

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSACTION PERIOD FROM \_\_\_\_\_ TO  
\_\_\_\_\_

Commission file number: 0-26038

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

Delaware 98-0152841  
(State or other jurisdiction of (I.R.S Employer  
incorporation or organization) Identification No.)

5744 Pacific Center Boulevard  
Suite 311  
San Diego CA 92121  
United States Of America  
(Address of principal executive offices)

619 622 2040  
(Registrant's telephone number including area code)

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

As of September 30, 1997, 7,243,994 shares of Common Stock(\$0.004 par value)  
were outstanding.

RESMED INC. AND SUBSIDIARIES

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## PART I. FINANCIAL INFORMATION

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Item 1.	Financial Statements
	RESMED INC. AND SUBSIDIARIES
	Condensed Consolidated Balance Sheets
	(in US\$ thousands, except per share data)

<S>	<C> September 30, ----- 1997 -----	<C> June 30, ----- 1997 -----
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 13,422	9,077
Marketable securities - available for sale	14,643	18,908
Accounts receivable, net of allowance of \$294 at September 30, 1997 and \$277 at June 30, 1997	8,328	7,834
Government grants	318	391
Inventories (note 3)	6,333	5,797
Deferred income taxes	985	999
Prepaid expenses and other current assets	1,470	1,385
Total current assets	45,499	44,391
Property, plant and equipment, net of accumulated amortization of \$3,994 at September 30, 1997 and \$3,467 at June 30, 1997	5,547	4,916
Patents, net of accumulated amortization of \$336 at September 30, 1997 and \$325 at June 30, 1997	250	253
Deferred income taxes	161	157
Goodwill, net of accumulated amortization of \$522 at September 30, 1997 and \$433 at June 30, 1997	4,356	4,553
Other assets	634	625
Total assets	\$ 56,447 =====	54,895 =====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,676	2,641
Accrued expenses	3,830	3,537
Income taxes payable	3,718	3,544
Current portion of long-term debt	266	274
Total current liabilities	9,490	9,996
Long-term debt, less current portion	266	274
Total liabilities	9,756	10,270
Stockholders' equity:		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; none issued	-	-
Series A Junior Participating preferred stock, \$0.01 par value, 150,000 shares authorized; none issued	-	-
Common Stock \$0.004 par value; 15,000,000 shares authorized; issued and outstanding 7,243,994 at September 30, 1997 and 7,202,413 at June 30, 1997	29	29
Additional paid-in capital	30,099	29,656
Retained earnings	18,725	16,568

Currency translation adjustment	(2,162)	(1,628)
	<u>46,691</u>	<u>44,625</u>
Commitments and contingencies (note 4)	-	-
Total liabilities and Stockholders' equity	\$ <u>56,447</u>	<u>54,895</u>
	=====	=====

<FN>

See the accompanying notes to the condensed consolidated financial statements.  
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RESMED INC. AND SUBSIDIARIES

<TABLE>  
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Condensed Consolidated Statements of Income (Unaudited)  
(in US\$ thousands, except share and per share data)

	Three Months Ended September 30,	
	1997	1996
<S>	<C>	<C>
Net revenues	\$ 13,978	11,141
Cost of sales	5,425	4,850
Gross profit	<u>8,553</u>	<u>6,291</u>
Operating expenses		
Selling, general and administrative expenses	4,650	3,922
Research and development expenses	1,265	791
Total operating expenses	<u>5,915</u>	<u>4,713</u>
Income from operations	<u>2,638</u>	<u>1,578</u>
Other income, net:		
Interest income, net	291	243
Government grants	157	89
Other income, net	208	796
Total other income, net	<u>656</u>	<u>1,128</u>
Income before income taxes	3,294	2,706
Income taxes	(1,137)	(866)
Net income	\$ <u>2,157</u>	<u>1,840</u>
	=====	=====
Net income per common and common equivalent share	\$ 0.29	0.25
Weighted average common and common equivalent share, outstanding	7,412,034	7,319,935

<FN>

See the accompanying notes to the condensed consolidated financial statements.  
</TABLE>

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RESMED INC. AND SUBSIDIARIES

<TABLE>  
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Condensed Consolidated Statements of Cash Flows (Unaudited)  
(in US\$ thousands)

	Three Months Ended September 30,	
	<C>	<C>

	1997	1996
	-----	-----
Cash flows from operating activities:		
Net income	\$ 2,157	1,840
Adjustment to reconcile net income to net cash provided by in operating activities:		
Depreciation and amortization	904	517
Provision for service warranties	40	16
Deferred income taxes	-	1
Foreign currency option revaluations	97	(717)
Changes in operating assets and liabilities:		
Accounts receivable, net	(497)	(352)
Government grants	61	109
Inventories	(682)	6
Prepaid expenses and other current assets	(112)	(741)
Accounts payable, accrued expenses and other liabilities	(452)	1,104
Net cash provided by operating activities	<u>1,516</u>	<u>1,783</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,532)	(668)
Purchases of patents	(25)	(23)
Purchase of investments	(126)	-
Loans receivable	-	(75)
Purchases of marketable securities - available for sale	(11,155)	(11,301)
Proceeds from sale of marketable securities - available for sale	15,420	11,118
Net cash provided by/(used) in investing activities	<u>2,582</u>	<u>(949)</u>
Cash flows from financing activities - proceeds from issuance of common stock	443	99
Effect of exchange rate changes on cash	(196)	12
Net increase in cash and cash equivalents	<u>4,345</u>	<u>945</u>
Cash and cash equivalents at beginning of period	9,077	5,510
Cash and cash equivalents at end of period	<u>\$ 13,422</u>	<u>6,455</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	831	279
Interest paid	21	-

<FN>

See the accompanying notes to the condensed consolidated financial statements.

</TABLE>

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(1) Organization and Basis of Presentation

ResMed Inc. (the Company) is a Delaware corporation formed in March 1994 as a holding company for ResCare Holdings Ltd. (RHL), a company resident in Australia. RHL designs, manufactures and markets devices for the evaluation and treatment of sleep disordered breathing, primarily obstructive sleep apnea. The Company's principal manufacturing operations are located in Australia. Other principal distribution and sales sites are located in the United States, the United Kingdom and Europe.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended September 30, 1997 are not necessarily indicative of the results that may be expected for the year ended June 30, 1998.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation:

The consolidated financial statements include the accounts of the Company

and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Revenue Recognition:

Revenue on product sales is recorded at the time of shipment. Royalty revenue from license agreements is recorded when earned. Royalty revenue from License agreements is recorded when earned.

(c) Cash and Cash Equivalents:

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

(d) Inventories:

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

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(2) Summary of Significant Accounting Policies, Continued

(e) Property, Plant and Equipment:

Property, plant and equipment is recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, generally two to 10 years. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease. Straight-line and accelerated methods of depreciation are used for tax purposes. Maintenance and repairs are charged to expense as incurred.

(f) Patents:

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

(g) Government Grants:

Government grants revenue is recognized when earned. Grants have been obtained by the Company from the Australian Federal Government to support continued development and export of the Company's proprietary positive airway pressure technology and to June 30, 1997, to assist development of export markets. Grants of \$157,000 and \$89,000 have been recognized for the three month period ended September 30, 1997 and September 30, 1996, respectively.

(h) Foreign Currency:

The consolidated financial statements of the Company's non-U.S. subsidiaries are translated into U.S. dollars for financial reporting purposes. Assets and liabilities of non-U.S. subsidiaries whose functional currencies are other than the U.S. dollar are translated at period end exchange rates, revenue and expense transactions are translated at average exchange rates for the period. Cumulative translation adjustments are reflected in stockholders' equity. Gains and losses on transactions, denominated in other than the functional currency of the entity, are reflected in operations.

(i) Research and Development:

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

(j) Net Income per Common and Common Equivalent Share:

Net income per common and common equivalent share is computed using the weighted average number of shares outstanding, adjusted for the incremental shares attributed to outstanding options to purchase common stock as determined under the treasury stock method.

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(2) Summary of Significant Accounting Policies, Continued

(k) Financial Instruments:

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

The Fair Value of Financial Instruments is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

(l) Foreign Exchange Risk Management:

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

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

Premiums to enter certain foreign currency options are included in other assets and are amortized over the period of the agreement in the consolidated statement of income against other income, net. At September 30, 1997 unamortized premiums amounted to \$582,000.

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

Foreign currency option contracts have been purchased in part by the issue of put options to counterparts. As a result, should foreign exchange rates drop below a specified level, on a specific date, the Company is required to deliver certain funds to counterparts at contracted foreign exchange rates. As at September 30, 1997 none of the put options issued by the Company are exercisable as foreign exchange rates remain above the foreign exchange rates specified.

The Company is exposed to credit-related losses in the event of non-performance by counterparts to financial instruments, but it does not expect any counterparts to fail to meet their obligations given their high credit ratings. The credit exposure of foreign exchange

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(2) Summary of Significant Accounting Policies, Continued

(l) Foreign Exchange Risk Management, Continued

options is represented by the fair value of options with a positive fair value at the reporting date.

At September 30, 1997 the Company held foreign currency option contracts with notional amounts totaling \$47,453,000 to hedge foreign currency items. These contracts mature at various dates prior to December 31, 1999.

(m) Income Taxes:

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement 109). Statement 109 requires an asset and liability method of accounting for income taxes. Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

<TABLE>  
<CAPTION>

(3) Inventories

Inventories were comprised of the following at September 30, 1997 and June 30, 1997:

<S>	<C>	<C>
	September 30, 1997	June 30, 1997
	-----	-----
Raw materials	\$ 1,880	1,797
Work in progress	420	284
Finished goods	4,033	3,716
	<u>\$ 6,333</u>	<u>5,797</u>
	=====	=====

</TABLE>

(4) Commitments and contingencies

The following discussion contains forward-looking statements relating to the Company's legal proceedings. Litigation is inherently uncertain and, accordingly, actual results could differ materially from those expressed in the forward-looking statements.

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(4) Commitments and contingencies, Continued

The Company is currently engaged in significant patent litigation relating to the enforcement and defense of certain of its patents. In January 1995, the Company filed a complaint for patent infringement in the United States against Respironics. The complaint seeks monetary damages from, and injunctive relief against Respironics resulting from its alleged infringement of three of the Company's patents. In February 1995, Respironics filed a complaint against the Company seeking a declaratory judgment that Respironics does not infringe claims of these patents and that the Company's patents are invalid and unenforceable. The two actions have been combined and will proceed in the United States District Court for the Western District of Pennsylvania.

In June 1996 the Company initiated a further action in Pennsylvania against Respironics regarding alleged infringement of a fourth patent, granted June 4, 1996, related to the delay timer feature. This action was again consolidated with the ongoing case such that the two remaining actions are to proceed together. On July 1, 1997 the Court granted Respironics a motion for partial summary judgment in which Respironics alleged its accused products do not infringe one of the four patents in suit. On August 8, 1997 the Court over turned Respironics partial summary judgement and undertook to reassess the motion.

On May 17, 1995, Respironics and its Australian distributor filed a Statement of Claim against the Company and Dr. Peter Farrell in the Federal Court of Australia. The Statement of Claim alleges that the Company engaged in unfair trade practices, including the misuse of the power afforded by its Australian patent and dominant market position in violation of the Australian Trade Practices Act. The Statement of Claim asserts damage claims in the aggregate amount of approximately \$730,000, constituting lost profit on sales.

While the Company intends to defend this action, there can be no assurance that the Company will be successful in defending such action or that the Company will not be required to make significant payments to the claimants. Furthermore, the Company expects to incur ongoing legal costs in defending such action.

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RESMED INC. AND SUBSIDIARIES

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF  
OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1997 AND SEPTEMBER 30, 1996

Net Revenues

Net revenues increased for the three months ended September 30, 1997 to \$14.0 million from \$11.1 million for the three months ended September 30, 1996, an

increase of \$2.8 million or 25%. The three month increase in net revenues is primarily attributable to an increase in unit sales of the Company's flow generators and accessories in North America and Europe, partially offset by a reduction in major European exchange rates. Net revenues in North America increased to \$7.0 million from \$4.4 million for the quarter and in Europe remained at \$5.4 million for both the three months ended September 30, 1997 and September 30, 1996, respectively. European sales increased 11% for the quarter in local currency terms compared with the three months ended September 30, 1996.

#### Gross Profit

Gross profit increased for the three months ended September 30, 1997 to \$8.6 million from \$6.3 million for the three months ended September 30, 1996, an increase of \$2.3 million or 36%. The increase resulted primarily from increased unit sales, a shift to higher margin products and a decline in the Australian dollar which in relative terms reduces the Company's manufacturing costs. Gross profit as a percentage of net revenues increased for the quarter ended September 30, 1997 to 61% from 56% in three months ended September 30, 1996.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended September 30, 1997 to \$4.7 million from \$3.9 million for the three months ended September 30, 1996, an increase of \$0.7 million or 19%. As a percentage of net revenues, selling, general and administrative expenses decreased to 33% for the quarter ended September 30, 1997 from 35% for the three months ended September 30, 1996. The gross increase in gross selling, general and administrative expenses was due primarily to an increase from 88 to 119 in the number of sales and administrative personnel and other expenses related to the increase in Company sales.

#### Research and Development Expenses

Research and development expenses increased for the three months ended September 30, 1997 to \$1.3 million from \$791,000 for the three months ended September 30, 1996, an increase of \$474,000 or 60%. As a percentage of net revenues, research and development expenses for the three months ended September 30, 1997 increased to 9% from 7% for the period ended September 30, 1996. The increase in gross research and development expenses was due to an increase in charges for consulting fees and technical assessments incurred to facilitate product development of a number of new products.

#### Other Income, net

Other income, net decreased for the three months ended September 30, 1997 to \$656,000 from \$1,128,000 for the three months ended September 30, 1996, a decrease of \$472,000 or 42%. This decrease was due primarily to a reduction in net foreign exchange gains which decreased for the three months ended September 30, 1997 to \$332,000 from \$750,000 for the three months ended September 30, 1996. Government grants income increased for the three months ended September 30, 1997 to \$157,000 from \$89,000 for the three months ended September 30, 1996 reflecting the recognition of Australian Federal Government research awards.

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#### RESMED INC. AND SUBSIDIARIES

#### MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS THREE MONTHS ENDED SEPTEMBER 30, 1997 AND SEPTEMBER 30, 1996

#### Income Taxes

The Company's effective income tax rate for the three months ended September 30, 1997 increased to approximately 35% from approximately 32% for the three months ended September 30, 1996. The increased tax rate primarily relates to amendments to the Australian research and development tax concession for which the Company received a 150% deduction until August 1996. Subsequent to August 20, 1996 the Company receives a 125% deduction for research and development expenditures incurred in Australia.

#### Liquidity and Capital Resources

As of September 30, 1997 and June 30, 1997, the Company had cash and cash equivalents and marketable securities available for sale of approximately \$28 million. The Company's working capital approximated \$36 million and \$34.4 million, at September 30, 1997 and June 30, 1997, respectively. The increase in working capital balances reflects the increase in cash generated from operations and proceeds from exercise of stock options.

During the three months ended September 30, 1997, the Company's operations generated \$1.5 million cash from operations, primarily as a result of increased profit from operations offset partially by increases in inventories



and accounts receivable. During the three months ended September 30, 1996 approximately \$1.8 million of cash was provided by operations primarily due to increased profit from operations.

The Company's capital expenditures for the three month period ended September 30, 1997 and 1996 aggregated \$1.6 million and \$691,000 respectively. The majority of the expenditures in the three month period ending September 30, 1997 relates to the construction of the Company's new Australian facility, purchase of computer software and hardware, production tooling and equipment and, to a lesser extent, office furniture and research and development equipment. As a result of these capital expenditures, the Company's September 30, 1997 balance sheet reflects net property plant and equipment of approximately \$5.5 million at September 30, 1997, compared to \$4.9 million at June 30, 1997.

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

In May 1993, the Australian Federal Government agreed to lend the Company up to \$870,000 over a six year term. Such loan bears no interest for the first three years and bears interest at a rate of 3.8% thereafter until maturity. The outstanding principal balance of such loan was \$532,000 and \$548,000 at September 30, 1997 and June 30, 1997, respectively.

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RESMED INC. AND SUBSIDIARIES

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Refer Note 4 to the Condensed Consolidated Financial Statements

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Report on Form 8K

Exhibits. The following exhibits are filed as a part of this report:

11.1 Statement re: Computation of Earnings of Share  
27.1 Financial Data Schedule

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RESMED INC. AND SUBSIDIARIES

SIGNATURES

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

ResMed Inc.

/s/ PETER C FARRELL  
Peter C Farrell  
President and Chief Executive Officer

/s/ ADRIAN M SMITH  
 Adrian M Smith  
 Vice President Finance and Chief Financial Officer

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Exhibit 11.1  
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<TABLE>  
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RESMED INC AND SUBSIDIARIES  
 COMPUTATION OF EARNINGS PER COMMON SHARE  
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<S>	<C>	<C>
	Three Months Ended September 30	Three Months Ended September 30
	1997	1996
	-----	-----
PRIMARY EARNINGS		
Net income	2,157	1,840
	=====	=====
Shares		
Weighted average number of common shares outstanding	7,229	7,176
Additional shares assuming conversion of stock options under treasury stock method	183	120
	-----	-----
Weighted average number of common shares and common equivalent outstanding as adjusted	7,412	7,296
	=====	=====
Primary earnings per common and common equivalent share:	\$ 0.29	\$ 0.25
	=====	=====
FULLY DILUTED EARNINGS		
Net Income	2,157	1,840
	=====	=====
Shares		
Weighted average number of common shares outstanding	7,229	7,176
Additional shares assuming conversion of stock options under treasury stock method	222	159
	-----	-----
Weighted average number of common and common equivalent shares outstanding as adjusted	7,451	7,335
	=====	=====
Fully diluted earnings per common and common equivalent share:	\$ 0.29	\$ 0.25
	=====	=====

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RESMED INC. AND SUBSIDIARIES

Exhibit 27.1  
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ARTICLE. 5 FDS FOR 1ST QUARTER 10-Q

This schedule contains summary financial information extracted from ResMed Inc's first quarter September 30, 1997 financial report and is qualified in its entirety by reference to such financial statements.

CURRENCY USD \$ CURRENCY

<S> <C> <C>

PERIOD-TYPE	3-MOS	3-MOS
FISCAL-YEAR-END	JUN-30-1998	JUN-30-1997
PERIOD-END	SEP-30-1997	SEP-30-1996
EXCHANGE-RATE	1	1
CASH	13,422,000	6,455,000
SECURITIES	14,643,000	18,204,000
RECEIVABLES	8,328,000	6,681,000
ALLOWANCES	(294,000)	(175,000)
INVENTORY	6,333,000	6,148,000
CURRENT-ASSETS	45,499,000	40,055,000
PP&E	5,547,000	3,570,000
DEPRECIATION	0	0
TOTAL-ASSETS	56,447,000	50,181,000
CURRENT-LIABILITIES	9,490,000	8,605,000
BONDS	0	0
PREFERRED-MANDATORY	0	0
PREFERRED	0	0
COMMON	29,000	29,000
OTHER-SE	30,099,000	29,506,000
TOTAL-LIABILITY-AND-EQUITY	56,447,000	50,181,000
SALES	13,978,000	11,141,000
TOTAL-REVENUES	13,978,000	11,141,000
CGS	5,425,000	4,850,000
TOTAL-COSTS	0	0
OTHER-EXPENSES	0	0
LOSS-PROVISION	0	0
INTEREST-EXPENSE	0	0
INCOME-PRETAX	3,294,000	2,706,000
INCOME-TAX	1,137,000	866,000
INCOME-CONTINUING	2,157,000	1,840,000
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET-INCOME	2,157,000	1,840,000
EPS-PRIMARY	\$ 0.29	\$ 0.25
EPS-DILUTED	\$ 0.29	\$ 0.25

</TABLE>