets. At September 30, 2011, there was 2.9 million Euros outstanding in respect of these loans.

We expect to satisfy all of our short-term liquidity requirements through a combination of cash on hand and cash generated from operations, and the unused portion of our credit facility.

Acquisitions of Businesses and Business Assets

During the quarter ended September 30, 2011 we acquired BiancaMed Limited and Gruendler GmbH for a total consideration of $64.5 million. All acquisitions were funded out of our cash on-hand. BiancaMed Ltd. is an Irish medical technology company that has developed and is marketing a convenient, non-contact device to monitor sleep and breathing in the home and hospital. Gruendler GmbH is a developer and manufacturer of medical humidification products that can be used with a wide range of ventilators, from neonatal and pediatric, to non-invasive pressure support, to those used in the intensive care unit. The acquisitions have been accounted for as business combinations using purchase accounting and are included in our consolidated financial statements from the date of the acquisitions. The acquisitions are not considered material business combinations and we have not incurred any material acquisition related costs. Refer to Note 13 of the condensed consolidated financial statements for further details of acquisitions made during the period.

Common Stock

On August 24, 2011, our board of directors approved a new share repurchase program, authorizing us to acquire up to an aggregate of 20.0 million shares of ResMed Inc. common stock. The program allows us to repurchase shares of our common stock from time to time for cash in the open market, or in negotiated or block transactions, as market and business conditions warrant. This program canceled and replaced our previous share repurchase program authorized on May 27, 2009 pursuant to which we had repurchased 9,952,274 shares. These were in addition to the 6,622,907 shares repurchased under an earlier program authorized on June 6, 2002. The new program authorizes us to purchase in addition to the shares we repurchased under our previous programs. There is no expiration date for this program. All share repurchases since August 24, 2011 have been executed in accordance with this program.

During the three months ended September 30, 2011, we repurchased 4.4 million shares at a cost of $124.7 million. At September 30, 2011, we have repurchased a total of 18.5 million shares at a cost of $629.3 million. Shares that are repurchased are classified as treasury stock pending future use and reduce the number of shares outstanding used in calculating earnings per share. At September 30, 2011, 18.1 million additional shares can be repurchased under the approved share repurchase program.

ResMed Inc. and Subsidiaries

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

Critical Accounting Principles and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis we evaluate our estimates, including those related to allowance for doubtful accounts, inventory adjustments, warranty obligations, goodwill, impaired assets, intangible assets, income taxes, deferred tax valuation allowances and stock-based compensation costs.

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

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

(1) Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering a customer s financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(2) Inventory Adjustments. Inventories are stated at lower of cost or market and are determined by the first-in, first-out method. We review the components of inventory on a regular basis for excess, obsolete and impaired inventory based on estimated future usage and sales. The likelihood of any material inventory write-downs depends 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 make assumptions in establishing the carrying value, fair value and estimated lives of our goodwill, intangibles and other long-lived assets. The criteria used for these evaluations include management s estimate of the asset s continuing ability to generate positive income from operations and positive cash flow in future periods compared to the carrying value of the asset, as well as the strategic significance of any identifiable intangible asset in our business objectives. If assets are considered to be impaired, we recognize as impairment the amount by which the carrying value of the assets exceeds their fair value. We base useful lives and related amortization or depreciation expense 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 s Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Principles and Estimates, Continued

(4) Valuation of Deferred Income Taxes. We establish valuation allowances, 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 depends on future taxable income, our ability to deduct tax loss carry forwards 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. We determine the amount of this provision by using a financial model, which takes into consideration actual historical expenses and potential risks associated with our different products. We use this financial model to calculate the future probable expenses related to warranty and the required level of the warranty provision. Although we engage in product improvement programs and processes, our warranty obligation is affected by product failure rates and costs incurred to correct those product failures. Should actual product failure rates or estimated costs to repair those product failures differ from our estimates, we would be required to revise our estimated warranty provision.

(6) Revenue Recognition. We generally record revenue on product sales at the time of shipment, when title transfers to the customer. We do not record revenue on product sales which require customer acceptance until we receive acceptance. We record royalty revenue from license agreements when earned. We initially defer service revenue received in advance from service contracts and recognize that deferred revenue ratably over the life of the service contract. We initially defer revenue we receive in advance from rental unit contracts and recognize that deferred revenue ratably over the life of the rental contract. Otherwise, we recognize revenue from rental unit contracts ratably over the life of the rental contract. We initially defer revenue from sale of marketing and distribution rights and recognize that deferred revenue ratably over the life of the contract. We include in revenue freight charges we bill to customers. We charge all freight-related expenses to cost of sales. Taxes assessed by government authorities that are imposed on and concurrent with revenue-producing transactions, such as sales and value added taxes, are excluded from revenue.

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

RESMED INC. AND SUBSIDIARIES

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

Critical Accounting Principles and Estimates, Continued

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

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

Recently Issued Accounting Pronouncements

See note 2(s) to the condensed consolidated financial statements for a description of recently issued accounting pronouncements, including the expected dates of adoption and estimated effects on our results of operations, financial positions and cash flows.

Off-Balance Sheet Arrangements

Except for operating leases and receivables transferred to leasing companies with certain recourse limits, as of September 30, 2011, we are not involved in any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC.

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PART I FINANCIAL INFORMATION Item 3

RESMED INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk
Foreign Currency Market Risk

Our reporting currency is the U.S. dollar, although the financial statements of our non-U.S. subsidiaries are maintained in their respective local currencies. We transact business in various foreign currencies, including a number of major European currencies as well as the Australian and Singapore dollars. We have significant foreign currency exposure through both our Australian and Singapore manufacturing activities and international sales operations. We have established a foreign currency hedging program using purchased currency options and forward contracts to hedge foreign-currency-denominated financial assets, liabilities and manufacturing cash flows. The goal of this hedging program is to economically manage the financial impact of foreign currency exposures denominated in Euros and Australian dollars and Singapore dollars. Under this program, increases or decreases in our foreign-currency-denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments. We do not enter into financial instruments for trading or speculative purposes. The foreign currency derivatives portfolio is recorded in the consolidated balance sheets at fair value and included in other assets or other liabilities. All movements in the fair value of the foreign currency derivatives are recorded within other income, net, on our consolidated statements of income.

The table below provides information (in U.S. dollars) on our foreign-currency-denominated financial assets by legal entity functional currency as of September 30, 2011 (in thousands):

	Australian Dollar (AUD)	U.S. Dollar (USD)	Euro (EUR)	British Pound (GBP)	Swedish Kroner (SEK)	Swiss Franc (CHF)	Canadian Dollar (CAD)
AUD Functional Currency Entities:							
Assets	$ 0	$ 100,572	$ 114,470	$ 0	$ 185	$ 11	$ 0
Liability	0	(94,497)	(117,127)	(820)	(9)	(3,139)	0
Net Total	0	6,075	(2,657)	(820)	176	(3,128)	0
USD Functional Currency Entities:							
Assets	0	0	0	0	0	0	8,020
Liability	0	0	0	0	0	0	0
Net Total	0	0	0	0	0	0	8,020
EURO Functional Currency Entities:							
Assets	0	0	0	1,765	2,761	1,195	0
Liability	(73)	(96)	0	(920)	(142)	(104)	0
Net Total	(73)	(96)	0	845	2,619	1,091	0
MYR Functional Currency Entities:							
Assets	19	116	0	143	0	0	0
Liability	(3)	(2,442)	0	0	0	0	0
Net Total	16	(2,326)	0	143	0	0	0
SGD Functional Currency Entities:							
Assets	3,293	24,258	39,564	0	244	0	0
Liability	(2,961)	(26,377)	(32,961)	(121)	0	0	0
Net Total	332	(2,119)	6,603	(121)	244	0	0
INR Functional Currency Entities:							
Assets	0	0	0	0	0	0	0
Liability	0	(2,047)	(594)	0	0	0	0
Net Total	0	(2,047)	(594)	0	0	0	0

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PART I FINANCIAL INFORMATION Item 3

RESMED INC. AND SUBSIDIARIES

Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Market Risk, Continued

The table below provides information about our foreign currency derivative financial instruments and presents the information in U.S. dollar equivalents. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency hedges and forward contracts held at September 30, 2011. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for our foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under our foreign currency contracts.

(In thousands except exchange rates)					Fair Value Assets /(Liabilities)	
Foreign Exchange Contracts	FY 2012	FY 2013	FY 2014	Total	Sep 30, 2011	Jun 30, 2011
Receive AUD/Pay USD						
Contract amount	$52,500	$60,000	$20,000	$132,500	$3,492	$9,551
Ave. contractual exchange rate	AUD 1 = USD 0.9300	AUD 1 = USD 0.9962	AUD 1 = USD 1.0596	AUD 1 = USD 0.9775		
Receive AUD/Pay Euro						
Contract amount	$122,500	$109,782	$40,164	$272,446	$1,281	$5,323
Ave. contractual exchange rate	AUD 1 = Euro 0.7204	AUD 1 = Euro 0.7467	AUD 1 = Euro 0.7500	AUD 1 = Euro 0. 7351		
Receive SGD/Pay USD						
Contract amount	$8,000	0	0	$8,000	($51)	0
Ave. contractual exchange rate	SGD 1 = USD 0.7704			SGD 1 = USD 0.7704		
Receive SGD/Pay Euro						
Contract amount	$20,082	0	0	$20,082	$45	0
Ave. contractual exchange rate	SGD 1 = USD 0.5705			SGD 1 = USD 0.7704		

Interest Rate Risk

We are exposed to risk associated with changes in interest rates affecting the return on our cash and cash equivalents, investment securities and debt. At September 30, 2011, we maintained cash and cash equivalents of $610.1 million containing financial instruments that have original maturities of less than 90 days. These financial instruments are principally comprised of bank term deposits and at call accounts and are invested at both short term fixed interest rates and variable interest rates. At September 30, 2011, we had total long-term debt, including the current portion of those obligations, of $134.1 million. All of this debt is subject to variable interest rates. A hypothetical 10% change in interest rates during the three months ended September 30, 2011, would not have had a material impact on our pretax income. We have no interest rate hedging agreements.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) of the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2011.

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

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PART II OTHER INFORMATION Item 1-6

RESMED INC. AND SUBSIDIARIES

Item 1 Legal Proceedings

The information required by this Item is incorporated herein by reference to Note 11, Legal Actions and Contingencies, to the unaudited condensed consolidated financial statements under Part I, Item 1 of this report.

Item 1A Risk Factors

The discussion of our business and operations should be read together with the risk factors contained in our annual report on Form 10-K for the fiscal year ended June 30, 2011, which was filed with the SEC and describes the various risks and uncertainties to which we are or may become subject. At September 30, 2011, there have been no material changes to the risk factors set forth in our annual report on Form 10-K for the year ended June 30, 2011.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of equity securities. The following table summarizes purchases by us of our common stock during the three months ended September, 2011:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(1)
July 1 July 31, 2011	98,543	$ 30.84	14,213,273	9,566,278
August 1 August 23, 2011	2,361,908	28.34	16,575,181	7,204,370
New Program Authorization (1)				20,000,000
August 24 August 31, 2011	275,000	29.27	16,850,181	19,725,000
September 1 September 30, 2011	1,616,024	28.88	18,466,205	18,108,976
Total	4,351,475	$ 28.66	18,466,205	18,108,976

(1) On August 24, 2011, our board of directors approved a new share repurchase program, authorizing us to acquire up to an aggregate of 20.0 million shares of ResMed Inc. common stock. The program allows us to repurchase shares of our common stock from time to time for cash in the open market, or in negotiated or block transactions, as market and business conditions warrant. This program canceled and replaced our previous share repurchase program authorized on May 27, 2009 pursuant to which we had repurchased 9,952,274 shares. These were in addition to the 6,622,907 shares repurchased under an earlier program authorized on June 6, 2002. The new program authorizes us to purchase in addition to the shares we repurchased under our previous programs. There is no expiration date for this program. All share repurchases since August 24, 2011 have been executed in accordance with this program. Since the inception of the share buyback programs, we have repurchased 18,466,205 shares at a total cost of $629.3 million.

Item 3 Defaults Upon Senior Securities

None

Item 4 Removed and Reserved

Item 5 Other Information

None

RESMED INC. AND SUBSIDIARIES

Item 6 Exhibits

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

3.1	First Restated Certificate of Incorporation of ResMed Inc. (1)
3.2	Fourth Amended and Restated Bylaws of ResMed Inc. (2)
10.1	Form of Restricted Stock Unit Award Agreement for Executive Officers (3)
10.2	Form of Restricted Stock Unit Award Agreement for Directors (3)
10.3	Form of Stock Option Grant for Executive Officers (3)
10.4	Form of Stock Option Grant for Directors (3)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (3)
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (3)
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from ResMed Inc. s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed on November 1, 2011, formatted in XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Cash Flows, (iv) the Notes to the Condensed Consolidated Financial Statements.

(1) Incorporated by reference to Exhibit 3.1 to the Registrants Annual Report on Form 10-K for the Fiscal Year ended June 30, 2007.
(2) Incorporated by reference to Exhibit 3.1 to the Registrants Current Report on Form 8-K filed on December 14, 2007.
(3) Filed herewith.

RESMED INC. AND SUBSIDIARIES

Signatures

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

November 1, 2011

ResMed Inc.

/s/ **PETER C. FARRELL**
Peter C. Farrell
Chairman, chief executive officer and president
(Principal Executive Officer)

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