

RESMED INC. AND SUBSIDIARIES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 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.)

10121 Carroll Canyon Road
San Diego, CA 92131-1109
United States Of America
(Address of principal executive offices)

619 689 2400
(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 December 31, 1997, 7,250,120 shares of Common Stock (\$0.004 par value)
were outstanding.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
RESMED INC. AND SUBSIDIARIES

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Condensed Consolidated Balance Sheets
(in US\$thousands, except per share data)
<S>

	<C>	<C>
	December 31, 1997	June 30, 1997
Assets		

	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 7,581	9,077
Marketable securities - available for sale	13,027	18,908
Accounts receivable, net of allowance of \$270 at December 31, 1997 and \$277 at June 30, 1997	9,365	7,834
Government grants	469	391
Inventories	7,572	5,797
Deferred income taxes	951	999
Prepaid expenses and other current assets	2,016	1,385
Total current assets	<u>40,981</u>	<u>44,391</u>
Property, plant and equipment, net of accumulated depreciation of \$4,225 at December 31, 1997 and \$3,467 at June 30, 1997	9,098	4,916
Patents, net of accumulated amortization of \$326 at December 31, 1997 and \$325 at June 30, 1997	326	253
Deferred income taxes	150	157
Goodwill, net of accumulated amortization of \$632 at December 31, 1997 and \$433 at June 30, 1997	5,651	4,553
Other assets	838	625
Total Assets	<u>\$ 57,044</u>	<u>54,895</u>
=====		
Liabilities and Stockholders' Equity		

Current liabilities:		
Accounts payable	\$ 2,907	2,641
Accrued expenses	7,010	3,537
Income taxes payable	1,403	3,544
Current portion of long-term debt	358	274
Total current liabilities	<u>11,678</u>	<u>9,996</u>
Long-term debt, less current portion	<u>-</u>	<u>274</u>
Total liabilities	<u>11,678</u>	<u>10,270</u>

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 7,250,120 at December 31, 1997 and 7,202,413 at June 30, 1997	29	29
Additional paid-in capital	30,187	29,656

Retained earnings	21,017	16,568
Currency translation adjustment	(5,867)	(1,628)
	<u>45,366</u>	<u>44,625</u>
Commitments and contingencies	-	-
Total liabilities and Stockholders' equity	\$ <u>57,044</u>	<u>54,895</u>

<FN>

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

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

<S>	<C>	Three Months Ended December 31		Six Months Ended December 31,	
		1997	1996	1997	1996
Net revenue	\$	16,146	11,587	30,124	
22,728					
Cost of sales		5,173	4,715	10,598	
9,565					
		<u>10,973</u>	<u>6,872</u>	<u>19,526</u>	
Gross profit					
13,163					
Operating expenses					
Selling, general and administrative expenses		5,044	4,134	9,694	
8,056					
Research and development expenses		1,234	891	2,499	
1,682					
Total operating expenses		<u>6,278</u>	<u>5,025</u>	<u>12,193</u>	
9,738					
Income from operations		<u>4,695</u>	<u>1,847</u>	<u>7,333</u>	
3,425					
Other income (expense), net:					
Interest income, net		263	301	554	
544					
Government grants		191	89	348	
178					
Other income (expense), net		(1,649)	237	(1,441)	
1,033					
Total other income (expense), net		<u>(1,195)</u>	<u>627</u>	<u>(539)</u>	
1,755					
Income before income taxes		<u>3,500</u>	<u>2,474</u>	<u>6,794</u>	
5,180					
Income taxes		1,208	792	2,345	
1,658					
Net income		<u>2,292</u>	<u>1,682</u>	<u>4,449</u>	
3,522					

Basic earnings per share	\$	0.32	0.23	0.61
0.49				
Diluted earnings per share	\$	0.31	0.23	0.60
0.48				

<FN>

See accompanying notes to condensed consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES

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

<S>	Six Months Ended December 31,	
	<C> 1997	<C> 1996
Cash flows from operating activities:		
Net income	\$ 4,449	3,522
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,603	1,076
Provision for service warranties	60	40
Deferred income taxes	55	2
Foreign currency options revaluations	1,669	(792)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,629)	(516)
Government grants	(130)	35
Inventories	(2,149)	330
Prepaid expenses and other current assets	(726)	(751)
Accounts payable, accrued expenses and other liabilities	(1,897)	1,693
Net cash provided by operating activities	1,305	4,639
Cash flows from investing activities:		
Purchases of property, plant and equipment	(6,042)	(1,426)
Purchases of patents	(155)	(81)
Purchase of investments	(389)	-
Proceeds from sale of investments	-	738
Loans receivable	-	(150)
Business acquisition	(1,068)	(991)
Purchases of marketable securities - available for sale	(18,017)	(25,560)
Proceeds from sale of marketable securities - available for sale	23,478	25,953
Net cash used in investing activities	(2,193)	(1,517)
Cash flows from financing activities:		
Proceeds from issuance of common stock	531	122
Repayment of long-term debt	(124)	(146)
Net cash provided by (used in) financing activities	407	(24)
Effect of exchange rate changes on cash	(1,015)	4
Net increase (decrease) in cash and cash equivalents	(1,496)	3,102
Cash and cash equivalents at beginning of period	9,077	5,510
Cash and cash equivalents at end of period	7,581	8,612
Supplemental disclosure of cash flow information:		
Income taxes paid	4,160	1,107
Interest paid	35	-

<FN>

See accompany notes to condensed consolidated financial statements.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Organization and Basis of Presentation

ResMed Inc. (the Company), is a Delaware corporation formed in March 1994 as a holding company for ResMed 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 December 31, 1997 and the six months ended December 31, 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.

(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.

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RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies, Continued

(d) Inventories:

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

(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 ten 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 of the Company's proprietary positive airway pressure technology and to assist development of export markets. Grants have been recognized in the amount of \$191,000 and \$89,000 for the three month period ended December 31, 1997 and 1996, respectively and \$348,000 and \$178,000 for the six month periods ended December 31, 1997 and 1996, respectively.

(h) Foreign Currency:

The consolidated financial statements of the Company's non-US subsidiaries are translated into US dollars for financial reporting purposes. Assets and liabilities of non-US subsidiaries whose functional currencies are other than the US 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.

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RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies, Continued

(j) Earnings per Share:

During the quarter ended December 31, 1997, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (Statement 128). As required by Statement 128, all prior period information has been restated to conform to the provisions of Statement 128. The weighted average shares used to calculate basic earnings per share was 7,247,000 and 7,189,000 for the quarters ended December 31, 1997 and 1996, respectively, and 7,238,000 and 7,183,000 for the six month periods ended December 31, 1997 and 1996, respectively. The difference between basic earnings per share and diluted earnings per share is attributable to the impact of outstanding stock options during the periods presented. Stock options had the effect of increasing the number of shares used in the calculation (by application of the treasury stock method) by 236,000 and 184,000 for the quarters ended December 31, 1997 and 1996, respectively, and by 219,000 and 129,000 for the six month periods ended December 31, 1997 and 1996, respectively.

(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 December 31, 1997 unamortized premiums amounted to \$544,151.

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.

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RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies, Continued

(1) Foreign Exchange Risk Management, Continued:

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 December 31, 1997 put options issued by the Company are recognized at fair value of \$1,573,000 and are included in accrued expenses.

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

At December 31, 1997 the Company held foreign currency option contracts with notional amounts totaling \$47,452,000 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.

(3) Inventories

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Inventories were comprised of the following at December 31, 1997 and June 30, 1997:

	December 31, 1997	June 30, 1997
	\$ '000	\$ '000
Raw materials	\$ 2,031	1,797
Work in progress	466	284
Finished goods	5,075	3,716
	<u>\$ 7,572</u>	<u>5,797</u>
	=====	=====

</TABLE>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(4) Commitments and contingencies

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 Respirationics. The complaint seeks monetary damages from, and injunctive relief against Respirationics resulting from its alleged infringement of three of the Company's patents. In February 1995, Respirationics filed a complaint against the Company seeking a declaratory judgment that Respirationics 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 Respirationics 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 Respirationics a motion for partial summary judgment in which Respirationics alleged its accused products do not infringe one of the four patents in suit. Subsequently the court undertook a de novo review of the motion and on January 27, 1998 confirmed the initial ruling. It is ResMed's intention to appeal to the Patents Court of

Appeal for the Federal Circuit once a final judgment has been rendered.

On May 17, 1995, Respiroics 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

Item 2. MANagements Discussion and Analysis of Financial Conditions and Results of Operations

Net Revenue

Net revenue increased for the three months ended December 31, 1997 to \$16.1 million from \$11.6 million for the three months ended December 31, 1996, an increase of \$4.6 million or 39%. For the six month period ended December 31, 1997 net revenue increased to \$30.1 million from \$22.7 million in the six month period ended December 31, 1996, an increase of \$7.4 million or 33%. Both the three month and six month increases in net revenue were attributable to an increase in unit sales of the Company's flow generators and accessories primarily in North America. In fiscal 1998 net revenue in North America increased to \$8.3 million from \$4.9 million for the quarter, and to \$15.2 million from \$9.3 million for the six month period ended December 31, respectively. In Europe net revenue increased to \$5.5 million from \$5.2 million for the quarter, and to \$10.9 million from \$10.6 million for the six month period ended December 31, respectively.

Gross Profit

Gross profit increased for the three months ended December 31, 1997 to \$11.0 million from \$6.9 million for the three months ended December 31, 1996, an increase of \$4.1 million or 60%. Gross profit as a percentage of net revenue increased for the quarter ended December 31, 1997 to 68% from 59% for the quarter ended December 31, 1996. These increases resulted primarily from increased unit sales, a shift to higher margin products, and a significant devaluation of the Australian Dollar in which the Company's manufacturing activities are conducted.

For the six month period ended December 31, 1997 gross profit increased to \$19.5 million from \$13.2 million in the same period of fiscal 1997, an increase of \$6.4 million or 48%. Gross profit as a percentage of net revenue increased for the six month period ended December 31, 1997 to 65% from 58% for the six months ended December 31, 1996. These increases also resulted from increased revenues, a shift to higher margin product sales and the devaluation noted above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended December 31, 1997 to \$5.0 million from \$4.1 million for the three months ended December 31, 1996, an increase of \$0.9 million or 22%. As a percentage of net revenue, selling, general and administrative expenses decreased to 31% for the quarter ended December 31, 1997 from 36% for the quarter ended December 31, 1996. The increase in selling, general and administrative expenses was primarily due to an increase from 91 to 124 in the number of sales and administrative personnel while legal costs associated with ongoing legal action (refer Note 4) marginally declined to \$306,000 from \$323,000 and other expenses rose in relation to the increase in Company sales.

Selling, general and administrative expenses for the six months ended December 31, 1997 increased to \$9.7 million from \$8.1 million for the six months ended December 31, 1996, an increase of \$1.6 million or 20%. As a percentage of net revenue selling, general and administration expenses declined to 32% for the six months ended December 31, 1997 from 35% in the six months ended December 31, 1996.

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RESMED INC. AND SUBSIDIARIES

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Research and Development Expenses

Research and development expenses increased for the three months ended December 31, 1997 to \$1.2 million from \$891,000 for the three months ended December 31, 1996, an increase of \$343,000 or 38%. As a percentage of net revenue, research and development expenses remained constant for the three months ended December 31, 1997 and for the period ended December 31, 1996 at 8% of net revenues. The increase in gross research and development expenses was due to an increased use of consultants as well as increased evaluation and testing procedures incurred to facilitate development of a number of new products.

For the six month period ended December 31, 1997 research and development expenses increased to \$2.5 million from \$1.7 million for the same period in fiscal 1997, an increase of \$817,000 or 49%. As a percentage of net revenue, research and development expenses increased for the six months ended December 31, 1997 to 8% from 7% for the six months ended December 31, 1996. The increase in gross research and development expenditure for the six months reflects additional costs relating to development and evaluation of new products.

Other Income (Expense), Net

Other Income (Expense), Net, declined for the three months ended December 31, 1997 to a loss of \$1.2 million from a profit of \$627,000 for the three months ended December 31, 1996, a decrease of \$1.8 million. This decline was due primarily to net foreign exchange losses of \$1.6 million arising from the devaluation of foreign currency option contracts associated with the significant decline in the value of the Australian Dollar. Government grants income increased for the three months ended December 31, 1997 to \$191,000 from \$89,000 for the three months ended December 31, 1996 reflecting the recognition of Australian Federal Government research grants.

Other Income (Expense), Net also declined for the six months ended December 31, 1997 to a loss of \$539,000, from a profit of \$1.8 million for the six months ended December 31, 1996 a decrease of \$2.3 million. The decline in Other Income (Expense), Net over the six month period from the corresponding period in fiscal 1997, primarily reflects losses incurred in foreign currency option contracts relating to the devaluation of the Australian Dollar.

Income Taxes

The Company's effective income tax rate for the three months ended December 31, 1997 increased to approximately 35% from approximately 32% for the three months ended December 31, 1996 and to 35% from 32% for the six month period then ended. The increased tax rate primarily relates to a relatively higher German effective corporate taxation rate. This effective tax rate increase is partially offset by an increase in Australian research and development expenses incurred in fiscal 1998 over fiscal 1997 for which the Company receives a 125% deduction under Australian tax law.

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RESMED INC. AND SUBSIDIARIES

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

As of December 31, 1997 and June 30, 1997, the Company had cash and cash equivalents and marketable securities available for sale of approximately \$20.6 million and \$28.0 million, respectively. The Company's working capital approximated \$29.3 million and \$34.4 million, at December 31, 1997 and June 30, 1997, respectively. The decline in working capital balances reflects primarily the purchase of a 173,000ft² site for construction of a manufacturing and warehouse facility in Sydney, Australia.

During the six months ended December 31, 1997, the Company's operations generated \$1.3 million of cash from operations, primarily as a result of increased profit from operations, offset by increases in accounts receivable due to increased sales and inventory and the payment of \$4.2 million of income taxes. During the six months ended December 31, 1996 approximately \$4.6 million of cash was generated by operations primarily due to increased profit from operations.

The Company's capital expenditures for the six month period ended December 31, 1997 and 1996 aggregated \$6.0 million and \$1.4 million respectively. The majority of the expenditures in the six month period ending December 31, 1997 related to the construction of a new manufacturing facility along with the purchase of computer hardware and production tooling. As a result of these capital expenditures, the Company's December 31, 1997 balance sheet reflects net property plant and equipment of approximately \$9.1 million at December 31, 1997 compared to \$4.9 million at June 30, 1997.

In addition, during the six month period ended December 31, 1997 the Company paid \$1.1 million in deferred business acquisition payments with regards to the acquisition of Priess in February 1996.

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 revenue and gross profit margins from international operations. As approximately 2% of the Company's net revenues are generated in South East Asia, the Company is not anticipated to be significantly impacted by the recent Asian economic crisis. The Company does however have a substantial exposure to fluctuations in the Australian Dollar with respect to its manufacturing and research activities. The Company's Australian Dollar exposure is managed 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 a loan bears no interest for the first three years but bears interest at a rate of 3.8% thereafter until maturity. The outstanding principal balance of such loan was \$358,000 and \$548,000 at December 31, 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

The Company's Annual Meeting of Shareholders was held on November 10, 1997. The holders of 6,248,502 shares of the Company's stock (approximately 86% of the outstanding shares) were presented at the meeting in person or by proxy. The only matters voted upon at the meeting were (i) the election of two persons to serve as directors for a three year term expiring at the annual meeting of shareholders in 2000, (ii) the approval of 1997 Equity Participation Plan, and (iii) the ratification of the selection of KPMG Peat Marwick LLP as independent public accountants to audit the financial statements of the Company for the fiscal year ending June 30, 1998.

(i) Dr Peter C Farrell and Dr Gary W Pace, the nominees of the Company's Board of Directors, were elected to serve until 2000. There were no other nominees.

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Shares were voted as follows:

<S> <C> <C>

Name	For	Withholding	Vote For
Dr Peter C Farrell	6,243,275		5,227
Dr Gary C Pace	6,245,275		3,227

(ii) Approval of the 1997 Equity Participation Plan was ratified: affirmative votes, 2,992,867 shares; negative votes, 2,066,980 shares.

(iii) the selection of KPMG Peat Marwick LLP as independent public accountants for the 1998 fiscal year was ratified: affirmative votes, 6,232,600 shares; negative votes, 5,700 shares.

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

<S>	Three Months Ended		Six Months Ended	
	<C>	<C>	<C>	<C>
	December 31,	December 31,	December 31,	December 31,
	-----	-----	-----	-----
	1997	1996	1997	1996
	-----	-----	-----	-----
BASIC EARNINGS				
Net income	\$ 2,292	1,682	4,449	3,522
	=====	=====	=====	=====
Shares				
Weighted average number of common shares outstanding	7,247	7,189	7,238	7,183
Basic earnings per share:	\$ 0.32	\$ 0.23	\$ 0.61	\$ 0.49
	=====	=====	=====	=====
DILUTED EARNINGS				
Net Income	\$ 2,292	1,682	4,449	3,522
	=====	=====	=====	=====
Shares				
Weighted average number of common shares outstanding	7,247	7,189	7,238	7,183
Additional shares assuming conversion of stock options under treasury stock method	236	184	219	129
Weighted average number of common and common equivalent shares outstanding as adjusted	7,483	7,373	7,457	7,312
	=====	=====	=====	=====
Diluted earnings per share:	\$ 0.31	\$ 0.23	\$ 0.60	\$ 0.48
	=====	=====	=====	=====

</TABLE>

- -16-
 Exhibit 27.1
 <TABLE>
 <CAPTION>

ARTICLE. 5 FDS FOR 2ND QUARTER 10-Q

This schedule contains summary financial information extracted from ResMed

Inc's second quarter December 31, 1997 financial report and is qualified in its entirety by reference to such financial statements.

CURRENCY	USD	CURRENCY		
<S>			<C>	<C>
PERIOD-TYPE		6-MOS		6-MOS
FISCAL-YEAR-END		JUN-30-1998		JUN-30-1997
PERIOD-END		DEC-31-1997		DEC 31-1996
EXCHANGE-RATE		1		1
CASH		7,581,000		8,612,000
SECURITIES		13,027,000		17,629,000
RECEIVABLES		9,365		6,895,000
ALLOWANCES		270,000		175,000
INVENTORY		7,572,000		5,685,000
CURRENT-ASSETS		40,981,000		41,622,000
PP&E		9,098,000		3,903,000
DEPRECIATION		0		0
TOTAL-ASSETS		57,044,000		52,270,000
CURRENT-LIABILITIES		11,678,000		9,274,000
BONDS		0		0
PREFERRED-MANDATORY		0		0
PREFERRED		0		0
COMMON		29,000		29,000
OTHER-SE		30,187,000		29,530,000
TOTAL-LIABILITY-AND-EQUITY		57,044,000		52,270,000
SALES		30,124,000		22,728,000
TOTAL-REVENUES		30,124,000		22,728,000
CGS		10,598,000		9,565,000
TOTAL-COSTS		0		0
OTHER-EXPENSES		0		0
LOSS-PROVISION		0		0
INTEREST-EXPENSE		0		0
INCOME-PRETAX		6,794,000		5,180,000
INCOME-TAX		2,345,000		1,658,000
INCOME-CONTINUING		4,449,000		3,522,000
DISCONTINUED		0		0
EXTRAORDINARY		0		0
CHANGES		0		0
NET-INCOME		4,449,000		3,522,000
EPS-BASIC	\$	0.61	\$	0.49
EPS-DILUTED	\$	0.60	\$	0.48