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, 2000

[ ] 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
(State or other jurisdiction of incorporation or organization)

98-0152841
(IRS Employer Identification No)

14040 Danielson St
Poway CA 92064-6857
United States Of America
(Address of principal executive offices)

(858) 746 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, 2000, 31,160,224 shares of Common Stock ($0.004 par value) were outstanding.



RESMED INC AND SUBSIDIARIES
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RESMED INC AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(in US$ thousands, except share data)

| <S> | | December 31, 2000 <C> | June 30, 2000 <C> |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | $ | 16,857 | 18,250 |
| Marketable securities - available for sale | | 1,322 | 3,713 |
| Accounts receivable, net of allowance for doubtful accounts of $734 at December 31, 2000 and $833 at June 30, 2000 | | 28,965 | 24,688 |
| Inventories (note 3) | | 19,70 | 15,802 |
| Deferred income taxes | | 2,40 | 2,361 |
| Prepaid expenses and other current assets | | 6,345 | 4,358 |
| Total current assets | | 75,679 | 69,172 |
| Property, plant and equipment, net of accumulated amortization of $16,415 at December 31, 2000 and $13,552 at June 30, 2000. | | 53,947 | 36,576 |
| Patents, net of accumulated amortization of $911 at December 31, 2000 and $789 at June 30, 2000. | | 1,352 | 1,342 |
| Goodwill, net of accumulated amortization of $2,256 at December 31, 2000 and $2,003 at June 30, 2000 | | 5,228 | 5,626 |
| Other assets | | 4,039 | 2,878 |
| Total Assets | $ | 140,245 | 115,594 |
| Liabilities and Stockholders' Equity | | | |
| Current liabilities | | | |
| Accounts payable | $ | 8,662 | 5,929 |
| Accrued expenses | | 12,233 | 9,224 |
| Income taxes payable | | 7,014 | 6,469 |
| Short term debt | | 4,500 | - |
| Total current liabilities | | 32,409 | 21,622 |
| 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, 250,000 shares authorized; none issued | | - | - |
| Common stock, $0.004 par value, 100,000,000 shares authorized; Issued and outstanding 31,160,224 at December 31, 2000 and 30,593,921 at June 30, 2000 | | 125 | 122 |
| Additional paid-in capital | | 46,029 | 41,495 |
| Retained earnings | | 78,985 | 65,507 |
| Accumulated other comprehensive income (loss) (note 4) | | (17,303) | (13,152) |
| Total stockholders' equity | | 107,836 | 93,972 |
| Commitments and contingencies (note 5) | | - | - |
| | $ | 140,245 | 115,594 |

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

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RESMED INC AND SUBSIDIARIES
Condensed Consolidated Statements of Income (Unaudited)
(in US$ thousands, except per share data)

| | Three Months Ended December 31, 2000 | Three Months Ended December 31, 1999 | Six Months Ended December 31, 2000 | Six Months Ended December 31, 1999 |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Net revenue . . . . . . . . . . . . | $ 34,366 | 28,135 | 65,448 | 54,080 |
| Cost of sales . . . . . . . . . . . | 11,345 | 8,604 | 21,340 | 16,828 |
| Gross profit. . . . . . . . . . . . | 23,021 | 19,531 | 44,108 | 37,252 |
| Operating expenses | | | | |
| Selling, general and administrative | 10,724 | 8,995 | 20,315 | 17,405 |
| Research and development. . . . . . | 2,505 | 1,971 | 4,894 | 3,861 |
| Total operating expenses. . . . . . | 13,229 | 10,967 | 25,209 | 21,266 |
| Income from operations. . . . . . . | 9,792 | 8,564 | 18,899 | 15,986 |
| Other income (expense), net: | | | | |
| Interest income, net. . . . . . . . | 105 | 203 | 103 | 337 |
| Government grants . . . . . . . . . | 72 | 139 | 72 | 279 |
| Other, net. . . . . . . . . . . . . | 498 | (644) | 1,381 | (913) |
| Total other income (expense), net . | 675 | (302) | 1,556 | (297) |
| Income before income taxes. . . . . | 10,467 | 8,262 | 20,455 | 15,689 |
| Income taxes. . . . . . . . . . . . | (3,569) | (2,900) | (6,977) | (5,492) |
| Net income. . . . . . . . . . . . . | $ 6,898 | 5,362 | 13,478 | 10,197 |
| Basic earnings per share. . . . . . | $0.22 | 0.18 | 0.44 | 0.34 |
| Diluted earnings per share. . . . . | $0.21 | 0.17 | 0.41 | 0.32 |
| Basic shares outstanding. . . . . . | 31,037 | 29,896 | 30,923 | 29,794 |
| Diluted shares outstanding. . . . . | 33,222 | 31,746 | 33,150 | 31,526 |

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.





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RESMED INC AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
(in US$ thousands)

| | Six Months Ended December 31, 2000 | Six Months Ended December 31, 1999 |
|---|---|---|
| <S> | <C> | <C> |
| Cash flows from operating activities: | | |
| Net income . . . . . . . . . . . . . . . . . . . . . . . . . . . . | $ 13,478 | $ 10,197 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization. . . . . . . . . . . . . . . . . . . | 3,743 | 2,938 |
| Provision for service warranties . . . . . . . . . . . . . . . . . | 50 | 103 |
| Foreign currency options revaluations. . . . . . . . . . . . . . . | 463 | 641 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net . . . . . . . . . . . . . . . . . . . . . | (4,550) | (2,497) |
| Inventories. . . . . . . . . . . . . . . . . . . . . . . . . . . . | (4,352) | (5,388) |
| Prepaid expenses and other current assets. . . . . . . . . . . . . | (1,729) | (930) |
| Accounts payable, accrued expenses and other liabilities . . . . | 4,932 | 1,939 |
| Net cash provided by operating activities. . . . . . . . . . . . | 12,035 | 7,003 |

| | | |
|---|---|---|
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment . . . . . . . . . . . | (22,335) | (5,608) |
| Patents costs. . . . . . . . . . . . . . . . . . . . . . . . . . | (267) | (332) |
| Purchase of non-trading investments. . . . . . . . . . . . . . . | (1,704) | (1,049) |
| Purchases of marketable securities - available for sale. . . . . | (17,263) | (12,370) |
| Proceeds from sale of marketable securities - available for sale | 19,654 | 10,286 |
| Net cash used in investing activities. . . . . . . . . . . . . . | (21,915) | (9,073) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock . . . . . . . . . . . . . | 4,537 | 2,649 |
| Proceeds from short-term debt. . . . . . . . . . . . . . . . . . | 10,000 | - |
| Repayment of short-term debt . . . . . . . . . . . . . . . . . . | (5,500) | - |
| Net cash provided by financing activities. . . . . . . . . . . . | 9,037 | 2,649 |
| Effect of exchange rate changes on cash. . . . . . . . . . . . . | (550) | (144) |
| Net increase (decrease) in cash and cash equivalents . . . . . . | (1,393) | 435 |
| Cash and cash equivalents at beginning of period . . . . . . . . | 18,250 | 11,108 |
| Cash and cash equivalents at end of period . . . . . . . . . . . | $ 16,857 | $ 11,543 |
| Supplemental disclosure of cash flow information: | | |
| Income taxes paid. . . . . . . . . . . . . . . . . . . . . . . . | 5,837 | 6,039 |
| Interest paid. . . . . . . . . . . . . . . . . . . . . . . . . . | 285 | - |

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.





RESMED INC AND SUBSIDIARIES
NOTES TO 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, Singapore 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, 2000 and the six months ended December 31, 2000 are not necessarily indicative of the results that may be expected for the year ending June 30, 2001.

(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 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 life of the contract.

(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 condensed 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. 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 $72,000 and $139,000 have been recognized for the three-month periods ended December 31, 2000 and 1999, respectively and $72,000 and $279,000 for the six-month periods ended December 31, 2000 and 1999, respectively.

(i) Foreign Currency

The consolidated financial statements of the Company's non-US subsidiaries are translated into US dollars for financial reporting purposes. Assets and liabilities of non-US subsidiaries whose functional currencies are other than the US dollar are translated at period end exchange rates, 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 Sheets 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.

(k) Earnings per Share

The weighted average shares used to calculate basic earnings per share was 31,037,000 and 29,896,000 for the quarters ended December 31, 2000 and 1999, respectively, and 30,923,000 and 29,794,000 for the six month periods ended December 31, 2000 and 1999, 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 2,185,000 and 1,850,000 for the quarters ended December 31, 2000 and 1999, respectively, and by 2,227,000 and 1,732,000 for the six month periods ended December 31, 2000 and 1999, 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 call foreign currency options in managing its foreign exchange risk.

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 principally in Australian dollars and Euros. The terms of such foreign currency option contracts generally do not exceed three years.

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





(m) Foreign Exchange Risk Management, Continued

As of July 1, 2000 the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), as amended, which standardizes the accounting for derivative instruments. Under the restrictive definition of hedge effectiveness contained in SFAS 133, the Company's hedging contracts do not have hedge effectiveness and are therefore marked to market with resulting gains or losses being recognized in earnings in the period of change.

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. The credit exposure of foreign exchange options at December 31, 2000 was $2,164,000 which represents the fair value of options held by the Company.

The Company held foreign currency option contracts with notional amounts totaling $250,347,000 and $171,530,000 at December 31, 2000 and June 30, 2000, respectively to hedge foreign currency items. These contracts mature at various dates prior to July 31, 2002.

(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 December 31, 2000 and June 30, 2000, the Company's investments in debt securities were classified on the Condensed consolidated balance sheets as marketable securities-available for sale. These investments are diversified among high credit quality securities in accordance with the Company's investment policy.



(2) Summary of Significant Accounting Policies, Continued

(o) Marketable Securities, Continued

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 costs related to products are accrued 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 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.

(3) Inventories

<TABLE>
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Inventories were comprised of the following at December 31, 2000 and June 30, 2000:

| <S> (In $US thousands) | <C> December 31, 2000 | <C> June 30, 2000 |
|---|---|---|
| Raw materials. . . | $ 6,554 | 4,826 |
| Work in progress . | 765 | 297 |
| Finished goods . . | 12,471 | 10,679 |
| | $ 19,790 | 15,802 |

</TABLE>

(4) Comprehensive Income

As of July 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", which established standards for the reporting and display of comprehensive income and its components in the financial statements. The only component of comprehensive income that impacts the Company is foreign currency translation adjustments.

(4) Comprehensive Income, Continued

The net gain associated with the foreign currency translation adjustments for the three months ended December 31, 2000 was $2,669,000 compared to a net loss of $281,000 for the three months ended December 31, 1999. The net loss associated with the foreign currency translation adjustments for the six months ended December 31, 2000 was $4,151,000 compared to a net loss of $896,000 for the six months ended December 31, 1999.

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 loss at December 31, 2000 and June 30, 2000 consisted of foreign currency translation adjustments with debit balances of $17,303,000 and $13,152,000 respectively.

(5) Commitments and Contingencies

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 each of the motions. In December 1999, in response to the Court's ruling on Respironics' 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.

On March 31, 2000, the Company filed a lawsuit in the United States District Court for the Southern District of California against MPV Truma and Tiara Medical Systems, Inc, seeking actual and exemplary monetary damages and injunctive relief for the unauthorized and infringing use of the Company's trademarks, trade dress, and patents related to its Mirage mask design.

While the Company is prosecuting the above actions, there can be no assurance that the Company will be successful.



(5) Commitments and Contingencies, Continued

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 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.

In September 2000, the Company was named as a defendant in a qui tam proceeding filed in the United States District Court for the Northern District of Georgia, brought by a private citizen, alleging that the Company violated federal healthcare laws. The Federal Government has declined to intervene in the action, and the Company intends to vigorously defend its position.





RESMED INC AND SUBSIDIARIES
MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION

Net Revenue

Net revenue increased for the three months ended December 31, 2000 to $34.4 million from $28.1 million, for the three months ended December 31, 1999, an increase of $6.3 million or 22%. For the six month period ended December 31, 2000 net revenue increased to $65.4 million from $54.1 million for the six month period ended December 31, 1999, an increase of $11.3 million or 21%. 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 both domestic and international markets. Net revenue in North and Latin America increased to $18.9 million from $14.9 million for the quarter, and to $36.3 million from $29.7 million for the six month periods ended December 31, 2000 and 1999 respectively. Net revenue in international markets increased to $15.5 million from $13.2 million for the quarter, and to $29.1 million from $24.4 million for the six month periods ended December 31, 2000 and 1999, respectively.

Gross Profit

Gross profit increased for the three months ended December 31, 2000 to $23.0 million from $19.5 million for the three months ended December 31, 1999, an increase of $3.5 million or 18%. Gross profit as a percentage of net revenue decreased for the quarter ended December 31, 2000 to 67% from 69% for the quarter ended December 31, 1999 reflecting a modest shift in the geographical sales mix.

For the six month period ended December 31, 2000 gross profit increased to $44.1 million from $37.3 million in the same period of fiscal 2000, an increase of $6.8 million or 18%. Gross profit as a percentage of net revenue decreased for the six month period ended December 31, 2000 to 67% from 69% for the six months ended December 31, 1999. This decline also resulted from a modest shift in the geographical sales mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended December 31, 2000 to $10.7 million from $9.0 million for the three months ended December 31, 1999, an increase of $1.7 million or 19%. As a percentage of net revenue, selling, general and administrative expenses for the three months ended December 31, 2000 declined to 31.2% from 32.0% for the three months ended December 31, 1999. The increase in selling, general and administrative expenses was primarily due to an increase in the number of sales and administrative personnel and other expenses related to the increase in Company sales.

Selling, general and administrative expenses for the six months ended December 31, 2000 increased to $20.3 million from $17.4 million for the six months ended December 31, 1999, an increase of $2.9 million or 17%. As a percentage of net revenue selling, general and administration expenses declined to 31.0% for the six months ended December 31, 2000 from 32.2% in the six months ended December 31, 1999.



Research and Development Expenses

Research and development expenses increased for the three months ended December 31, 2000 to $2.5 million from $2.0 million for the three months ended December 31, 1999, an increase of $534,000 or 27%. As a percentage of net revenue, research and development expenses increased to 7.3% for the three months ended December 31, 2000 compared to 7.0% for the three months ended December 31, 1999. 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 new products.

For the six month period ended December 31, 2000 research and development expenses increased to $4.9 million from $3.9 million for the same period in fiscal 2000, an increase of $1.0 million or 27%. As a percentage of net revenue, research and development expenses was 7.5% for the six months ended December 31, 2000 compared to 7.1% for the six months ended December 31, 1999. 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 new products.

Other Income (Expense), Net

Other income, net, increased for the three months ended December 31, 2000 to $675,000 from a loss of $302,000 for the three months ended December 31, 1999, an improvement of $977,000. The increase in other income was due primarily to higher net foreign currency exchange gains.

Other income, net improved for the six months ended December 31, 2000 to

$1,556,000 from a loss of $297,000 for the six months ended December 31, 1999. The increase in other income was attributable to higher net foreign currency exchange gains.

Income Taxes

The Company's effective income tax rate declined to approximately 34.1% for the three months ended December 31, 2000 from approximately 35.1% for the three months ended December 31, 1999 and for the six month period ended December 31, 2000 declined to 34.1% from 35.0% for the six month period ended December 31, 1999. The lower tax rate was primarily due to the lowering of the corporate tax rate in Australia from 36% to 34% effective from July 1, 2000.



Liquidity and Capital Resources

As of December 31, 2000 and June 30, 2000, the Company had cash and cash equivalents and marketable securities available for sale of approximately $18.2 million and $22.0 million, respectively. The Company's working capital approximated $43.3 million and $47.6 million, at December 31, 2000 and June 30, 2000, respectively.

During the six months ended December 31, 2000, the Company generated cash of $12.0 million from operations, primarily as a result of increased profit from operations offset by increases in inventory and accounts receivable balances. During the six months ended December 31, 1999 approximately $7.0 million of cash was generated by operations.

The Company's capital expenditures for the six month periods ended December 31, 2000 and 1999 aggregated $22.3 million and $5.6 million respectively. The majority of the expenditures in the six month period ended December 31, 2000 related to the purchase of land and buildings and, to a lesser extent, computer equipment, furniture and fixtures and production tooling and equipment. The increase in expenditures in the six month period ended December 31, 2000 compared to the six months ended December 31, 1999 reflects the capital expenditure of $17.2 million on the company's US headquarters in Poway, California in July 2000. As a result of these capital expenditures, the Company's December 31, 2000 balance sheet reflects net property plant and equipment of approximately $53.9 million at December 31, 2000 compared to $36.6 million at June 30, 2000.

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.

The Company expects to satisfy all of its short-term liquidity requirements through a combination of cash on hand, cash generated from operations and its $20 million revolving loan facility with the Union Bank of California, of which $15.5 million is available at December 31, 2000.





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RESMED INC AND SUBSIDIARIES

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 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 Euros 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, 2000. 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 contracts.

| (In US$thousands). . . . . . . . . | Fiscal Year 2001 | 2002 | 2003 | Total |
|---|---|---|---|---|
| Foreign Exchange Call Options | | | | |
| (Receive AUS$/Pay US$) | | | | |
| Option amount. . . . . . . . . . . . | $90,000 | $142,000 | - | $232,000 |
| Average contractual exchange rate. | AUS$1 = USD 0.633 | AUS$1 = USD 0.620 | | AUS $1 = USD 0.627 |
| (Receive AUS$/Pay Euro) | | | | |
| Option amount. . . . . . . . . . . . | $7,707 | $10,221 | $419 | $18,347 |
| Average contractual exchange rate. | AUS$1 = Euro0.657 | AUS$1 = Euro0.659 | AUS $1 = Euro 0.667 | AUS $1 = Euro 0.659 |

| (In US$thousands). . . . . . . . . | Fair Value Assets/(Liabilities) |
|---|---|
| Foreign Exchange Call Options | |
| (Receive AUS$/Pay US$) | |
| Option amount. . . . . . . . . . . . | $2,036 |
| Average contractual exchange rate | |
| (Receive AUS$/Pay Euro) | |
| Option amount. . . . . . . . . . . . | $128 |
| Average contractual exchange rate | |





RESMED INC AND SUBSIDIARIES

Item 1 Legal Proceedings
See 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
None

Item 5 Other Information
None

Item 6 Exhibits and Report on Form 8K
On January 23, 2001 ResMed Inc filed a Form 8-K reporting a second amendment to the Rights Agreement between ResMed Inc and American Stock Transfer and Trust dated April 23, 1997.





RESMED INC AND SUBSIDIARIES
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