

Reconciliation of Non-GAAP Financial Measures (Unaudited)
(In US\$ thousands, except share and per share data)

The measure, "non-GAAP income from operations" is reconciled with GAAP income from operations below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
GAAP income from operations	\$ 146,016	\$ 96,895	\$ 258,574	\$ 191,039
Amortization of acquired intangible assets ^(A)	11,317	11,690	23,099	23,431
Restructuring expenses ^(A)	-	4,413	-	4,413
Litigation settlement expenses ^(A)	-	8,500	-	8,500
Acquisition related expenses ^(A)	-	10,076	-	10,076
Astral battery field safety notification expenses ^(A)	-	-	-	5,070
Non-GAAP income from operations	\$ 157,333	\$ 131,574	\$ 281,673	\$ 242,529

The measures "non-GAAP net income" and "non-GAAP diluted earnings per share" are reconciled with GAAP net income and GAAP diluted earnings per share in the table below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
GAAP net income	\$ 9,527	\$ 76,743	\$ 95,651	\$ 152,849
Amortization of acquired intangible assets, net of tax ^(A)	7,697	7,968	15,710	15,975
U.S. tax reform transition impact ^(A)	119,880	-	119,880	-
U.S. tax reform impact on deferred taxes ^(A)	6,723	-	6,723	-
Restructuring expenses, net of tax ^(A)	-	3,085	-	3,085
Litigation settlement expenses, net of tax ^(A)	-	5,392	-	5,392
Acquisition related expenses ^(A)	-	10,076	-	10,076
Astral battery field safety notification expenses ^(A)	-	-	-	3,549
Non-GAAP net income ^(A)	\$ 143,827	\$ 103,264	\$ 237,964	\$ 190,926
Diluted shares outstanding	143,855	142,097	143,757	141,982
GAAP diluted earnings per share	\$ 0.07	\$ 0.54	\$ 0.67	\$ 1.08
Non-GAAP diluted earnings per share ^(A)	\$ 1.00	\$ 0.73	\$ 1.66	\$ 1.34

^(A) ResMed adjusts for the impact of the amortization of acquired intangibles, impact of U.S. tax reform, restructuring expenses, litigation settlement expenses, acquisition related expenses and the Astral battery field safety notification expenses, from their evaluation of ongoing operations and believes investors benefit from adjusting these items to facilitate a more meaningful evaluation of current operating performance.

ResMed believes that non-GAAP diluted earnings per share is an additional measure of performance investors can use to compare operating results between reporting periods. ResMed uses non-GAAP information internally in planning, forecasting, and evaluating the results of operations in the current period and in comparing it to past periods. ResMed believes this information provides investors better insight in evaluating ResMed's performance from core operations and provides consistent financial reporting. Our use of non-GAAP measures is intended to supplement, and not to replace, our presentation of net income and other GAAP measures. Like all non-GAAP measures, non-GAAP earnings are subject to inherent limitations because they do not include all the expenses that must be included under GAAP.

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