

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, 1999

[] 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, 1999, there were 14,759,082 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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Condensed Consolidated Balance Sheets
(in US\$thousands, except per share data)
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	<C>	<C>
	March 31,	June 30,
	-----	-----
	1999	1998
	-----	-----
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,844	15,526
Marketable securities - available for sale	5,320	5,220
Accounts receivable, net of allowance for doubtful accounts of 337 at March 31, 1999 and \$248 at June 30, 1998	15,902	12,789
Government grants receivable	111	384
Inventories (note 3)	10,016	7,647
Deferred income taxes	2,642	2,518
Prepaid expenses and other current assets	2,742	2,520
Total current assets	<u>47,577</u>	<u>46,604</u>
Property, plant and equipment, net of accumulated amortization of 8,104 at March 31, 1999 and \$5,395 at June 30, 1998	26,619	11,111
Patents, net of accumulated amortization of \$489 at March 31, 1999 and \$368 at June 30, 1998	514	459
Goodwill, net of accumulated amortization of \$1,342 at March 31, 1999 and \$893 at June 30, 1998	5,929	5,445
Other assets	2,403	999
Total assets	<u>\$ 83,042</u>	<u>64,618</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,457	3,759
Accrued expenses	7,711	6,637
Income taxes payable	5,188	3,222
Current portion of long term debt	116	227
Total current liabilities	<u>18,472</u>	<u>13,845</u>
Total liabilities	<u>18,472</u>	<u>13,845</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, 50,000,000 shares authorized; issued and outstanding 14,759,082 at March 31, 1999 and 14,552,000 at June 30, 1998	59	58
Additional paid-in capital	32,936	31,224
Retained earnings	38,644	27,179
Accumulated other comprehensive income (note 4)	(7,069)	(7,688)

Total stockholders' equity	64,570	50,773
Commitments and contingencies (note 5)	-	-
Total liabilities and stockholders' equity	\$ 83,042	64,618

<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)

Ended	Three Months Ended		Nine Months	
	March 31,		March 31,	
	-----		-----	
<S>	<C>	<C>	<C>	<C>
	1999	1998	1999	
-----	-----	-----	-----	-----
Net revenue	\$ 22,760	17,113	63,484	
47,237				
Cost of sales	7,901	6,098	20,949	
16,697				
	-----	-----	-----	
Gross profit	14,859	11,015	42,535	
30,540				
	-----	-----	-----	
Operating expenses				
Selling, general and administrative expenses	6,636	5,300	19,889	
14,994				
Research and development expenses	1,512	1,290	4,581	
3,789				
	-----	-----	-----	
Total operating expenses	8,148	6,590	24,470	
18,783				
	-----	-----	-----	
Income from operations	6,711	4,425	18,065	
11,757				
	-----	-----	-----	
Other income (expenses), net:				
Interest income, net	152	201	555	
755				
Government grants	138	128	402	
476				
Other income (expenses), net	(353)	47	(1,567)	
(1,394)				
	-----	-----	-----	
Total other income (expenses), net	(63)	376	(610)	
(163)				
	-----	-----	-----	
Income before income taxes	6,648	4,801	17,455	
11,594				
Income taxes	2,280	1,655	5,990	
4,000				
	-----	-----	-----	
Net income	\$ 4,368	3,146	11,465	
7,594				
	=====	=====	=====	

Basic earnings per share	\$	0.30	\$	0.22	\$	0.78	\$
0.52							
Diluted earnings per share	\$	0.28	\$	0.21	\$	0.74	\$
0.51							
<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>	Nine Months Ended March 31,	
	<C>	<C>
	1999	1998
	-----	-----
Cash flows from operating activities:		
Net income	\$ 11,465	7,594
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,328	2,831
Provision for service warranties	214	80
Foreign currency options revaluations	115	1,669
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,384)	(3,271)
Government grants	286	(41)
Inventories	(2,371)	(1,744)
Prepaid expenses and other current assets	(283)	(547)
Accounts payable, accrued expenses and other liabilities	4,916	(3,572)
Net cash provided by operating activities	<u>14,286</u>	<u>2,999</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(17,899)	(8,319)
Patents costs	(151)	(261)
Purchase of investments	(1,529)	(389)
Deferred payments - business acquisitions	(1,033)	(1,699)
Purchases of marketable securities - available for sale	(11,809)	(24,879)
Proceeds from sale of marketable securities - available for sale	11,687	35,638
Net cash provided by/(used in) investing activities	<u>(20,734)</u>	<u>91</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,713	781
Repayment of long term debt	(114)	(124)
Net cash provided by financing activities	<u>1,599</u>	<u>657</u>
Effect of exchange rate changes on cash	<u>167</u>	<u>(981)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(4,682)</u>	<u>2,766</u>
Cash and cash equivalents at beginning of period	<u>15,526</u>	<u>9,077</u>
Cash and cash equivalents at end of period	\$ <u>10,844</u>	<u>11,843</u>
	=====	=====
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 4,029	5,528
Interest paid	-	-
<FN>		

See accompanying notes to condensed consolidated financial statements.

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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 Group. The Company 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 condensed 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, 1999 and the nine months ended March 31, 1999 are not necessarily indicative of the results that may be expected for the year ending June 30, 1999.

(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 on consolidation.

(b) Revenue Recognition:

Revenue on product sales is recorded at the time of shipment. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized as revenue over the life of the service contract. Revenue from sale of marketing and distribution rights is initially deferred and recognized as revenue over the terms of the agreements.

(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 THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(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 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) Goodwill

Goodwill arising from business acquisitions is amortized on a straight-line basis over periods ranging from three to 15 years. The Company carries goodwill at cost net of amortization. The Company reviews its goodwill carrying value when events indicate that an impairment may have occurred in goodwill. If, based on the undiscounted cash flows, management determines goodwill is not recoverable, goodwill is written down to its

discounted cash flow value and the amortization period is reassessed.

(h) 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 assist development of export markets. Grants of \$138,000 and \$128,000 have been recognized for the three month period ended March 31, 1999 and 1998, respectively, and \$402,000 and \$476,000 for the nine month periods ended March 31, 1999 and 1998, respectively.

(i) 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, and revenue and expense transactions are translated at average exchange rates for the period. Cumulative translation adjustments are recognized as part of "Comprehensive Income", as described in Note 4, and are included in "Accumulated Other Comprehensive Income" on the Condensed Consolidated Balance Sheet until such time as the subsidiary is sold or substantially or completely liquidated. Gains and losses on transactions, denominated in other than the functional currency of the entity, are reflected in operations.

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RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies, Continued

(j) Research and Development:

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

(k) Earnings Per Share:

The weighted average shares used to calculate basic earnings per share was 14,746,000 and 14,516,000 for the quarters ended March 31, 1999 and 1998, respectively, and 14,699,000 and 14,490,000 for the nine month periods ended March 31, 1999 and 1998, 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 984,000 and 586,000 for the quarters ended March 31, 1999 and 1998, respectively, and by 747,000 and 472,000 for the nine month periods ended March 31, 1999 and 1998, respectively.

(l) 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 for which the instrument could be exchanged in a current transaction between willing parties.

(m) 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 two 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, 1999 and June 30, 1998 unamortized premiums amounted to \$702,000 and \$267,000, respectively.

RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies, Continued

(m) Foreign Exchange Risk Management, Continued:

Unrealized gains or losses are recognized as incurred in the accompanying balance sheets 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.

The Company is exposed to credit related losses in the event of nonperformance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure of foreign exchange options is represented by the positive fair value of options at the reporting date.

The Company held foreign currency option contracts with notional amounts totaling \$72,873,000 and \$62,683,000 at March 31, 1999 and June 30, 1998, respectively, to hedge foreign currency items. These contracts mature at various dates prior to March 31, 2001.

(n) Income Taxes:

The Company accounts for income taxes under the asset and liability method of accounting for income taxes. Under this method 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. 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.

(o) Warranty:

Estimated future warranty costs related to certain products are accrued to operations in the period in which the related revenue is recognized.

(p) Impairment of Long-Lived Assets:

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including certain identifiable intangible assets, when events and circumstances indicate that the carrying amount of an asset may not be recovered. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies, Continued

(q) As of July 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information." This Statement addresses presentation and disclosure matters and will have no impact on the Company's financial position or results of operations. As required by Statement 131, compliance with the respective reporting disclosures will be reflected in the Company's 1999 Annual Report on Form 10-K.

(3) Inventories

<TABLE>
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Inventories were comprised of the following at March 31, 1999 and June 30, 1998:

	<C>	<C>
	March 31, 1999	June 30, 1998
	-----	-----
	\$'000	'000

Raw materials	\$ 3,663	2,169
Work in progress	704	546
Finished goods	5,649	4,932
	<u>\$ 10,016</u>	<u>7,647</u>
	=====	=====

</TABLE>

(4) Comprehensive Income

As of July 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", which established standards for the reporting and display of comprehensive income and its components in the financial statements. The only component of comprehensive income that impacts the Company is foreign currency translation adjustments. The net gain associated with the foreign currency translation adjustments for the three months ended March 31, 1999 was \$147,000 compared to a net gain of \$214,000 for the three months ended March 31, 1998. The net gain associated with the foreign currency translation adjustments for the nine months ended March 31, 1999 was \$619,000 compared to a net loss of \$4.0 million for the nine months ended March 31, 1998. The Company does not provide for US income taxes on foreign currency translation adjustments since it does not provide for such taxes on undistributed earnings of foreign subsidiaries. Accumulated other comprehensive income at March 31, 1999 and June 30, 1998 consisted solely of foreign currency translation adjustments with debit balances of \$7.1 million and \$7.7 million, respectively.

(5) Commitments and Contingencies

The company is currently engaged in litigation relating to the enforcement and defense of certain of its patents. In 1992, the Australian distributor for Respirationics, Inc. challenged the Company's original Australian patent covering both a method of and device for treating OSA with CPAP. In May 1994, an Australian appeals court, relying on issues specific to Australian patent law, revoked the patent. The Company's market share in Australia has decreased from 1995 to the present.

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RESMED INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(5) Commitments and Contingencies, Continued

In May 1995, the Company filed a complaint in the United States District Court seeking monetary damages from and injunctive relief against Respirationics for alleged infringement of three ResMed patents. In June 1996, the Company filed an additional complaint against Respirationics for infringement of a fourth ResMed patent, and the actions were consolidated. As of this date, Respirationics has brought three partial summary judgment motions for non-infringement of the ResMed patents; the Court has granted two of the motions, and the third is currently being litigated. It is ResMed's intention to appeal the summary judgment rulings after a final judgment in the consolidated litigation has been entered in the District Court proceedings.

In May 1995, Respirationics and its Australian distributor filed a Statement of Claim against the Company and Dr. Farrell, in the Federal Court of Australia, alleging that the Company engaged in unfair trade practices. The Statement of Claim asserts damage claims for lost profits on sales in the aggregate amount of approximately \$1,000,000. While the Company intends to defend this action, there can be no assurance that the Company will be successful 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 this action, as well as in the continuing litigation of its patent cases.

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RESMED INC. AND SUBSIDIARIES

Item 2.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS

Net Revenue

Net revenue increased for the three months ended March 31, 1999 to \$22.8 million from \$17.1 million for the three months ended March 31, 1998, an increase of \$5.7 million or 33%. For the nine month period ended March 31, 1999 net revenue increased to \$63.5 million from \$47.2 million in the nine month period ended March 31, 1998 an increase of \$16.3 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 and Latin America and to a lesser extent Europe. In fiscal 1999 net revenue in North and Latin America increased to \$12.4 million from \$8.4 million for the quarter, and to \$36.5 million from \$23.5 million for the nine month periods ended March 31. In Europe net revenue increased to \$8.4 million from \$6.3 million for the quarter, and to \$21.9 million from \$17.2 million for the nine month periods ended March 31, 1999 and 1998, respectively.

Gross Profit

Gross profit increased for the three months ended March 31, 1999 to \$14.9 million from \$11.0 million for the three months ended March 31, 1998, an increase of \$3.9 million or 35%. Gross profit as a percentage of net revenue increased for the quarter ended March 31, 1999 to 65% from 64% for the three months ended March 31, 1998. These increases resulted primarily from increased unit sales of higher margin products and improved manufacturing efficiencies.

For the nine month period ended March 31, 1999 gross profit increased to \$42.5 million from \$30.5 million in the same period of fiscal 1998 an increase of \$12.0 million or 39%. Gross profit as a percentage of net revenue increased for the nine month period ended March 31, 1999 to 67% from 65% achieved for the nine months ended March 31, 1998. These increases also resulted from increased unit sales of higher margin products and improved manufacturing efficiencies.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended March 31, 1999 to \$6.6 million from \$5.3 million for the three months ended March 31, 1998, an increase of \$1.3 million or 25%. This increase was primarily due to an increase from 136 to 197 in the number of sales and administrative personnel. As a percentage of net revenue, selling, general and administrative expenses declined to 29% for the three months ended March 31, 1999 from 31% for the three months ended March 31, 1998. This decrease was a result of increased economies of scale as a result of higher revenues over the period.

Selling, general and administrative expenses for the nine months ended March 31, 1999 increased to \$19.9 million from \$15.0 million for the nine months ended March 31, 1998, an increase of \$4.9 million or 33%. As a percentage of net revenue, selling, general and administration expenses declined to 31% for the nine months ended March 31, 1999 from 32% for the nine months ended March 31, 1998.

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RESMED INC. AND SUBSIDIARIES

MANAGEMENT'S 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, 1999 to \$1.5 million from \$1.3 for the three months ended March 31, 1998, an increase of \$222,000 or 17%. The increase reflects increased expenditure associated with new products currently under development. As a percentage of net revenue, research and development expenses for the three months ended March 31, 1999 declined to 7% from 8% for the three months ended March 31, 1998.

For the nine months ended March 31, 1999 research and development expenses increased to \$4.6 million from \$3.8 million for the corresponding period in fiscal 1998, an increase of \$792,000 or 21%. 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 for the nine months ended March 31, 1999 declined to 7% from 8% for the nine months ended March 31, 1998.

Other Income (Expenses), Net

Other income (expenses), net declined for the three months ended March 31, 1999 to a loss \$63,000 from income of \$376,000 for the three months ended March 31, 1998, a decrease of \$439,000. The decline in other income (expenses), net reflects the receipt of \$1.25 million in March 1998 in relation to the granting of licenses to three of the Company's Patents to Invacare Corporation. Excluding this one time receipt, net losses improved from a loss of \$874,000 for the three months ended March 31, 1998 to a loss of \$63,000 for the three months ended March 31, 1999. The improvement was attributable to reduced foreign currency losses associated with the Company's foreign exchange hedging program.

Other income (expenses), net declined for the nine months ended March 31, 1999 to a loss of \$610,000, from a loss of \$163,000 for the nine months ended March 31, 1998. The decline in other income (expense), net primarily reflects the one time receipt of licensing fees from Invacare in March 1998 partially

offset by reduced foreign currency losses associated with the Company's foreign exchange hedging program.

Income Taxes

The Company's effective income tax rate for the three months ended March 31, 1999 marginally declined to 34.3% of income from 34.5% for the three months ended March 31, 1998 and to 34.3% from 34.5% for the nine months ended March 31, 1999.

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RESMED INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

As of March 31, 1999 and June 30, 1998, the Company had cash and cash equivalents and marketable securities available for sale of approximately \$16.2 million and \$20.7 million, respectively. The Company's working capital approximated \$29.1 million and \$32.8 million, at March 31, 1999 and June 30, 1998, 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, 1999, the Company's operations generated \$14.3 million of cash from operations, primarily as a result of increased profit from operations. During the nine months ended March 31, 1998 approximately \$3.0 million of cash was generated by operations.

The Company's capital expenditures for the nine month period ended March 31, 1999 and 1998 aggregated \$17.9 million and \$8.3 million, respectively. The majority of the expenditures in the nine month period ending March 31, 1999 relates to the construction of the 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, 1999 balance sheet reflects net property, plant and equipment of approximately \$26.6 million, compared to \$11.1 million at June 30, 1998.

During the nine month period ended March 31, 1999 the Company paid \$1.0 million in business acquisition payments in relation to the 1996 acquisition of Priess. In addition, during the nine month period ended March 31, 1999 the Company paid \$1.0 million to purchase a minority holding in Flaga Hf, the Iceland based manufacturer of the Embla range of sleep diagnostic equipment.

The company anticipates to expend approximately \$2.0 million in relation to the construction of its new manufacturing facility and computer systems over the next three 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 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 \$116,000 and \$227,000 at March 31, 1999 and June 30, 1998, respectively.

Year 2000

The Company conducted a strategic review of its information systems in fiscal 1997 with a view to upgrading operations to facilitate the growth in business activity. As a consequence of these review procedures a decision was made to replace existing internal systems with the Oracle Applications Enterprise package. The decision to replace the Company's existing information systems was driven by operational requirements although as a consequence all information systems are expected to be fully Year 2000 compliant.

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RESMED INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Year 2000, Continued

While management expects the costs associated with Year 2000 compliance to be

approximately \$100,000, the cost of implementing the Oracle Application Enterprise package is estimated to be approximately \$2,000,000. The Company expects to complete the upgrading of its internal systems to Year 2000 compliance by September 30, 1999

The Company has reviewed its product lines for Year 2000 compliance and, as a result of this review, believes there is no significant Year 2000 exposure with regards to the Company's products.

In addition to risks associated with the Company's internal computer system, the Company is potentially vulnerable to the failure of third parties to adequately address their Year 2000 issues. ResMed continues to assess the readiness of key third parties by monitoring such parties' readiness statements. ResMed is in the process of obtaining assurances from its major suppliers that they are addressing this issue and that products purchased by ResMed will function properly in the Year 2000. However, there is no assurance that the systems of third parties on which the Company relies will be Year 2000 ready, or that any system failure by such parties would not have a material adverse effect on the Company.

Beyond the above review procedures, the Company is in the process of, and has developed, a number of Year 2000 contingency plans should a Year 2000 compliance issue arise. However, there can be no assurance that customers, suppliers and service providers on which the Company relies will resolve their Year 2000 issues accurately, thoroughly and on schedule. Failure to complete the Year 2000 project by Year 2000 could have a material adverse effect on future operating results or financial condition.

Recent Accounting Developments

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), was issued by the Financial Accounting Standards Board in June 1998 and is effective for the Company's quarter ending September 30, 1999. SFAS 133 standardizes the accounting for derivative instruments, including certain derivative instruments embedded in other contracts. Under the standard, entities are required to carry all derivative instruments in the statement of financial position at fair value. The accounting for changes in the fair value (ie, gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding it. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposures to changes in fair values, cash flows, or foreign currencies. If the hedged exposure is a fair value exposure, the gain or loss on the derivative instrument is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of other comprehensive income (outside earnings) and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness as well as the ineffective portion of the gain or loss is reported in earnings immediately. Accounting for foreign currency hedges is similar to the accounting for fair value and cash flow hedges. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

The company has not determined the impact that Statement 133 will have on its financial statements and believes that such determination will not be meaningful until closer to the date of initial adoption.

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RESMED INC. AND SUBSIDIARIES

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Market Risk

The Company's functional currency is the US dollar although the Company transacts business in various foreign currencies including a number of major European currencies as well as the Australian dollar. The Company has significant foreign currency exposure through both its Australian manufacturing activities and international sales operations.

The Company has established a foreign currency hedging program using foreign currency forward exchange contracts and purchased currency call options to hedge foreign-currency-denominated financial assets, liabilities and manufacturing expenditure. The goal of this hedging program is to economically guarantee or lock in the exchange rates on the Company's foreign currency exposures denominated in the Deutschmark and Australian dollar. Under this program, increases or decreases in the Company's foreign-currency-denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments.

The table below provides information about the Company's foreign currency derivative financial instruments, by functional currency and presents such information in US dollar equivalents. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency call options held at March 31, 1999. The table presents the notional amounts and weighted average exchange rates by expected (contractual) maturity dates for the Company's foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under the contract or options.

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>
	1999	2000	2001	
Total	-----	-----	-----	-----

FOREIGN CURRENCY DERIVATIVES				
FOREIGN EXCHANGE CALL OPTIONS				
(Receive AUS\$/Pay US\$)				
Option amount	\$ 9,750,000	\$ 49,500,000	\$ 9,000,000	\$
68,250,000				
Average contractual exchange rate	AUS \$1 = USD 0.677	AUS \$1 = USD 0.677	AUS \$1 = USD 0.680	AUS \$1 = USD 0.677
(Receive AUS\$/Pay DM)				
Option amount	\$ 660,000	\$ 2,642,000	\$ 1,321,000	\$
4,623,000				
Average contractual exchange rate	AUS \$1 = DM 1.12	AUS \$1 = DM 1.12	AUS \$1 = DM 1.12	AUS \$1 = DM 1.12
<S>	<C>			
	Fair Value			
	Assets/			

	(Liabilities)			

FOREIGN CURRENCY DERIVATIVES				
FOREIGN EXCHANGE CALL OPTIONS				
(Receive AUS\$/Pay US\$)				
Option amount	\$ 1,040,000			
Average contractual exchange rate				
(Receive AUS\$/Pay DM)				
Option amount	\$ 313,000			
Average contractual exchange rate				

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RESMED INC. AND SUBSIDIARIES

PART II OTHER INFORMATION

- Item 1. Legal Proceedings
 - Refer Note 5 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 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 27.1

ARTICLE. 5 FDS FOR 3RD QUARTER 10-Q

<TABLE>
<CAPTION>

This schedule contains summary financial information extracted from ResMed Inc's third quarter March 31, 1999 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-30-1999		JUN-30-1998
PERIOD-END		MAR-31-1999		MAR-31-1998
EXCHANGE-RATE		1		1
CASH	10,844,000		11,843,000	
SECURITIES	5,320,000		7,973,000	
RECEIVABLES	15,902,000		11,033,000	
ALLOWANCES	337,000		211,000	
INVENTORY	10,016,000		7,170,000	
CURRENT-ASSETS	47,577,000		41,193,000	
PP&E	26,619,000		10,598,000	
DEPRECIATION	0		0	
TOTAL-ASSETS	83,042,000		58,761,000	
CURRENT-LIABILITIES	18,472,000		9,543,000	
BONDS	0		0	
PREFERRED-MANDATORY	0		0	
PREFERRED	0		0	
COMMON	59,000		58,000	
OTHER-SE	32,936,000		30,408,000	
TOTAL-LIABILITY-AND-EQUITY	83,042,000		58,761,000	
SALES	63,484,000		47,237,000	
TOTAL-REVENUES	63,484,000		47,237,000	
CGS	20,949,000		16,697,000	
TOTAL-COSTS	0		0	

OTHER-EXPENSES	0	0
LOSS-PROVISION	0	0
INTEREST-EXPENSE	0	0
INCOME-PRETAX	17,455,000	11,594,000
INCOME-TAX	5,990,000	4,000,000
INCOME-CONTINUING	11,465,000	7,594,000
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET-INCOME	11,465,000	7,594,000
EPS-BASIC	\$ 0.78	\$ 0.52
EPS-DILUTED	\$ 0.74	\$ 0.51

</TABLE>