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ResMed the Company

ResMed is a leading respiratory medical device manufacturer, specializing in products for the diagnosis and treatment of sleep disordered breathing (SDB). ResMed operates through offices in the United States, Australia, Germany, France, the United Kingdom, New Zealand, Singapore, and through a network of distributors in 35 other countries.

Delivering Results

In its commitment to technological innovation, ResMed spends approximately 7 - 8% of net revenues on research and product development. Together with a clear focus on growing market opportunities, this dedication has enabled ResMed to create shareholder value. Since listing on the NASDAQ-AMEX national stock market (symbol: RESM) in June 1995, ResMed has met or exceeded First Call consensus earnings per share estimates for 17 consecutive quarters. As of June 1999, its 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 is cashflow positive with no long or short term debt. Revenues and profits have increased steadily during the past eight years, making ResMed a robust and rapidly growing player within the SDB marketplace.

"Using CPAP has made a tremendous difference in my life. Before using CPAP, I felt like I slept my life away, if you could call it a life. It was hard to get up in the mornings, I took a nap when I got home from work, and spent the majority of the weekend napping - I was tired and groggy all the time. However, now that I use CPAP, I'm back to visiting friends, going places and doing things. Life is fun, exciting, and filled to the brim; now it seems like I have to schedule an evening at home just to watch the TV."

*Ruth Ann Gover, 44 year old
Executive Assistant, AeroGen, Inc.*



The ResMed Story

When ResMed was formed in 1989, its primary purpose was to commercialize a device for treating obstructive sleep apnea (OSA), a major subset of SDB. Invented in 1980 by Professor Colin Sullivan and colleagues at the University of Sydney, Australia, nasal continuous positive airway pressure (CPAP) provided the first successful noninvasive treatment of OSA. Since 1989, ResMed has maintained its focus on SDB, which is gaining greater public and physician awareness. Operations have grown dramatically through the introduction of a number of highly innovative product lines.

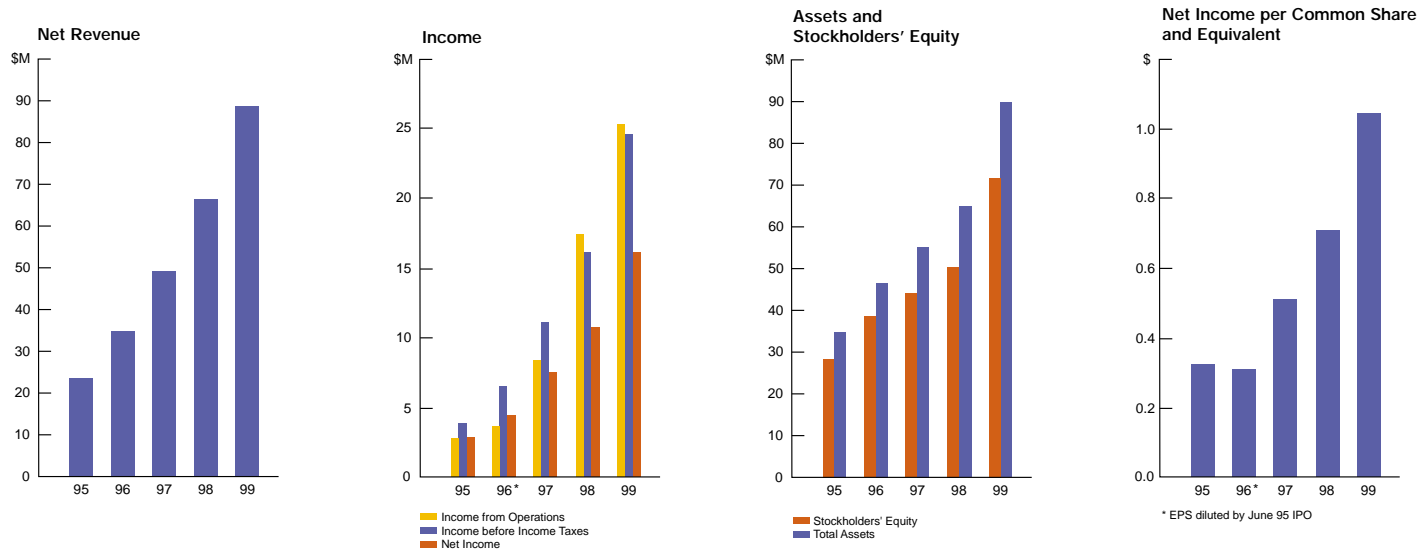
Into the Future

OSA affects approximately 20 million Americans, its prevalence being comparable to that of asthma or diabetes. However, awareness is low with only around 5% of sufferers being diagnosed and treated. Along with an increasing understanding of the morbidity and mortality caused by SDB, this discrepancy has created one of the fastest growing segments of the respiratory industry. There is also now a recognized association between SDB and common diseases such as chronic obstructive pulmonary disease, stroke, and cardiac disease. ResMed is moving quickly to seize these exciting opportunities by applying its leadership in algorithm-based software, as well as associated hardware, to treat SDB.

ResMed Facts & Figures as of June 1999

- ResMed is the fastest-growing major sleep disordered breathing company in the world, and is currently ranked number two globally
- In 1997 and 1998, ResMed was named by *Forbes* magazine as one of the *200 Best Small Companies in America*; it was #172 in 1997 and #63 in 1998
- In 1999, ResMed was ranked #67 by *Business Week* as one of the *100 Hottest-Growth Companies* in the USA, based on three years financial performance
- In 1999 ResMed was ranked #94 by *Fortune* magazine as one of *America's 100 Fastest-Growing Companies*, based on ResMed's financial performance during the past three years
- ResMed employs more than 500 people worldwide
- As of June 1999, ResMed had 186 patents issued and pending

Financial Summary



NOTE: Graphs based on consolidated financial data for, and as of the end of each of the years in the five-year period ended June 30, 1999.

Chairman's Report

The 1999 fiscal year completes ResMed's 10th anniversary and this August we attended the official opening of ResMed's new 120,000 sq. ft. manufacturing and R&D facility in Sydney. It was a double celebration: the building was impressive, replete with new artwork, and the results for our 10th year of operation were certainly worth celebrating.

Revenues at \$88.6 million represented an increase of 33%, on a year over year basis; more significantly, net income after tax at \$16.1 million, was a very significant increase of 52%, on a year over year basis. These results were a great way to finish our 10th year of operations. Of note, our revenues for 1999 were about 140 times greater than those of our first fiscal year (1990), while our market capitalization at this time is almost 750 times greater than when we started. This performance can only come from great teamwork with the concerted efforts of our many committed employees; I certainly thank everyone for their continued dedication.

Our theme for the next decade is that it is *time to wake up to sleep*. I vividly recall a point made by my good friend from Stanford, Dr William B Dement, when he gave a talk in Tokyo to Japanese sleep physicians some years ago. One of his slides showed the *Triumvirate of Health*; this triumvirate was (i) physical fitness; (ii) nutritional fitness and (iii) healthy sleep.

For decades the importance of physical fitness has been accepted canonical wisdom; it has since been confirmed by studies in the 1980s which showed that regular exercise reduces blood pressure. The importance of nutrition has also been recognized for decades; over 50 years ago Harvard started a division of nutrition and then the Framingham study, for example, showed the causal relationship between life expectancy and various types of cholesterol. There have been many others. However, the importance of healthy sleep is only now becoming universally appreciated.

Dr Dement is fond of saying that medicine stops when the lights go out. He makes this comment with hyperbole; medical care must never be considered as stopping when the lights go out. For sufferers of severe untreated sleep disordered breathing (SDB), the comment: *see you in the morning*, could just as easily be followed by: *if you make it through the night*. However, the importance of sleep disorders is finally getting the academic attention it deserves with Harvard again making the running: this year the Medical School elected to set up a division of sleep medicine. I am pleased to report that I have been invited to serve on the HMS Steering Committee, which will partially oversee this initiative. This is good for ResMed but, more importantly, it is good for sleep medicine. But one can't be complacent; there is still a long way to go in educating both the public and physicians about the importance of healthy sleep.



*ResMed Chairman
and CEO, Dr Peter Farrell*

Our new building in Sydney is world class. It is well outfitted and credit goes to Adrian Smith and the ResMed team who helped him, as well as Robert Toland, the architect, and Austin, the builders. We have also moved to new facilities in Lyon, France and will shortly be moving to larger premises in Moenchengladbach, Germany.

During the year we released a number of exciting products. Three versions of the Mirage® Full Face Mask are now available and have been well received by clinicians addressing mouth leaks. During fiscal 1999 we also released the AutoSet® T; it is a pre-emptive device and the only one that effectively covers the spectrum of SDB abnormalities, including airway narrowing, snoring, and apnea. We are delighted with the reception of this product in the marketplace.

Two exciting initiatives were started by ResMed in 1999; they concern the effect of SDB treatment on both stroke and congestive heart failure (CHF) outcomes. Our data, and that of other well-known SDB researchers, indicate that over 60% of patients who have suffered stroke or a transient ischemic attack (a mini-stroke) have moderate to severe sleep apnea. We are developing global protocols, primarily based on AutoSet T, to treat these patients and accelerate their recuperation. Stroke is worth our focus; it is the number one cause of disability in the western world and the third highest cause of mortality.

More than half the patients who suffer CHF have some form of SDB. Periodic breathing, identified in the 1800s by two Irish physicians, is known as Cheyne-Stokes Respiration (CSR). When CHF patients develop CSR it tends to be in the latter stages of the disease and is associated with considerable morbidity and mortality. ResMed engineers, working with a sophisticated algorithm developed by Dr Michael Berthon-Jones, have built prototype AutoSet® CS devices, which have been successfully used in clinical trials in Essen, Germany. In 14 patients AutoSet CS produced a large and worthwhile improvement in sleep, breathing, and oxygenation. In one very notable case, a

patient of Professor Helmut Teschler in Essen, using parameters set by AutoSet® CS, was taken off the heart transplant list due to improvement in his heart's functioning as a result of two months' SDB treatment on a ResMed device. We are encouraged by these data and plan further clinical trials in major medical centers around the world including Edinburgh, Oxford, the University of Pennsylvania, and the University of California, San Diego.

During the year we made an equity investment in Flaga hf, based in Iceland. We are now marketing their polysomnographic products under the Embla® label in the US and selected other markets. We also have joint development programs with Flaga to help us better address SDB issues in stroke and CHF. In addition, we have added more distribution channels in various countries. We are now working closely with Air Liquide Healthcare in selected Latin American markets, Egnell in Sweden, and Resprecare in Holland. We will continue to expand our geographic presence.

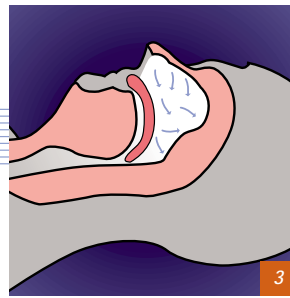
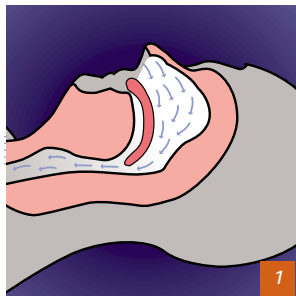
There were two other issues worthy of comment. First, four more investment banks elected to pick up coverage of ResMed during the past year; this makes a total of eight banks following ResMed and we expect others to follow suit. Second, we elected to install the Oracle enterprise resource planning (ERP) system in both Australia and the US; by year-end we will add Germany and France to the ERP system to allow us to better manage business growth. In addition, the Oracle ERP will ultimately be a back-room launch pad for our e-commerce strategy.

I am pleased to report that ResMed was once again selected by *Forbes* magazine in the November, 1998 issue, as one of the *200 Best Small Companies in America*; we moved from #172 in 1997 to #63 in 1998. In addition, *Business Week* in May named ResMed as one of the *100 Hottest-Growth Companies* in the United States and, more recently, *Fortune* named us as one of *America's 100 Fastest-Growing Companies*. We are, of course, delighted by this recognition, but we also understand that nothing wilts faster than past laurels. We still need disciplined teamwork to move forward to achieve the ambitious goals we have set for ourselves in the years ahead.

We made considerable organizational changes during the year to improve our effectiveness and efficiency. We are making progress but we have more work to do in reaching our ultimate goal of becoming a seamless organization. We continue to be grateful for the input of the non-executive members of the Board of Directors and the Medical Advisory Board, as well as the continued enthusiasm and support of all ResMed employees, whether they be in administration, education, finance, marketing, manufacturing, product development, quality assurance, or sales. We ask a lot of them and they have consistently delivered.

With our strategic focus in place I look forward with confidence, but without complacency, to ResMed's second decade.





What is OSA?

People with OSA experience recurrent episodes where respiratory airflow ceases during sleep. These episodes are due to a temporary collapse of the upper airway. This happens when the muscles, which normally hold the upper airway open during sleep¹, relax and cause the airway to narrow². If the throat is particularly narrow or the muscles relax too much, the airway can become completely blocked³. This is called an obstructive apnea.

After a period of time, which may be anything from ten seconds to two minutes, the brain realizes the level of oxygen in the blood is low and alerts the body to wake-up. Typically, the person subconsciously arouses from sleep, causing the throat muscles to contract and open the airway. Although the sufferer is often unaware of it, this cycle can occur several hundred times during six to eight hours of sleep.

The main symptoms of OSA are heavy snoring, apneas, and excessive daytime sleepiness due to disrupted sleep. Other more serious consequences include depression, high blood pressure, serious heart conditions, sexual problems, memory lapses, intellectual deterioration, and morning headaches.

Usually, a family physician will refer patients with symptoms of OSA to a sleep specialist. Diagnosis is made following an overnight sleep study, either at a sleep clinic or at the patient's home. Respiratory parameters, heart rate, and blood oxygen levels are monitored to determine the presence and severity of OSA.

How Does CPAP Work?

Nasal CPAP systems deliver air pressure through a small nasal mask. The pressure acts like an "air splint" to keep the upper airway open and prevent obstructive apneas. CPAP is not a cure, but a noninvasive therapy for managing OSA; in order to be effective, it must be used on a nightly basis. Nasal CPAP is the treatment of choice for OSA and has helped hundreds of thousands of sufferers worldwide.



"I remember my doctor saying if it was an Olympic event, I could snore for Australia. When it came to buying my own machine, I went for the new ResMed AutoSet T machine and I just can't begin to tell you how good it is...it's just an unbelievably good machine."

*David Hellstrom,
65 year old retired orthodontist.*

Business Strategy

Think Global; Act Local

ResMed was born global. From day one the company operated in more than one country. Today, products are marketed and distributed in over 40 countries by direct employees as well as distributors with extensive knowledge and experience of local markets. This ensures that ResMed supplies the right products to the right markets – a key factor in the Company's 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. This alliance marks the first time ResMed will be represented in the US hospital market, providing strategic substance for our expansion into new markets.

In February 1999, ResMed purchased a minority holding in Flaga hf, the Icelandic manufacturer of the Embla® range of sleep diagnostic equipment. As part of the agreement, ResMed will become Flaga's distributor of Embla 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
- 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 that one in two people who suffer a stroke, also snore heavily and have OSA, and that these conditions may play a major role in heart attack and high blood pressure. Treating SDB is thus promising to be an exciting, clinically important, and fast-growing business.



Embrace e-commerce and Information Technology

Continual, two-way communication is essential to ensure development of market-specific products and the success of ResMed's global business strategy. To facilitate this communication, ResMed has invested in state-of-the-art information technology systems to link design focus and day-to-day operations around the world.

A number of disparate systems have recently been consolidated with the deployment of an Oracle enterprise resource planning (ERP) system. Since March 1998, 13 modules have been rolled out in the USA and Australia. The system enables ResMed staff to access a stable, single system that delivers synchronized financial, manufacturing, and distribution data using a common interface. The global implementation is scheduled to be completed in calendar 2000 when an additional three countries are installed.

ResMed is also in the process of moving to e-commerce and it is envisioned the Company will be selling direct to resellers via the Internet by late 1999.

The implementation of the Oracle ERP system and the further development of a Global Website will take ResMed's business into the next millenium. It is envisioned that an increasing portion of ResMed business will be on-line.

"We are in a field that improves the quality of life for our customers in a very demonstrable way. The number of patients who have come back to me and expressed their thanks at being able to now enjoy life, even to the extent of still being alive, could not be counted."

Ken Hely, Project Manager, Patient Interface Development Group, ResMed.

Products

Innovation has played a major role in ResMed's success. In the ten years since its founding the company has developed a large number of product advancements and improvements designed to increase patient comfort and encourage compliance. Feedback from patients and specialists around the world is used to produce products that meet the different market needs. At the end of June 1999, the Company had a total of 186 patents issued and pending for a range of technologies.

ResMed produces nasal CPAP, VPAP®, and AutoSet® systems for the home treatment of SDB. In addition, ResMed manufactures air delivery systems that include nasal masks, headgear, and tubing to connect the system to the patient. The Company also markets a growing range of sleep laboratory products and other accessories aimed at improving patient comfort, convenience, and compliance with therapy.

CPAP Systems to Suit Everyone

Currently, the SULLIVAN® V range of CPAP systems is ResMed's main CPAP product. Each of the four SULLIVAN V models is small, compact, and designed to suit different patient needs.

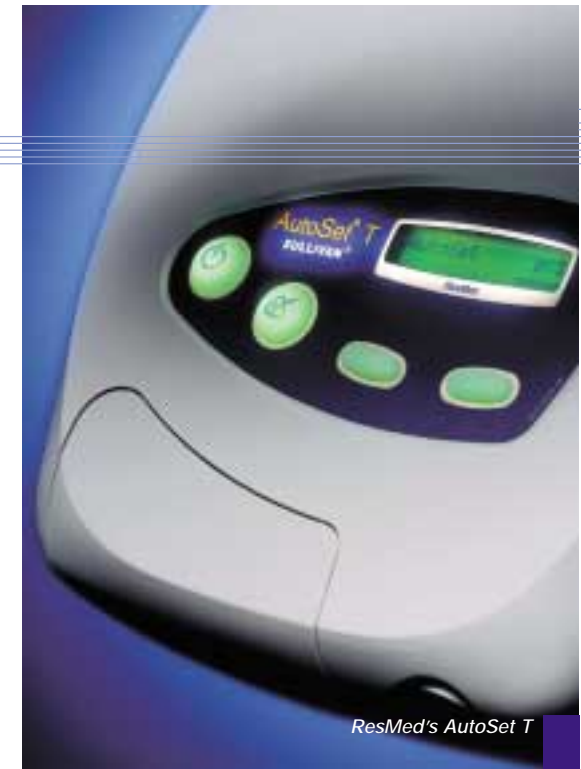
VPAP® Systems for Truly Effective Bilevel Therapy

ResMed's VPAP (Variable Positive Airway Pressure) systems deliver ultra-quiet, comfortable bilevel therapy. There are two pressures set by the clinician: 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 systems have gained a reputation for delivering comfortable treatment. This is due to a unique feature called IPAP MAX™, which helps to ensure the system matches the patient's respiratory cycle. The patient can thus tolerate the VPAP system better, resulting in more effective bilevel therapy.

"When she was informed we represented the company that manufactured the device that had given her renewed hope she thanked us and became very emotional. I wish every ResMed engineer could see how important his/her work is to patients worldwide. Moments like these remind us that ResMed is making a unique contribution, in this case the IPAP MAX feature, that no other company in our industry is able to emulate."

Ed Therrien, Director of Sales and Marketing, Latin America and Canada.



ResMed's AutoSet T

There are five models in the VPAP range: the SULLIVAN VPAP II, the SULLIVAN Comfort, the SULLIVAN VPAP II ST, the SULLIVAN VPAP II ST-A and the SULLIVAN VPAP MAX™.

The VPAP MAX 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 critical care hospital market.

AutoSet® T: the Ultimate in Patient Comfort

Released in March 1999, ResMed's new AutoSet T provides the ultimate in positive airway pressure therapy. AutoSet T automatically adjusts the amount of pressure delivered to suit the patient's needs as they vary throughout the night according to sleep stage, body position, and other factors. The patient receives only the minimum amount of pressure for effective therapy. This improves comfort, reduces pressure-related side effects, and can lead to increased compliance with therapy.

AutoSet T also records detailed patient data while it treats. Sleep physicians and therapists can monitor this information to ensure therapy is working for the patient.

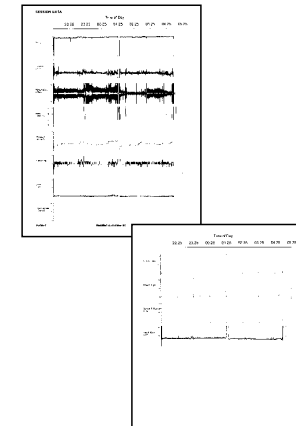
Fully Portable Respiratory Sleep Studies

ResMed markets devices incorporating its innovative AutoSet technology for the diagnosis, titration and treatment of SDB in sleep clinics, hospitals, and patients' homes. The AutoSet® 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 Portable II Plus records all relevant respiratory data, which can then be downloaded to a computer for review and print-out.

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

The AutoSet® Future

Recent studies have shown that about half of patients with congestive heart failure (CHF) develop a serious condition known as Cheyne-Stokes Respiration (CSR), or periodic breathing. ResMed is currently developing the AutoSet® CS, which is especially designed to treat CSR.



The AutoSet Portable II Plus with accessories and (above) patient data summary reports



In April 1999, the reported results from early German clinical trials with the AutoSet CS device on patients with CHF proved promising. The trials showed that the AutoSet CS reduced breathing abnormalities to a level that was near normal and less than half that of an alternative device treatment.

ResMed believes that if AutoSet CS treatment is as effective as studies suggest in improving the quality of people's lives as well as, potentially, improving heart function, this device could become a significant development in heart failure treatment.

The Mirage® Mask: a Perfect Fit – First Time

In June 1997, ResMed released the Mirage mask system, which has taken a large share of the worldwide mask market. Suitable for both conventional CPAP and bilevel therapy, the Mirage 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 size fits most people so that clinicians can fit masks faster and more easily. Inventory costs can also be reduced with the Mirage as it eliminates the need to carry a large range of types and sizes of mask.

The Mirage® Full Face Mask for Patient Compliance

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

A new disposable nasal mask and disposable Mirage Full Face Mask for the hospital market are scheduled for release early in the coming fiscal year.

A Range of Other Mask Systems

ResMed also sells cushions, frames, and headgear separately. A patented Bubble Cushion®, 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® 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 on an OEM basis for one of its competitors.

Accessories

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® HumidAire™, which connect directly with the CPAP and VPAP systems to humidify 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 breathing circuits.



"I used to wake in the morning with a splitting headache. Now I use the ResMed AutoSet T, which only increases the air when I need it, which makes the machine extremely comfortable to use. Now I get a good seven hours sleep a night without the morning headaches."

John Garrigan, 64 year old retired airline pilot.



Product Development

ResMed is committed to an ongoing program of product advancement and development. Currently, product development efforts are focused on AutoSet® technology, improved CPAP, VPAP® and mask systems, and manufacturing cost-reduction programs.

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

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



The 24,000 sq.ft. warehouse where materials and components are stored prior to preparation for manufacture.

Sales and Marketing

ResMed 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 direct employees and manufacturer 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.

ResMed 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, the two regional sales managers and the Company's Vice President of US Sales manage sales employees and manufacturers' subrepresentatives. The Company's Canadian and Latin America 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 the responsibility of the Executive Vice President based in Sydney, Australia. 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

ResMed's principal manufacturing facilities are located in Sydney, Australia. The manufacturing operations consist primarily of assembly and testing of devices, masks, and accessories. Of the numerous raw materials, parts and components purchased for assembly of therapeutic and diagnostic sleep disorder products, most are off-the-shelf items available from multiple vendors. ResMed 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. A quality control group performs tests at various steps in the manufacturing cycle to ensure compliance with the Company's specifications.

Earlier this year, all Sydney operations moved into a custom-designed and built, five story, 120,000 sq.ft. premises housing Manufacturing, R & D, Finance, Marketing and Legal/Intellectual Property departments.



ResMed's new premises in Sydney (left) were officially opened by New South Wales Premier, The Hon. Bob Carr, MP (pictured above left) with Dr Peter Farrell.

A tornado, which ripped through a United States town in Alabama on May 19, 1995, totally leveled hundreds of houses, including the home of a patient who had been using a ResMed CPAP machine. The machine, however, was found in a field 3 miles (5 km) from the patient's home. Other than some house insulation, which was imbedded in the outside of the case, and a missing power cord and filter cartridge, the machine was found intact. When plugged in, the machine not only ran, but was found to still maintain the exact pressure to which it had been set. This is one test that not even the engineers at ResMed had performed.

Extract from a letter to ResMed from Specialized Medical Devices, Inc, dated August 1995.

Medical Advisory Board

ResMed's international Medical Advisory Board (MAB) consists of physicians and scientists specializing in the field of SDB. MAB members meet as a group twice a year with members of ResMed's senior management and members of its Product Development 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. In alphabetical order, MAB members include:



Michael P. Coppola, MD, 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, an SDB specialty company, and a member of the faculty of Tufts University School of Medicine.



Neil J. Douglas, MD, FRCP, 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 S. Hill, MD, 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 noninvasive positive pressure ventilation for treating lung disease.



Barry J. Make, MD, is Director, Emphysema Center and Pulmonary Rehabilitation National Jewish Medical and Research Center, and Professor of Pulmonary Sciences and Critical Care Medicine at 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 the treatment of, and rehabilitation from, respiratory disease.



Colin E. Sullivan, MD, PhD, FRACP, is Chairman of the MAB and the inventor of nasal CPAP for treating OSA. He is Professor of Medicine and Director of the David Read Laboratory at the University of Sydney 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 ResMed's innovation, product development, and clinical testing.



Helmut Teschler, MD, 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, 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, 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 OSA. 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.

Stockholders' Information

Annual Meeting of Shareholders

The annual meeting of shareholders will be held on Monday, November 8, 1999 at 3.00pm at ResMed, 10121 Carroll Canyon Road, San Diego CA.

Market for the Company's Common Stock and Related Shareholders Matters

The Company's shares are currently traded on the NASDAQ National Market under the symbol RESM. The Company began trading on the national over-the-counter market on June 2, 1995. However, the Company is expecting its stock to begin trading on the New York Stock Exchange under the symbol "RDI" on or about September 30, 1999. The Company does not intend to pay cash dividends with respect to its common stock in the foreseeable future. High and low closing sale price information for the Company's common stock for the applicable fiscal quarters is shown below.

	1999		1998	
	HIGH	LOW	HIGH	LOW
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

Form 10-K

Copies of the ResMed Inc annual report on Form 10-K, as filed with the Securities and Exchange Commission, are available upon request without charge. Please address written requests to Walter Flicker, Corporate Secretary, ResMed Inc, 10121 Carroll Canyon Road, San Diego CA 92131.

Shareholder Inquiries

A new international telephone service is available for shareholders. The service allows you to hear a recorded summary of major news developments at ResMed, including quarterly earnings releases. You may also use

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the service to request copies of news releases as well as copies of financial reports by either mail, fax, or email.

This service is available (free of charge to North American callers), 24 hours a day, seven days a week. Since our information service will provide timely news throughout the year, we have eliminated our quarterly reports to shareholders as part of our Company-wide effort to improve efficiency and reduce costs.

We encourage you to use the service to stay informed about important developments at ResMed. To access the service, dial 1-888-RESMED1 (1-888-737-6331) from any touchtone phone worldwide (using International Access Code if outside USA) and follow the instructions.

Company Information Available on the World Wide Web

ResMed has a World Wide Website containing details about the Company, its products, OSA, and information for sleep professionals, as well as the latest Company news releases.

You can visit the website at <http://www.resmed.com>.

Other Financial Data

Security analysts and institutional investors are invited to contact Dr. Peter C Farrell, President, Tel: 858 689 2400 or 1 800 424 0737, Dr. Christopher G Roberts, Executive Vice President, Tel: +61 2 9886 5000 and Adrian M Smith, Vice President, Finance, Tel: +61 2 9886 5000.

Transfer Agent and Registrar

Inquiries regarding transfer requirements, lost certificates, and changes of address should be directed to:

American Stock Transfer and Trust Company, 40 Wall Street, New York, NY 10005. Tel: 718 921 8275.

Legal Counsel

Latham and Watkins, 650 Town Center Drive, Suite 2000, Costa Mesa, CA 92626

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*ResMed Board of Directors (L to R)
Christopher Roberts, Peter Farrell (sitting), Gary
Pace, Michael Quinn (sitting), Donagh McCarthy.*

Board of Directors

Chairman of the Board

- Dr. Peter C. Farrell
President, Chief Executive Officer, ResMed Inc

Directors

- Donagh McCarthy
President Renal Management Strategies Inc.,
an affiliate of Baxter Healthcare Corporation
- Dr. Gary W. Pace
President and Chief Executive Officer,
Research Triangle Pharmaceutical Inc.
(a pharmaceuticals research corporation)
- Michael A. Quinn
Formerly CEO of a medical device company
Director of listed and unlisted companies
- Dr. Christopher G. Roberts
Executive Vice President, ResMed Inc

Officers

Name	Age	Position
Mark Abourizk*	42	Vice President, Intellectual Property
Dr. Michael Berthon-Jones*	47	Vice President, Clinical Research
David D'Cruz*	41	Vice President, Quality Assurance and Regulatory Affairs
Norman DeWitt*	49	General Counsel
Walter Flicker*	44	Corporate Secretary
Dr. Robert Frater	62	Vice President, Innovation
Elliott Glick	56	Vice President, US Operations
Michael Hallett*	41	Vice President, New Ventures
Curt Kenyon	36	Vice President, US Sales
William Nicklin*	47	Vice President, Manufacturing
Dr. Klaus Schindhelm	46	Vice President, Product Development
Adrian Smith*	35	Chief Financial Officer
Dr. Deirdre Stewart	43	Vice President, Clinical Education
Dr. Jonathan Wright*	49	Vice President, Global New Business

* Section 16 (b) Officer

Ten Year Financial Summary

(In thousands, except per share data)

Year ended June 30

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Net revenues	88,627	66,519	49,180	34,562	23,501	13,857	7,650	3,356	1,635	816
Income from operations	25,255	17,363	8,327	3,595	2,787	1,289	637	(95)	(409)	(485)
Income before income taxes	24,577	16,112	11,087	6,561	3,781	1,831	1,205	315	(115)	(276)
Net income	16,102	10,611	7,465	4,503	2,833	1,232	846	315	(115)	(276)
Basic earnings per share	1.09	0.73	0.52	0.32	0.37	0.20	0.19	0.08	(0.03)	(0.09)
Diluted earnings per share*	1.04	0.71	0.51	0.31	0.32	0.17	0.11	0.04	(0.02)	(0.06)

As at June 30

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Working capital	32,529	32,759	34,395	30,844	27,354	5,010	2,589	1,501	1,166	941
Long-term debt	–	–	274	578	787	386	163	218	262	766
Shareholders Equity	71,647	50,773	44,625	38,986	28,867	5,630	2,895	1,689	1,257	420
Total Assets	89,889	64,618	54,895	47,299	35,313	9,608	5,173	2,886	2,004	1,438

* Subject to dilution from 2.45 million shares offered on initial public offering June 2, 1995