

“Sleep . . .
great nature’s second course,
chief nourisher in life’s feast.”

Shakespeare



RESMED

annual report 2002

ResMed's Mission Statement

Continue global leadership in sleep medicine based on innovative technology advancing the diagnosis, treatment, and management of sleep-disordered breathing.

Corporate Aims and Objectives

ResMed is a leading developer, manufacturer, and marketer of products for the diagnosis and management of sleep-disordered breathing. ResMed operates through direct offices in the United States, the United Kingdom, Switzerland, Sweden, Spain, Singapore, New Zealand, the Netherlands, Malaysia, Japan, Germany, France, Australia, and Austria and through a network of distributors in over 50 other countries.

ResMed is committed to advancing innovative technology in sleep and respiratory medicine and commercializing innovative products that incorporate these technologies on a global basis. In reaching its goals, ResMed will at all times act ethically in dealing with both customers and employees.

Statements contained in this Annual Report, which are not historical facts, including any projections regarding future opportunities in current and new markets, are "forward-looking" statements as contemplated by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those projected or implied in the forward-looking statements. Such risks and uncertainties are more fully discussed in the Company's Annual Report on Form 10-K for its most recent fiscal year.

Contents

2	financial summary
3	business overview
4	2002 highlights
5	chairman's report
12	strategy
14	medical advisory board
18	sleep-disordered breathing
23	operations
28	shareholders' information
30	board of directors
31	1993–2002 highlights

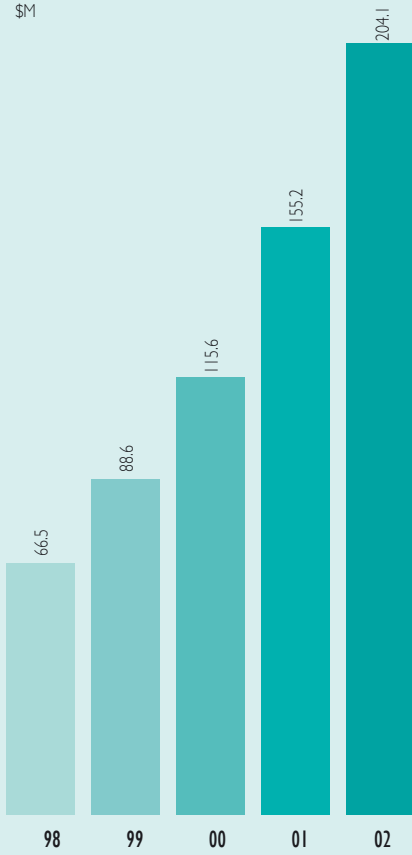


focused

ResMed is committed to alerting both public and physicians about the inherent dangers of untreated sleep-disordered breathing.

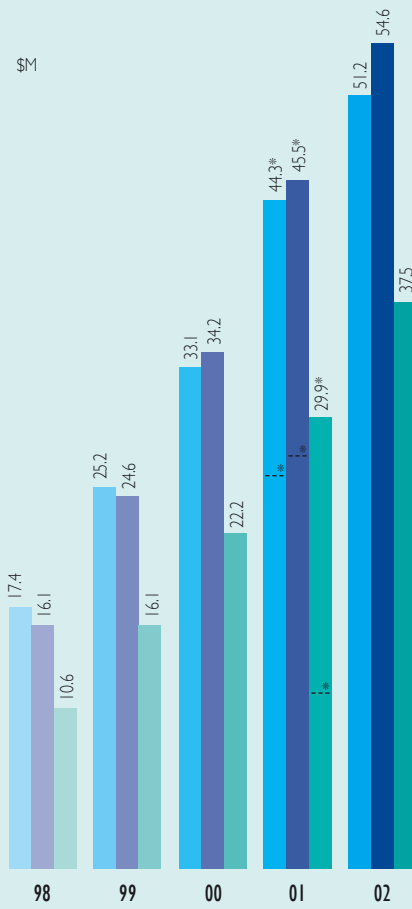
Net revenue

\$M



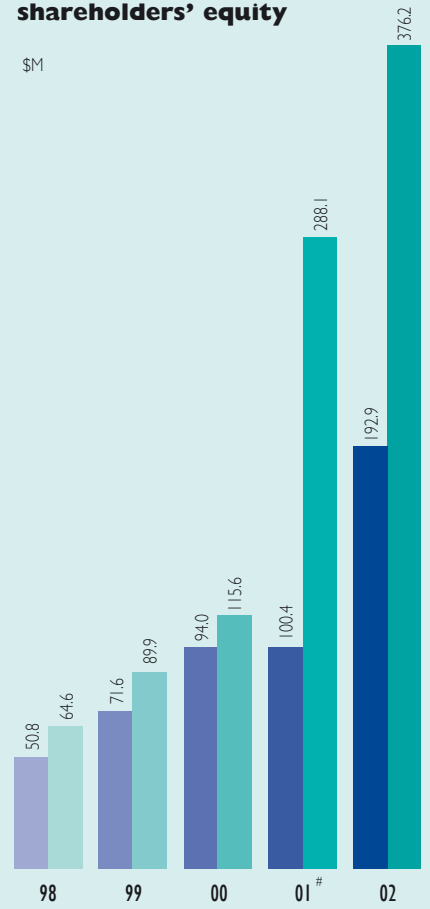
Income

\$M



Assets & shareholders' equity

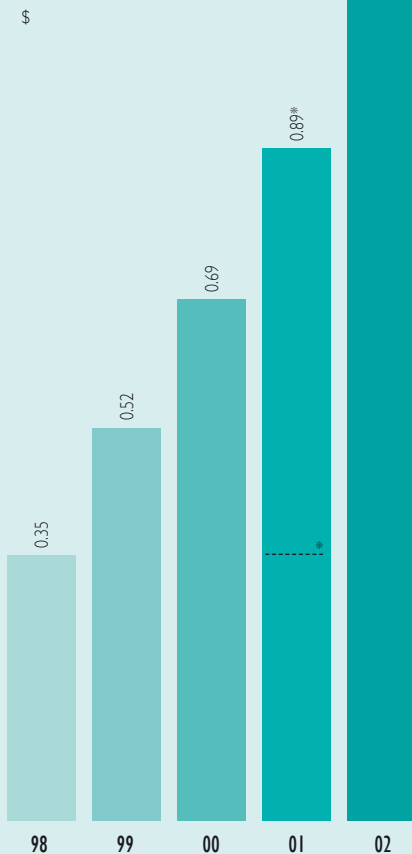
\$M



■ Income from operations
■ Income before income taxes
■ Net income

■ Shareholders' equity
■ Assets

Net income per common share and equivalent



*after MAP acquisition costs of \$18.2M
*due to MAP acquisition: Gross assets include \$61M of assets; shareholders' equity is net of \$18.2M of costs

“ Learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning.”

Albert Einstein (1879–1955) physicist and Nobel Laureate

ResMed revenues grew by 32% last year. We are dramatically improving product performance while expanding global operations, which now cover over 60 countries.

One of the world's leading sleep-disordered breathing companies, ResMed develops, manufactures, and markets devices for diagnosing, treating, and managing breathing disorders that occur during sleep. In fiscal 2002, our sales were \$204.1 million and operating cash flow was \$35.6 million. Since listing in June 1995, we have maintained a growth rate in excess of 25% per annum in both revenues and net income (excluding 2001 MAP acquisition costs).

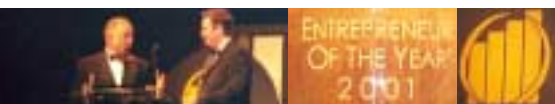
2002 Highlights



Purchased 30 acre (12 ha) site for new Sydney headquarters. October 2001

S-3 Registration Statement for convertible bond issue declared effective by Securities and Exchange Commission. October 2001

Listed by *Forbes* magazine as one of the *200 Best Small Companies in America* for fifth consecutive year. Ranked #24. October 2001



ResMed Chairman, Dr. Peter Farrell, wins Australian Entrepreneur of the Year title. October 2001



Acquired Swiss distributor Labhardt AG. November 2001

ResMed Mirage® Full Face Mask Series 2 launched worldwide. October 2001 – December 2001

Sold and leased back Australian facility (sale approximately US\$18 million/A\$34 million). April 2002



Acquired flow generator motor manufacturer Servo Magnetics Incorporated (SMI), USA. May 2002

Board authorized repurchase of up to 4 million shares of outstanding common stock. June 2002

ResMed Chairman, Dr. Peter Farrell, inducted to World Entrepreneur of the Year Academy. June 2002

Formed SDB Foundation in USA and committed to form SDB Foundation in Australia. June 2002

ResMed AutoSet Spirit™ launched worldwide. October 2001 – July 2002

Converted to full Australian Stock Exchange (ASX) listing. July 2002

ResMed Mirage® NV Full Face Mask Series 2 and NV Ultra Mirage™ Mask launched (outside US). August 2002

It is once more a pleasure to write the chairman's report, this time for 2002, our 13th year of operations. I said last year that ResMed had had a great decade of achievement; the results for fiscal 2002 continue the legacy. The company performed extraordinarily well despite some marketing challenges in Germany, which now appear to be resolving themselves, as well as some frustratingly slow regulatory approvals. However, the fact that we did so well in fiscal 2002 is a distinct credit to our employees, who displayed both the dedication and the humor needed to help us grow our market share at such an encouraging pace.

Revenues grew by 32% to \$204.1 million. Net income for the year was \$37.5 million, or \$1.10 per share on a fully diluted basis; net income represented 18.4% of revenues, well in line with previous years and indicative of a well-oiled machine. Compared with fiscal 2001, net income increased by 222% while EPS, on a fully diluted basis, increased by 214%. However, net income in FY2001 was negatively impacted by a \$18.2 million charge, relating to the MAP acquisition, and a more relevant comparison, exclusive of this charge, is that net income grew by 26% year over year while EPS, on a fully diluted basis, grew by 24%. Gross margin remained a robust 65%.

Let me briefly address balance sheet issues. During the latter part of fiscal 2001, the company raised \$180 million in non-current debt through a convertible subordinated bond

offering; the coupon rate was 4%, and the notes mature in June 2006. These funds were raised to pay off acquisition debts, as well as provide flexibility for more possible acquisitions or other capital needs.

At the time of the offering, interest rates were in excess of 5% whereas, as the economy slowed, interest rates fell during the fiscal year to close to 3%. This changed the once favorable economics of the offering, and since the convertible bonds began to trade significantly below par, the company decided to buy back a portion of the bonds to extinguish some debt. In short, during fiscal 2002, \$56.75 million of face value of the convertible notes were repurchased for \$49.1 million, including \$0.6 million in accrued interest. On extinguishment, the company made a pre-tax profit of \$7.65

“One should hold one's theories by one's fingertips so that the least breeze of fact can blow them away.”

Michael Faraday (1791–1867) inventor, scientist



million (excluding deferred borrowing costs), leaving a total of non-current debt, due to the remaining bonds, of \$123.25 million.

During the June quarter, the company also elected, based on a favorable share price, to undertake a share buy-back of up to 4 million shares. To date 290,047 shares of common stock have been repurchased at a cost of \$7.9 million. As we publicly announced, provided the economics continue to remain favorable, we expect to repurchase more convertible notes and shares as we go forward. ResMed's balance sheet, with total assets of \$376.2 million (an increase of 31% year over year) and with total liabilities of \$183.3 million (down 2% year over year), remains very robust.

The sleep-disordered breathing (SDB) market continues to remain a very exciting place to be. A report issued in May 2002 by investment bankers SG Cowen & Company of New York puts the estimated global market for SDB products at almost \$800 million for calendar 2002, with approximately 90% for therapeutics and the remaining 10% for diagnostics. The domestic market accounts for just under two-thirds of the total while the estimated growth rates over the next three years are 18% for domestic therapeutics and 22% for the international (ROW) therapeutics. In both instances, the diagnostics market is anticipated to grow at 10%, or about half the global therapeutic market. If one were to compound the current revenue base over five years, assuming 20% growth, the market size would approximate \$2 billion.

Assembling an AutoSet Spirit™ flow generator



And that is without the increasingly likely impact of the treatment of SDB in patients suffering from cardiovascular and other diseases, a point to which I will return.

When I was first exposed, in 1986, to the widespread nature and potential dangers of untreated SDB (and obstructive sleep apnea (OSA) in particular) by Dr. Colin Sullivan, the inventor of nasal continuous positive airway pressure (CPAP)—still the gold standard to treat SDB/OSA—he told me that

The Ultra Mirage™ Mask in production



the prevalence was believed to be about 2% of the population. At the time I was working in renal disease, where the prevalence was more like 0.2%. The Sullivan number seemed gargantuan; we now know that the figure is more like 10% of the population; this translates into an epic public health problem, which is not being adequately addressed. I have little doubt that the pendulum is now finally swinging to

considerably more diagnosis and treatment. For example, the cardiac, neurologic and pediatric literature is increasingly addressing issues where, in these specialties, untreated SDB/OSA is being recognized as a major clinical issue. And, on published evidence, so it should be. For example, in patients with hypertension or diabetes, prevalence figures for SDB are of the order of 50% and, in cases of more severe comorbidities, such as stroke, transient ischemic attack (a mini-stroke) or heart failure, the prevalence is closer to 70% of the affected population. Unfortunately, too few cardiologists, neurologists, endocrinologists, or hypertensionologists are aware of these data; one of our major goals is to address this chasm of ignorance. Perhaps even more disturbing is a recent article from the University of Toronto (Logan, et al. *Journal of Hypertension* 2001; 19:2271-7, 2001), which shows that the prevalence of SDB/OSA in refractory hypertension was over 96% in men and 65% in women. These are disturbing statistics which need addressing as a priority.

The good news is that there are now several centers around the world treating SDB/OSA in both stroke and congestive heart failure (CHF), as well as in hypertension and diabetes patients, although we are far from the critical mass of activity needed. Nevertheless, the data are encouraging; we are aware of at least 26 centers in Germany, as well as several in France, using our patented AutoSet CS™ technology to treat SDB in CHF patients. At the recent American Thoracic

CNC Machine Center capable of lathe and mill work operations using both auto-bar and gantry loading methods at SMI



As I said before, the sleep business is truly exciting and rewarding and ResMed understands the space well; we are funding the necessary priority product development and clinical studies to move the area forward. We remain, and will continue to remain, the premier technology company in the SDB space.

We are also taking further initiatives. During the year we committed to setting up two ResMed sleep-disordered breathing foundations, one in the US and one in Australia. Over two million dollars have been set aside for these foundations, where the overall mission is to educate both public and physicians about the inherent dangers of untreated SDB/OSA, particularly as it relates to traffic and workplace accidents as well as cerebrovascular and cardiovascular disease. The Australian foundation is currently being set up, but the US one is already active. The US Board of ten is chaired by Mr. Ron Taylor, the former CEO of Pyxis, and the board members are comprised of cardiologists, pulmonologists, sleep physicians, and other academics and professionals. Two grants, totaling \$200,000 have already been approved, including \$100,000 for a study of SDB/OSA prevalence in a select group of professional football players. No results are yet available.

During the year ResMed made two very positive acquisitions. In November 2001, we bought our Swiss distributor, Labhardt and in May 2002, we bought Servo Magnetics, Inc. (SMI), which

Society meeting, held in Atlanta this past May, five centers (four from Germany and one from Australia) reported compelling data on treating SDB/OSA in severe CHF wherein, over a period of three to six months, CHF patients treated with our AutoSet technology had significant improvements in their heart disease, physical activity, and quality of life. In addition, the treatment of SDB in diabetic patients has been shown to significantly improve insulin resistance. Hypertensive patients, when treated for their SDB, also show significant reduction in blood pressure, with the biggest positive impact being seen in those patients on multiple antihypertensive medications. One more snippet of encouraging information: in May, at the European Stroke Conference held in Geneva, which I attended, there was a plenary session held on SDB/OSA in stroke. The co-chairs, Dr. Claudio Bassetti from Zurich and Dr. Antonio Culebras from New York, told me that the estimated attendance was well over 1,000. At a similar meeting, held three years before in Venice, Claudio mentioned that the speakers almost outnumbered the participants. In short, the message is starting to be understood.

supplies the bulk of our DC motors for CPAP devices. The CEOs of these companies, Mr. Heinz Hasenfratz (Labhardt) and Mr. Les Hoffman (SMI) have agreed to remain with the companies, as will the bulk of their senior employees. The integration of both businesses is on schedule and we are delighted to be working with these groups of people. With the extra employees from these acquisitions, ResMed now employs almost 1,300 people globally, up from about 1,000 this time last year.

Also during the year, we enhanced the quality of the Board of Directors as well as our Medical Advisory Board (MAB). In February Dr. Anthony DeMaria, the Chair of Cardiology at UCSD and former President of the American College of Cardiology, and Dr. Barbara Phillips, a pulmonologist and Professor of Medicine at the University of Kentucky, as well as Board Member of the American Academy of Sleep Medicine, joined the MAB; the total membership is now twelve. This past May, Louis A. Simpson, President and Chief Executive Officer, Capital Operations, Geico Corporation, a wholly-owned Berkshire Hathaway subsidiary, joined the Board. We welcome Tony, Barbara, and Lou, and look forward to their contributions.

Also recently, we reorganized product development (PD) and marketing activities in Sydney, as well as US marketing activities. All of us, including PD staff, have been somewhat frustrated with time to market for some of our key



products; as a result I have named Don Darkin to solely run our patient interface activities; Rob Douglas will take over bilevels and the AutoSet CS product range, while Eric Phuah, a relatively new recruit, will take on all CPAP products, including AutoSet Spirit™ and follow-on offerings. We are confident that they will get the job done. In addition, Dr. Glenn Richards, a pulmonologist and sleep physician who

has done research with Dr. Sullivan, has joined us as Medical Director; Glenn will work out of the Sydney office.

In San Diego, Dana Voien recently joined us from a senior position at Edwards Life Sciences, as Vice President and General Manager of our diagnostics business. Dana has also taken over Marketing for the Americas, Business Development and Clinical Support and Training.

Curt Kenyon, Senior Vice President, is leading a new telemedicine business unit initiative, while Dr. Deirdre Stewart becomes Vice President, Strategic Clinical Initiatives. Dana, Curt, and Deirdre will report to me; we are excited by some of the ideas we are now hatching.

As I indicated last year, ResMed was again ranked by *Forbes* as one of the fastest growing companies in America. In fact, *Forbes* has ranked ResMed as one of the top 200 Best Small Companies in America for five consecutive years.

In October 2001, I was lucky enough to be selected as Ernst and Young's inaugural Australian Entrepreneur of the Year, as well as Master Entrepreneur for the country. As a result, I attended the World Entrepreneur of the Year event in early June in Monte Carlo where I was inducted into the World Entrepreneur of the Year Academy. I would certainly not have received these accolades without the support of ResMed employees. In addition, I was selected by the San Diego Corporate Director's Forum as the recipient of the CDF award for creating economic value for 2002.

However, let me make it clear that ResMed is a team; all the company's achievements are the result of our combined talents. Teamwork really works.

Finally let me thank the Board of Directors, the Medical Advisory Board, and all employees for their continuing efforts and dedication. Let me also thank our patients and shareholders. We believe absolutely in our mission, and we have not lost a modicum of confidence in our strategy; the company is cash-flow positive, extremely profitable and has a very strong balance sheet. We also take a long-term view.

The world still needs to wake up to sleep, and we aim to make it happen.



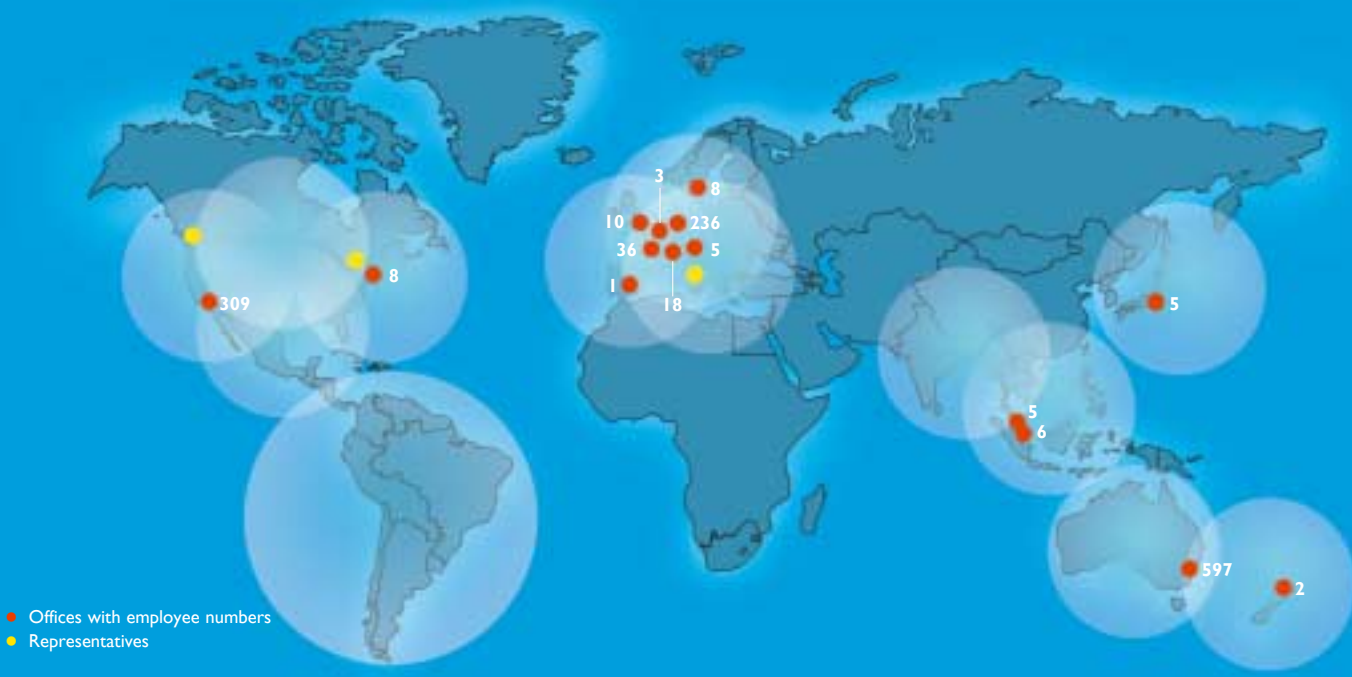


alert

Staying awake, alert, and attentive throughout the day are just some of the major benefits of treating sleep apnea.

Think global, act local

ResMed operates through direct offices in the United States, the United Kingdom, Switzerland, Sweden, Spain, Singapore, New Zealand, the Netherlands, Malaysia, Japan, Germany, France, Australia, and Austria and through a network of distributors in over 50 other countries.



Targeting growing market opportunities

Since formation in 1989, ResMed has maintained its focus on the under-penetrated but strongly growing sleep-disordered breathing (SDB) market. Currently less than 10% of people with obstructive sleep apnea (OSA), a major subset of SDB, have been diagnosed and treated. This has created a large and relatively undeveloped market for SDB therapies.

We believe opportunities in this market will continue to grow due to a number of factors. These factors include the acknowledgement of the vital role that healthy sleep plays in good health. It is just as important as good nutrition and

physical fitness, and treating SDB, as part of disease management in a range of diseases, is of primary importance. Understanding of the role of SDB treatment in cardiovascular disease is also improving. In recent years we have been targeting areas of cardiovascular disease such as hypertension, stroke, and congestive heart failure, as well as other conditions associated with SDB such as chronic obstructive pulmonary disease (COPD).

ResMed's strategy for expanding business operations and capitalizing on the growth of the SDB market consists of the following key elements:

Continue product development and innovation

ResMed has led a revolution in the design of comfortable, effective masks and devices to treat SDB, and we are committed to ongoing innovation in developing products for diagnosing and treating SDB. At June 30, we had over 500 patents granted or pending and around 160 registered designs worldwide. In fiscal 2002, 7.3% of revenues were invested in research and development.

Expand geographic presence

ResMed products are sold in over 60 countries to sleep clinics, home healthcare dealers, third-party payers, and patients. We intend to increase sales and marketing efforts in principal markets as well as expand in new geographic regions.

Increase public and clinical awareness

Educating and informing the public and medical community on the dangers of untreated SDB is of primary importance. This year ResMed brought together key players in the sleep community to form sleep foundations in the US and Australia. These foundations will focus on advancing education, increasing awareness, and funding research in SDB. The first Australian project to receive funding is an innovative physician-training program, using the Internet to educate medical practitioners about SDB and other sleep related disorders.

In addition, we are developing strong relationships with patient advocacy groups, including the US National Sleep Foundation, the US National Stroke Association, the American Heart Association, and the Australian National Stroke Foundation. We are also maintaining close working relationships with a number of prominent physicians, exploring new medical applications for our products and technology, and working closely with major rehabilitation providers in the US and Australia. These partnerships will

“One never notices what has been done; one can only see what remains to be done.”

Marie Curie (1867–1934) physicist, Nobel Laureate

establish models for the treatment of SDB in stroke rehabilitation as well as rehabilitation in general and help put ResMed products on the cutting edge of this market.

Leverage the experience of our management team and Medical Advisory Board

One of our key strengths is the experience of our senior management team, which is experienced in the field of SDB and the medical device industry in general. This year, a Medical Director, Dr. Glenn Richards was appointed to focus our medical research and increase our capacity to manage our large clinical trial programs. In the US, Dr. Deirdre Stewart is responsible for clinical strategic initiatives and global clinical education policies. We also have a Medical Advisory Board comprised of experts in the field of SDB, including Professor Colin Sullivan, the inventor of nasal CPAP for treating OSA. We intend to continue leveraging the knowledge and expertise of these professionals to maintain our innovative approach to developing products and increasing SDB awareness.

SDB affects more than

80% of drug resistant hypertension patients¹

60-70% of stroke/TIA patients^{2,3}

50-60% of congestive heart failure patients⁴

30% of coronary artery disease patients⁵



left to right **Helmut Teschler, Claudio Bassetti, J. Woodrow Weiss, B. Tucker Woodson, Terence M. Davidson, Michael Coppola, Neil Douglas, Barry J. Make, Anthony DeMaria, Colin Sullivan, Barbara Phillips, Nicholas Hill**

“Therefore if a man looks sharply
and attentively, he shall see Fortune:
for though she be blind, yet she is
not invisible.”

Francis Bacon (1561–1626) English statesman, philosopher

Claudio Bassetti, MD, is a neurologist with expertise in sleep, sleep medicine, stroke, and cerebrovascular disease. He is a leader in studying the implications of SDB on stroke and is Head of the Neurology Outpatient Clinics and Vice-Chairman of the Neurology Department at the University Hospital, Zurich. Dr. Bassetti is a member of the American Academy of Neurology, the American Sleep Disorders Association, and the scientific committee of the European Sleep Research Society (ESRS). He is also a member of boards of the Swiss Societies of Neurology, Neuroscience and Sleep and sits on the editorial boards of *Sleep Medicine*, *European Neurology*, and *Swiss Archives of Neurology and Psychiatry*. Dr. Bassetti has produced over 100 publications.

Michael Coppola, MD, is a leading pulmonary, critical care, and sleep disorders physician and is President of Springfield Medical Associates, a multi-specialty medical group in Springfield, Massachusetts. He is an attending physician at Baystate Medical Center and Mercy Hospital, and a Fellow of the American College of Chest Physicians. Dr. Coppola is also the Medical Director of Winmar Diagnostics, a sleep-disordered breathing specialty company, and Associate Clinical Professor of Medicine at Tufts University School of Medicine.

Terence M. Davidson, MD, FACS, is Professor of Surgery in the Division of Otolaryngology—Head and Neck Surgery at the University of California, San Diego School of Medicine. He is Section Chief of Head and Neck Surgery at the Veterans Administration, San Diego Healthcare System, and Associate Dean for Continuing Medical Education at the University of California, San Diego. He is also Director of the UCSD Head and Neck Surgery Sleep Clinic in La Jolla, CA.

Anthony N. DeMaria, MD, is Professor of Medicine and Chief, Division of Cardiology at the University of California, San Diego, specializing in cardiac imaging techniques, particularly echocardiography. He is a Diplomat on the American Board of

Internal Medicine and is board certified by the Subspecialty Board in Cardiovascular Disease. He is Past President of both the American College of Cardiology and the American Society of Echocardiography. Dr. DeMaria is currently Editor-in-Chief of the *Journal of the American College of Cardiology* and has authored or co-authored over 400 articles for medical journals.

Neil J. Douglas, MD, FRCP, is Professor of Respiratory and Sleep Medicine, University of Edinburgh, an Honorary Consultant Physician, Royal Infirmary of Edinburgh, and Director of the Scottish National Sleep Laboratory. He is Vice President of the Royal College of Physicians of Edinburgh, Chairman of the British Sleep Foundation, past Chairman of the British Sleep Society, and past Secretary of the British Thoracic Society. Dr. Douglas has published over 200 papers on breathing during sleep.

Nicholas Hill, MD, is Professor of Medicine at Tufts University School of Medicine and Chief, Pulmonary, Critical Care and Sleep Division, Tufts-New England Medical Center in Boston. He is a Fellow and Vice Chair of the Home Care Network in the American College of Chest Physicians and a member of the Leadership Committee for the Pulmonary Circulation Assembly and of the Program Committee for the Critical Care Assembly of the American Thoracic Society. Dr. Hill's main research interests are in the acute and chronic applications of noninvasive positive pressure ventilation for treating lung disease.

Barry J. Make, MD, is Director, Emphysema Center and Pulmonary Rehabilitation National Jewish Medical and Research Center, and Professor of Pulmonary Sciences and Critical Care Medicine of the University of Colorado School of Medicine. He has served on numerous national and international committees for respiratory diseases. Dr. Make's research and clinical investigations have resulted in a large number of publications on mechanisms, treatment, and rehabilitation of chronic respiratory disorders.

MAB *continued*

Barbara Phillips, MD, MSPH, FCCP, is Professor of Pulmonary, Critical Care, and Sleep Medicine at the University of Kentucky College of Medicine. She directs the Sleep Center, Sleep Clinics, and Sleep Fellowship at the Samaritan Sleep Center in Lexington, KY. Dr. Phillips is a Board member of the American Academy of Sleep Medicine, a recipient of a Sleep Academic Award from the National Institutes of Health, past president of the American Board of Sleep Medicine, and a past member of the Advisory Board to the National Center of Sleep Disorders Research. Her research interests are the epidemiology of sleep-disordered breathing and sleep disorders in the aged.

Colin Sullivan, MD, PhD, FRACP, FAA, is Chairman of the MAB and inventor of nasal CPAP for the treatment of OSA. He is Professor of Medicine and Director of the David Read Research Laboratory and Australian Centre for Advanced Medical Technology at the University of Sydney. He established the Centre for Respiratory Failure and Sleep Disorders at the Royal Prince Alfred Hospital, the Pediatric Sleep laboratories at the New Children's Hospital, and Sydney Children's Hospital. Professor Sullivan is a Fellow of the Royal Australian College of Physicians, a Fellow of the Australian Academy of Science, and a Fellow of the Australian Academy of Technological Sciences and Engineering.

Helmut Teschler, MD, is Professor and Head of the Department of Respiratory Medicine, Sleep Medicine, and High Dependency Unit, Ruhrlandklinik, Medical Faculty, University of Essen, Germany. He is a Fellow of each of the following associations: German Pneumology Society, American Thoracic Society, European Respiratory Society, and American Sleep Disorders Association. Dr. Teschler is an internationally recognized researcher in respiratory medicine and sleep-disorders medicine.

J. Woodrow Weiss, MD, is Associate Professor of Medicine and Co-Chairman of the Division of Sleep Medicine at Harvard Medical School as well as Chief, Pulmonary, Critical Care, and Sleep Medicine, Beth Israel Deaconess Medical Center, Boston, MA. He is an internationally recognized researcher in sleep-disorders medicine.

B. Tucker Woodson, MD, FACS, is Associate Professor of Otolaryngology and Communication Sciences at the Medical College of Wisconsin, a Diplomat of the American Academy of Sleep Medicine, and a Fellow of the American Academy of Otolaryngology—Head and Neck Surgery and the American College of Surgeons. He is the Director of the Medical College of Wisconsin/Froedert Memorial Lutheran Hospital Center for Sleep. Dr. Woodson also sits on multiple committees for the American Academy of Sleep Medicine and American Academy of Otolaryngology.

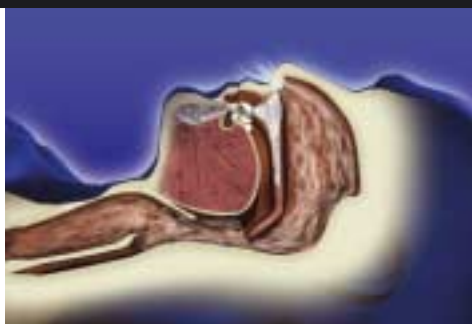


healthy

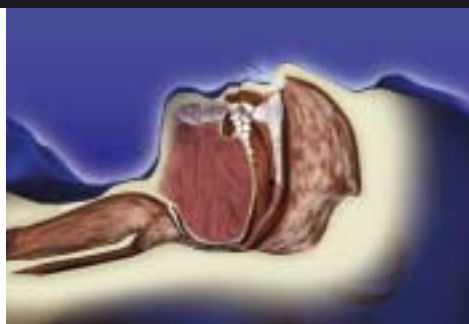
Everything at ResMed, from research and product development to marketing and customer service, is based on a simple truth: “Healthy sleep is vital for a healthy life.”

It is time for the nation to wake up to the staggering impact of sleep disturbances on the health and welfare of our society, an impact that rivals that of smoking.

Eliot Phillipson, MD, New England Journal of Medicine, April 29 1993



1 Normally, during sleep the muscles that control the tongue and soft palate hold the airway open.



2 When these muscles relax, the airway narrows, which may cause snoring and breathing difficulties such as hypopneas.



3 If these muscles relax too much, the airway can become blocked, preventing breathing. This is an obstructive apnea.

What is SDB?

Sleep-disordered breathing (SDB) is a general term for breathing disorders that occur during sleep. Although the consequences of untreated SDB can severely affect health and mortality, awareness among medical practitioners is relatively low. As a result, patients can find themselves receiving treatment for other conditions when the cause of their symptoms originates in their sleep. Studies have shown that SDB is strongly associated with hypertension, nocturia, stroke, and congestive heart failure as well as being independently associated with insulin resistance.⁶

Obstructive sleep apnea (OSA) is the most common form of SDB, affecting almost 10% of the general adult population—a similar prevalence to asthma or diabetes. Other manifestations include central sleep apnea (CSA) and hypoventilation syndromes that occur during sleep. CSA is controlled from the brain and not related to the airway being obstructed. Hypoventilation syndromes are generally associated with obesity and chronic obstructive pulmonary disease (COPD).

Obstructive sleep apnea (OSA). During sleep, the body relaxes, and muscle tissues like the tongue and soft palate lose their slight rigidity. In people with OSA, these tissues relax too much, partially or completely blocking the airway and shutting off breathing. As the brain recognizes the increasing need for oxygen, it wakes the sleeper enough so that they breathe again—and then fall back to sleep. This happens from dozens to hundreds of times per night for people with OSA, but they usually don't remember their brief awakenings, called sleep arousals. If you listened to someone with OSA while they slept, you would probably hear loud snoring interrupted by moments of silence, followed by gasps and snorts as they struggled to start breathing again.

OSA sufferers often wake up feeling exhausted. They also tend to suffer a range of other symptoms including excessive daytime sleepiness, reduced cognitive function, memory loss, lack of concentration, depression, and irritability. Studies have linked OSA to increased traffic and workplace accidents. OSA sufferers

may also experience an increase in heart rate, an elevation of blood pressure during apneas, and daytime hypertension. Even very mild levels of SDB increase the risk of developing stroke, heart failure, and coronary heart disease.⁷

Generally, primary care physicians who recognize OSA symptoms will refer the patient to a specialist for further evaluation. OSA diagnosis typically involves an overnight sleep test at a sleep clinic. The number of sleep clinics in the US alone has expanded from 100 in 1985 to over 2000 today.

OSA and hypertension. Recent studies found that SDB is profoundly associated with hypertension, independent of all other risk factors⁸, with untreated SDB being a risk factor for hypertension.⁹ SDB arousals cause an increase in sympathetic nerve activity, which leads to increased blood pressure and heart rate. These factors may relate to the higher rate of hypertension in SDB patients. In fact, over 80% of patients with refractory hypertension have OSA (96% in men and 65% in women).¹

OSA and congestive heart failure. About 60% of patients with congestive heart failure (CHF) have SDB.⁴ The majority of these patients suffer from obstructive or mixed sleep apnea (a combination of OSA and CSA). Those with the most severe heart failure often have a serious condition known as Cheyne-Stokes respiration (CSR). With CSR, the patient's breathing continuously cycles between underbreathing (may stop altogether) and overbreathing. Mortality is higher in patients with CSR compared to CHF patients without CSR¹⁰, and nocturnal CSR is an independent predictor of poor prognosis.¹¹ Long-term treatment of CSR using nasal CPAP (page 21) has been shown to improve sleep quality, daytime sleepiness, cognition, and also heart function in CHF patients.¹² Further studies have revealed a reduction in mortality and hospital admissions.

“ Vision without action is a daydream.
Action without vision is a nightmare.”

Japanese proverb

Evidence shows that positive airway pressure improves cardiac function in patients with congestive cardiac failure.¹³

OSA and stroke. SDB is common in the stroke population, affecting up to 70% of stroke survivors.^{2,3} Increasing evidence suggests a cause-effect relationship between OSA and stroke. Additionally, the excessive daytime sleepiness and fatigue associated with OSA may adversely affect the outcome of post-stroke rehabilitation. It may also reduce the ability and motivation of the stroke survivor to participate in rehabilitation programs. Studies have shown that stroke sufferers with SDB have worse functional outcomes and higher mortality after one year compared to control subjects.¹⁵ Treating OSA in the stroke population is important as it may also reduce the risk of secondary stroke.

78% of long distance truck drivers have SDB¹⁴

Chronic obstructive pulmonary disease (COPD). COPD is a group of diseases, the most common being chronic bronchitis and emphysema. The common characteristic of COPD is obstruction to the airflow out of or from the lungs. People with COPD may eventually require supplementary oxygen and rely on mechanical ventilatory assistance. Noninvasive positive pressure ventilation results in improvements in daytime arterial blood gas tensions, which are sustained after two years of treatment. It also reduces both hospital admissions and general practitioner visits by patients with severe COPD in hypercapnic respiratory failure.¹⁶



Terri Duchar

**Business Systems Salesperson
and new mother, age 40**

When Terri Duchar was pregnant, her blood pressure was so high the doctors told her she would have to deliver her baby at 28 weeks. “I was pretty much at the maximum dosage of (blood pressure) medication, and they said they couldn’t give me any more unless it was intravenously,” she explained.

She also snored so loudly she actually woke herself up at night, and her husband Mark noticed that she stopped breathing at intervals. Worse still she would wake up with headaches and feel exhausted during the day.

Fortunately, a friend with sleep apnea recognized her

symptoms and Terri became involved in a study being conducted by the David Read Laboratory, Sydney University. The study is investigating the reduction of blood pressure using CPAP treatment. Terri started treatment on a ResMed AutoSet T using an *Ultra Mirage Mask*.

“When I did the sleep study I actually stopped breathing 30 times an hour,” she said. Terri was actually pleased to be told she had sleep apnea—before that no one had been able to find out why her blood pressure was so high—but now she had a reason.

The treatment worked well and helped reduce her blood pressure from 143/84 to 124/72. Baby Sam was born on Terri’s 40th birthday at 35 weeks and 6 days, weighing a healthy 7.2lb (3.25kg).

“After just one night [on CPAP] I had so much energy. And it’s just putting a mask over your face. You’re not taking any drugs—that’s great.

“I was only made aware of sleep apnea by my friend. Now I look for it in other people. It’s [the mask] not a good look, but I think my husband would rather have a *live* wife—and now he can watch the cricket and rugby in bed without the sound being drowned out by my snoring.”

story

What are the treatments?

Positive airway pressure. Professor Colin Sullivan, the Chairman of our Medical Advisory Board, invented nasal continuous positive airway pressure (CPAP) as a treatment for OSA in 1980. CPAP systems were commercialized in the US in the mid-1980s and, today, use of CPAP is acknowledged as the gold standard for managing OSA.

Nasal CPAP provides a highly successful, noninvasive means of treating OSA. During treatment, a patient sleeps with a nasal or full-face mask connected to a small portable airflow generator that delivers room air at a continuous positive pressure. The air from the flow generator supplies just enough pressure to prevent the upper airway from collapsing. Positive airway pressure applied in this manner acts like an "air splint" to keep the upper airway open and unobstructed, allowing normal breathing during sleep.

Positive airway pressure treatment has been shown to have wide-ranging benefits. For example, it has been shown that for patients with severe OSA, nasal CPAP reduces blood pressure, providing significant vascular risk benefits and substantially improving excessive daytime sleepiness and quality of life.¹⁷

During normal pregnancy, a number of physiological changes occur that may compromise the respiratory system. Nasal CPAP can reduce nocturnal blood pressure increments in women with preeclampsia and SDB.¹⁸ It has also been shown to reduce the need for acute hospital admission due to cardiovascular disease and pulmonary disease for patients with OSA.¹⁹

Automatically adjusting devices represent the newest positive airway pressure technology. ResMed's AutoSet[®] technology continually monitors the status of the upper airway on a breath-by-breath basis, and allows the device to automatically adjust the pressure to suit the patient's pressure needs as they vary overnight and over time. By responding to the patient's changing pressure needs, AutoSet devices are able to deliver lower mean pressures.

ResMed's AutoSet devices are intelligent CPAP systems, which

have been extensively clinically evaluated. A recent study comparing leading automatically adjusting machines showed that ResMed's AutoSet T™ device responds most predictably to abnormal breathing patterns and is affected in a more consistent manner by inadvertent leak.^{20,21}

AutoSet devices are suitable for a range of patients with OSA and ideal for treating sleep apnea in stroke patients. This is because they adjust to the dynamic changes in the severity of OSA that occur during recovery from stroke. They also have data recording capabilities that make patient management easier for clinicians and healthcare providers.

This year ResMed launched the AutoSet Spirit™, which is currently surpassing all sales forecasts. AutoSet Spirit provides information that allows patients to troubleshoot minor problems and clinicians to access details of the patient's treatment. This information is available via an LCD without the need to download data using a separate device.

Small and light with a unique new casing design, the AutoSet Spirit also has a compact humidifier module that can be added if required. AutoSet Spirit is the first and only AutoSet device to feature truly integrated humidification.

A ResMed S7™ CPAP device was also launched in the US in July 2002. Using the same case as the new AutoSet Spirit, the ResMed S7 CPAP is completely modular and upgradable to integrated humidification. It will also be upgradable to AutoSet technology in the near future. ResMed's S6™ range of CPAP systems, which was launched in February 2000, has three

models to suit different patient needs. S6 CPAP systems are renowned for their small, elegant casing, extremely low noise, light weight, and exceptional reliability.

Bilevel therapy. ResMed's VPAP (variable positive airway pressure) devices provide bilevel therapy, which is similar to CPAP therapy but involves two pressure settings instead of one. A higher pressure during inspiration helps the patient inhale while a lower pressure during expiration reduces resistance, making it easier to exhale while still preventing upper airway collapse. Bilevel therapy is recommended for some patients with OSA who have difficulty tolerating CPAP or who have both sleep apnea and other respiratory problems. Bilevel therapy is also used for patients with ALS, kyphoscoliosis, muscular dystrophy, COPD and other disorders that impact breathing during sleep. In this instance the treatment is used to provide ventilatory assistance rather than upper airway stabilization.

Patient breathing synchronization with the machine is vital for successful therapy. ResMed VPAP devices have two unique features called Vsync™ and T_iControl™ that help compensate for mask leaks and ensure the VPAP device stays in tune with the patient's breathing.

The AutoSet CS™ (not available for sale in the US; currently undergoing FDA-approved trials) is an automatically adjusting servo ventilator device designed to treat CSR and CSA. AutoSet CS automatically adjusts pressure on a breath-by-breath basis, delivering varying degrees of ventilatory assistance to stabilize breathing and reduce CSR. The device responds to the dynamic nature of these patients' disease states and recovery needs. In addition, the device is fully portable and has a number of features designed to improve CHF patient comfort and compliance.

Trials are showing that the AutoSet CS provides better control of CSR than other forms of respiratory therapy. Recent results from trials in Germany are extremely promising. In one trial AutoSet CS normalized detrimental breathing patterns and, over periods up to three months, improved cardiac

performance and general patient well-being. In another trial, those patients on AutoSet CS showed significant improvement in exercise capacity, sleep, and left ventricular fractional shortening, in comparison to those on oxygen therapy.

Patient interface. The key to effective CPAP and bilevel therapy is the patient interface or mask system. ResMed mask systems consist of a nasal or full-face mask and headgear. Launched in 1997, ResMed's Mirage® Mask revolutionized mask technology and formed a platform for a sophisticated range of masks that are among the most popular in the world today. In the past year we released the Mirage® Full Face Mask Series 2 plus the Mirage® NV Full Face Mask Series 2 and Ultra Mirage™ NV Nasal Mask for the noninvasive ventilation market.

The key to effective therapy

Positive airway pressure therapy, while not a cure, does provide a means to manage SDB and positively impacts cardiovascular health. It must be used on a nightly basis for as long as treatment is required.

Early generations of CPAP units and masks provided limited patient comfort and convenience. In more recent years, ResMed innovations have improved therapy for millions of users with SDB. These innovations include: AutoSet technology; more comfortable mask systems; delay timers, which gradually increase air pressure, allowing the patient to fall asleep more easily; and heated humidification systems to make airflow more comfortable.

AutoSet technology is changing the face of treatment with devices that monitor both usage and treatment efficacy. This increases the amount of information available to clinicians during patient follow up and improves their ability to intervene successfully in problems that patients may experience with treatment. AutoSet treatment is more comfortable for patients and can lead to improved compliance and better outcomes.²²

Product development

ResMed has a strong track record of innovation in the SDB market and is committed to an ongoing program of product advancement and development. Current product development efforts are focused on both improving current products and expanding into new product applications. In the three fiscal years ended June 30, 2002, 2001, and 2000, ResMed invested \$14,910,000, \$11,146,000, and \$8,499,000 respectively, on research and development.

We consult with physicians at major sleep centers throughout the world to identify technological trends in the treatment of SDB. Some of these physicians currently serve on our Medical Advisory Board. New product ideas are also identified by our marketing staff, direct sales force, network of distributors, manufacturers' representatives, customers, and patients.

ResMed's mask systems are excellent examples of the company's commitment to product development. ResMed's engineers have integrated their research and development efforts with feedback from patients and professionals to maintain a constant evolution of quality and comfort in mask systems.

Manufacturing

ResMed's principal manufacturing facility is located in Sydney, Australia. Sydney operations consist primarily of research, development, testing, manufacturing, and assembly of flow generators, masks, and accessories.

The MAP German manufacturing operation is based in Munich. The products are primarily flow generators that have

“If everything seems to be under control, you're just not going fast enough.”

Mario Andretti (1940–) automobile racer

been developed by a small, internal team. The manufacturing process consists of major subassemblies produced externally by subcontractors. Final assembly and testing of finished products is performed in-house.

In May this year we acquired Servo Magnetics Incorporated (SMI). Based in California, US, SMI designs, manufactures, and distributes the high quality electric motors used in ResMed's flow generators. The SMI motors are also used in the aerospace and data storage industries.

Sales and marketing

ResMed currently markets its products in over 60 countries using a network of distributors, independent manufacturers' representatives, and a direct sales force. ResMed attempts to tailor its marketing approach to each regional market, based on local awareness of SDB as a health problem, physician referral patterns, consumer preferences, and local reimbursement policies.

North America and Latin America. In the US, sales and marketing activities are conducted through a field sales organization made up of regional territory representatives, program development specialists, diagnostic system specialists, regional sales directors, and independent manufacturers' representatives.

ResMed also promotes and markets its products directly to sleep clinics. Patients who are diagnosed with OSA and prescribed CPAP treatment are typically referred by the diagnosing sleep clinic to a home healthcare dealer to fill the

Thorough testing of the AutoSet Spirit ensures high quality standards are maintained



prescription. The home healthcare dealer, in consultation with the referring physician, will assist the patient in selecting the equipment, fit the patient with the appropriate mask, and set the flow generator pressure to the prescribed level.

Canadian and Latin American sales are conducted through independent distributors. Sales in North America and Latin America accounted for 49%, 52%, and 54% of net revenues for the fiscal years ended June 30, 2002, 2001, and 2000 respectively.

Europe. ResMed markets its products in all major Western European countries. The company has wholly owned subsidiaries in the United Kingdom, Switzerland, Sweden, Spain, Netherlands, Germany, France, and Austria and uses independent distributors to sell products in other areas of Europe. Distributors are selected in each country based on their knowledge of respiratory medicine and a commitment to SDB therapy. In subsidiaries, a local senior manager is responsible for direct national sales. MAP conducts its sales efforts through a direct sales force and subsidiaries in Germany, Austria, the Netherlands, and Switzerland.

ResMed's Executive Vice President, Dr. Christopher Roberts, is responsible for coordination of all European activities and, in conjunction with local management, the direct sales activity in Europe. Sales in Europe accounted for 42%, 39%, and 35% of net revenues for the fiscal years ended June 30, 2002, 2001, and 2000 respectively.

Asia Pacific/rest of world. Marketing in Asia Pacific and the rest of the world is the responsibility of the Executive Vice President, Dr. Christopher Roberts. Sales in Australia and the rest of the world accounted for 9%, 9%, and 11% of net revenues for the fiscal years ended June 30, 2002, 2001, and 2000 respectively.

Other marketing efforts. In addition to our sales efforts, we work with the following cardiovascular disease associations (CVD includes coronary artery disease, congestive heart failure, hypertension, stroke, and transient ischemic attack) to raise awareness of the co-morbidity of SDB in cardiovascular disease patients: the American Heart Association, the American

College of Cardiology, the Heart Failure Society of America, the American College of Neurology, the American Society of Hypertension, the American Stroke Association, the US National Stroke Association, and the Australian National Stroke Foundation.

People

As of June 30, 2002, we had 1250 employees or full-time consultants, of whom 503 were employed in warehousing and manufacturing, 178 in research and development, 337 in sales and marketing and 232 in administration. Of our employees and consultants, 597 were located in Australia, 317 in the US, 318 in Europe, and 18 in Asia.

Properties

Our principal executive offices and US distribution facilities, consisting of approximately 144,000ft² (13,378m²), are located in Poway (North San Diego County), California, in a building we own. Manufacturing operations are leased in Sydney, Australia, in a 120,000ft² (11,148m²) facility, and California in a 35,500ft² (3,298m²) facility. Construction of a new facility for the Sydney operations commenced in July 2002. Occupying a 30 acre (12 hectare) site, the 376,800ft² (35,000m²) facility should be completed in 2004 and will accommodate up to 2,000 staff.

Sales and warehousing facilities are leased in Oxford, England; Mönchengladbach, Germany; Lyon, France; Trollhättan, Sweden; and Singapore. Prior to moving our executive offices and distribution facilities to Poway, California, we leased space for this purpose in San Diego, California. Our lease on those premises expires in 2005. In August 2000, we began subleasing those premises to another company.

MAP's principal offices are located in Munich, Germany, in a 45,000ft² (4,181m²) facility leased by us. MAP's subsidiaries also lease sales and warehouse facilities in Lyss, Switzerland; Villach, Austria; and s'Hertogenbosch, the Netherlands.

story

Charles M

retired Master Chief Petty Officer and counselor, age 69

Despite a 20-year history of snoring, Charles M. had never been screened for OSA until he was diagnosed with congestive heart failure (CHF) eight years ago.

Prior to treatment for OSA, Charles was frequently short of breath. "On my visits to the heart failure clinic, I would have to take a break walking the short distance from the parking lot to the hospital. Once inside the hospital, I would have to take another break before taking the elevator to the CHF clinic," he says. At the time he was taking 16 pharmacological medications to manage his heart failure.

Fortunately for Charles, an investigator at the hospital invited him to participate in a study looking at the links between sleep apnea and heart failure. On his overnight sleep-study, he had 26 apnea events per hour and his blood oxygen levels dropped to 81%.

Charles was introduced to ResMed's AutoSet T treatment by the CPAP clinic at the hospital. A case manager followed his progress with regular phone calls and AutoSet T downloads, which included compliance and efficacy data.

These data downloads proved invaluable for pinpointing and helping to eliminate mask leaks. Charles started using a Mirage Full Face Mask Series 2, which he found to be the most comfortable of all the masks he tried. Subsequent downloaded data showed good compliance and elimination of previous mask leak.

With the mask problems resolved and after using the AutoSet T for eight months, Charles showed significant improvement on all measured cardiac outcomes. Currently his physician has decreased his dosage of CHF medications. His physician attributed this reduction to the improvements associated with positive airway pressure treatment.

From someone who previously had barely enough energy to walk across the hospital car park, Charles is now able to walk more than 16 blocks before he is tired. He leads a very active social life and travels at least once a year, taking his AutoSet T with him. He is very involved with his church as an elected Elder and is a volunteer alcohol and chemical addiction counselor. Charles personally attributes all his quality-of-life improvements during the last eight months to his use of ResMed's AutoSet T system.



steadfast

On the right treatment, people with sleep disorders sleep better,
work better, relate better . . . in fact their whole life is truly enhanced.

Annual meeting of shareholders

The annual meeting of shareholders will be held on Monday, November 11, 2002, at 2.00pm at The Exchange Square Auditorium, Ground Floor, 18 Bridge Street, Sydney, NSW Australia.

Year ended June 30

In thousands, except per share data

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Net revenues	204,076	155,156	115,615	88,627	66,519	49,180	34,562	23,501	13,857	7,650
Income from operations	51,159	44,269*	33,138	25,255	17,363	8,327	3,595	2,787	1,289	637
Income before income taxes	54,592	45,541*	34,166	24,577	16,112	11,087	6,561	3,781	1,831	1,205
Net income	37,506	29,857*	22,226	16,102	10,611	7,465	4,503	2,833	1,232	846
Basic EPS	1.17	0.96*	0.74	0.55	0.37	0.26	0.16	0.19	0.10	0.09
Diluted EPS	1.10	0.89*	0.69	0.52	0.35	0.26	0.16	0.16	0.09	0.06

Market for the company's common stock and related shareholders' matters

The company's shares are traded on the New York Stock Exchange (primary listing) and the Australian Stock Exchange under the symbol RMD. Prior to September 1999, ResMed was listed on the NASDAQ-AMEX national stock market under the symbol RESM. The company began trading on the Nasdaq market on June 2, 1995.

The company does not intend to pay cash dividends with respect to its common stock in the foreseeable future. High and low closing sale price information for the company's common stock for the applicable quarters is shown below.

	2002		2001	
	High	Low	High	Low
Quarter One	60.95	45.90	38.38	24.63
Quarter Two	61.75	50.47	41.50	25.50
Quarter Three	53.15	36.36	47.00	36.65
Quarter Four	40.34	24.70	57.68	37.91

Form 10-K

Copies of the ResMed Inc. annual report on Form 10-K, as filed with the Securities and Exchange Commission, are available upon request without charge. Please address written requests to Walter Flicker, Corporate Secretary, ResMed Inc., 14040 Danielson St, Poway, CA 92064-6857 USA.

Shareholder and investor inquiries

ResMed has a Web site containing details about the company, its products, SDB, and information for sleep professionals, as well as the latest company news releases. You can visit the Web site at www.resmed.com.

To directly receive copies of company news and other investor information, please contact Walter Flicker, Corporate Secretary, ResMed Inc., 14040 Danielson St, Poway, CA 92064-6857 USA.

Tel: +1 858 746 2400; Fax: +1 858 746 2830;

E-mail: InvestorRelations@ResMed.com.

Security analysts and institutional investors are invited to contact Adrian M. Smith, Vice President, Finance, ResMed Inc.,

“There are no shortcuts to any place worth going.”

Anon.

As at June 30

In thousands, except per share data

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Working capital	144,666	144,272	47,550	32,529	32,759	34,395	30,844	27,354	5,010	2,589
Long-term debt	123,250	150,000	-	-	-	274	578	787	386	163
Shareholders' equity	192,930	100,366	93,972	71,647	50,773	44,625	38,986	28,867	5,630	2,895
Total assets	376,191	288,090	115,594	89,889	64,618	54,895	47,299	35,313	9,608	5,173

*Numbers after MAP acquisition are: Income from operations 26,042; Income before income taxes 27,314; Net income 11,630; Basic EPS 0.37; Diluted EPS 0.35

Tel: +61 2 9886 5000 or Walter Flicker, Corporate Secretary, ResMed Inc. Tel +1 858 746 2400 or 1 800 424 0737 (US only).

Transfer agent and registrar

Inquiries regarding transfer requirements, lost certificates, and changes of address should be directed to either of the following:

American Stock Transfer and Trust Company, 59 Maiden Lane, New York, NY 10038. Tel: +1 718 921 8275.

Computershare, Level 3, 60 Carrington Street, Sydney NSW 2000. Tel: +61 2 8234 5000.

Convertible notes inquiries

The indenture trustee for the notes is American Stock Transfer and Trust Company. Inquiries regarding the notes should be directed to American Stock Transfer and Trust Company, 59 Maiden Lane, New York, NY 10038.

Tel: +1 718 921 8275.

The notes and the common stock issuable upon conversion of the notes (the "Securities") were not registered under the Securities Act or any other state or foreign securities laws at

the time of issue. The securities were subsequently registered for resale under Securities Act (Registration No. 333-70500) effective October 9, 2001; and consequently the Securities may be resold in accordance with the prospectus that is part of the registration statement by the selling security holders' names in the prospectus or a supplement to the prospectus. Other sales of the Securities may only be made in compliance with the registration requirements of the Securities Act and all other applicable securities laws, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws.

Legal counsel

Latham and Watkins, 650 Town Center Drive, Suite 2000, Costa Mesa, CA 92626 USA.

Independent auditors

KPMG LLP, 750B Street, Suite 3000, San Diego, CA 92101 USA.

“There is no such thing as a great talent without great will-power.”

Honoré de Balzac (1799–1850) French novelist

Senior Executives

Mark Abourizk	Vice President, Intellectual Property and Legal Affairs (Asia Pacific)
Lasse Beijer	Chief Executive, Sweden and Scandinavia
Michael Berthon-Jones	Chief Scientific Officer
Don Darkin	Vice President, Patient Interface Division
David D'Cruz	Vice President, Regulatory Affairs
Norman DeWitt	Vice President and General Counsel*
Robert Douglas	Vice President, Bilevel Division
Paul Eisen	Vice President, Asia Pacific
Walter Flicker	Corporate Secretary
Robert Frater	Vice President, Innovation
Connie Garrett	Vice President, Human Resources
Elliott Glick	Vice President, US Operations
Leslie Hoffman	President, SMI, a wholly owned subsidiary of ResMed
Curt Kenyon	Sr. Vice President, Telemedicine & Informatics
Brett Lenthall	Vice President, Information Systems
Tom Miller	Vice President, Sales, Americas
William Nicklin	Vice President, Manufacturing
David Pendarvis	Vice President and General Counsel
Alain Perséguers	Chief Executive, Southern Europe
Terry Pethica	Chief Executive, United Kingdom
Eric Phuah	Vice President, OSA Division
Ron Richard	Vice President, Marketing, Americas
Glenn Richards	Medical Director
Greg Rogers	Vice President, Quality Assurance
Klaus Schindhelm	Sr. Vice President, Global Operations
Joerg Schneider	Chief Executive, ResMed Germany
Adrian Smith	Vice President, Finance and Chief Financial Officer
Caspar Stauffenberg	Chief Executive, MAP, Germany
Deirdre Stewart	Vice President, Strategic Clinical Initiatives
Ann Tisthammer	Vice President, Clinical Education and Training
Dana Voien	Sr. Vice President, New Business, US Marketing and Clinical Education Affairs

* Mr. DeWitt resigned from General Counsel position contemporaneously with Mr. Pendarvis' assumption of that position effective September 1, 2002.



Chairman of the Board

Peter C. Farrell President, Chief Executive Officer, ResMed Inc.

Directors

Christopher A. Bartlett Thomas D. Casserly, Jr. Professor in Business Administration, Harvard Business School

Donagh McCarthy President and CEO of Protiveris Inc and former senior executive, Baxter Healthcare

Gary W. Pace Chairman, QRxPharma and former CEO of a number of pharmaceutical development companies

Michael A. Quinn CEO of Innovation Capital and formerly CEO of a medical device company and co-founder of NYSE listed environmental company

Christopher G. Roberts Executive Vice President, ResMed, Inc.

Louis A. Simpson President and Chief Executive Officer, Capital Operations, Geico Corporation

(Photos – left to right – Louis A. Simpson, Christopher G. Roberts, Michael A. Quinn, Christopher A. Bartlett, Peter C. Farrell, Gary W. Pace and Donagh McCarthy)

“Any activity becomes creative when the doer cares about doing it right, or doing it better.”

John Updike (1932–) author

Business

- 01** Acquires MAP Medizin-Technologie GmbH; acquires Swiss distributor Labhardt AG; Securities and Exchange Commission declares S-3 Registration Statement effective; issues \$180 million through private placement of convertible subordinated notes due 2006
- 00** 2-for-1 stock split; purchases business activities of Swedish distributor Einar Egnell AB
- 99** Begins trading on the New York Stock Exchange (NYSE); secondary listing of common stock on the Australian Stock Exchange (ASX); acquires holding in Flaga hf becoming distributor of Embla sleep diagnostic equipment in US and selected other countries
- 98** Construction of Australian premises begins; 3-year agreement signed with Invacare Corp. for distribution of selected products in the US; 2-for-1 stock split
- 97** Liquid silicone manufacturing assets of TQR Pty Ltd acquired; awarded \$2 million competitive Government R & D Grant; NSW State Government offers financial assistance for the expansion of Sydney manufacturing plant; Singaporean and Malaysian distributor Innovmedics acquired and ResMed Singapore Pte Ltd established for direct distribution in SE Asia
- 96** German distributor Priess Med Technik purchased and ResMed Priess GmbH & Co established in Germany;

business activities of French distributor Premium Medical S.A.R.L. purchased and ResMed SA established in France

- 95** Company name changed to ResMed; lists on NASDAQ, raising US\$24 million
- 94** ResCare group incorporates as Delaware Corporation
- 93** Nomura Jafco invests

Products

- 01** Mirage Full Face Mask Series 2; Embletta; AutoSet Spirit (outside US); AutoSet CS (outside US)
- 00** ResMed S6 CPAP system; Ultra Mirage Mask; enhanced AutoSet T; enhanced VPAP; AutoScan; Embla sleep recorder
- 99** AutoSet T & AutoSet PDS devices; Mirage Full Face Mask; Mirage Disposable Full Face Mask; ResControl
- 98** AutoSet Clinical II device; AutoSet Portable II Plus device; VPAP II ST-A & VPAP MAX bilevel devices
- 97** AutoSet Portable II device; HumidAire active humidifier; Mirage Mask; SCAN 2.0; UCU 2
- 96** Comfort device; ResCap II headgear; VPAP II bilevel device
- 95** Alert CPAP device; AutoSet Portable device; Modular Mask frame; Pediatric CPAP device; SCAN software; SULLIVAN V CPAP device; UCU (Universal Control Unit)
- 94** AutoSet Clinical device; Infant Mask; SmartStart;

SULLIVAN IV CPAP device; VPAP bilevel device

- 93** Bubble Mask - Series 3; Constant CPAP (Germany); ResCap headgear; SULLIVAN III CPAP device

Awards

- 01** Ranked 24 by *Forbes* magazine in the *2000 Best Small Companies in America*; Dr. Peter Farrell named Australian Entrepreneur of the Year; ranked 31 in *Business Week* as one of the *100 Hottest-Growth Companies* (\$25m to \$500m annual sales) in the US; ranked 30 by *Fortune Small Business* magazine as one of *America's 100 Fastest-Growing Small Business Companies*; ranked number 1 Medical Products Company by *Investor's Business Daily*
- 00** Ranked 58 in *Business Week* as one of the *100 Hottest-Growth Companies* (\$25m to \$500m annual sales) in the US; wins two Australian Technology Awards for excellence, the first in the Development of Biotechnology, Pharmaceutical Technology and Medical Instrumentation and the second in the globalization of technology pioneered in Australia; ranked 34 in *Forbes* magazine in the *200 Best Small Companies in America* for fourth year in a row; listed by *Fortune* magazine as one of the *100 Fastest Growing Companies in the US*; Dr. Peter Farrell received AT & T International Business Leadership Award 2000 from San Diego World Trade Center
- 99** Ranked 67 by *Business Week* as one of the *100 Hottest-Growth Companies* (\$25m to \$500m annual sales) in the US; ranked 94 by *Fortune* as one of *America's Fastest-Growing Companies*; ranked 27 by *Forbes* magazine in the *200 Best Small Companies in America*
- 98** Dr. Peter Farrell named San Diego's Entrepreneur of the Year in Health Sciences; ranked 63 by *Forbes* Magazine in the *200 Best Small Companies in America*; wins NSW Exporter of the Year Award across all industry categories
- 97** Dr. Peter Farrell receives David Dewhurst Award for significant contributions to biomedical engineering; named by Deloitte & Touche as one of the *Technology Fast 500* (received again in 1998); ranked 172 by *Forbes* magazine in the *200 Best Small Companies in America*; Australian Venture Capital Award (Best Expansion Phase Investee Company category)
- 95** Australian State Exporter of the Year Award
- 94** Dr. Peter Farrell named Australian Engineer of the Year by the Australian Institution of Engineers

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