UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C 20549

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FORM 10-K

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(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 1999
COMMISSION FILE NUMBER 0-26038

RESMED INC.
(Exact name of Registrant as specified in its Charter)

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

10121 CARROLL CANYON ROAD
SAN DIEGO CA 92131-1109
UNITED STATES OF AMERICA
(Address of principal executive offices)

858 689 2400
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

TITLE OF EACH CLASS:

Common Stock, $.004 Par Value
Rights to Purchase Series A Junior
Participating Preferred Stock

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 filing requirements for the past 90 days.

Yes X No -------

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (S 229.405 of this Chapter) is not contained herein and will not be contained to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K( ).

The aggregate market value of the voting stock held by non-affiliates of Registrant as of September 9, 1999, computed by reference to the closing sale price of such stock on the NASDAQ Stock Market, was approximately $377,743,965 (All directors and executive officers of Registrant are considered affiliates.)

At September 9, 1999, Registrant had 14,876,459 shares of Common Stock, $.004 par value, issued and outstanding.

Portions of Registrant's definitive Proxy Statement for its November 8, 1999 meeting of stockholders are incorporated by reference into Part III of this report.

THE INFORMATION CONTAINED IN THIS REPORT INCLUDES FORWARD-LOOKING STATEMENTS, WHICH ARE TYPICALLY IDENTIFIED BY THE WORDS "ANTICIPATES", "BELIEVES", "EXPECTS", "INTENDS", "FORECASTS", "PLANS", "FUTURE", "STRATEGY", OR WORDS OF SIMILAR IMPORT. VARIOUS IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN THE FORWARD-LOOKING STATEMENTS ARE IDENTIFIED BELOW IN PART I, ITEM 3 AND PART II, ITEM 7 OF THIS REPORT.

PART I

Item 1. Business

General

ResMed is a leading designer, manufacturer and distributor of medical equipment for treating and diagnosing sleep disordered breathing ("SDB"). SDB includes sleep apnea and related respiratory conditions. The Company currently sells a comprehensive range of diagnostic and treatment devices in over 40 countries

through a combination of wholly owned subsidiaries and independent distributors.

When ResMed was formed in 1989, its prime purpose was to commercialize a device for treating obstructive sleep apnea (OSA). Developed by Professor Colin Sullivan of the University of Sydney, nasal continuous positive airway pressure (CPAP) was the first successful noninvasive treatment of OSA.

Since 1989, ResMed has broadened its focus to cover sleep disordered breathing in all its manifestations. Operations have expanded rapidly through the introduction of a number of highly innovative product lines. As of June 1999, the Company's compound annual growth rate was well in excess of market growth rates: 39% for sales and 55% for net income, using fiscal 1995 as a base. ResMed believes its success is due to a continuing focus on sleep disordered breathing and the development of technology for treating its unwanted medical consequences.

Corporate History

ResMed Inc., a Delaware corporation, was formed in March 1994 as the ultimate holding company for its Australian, European and United States operating subsidiaries. On June 1, 1995 the Company completed an initial public offering of common stock and on June 2, 1995 the Company's common stock commenced trading on The NASDAQ National Market. Its Australian subsidiary, ResMed Holdings Limited ("RHL"), was originally organized in 1989 by Dr. Peter Farrell to acquire from Baxter Center for Medical Research Pty Limited ("Baxter"), the rights to certain technology relating to CPAP treatment as well as Baxter's existing CPAP device business. Baxter had sold CPAP devices in Australia since 1988, having acquired the rights to the technology in 1987 from Dr. Colin Sullivan of the University of Sydney, who invented nasal CPAP for the treatment of OSA. The Company and its subsidiaries, since 1989, have specialized in the design, manufacture and marketing of patented nasal CPAP and variable positive airway pressure ("VPAP(Registered Trademark)") equipment for the diagnosis and treatment of sleep disordered breathing, primarily OSA.

The Company acquired the distribution businesses of Dieter W Priess Medtechnik, Premium Medical SARL and Innovmedics Pte Ltd, its German, French and Singaporean distributors, on February 7, 1996, June 12, 1996 and November 1, 1997, respectively.

Obstructive Sleep Apnea

OSA is a breathing disorder in which an individual experiences a temporary collapse of the upper airway during sleep. This restricts breathing and severely disrupts the individual's sleep. Sleep is a complex neurological process that includes two distinct states: rapid eye movement ("REM") sleep and non-rapid eye movement ("non-REM") sleep. REM sleep, which is about 20-25% of total sleep in adults, is characterized by a high level of brain activity, bursts of rapid eye movement, increased heart and respiration rates, and paralysis of many muscles. Non-REM sleep is subdivided into four stages that generally parallel sleep depth: stage 1 is the lightest and stage 4 is the deepest.

The upper airway has no rigid support and is held open by active contraction of upper airway muscles. Normally, during REM sleep and deeper levels of non-REM sleep, upper airway muscles relax and the airway narrows. Individuals with narrow upper airways or poor muscle tone are prone to upper airway closure during sleep (an "apnea"), resulting in an inability to breathe, or near closure (an "hypopnea") which causes snoring and breathing difficulties. These breathing irregularities result in a lowering of blood oxygen concentration, until the brain reacts to the lack of oxygen or increased carbon dioxide and signals the body to respond. Typically, the individual subconsciously arouses from sleep, causing the throat muscles to contract, thus opening the airway. After a few gasping breaths, blood oxygen levels increase and the individual can resume a deeper sleep until the cycle repeats itself. The cycle of complete or partial upper airway closure with subconscious arousal to lighter levels of sleep can be repeated as many as several hundred times during six to eight hours of sleep. Sufferers of OSA typically experience ten or more such cycles per hour. These awakenings greatly impair the quality of sleep, although the individual is not normally aware of these disruptions.

Sleep fragmentation and the loss of the deeper levels of sleep caused by OSA can lead to excessive daytime sleepiness, reduced cognitive function (including memory loss and lack of concentration) and irritability. OSA sufferers also may experience an increase in heart rate and an elevation of blood pressure during the cycle of apneas. OSA has been associated with employment difficulties, marital discord, impotence and other adverse effects. Patients with OSA have been shown to have impaired daytime performance in a variety of cognitive functions including problem solving, response speed and visual motor coordination. Certain studies have linked OSA to increased occurrences of traffic and workplace accidents. Several reports indicate that the oxygen desaturation, increased heart rate and elevated blood pressure caused by OSA may be associated with increased risk of cardiovascular morbidity and mortality due to angina, stroke and heart attack.

The Market

In its "Wake Up America" report to Congress in 1993, the National Commission on Sleep Disorders Research estimated that approximately 40 million individuals in the United States suffer from chronic disorders of sleep and wakefulness, such as sleep apnea, insomnia and narcolepsy. According to this report, sleep apnea is the most common sleep disorder, affecting approximately 20 million individuals in the United States. Nearly 6.5 million of these persons over the age of 30 experience moderate to severe forms of sleep apnea. However, there is a general lack of awareness of OSA among both the medical community and the general public, which has led to a corresponding failure to diagnose the disorder. It is estimated that less than 3% of those persons afflicted by OSA know the cause of their fatigue or other symptoms. Health care professionals are often unable to diagnose OSA because they are unaware that such non-specific symptoms as fatigue, snoring and irritability are characteristic of OSA.

While OSA has been diagnosed in a broad cross-section of the population, it is predominant among middle-aged men and those who are obese, smoke, consume alcohol in excess or use muscle-relaxing drugs. In addition, patients who are being treated for certain other conditions, including those undergoing dialysis treatment or suffering from diabetes, may be medically predisposed to OSA.

Generally, an individual seeking treatment for the symptoms of OSA is referred by a general practitioner to a specialist for further evaluation. The diagnosis of OSA typically requires monitoring the patient during sleep at either a sleep clinic or the patient's home. During overnight testing, respiratory parameters and sleep patterns are monitored along with other vital signs such as blood pressure, heart rate and blood oxygen levels. These tests allow sleep clinicians to detect any sleep disturbances such as apneas, hypopneas or subconscious awakenings.

The Company estimates that there are currently more than 1,800 sleep clinics in the United States, a substantial portion of which are affiliated with hospitals. Sleep clinics generally range in size from one to six beds. The number of sleep clinics has expanded significantly from approximately 100 such facilities in 1985. The Company believes that despite the increase in sleep clinics, testing facilities currently remain inadequate to address the large population of undiagnosed OSA sufferers.

Existing Therapies

Prior to 1981, the primary treatment for OSA was a tracheotomy, a surgical procedure to cut a hole in the patient's windpipe to create a channel for airflow. Most recently, surgery has involved either uvulopalatopharyngoplasty ("UPPP"), in which surgery is performed on the upper airway to remove excess tissue and to streamline the shape of the airway, or mandibular advancement, in which the lower jaw is moved forward to widen the patient's airway. UPPP alone has a poor success rate; however, when performed in conjunction with mandibular advancement, a greater success rate has been claimed. This combined procedure, performed by highly specialized surgeons, is expensive and involves prolonged and often painful recovery periods.

Nasal CPAP was first used as a treatment for OSA in 1980 by Dr. Colin Sullivan, the Chairman of the Company's Medical Advisory Board. CPAP systems were commercialized for treatment of OSA in the United States in the mid 1980's. Today, use of nasal positive airway pressure is generally acknowledged as the most effective and least invasive therapy for managing OSA. The Company estimates that during fiscal 1998, CPAP treatment was prescribed for over 100,000 new patients in the United States.

During nasal CPAP treatment, a patient sleeps with a nasal mask connected to a small portable air flow generator that delivers room air at a predetermined positive pressure. The patient breathes in air from the flow generator and breathes out through an exhaust port in the mask. Continuous air pressure applied in this manner acts as a pneumatic splint to keep the upper airway open and unobstructed. Upon diagnosis of OSA and the decision to prescribe CPAP treatment for an OSA sufferer, the physician must determine an appropriate pressure setting for the CPAP device. This pressure titration (adjustment) procedure typically occurs in the sleep clinic while the patient sleeps using the CPAP device, and a technician manually increases the pressure until sleeping and breathing are normalized. After determination of the proper therapeutic pressure, the patient is prescribed a nasal CPAP device set to that pressure for home use.

CPAP is not a cure, but a therapy for managing OSA, and therefore, must be used on a nightly basis for life. Patient compliance has been a major factor in the efficacy of CPAP treatment. Early generations of CPAP units provided limited patient comfort and convenience. Patients experienced soreness from the repeated use of nasal masks and had difficulty falling asleep with the CPAP device operating at the prescribed pressure. Over the past few years, product innovations to improve patient comfort and compliance have been developed. These include more comfortable mask systems, delay timers which gradually raise air pressure allowing the patient to fall asleep more easily, and bilevel flow

generators, including VPAP systems, which provide different air pressures for inhalation and exhalation.

- -4-

Business Strategy

ResMed believes that the SDB market will increase in the future due to a number of factors including increasing awareness of OSA, improved understanding of the role of cardiac treatment and related disorders, and an increase in home-based treatment and diagnosis.

ResMed's strategy for the expansion of its business operations consists of the following key elements:

Continue Product Development and Innovation. ResMed is a leading innovator in products for the diagnosis and treatment of sleep disordered breathing. Since its founding, ResMed has introduced products designed to increase patient comfort and encourage compliance with therapy. ResMed believes that continued product development and innovation will be key factors in its ongoing success.

Expand and Deepen Geographic Presence. ResMed actively markets its products in over 40 countries to sleep clinics, home health care dealers and managed care organizations. ResMed intends to increase its sales and marketing efforts in its current markets, especially Europe and the United States, as well as continue geographic expansion.

In June 1999, ResMed formed a strategic alliance with Critical Care Concepts Inc. (3Ci) to distribute selected ResMed products to the US hospital market.

In February 1999, ResMed purchased a minority holding in Flaga hf, the Icelandic manufacturer of the Embla(Trademark) range of sleep diagnostic equipment. As part of the agreement, ResMed will become Flaga's distributor of Embla(Trademark) equipment in the US and selected other countries.

Increase Public and Clinical Awareness. ResMed intends to promote awareness of the prevalence of SDB and its treatment alternatives within three main groups: (1) the population with predisposition to SDB; (2) primary care physicians and other specialists, such as cardiologists, neurologists, and pulmonologists; and (3) special interest groups, such as sleep disorder support groups. ResMed has sponsored several international symposia on different clinical effects of SDB, including the cardiovascular and cerebrovascular implications of SDB. As well as educating the attending healthcare professionals, each conference has been published in CD-ROM format for distribution.

Expand into New Markets. ResMed is working with physicians to explore new medical applications for nasal CPAP, including the treatment of stroke and cardiac patients as well as post-operative surgery patients, women with pre-eclampsia, and pediatric patients. There is now a recognized link between SDB and common diseases such as chronic obstructive pulmonary disease, stroke, and cardiac disease. New research on stroke and heart disease has found one in two people who suffer a stroke, snore heavily and have obstructive sleep apnea, and that these conditions may play a major role in heart attack and high blood pressure. Treating sleep disordered breathing is thus promising to be an exciting, clinically important and fast-growing business.

- -5-

Products

Currently, ResMed produces nasal CPAP, VPAP(Registered Trademark) and AutoSet(Registered Trademark) systems for the diagnosis, titration and treatment of SDB. These are flow generator systems which deliver positive airway pressure through a small nasal mask. The flow of air acts like an "air splint" to keep the patient's upper airway open and prevent apneas. These apneas occur when the muscles that normally hold the airway open during sleep, relax too much and close the airway off. AutoSet(Registered Trademark) systems are based on a proprietary technology that can also be used in the diagnosis of OSA.

ResMed also manufactures air delivery systems that include nasal masks, tubing and headgear to connect the flow generator to the patient. In addition, a growing range of sleep laboratory products and other accessories which improve patient comfort, convenience and compliance are marketed.

CPAP and VPAP(Registered Trademark)

Introduced in July 1995, the SULLIVAN(Registered Trademark) V range of flow generators is now the Company's main CPAP flow generator product. Each of the four models in the range is small and compact and comes with different features to suit different patient needs.

ResMed also manufacturers Variable Positive Airways Pressure (VPAP(Registered Trademark)) units which deliver ultra-quiet, comfortable bilevel therapy. There are two preset pressures: a higher pressure for when the patient breathes in and a lower pressure for when the patient breathes out.

Breathing out against a lower pressure makes treatment more comfortable, particularly for patients who need high pressure levels, or for patients with impaired breathing ability.

ResMed VPAP(Registered Trademark) systems have gained a reputation for delivering comfortable treatment. This is due to a unique feature called IPAP MAX(Trademark), which helps to ensure the system matches the patient's respiratory cycle. The patient can thus tolerate the VPAP(Registered Trademark) system better, resulting in more effective bilevel therapy.

There are five models in the VPAP(Registered Trademark) range: the SULLIVAN(Registered Trademark) VPAP(Registered Trademark) II, the SULLIVAN(Registered Trademark) Comfort, the SULLIVAN(Registered Trademark) VPAP(Registered Trademark) II ST, the SULLIVAN(Registered Trademark) VPAP(Registered Trademark) II ST-A and the SULLIVAN(Registered Trademark) VPAP(Registered Trademark) MAX(Trademark).

The VPAP(Registered Trademark) MAX(Trademark) is a Ventilatory Support System for the treatment of adult patients with respiratory insufficiency or respiratory failure. In 1998, the system received FDA clearance for the US hospital critical care market.

CPAP and VPAP(Registered Trademark) units are sold to the end user at prices which vary from approximately $800 to $6,000, depending primarily upon the model, features required and country of sale. Flow generators accounted for approximately 64%, 66% and 67% of the Company's net revenues in fiscal 1999, 1998 and 1997 respectively.

AutoSet(Registered Trademark) T

In March 1999, the Company introduced the AutoSet(Registered Trademark) T home CPAP unit for use in the treatment of SDB conditions. While conventional CPAP units operate at a fixed CPAP pressure, actual pressure required for effective treatment of OSA can vary depending on factors such as weight change, alcohol consumption, sedative use, stage of sleep and body position. The AutoSet(Registered Trademark) T is designed to continually detect the level of airway resistance and adjust the air pressure to the required level throughout the night. This results in greater patient comfort and reduced pressure related side effects.

AutoSet(Registered Trademark) diagnostic systems for managing OSA

ResMed markets devices incorporating its innovative AutoSet(Registered Trademark) technology for the diagnosis, titration and treatment of SDB in sleep clinics, hospitals and patients' homes. The AutoSet(Registered Trademark) Portable II Plus is a fully portable system for diagnosing OSA in sleep clinics, hospitals or patients' homes, giving sleep clinics and specialists the means to expand their capabilities and increase patient throughput. AutoSet(Registered Trademark) Portable II Plus records relevant respiratory data, which can then be downloaded to a computer for review and print out.

In 1999, ResMed will release the AutoSet(Registered Trademark) Clinical III software. This new software enables the AutoSet(Registered Trademark) Portable II Plus to provide real time data during sleep studies.

The following table lists the Company's products.

<TABLE>
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Product	Features	Date of Commercial Introduction; Status
<S>	<C>	<C>
FLOW GENERATORS:		
SULLIVAN(Registered Trademark) V Series	A range of compact portable fixed-pressure devices with various features to facilitate patient comfort	July 1995
SULLIVAN(Registered Trademark) VPAP(Registered Trademark)II	Dual pressure portable device provides different pressure levels for inhalation and exhalation, features improved pressure switching and reduced noise output and spontaneous breath triggering	March 1996
SULLIVAN(Registered Trademark) COMFORT	Limited featured dual pressure device	March 1996
SULLIVAN(Registered Trademark) VPAP(Registered Trademark)II ST	Dual pressure portable device with spontaneous and spontaneous/timed breath triggering modes of operation	April 1996
VPAP(Registered Trademark)II ST A	Version of VPAP(Registered Trademark)II ST equipped with high/ low pressure, power failure alarms.	August 1998

	For noninvasive positive pressure ventilation use	
VPAP(Registered Trademark) MAX(Trademark)	The VPAP(Registered Trademark) MAX(Trademark) is a Ventilatory Support System for the treatment of adult patients with respiratory insufficiency or respiratory failure.	November 1998
AutoSet(Registered Trademark) T	Micro processor controlled, automatically and continuously monitors patient breathing. Adjusts CPAP treatment pressure in response to patient's needs during the night	March 1999
MASK SYSTEMS:		
Bubble Mask(Registered Trademark)	Includes Bubble Cushion(Registered Trademark), containing a silicone membrane which readily adjusts to patient's facial contours and ResCap(Registered Trademark) five point attachment headgear	June 1991
Modular Mask Frame	Mask frame with T Bar forehead pads, to prevent sideways movement of the frame and provide maximum stability	July 1995
SULLIVAN(Registered Trademark) Mirage(Registered Trademark)	Contains contoured nasal cushion which readily adjusts to patient's facial contours. Lightweight, quiet, low profile mask system	August 1997
SULLIVAN(Registered Trademark) Mirage(Registered Trademark) Full Face Mask	A Mirage(Trademark) based full face mask product featuring adjustable cushion in a lightweight mask system	June 1999
ACCESSORIES:		
HumidAire(Trademark)	Attaches to CPAP or VPAP(Registered Trademark) systems. Provides adjustable heated humidification, relieves drying of nasal passages, increasing patient comfort	September 1997
DIAGNOSTIC SYSTEMS:		
AutoSet(Registered Trademark) Portable II Plus	An improved Portable version of AutoSet(Registered Trademark) Clinical with PC processor functions built in for home use sleep studies	June 1997

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Innovative Mask Systems

In August 1997, ResMed released the Mirage(Registered Trademark) mask system. The Mirage(Registered Trademark) is suitable for both conventional CPAP and bilevel therapy, is small, lightweight, and designed for maximum patient comfort. The specially contoured silicone cushion inflates with air pressure to gently "float" on the patient's face. A number of other design features enhance comfort and convenience and ensure effective pressure delivery.

The standard Mirage(Registered Trademark) size fits most people so that clinicians can fit masks faster and more easily. Inventory costs can also be reduced with the Mirage(Registered Trademark) as it eliminates the need to carry a large range of types and sizes of mask.

The Mirage(Registered Trademark) Full Face Mask for patient compliance

Released in June 1999, the Mirage(Registered Trademark) Full Face mask expands on the innovative design of the Mirage(Registered Trademark) nasal mask. The Mirage(Registered Trademark) Full Face Mask provides an effective method of applying ventilatory assist (Noninvasive Positive Pressure Ventilation - NPPV - therapy) and can be used to address mouth-breathing problems in conventional bilevel or CPAP therapy.

A range of other mask systems

ResMed also sells cushions, frames and headgear separately. A patented Bubble Cushion(Registered Trademark), made from a thin, soft silicone membrane readily conforms to the patient's facial contours to form a seal and minimize air leakage. The cushion complies with body movement and eliminates the need for tight headgear to form a secure seal.

Typically, patients replace mask cushions once or twice a year and headgear every three to six months. Bubble Masks(Registered Trademark) are available in a variety of sizes and are sold independently of ResMed systems, either as replacement products or with other manufacturers' devices. The Company also manufactures the Bubble Mask(Registered Trademark) on an OEM basis for one of its competitors.

Mask systems, accessories and other products accounted for approximately 36%, 34% and 33% of the Company's net revenues in fiscal 1999, 1998 and 1997, respectively.

Accessories and Other Products

In order to enhance patient comfort, convenience and compliance, ResMed markets a variety of other products and accessories. These products include humidifiers, such as the SULLIVAN(Registered Trademark) HumidAire , which connect directly with the CPAP and VPAP(Registered Trademark) flow generators to humidify and, if desired, heat the air delivered to the patient. Their use prevents the drying of nasal passages which can cause discomfort. Other optional accessories include carry bags and replacement filters.

ResMed also manufactures and distributes products that are used primarily in sleep clinics and hospitals to monitor key respiratory parameters. These products include the Embla range of sleep diagnostic products, manufactured by Flaga HF, as well as CPAP devices together with additional diagnostic tools, to assist clinicians in the diagnosis of OSA and establishment of therapeutic pressures necessary to treat OSA suffers.

The Universal Control Unit (UCU) was first introduced in October 1995. It was superseded in June 1997 by the UCU2. The UCU2 is a monitoring device used by clinicians to measure and adjust the pressure being delivered by a ResMed CPAP or bilevel device to a patient undergoing a sleep study. It allows the clinician to conduct this review and adjustment from a remote location within a sleep lab.

The SULLIVAN(Registered Trademark) Compliance Application (SCAN), introduced in October 1995, and superseded in June 1997 by SCAN 2.0, comprises the software necessary to download compliance data from flow generators with recording capabilities. Clinicians can use SCAN 2.0 to track how often and how long a patient is undergoing treatment. In connection with a modem, SCAN 2.0 allows compliance data to be downloaded from a flow generator in a patient's home direct to the sleep laboratory.

Product Development

The Company is committed to an ongoing program of product advancement and development. Currently, product development efforts are focused on AutoSet(Registered Trademark) systems, improved CPAP, VPAP and mask systems and manufacturing cost-reduction programs.

The Company consults with physicians at major sleep centers throughout the world to identify technological trends in the treatment of SDB. Some of these physicians currently serve on the Company's Medical Advisory Board. New product ideas are also identified by the Company's marketing staff, direct sales force, network of distributors, manufacturers' representatives and patients. Typically, ResMed's internal development staff then perform new product development. The Company has collaborative arrangements with researchers in several institutions including the University of Sydney Medical School, as well as other research groups around the world such as Brown, Edinburgh, Essen, University of California, San Diego and Harvard Medical Schools.

In the three fiscal years ended June 30, 1999, 1998 and 1997, the Company expended $6,542,000, $4,994,000 and $3,807,000, respectively, on research and development.

Sales and Marketing

The Company currently markets its products in over 40 countries using a network of distributors, independent manufacturers' representatives and its direct sales force. The Company attempts to tailor its marketing approach to each national market, based on regional awareness of SDB as a health problem, physician referral patterns, consumer preferences and local reimbursement policies.

North America. In the United States, the Company's marketing activities are conducted through a field sales organization comprised of 23 regional territory representatives, program development specialists and diagnostic system specialists, plus two regional sales directors and 54 independent manufacturers' representatives. The United States field sales organization markets and sells products to more than 4,500 home health care dealer branch locations throughout the United States.

The Company also promotes and markets its products directly to sleep clinics. Patients who are diagnosed with OSA and prescribed CPAP treatment are typically referred by the diagnosing sleep clinic to a home health care dealer to fill the prescription. The home health care dealer, in consultation with the referring physician, will assist the patient in selecting the equipment, fit the patient with the appropriate mask and set the flow generator pressure to the prescribed level. In the United States, sales employees and manufacturers'

subrepresentatives are managed by the two regional sales managers and the Company's Vice President - US Sales. In addition, the Company has a Director - US Marketing, responsible for marketing in the United States. The Company's Canadian and Latin American sales are conducted through independent distributors. Sales in North America accounted for 57%, 52% and 43% of the Company's total net revenues for the fiscal years ended June 30, 1999, 1998 and 1997, respectively.

Europe. The Company markets its products in most major European countries. ResMed has fully owned subsidiaries in the United Kingdom, Germany and France and uses independent distributors to sell its products in other areas of Europe. These distributors have been selected in each country based on their knowledge of respiratory medicine as well as a commitment to SDB therapy. In each country in which the Company has a subsidiary, a local senior manager is responsible for direct national sales. In addition, the Company uses a consultant in Switzerland to assist in sales and marketing efforts for selected European countries.

The Company's Executive Vice President is responsible for coordination of all European distributors and, in conjunction with local management, the direct sales activity in Europe. Sales in Europe accounted for 34%, 35% and 44% of the Company's total net revenues for the fiscal years ended June 30, 1999, 1998 and 1997, respectively.

Australia/Rest of World. Marketing in Australia and the rest of the world is also the responsibility of the Executive Vice President. Sales in Australia and the rest of the world accounted for 9%, 13% and 13% of the Company's total net revenues for the fiscal years ended June 30, 1999, 1998 and 1997, respectively.

Manufacturing

The Company's principal manufacturing facilities are located in Sydney, Australia. The Company's manufacturing operations consist primarily of assembly and testing of the Company's flow generators, masks and accessories. Of the numerous raw materials, parts and components purchased for assembly of the Company's therapeutic and diagnostic sleep disorder products, most are off-the-shelf items available from multiple vendors.

The Company's quality control group performs tests at various steps in the manufacturing cycle to ensure compliance with the Company's specifications. In April 1999 the Company completed construction of its 120,000 square feet manufacturing and R&D facility in Sydney, Australia.

The Company generally manufactures to its internal sales forecasts and fills orders as received. As a result, the Company generally has no significant backlog of orders for its products. The Company uses management information systems to integrate its manufacturing planning, billing and accounting systems.

Service and Warranty

The Company offers one-to-two year limited warranties on its flow generator products. Warranties on mask systems are for 90 days. In most markets, the Company relies on its distributors to repair the Company's products with parts supplied by the Company. In the United States, home health care dealers generally arrange shipment of products to the Company's San Diego facility for repair.

The Company has received returns of its products from the field for various reasons. The Company believes that the level of returns it has experienced to date is consistent with levels typically experienced by manufacturers of similar devices. The Company provides for warranties and returns based on historical data.

Third-Party Reimbursement

The cost of medical care is funded in substantial part by government and private insurance programs. Although the Company does not generally receive payments for its products directly from these payors, the Company's success is dependent upon the ability of patients to obtain adequate reimbursement for the Company's products.

In the United States, the Company's products are purchased primarily by home health care dealers, hospitals or sleep clinics, which then invoice third-party payors directly. Domestically third-party payors include Medicare, Medicaid and corporate health insurance plans. These payors may deny reimbursement if they determine that a device is not used in accordance with cost-effective treatment methods, or is experimental, unnecessary or inappropriate. Third-party payors are also increasingly challenging prices charged for medical products and services, and certain private insurers have initiated reimbursement systems designed to reduce health care costs. The trend towards managed health care and the concurrent growth of HMOs which could control or significantly influence the purchase of health care services and

products, as well as legislative proposals to reform health care, may result in lower prices for the Company's products.

In some foreign markets, such as Spain, France and Germany, government reimbursement is currently available for purchase or rental of the Company's products subject, however, to constraints such as price controls or unit sales limitations. In Australia and in some other foreign markets there is currently limited or no reimbursement for devices that treat OSA.

Competition

The markets for the Company's products are highly competitive. The Company believes that the principal competitive factors in all of its markets are product features, reliability and price. Reputation and efficient distribution are also important factors.

The Company competes on a market-by-market basis with various companies, some of which have greater financial, research, manufacturing and marketing resources than the Company. In the United States, its principal market, Respironics, Inc. ("Respironics"), DeVilbiss, a division of Sunrise Medical Inc., and Nellcor Puritan Bennett, a subsidiary of Mallinckrodt, Inc. are the primary competitors for the Company's CPAP products. The Company's principal European competitors are also Respironics, DeVilbiss and Nellcor Puritan Bennett, as well as regional European manufacturers. The disparity between the Company's resources and those of its competitors is likely to increase as a result of the recent trend towards consolidation in the health care industry. In addition, the Company's products compete with surgical procedures and dental appliances designed to treat OSA and other SDB related respiratory conditions. The development of new or innovative procedures or devices by others could result in the Company's products becoming obsolete or noncompetitive, resulting in a material adverse effect on the Company's business, financial condition and results of operations.

Any product developed by the Company that gains regulatory clearance will have to compete for market acceptance and market share. An important factor in such competition may be the timing of market introduction of competitive products. Accordingly, the relative speed with which the Company can develop products, complete clinical testing and regulatory clearance processes and supply commercial quantities of the product to the market are expected to be important competitive factors. In addition, the Company's ability to compete will continue to be dependent on the extent to which the Company is successful in protecting its patents and other intellectual property.

Patents and Proprietary Rights and Related Litigation

The Company, through its subsidiary ResMed Limited, owns or has licensed rights to 12 issued United States patents (including 2 design patents) and 20 issued foreign patents. In addition, there are 56 pending United States patent applications (including 10 design patent applications) and 98 pending foreign patent applications. Some of these patents and patent applications relate to significant aspects and features of the Company's products. These include United States patents relating to CPAP devices, a delay timer system, the Bubble Mask(Registered Trademark), and an automated means of varying air pressure based upon a patient's changing needs during nightly use, such as that employed in the Company's AutoSet(Registered Trademark) Device.

None of the Company's patents are due to expire in the next five years, with the exception of four foreign patents due to expire in April 2002. The Company believes that the expiration of these patents will not have a material adverse impact on the Company's competitive position.

The Company relies on a combination of patents, trade secrets, non-disclosure agreements and proprietary know-how to protect its proprietary technology and rights. ResMed Limited is pursuing an infringement action against one of its competitors and is investigating possible infringement by others. See Item 3- "Legal Proceedings."

Additional litigation may be necessary to attempt to enforce patents issued to the Company, to protect the Company's proprietary rights, or to defend third-party claims of infringement by the Company of the proprietary rights of others. Patent laws regarding the enforceability of patents vary from country to country. Therefore, there can be no assurance that patent issues will be uniformly resolved, or that local laws will provide the Company with consistent rights and benefits.

Government Regulations

The Company's products are subject to extensive regulation particularly as to safety, efficacy and adherence to FDA Quality System Regulation (QSR) and related manufacturing standards. Medical device products are subject to rigorous FDA and other governmental agency regulations in the United States and regulations of relevant foreign agencies abroad. The FDA regulates the introduction, manufacture, advertising, labeling, packaging, marketing, distribution, and record keeping for such products, in order to ensure that

medical products distributed in the United States are safe and effective for their intended use. In addition, the FDA is authorized to establish special controls to provide reasonable assurance of the safety and effectiveness of most devices. Noncompliance with applicable requirements can result in import detentions, fines, civil penalties, injunctions, suspensions or losses of regulatory approvals, recall or seizure of products, operating restrictions, refusal of the government to approve product export applications or allow the Company to enter into supply contracts, and criminal prosecution.

The FDA requires that a manufacturer introducing a new medical device or a new indication for use of an existing medical device obtain either a Section 510(k) premarket notification clearance or a premarket approval ("PMA") prior to it being introduced into the market. The Company's products currently marketed in the United States are marketed in reliance on 510(k) pre-marketing clearances. The process of obtaining a Section 510(k) clearance generally requires the submission of performance data and often clinical data, which in some cases can be extensive, to demonstrate that the device is "substantially equivalent" to a device that was on the market prior to 1976 or to a device that has been found by the FDA to be "substantially equivalent" to such a pre-1976 device. As a result, FDA approval requirements may extend the development process for a considerable length of time. In addition, in some cases, the FDA may require additional review by an advisory panel, which can further lengthen the process. The PMA process, which is reserved for new devices that are not substantially equivalent to any predicate device and for high risk devices or those that are used to support or sustain human life, may take several years and requires the submission of extensive performance and clinical information.

As a medical device manufacturer, the Company is subject to inspection on a routine basis by the FDA for compliance with the FDA's QSR regulations which impose procedural and documentation requirements with respect to design, manufacturing and quality control activities. The Company believes that its design, manufacturing and quality control procedures meet the requirements of the regulations.

Sales of medical devices outside the United States are subject to regulatory requirements that vary widely from country to country. Approval for sale of the Company's medical devices in Europe is through the CE mark process. The Company's products where appropriate, are CE marked to the European Unions Medical Device Directive.

Employees

As of June 30, 1999, the Company had 477 employees and 24 full time consultants, of which 207 persons were employed in warehousing and manufacturing, 82 in research and development, 114 in sales, marketing and 98 in administration. Of the Company's employees and consultants, 338 were located in Australia, 86 in the United States, 68 in Europe and 9 in Singapore, New Zealand and Malaysia.

The Company believes that the success of its business will depend, in part, on its ability to attract and retain qualified personnel. None of the Company's employees is covered by a collective bargaining agreement. The Company believes that its relationship with its employees is good.

Medical Advisory Board

The Company's international Medical Advisory Board ("MAB") consists of physicians and scientists specializing in the field of sleep disordered breathing. MAB members meet as a group twice a year with members of the Company's senior management and members of its research and marketing departments to advise the Company on technology trends in SDB and other developments in sleep disorders medicine. MAB members are also available to consult on an as-needed basis with senior management of the Company. MAB members include:

Michael Coppola, MD, age 46 is a leading pulmonary critical care and sleep disorders physician in private practice in Massachusetts. He is an attending physician at Baystate Medical Center and Mercy Hospital in Springfield, MA and a Fellow of the American College of Chest Physicians. He is Chairman of the Massachusetts Sleep Breathing Disorders Society and Medical Director of Medical Care Partners a multispecialty medical group. He is also the Medical Director of Olympus Specialty Hospital, Medical Director of Winmar Diagnostics, a Sleep Disordered Breathing specialty company, and a member of the faculty of Tufts University School of Medicine.

Neil J. Douglas, MD FRCP, age 51 is Professor of Respiratory and Sleep Medicine, University of Edinburgh, an Honorary Consultant Physician, Royal Infirmary of Edinburgh and Director of the Scottish National Sleep Laboratory. He is Dean of the Royal College of Physicians of Edinburgh and Vice Chairman of the UK Royal Colleges Committee of CME Directors and a member of the Working Party on Sleep Apnea of the Royal College of Physicians of London. He is a past Chairman of the British Sleep Society and past Secretary of the British Thoracic Society. He has published over 200 papers on breathing during sleep.

Nicholas Hill, MD, age 49 is Professor of Medicine at Brown University and Director of Critical Care Services at Rhode Island Hospital. He is a Fellow of the American College of Chest Physicians. His main research interests are in the acute and chronic applications of non-invasive positive pressure ventilation for treating lung disease.

Dr Barry J Make, MD, age 52 is Director, Emphysema Center and Pulmonary Rehabilitation National Jewish Medical and Research Center, and Professor of Pulmonary Sciences and Critical Care Medicine of the University of Colorado School of Medicine. He has served on numerous national and international committees, many of which were associated with respiratory and cardiovascular diseases. His research and clinical work has resulted in a large number of publications on treatment of, and rehabilitation from, respiratory disease.

Colin Sullivan, MD PhD FRACP, age 55 is Chairman of the MAB and the inventor of nasal CPAP for treating obstructive sleep apnea. He is Professor of Medicine and Director of the David Read Laboratory at the Sydney University Medical School as well as a thoracic physician at the Royal Prince Alfred Hospital. In addition, he is a Fellow of the Royal Australian College of Physicians and Director of the National SIDS Council Pediatric Sleep Laboratory at the Children's Hospital, Westmead. Dr Sullivan has continued to contribute to the Company's innovation, product development and clinical testing.

Helmut Teschler, MD, age 46 is Associate Professor and Head of the Department of Respiratory Medicine and Sleep Medicine, Ruhrlandklinik, Medical Faculty, University of Essen, Germany. He is a Fellow of each of the following Associations: German Pneumology Society, American Thoracic Society, European Respiratory Society, and American Sleep Disorders Association. He is an internationally recognized researcher in respiratory medicine and sleep disorders medicine.

J. Woodrow Weiss, MD, age 50 is Associate Professor of Medicine and Co-Chairman of the Division of Sleep Medicine at Harvard Medical School, as well as Chief, Pulmonary & Critical Care Medicine, Beth Israel Deaconess Medical Center, Boston MA. Dr Weiss is an internationally recognized researcher in sleep disorders medicine.

B. Tucker Woodson, MD FACS, age 42 is an otolaryngologist and an Associate Professor of Surgery at the Medical College of Wisconsin. He is a Fellow of the American Academy of Otolaryngology - Head and Neck Surgery and the American College of Surgeons. Dr Woodson is the Co-Director of the Medical College of Wisconsin/Froedert Memorial Lutheran Hospital Center for Sleep. He did surgical training with Dr. Fujita, the pioneer of uvulopalatopharyngoplasty to treat obstructive sleep apnea. He has a primary research interest in developing new methods for surgical management of sleep apnea and improved evaluation of the upper airway. He is a strong proponent of nasal CPAP and teaches extensively to other surgeons.

Members of the Medical Advisory Board, other than Dr. Sullivan, receive an honorarium as well as reimbursement of traveling costs and other out-of-pocket expenses incurred in attending any conferences as may be requested by the Company.

Item 2 Properties

ResMed's principal executive offices, consisting of approximately 23,000 square feet, are located in San Diego, California. The Company leases this property pursuant to an eight year lease which is scheduled to expire in 2005. Primary manufacturing operations are situated in Sydney, Australia in a newly completed 120,000 square feet facility owned by the Company.

Sales and warehousing facilities are also leased in Oxford, England, Moenchengladbach, Germany, Lyon, France and Singapore.

Item 3 Legal Proceedings

The company is currently engaged in litigation relating to the enforcement and defense of certain of its patents.

In January 1995, the Company filed a complaint in the United States District Court for the Southern District of California seeking monetary damages from and injunctive relief against Respironics for alleged infringement of three ResMed patents. In February 1995, Respironics filed a complaint in the United States District Court for the Western District of Pennsylvania 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 were combined and are proceeding in the United States District Court for the Western District of Pennsylvania. In June 1996, the Company filed an additional complaint against Respironics for infringement of a fourth ResMed patent, and that complaint was consolidated with the earlier action. As of this date, Respironics 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 awaiting judicial action. 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, Respironics 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.

Item 4 Submission of Matter to a Vote of Security Holders

None

PART II

Item 5 Market for Registrant's Common Equity and Related Stockholder Matters

The common stock of the Company commenced trading on June 2, 1995 on The NASDAQ National Market under the symbol "RESM". The following table sets forth for the fiscal periods indicated the high and low closing prices for the Common Stock as reported by NASDAQ.

<TABLE>
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	1999		1998	
	High. .	Low	High	Low
<S>	<C>	<C>	<C>	<C>
Quarter One .	$26.38	$18.50	$14.00	$11.75
Quarter Two .	47.25	21.19	15.50	12.63
Quarter Three	51.44	23.00	17.75	14.00
Quarter Four.	37.13	19.75	22.78	17.63

</TABLE>

As of September 9, 1999, there were approximately 3,611 beneficial holders of the Company's Common Stock. The Company does not intend to declare any cash dividends in the foreseeable future.

Item 6 Selected Financial Data

<TABLE>
<CAPTION>
The following table summarizes certain selected consolidated financial data for, and as of the end of, each of the years in the five-year period ended June 30, 1999. The data set forth below should be read in conjunction with the Consolidated Financial Statements and related Notes included elsewhere in this Report.

	Year Ended June 30,				
Consolidated Statement of Income Data:	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
	(In thousands, except per share data)				
Net revenues.	$ 88,627	$ 66,519	$ 49,180	$ 34,562	$ 23,501
Cost of sales	29,416	23,069	20,287	16,990	11,271
Gross profit.	59,211	43,450	28,893	17,572	12,230
Selling, general and administrative expenses	27,414	21,093	16,759	11,136	7,447
Research and development expenses . . .	6,542	4,994	3,807	2,841	1,996
Total operating expenses.	33,956	26,087	20,566	13,977	9,443
Income from operations.	25,255	17,363	8,327	3,595	2,787
Other (expense) income:					
Interest income, net.	779	1,011	1,205	1,072	205
Government grants	833	611	316	537	527
Other, net.	(2,290)	(2,873)	1,239	1,357	262
Total other (expense) income, net . . .	(678)	(1,251)	2,760	2,966	994

Income before income taxes.	24,577	16,112	11,087	6,561	3,781
Income taxes.	8,475	5,501	3,622	2,058	948
Net income.	16,102	10,611	7,465	4,503	2,833
Diluted earnings per share.	$ 1.04	$ 0.71	$ 0.51	$ 0.31	$ 0.32
Weighted average common and common equivalent shares outstanding	15,534	15,022	14,634	14,398	8,900
Basic earnings per share.	$ 1.09	$ 0.73	$ 0.52	$ 0.32	$ 0.36
Weighted average common shares outstanding	14,708	14,500	14,378	14,188	7,808
Cash dividends per share.	-	-	-	-	-

<TABLE>
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	As of June 30,				
	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Consolidated Balance Sheet Data:		(in thousands)			
Working capital	$ 32,529	$32,759	$34,395	$30,844	$27,354
Total assets.	89,889	64,618	54,895	47,299	35,313
Long-term debt, less current maturities	-	-	274	578	787
Total stockholders' equity.	71,647	50,773	44,625	38,986	28,867

</TABLE>

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with selected financial data and consolidated financial statements and notes, included herein.

The Company designs, manufactures and markets equipment for the diagnosis and treatment of sleep disordered breathing conditions, including obstructive sleep apnea. The Company's net revenues are generated from the sale of its various flow generator devices, nasal mask systems, accessories and other products, and, to a lesser extent from royalties. The Company receives other income through interest and certain Australian government grants.

The Company has invested significant resources in research and development and product enhancement. Since 1989, the Company has developed several innovations to the original CPAP device to increase patient comfort and to improve ease of product use. The Company has recently been developing products for automated treatment, titration and monitoring of OSA, such as the recently released AutoSet(Registered Trademark) T flow generator. The Company's research and development expenses are subsidized in part by grants and tax incentives from the Australian federal government. The Company has also received grants from the Australian federal government to support marketing efforts to increase Australian export sales, and for incorporation of computer components into its products.

The Company's income tax rate is governed by the laws of the regions in which the Company's income is recognized. To date, a substantial portion of the Company's income has been subject to income tax in Australia where the statutory rate is 36%. During fiscal 1999, 1998 and 1997, the Company's effective tax rate has fluctuated from approximately 35% to approximately 33%. These fluctuations have resulted from, and future effective tax rates will depend upon, numerous factors, including the amount of research and development expenditures for which a 125% Australian tax deduction is available, the level of non-deductible expenses, and the use of available net operating loss carryforward deductions and other tax credits or benefits available to the Company under applicable tax laws.

Fiscal Year Ended June 30, 1999 Compared to Fiscal Year Ended June 30, 1998

Net Revenues. Net revenues increased in fiscal 1999 to $88.6 million from $66.5 million in fiscal 1998, an increase of $22.1 million or 33%. This increase was primarily attributable to an increase in unit sales of the Company's flow generators and accessories in the Americas where net revenues increased to $51.0 million from $34.3 million and, to a lesser extent, in Europe, where net revenues increased to $30.2 million from $23.3 million. Net revenues also improved due to a shift to higher-priced bilevel based products

such as SULLIVAN(Registered Trademark) VPAP(Registered Trademark)II ST and increased sales of patient mask systems.

Gross Profit. Gross profit increased in fiscal 1999 to $59.2 million from $43.5 million in fiscal 1998, an increase of $15.8 million or 36%. The increase resulted primarily from increased unit sales during fiscal 1999. Gross profit as a percentage of net revenues increased in fiscal 1999 to 66.8% from 65.3% in 1998. The increase was primarily due to improved manufacturing efficiencies and increased sales of higher margin bilevel units.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased in 1999 to $27.4 million from $21.1 million for 1998, an increase of $6.3 million or 30%. As a percentage of net revenues, selling, general and administrative expenses decreased in fiscal 1999 to 30.9% from 31.7% for fiscal 1998. The gross increase in expenses was due primarily to an increase to 212 from 158 in the number of sales and administrative personnel and other expenses related to the increase in the Company's sales.

Research and Development Expenses. Research and development expenses increased in fiscal 1999 to $6.5 million from $5.0 million in fiscal 1998, an increase of $1.5 million or 31%. As a percentage of net revenues, research and development expenses in fiscal 1999 marginally declined to 7.4% from 7.5% in fiscal 1998. The dollar increase in research and development expenses was due primarily to an increase in research and development equipment, personnel and external consultancy fees.

Other Income (expense). Other income (expense) improved in fiscal 1999 to a loss of $0.7 million from a loss of $1.3 million for fiscal 1998, a change of $0.6 million. This improvement was due primarily to reduced losses incurred in the Company's foreign currency hedging structures, partially offset by reduced license fee income. Foreign currency losses for fiscal 1999 were $2.5 million compared to net foreign currency losses of $4.0 million in 1998.

Income Taxes. The Company's effective income tax rate for fiscal 1999 increased to approximately 34.5% from approximately 34.1% for fiscal 1998. This increase was primarily due to the high relative taxes incurred in France and Germany. These higher tax rates were partially offset by additional research and development expenses in Australia for which the Company received a 125% deduction for tax purposes.

Fiscal Year Ended June 30, 1998 Compared to Fiscal Year Ended June 30, 1997

Net Revenues. Net revenues increased in fiscal 1998 to $66.5 million from $49.2 million in fiscal 1997, an increase of $17.3 million or 35%. This increase was primarily attributable to an increase in unit sales of the Company's flow generators and accessories in America where net revenues increased to $34.3 million from $21.3 million and, to a lesser extent, in Europe, where net revenues increased to $23.3 million from $21.5 million. Net revenues also improved due to a shift to higher-priced bilevel based products such as SULLIVAN(Registered Trademark) VPAP(Registered Trademark)II ST and improved patient mask systems.

Gross Profit. Gross profit increased in fiscal 1998 to $43.5 million from $28.9 million in 1997, an increase of $14.6 million or 50%. The increase resulted primarily from increased unit sales during fiscal 1998. Gross profit as a percentage of net revenues increased in fiscal 1998 to 65.3% from 58.7% in 1997. The increase was primarily due to improved manufacturing efficiencies, increased sales of higher margin diagnostic and bilevel units and a 21% devaluation in the Australian dollar, in which the Company's manufacturing activities are denominated.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased in 1998 to $21.1 million from $16.8 million for 1997, an increase of $4.3 million or 26%. As a percentage of net revenues, selling, general and administrative expenses decreased in fiscal 1998 to 31.7% from 34.1% for fiscal 1997. The gross increase in expenses was due primarily to an increase to 158 from 113 in the number of sales and administrative personnel and other expenses related to the increase in the Company's sales. In addition, the Company incurred substantial legal fees with respect to its ongoing patent action of $1,189,000 and $924,000 in 1998 and 1997, respectively.

Research and Development Expenses. Research and development expenses increased in fiscal 1998 to $5.0 million from $3.8 million in fiscal 1997, an increase of $1.2 million or 31%. As a percentage of net revenues, research and development expenses in fiscal 1998 marginally declined to 7.5% from 7.7% in fiscal 1997. The dollar increase in research and development expenses was due primarily to an increase in research and development equipment and external consultancy fees.

Other Income (expense). Other income (expense) decreased in fiscal 1998 to a loss of $1.3 million from a gain of $2.8 million for fiscal 1997, a decrease of $4.1 million. This decrease was due primarily to losses incurred in the Company's foreign currency hedging structures as a consequence of the 21%

devaluation in the Australian dollar during fiscal 1998. Foreign currency losses for fiscal 1998 were $4.0 million compared to net foreign currency gains of $1.6 million in 1997.

Income Taxes. The Company's effective income tax rate for fiscal 1998 increased to approximately 34.1% from approximately 32.7% for fiscal 1997. This increase was primarily due to the high relative taxes incurred in Germany. These higher tax rates were partially offset by additional research and development expenses in Australia for which the Company received a 125% deduction for tax purposes.

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, 2000. 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 balance sheet 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.

Year 2000

The Company conducted a number of reviews of its information systems during fiscal 1998 and fiscal 1999, to identify all system upgrades required to facilitate the growth in business activity. As a consequence of these review procedures, internal application systems have been substantially upgraded in recent years along with a strategic program to replace existing accounting 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 of the Oracle implementation and upgrade of other systems, the Company expects all information systems to be fully Year 2000 compliant by September 1999.

While management expects the costs associated with Year 2000 compliance to be approximately $100,000, the global cost of implementing the Oracle Application Enterprise package once completed is estimated to be approximately $3,000,000.

The Company has completed a review of 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. Significant third parties with which the Company interfaces include, among others, customers and business partners, technology suppliers and service providers and the utility infrastructure (power, transport, telecommunications) on which all entities rely. The most likely worst case scenario is that a lack of readiness by these third parties would expose the Company to the potential for loss, impairment of business process and activities and general disruption of its markets. 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 December 31, 1999 could have a material adverse effect on future operating results or financial condition.

Liquidity and Capital Resources

As of June 30, 1999 and June 30, 1998, the Company had cash and cash equivalents and marketable securities available for sale of approximately $16.7 million and $20.7 million, respectively. The Company's working capital approximated $32.5 million and $32.8 million, respectively, at June 30, 1999 and 1998. The marginal decline in working capital balances primarily reflects funds used for construction of the Company's new manufacturing facility. Beyond this expenditure, working capital balances increased due to increases in trade receivables and inventories partially offset by increases in accrued expenses and income taxes payable.

The Company has financed its operations and capital expenditures through cash generated from operations and, to a much lesser extent, through sales of common stock. During the fiscal years ended June 30, 1999 and 1998, the Company's operations generated cash of approximately $18.2 million and $6.8 million, respectively, primarily as a result of continued increases in net revenues, offset in part by increases in accounts receivable, inventory and prepayments. Given $9.9 million expended on the new production facility, cash and cash equivalents and marketable securities available for sale declined to $16.7 million at June 30, 1999 from $20.7 million at June 30, 1998, a decline of $4.0 million. During fiscal 1999 and 1998, approximately $2.1 million and $1.0 million of cash was received upon exercise of common stock options.

The Company's investing activities (excluding the purchases and sales of marketable securities) for the fiscal years ended June 30, 1999 and 1998 aggregated $24.5 million and $12.8 million, respectively. The majority of the 1999 activities were for the construction of the new production facility and the purchase of production tooling and equipment. To a lesser extent the Company also purchased office furniture, research and development equipment and incurred costs associated with implementation of its new Oracle applications computer system. As a result the Company's June 30, 1999 balance sheet reflects an increase in net property plant and equipment to approximately $29.3 million at June 30, 1999, from $11.1 million at June 30, 1998, an increase of approximately $18.2 million. The Company anticipates spending approximately a further $1.0 million for the ongoing implementation of its Oracle computer system 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 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 loan bears no interest for the first three years and bears interest at a rate of 3.8% thereafter until maturity. The outstanding principal balance of the loan was repaid during fiscal 1999, $227,000 remained outstanding at June 30, 1998.

The Company expects to satisfy all of its short-term liquidity requirements through a combination of cash on hand and cash generated from operations.

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 purchased currency 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 Company does not use foreign currency forward exchange contracts or purchased currency options for trading purposes.

<TABLE>
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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 June 30, 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.

	Fiscal Year			Fair Value Assets/(Liabilities)
	2000	2001	Total	
<S>	<C>	<C>	<C>	<C>
			(In thousands)	
Foreign Exchange Call Options				
(Receive AUS$/Pay US$)				
Option amount.	$ 49,500	$ 9,000	$ 58,500	$ 1,091
Average contractual exchange rate.	AUS $1 = USD 0.6771	AUS $1 = USD 0.680	AUS $1 = USD 0.6774	
(Receive AUS$/Pay DM)				
Option amount.	$ 2,640	$ 1,320	$ 3,960	$ 320
Average contractual exchange rate.	AUS $1 = DM 1.12	AUS $1 = DM 1.12	AUS $1 = DM 1.12	

</TABLE>

Forward-Looking Statements

From time to time, the Company may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities, patent and other litigation and similar matters. There are a variety of factors that could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties that may affect the Company's business, financial condition or results of operations include the following:

The market for products designed to treat sleep disordered breathing related respiratory conditions is characterized by frequent product improvements and evolving technology. The development of new or innovative products by others or the discovery of alternative treatments for such conditions could result in the Company's products becoming obsolete or noncompetitive, which would have a material adverse effect on the Company's business, financial condition and results of operations.

The market for the Company's products is also highly competitive. The failure of the Company to meet the prices offered by its competitors, or offer products which either contain features similar to or more desirable than those products offered by its competitors or which are perceived as reliable by consumers could have a material adverse effect on the business, financial condition and results of operations of the Company. Most of the Company's competitors have greater financial, research, manufacturing and marketing resources than the Company. In addition, some of the Company's competitors sell additional lines of products, and therefore can bundle products to offer higher discounts, or offer rebates or other incentive programs to gain a competitive advantage. The Company's competitors may also employ litigation to gain a competitive advantage. The Company's inability to compete effectively against existing or future competitors would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's operating results have, from time to time, fluctuated on a quarterly basis and may be subject to similar fluctuations in the future. These fluctuations may result from the absence of a backlog of orders for the Company's products, the introduction of new products by the Company or its competitors, the geographic mix of product sales, the success of the Company's marketing efforts in new regions, changes in third-party reimbursement, timing of regulatory action, timing of order by distributors, expenditures incurred for research and development, competitive pricing in different regions, seasonality, the cost and effect of promotional and marketing programs and the effect of foreign currency transaction gains or losses, among other factors, In addition, the Company's results of operations could be adversely affected by changes in tax laws in the various countries in which the Company conducts its operations.

The Company's success is dependent upon the ability of the Company's customers to obtain adequate reimbursement from third-party payors for purchasing the Company's products. Third-party payors may deny reimbursement if they determine that the prescribed device has not received appropriate United

States Food and Drug Administration ("FDA") or other governmental regulatory clearances, is not used in accordance with cost-effective treatment methods as determined by the payor, or is experimental, unnecessary or inappropriate. Third-party payors are increasingly challenging the prices charged for medical products and services. The cost containment measures that health care providers are instituting could have an adverse effect on the Company's ability to sell its products and may have a material adverse effect on the Company's business, financial condition and results of operations. In some markets, such as Spain, France and Germany, government reimbursement is currently available for purchase or rental of the Company's products, subject to constraints such as price controls or unit sales limitations. In Australia and some other foreign markets there is currently limited or no reimbursement for devices that treat sleep disordered breathing related respiratory conditions.

A substantial portion of the Company's net revenue is generated from sales outside North America. The Company expects that such sales will continue to account for a significant portion of the Company's net revenues in the future. The Company's sales outside of North America are subject to certain inherent risks of global operations, including fluctuations in currency exchange rate, tariffs, import licenses, trade policies, domestic and foreign tax policies and foreign medical device manufacturing regulations. The Company has had foreign currency transaction gains and losses in recent periods. A significant fall in the value of the United States dollar against certain international currencies could have a material adverse effect on the Company's business, financial condition and results of operations.

Other factors which could potentially have a material adverse effect on the Company's business, results of operations or financial conditions include the costs and other effects of legal and administrative cases and proceedings, settlements and investigations, claims and changes in those items, and developments or assertions by or against the Company relating to intellectual property rights and intellectual property licenses.

The information contained in this section is not intended to be an exhaustive description of the risks and uncertainties inherent in the Company's business or in its strategic plans. Please see Item 1 "Business" and Item 3- "Legal Proceedings.".

Item 8 Consolidated Financial Statements and Supplementary Data

a) Index to Consolidated Financial Statements

<TABLE>
<CAPTION>

</TABLE>

b) Supplementary Data

Quarterly Financial Information (unaudited)

The quarterly results for the years ended June 30, 1999 and 1998 are summarized below:

<TABLE>
<CAPTION>

	1999				
	First. Quarter.	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
<S>	<C>	<C>	<C>	<C>	<C>
Net revenue.	$ 19,244	$ 21,480	$ 22,760	$25,143	$88,627
Gross profit	13,160	14,516	14,859	16,676	59,211
Net income	3,184	3,913	4,368	4,637	16,102
Basic earnings per share	$ 0.22	$ 0.27	$ 0.30	$ 0.31	$ 1.09
Diluted earnings per share	$ 0.21	$ 0.25	$ 0.28	$ 0.30	$ 1.04

</TABLE>

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	1998				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
</TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
Net revenue.	$ 13,978	$ 16,146	$ 17,113	$19,282	$66,519
Gross profit	8,553	10,973	11,015	12,909	43,450
Net income	2,158	2,293	3,146	3,014	10,611
Basic earnings per share .	$ 0.15	$ 0.16	$ 0.22	$ 0.21	$ 0.73
Diluted earnings per share	$ 0.15	$ 0.15	$ 0.21	$ 0.20	$ 0.71

<FN>
(1) Per share amounts for each quarter are computed independently, and, due to the computation formula, the sum of the four quarters may not equal the year.
</TABLE>

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III

Item 10 Directors and Executive Officers of the Registrant

Incorporated by reference to Registrant's definitive Proxy Statement for its November 8, 1999 meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days from June 30, 1999.

Item 11 Executive Compensation

Incorporated by reference to Registrant's definitive Proxy Statement for its November 8, 1999 meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days from June 30, 1999.

Item 12 Security Ownership of Certain Beneficial Owners and Management

Incorporated by reference to Registrant's definitive Proxy Statement for its November 8, 1999 meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days from June 30, 1999.

Item 13 Certain Relationships and Related Transactions

Dr. Colin Sullivan, a member of the Company's Medical Advisory Board, provides consulting services to the Company pursuant to a Consulting Agreement that terminates on December 31, 2000 (subject to extension for an additional five-year term) for which he receives annual payments of $186,000 per annum. The Company also reimburses Dr. Sullivan for his out-of-pocket expenses in performing such consulting services. The Company has also agreed to pay $130,000 to Dr. Sullivan for a period of 24 months following the termination of his consulting relationship with the Company. Total payments to Dr. Sullivan were $186,000, $278,000 and $353,000 for the Company's fiscal years ended June 30, 1999, 1998 and 1997, respectively.

PART IV

Item 14 Exhibits, Consolidated Financial Statements, Schedule, and Reports on Form 8-K

a) The following documents are filed as part of this report:

1.1 Consolidated Financial Statements and Schedule.

The consolidated financial statements and schedule of the Company and its consolidated subsidiaries are set forth in the "Index to Consolidated Financial Statements" under Item 8 of this report.

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

3.1 Certificate of Incorporation of Registrant, as amended*
3.2 By-laws of Registrant*
4.1 Form of certificate evidencing shares of Common Stock*
4.2 Rights agreement dated as of April 23, 1997**
10.1 1995 Stock Option Plan*
10.2 1997 Equity Participation Plan***
10.3 Licensing Agreement between the University of Sydney and ResMed Limited dated May 17, 1991, as amended*

10.4 Consulting Agreement between Colin Sullivan and ResMed Limited effective from 1 January 1998****
10.5 Loan Agreement between the Australian Trade Commission and ResMed Limited dated May 3, 1994*
10.6 Lease for 10121 Carroll Canyon Road, San Diego 92131-1109, USA****
11.1 Statement re: Computation of Earning per Share
21.1 Subsidiaries of the Registrant
23.1 Independent Auditors' Report and Consent and Report on Schedule
27.1 Financial Data Schedule

* Incorporated by reference to the Registrant's Registration Statement on Form S-1 (No. 33-91094) declared effective on June 1, 1995.
** Incorporated by reference from the Registrant's Report on Form 8-K (File No. 0-26038).
*** Incorporated by reference from the Registrant's 1997 Proxy Statement (File No. 0-26038).
**** Incorporated by reference from the Registrant's Report on Form 10-K dated Jun 30, 1998 (File No. 0-26038)

b) Report on Form 8-K

None

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
ResMed Inc.:

We have audited the accompanying consolidated balance sheets of ResMed Inc. and subsidiaries as of June 30, 1999 and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three year period ended June 30, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ResMed Inc. and subsidiaries as of June 30, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three year period ended June 30, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP
KPMG LLP
San Diego, California
August 6, 1999

<TABLE>
<CAPTION>

RESMED INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 1999 AND 1998
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	June 30, 1999	June 30, 1998
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents.	$ 11,108	15,526
Marketable securities available for sale (note 3).	5,626	5,220
Accounts receivable, net of allowance for doubtful accounts of $421 and $248 at June 30, 1999 and 1998, respectively. . .	17,898	12,789
Government grants receivable	-	384

Inventories, net (note 4).	10,725	7,647
Deferred income taxes (note 10).	2,392	2,518
Prepaid expenses and other current assets.	3,022	2,520
Total current assets.	50,771	46,604
Property, plant and equipment, net of accumulated amortization of $8,511 at June 30, 1999 and $5,395 at June 30, 1998 (note 5). .	29,322	11,111
Patents, net of accumulated amortization of $570 and $368 at June 30, 1999 and 1998, respectively	782	459
Goodwill, net of accumulated amortization of $1,459 and $893 at June 30, 1999 and 1998, respectively.	6,555	5,445
Other assets	2,459	999
Total Assets.	89,889	64,618
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	4,772	3,759
Accrued expenses (note 6).	7,779	6,637
Income taxes payable	5,691	3,222
Current portion of long term debt (note 7)	-	227
Total current liabilities	18,242	13,845
Stockholders' equity (note 8):		
Preferred stock, $.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, $.004 par value, 50,000,000 shares authorized; issued and outstanding 14,808,000 at June 30, 1999 and 14,552,000 at June 30, 1998.	59	58
Additional paid-in capital	33,736	31,224
Retained earnings.	43,281	27,179
Accumulated other comprehensive income (loss).	(5,429)	(7,688)
Total stockholders' equity.	71,647	50,773
Commitments and contingencies (notes 14 and 16)		
	$ 89,889	64,618

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

<TABLE>
<CAPTION>

RESMED INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED JUNE 30, 1999, 1998 AND 1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	June 30, 1999	June 30, 1998	June 30, 1997
<S>	<C>	<C>	<C>
Net revenues	$ 88,627	66,519	49,180
Cost of sales.	29,416	23,069	20,287
Gross profit	59,211	43,450	28,893
Operating expenses:			
Selling, general and administrative expenses.	27,414	21,093	16,759
Research and development expenses	6,542	4,994	3,807
Total operating expenses	33,956	26,087	20,566
Income from operations	25,255	17,363	8,327
Other (expenses) income:			
Interest income, net.	779	1,011	1,205
Government grants	833	611	316
Other, net (note 9)	(2,290)	(2,873)	1,239
Total other (expenses) income, net	(678)	(1,251)	2,760

Income before income taxes	24,577	16,112	11,087
Income taxes (note 10)	8,475	5,501	3,622
Net income	$ 16,102	10,611	7,465
Basic earnings per share	$ 1.09	$ 0.73	$ 0.52
Diluted earnings per share	$ 1.04	$ 0.71	$ 0.51

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

<TABLE>
<CAPTION>

RESMED INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED JUNE 30, 1999, 1998 AND 1997
(IN THOUSANDS)

	Common stock Shares	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, June 30, 1996	14,344	$ 58	29,378	9,103	447	38,986
Common stock issued on exercise of options (note 8)	60	-	249	-	-	249
Comprehensive income						
Net income	-	-	-	7,465	-	7,465
Other comprehensive income						
Foreign currency translation adjustments					(2,075)	(2,075)
Comprehensive income						
Balance, June 30, 1997	14,404	58	29,627	16,568	(1,628)	44,625
Common stock issued on exercise of options (note 8)	148	-	1,020	-	-	1,020
Tax benefit from exercise of options	-	-	577	-	-	577
Comprehensive income						
Net income	-	-	-	10,611	-	10,611
Other comprehensive income						
Foreign currency translation adjustments					(6,060)	(6,060)
Comprehensive income						
Balance, June 30, 1998	14,552	58	31,224	27,179	(7,688)	50,773
Common stock issued on exercise of options (note 8)	256	1	2,124	-	-	2,125
Tax benefit from exercise of options	-	-	388	-	-	388
Comprehensive income						
Net income	-	-	-	16,102	-	16,102
Other comprehensive income						
Foreign currency translation adjustments					2,259	2,259
Comprehensive income						
Balance, June 30, 1999	14,808	59	33,736	43,281	(5,429)	71,647

		=========	=========	=========	=========

	Comprehensive Income
<S>	<C>
Balance, June 30, 1996	
Common stock issued on exercise of options (note 8)	
Comprehensive income	
Net income.	7,465
Other comprehensive income	
Foreign currency translation adjustments. . . .	(2,075)
. . . . .	
Comprehensive income.	5,390
Balance, June 30, 1997	
Common stock issued on exercise of options (note 8)	
Tax benefit from exercise of options	
Comprehensive income	
Net income.	10,611
Other comprehensive income	
Foreign currency translation adjustments. . . .	(6,060)
. . . . .	
Comprehensive income.	4,551
Balance, June 30, 1998	
Common stock issued on exercise of options (note 8)	
Tax benefit from exercise of options	
Comprehensive income	
Net income.	16,102
Other comprehensive income	
Foreign currency translation adjustments. . . .	2,259
. . . . .	
Comprehensive income.	18,361
Balance, June 30, 1999	

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

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<CAPTION>

RESMED INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 1999, 1998 AND 1997
(IN THOUSANDS)

	June 30, 1999	June 30, 1998	June 30, 1997
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 16,102	10,611	7,465
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.	3,973	3,232	2,261
Goodwill amortization.	633	483	349
Provision for service warranties	240	6	124
Deferred income taxes.	549	(416)	(1,032)
Foreign currency options revaluation	125	1,143	(458)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net	(5,516)	(5,096)	(1,714)
Government grants.	401	(61)	491
Inventories.	(2,919)	(2,445)	(259)
Prepaid expenses and other current assets.	(605)	(1,352)	(180)
Accounts payable, accrued expenses and other liabilities .	2,873	1,031	417
Income taxes payable	2,332	(353)	2,011
Net cash provided by operating activities.	18,188	6,783	9,475
Cash flows from investing activities:			
Purchases of property and equipment.	(20,515)	(10,110)	(3,962)
Purchase of marketable securities - available for sale . .	(7,290)	(31,292)	(50,141)
Proceeds from sale of securities - available for sale. . .	6,862	44,474	49,254
Purchases of patents	(445)	(369)	(132)

Business acquisitions.	(2,024)	(1,699)	(1,177)
Proceeds from sale of non trading investments.	-	-	1,113
Purchases of investments	(1,529)	(665)	-
Loan receivables	-	-	(300)
Net cash provided by (used in) investing activities. . .	(24,941)	339	(5,345)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net.	2,125	1,020	249
Repayment of long-term debt.	(235)	(239)	(287)
Net cash provided by (used in) financing activities. . .	1,890	781	(38)
Effect of exchange rate changes on cash	445	(1,454)	(525)
Net increase (decrease) in cash and cash equivalents.	(4,418)	6,449	3,567
Cash and cash equivalents at beginning of the year.	15,526	9,077	5,510
Cash and cash equivalents at end of the year. . . . . $	11,108	15,526	9,077
Supplemental disclosure of cash flow information:			
Income taxes paid. . . . . $	5,374	6,272	2,647
Interest paid.	-	-	-

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

RESMED INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

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. ResMed designs, manufactures and markets devices for the evaluation and treatment of sleep disordered breathing, primarily obstructive sleep apnea. The Company's corporate offices are based in San Diego, California with its principal manufacturing operation located in Australia. Other distribution and sales sites are located in the United States, United Kingdom, Singapore and Europe.

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. Service revenue received in advance from service contracts is initially capitalized and progressively recognized as revenue over the life of the service contract. Revenue from sale of marketing or distribution rights is initially capitalized and progressively recognized as revenue over the period of expected benefits but not exceeding three years.

(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.

(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.

RESMED INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 accumulated 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 re-assessed.

During fiscal 1999 the Company paid $2,024,000 as a final deferred goodwill payment on the 1996 acquisition of its German distributor.

Amortization expense of goodwill was $633,000, $483,000 and $349,000 for the years ended June 30, 1999, 1998 and 1997, respectively.

(h) Government Grants:

Government grants revenue is recognized when earned. Grants have been obtained by the Company from the Australian Federal Government to support the 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 $833,000, $611,000 and $316,000 for the years ended June 30, 1999, 1998 and 1997, 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 year end exchange rates, and revenue and expense transactions are translated at average exchange rates for the year. Cumulative translation adjustments are recognized as part of "Comprehensive Income", as described in Note 15, and are included in "Accumulated Other Comprehensive Income" on the 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.

(j) Research and Development:

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

RESMED INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Earnings Per Share:

During the year ended June 30, 1998, 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 were 14,708,000, 14,500,000, and 14,378,000 for the years ended June 30, 1999, 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 826,000, 522,000 and 256,000 for the years ended June 30, 1999, 1998 and 1997, respectively.

(l) Financial Instruments:

The carrying value of financial instruments, such as of cash and cash

equivalents, marketable securities - available for sale, accounts receivable, government grants receivable, foreign currency option contracts, accounts payable and debt approximate their fair value because of their short term nature. 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.

(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 and Deutschmarks. The term of such foreign currency option contracts generally do not exceed three years.

Unrealized gains or losses are recognized as incurred in the Consolidated 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.

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. At June 30, 1999 and 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 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 at June 30, 1999 is $1,411,000 which represents the positive fair value of options held by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign Exchange Risk Management(continued):

The Company held foreign currency option contracts with notional amounts totaling $62,460,000 and $62,683,000 at June 30, 1999 and 1998, respectively to hedge foreign currency items. These contracts mature at various dates prior to April 2001.

(n) Income Taxes:

The Company accounts for income taxes under the asset and liability 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) Marketable Securities:

Management determines the appropriate classification of its investments in debt and equity securities at the time of purchase and re-evaluates such determination at each balance sheet date. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available for sale. Securities available for sale are carried at fair value, with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive income (loss).

At June 30, 1999 and 1998, the Company's investments in debt securities were classified on the accompanying consolidated balance sheet as marketable securities-available for sale. These investments are diversified among high credit quality securities in accordance with the Company's investment policy.

The amortized cost of debt securities classified as available for sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and interest are included in interest income. Realized gains and losses are included in other income or expense. The cost of securities sold is based on the specific identification method.

(p) Warranty:

Estimated future warranty obligations related to certain products are provided by charges to operations in the period in which the related revenue is recognized.

(q) 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 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 exceed 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.

3. MARKETABLE SECURITIES

The estimated fair value of marketable securities available for sale at June 30, 1999 and 1998, was $5,626,000 and $5,220,000, respectively. The estimated fair value of each investment approximates the amortized cost, and therefore, there are no unrealized gains or losses as of June 30, 1999 or 1998.

Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

4. INVENTORIES

Inventories were comprised of the following at June 30, 1999 and 1998 (in thousands) :

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Raw materials. .	$ 4,153	2,169
Work in progress	74	546
Finished goods .	6,498	4,932
	$ 10,725	7,647

</TABLE>

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment is comprised of the following at June 30, 1999 and 1998 (in thousands):

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Machinery and equipment.	$ 8,134	4,368
Computer equipment	4,692	1,616
Furniture and fixtures	3,977	1,682
Vehicles	987	761
Clinical, demonstration and rental equipment	5,502	3,302
Leasehold improvements	344	505
Land	3,476	3,196
Buildings.	10,721	1,076
	37,833	16,506
Accumulated depreciation and amortization. .	(8,511)	(5,395)
	$ 29,322	11,111

</TABLE>

6. ACCRUED EXPENSES

Accrued expenses at June 30, 1999 and 1998 consist of the following (in thousands):

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Service warranties.	$ 478	290
Relocation provision.	-	190
Royalties	123	319
Value added taxes due	2,074	1,758
Employee related costs.	2,451	1,301
Deferred revenue.	949	665
Accrued foreign currency losses	-	1,030
Other	1,704	1,084
	$ 7,779	6,637

</TABLE>

7. LONG-TERM DEBT

As part of an agreement between ResMed and the Australian Federal Government in fiscal 1994, ResMed obtained an $870,000 loan facility which was fully repaid during fiscal 1999. $227,000 was outstanding at June 30, 1998. The loan facility was unsecured and accrued interest at 3.8% per annum beginning May 3, 1996 through April 3, 1999. Prior to May 3, 1996, the loan was interest free.

8. STOCKHOLDERS' EQUITY

Stock Options

The Company has granted stock options to personnel, including officers and directors in accordance with both the 1995 Option Plan and the 1997 Equity Participation Plan. These options have expiration dates of ten years from date of grant and vest over three years. The Company granted these options with the exercise price equal to the market value as determined at the date of grant.

In August 1997 as part of the introduction of the 1997 Equity Participation Plan, the Company cancelled 21,940 options, being all non-issued options remaining under the 1995 Option Plan.

The following table summarizes option activity;

<TABLE>
<CAPTION>

	1999	Weighted Average Exercise Price	1998	Weighted Average Exercise Price	1997	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year .	1,201,580	$ 9.13	878,176	$ 6.99	989,800	$ 6.82
Granted.	632,500	22.62	498,800	12.17	-	-
Exercised.	(256,344)	8.29	(147,260)	6.93	(61,320)	4.28
Forfeited.	(6,600)	22.63	(28,136)	10.19	(50,304)	7.08
Outstanding at end of year	1,571,136	$ 14.63	1,201,580	$ 9.13	878,176	$ 6.99
Price range of granted options . .	$ 20-23		$ 12-17.50		-	
Options exercisable at end of year	627,063	$ 7.99	551,736	$ 6.76	410,066	$ 6.55

</TABLE>

8. STOCKHOLDERS' EQUITY (CONTINUED)

The total number of shares of Common Stock authorized for issuance upon exercise of options and other awards, or upon vesting of restricted or deferred stock awards, under the 1997 Plan was initially established at 500,000 and increases at the beginning of each fiscal year, commencing on July 1, 1998, by an amount equal to 4% of the outstanding Common Stock on the last day of the preceding fiscal year. The maximum number of shares of Common Stock issuable upon exercise of incentive stock options granted under the 1997 Plan, however, cannot exceed 4,000,000. Furthermore, the maximum number of shares which may be subject to options, rights or other awards granted under the 1997 Plan to any individual in any calendar year cannot exceed 150,000.

The following table summarizes information about stock options outstanding at June 30, 1999.

<TABLE>
<CAPTION>

Exercise Prices.	Weighted Average Number Outstanding at June 30, 1999	Remaining Contractual Life	Number Exercisable at June 30, 1999
<S>	<C>	<C>	<C>
$5.50.	194,646	5.92	194,646
$6.53.	5,000	6.88	5,000
$8.17.	325,186	7.00	325,186
$12.00	409,404	8.10	97,231
$17.50	15,000	8.75	5,000
$22.63	564,900	9.00	-
$23.13	24,000	9.00	-
$22.50	28,000	9.25	-
$19.75	5,000	9.78	-
	1,571,136.	7.97	627,063

</TABLE>

The Company applies APB Opinion No. 25 in accounting for its Plan and, accordingly, no compensation cost has been recognized for its stock options in fiscal 1999, 1998 and 1997, respectively. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS 123, the Company's net income would have been reduced to the pro forma amounts indicated below:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Net income (in thousands)			
As reported.	$16,102	$10,611	$7,465
Pro forma.	12,951	9,380	6,467
Basic earnings per common share			
As reported.	$ 1.09	$ 0.73	$ 0.52
Pro forma.	$ 0.88	$ 0.65	$ 0.45
Diluted income per common and common equivalent share			
As reported.	$ 1.04	$ 0.71	$ 0.51
Pro forma.	$ 0.83	$ 0.62	$ 0.44

</TABLE>

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: weighted average risk-free interest rates of 5.8% for fiscal 1999, 1998 and 1997, respectively; no dividend yield; expected lives of four years; and volatility of 55% for 1999, 34% for 1998 and 62.7% for 1997, respectively.

Pro forma net income reflects only options granted after 1994. Therefore, the full impact of calculating compensation cost for stock options under SFAS 123 is not reflected in the pro forma net income amounts presented above because compensation cost is reflected over the options vesting period of 3 years and compensation cost for options granted prior to, and not in connection with, the Company's initial public offering on June 2, 1995 are not considered.

8. STOCKHOLDERS' EQUITY (CONTINUED)

Preferred Stock

In April 1997 the board of directors authorized 2,000,000 shares of $0.01 par value preferred stock. No such shares were issued or outstanding at June

30, 1999.

Stock Purchase Rights

In April 1997, the Company implemented a plan to protect stockholders' rights in the event of a proposed takeover of the Company. Under the plan, each share of the Company's outstanding common stock carries one right to purchase Series A Junior Participating Preferred Stock (the "Right"). The Right enables the holder, under certain circumstances, to purchase common stock of the Company or of the acquiring person at a substantially discounted price ten days after a person or group publicly announces it has acquired or has tendered an offer for 15% or more of the Company's outstanding common stock. The Rights are redeemable at $0.01 per Right and expire in 2007.

Common Stock

The 1998 Annual Meeting of Stockholders approved a two-for-one split of the Company's common stock, effective November 6, 1998. Stockholders' Equity has been restated to give retroactive recognition to the stock split by reclassifying from additional paid-in capital to common stock, the par value of the additional shares as a result of the stock split.

9. OTHER, NET

Other, net is comprised of the following at June 30, 1999, 1998 and 1997 (in thousands):

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
License fees	$ 58	1,272	-
Unrealized gain/(loss) on foreign currency hedging position	435	(1,050)	485
Gain/(loss) on foreign currency transactions	(2,888)	(2,927)	1,117
Write down of investments	300	(125)	(175)
Other	(195)	(43)	(188)
	($2,290)	(2,873)	1,239

</TABLE>

In March 1998, the Company granted to a third party licenses to three of the Company's patents for a non refundable payment of $1,250,000. The license agreement will allow the third party to manufacture and distribute certain products featuring the Company's patented technology in the US homecare market. Additionally, the Company will earn royalties on products manufactured.

10. INCOME TAXES

Income before income taxes for the years ended June 30, 1999, 1998 and 1997, was taxed under the following jurisdictions (in thousands):

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
U.S.	$ 4,043	1,730	4,054
Non-U.S.	20,534	14,382	7,033
	$ 24,577	16,112	11,087

</TABLE>

10. INCOME TAXES (CONTINUED)

The provision for income taxes is presented below (in thousands):

<TABLE>
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	1999	1998	1997
<S>	<C>	<C>	<C>
Current:			
Federal	$ 772	(13)	(20)
State	174	(148)	479
Non-U.S.	6,980	6,078	4,223

	7,926	5,917	4,682
Deferred:			
Federal.	360	(226)	366
State.	(12)	94	(61)
Non-U.S.	201	(284)	(1,365)
	549	(416)	(1,060)
Provision for income taxes	$ 8,475	5,501	3,622

</TABLE>

<TABLE>
<CAPTION>

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. federal income tax rate of 34% to pretax income as a result of the following (in thousands):

	1999	1998	1997
<S>	<C>	<C>	<C>
Computed "expected" tax expense	$ 8,356	5,478	3,770
Increase (decrease) in income taxes resulting from:			
Non-deductible expenses	302	29	129
Research and development credit	(250)	(371)	(388)
Tax effect of intercompany dividends.	13	(321)	(34)
Utilization of net operating loss carryforwards	-	(22)	(26)
Change in valuation allowance	71	47	-
Effect of non-U.S. tax rates.	455	415	(115)
State income taxes.	131	(36)	264
Other	(603)	282	22
	$ 8,475	5,501	3,622

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are comprised of the following at June 30, 1999 and 1998 (in thousands):

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Deferred tax assets:		
Employee benefit obligations . . .	$ 333	$ 263
Provision for service warranties .	170	95
Net operating loss carryforwards .	64	383
Deferred foreign tax credits . . .	1,334	334
Write down of investments.	-	102
Accrual for legal costs.	426	183
Intercompany profit in inventories	1,567	1,658
Unrealized foreign exchange losses	173	-
Property, plant and equipment. . .	450	-
Other accruals	312	634
	4,829	3,652
Less valuation allowance. . . .	(64)	(16)
Deferred tax assets	4,765	3,636

</TABLE>

10. INCOME TAXES (CONTINUED)

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Deferred tax liabilities:		
Patents	(243)	(135)
Capitalized software.	(536)	-

Unrealized gain on foreign currency options	(508)	(184)
Unrealized foreign exchange gains	-	(250)
Undistributed German income	(892)	(243)
Royalties receivable.	(18)	(58)
Other receivables	(41)	-
Other	(135)	(248)
Deferred tax liabilities	(2,373)	(1,118)
Net deferred tax asset	$ 2,392	2,518

</TABLE>

The valuation allowance at June 30, 1999 and 1998, primarily relates to a provision for uncertainty as to the utilization of net operating loss carryforwards. The net change in the valuation allowance was an increase of $48,000 for the year ended June 30, 1999, in comparison to a decline of $635,000, and an increase of $475,000 for the years ended June 30, 1998 and 1997, respectively. The measurement of deferred tax assets and liabilities at June 30 of each year, reflect foreign currency translation adjustments, changes in enacted tax rates and changes in temporary differences. Income taxes in 1999, 1998 and 1997 were reduced by $Nil, $22,000 and $26,000, respectively through the utilization of net operating loss carryforwards.

At June 30, 1999, ResMed has exhausted its net operating loss carryforwards for U.S. federal income tax purposes. The net operating loss carryforwards relate to Singapore, Malaysia and New Zealand.

11. EMPLOYEE RETIREMENT PLANS

ResMed contributes to a number of employee retirement plans for the benefit of its employees. These plans are detailed as follows:

Australia

ResMed contributes to defined contribution pension plans for each employee resident in Australia. All Australian employees after serving a qualifying period, are entitled to benefits on retirement, disability or death. Employees may contribute additional funds to the plans. ResMed contributes to the plans at the rate of 7% of the salaries of all Australian employees. Total Company contributions to the plans for the years ended June 30, 1999, 1998 and 1997 were $457,000, $362,000 and $318,000, respectively.

United Kingdom

During fiscal 1998, ResMed established a defined contribution plan for each permanent United Kingdom employee. All employees, after serving a three month qualifying period, are entitled to benefit on retirement, disability or death. Employees may contribute additional funds to the plan. ResMed contributes to the plans at the rate of 3% of the salaries. Total Company contributions to the plan were $8,000, $5,000 and $4,000 in fiscal 1999, 1998 and 1997 respectively.

11. EMPLOYEE RETIREMENT PLANS (CONTINUED)

United States

The Company sponsors a defined contribution pension plan available to substantially all domestic employees. Company contributions to this plan are based on a percentage of employee contributions to a maximum of 3% of employee salaries. The cost of this plan to the Company was $96,000, $54,000 and $39,000 in fiscal 1999, 1998 and 1997 respectively.

12. SEGMENT INFORMATION

ResMed operates solely in the sleep disordered breathing sector of the respiratory medicine industry. The Company therefore believes that, given the single market focus of its operations and the inter dependence of its products that ResMed operates as a single operating segment. The Company assesses performance and allocates resources on the basis of a single operating entity.

Financial information by geographic area for the years ended June 30, 1999, 1998 and 1997, is summarized below (in thousands):

<TABLE>
<CAPTION>

	U.S.A	Germany	Australia	Rest of World	Total
<S>	<C>	<C>	<C>	<C>	<C>

1999					
Revenue from external customers	$ 47,229	13,181	3,489	24,728	88,627
Long lived assets	$ 2,525	816	26,611	1,829	31,781
1998					
Revenue from external customers	$ 31,170	11,248	3,670	20,431	66,519
Long lived assets	$ 1,707	595	9,211	597	12,110
1997					
Revenue from external customers	$ 19,077	12,264	4,117	13,722	49,180
Long lived assets	$ 1,249	631	3,265	396	5,541

</TABLE>

12. SEGMENT INFORMATION (CONTINUED)

Net revenues from external customers is based on the location of the customer. Long lived assets of geographic areas are those assets used in the Company's operations in each geographical area and excludes patents, deferred tax assets and goodwill.

13. RELATED PARTY TRANSACTIONS

For the years ended June 30, 1999, 1998 and 1997, consulting service fees in the amount of $186,000, $278,000 and $353,000, were paid to Dr. Colin Sullivan, a shareholder. Dr. Sullivan provides consulting services to the Company pursuant to a consulting agreement that terminates on December 31, 2000 (subject to extension for an additional five year term) for which he receives annual payments of $186,000. The Company also reimburses Dr. Sullivan for his out-of-pocket expenses in performing such consulting services.

The Company has also agreed to pay to Dr. Sullivan $130,000 for a period of 24 months following the termination of his consulting relationship with the Company in exchange for his agreement not to compete with the Company during this period.

14. COMMITMENTS

The Company leases buildings, motor vehicles and office equipment under operating leases. Rental charges for these items are expensed as incurred. At June 30, 1999 the Company had the following future minimum lease payments under non cancelable operating leases.

<TABLE>
<CAPTION>

Years	Operating leases $ '000
<S>	<C>
2000	$ 564
2001	645
2002	629
2003	607
2004	616
Thereafter	538
Total minimum lease payments	$ 3,599

</TABLE>

Rent expenses under operating leases for the years ended June 30, 1999, 1998 and 1997 were approximately $789,000, $607,000 and $585,000, respectively.

15. 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 foreign currency translation adjustments for the year ended June 30, 1999 was $2.3 million compared to losses of $6.1 million and $2.1 million for the years ended June 30, 1998 and 1997, respectively. 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 June 30, 1999 and June 30, 1998 consisted solely of foreign currency translation adjustments and represent unrealized losses of $5.4 million and $7.7 million, respectively.

16. LEGAL ACTIONS

The Company is currently engaged in litigation relating to the enforcement and defense of certain of its patents.

In January 1995, the Company filed a complaint in the United States District Court for the Southern District of California seeking monetary damages from and injunctive relief against Respironics for alleged infringement of three ResMed patents. In February 1995, Respironics filed a complaint in the United States District Court for the Western District of Pennsylvania 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 were combined and are proceeding in the United States District Court for the Western District of Pennsylvania. In June 1996, the Company filed an additional complaint against Respironics for infringement of a fourth ResMed patent, and that complaint was consolidated with the earlier action. As of this date, Respironics 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 awaiting judicial action. 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, Respironics 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.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DATED September 13, 1999 ResMed Inc.

By: /S/ PETER C FARRELL

Peter C. Farrell, President and Chief Executive Officer
(Principal Executive Officer)

By: /S/ ADRIAN M SMITH

Adrian M. Smith, Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/S/ PETER C FARRELL. . . .	Chief Executive Officer, President,	September 13, 1999
_____	Chairman of the Board (Principal	
Peter C. Farrell	Executive Officer)	
/S/ CHRISTOPHER G ROBERTS.		September 13, 1999

_____		
Christopher G. Roberts . .	Director	
/S/ MICHAEL A QUINN. . . .		September 13, 1999
_____		
Michael A. Quinn	Director	
/S/ GARY W PACE.		September 13, 1999
_____		
Gary W. Pace	Director	
/S/ DONAGH MCCARTHY. . . .		September 13, 1999
_____		
Donagh McCarthy.	Director	

</TABLE>

Schedule II

<TABLE>
<CAPTION>

RESMED INC AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED JUNE 30, 1999, 1997 AND 1996
(IN THOUSANDS)

	Balance at beginning of period	Charged to costs and expenses	Other (deductions) additions	Balance at end of period
<S>	<C>	<C>	<C>	<C>
Year ended June 30, 1999				
Applied against asset account				
Allowance for doubtful accounts	$ 248	348	(175)	421
Year ended June 30, 1998				
Applied against asset account				
Allowance for doubtful accounts	$ 277	79	(108)	248
Year ended June 30, 1997				
Applied against asset account				
Allowance for doubtful accounts	$ 175	102	-	277

</TABLE>

EXHIBIT INDEX

* Incorporated by reference to the Registrant's Registration Statement on Form S-1 (No. 33-91094) declared effective on June 1, 1995.
** Incorporated by reference from the registrants Report on Form 8-K (File No. 0-26038).
*** Incorporated by reference from the Registrant's 1997 Proxy Statement (File No. 0-26038).
**** Incorporated by reference from the Registrant's Report on Form 10-K dated Jun 30, 1998 (File No. 0-26038)

Exhibit 11.1

<TABLE>
<CAPTION>

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

<S>	<C>	Year Ended June 30, 1999	<C> 1998	<C> 1997
BASIC EARNINGS				
Net income	$	16,102	10,611	7,465
Shares				
Weighted average number of common shares outstanding.		14,708	14,500	14,378
Basic earnings per share	$	1.09	$ 0.73	$ 0.52
DILUTED EARNINGS				
Net income	$	16,102	$ 10,611	7,465
Shares				
Weighted average number of common shares outstanding.		14,708	14,500	14,378
Additional shares assuming conversion of stock options under treasury stock method		826	522	256
Weighted average number of common and common equivalent shares outstanding as adjusted		15,534	15,022	14,634
Diluted earnings per share	$	1.04	$ 0.71	$ 0.51

</TABLE>

Exhibit 21.1

RESMED INC
SUBSIDIARIES OF THE REGISTRANT

ResMed Holdings Limited (incorporated under the laws of New South Wales, Australia)

ResMed Limited (incorporated under the laws of New South Wales, Australia)*

ResMed Asia Pacific Limited (incorporated under the laws of New South Wales, Australia)*

ResMed Corporation (a Minnesota corporation)

ResMed (UK) Limited (a United Kingdom corporation)*

ResMed International Inc (a Delaware corporation)

ResMed Priess GmbH and Co Kg (a German corporation)**

ResMed SA (a French corporation)**

ResMed Priess GmbH (a German corporation)

ResMed Singapore Pte Ltd (a Singaporean corporation)**

ResMed (Malaysia) Sdn Bhd (a Malaysian Corporation)**

ResMed New Zealand Limited (a New Zealand Corporation)**

ResMed R&D Limited (incorporated under the laws of New South Wales, Australia)*

*A subsidiary of ResMed Holdings Limited
** A subsidiary of ResMed International Inc

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULE

The Board of Directors and Stockholders
ResMed Inc.:

The audits referred to in our report dated August 6, 1999, included the related financial statement schedule as of June 30, 1999 and for each of the years in the three-year period ended June 30, 1999. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to incorporation by reference in the registration statement (No. 333-08013) on Form S-8 of ResMed Inc. of our reports included herein.

/s/ KPMG LLP
KPMG LLP
San Diego, California
September 13, 1999

<TABLE> <S> <C>

<ARTICLE> 5
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This schedule contains summary financial information extracted from ResMed Inc's Annual June 30, 1999 financial report and is qualified in its entirety by reference to such financial statements.
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