

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 1999

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

Commission file number: 0-26038

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

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

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

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

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

As of December 31, 1999, 15,019,132 shares of Common Stock (\$0.004 par value)
were outstanding.

RESMED INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

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RESMED INC. AND SUBSIDIARIES

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

<S>	<C>	<C>
	December 31,	June 30,
	1999	1999
	-----	-----
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,543	11,108
Marketable securities - available for sale	7,710	5,626
Accounts receivable, net of allowance for doubtful accounts of \$595 at December 31, 1999 and \$421 at June 30, 1999.	20,332	17,898
Inventories (note 3)	15,902	10,725
Deferred income taxes	2,398	2,392
Prepaid expenses and other current assets	3,912	3,022
Total current assets	<u>61,797</u>	<u>50,771</u>
Property, plant and equipment, net of accumulated amortization of \$10,880 at December 31, 1999 and \$8,511 at June 30, 1999.	32,066	29,322
Patents, net of accumulated amortization of \$687 at December 31, 1999 and \$570 at June 30, 1999	979	782
Goodwill, net of accumulated amortization of \$1,763 at December 31, 1999 and \$1,459 at June 30, 1999.	6,069	6,555
Other assets	2,839	2,459
Total Assets	<u>\$ 103,750</u>	<u>89,889</u>
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,814	4,772
Accrued expenses	8,399	7,779
Income taxes payable	4,940	5,691
Total current liabilities	<u>20,153</u>	<u>18,242</u>
Stockholders' equity:		
Preferred Stock, \$0.01 par value, 2,000,000 shares authorized; none issued	-	-
Series A Junior Participating Preferred Stock, \$0.01 par value, 150,000 shares authorized; none issued	-	-
Common stock, \$0.004 par value, 50,000,000 shares authorized; issued and outstanding 15,019,132 at December 31, 1999 and		

14,808,000 at June 30, 1999.	60	59
Additional paid-in capital	36,384	33,736
Retained earnings.	53,478	43,281
Accumulated other comprehensive income (loss) (note 4)	(6,325)	(5,429)
	83,597	71,647
Total stockholders' equity		
Commitments and contingencies (note 5)	-	-
	\$ 103,750	89,889

<FN>

See accompanying notes to condensed consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Net revenue	\$ 28,135	21,480	54,080	40,724
Cost of sales	8,604	6,964	16,828	13,048
Gross profit.	19,531	14,516	37,252	27,676
Operating expenses				
Selling, general and administrative	8,996	6,898	17,405	13,253
Research and development.	1,971	1,636	3,861	3,069
Total operating expenses.	10,967	8,534	21,266	16,322
Income from operations.	8,564	5,982	15,986	11,354
Other income (expense), net:				
Interest income, net.	203	196	337	403
Government grants	139	134	279	264
Other, net.	(644)	(336)	(913)	(1,214)
Total other income (expense), net	(302)	(6)	(297)	(547)
Income before income taxes.	8,262	5,976	15,689	10,807
Income taxes.	(2,900)	(2,063)	(5,492)	(3,710)
Net income. \$	5,362	3,913	10,197	7,097
Basic earnings per share. \$	0.36	0.27	0.68	0.48
Diluted earnings per share. \$	0.34	0.25	0.65	0.46

<FN>

See accompanying notes to condensed consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES

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Unaudited Condensed Consolidated Statements of Cash Flows

(in US\$ thousands)

	Six Months Ended December 31,	
	1999	1998
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 10,197	7,097
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,938	2,148
Provision for service warranties	103	92
Foreign currency options revaluations	641	709
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,497)	(384)
Government grants	-	127
Inventories	(5,388)	(2,628)
Prepaid expenses and other current assets	(930)	439
Accounts payable, accrued expenses and other liabilities	1,939	1,599
Net cash provided by operating activities	7,003	9,199
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5,608)	(10,718)
Patents costs	(332)	(151)
Purchase of trading investments	(1,049)	(205)
Deferred payments - business acquisition	-	(1,033)
Purchases of marketable securities - available for sale	(12,370)	(7,589)
Proceeds from sale of marketable securities - available for sale	10,286	7,257
Net cash used in investing activities	(9,073)	(12,439)
Cash flows from financing activities:		
Proceeds from issuance of common stock	2,649	1,399
Repayment of long-term debt	-	(115)
Net cash provided by financing activities	2,649	1,284
Effect of exchange rate changes on cash	(144)	25
Net increase (decrease) in cash and cash equivalents	435	(1,931)
Cash and cash equivalents at beginning of period	11,108	15,526
Cash and cash equivalents at end of period	\$ 11,543	13,595
Supplemental disclosure of cash flow information:		
Income taxes paid	6,039	1,373
Interest paid	-	4
<FN>		

See accompanying notes to condensed consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Organization and Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article

10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended December 31, 1999 and the six months ended December 31, 1999 are not necessarily indicative of the results that may be expected for the year ending June 30, 2000.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

(b) Revenue Recognition:

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

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RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies, Continued

(e) Property, Plant and Equipment:

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

(f) Patents:

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

(g) Goodwill:

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

(h) Government Grants:

Government grants revenue is recognized when earned. Grants have been

obtained by the Company from the Australian Federal Government to support continued development and export of the Company's proprietary positive airway pressure technology and to assist development of export markets. Grants of \$139,000 and \$134,000 have been recognized for the three-month periods ended December 31, 1999 and 1998, respectively and \$279,000 and \$264,000 for the six-month periods ended December 31, 1999 and 1998, respectively.

(i) Foreign Currency:

The consolidated financial statements of the Company's non-U.S. subsidiaries are translated into U.S. dollars for financial reporting purposes. Assets and liabilities of non-U.S. subsidiaries whose functional currencies are other than the U.S. dollar are translated at period end exchange rates, and revenue and expense transactions are translated at average exchange rates for the period. Cumulative translation adjustments are recognized as part of "Other Comprehensive Income (loss)", as described in Note 4, and are included in "Accumulated Other Comprehensive Income (loss)" on the Condensed Consolidated Balance Sheet until such time as the subsidiary is sold or substantially or completely liquidated. Gains and losses on transactions, denominated in other than the functional currency of the entity, are reflected in operations.

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RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies, Continued

(j) Research and Development:

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

(k) Earnings per Share:

The weighted average shares used to calculate basic earnings per share was 14,948,000 and 14,693,000 for the quarters ended December 31, 1999 and 1998, respectively, and 14,897,000 and 14,654,000 for the six month periods ended December 31, 1999 and 1998, respectively. The difference between basic earnings per share and diluted earnings per share is attributable to the impact of outstanding stock options during the periods presented. Stock options had the effect of increasing the number of shares used in the calculation (by application of the treasury stock method) by 925,000 and 893,000 for the quarters ended December 31, 1999 and 1998, respectively, and by 866,000 and 766,000 for the six month periods ended December 31, 1999 and 1998, respectively.

(l) Financial Instruments:

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

The fair value of financial instruments is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

(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 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 Euros. The term of such foreign exchange contracts generally do not exceed three years.

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RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies, Continued

(m) Foreign Exchange Risk Management, Continued:

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

The Company is exposed to credit-related losses in the event of 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 is represented by the positive fair value of options at the reporting date.

The Company held foreign currency option contracts with notional amounts totaling \$119,025,000 and \$62,460,000 at December 31, 1999 and June 30, 1999, respectively to hedge foreign currency items. These contracts mature at various dates prior to December 31, 2001.

(n) Income Taxes:

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

(o) Warranty:

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

(p) Impairment of Long-Lived Assets:

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

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RESMED INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(3) Inventories

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Inventories were comprised of the following at December 31, 1999 and June 30, 1999:

(In \$US thousands)	December 31, 1999	June 30, 1999
	-----	-----
<S>	<C>	<C>
Raw materials . . .	\$ 5,247	4,153
Work in progress .	1,202	74
Finished goods . .	9,453	6,498
	\$ 15,902	10,725
	=====	=====

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(4) Comprehensive Income

As of July 1, 1998, the Company adopted Statement of Financial Accounting Standards No 130, "Reporting Comprehensive Income", which established standards for the reporting and display of comprehensive income and its components in the financial statements. The only component of comprehensive income that impacts the Company is foreign currency translation adjustments. The net loss associated with the foreign currency translation adjustments for the three months ended December 31, 1999 was \$281,000 compared to a net gain of \$1.0 million for the three months ended December 31, 1998. The net loss associated with the foreign currency translation adjustments for the six months ended December 31, 1999 was \$896,000 compared to a net gain of \$472,000 for the six months ended December 31, 1998. The Company does not provide for US income taxes on foreign currency translation adjustments since it does not provide for such taxes on undistributed earnings of foreign subsidiaries. Accumulated other comprehensive income (loss) at December 31, 1999 and June 30, 1999 consisted solely of foreign currency translation adjustments with debit balances of \$6.3 million and \$5.4 million, respectively.

(5) Commitments and Contingencies,

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 Respiroics for alleged infringement of three ResMed patents. In February 1995, Respiroics filed a complaint in the United States District Court for the Western District of Pennsylvania against the Company seeking a declaratory judgment that Respiroics 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 Respiroics for infringement of a fourth ResMed patent, and that complaint was consolidated with the earlier action. As of this date, Respiroics has brought three partial summary judgment motions for non-infringement of the ResMed patents; the Court has granted each of the motions. In December 1999, in response to the Court's ruling on Respiroics' third summary judgment motion, the parties jointly stipulated to a dismissal of charges of infringement under the fourth ResMed patent, with ResMed reserving the right to reassert the charges in the event of a favorable ruling on appeal. 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, Respiroics 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 is defending 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 is incurring ongoing legal costs in defending this action, as well as in the continuing litigation of its patent cases.

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RESMED INC. AND SUBSIDIARIES

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

Net Revenue

Net revenue increased for the three months ended December 31, 1999 to \$28.1 million from \$21.5 million for the three months ended December 31, 1998, an increase of \$6.6 million or 31%. For the six month period ended December 31, 1999 net revenue increased to \$54.1 million from \$40.7 million in the six month period ended December 31, 1998, an increase of \$13.4 million or 33%. Both the three month and six month increases in net revenue were attributable to an increase in unit sales of the Company's flow generators and accessories in America, Europe and Asia Pacific markets. Domestic net revenue increased to \$14.9 million from \$12.2 million for the quarter, and to \$29.7 million from \$24.1 million for the six month periods ended December 31, 1999 and 1998 respectively. Net revenue in international markets increased to \$13.2 million from \$9.3 million for the quarter, and to \$24.4 million from \$16.6 million for the six month periods ended December 31, 1999 and 1998, respectively.

Gross Profit

Gross profit increased for the three months ended December 31, 1999 to \$19.5 million from \$14.5 million for the three months ended December 31, 1998, an increase of \$5.0 million or 35%. Gross profit as a percentage of net revenue increased from 68% for the quarter ended December 31, 1998 to 69% for the

quarter ended December 31, 1999 reflecting a modest shift in the geographical sales mix as well as improved manufacturing capacity utilization.

For the six month period ended December 31, 1999 gross profit increased to \$37.3 million from \$27.7 million in the same period of fiscal 1999, an increase of \$9.6 million or 35%. Gross profit as a percentage of net revenue increased for the six month period ended December 31, 1999 to 69% from 68% for the six months ended December 31, 1998. This increase also resulted from a modest shift in the geographical sales mix as well as improved manufacturing capacity utilization.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended December 31, 1999 to \$9.0 million from \$6.9 million for the three months ended December 31, 1998, an increase of \$2.1 million or 30%. As a percentage of net revenue, selling, general and administrative expenses were 32% for the quarters ended December 31, 1999 and December 31, 1998. The increase in selling, general and administrative expenses was primarily due to an increase from 185 to 239 in the number of sales and administrative personnel as well as increased IT costs associated with the ongoing investment in information technology.

Selling, general and administrative expenses for the six months ended December 31, 1999 increased to \$17.4 million from \$13.3 million for the six months ended December 31, 1998, an increase of \$4.1 million or 31%. As a percentage of net revenue selling, general and administration expenses declined to 32% for the six months ended December 31, 1999 from 33% in the six months ended December 31, 1998.

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RESMED INC. AND SUBSIDIARIES

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

Research and Development Expenses

Research and development expenses increased for the three months ended December 31, 1999 to \$2.0 million from \$1.6 million for the three months ended December 31, 1998, an increase of \$335,000 or 20%. As a percentage of net revenue, research and development expenses declined to 7% for the three months ended December 31, 1999 compared to 8% for the three months ended December 31, 1998. The increase in gross research and development expenses was due to increased salaries associated with an increase in personnel and increased charges for consulting fees, clinical trials and technical assessments incurred to facilitate development of a number of new products

For the six month period ended December 31, 1999 research and development expenses increased to \$3.9 million from \$3.1 million for the same period in fiscal 1999, an increase of \$0.8 million or 26%. As a percentage of net revenue, research and development expenses was 7% for the six months ended December 31, 1999 compared to 8% for the six months ended December 31, 1998. The increase in gross research and development expenditure for the six months reflects additional costs relating to development and evaluation of new products.

Other Income (Expense), Net

Other Income (Expense), Net, declined for the three months ended December 31, 1999 to a loss of \$302,000 from a loss of \$6,000 for the three months ended December 31, 1998, an increased loss of \$296,000. The increased loss was due primarily to higher net foreign exchange losses.

Other Income (Expense), Net improved for the six months ended December 31, 1999 to a loss of \$297,000, from a loss of \$547,000 for the six months ended December 31, 1998.

Income Taxes

The Company's effective income tax rate increased to approximately 35.1% for the three months ended December 31, 1999 from approximately 34.5% for the three months ended December 31, 1998 and for the six month period ended December 31, 1999 increased to 35.0% from 34.3% for the six month period ended December 31, 1998. The higher tax rate was primarily due to high relative taxes incurred in Germany and France.

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RESMED INC. AND SUBSIDIARIES

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

Liquidity and Capital Resources

As of December 31, 1999 and June 30, 1999, the Company had cash and cash equivalents and marketable securities available for sale of approximately \$19.3 million and \$16.7 million, respectively. The Company's working capital approximated \$41.6 million and \$32.5 million, at December 31, 1999 and June 30, 1999, respectively. The increase in working capital primarily reflects cash generated from operations and proceeds from the exercise of stock options offset by capital expenditures on plant and equipment and information technology.

During the six months ended December 31, 1999, the Company generated cash of \$7.0 million from operations, primarily as a result of increased profit from operations offset by increases in inventory and receivables balances. During the six months ended December 31, 1998 approximately \$9.2 million of cash was generated by operations primarily due to increased profit from operations.

The Company's capital expenditures for the six month period ended December 31, 1999 and 1998 aggregated \$5.6 million and \$10.7 million respectively. The majority of the expenditures in the six month period ended December 31, 1999 related to purchase of computer software and hardware, production tooling and equipment and, to a lesser extent, office furniture and research and development equipment. The reduction in expenditures in the six month period ended December 31, 1999 compared to the six months ended December 31, 1998 reflects the cessation of capital expenditure on the company's new manufacturing facility following its completion in March 1999. As a result of these capital expenditures, the Company's December 31, 1999 balance sheet reflects net property plant and equipment of approximately \$32.1 million at December 31, 1999 compared to \$29.3 million at June 30, 1999.

During the six month period ended December 31, 1998 the Company paid \$1.0 million in business acquisition payments in relation to the 1996 acquisition of Priess.

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 is exposed to the risk that the dollar value equivalent of anticipated cash flows will be adversely affected by changes in foreign currency exchange rates. The Company manages this risk through foreign currency option contracts.

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RESMED INC. AND SUBSIDIARIES

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

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 consolidated 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.

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RESMED INC. AND SUBSIDIARIES

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN CURRENCY MARKET RISK

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

The Company has established a foreign currency hedging program using 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 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 December 31, 1999. The table presents the notional amounts and weighted average exchange rates by expected (contractual) maturity dates for the Company's foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under the contract or options.

<TABLE>
<CAPTION>

(In US\$thousands) (Liabilities)	Fiscal Year			Total
	2000	2001	2002	
<S>	<C>	<C>	<C>	<C>
FOREIGN EXCHANGE CALL OPTIONS				
(Receive AUS\$/Pay US\$)				
Option amount	\$ 30,000	\$ 48,000	\$ 24,000	\$
102,000				
Average contractual exchange rate	AUS \$1 = USD 0.682	AUS \$1 = USD 0.688	AUS \$1 = USD 0.690	AUS \$1 = USD
0.687				
(Receive AUS\$/Pay Euro)				
Option amount	\$ 4,181	\$ 8,512	\$ 4,332	\$
17,025				
Average contractual exchange rate	AUS\$1 = Euro 0.622	AUS\$1 = Euro 0.634	AUS\$1 = Euro 0.647	AUS\$1 = Euro
0.637				

(In US\$thousands)	Fair Value Assets/(Liabilities)
<S>	<C>
Foreign Exchange Call Options	
(Receive AUS\$/Pay US\$)	
Option amount	\$ 1,080
(Receive AUS\$/Pay Euro)	
Option amount	\$ 683

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Item 1. Legal Proceedings

Refer Note 5 to the Condensed Consolidated Financial Statements

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

The Company's Annual Meeting of Shareholders was held on November 8, 1999. The holders of 12,384,298 shares of the Company's stock (approximately 83% of the outstanding shares) were present at the meeting in person or by proxy. The only matters voted upon at the meeting were (1) to elect two directors, to serve for a three year term; (2) to ratify the selection of auditors to examine the consolidated financial statements of the Company for the fiscal year ending June 30, 2000; and (3) to transact such other business as may properly come before the meeting.

(1) Dr Christopher G Roberts and Mr Donagh McCarthy, nominated by the Company's Board of Directors, were elected to serve until 2001. There were no other nominees.

<TABLE>
<CAPTION>

Shares were voted as follows:

Name	For	Withholding	Vote For
<S>	<C>	<C>	
Christopher G Roberts	12,147,307		236,991
Donagh McCarthy . . .	12,147,307		236,991

(2) the selection of KPMG LLP as independent public accountants for the 2000 fiscal year was ratified: affirmative votes, 12,368,658 shares; negative votes, 3,040 shares (12,600 shares abstained).

(3) There was no other business transacted at the meeting.

Item 5. Other Information

None

Item 6. Exhibits and Report on Form 8K

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

27.1 Financial Data Schedule

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SIGNATURES

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

ResMed Inc.

/S/ PETER C FARRELL

Peter C Farrell
President and Chief Executive Officer

/S/ ADRIAN M SMITH

Adrian M Smith
Vice President Finance and Chief Financial Officer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM RESMED INC'S SECOND QUARTER DECEMBER 31, 1999 FINANCIAL REPORT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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