

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 MARCH 31, 1998

[ ] 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 March 31, 1998, there were 7,269,774 shares of Common Stock (\$0.004 par value) outstanding.

RESMED INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements
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RESMED INC. AND SUBSIDIARIES

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

<S>	<C>	<C>
	March 31,	June 30,
	-----	-----
	1998	1997
	-----	-----
Assets		
Current assets:	(unaudited)	
Cash and cash equivalents	11,843	9,077
Marketable securities - available for sale	7,973	18,908
Accounts receivable, net of allowance of \$211 at March 31, 1998 and \$277 at June 30, 1997	11,033	7,834
Government grants	390	391
Inventories	7,170	5,797
Deferred income taxes	950	999
Prepaid expenses and other current assets	1,834	1,385
Total current assets	<u>41,193</u>	<u>44,391</u>
Property, plant and equipment, net of accumulated depreciation of \$4,953 at March 31, 1998 and \$3,467 at June 30, 1997	10,598	4,916
Patents, net of accumulated amortization of \$369 at March 31, 1998 and \$325 at June 30, 1997	399	253
Deferred income taxes	157	157
Goodwill, net of amortization of \$749 at March 31, 1998 and \$433 at June 30, 1997	5,495	4,553
Other assets	919	625
Total assets	<u>58,761</u>	<u>54,895</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	2,115	2,641
Accrued expenses	5,610	3,537
Income taxes payable	1,697	3,544
Current portion of long-term debt	121	274
Total current liabilities	<u>9,543</u>	<u>9,996</u>
Long-term debt, less current portion	<u>243</u>	<u>274</u>
Total liabilities	<u>9,786</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 7,269,774 at March 31, 1998 and 7,202,413 at June 30, 1997	29	29

Additional paid-in capital	30,437	29,656
Retained earnings	24,162	16,568
Currency translation adjustment	(5,653)	(1,628)
	<u>48,975</u>	<u>44,625</u>
Commitments and contingencies	-	-
Total liabilities and stockholders' equity	<u>58,761</u>	<u>54,895</u>
	=====	=====

<FN>

See accompanying notes to condensed consolidated financial statements.

</TABLE>

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RESMED INC. AND SUBSIDIARIES

<TABLE>

<CAPTION>

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

	Three Months Ended March 31		Nine Months Ended March 31,	
	<C>	<C>	<C>	<C>
	1998	1997	1998	1997
	-----	-----	-----	-----
Net revenue	17,113	12,468	47,237	35,196
Cost of sales	6,098	5,120	16,697	14,685
Gross profit	<u>11,015</u>	<u>7,348</u>	<u>30,540</u>	<u>20,511</u>
Operating expenses				
Selling, general and administrative expenses	5,300	4,064	14,994	12,120
Research and development expenses	1,290	1,065	3,789	2,747
Total operating expenses	<u>6,590</u>	<u>5,129</u>	<u>18,783</u>	<u>14,867</u>
Income from operations	<u>4,425</u>	<u>2,219</u>	<u>11,757</u>	<u>5,644</u>
Other income (expenses), net:				
Interest income, net	201	307	755	851
Government grants	128	41	476	219
Other income (expenses), net	47	266	(1,394)	1,299
Total other income (expenses), net	<u>376</u>	<u>614</u>	<u>(163)</u>	<u>2,369</u>
Income before income taxes	4,801	2,833	11,594	8,013
Income taxes	1,655	935	4,000	2,593
Net income	<u>3,146</u>	<u>1,898</u>	<u>7,594</u>	<u>5,420</u>
	=====	=====	=====	=====
Basic earnings per share	\$ 0.43	\$ 0.26	\$ 1.05	\$ 0.75
Diluted earnings per share	\$ 0.42	\$ 0.26	\$ 1.02	\$ 0.74

<FN>

See accompanying notes to condensed consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES

<TABLE>

<CAPTION>

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

	Nine Months Ended March 31,	
	<C>	<C>
	-----	-----

<S>

	1998	1997
	-----	-----
Cash flows from operating activities:		
Net income	7,594	5,420
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,831	1,786
Provision for service warranties	80	63
Deferred income taxes	-	2
Foreign currency options revaluations	1,669	(935)
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,271)	(1,586)
Government grants	(41)	139
Inventories	(1,744)	577
Prepaid expenses and other current assets	(547)	(1,139)
Accounts payable, accrued expenses and other liabilities	(3,572)	2,354
Net cash provided by operating activities	2,999	6,681
Cash flows from investing activities:		
Purchases of property, plant and equipment	(8,319)	(2,594)
Purchases of patents	(261)	(105)
Purchase of investments	(389)	(44)
Proceeds from sale of investments	-	1,243
Loans receivable	-	(225)
Deferred payments - business acquisitions	(1,699)	(991)
Purchases of marketable securities - available for sale	(24,879)	(40,794)
Proceeds from sale of marketable securities - available for sale	35,638	40,148
Net cash from (used in) investing activities	91	(3,362)
Cash flows from financing activities:		
Proceeds from issuance of common stock	781	143
Repayment of long term debt	(124)	(146)
Net cash from by (used in) financing activities	657	(3)
Effect of exchange rate changes on cash	(981)	(191)
Net increase in cash and cash equivalents	2,766	3,125
Cash and cash equivalents at beginning of period	9,077	5,510
Cash and cash equivalents at end of period	11,843	8,635
Supplemental disclosure of cash flow information:		
Income taxes paid	5,528	1,755
Interest paid	-	-

<FN>

See accompany notes to condensed consolidated financial statements.

</TABLE>

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RESMED INC. AND SUBSIDIARIES

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 March 31, 1998 and the nine months ended March 31, 1998 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 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 of the Company's proprietary positive airway pressure technology and to assist development of export markets. Grants have been recognized in the amount of \$128,000 and \$41,000 for the three month period ended March 31, 1998 and 1997, respectively and \$476,000 and \$219,000 for the nine month periods ended March 31, 1998 and 1997, 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.

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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 7,258,000 and 7,193,000 for the quarters ended March 31, 1998 and 1997, respectively, and 7,245,000 and 7,186,000 for the nine month periods ended March 31, 1998 and 1997, 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 293,000 and 171,000 for the quarters ended March 31, 1998 and 1997, respectively, and by 236,000 and 141,000 for the nine month periods ended March 31, 1998 and 1997, 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 terms 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 March 31, 1998 unamortized premiums amounted to \$457,000.

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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:

Unrealized gains or losses are recognized as incurred in the Consolidated Balance Sheet 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 March 31, 1998 no put options issued by the Company were outstanding.

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 March 31, 1998 the Company held foreign currency option contracts with notional amounts totaling \$35,049,000 to hedge foreign currency items. These contracts mature at various dates prior to March 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.

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RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>  
<CAPTION>

(3) Inventories

Inventories were comprised of the following at March 31, 1998 and June 30, 1997:

<S>	<C>	<C>
	March 31, 1998	June 30, 1997
	-----	-----
	\$ '000	\$ '000
Raw materials	\$ 2,692	\$ 1,797
Work in progress	753	284
Finished goods	3,725	3,716
	<u>\$ 7,170</u>	<u>\$ 5,797</u>
	=====	=====

</TABLE>

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

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

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net Revenue

Net revenue increased for the three months ended March 31, 1998 to \$17.1

million from \$12.5 million for the three months ended March 31, 1997, an increase of \$4.6 million or 37%. For the nine month period ended March 31, 1998 net revenue increased to \$47.2 million from \$35.2 million in the nine month period ended March 31, 1997 an increase of \$12.0 million or 34%. Both the three month and nine month increases in net revenue were attributable to an increase in unit sales of the Company's flow generators and accessories in North America and to a lesser extent Europe. In fiscal 1998 net revenue in North America increased to \$8.4 million from \$5.4 million for the quarter, and to \$23.5 million from \$14.7 million for the nine month period ended March 31. In Europe net revenue increased to \$6.3 million from \$5.2 million for the quarter, and to \$17.2 million from \$15.8 million for the nine month period ended March 31, respectively.

#### Gross Profit

Gross profit increased for the three months ended March 31, 1998 to \$11.0 million from \$7.3 million for the three months ended March 31, 1997, an increase of \$3.7 million or 50%. Gross profit as a percentage of net revenue increased for the quarter ended March 31, 1998 to 64% from 59% in three months ended March 31, 1997. These increases resulted primarily from increased unit sales of higher margin products and a devaluation of the Australian dollar in which the Company's manufacturing activities are denominated.

For the nine month period ended March 31, 1998 gross profit also increased to \$30.5 million from \$20.5 million in the same period of fiscal 1997 an increase of \$10.0 million or 49%. Gross profit as a percentage of net revenue increased for the nine month period ended March 31, 1998 to 65% from 58% achieved for the nine months ended March 31, 1997. These increases also resulted from increased unit sales of higher margin products and the devaluation of the Australian dollar.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended March 31, 1998 to \$5.3 million from \$4.1 million for the three months ended March 31, 1997, an increase of \$1.2 million or 30%. This increase was primarily due to an increase from 103 to 136 in the number of sales and administrative personnel. As a percentage of net revenue, selling, general and administrative expenses declined to 31% for the quarter ended March 31, 1998 from 33% for the three months ended March 31, 1997. This decrease was a result of increased efficiencies resulting from higher revenues and a marginal decrease in legal costs associated with ongoing legal action (refer Note 4) marginally declined to \$307,000 from \$331,000.

Selling, general and administrative expenses for the nine months ended March 31, 1998 also increased to \$15.0 million from \$12.1 million for the nine months ended March 31, 1997, an increase of \$2.9 million or 24%. As a percentage of net revenue, selling, general and administration expenses declined to 32% for the nine months ended March 31, 1998 from 34% in the nine months ended March 31, 1997.

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#### RESMED INC. AND SUBSIDIARIES

#### MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Research and Development Expenses

Research and development expenses increased for the three months ended March 31, 1998 to \$1.3 million from \$1.1 million for the three months ended March 31, 1997, an increase of \$225,000 or 21%. The increase 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. As a percentage of net revenue, research and development expenses for the three months ended March 31, 1998 declined to 8% from 9% for the period ended March 31, 1997.

For the nine month period ended March 31, 1998 research and development expenses increased to \$3.8 million from \$2.7 million for the corresponding period in fiscal 1997, an increase of \$1.1 million or 38%. The increase was due to additional costs relating to development and evaluation of new products. As a percentage of net revenue, research and development expenses remained static for the nine months ended March 31, 1998 at 8 %.

#### Other Income (Expenses), Net

Other income (expenses), net declined for the three months ended March 31, 1998 to \$376,000 from \$614,000 for the three months ended March 31, 1997, a decrease of \$238,000 or 39%. The decline in other income (expenses), net reflects the net impact of losses associated with the Company's foreign exchange position, costs incurred in relation to the transfer of Australian manufacturing activities offset by receipt of \$1,250,000 in relation to the granting of licenses to three of the Company's Patents to Invacare Corporation.



Other income (expenses), net declined for the nine months ended March 31, 1998 to a loss of \$163,000, from net income of \$2.4 million for the nine months ended March 31, 1997 a decline of \$2.5 million. The decline in other income (expense), net over the nine month period for the corresponding period in fiscal 1997, primarily reflects foreign currency losses associated with the marked devaluation of the Australian dollar, partially offset by the receipt of licensing fees from Invacare.

#### Income Taxes

The Company's effective income tax rate for the three months ended March 31, 1998 marginally increased to 34.5% of income from 33% for the three months ended March 31, 1997 and to 34.5% from 32.4% for the nine month period then ended. The increase in effective tax rates reflects a decline in Research and Development deductions in Australia and increase profitability in the Company's European operations on which higher tax rates are incurred.

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#### RESMED INC. AND SUBSIDIARIES

#### MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Liquidity and Capital Resources

As of March 31, 1998 and June 30, 1997, the Company had cash and cash equivalents and marketable securities available for sale of approximately \$19.8 million and \$28.0 million, respectively. The Company's working capital approximated \$31.7 million and \$34.4 million, at March 31, 1998 and June 30, 1997, respectively. The decline in working capital balances reflects the construction of a new Australian manufacturing facility partially offset by cash generated from operations.

During the nine months ended March 31, 1998, the Company's operations generated \$3.0 million of cash from operations, primarily as a result of increased profit from operations, offset partially by increases in accounts receivable and inventory due to increased sales. During the nine months ended March 31, 1997 approximately \$6.7 million of cash was generated by operations.

The Company's capital expenditures for the nine month period ended March 31, 1998 and 1997 aggregated \$8.6 million and \$2.7 million, respectively. The majority of the expenditures in the nine month period ending March 31, 1998 relate to purchase of land and associated construction costs, with respect to a new Australian manufacturing facility and to a lesser extent purchases of computer software and hardware, production tooling and equipment, office furniture and research and development equipment. As a result of these capital expenditures, the Company's March 31, 1998 balance sheet reflects net property plant and equipment of approximately \$10.6 million, compared to \$4.9 million at June 30, 1997.

In addition, during the nine month period ended March 31, 1998 the Company paid \$1.7 million in business acquisition payments in relation to the acquisition of Priess, the liquid silicone moulding operations of TQR Pty Limited and its Singapore distributor.

The company anticipates to expend approximately \$9.0 million in relation to the construction of its new manufacturing facility and computer systems over the next twelve months. These payments are to be funded through cash flows from operations and existing cash resources.

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. The Company however has a substantial exposure to fluctuations in the Australian dollar with respect to its manufacturing and research activities which 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 \$364,000 and \$548,000 at March 31, 1998 and June 30, 1997, respectively.

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#### PART II OTHER INFORMATION

Item 1. Legal Proceedings

Refer Note 4 to 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 part of this report

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

Report on Form 8-K

None

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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  
<TABLE>  
<CAPTION>

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

<S>	Three Months Ended		Nine Months Ended	
	<C>	<C>	<C>	<C>
	March 31,	March 31,	March 31,	March 31,
	1998	1997	1998	1997
BASIC EARNINGS				
Net income	3,146	1,898	7,594	5,420
Shares				
Weighted average number of common shares outstanding	7,258	7,193	7,245	7,186
Basic earnings per share:	\$ 0.43	\$ 0.26	\$ 1.05	\$ 0.75

	=====	=====	=====	=====
DILUTED EARNINGS				
Net Income	3,146	1,898	7,594	5,420
	=====	=====	=====	=====
Shares				
Weighted average number of common shares outstanding	7,258	7,193	7,245	7,186
Additional shares assuming conversion of stock options under treasury stock method	293	171	236	141
	-----	-----	-----	-----
Weighted average number of common and common equivalent shares outstanding as adjusted	7,551	7,364	7,481	7,327
	=====	=====	=====	=====
Diluted earnings per share:	\$ 0.42	\$ 0.26	\$ 1.02	\$ 0.74
	=====	=====	=====	=====

</TABLE>

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

ARTICLE. 5 FDS FOR 3RD QUARTER 10-Q

This schedule contains summary financial information extracted from ResMed Inc's third quarter March 31, 1998 financial report and is qualified in its entirety by reference to such financial statements.

CURRENCY USD \$ CURRENCY

<S>	<C>	<C>
PERIOD-TYPE	9-MOS	9-MOS
FISCAL-YEAR-END	JUN-30-1998	JUN-30-1997
PERIOD-END	MAR-31-1998	MAR-31-1997
EXCHANGE-RATE	1	1
CASH	11,843,000	8,635,000
SECURITIES	7,973,000	18,667,000
RECEIVABLES	11,033,000	7,794,000
ALLOWANCES	211,000	188,000
INVENTORY	7,170,000	5,165,000
CURRENT-ASSETS	41,193,000	43,154,000
PP&E	10,598,000	4,407,000
DEPRECIATION	00	0
TOTAL-ASSETS	58,761,000	53,643,000
CURRENT-LIABILITIES	9,543,000	9,641,000
BONDS	0	0
PREFERRED-MANDATORY	0	0
PREFERRED	0	0
COMMON	29,000	29,000
OTHER-SE	30,437,000	29,551,000
TOTAL-LIABILITY-AND-EQUITY	58,761,000	53,643,000
SALES	47,237,000	35,196,000
TOTAL-REVENUES	47,237,000	35,196,000
CGS	16,697,000	14,685,000
TOTAL-COSTS	0	0
OTHER-EXPENSES	0	0
LOSS-PROVISION	0	0
INTEREST-EXPENSE	0	0
INCOME-PRETAX	11,594,000	8,013,000
INCOME-TAX	4,000,000	2,593,000
INCOME-CONTINUING	7,594,000	5,420,000
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET-INCOME	7,594,000	5,420,000
EPS-BASIC	\$ 1.05	\$ 0.75
EPS-DILUTED	\$ 1.02	\$ 0.74

</TABLE>