

RESMED INC
Form 10-Q
May 01, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

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.

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(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

98-0152841

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

9001 Spectrum Center Blvd.

San Diego, CA 92123

United States of America

(Address of principal executive offices)

(858) 836-5000

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer

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

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

At April 25, 2012, there were 142,755,903 shares of Common Stock (\$0.004 par value) outstanding. This number excludes 25,601,749 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)

	March 31, 2012	June 30, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 776,067	\$ 735,267
Accounts receivable, net	267,930	274,352
Inventories (note 5)	183,488	200,777
Deferred income taxes	13,683	13,875
Income taxes receivable	3,182	9,294
Prepaid expenses and other current assets	81,501	58,887
Total current assets	1,325,851	1,292,452
Non-current assets:		
Property, plant and equipment, net	443,090	462,107
Goodwill and other intangible assets, net (note 7)	327,233	283,398
Deferred income taxes	20,534	18,922
Other assets	12,135	12,043
Total non-current assets	802,992	776,470
Total assets	\$ 2,128,843	\$ 2,068,922
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	54,726	\$ 55,194
Accrued expenses	122,772	103,787
Deferred revenue	43,728	45,125
Income taxes payable	34,674	3,931
Deferred income taxes	597	640
Current portion of long-term debt (note 8)	982	163
Total current liabilities	257,479	208,840
Non-current liabilities:		
Deferred income taxes	8,112	8,051
Deferred revenue	15,761	17,237
Long-term debt (note 8)	235,000	100,000
Income taxes payable	3,538	4,057
Total non-current liabilities	262,411	129,345
Total liabilities	519,890	338,185
Commitments and contingencies (notes 14)		

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Stockholders' equity: (note 11)		
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; 168,284,962 issued and 143,336,090 outstanding at March 31, 2012 and 165,783,516 issued and 151,668,786 outstanding at June 30, 2011	573	607
Additional paid-in capital	861,307	798,461
Retained earnings	1,289,865	1,111,862
Treasury stock, at cost, 24,948,872 shares at March 31, 2012, and 14,114,730 shares at June 30, 2011	(806,826)	(504,625)
Accumulated other comprehensive income (note 4)	264,034	324,432
Total stockholders' equity	1,608,953	1,730,737
Total liabilities and stockholders' equity	\$ 2,128,843	\$ 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 per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Net revenues	\$ 349,073	\$ 313,258	\$ 996,586	\$ 901,255
Cost of sales	138,577	130,755	402,320	358,800
Gross profit	210,496	182,503	594,266	542,455
Operating expenses:				
Selling, general and administrative	100,958	92,549	295,712	268,920
Research and development	28,398	23,319	81,822	65,032
Amortization of acquired intangible assets	3,592	2,673	11,055	7,276
Donation to Foundation	1,000	0	1,000	1,000
Total operating expenses	133,948	118,541	389,589	342,228
Income from operations	76,548	63,962	204,677	200,227
Other income, net:				
Interest income, net	7,650	6,663	21,754	17,765
Other, net	(191)	398	7,005	8,506
Total other income, net	7,459	7,061	28,759	26,271
Income before income taxes	84,007	71,023	233,436	226,498
Income taxes	19,394	17,673	55,433	57,984
Net income	\$ 64,613	\$ 53,350	\$ 178,003	\$ 168,514
Basic earnings per share	\$ 0.45	\$ 0.35	\$ 1.21	\$ 1.11
Diluted earnings per share (note 3)	\$ 0.44	\$ 0.34	\$ 1.18	\$ 1.07
Basic shares outstanding	144,024	153,251	146,931	152,407
Diluted shares outstanding	147,157	157,616	150,295	157,356

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

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Item 1

RESMED INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In US\$ thousands)

	Nine Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 178,003	\$ 168,514
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	63,430	51,108
Impairment of long-lived assets	0	2,257
Stock-based compensation costs	22,445	23,196
Provision for product warranties, net	2,423	(483)
Foreign currency revaluation	(8,764)	(13,392)
Impairment of cost-method investments	2,299	0
Gain on previously held equity interest resulting from business combination	(2,070)	0
Tax benefit from stock option exercises	(3,877)	(11,566)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	(243)	(11,489)
Inventories, net	12,774	3,579
Prepaid expenses, net deferred income taxes and other current assets	(27,041)	12,739
Accounts payable, accrued expenses and other liabilities	46,803	(15,601)
Net cash provided by operating activities	286,182	208,862
Cash flows from investing activities:		
Purchases of property, plant and equipment	(35,067)	(49,163)
Patent registration costs	(5,506)	(4,992)
Proceeds from sale of maturing investment securities	0	3,950
Purchases of other intangible assets	(7,000)	0
Business acquisitions, net of cash acquired	(53,322)	(22,450)
Purchase of cost-method investments	(4,796)	(1,826)
Purchases of foreign currency options	(1,270)	(1,463)
Proceeds from exercise of foreign currency options	13,497	14,570
Net cash used in investing activities	(93,464)	(61,374)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	37,438	74,362
Proceeds from borrowings, net of borrowing costs	185,384	78,695
Repayment of borrowings	(55,887)	(123,519)
Tax benefit from stock option exercises	3,877	11,566
Purchases of treasury stock	(301,028)	(100,895)
Net cash (used in) financing activities	(130,216)	(59,791)
Effect of exchange rate changes on cash	(21,702)	95,231

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Net increase in cash and cash equivalents	40,800	182,928
Cash and cash equivalents at beginning of period	735,267	488,776
Cash and cash equivalents at end of period	\$ 776,067	\$ 671,704
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 28,221	\$ 64,209
Interest paid	\$ 3,096	\$ 1,121
Fair value of assets acquired in acquisitions, excluding cash	\$ 24,648	\$ 18,442
Liabilities assumed	(11,906)	(450)
Goodwill on acquisition	51,798	5,758
Fair value of contingent consideration	0	(800)
Total purchase price	64,540	22,950
Less: Consideration not paid in the current period	(11,218)	(500)
Cash paid for acquisition	\$ 53,322	\$ 22,450

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

References in these notes to the unaudited condensed consolidated financial statements to ResMed Inc. , we , us , our or the Company refer to ResMed Inc. and its consolidated subsidiaries.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and 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. GAAP for complete financial statements. In the opinion of management, all necessary adjustments, which consisted only of normal recurring items, have been included in the accompanying financial statements to present fairly the results of the interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the year ending June 30, 2012.

The condensed consolidated financial statements for the nine months ended March 31, 2012 and 2011 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) Recently Issued Accounting Pronouncements

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. Early adoption is permitted. We do not expect the adoption of this standard in fiscal year 2012, if we early adopt these amendments, or in fiscal year 2013, to have a material impact on our condensed consolidated financial statements.

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. Early adoption is permitted. We do not expect the adoption of this standard in fiscal year 2012, if we early adopt these amendments, or in fiscal year 2013, to have a material impact on our condensed consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(Unaudited)****(3) Earnings Per Share**

Basic earnings per share is computed by dividing the net income available to common stockholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of shares of common stock outstanding and the number of dilutive common stock equivalents such as stock options and restricted stock units.

Stock options of 2,100,000 and 990,000 for the three months ended March 31, 2012 and 2011, respectively, and stock options of 1,768,000 and 592,000 for the nine months ended March 31, 2012 and 2011, were not included in the computation of diluted earnings per share as the effect of exercising these options would have been anti-dilutive.

Basic and diluted earnings per share for the three and nine months ended March 31, 2012 and 2011 are calculated as follows (in thousands except per share data):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Numerator:				
Net income, used in calculating diluted earnings per share	\$ 64,613	\$ 53,350	\$ 178,003	\$ 168,514
Denominator:				
Basic weighted-average common shares outstanding	144,024	153,251	146,931	152,407
Effect of dilutive securities:				
Stock options and restricted stock units	3,133	4,365	3,364	4,949
Diluted weighted average shares	147,157	157,616	150,295	157,356
Basic earnings per share	\$ 0.45	\$ 0.35	\$ 1.21	\$ 1.11
Diluted earnings per share	\$ 0.44	\$ 0.34	\$ 1.18	\$ 1.07

(4) Comprehensive Income

Accumulated other comprehensive income was comprised of foreign currency translation gains of \$264.0 million at March 31, 2012 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) Inventories

Inventories were comprised of the following at March 31, 2012 and June 30, 2011 (in thousands):

March 31, 2012

June 30, 2011

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Raw materials	\$	68,134	\$	73,836
Work in progress		2,247		4,147
Finished goods		113,107		122,794
Inventories, net	\$	183,488	\$	200,777

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PART I FINANCIAL INFORMATION

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RESMED INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(Unaudited)****(6) Cost-Method Investments**

The aggregate carrying amount of our cost-method investments at March 31, 2012 and June 30, 2011, was \$4.5 million and \$4.3 million, respectively. During the nine months ended March 31, 2012 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 gain of \$2.1 million in other income, net within our condensed consolidated statements of income. See Note 15 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 determine the fair value of our cost-method investments to evaluate whether impairment losses shall be recorded using Level 3 inputs. 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. During the nine months ended March 31, 2012 and 2011, we recognized \$2.3 million and \$Nil, respectively, of impairment losses related to our cost-method investments, which include investments in privately held service companies, and research companies. The expense associated with this impairment has been included in other income, net within our condensed consolidated statements of income. We based these impairment losses on our determination that the declines in the fair value of these investments were other-than temporary. We have determined, after the impairment charge, that the fair value of our remaining investments exceed their carrying values.

The following table shows a reconciliation of the changes in our cost-method investments during the nine months ended March 31, 2012 (thousands):

	Cost-Method Investments
Balance at July 1, 2011	\$ 4,264
Purchases	4,796
Elimination due to acquisition of entity (refer to Note 15)	(2,261)
Impairment of cost-method investments	(2,299)
Foreign currency translation	(18)
Balance at March 31, 2012	\$ 4,482

(7) Goodwill and Other Intangible Assets, net

Changes in the carrying amount of goodwill for the nine months ended March 31, 2012, were as follows (in thousands):

Balance at July 1, 2011	\$ 235,487
Goodwill on business acquisition	51,798
Foreign currency translation adjustments	(19,462)
Balance at March 31, 2012	\$ 267,823

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

(7) Goodwill and Other Intangible Assets, net, Continued

Other intangible assets are comprised of the following as of March 31, 2012, and June 30, 2011 (in thousands):

	March 31, 2012	June 30, 2011
Developed/core product technology	\$ 70,160	\$ 59,293
Accumulated amortization	(39,057)	(34,480)
Developed/core product technology, net	31,103	24,813
Trade names	2,781	2,577
Accumulated amortization	(2,315)	(2,090)
Trade names, net	466	487
Non compete agreements	2,342	1,928
Accumulated amortization	(751)	(333)
Non compete agreements, net	1,591	1,595
Customer relationships	23,727	16,688
Accumulated amortization	(13,905)	(11,990)
Customer relationships, net	9,822	4,698
Patents	57,653	54,300
Accumulated amortization	(41,225)	(37,982)
Patents, net	16,428	16,318
Total other intangibles, net	\$ 59,410	\$ 47,911

Refer to Note 15 of the condensed consolidated financial statements for further details of acquisitions made during the period.

(8) Long-Term Debt

Long-term debt at March 31, 2012, and June 30, 2011 consists of the following (in thousands):

	March 31, 2012	June 30, 2011
Current portion of long-term debt	\$ 982	\$ 163
Non-current portion of long-term debt	235,000	100,000
Total long-term debt	\$ 235,982	\$ 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

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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.

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RESMED INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(Unaudited)****(8) Long-Term Debt, Continued**

Our obligations under the credit agreement are secured by (a) the corporate stock we hold in our subsidiaries ResMed Corp. and ResMed Motor Technologies Inc. ("ResMed Motor"), 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. 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 Motor, ResMed Limited, ResMed Holdings Ltd/LLC or ResMed EAP.

On January 25, 2012, we entered into a first amendment to the credit agreement. The amendment increases, from \$300 million to \$400 million, the maximum principal amount that can be borrowed on a revolving basis under the credit agreement, subject to customary conditions.

At March 31, 2012 we were in compliance with our debt covenants and there was \$235.0 million outstanding under the credit agreement.

Assumed External Debt

As part of our acquisition of Gruendler GmbH on August 1, 2011, detailed in Note 15, 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 4.1 million Euros during the nine months ended March 31, 2012 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 March 31, 2012, there was 0.6 million Euros outstanding in respect of these loans.

(9) Product Warranties

Changes in the liability for warranty costs, which is included in accrued expenses in our condensed consolidated balance sheets, for the nine months ended March 31, 2012 and 2011 are as follows (in thousands):

	Nine months ended March 31,	
	2012	2011
Balance at the beginning of the period	\$ 19,032	\$ 11,507
Warranty accruals for the period	11,954	8,629
Warranty costs incurred for the period	(9,181)	(9,112)
Foreign currency translation adjustments	(1,040)	2,553
Balance at the end of the period	\$ 20,765	\$ 13,577

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PART I FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(Unaudited)****(10) Stock-Based Employee Compensation**

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 employee stock purchase plan (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		Nine months ended	
	March 31,		March 31,	
	2012	2011	2012	2011
Stock options:				
Weighted average grant date fair value	\$ 9.29	\$ 10.15	\$ 8.90	\$ 10.30
Weighted average risk-free interest rate	0.8%	2.2%	1.0%	1.3%
Expected option life in years	5.3	5.3	5.3	5.0 5.3
Expected volatility	34%	31%	31 34%	31 32%
ESPP purchase rights:				
Weighted average risk-free interest rate	0.1%	0.2%	0.1%	0.2%
Expected option life in years	6 months	6 months	6 months	6 months
Expected volatility	40%	26 29%	24 40%	26 29%

(11) 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 10.0 million shares. These were in addition to the 6.6 million 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 and nine months ended March 31, 2012, we repurchased 2.3 million and 10.8 million shares, respectively, at a cost of \$67.0 million and \$302.2 million, respectively. At March 31, 2012, we have repurchased a total of 24.9 million shares at a cost of \$806.8 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 March 31, 2012, 11.6 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 March 31, 2012 and June 30, 2011.

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PART I FINANCIAL INFORMATION

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

(11) 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 ResMed Inc. 2009 Incentive Award Plan (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 35,475,000. The number of securities remaining available for future issuance under the 2009 Plan at March 31, 2012 is 14,506,516. The number of shares of our common stock available for issuance under the 2009 Plan will be reduced by (i) two 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 million shares of our common stock (except in a participant's initial year of hiring up to 4.5 million shares of our common stock may be granted).

At March 31, 2012, there were \$70.1 million in unrecognized compensation costs related to unvested stock-based compensation arrangements. This is expected to be recognized over a weighted average period of 2.9 years. The aggregate intrinsic value of the stock-based compensation arrangements outstanding and exercisable at March 31, 2012 was \$184.6 million and \$97.7 million, respectively. The aggregate intrinsic value of the options exercised during the nine months ended March 31, 2012 and 2011, was \$23.9 million and \$54.5 million, respectively.

The following table summarizes option activity during the nine months ended March 31, 2012:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Term to Vest in Years
Outstanding at beginning of period	12,230,684	\$ 19.24	3.8 years
Granted	762,265	27.68	
Exercised	(2,024,972)	17.77	
Forfeited	(295,725)	22.70	
Outstanding at end of period	10,672,252	\$ 20.03	3.4 years
Exercise price range of granted options	\$ 27.58 - \$30.18		
Options exercisable at end of period	7,835,179	\$ 18.49	

The following table summarizes the activity of restricted stock units during the nine months ended March 31, 2012:

	Restricted Stock Units	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

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Granted	1,159,741		27.88	
Vested	(432,020)		29.77	
Forfeited	(205,936)		29.86	
Outstanding at end of period	2,157,471	\$	29.05	1.83 years

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

(11) Stockholders' Equity, Continued

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 March 31, 2012, the number of shares remaining available for future issuance under the ESPP is 615,000. During the nine months ended March 31, 2012, we recognized \$1.8 million of stock-based compensation expense associated with the ESPP.

(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 \$359.3 million and \$309.9 million at March 31, 2012 and June 30, 2011, respectively, to hedge foreign currency fluctuations. These contracts mature at various dates prior to March 31, 2015.

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

	Asset Derivatives	March 31, 2012 Fair Value	Location of gain recognized in Income	Gain recognized in Income Nine Months Ended March 31, 2012
Derivatives Not Designated as Hedging Instruments	Balance Sheet Location			
Foreign Exchange Contracts	Other Assets	\$ 12,583	Other Income	\$ 10,997

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Item 1

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

(12) Derivative Instruments and Hedging Activities, Continued

We are exposed to credit-related losses in the event of non-performance by counter parties to financial instruments. The credit exposure of foreign currency derivatives at March 31, 2012 and June 30, 2011 was \$12.6 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) 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;

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

Level 2: corroborated by observable market data; and

Input prices quoted that are significant to the fair value of the financial assets or liabilities which are not observable nor

Level 3: supported by an active market.

The following table summarizes our financial assets and liabilities, as at March 31, 2012, using the valuation input hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 776,067	\$ 0	\$ 0	\$ 776,067
Foreign currency options	0	12,583	0	12,583
	\$ 776,067	\$ 12,583	\$ 0	\$ 788,650

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.

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.

We did not have any significant non-financial assets or liabilities measured at fair value on March 31, 2012 or June 30, 2011.

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RESMED INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(14) 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.

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.

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 nine months ended March 31, 2012 amounted to \$7.1 million. The maximum potential amount of contingent liability under these arrangements at March 31, 2012 was \$2.8 million. The recourse liability we recognized at March 31, 2012, in relation to these arrangements was \$0.6 million.

(15) Acquisitions of Businesses

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 re-measured 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 nine months ended March 31, 2012. 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.

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

(15) Acquisitions of Businesses, Continued

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. During the three months ended March 31, 2012, we made a payment of 1.1 million Euros in relation to these potential additional payments. 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.

The cost of the acquisitions has been allocated to the assets acquired and liabilities assumed based on estimates of their respective fair values at the date of acquisition. We completed the purchase price allocations in the quarter ending December 31, 2011 and there were no material modifications from the preliminary purchase price allocation. 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 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	1,030
Property, plant & equipment	3,312
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)	51,798
Total assets acquired	\$ 80,582
Current liabilities, primarily consisting of accounts payable, accrued expenses, debt and deferred tax liabilities	(8,502)
Non-current liabilities, primarily consisting of deferred tax liabilities	(3,404)
Net assets acquired	\$ 68,676

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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 similar expressions, and negative statements of such expressions, generally identify forward-looking statements, including, in particular, statements regarding the development and approval of new products and product applications, market expansion, pending litigation and the development of new markets for our products, such as cardiovascular and stroke markets. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these forward-looking statements. Such forward-looking statements reflect the views of our management at the time such statements are made and are subject to a number of risks, uncertainties, estimates and assumptions, including, without limitation, and in addition to those identified in the text surrounding such statements, those identified in our Annual Report on Form 10-K for the fiscal year ended June 30, 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.

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RESMED INC. AND SUBSIDIARIES

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

Overview

The following is an overview of our results of operations for the three and nine months ended March 31, 2012. Management's discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of ResMed Inc. Management's discussion and analysis is provided as a supplement to, and should be read in conjunction with selected financial data and condensed consolidated financial statements and notes, included herein.

We are a leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing (SDB) and other respiratory disorders. During the three and nine months ended March 31, 2012, 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 with regards to occupational health and safety, especially in the transport industry.

We are committed to ongoing investment in research and development and product enhancements. During the three and nine months ended March 31, 2012, we invested \$28.4 million and \$81.8 million, respectively, in 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 and the Mirage FX mask. We are taking steps to increase awareness of the health dangers of SDB 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 initiatives should also support our efforts to inform the community of the dangers of sleep apnea in occupational health and safety, especially in the transport industry.

During the three months ended March 31, 2012, our net revenue increased by 11% when compared to the three months ended March 31, 2011. Gross margin was 60.3% for the three months ended March 31, 2012 compared to 58.3% for the three months ended March 31, 2011. Diluted earnings per share for the three months ended March 31, 2012 increased to \$0.44 per share, up from \$0.34 per share in the three months ended March 31, 2011.

At March 31, 2012, our cash and cash equivalents totaled \$776.1 million, our total assets were \$2.1 billion and our stockholders' equity was \$1.6 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.

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

Net revenue increased for the three months ended March 31, 2012 to \$349.1 million compared to \$313.3 million for the three months ended March 31, 2011, an increase of \$35.8 million or 11%. The increase in net revenue is primarily attributable to an increase in unit sales of our flow generators, masks and accessories. Movements in international currencies against the U.S. dollar negatively impacted revenues by approximately \$4.0 million during the three months ended March 31, 2012. Excluding the impact of unfavorable foreign currency movements, net revenue for the three months ended March 31, 2012 increased by 13% compared to the three months ended March 31, 2011.

Net revenue in North and Latin America increased for the three months ended March 31, 2012 to \$189.9 million from \$160.5 million for the three months ended March 31, 2011, an increase of 18%. 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 March 31, 2012, increased to \$159.2 million from \$152.7 million for the three months ended March 31, 2011, an increase of 4%. Excluding the impact of movements in international currencies, international sales grew by 7% compared to the three months ended March 31, 2011. 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 March 31, 2012 totaled \$184.1 million, an increase of 8% compared to the three months ended March 31, 2011 of \$170.5 million, including increases of 14% in North and Latin America and 4% internationally. Net revenue from the sales of masks and other accessories for the three months ended March 31, 2012 totaled \$165.0 million, an increase of 16% compared to the three months ended March 31, 2011 of \$142.7 million, including increases of 21% in North and Latin America and 5% internationally. Excluding the impact of unfavorable currency movements, international revenue increased by 7% and 8% for flow generators and masks and other accessories, respectively, for the three months ended March 31, 2012 compared to the three months ended March 31, 2011. 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 March 31, 2012 compared to the three months ended March 31, 2011:

	North and Latin America	International	Total	International (Constant Currency) *	Total (Constant Currency)
Flow generators	14%	4%	8%	7%	10%
Masks and other accessories	21%	5%	16%	8%	16%
Total	18%	4%	11%	7%	13%

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

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

Net revenue for the nine months ended March 31, 2012, increased to \$996.6 million or by 11% as compared to \$901.3 million for the nine months ended March 31, 2011. For the nine months ended March 31, 2012, revenue from sales of flow generators increased by 5% compared to the nine months ended March 31, 2011, comprising a 5% increase in North and Latin America and a 6% increase internationally. Revenue from sales of mask systems, and other accessories increased by 17%, comprising a 20% increase in North and Latin America and a 12% increase internationally, for the nine months ended March 31, 2012, compared to the nine months ended March 31, 2011. Movement in international currencies against the U.S. dollar positively impacted net revenue by approximately \$7.2 million during the nine months ended March 31, 2012. Excluding the impact of favorable currency movements, total revenue for the nine months ended March 31, 2012 increased by 10% compared to the nine months ended March 31, 2011. We believe these increases primarily reflect growth in the overall sleep-disordered breathing market, and strong sales from our new products.

The following table summarizes the percentage movements in our net revenue for the nine months ended March 31, 2012 compared to the nine months ended March 31, 2011:

	North and Latin America	International	Total	International (Constant Currency) *	Total (Constant Currency) *
Flow generators	5%	6%	5%	4%	5%
Masks, motors and other accessories	20%	12%	17%	10%	16%
Total	13%	8%	11%	6%	10%

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

Gross Profit

Gross profit increased for the three months ended March 31, 2012 to \$210.5 million from \$182.5 million for the three months ended March 31, 2011, an increase of \$28.0 million or 15%. Gross profit as a percentage of net revenue for the three months ended March 31, 2012 increased to 60.3% from 58.3% for the three months ended March 31, 2011. The improvement in gross margins for the three months ended March 31, 2012 is primarily due to favorable product mix and cost savings attributable to manufacturing and supply chain improvements partly offset by declines in our average selling prices and unfavorable movements in foreign currencies.

Gross profit increased for the nine months ended March 31, 2012 to \$594.3 million from \$542.5 million for the nine months ended March 31, 2011, an increase of \$51.8 million or 10%. Gross profit as a percentage of net revenue for the nine months ended March 31, 2012 was 59.6% compared to 60.2% for the nine months ended March 31, 2011. The decline in gross margins for the nine months ended March 31, 2012 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.

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RESMED INC. AND SUBSIDIARIES**Management's Discussion and Analysis of Financial Condition and Results of Operations****Selling, General and Administrative Expenses**

Selling, general and administrative expenses increased for the three months ended March 31, 2012 to \$101.0 million from \$92.5 million for the three months ended March 31, 2011, an increase of \$8.4 million or 9%. Selling, general and administrative expenses, as a percentage of net revenue, were 28.9% for the three months ended March 31, 2012 compared to 29.5% for the three months ended March 31, 2011.

Selling, general and administrative expenses increased for the nine months ended March 31, 2012 to \$295.7 million from \$268.9 million for the nine months ended March 31, 2011, an increase of \$26.8 million or 10%. Selling, general and administrative expenses, as a percentage of net revenue, were 29.7% for the nine months ended March 31, 2012 compared to 29.8% for the nine months ended March 31, 2011.

The increase in selling, general and administrative expenses was primarily due to an increase in the number of sales and administrative personnel to support our growth and other expenses related to the increase in our sales. The increase in selling, general and administrative expenses was favorably impacted by the movement of international currencies against the U.S. dollar, which reduced our expenses by approximately \$0.4 million for the three months ended March 31, 2012, as reported in U.S. dollars. As a percentage of net revenue, we expect our future selling, general and administrative expense to be in the range of 29% to 30%.

Research and Development Expenses

Research and development expenses increased for the three months ended March 31, 2012 to \$28.4 million from \$23.3 million for the three months ended March 31, 2011, an increase of \$5.1 million or 22%. Research and development expenses, as a percentage of net revenue, were 8.1% for the three months ended March 31, 2012, compared to 7.4% for the three months ended March 31, 2011.

Research and development expenses increased for the nine months ended March 31, 2012 to \$81.8 million from \$65.0 million for the nine months ended March 31, 2011, an increase of \$16.8 million or 26%. Research and development expenses, as a percentage of net revenue, were 8.2%, for the nine months ended March 31, 2012 compared to 7.2% for the nine months ended March 31, 2011.

The increase in research and development expenses was primarily due to an increase in the number of research and development personnel and an increase in materials and tooling 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 \$0.8 million and \$4.4 million for the three and nine months ended March 31, 2012, respectively, as reported in U.S. dollars. As a percentage of net revenue, we expect our future research and development expense to continue 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 and nine months ended March 31, 2012 totaled \$3.6 million and \$11.1 million, respectively, as compared to \$2.7 million and \$7.3 million for the three and nine months ended March 31, 2011, respectively. The increase in amortization expense is mainly attributable to our recent acquisitions.

Donations to Foundation

For the three and nine months ended March 31, 2012 we donated \$1.0 million, to the ResMed Foundation (the "Foundation"). The Foundation was established primarily to promote research into the deleterious medical consequences of untreated sleep-disordered breathing and to increase public and physician awareness of the importance of sleep and respiratory health throughout the world. For the three and nine months ended March 31, 2011, we donated a total of \$Nil and \$1.0 million, respectively, to the Foundation.

Other Income, Net

Other income, net for the three and nine months ended March 31, 2012 was \$7.5 million and \$28.8 million, respectively, compared to \$7.1 million and \$26.3 million, respectively, for the three and nine months ended March 31, 2011. The increase in other income, net, during the three and nine months ended March 31, 2012, was predominantly due to the increase in interest income as a result of higher cash balances.

Income Taxes

Our effective income tax rate of approximately 23.1% for the three months ended March 31, 2012 was lower than our effective income tax rate of approximately 24.9% for the three months ended March 31, 2011. Our effective income tax rate of 23.7% for the nine months ended March 31, 2012 was lower than our effective income tax rate of 25.6% for the nine months ended March 31, 2011. The lower effective income tax rate was primarily due to a change in the geographic mix of 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 March 31, 2012 was \$64.6 million or \$0.44 per diluted share compared to net income of \$53.4 million or \$0.34 per diluted share for the three months ended March 31, 2011, an increase of 21% and 29%, respectively, over the three months ended March 31, 2011.

As a result of the factors above, our net income for the nine months ended March 31, 2012 was \$178.0 million or \$1.18 per diluted share compared to net income of \$168.5 million or \$1.07 per diluted share for the nine months ended March 31, 2011, an increase of 6% and 10%, respectively, over the nine months ended March 31, 2011.

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

As of March 31, 2012 and June 30, 2011, we had cash and cash equivalents of \$776.1 million and \$735.3 million, respectively. Working capital was \$1.1 billion at March 31, 2012 and June 30, 2011, respectively.

As of March 31, 2012 and June 30, 2011, our cash and cash equivalent balances held within the United States amounted to \$34.2 million and \$111.2 million, respectively. Our remaining cash and cash equivalent balances at March 31, 2012 and June 30, 2011, of \$741.9 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 March 31, 2012 were \$183.5 million, a decrease of \$21.5 million or 10% over the March 31, 2011 balance of \$205.0 million. The decrease in inventories mainly reflects a general improvement in inventory management compared to March 31, 2011.

Accounts receivable at March 31, 2012 were \$267.9 million, an increase of \$16.0 million or 6% over the March 31, 2011 accounts receivable balance of \$251.9 million. Accounts receivable days outstanding of 67 days at March 31, 2012 decreased by 1 day compared to the 68 days at March 31, 2011. Our allowance for doubtful accounts as a percentage of total accounts receivable at March 31, 2012 and June 30, 2011 was 2.8% and 4.0%, respectively. The decrease in the allowance for doubtful accounts as a percentage of total accounts receivable mainly reflects the write-off of certain bad debts against the specific provision that had been previously recognized. 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 March 31, 2012, no capital lease obligations exist. Details of our contractual obligations at March 31, 2012 are as follows:

In \$000 s	Total	2013	Payments Due in the Year Ending March 31,					Thereafter
			2014	2015	2016	2017		
Long-Term Debt	\$ 235,982	\$ 982	\$ 0	\$ 235,000	\$ 0	\$ 0	\$ 0	\$ 0
Operating Leases	37,365	13,607	10,446	7,554	3,818	1,785	155	
Purchase Obligations	74,606	74,603	2	0	0	0	0	
Total ^(A)	\$ 347,961	\$ 89,192	\$ 10,448	\$ 242,554	\$ 3,818	\$ 1,785	\$ 155	

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

Details of other commercial commitments as at March 31, 2012 are as follows:

In \$000 s	Total	2013	2014	Amount of Commitment Expiration Per Year Ending March 31,				Thereafter
				2015	2016	2017		
Standby Letters of Credit	\$ 91	\$ 56	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35	
Guarantees	11,108	4,101	708	840	159	0	5,300	
Other	1,271	443	414	414	0	0	0	
Total	\$ 12,470	\$ 4,600	\$ 1,122	\$ 1,254	\$ 159	\$ 0	\$ 5,335	

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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 nine months ended March 31, 2012 amounted to \$7.1 million. The maximum potential amount of contingent liability under these arrangements at March 31, 2012 was \$2.8 million. The recourse liability we recognized at March 31, 2012, in relation to these 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., that provides for 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 bears 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. Upon execution of the credit agreement, a portion of the proceeds from the initial funding of the credit facility were used 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. and ResMed Motor Technologies Inc. ("ResMed Motor"), 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 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 Motor, ResMed Limited, ResMed Holdings Ltd/LLC or ResMed EAP.

On January 25, 2012, we entered into a first amendment to the credit agreement. The amendment increases, from \$300 million to \$400 million, the maximum principal amount that can be borrowed on a revolving basis under the credit agreement, subject to customary conditions.

At March 31, 2012 we were in compliance with our debt covenants and there was \$235.0 million outstanding under the credit agreement.

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RESMED INC. AND SUBSIDIARIES

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

Liquidity and Capital Resources, Continued

Acquired External Debt

As part of our acquisition of Gruendler GmbH on August 1, 2011, detailed in Note 15, 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 4.1 million Euros during the nine months ended March 31, 2012 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 March 31, 2012, there was 0.6 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

During the nine months ended March 31, 2012 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 15 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 10.0 million shares. These were in addition to the 6.6 million 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 and nine months ended March 31, 2012, we repurchased 2.3 million and 10.8 million shares, respectively, at a cost of \$67.0 million and \$302.2 million, respectively. At March 31, 2012, we have repurchased a total of 24.9 million shares at a cost of \$806.8 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 March 31, 2012, 11.6 million additional shares can be repurchased under the approved share repurchase program.

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

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

For a full discussion of our critical accounting policies, see our Annual Report on Form 10-K for the year ended June 30, 2011.

Recently Issued Accounting Pronouncements

See note 2 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

As of March 31, 2012, 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, 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 March 31, 2012 (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	\$ 106,073	\$ 82,668	\$ 16	\$ 13	\$ 11	\$ 0
Liability	0	(68,057)	(86,816)	(107)	(295)	(25)	(60)
Net Total	0	38,017	4,149	(91)	(282)	(14)	(60)
USD Functional Currency Entities:							
Assets	0	0	0	0	0	0	7,524
Liability	0	0	(237)	0	0	0	0
Net Total	0	0	(237)	0	0	0	7,524
EURO Functional Currency Entities:							
Assets	0	0	0	958	3,279	1,798	0
Liability	0	(208)	0	(1,081)	(70)	(167)	0
Net Total	0	(208)	0	(123)	3,209	1,632	0
MYR Functional Currency Entities:							
Assets	29	1,878	0	0	0	0	0
Liability	(70)	(4,214)	0	0	0	0	0
Net Total	(41)	(2,336)	0	0	0	0	0
SGD Functional Currency Entities:							
Assets	693	41,878	61,972	0	0	0	0
Liability	(6,231)	(49,706)	(56,354)	(28)	0	0	0
Net Total	(5,538)	(7,828)	5,618	(28)	0	0	0
INR Functional Currency Entities:							
Assets	0	18	0	0	0	0	0
Liability	0	(2,192)	(761)	0	0	0	0
Net Total	0	(2,174)	(761)	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 March 31, 2012. 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)

	FY 2012	FY 2013	FY 2014	Total	Fair Value	
					Assets	(Liabilities)
					Mar 31, 2012	Jun 30, 2011
Foreign Exchange Contracts						
Receive AUD/Pay USD						
Contract amount	\$27,500	\$60,000	\$20,000	\$107,500	\$6,009	\$9,551
Ave. contractual exchange rate	AUD 1 = USD 0.9521	AUD 1 = USD 1.0115	AUD 1 = USD 1.0596	AUD 1 = USD 1.0039		
Receive AUD/Pay Euro						
Contract amount	\$30,690	\$109,420	\$53,380	\$193,490	\$6,586	\$5,323
Ave. contractual exchange rate	AUD 1 = Euro 0.7372	AUD 1 = Euro 0.7633	AUD 1 = Euro 0.7619	AUD 1 = Euro 0.7586		
Receive SGD/Pay Euro						
Contract amount	\$40,030	0	0	\$40,030	(\$38)	0
Ave. contractual exchange rate	SGD 1 = USD 0.5964			SGD 1 = USD 0.5964		
Receive SGD/Pay USD						
Contract amount	\$15,000	0	0	\$15,000	\$10	0
Ave. contractual exchange rate	AUD 1 = Euro 0.7946			AUD 1 = Euro 0.7946		
Receive CHF/Pay AUD						
Contract amount	\$3,320	0	0	\$3,320	\$16	0
Ave. contractual exchange rate	AUD 1 = CHF 0.9380			AUD 1 = CHF 0.9380		
Interest Rate Risk						

We are exposed to risk associated with changes in interest rates affecting the return on our cash and cash equivalents, investment securities and debt. At March 31, 2012, we maintained cash and cash equivalents of \$776.1 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 March 31, 2012, we had total long-term debt, including the current portion of those obligations, of \$236.0 million. All of this debt is subject to variable interest rates. A hypothetical 10% change in interest rates during the three months ended March 31, 2012, would not have had a material impact on our pretax income. We have no interest rate hedging agreements.

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PART I FINANCIAL INFORMATION

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RESMED INC. AND SUBSIDIARIES

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports pursuant to the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) of the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2012.

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

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RESMED INC. AND SUBSIDIARIES**Item 1 Legal Proceedings**

The information required by this Item is incorporated herein by reference to Note 14, 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 March 31, 2012, 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 nine months ended March 31, 2012:

Period	Total Number of Shares		Total Number of Shares	Maximum Number of Shares
	Purchased	Average Price	Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	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
October 1 October 31, 2011	1,066,155	28.77	19,532,360	17,042,821
November 1 November 30, 2011	1,624,113	26.87	21,156,473	15,418,708
December 1 December 31, 2011	1,450,000	24.94	22,606,473	13,968,708
January 1 January 31, 2012	600,000	25.59	23,206,473	13,368,708
February 1 February 29, 2012	1,015,757	29.34	24,222,230	12,352,951
March 1 March 31, 2012	726,642	30.08	24,948,872	11,626,309
Total	10,834,142	\$ 27.89	24,948,872	11,626,309

- (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

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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 24,948,872 shares at a total cost of \$806.8 million.

Item 3 Defaults Upon Senior Securities

None

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PART II OTHER INFORMATION

Items 1-6

RESMED INC. AND SUBSIDIARIES

Item 4 Mine Safety Disclosures

None

Item 5 Other Information

None

Item 6 Exhibits

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

- 3.1 First Restated Certificate of Incorporation of ResMed Inc. ⁽¹⁾
- 3.2 Fourth Amended and Restated Bylaws of ResMed Inc. ⁽²⁾
- 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 ⁽³⁾
- 101 The following financial statements from ResMed Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 1, 2012, 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.

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PART II OTHER INFORMATION

SIGNATURES

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.

May 1, 2012

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)