

# **RESMED**

**Global Leaders in Sleep and Respiratory Medicine**

**Q1 2011  
Investor Presentation**

## Forward looking statements

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Statements contained in this release that are not historical facts are “forward-looking” statements as contemplated by the Private Securities Litigation Reform Act of 1995. These forward-looking statements, including statements regarding the Company’s future revenue, earnings or expenses, new product development, new markets for the Company’s products and the impact of future developments related to the recently announced product recall, and are subject to risks and uncertainties, which could cause actual results to materially differ from those projected or implied in the forward looking statements. The Company cannot be certain that it has accurately predicted the costs of the product recall, which could change in response to additional feedback from ongoing discussions with regulatory bodies or other unforeseen circumstances. In addition, the product recall could affect the Company’s reputation. Additional risks and uncertainties are discussed in the Company’s Annual Report on Form 10-K for its most recent fiscal year and in other reports the Company files with the U.S. Securities & Exchange Commission. Those reports are available on the Company’s Web site.

## Global Leader in SDB and Respiratory Medicine

Global leading developer, manufacturer and marketer of medical devices to treat sleep-disordered breathing (SDB) and other respiratory conditions

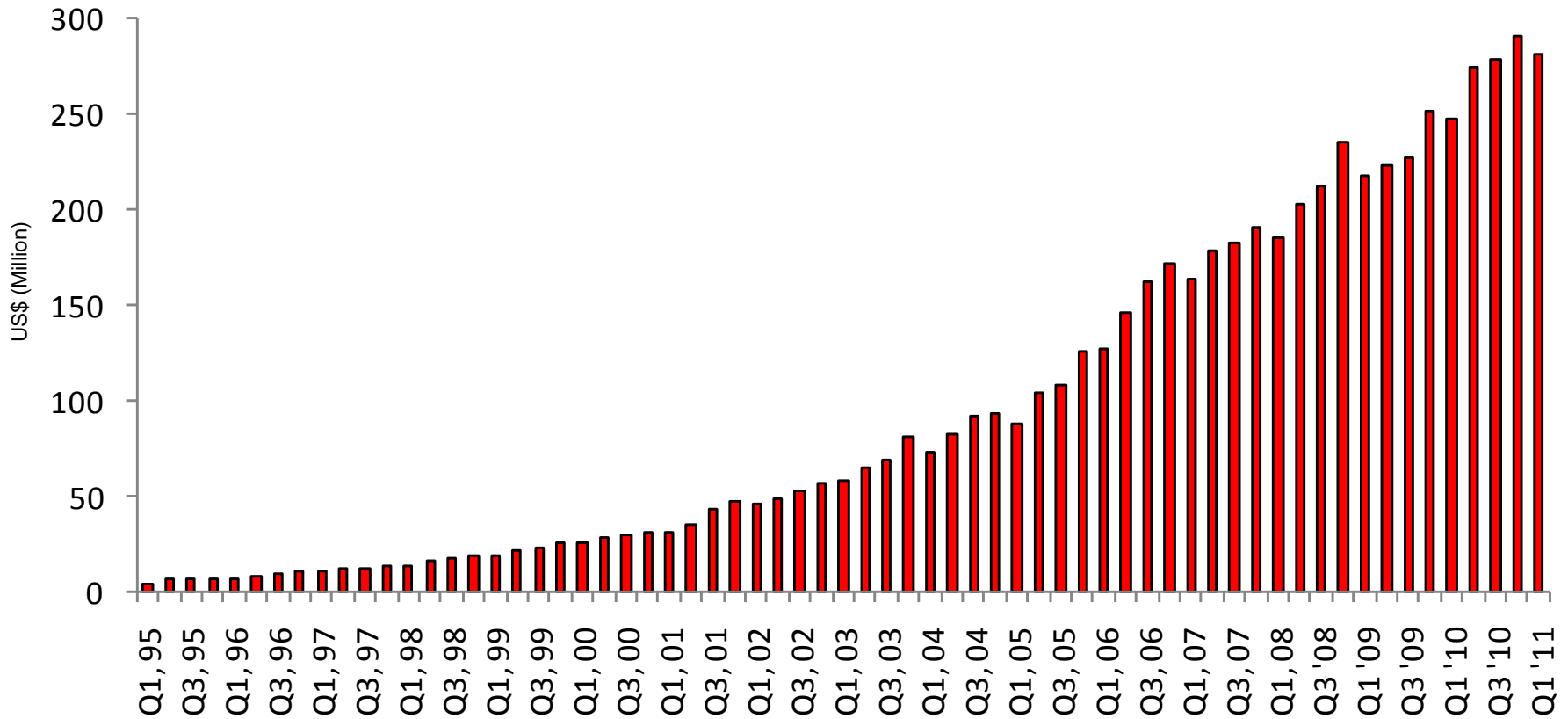


## 63<sup>rd</sup> Consecutive Quarter of Revenue Growth

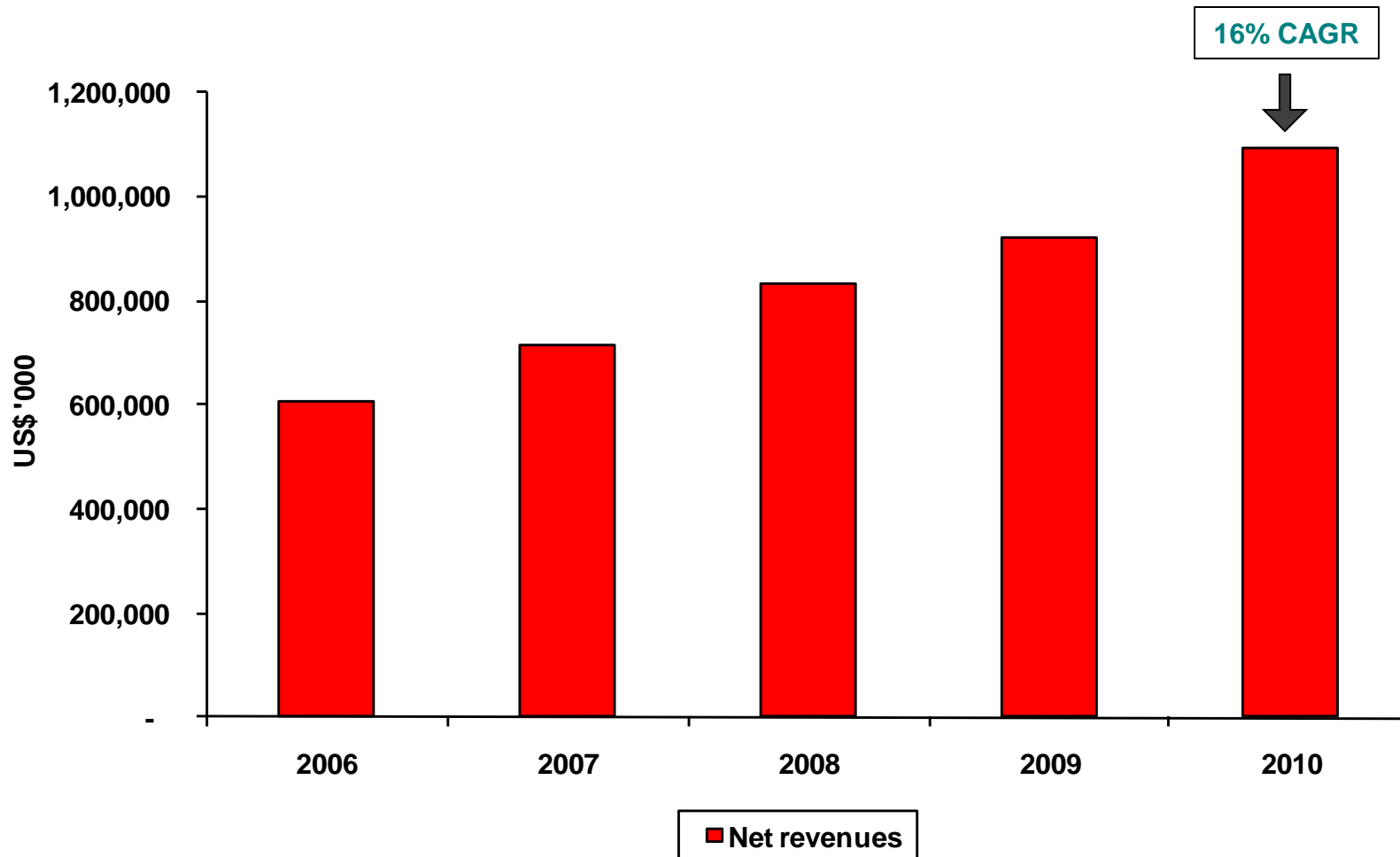
Q1 2011

<b>Revenue</b> (Constant Currency)	\$282.0M +14% (+17%)
<b>Net Income</b>	\$56.7M +35%
<b>EPS</b>	\$0.36 +33%

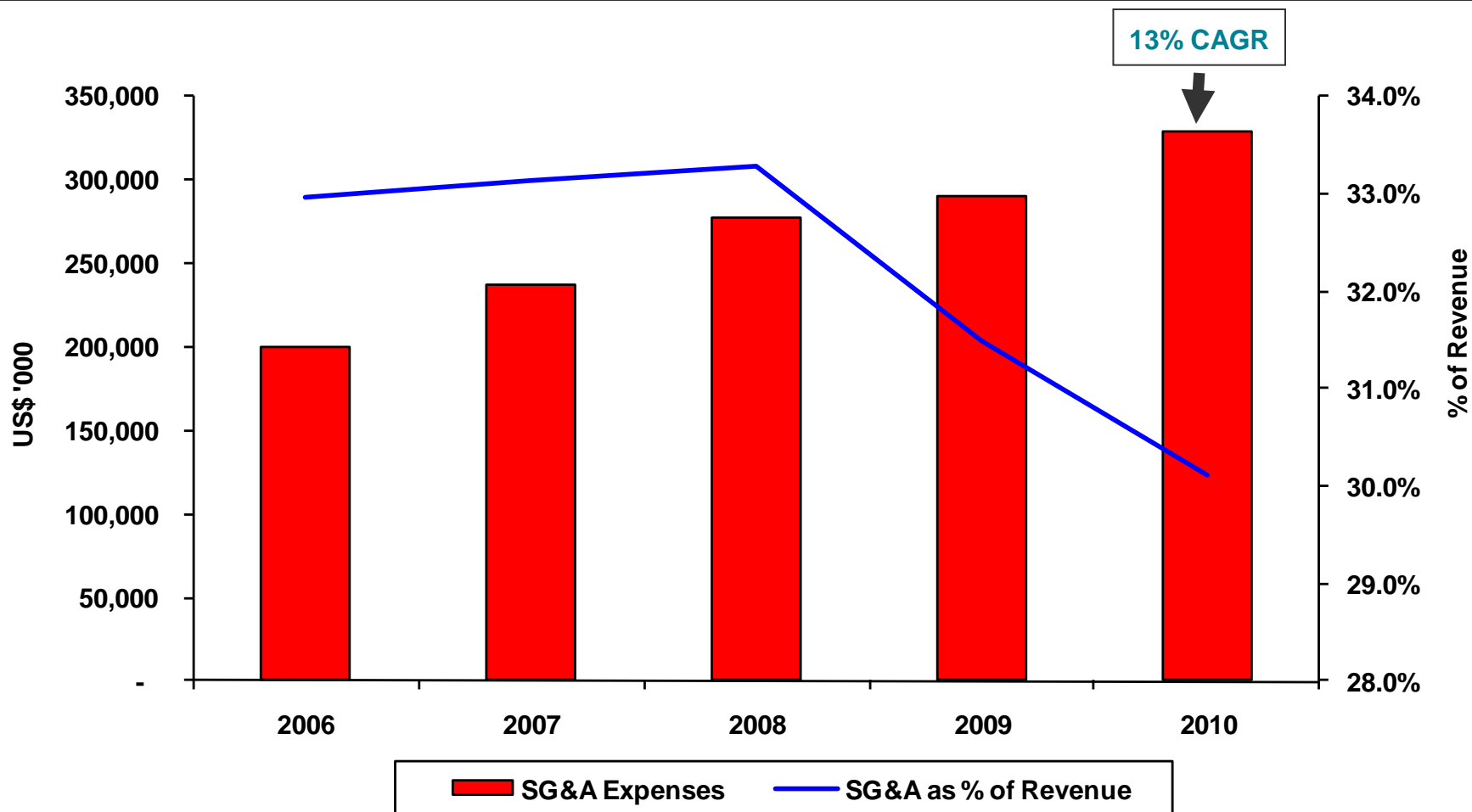
## Consistent Quarterly Sales Growth



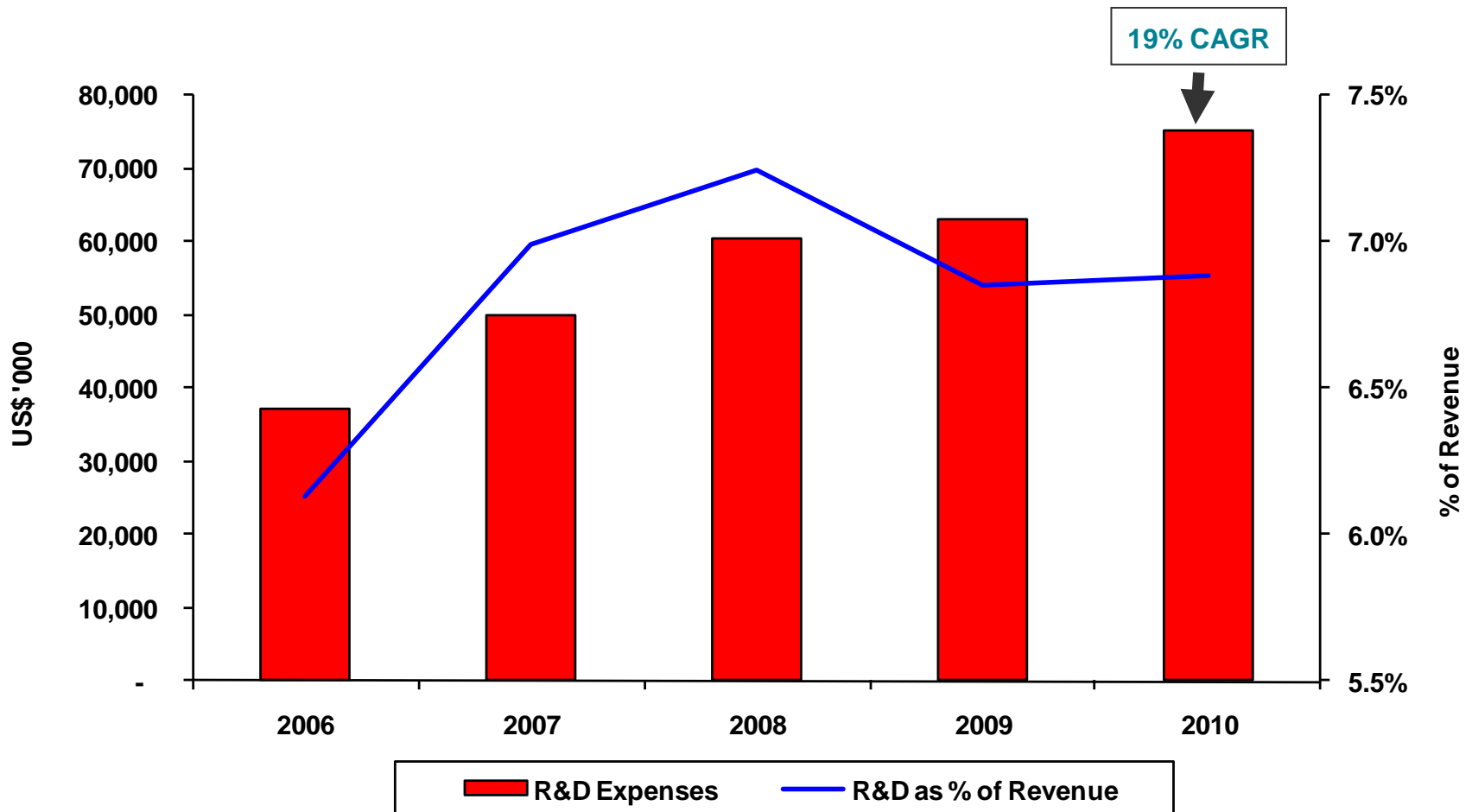
## Annual Revenue Performance



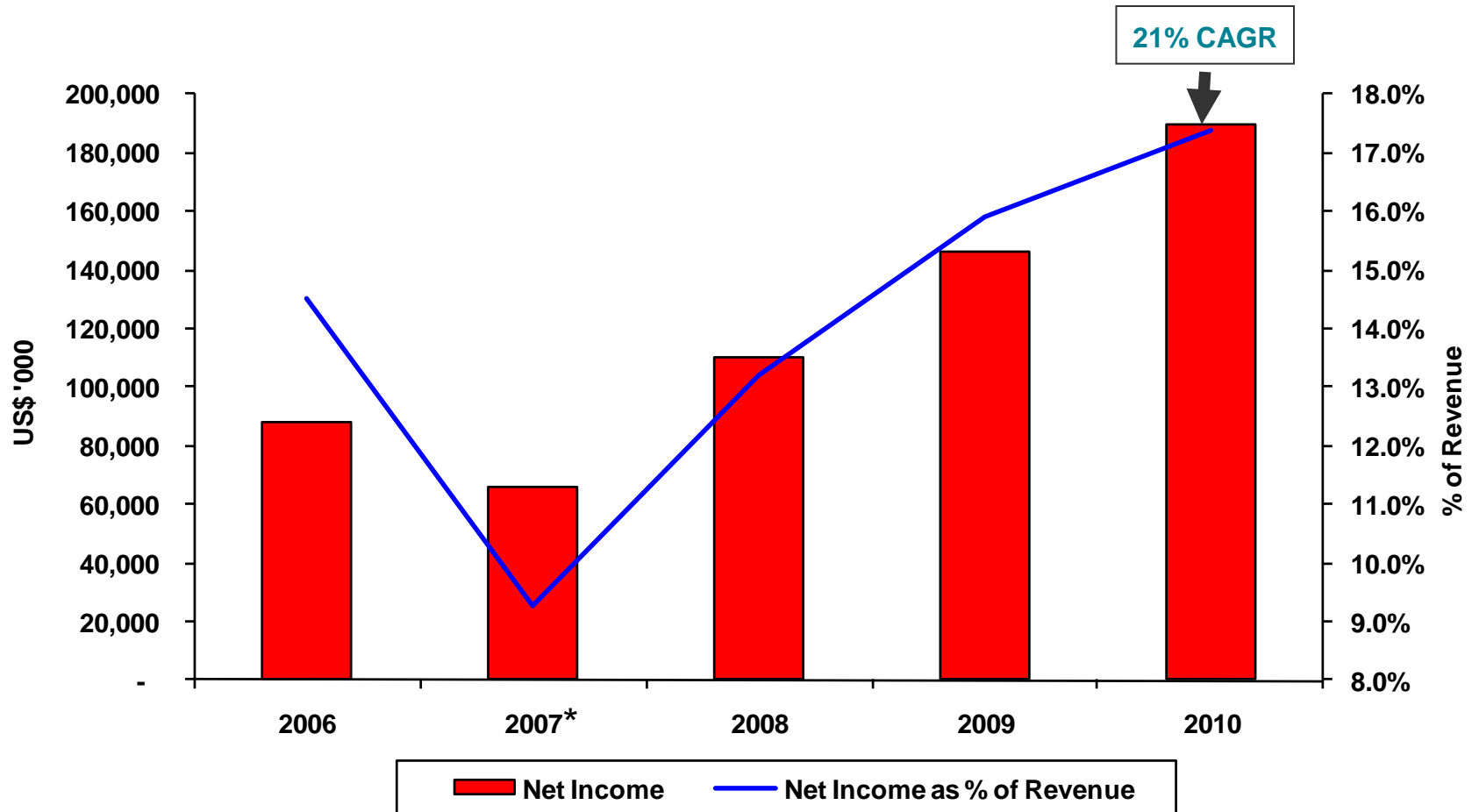
## Efficiency Gains in SG&A



## Continued R&D Investment Drives Innovation

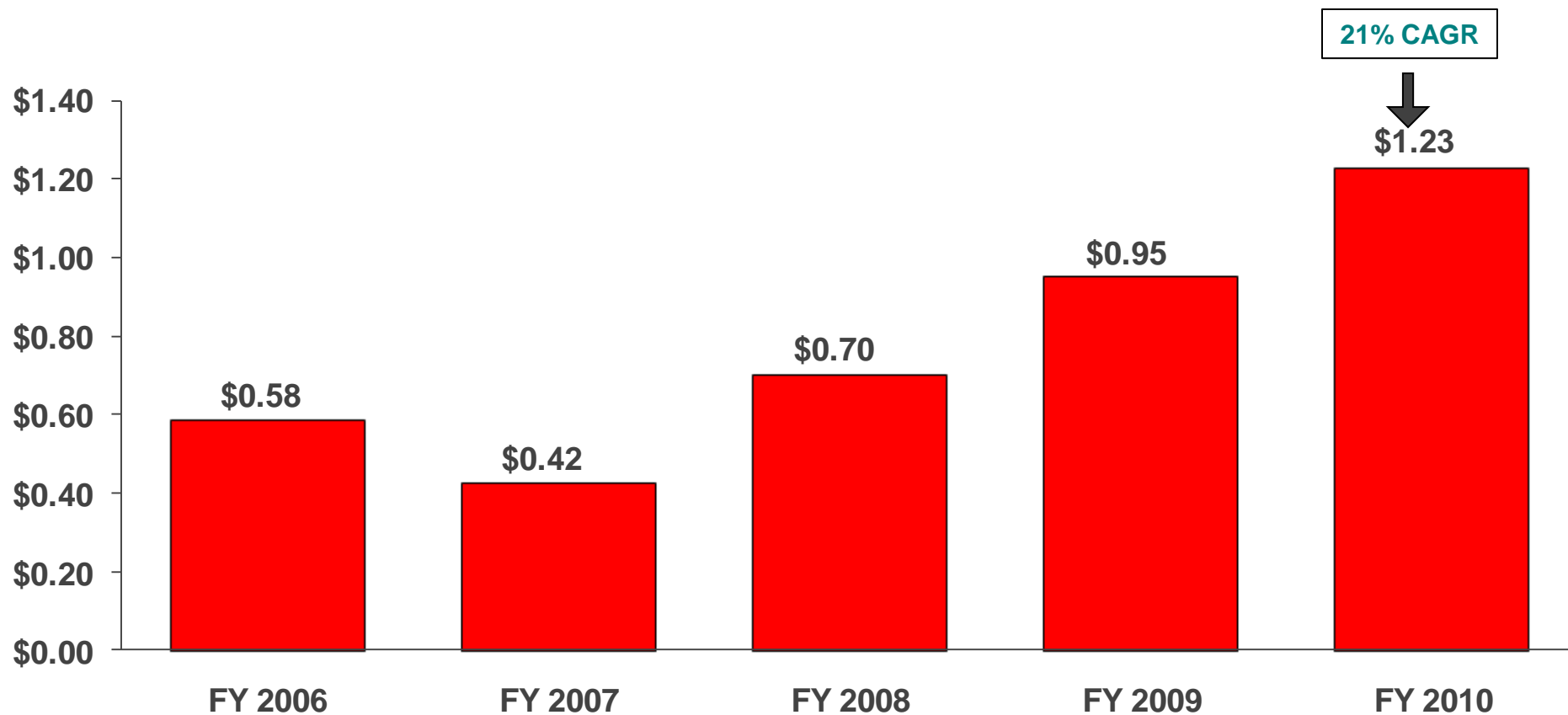


## Net Income Growth



\* 2007 Net Income includes the impact of a voluntary product recall expense of \$59.7 million, \$41.8 million net of tax.

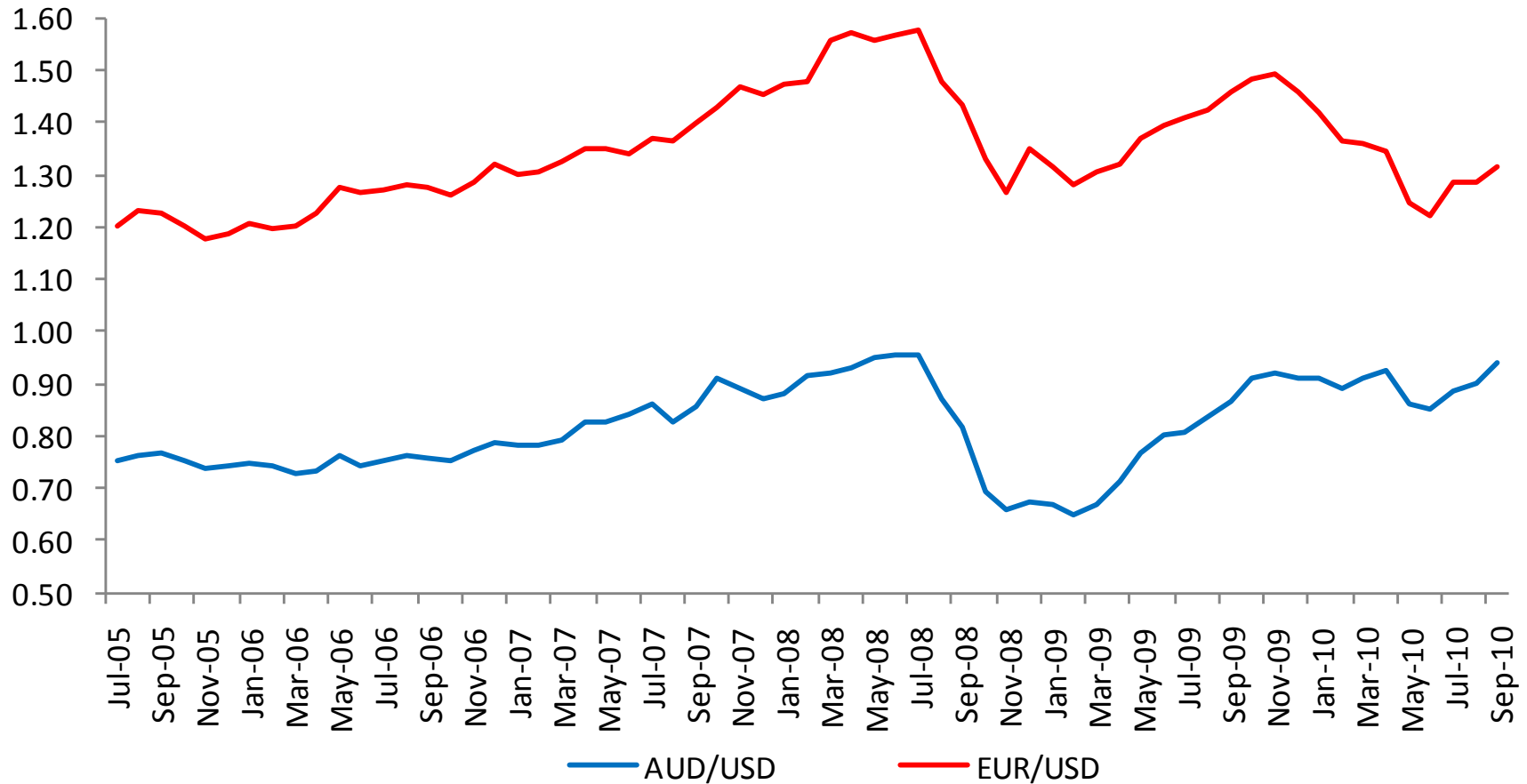
## Sustained EPS Growth



\*

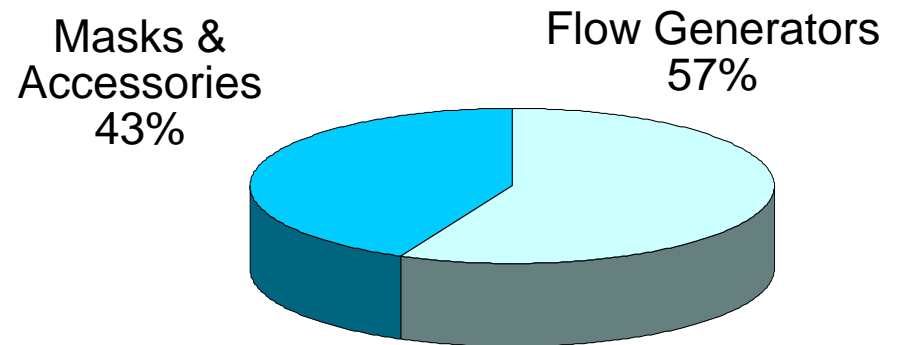
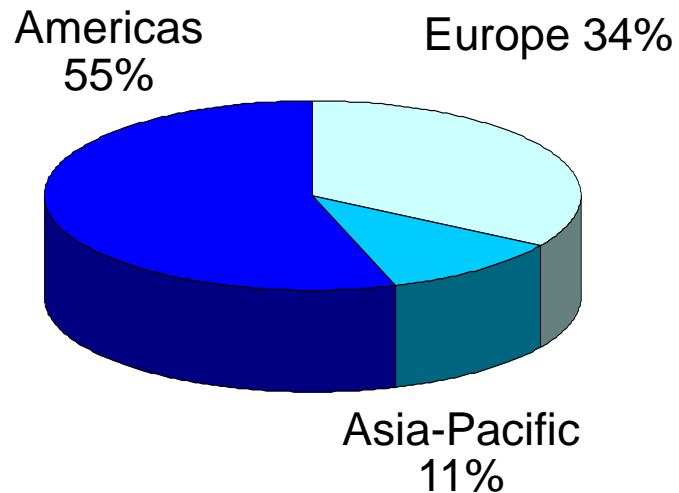
\* 2007 EPS includes the impact of a voluntary product recall expense of \$59.7 million, \$41.8 million net of tax.

## Despite Volatile Currency Movements



## Sales by Region & Product

Q1 2011



# **Links between SDB and Chronic Disease**

## Market Opportunities

**Market Size – 20% sleep apnea in the adult population**  
13% Mild; 7% Moderate to Severe



Young T, Peppard E, and Gottlieb D. Epidemiology of obstructive sleep apnea: a population health perspective. *Am J Respir Crit Care Med* 2002; 165:1217-1239

## Visible and Hidden Impacts of SDB



**SDB**

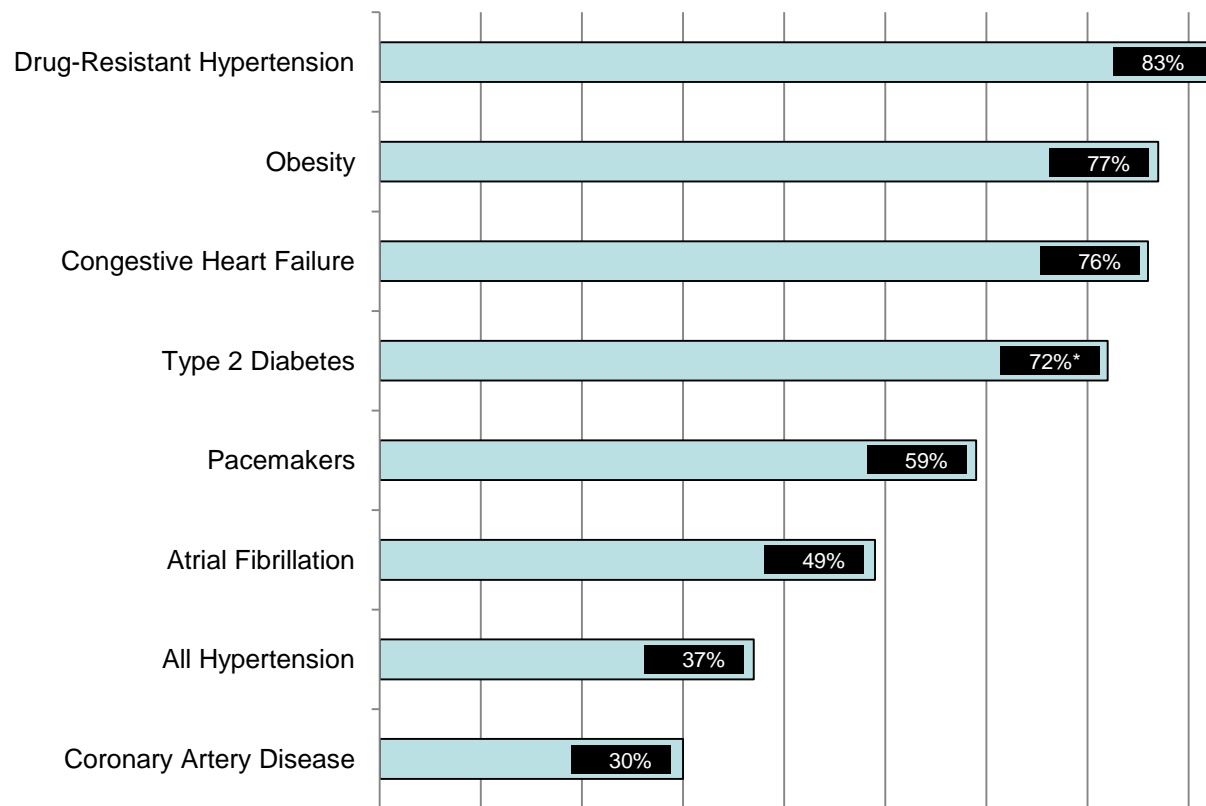
### Externally

- Choking arousals
- Fragmented sleep
- Nocturia
- Unrefreshed on waking
- Morning headaches
- Impaired concentration
- Daytime sleepiness

### Internally

- Hypoxemia
- Hypercapnia
- Sympathetic activation
- Endothelial dysfunction
- Metabolic dysregulation
- Hypertension
- Arrhythmias
- Myocardial infarction
- Stroke

## Sleep Apnea is Prevalent in Patients with Other Serious Conditions



Logan et al.  
*J. Hypertension* 2001

Oldenburg et al,  
*Eur J Heart Failure*, 2007

O'Keefe and Patterson.  
*Obes Surgery* 2004

Einhorn et al.  
*Endocrine Prac* 2007

Garrigue et al.  
*Circulation* 2007

Gami et al.  
*Circulation* 2004

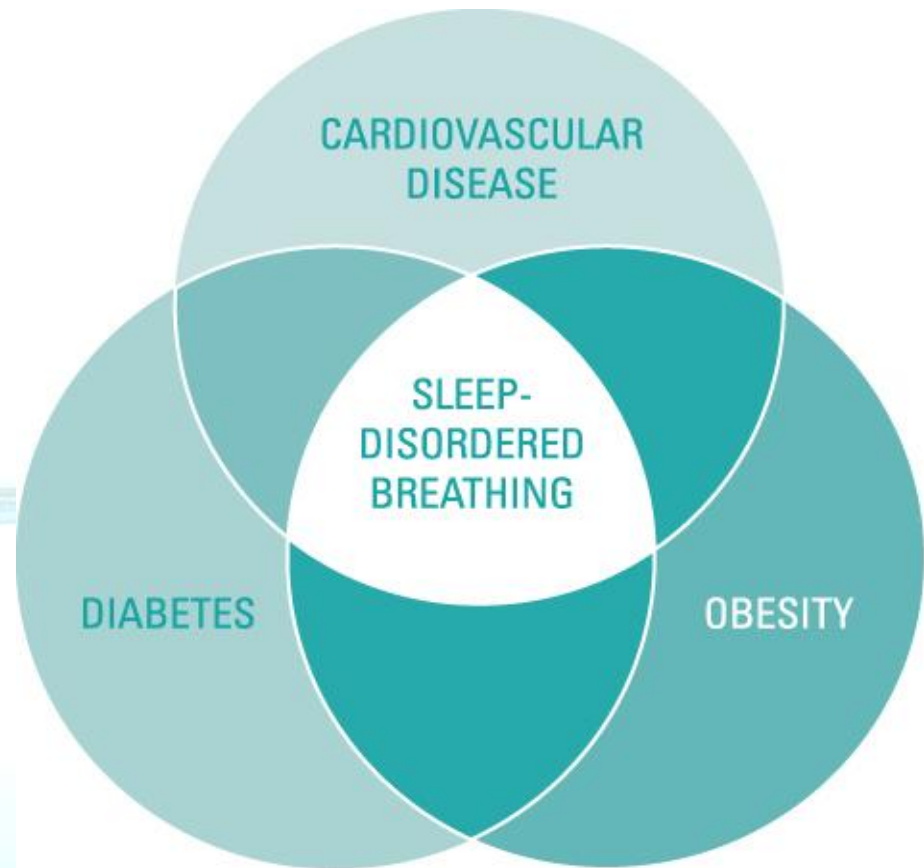
Sjostrom et al.  
*Thorax* 2002

Schafer et al.  
*Cardiology* 1999

\* Apnea-Hypopnea Index  $\geq 5$

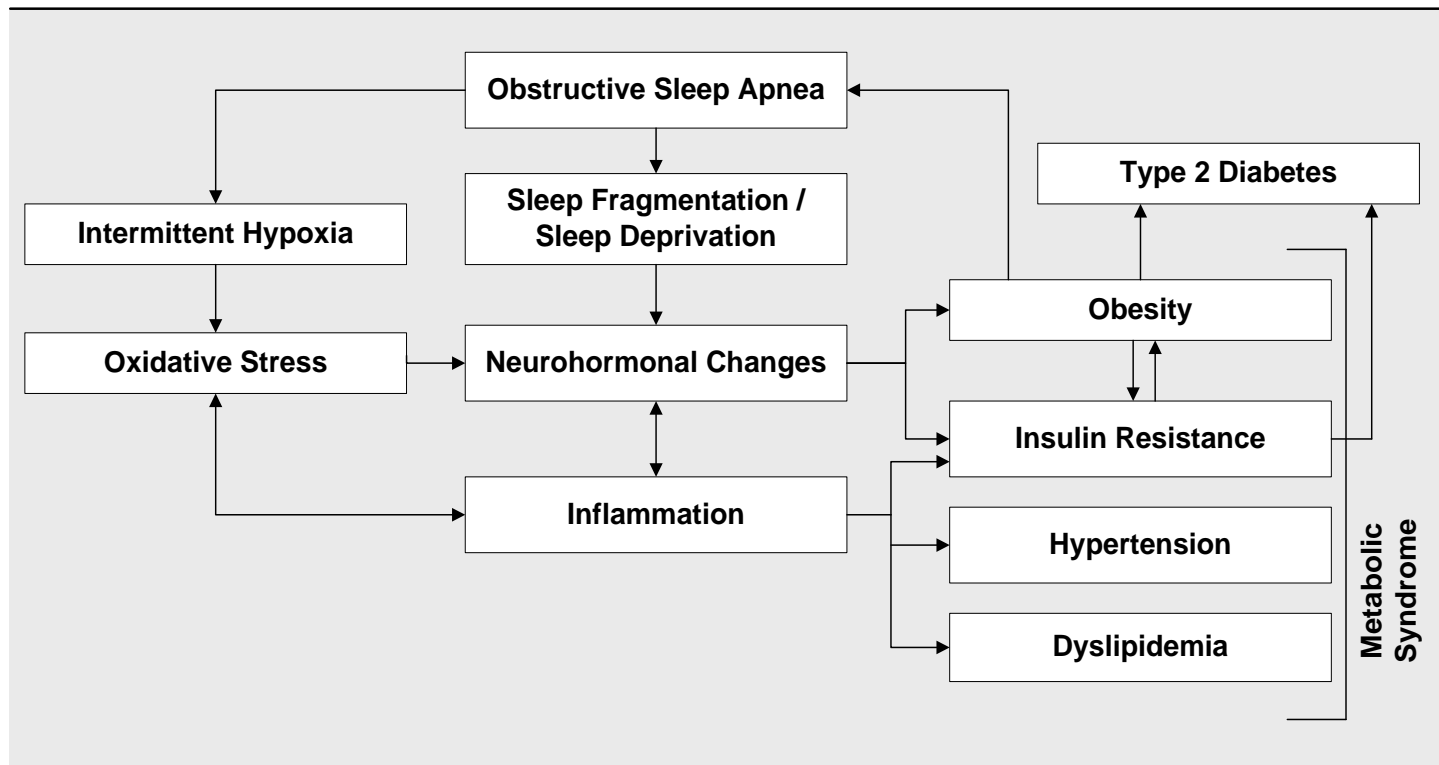
## SDB at the Heart of Metabolic Syndrome

- Sleep-disordered breathing is at the center of Metabolic Syndrome
- Treating SDB improves *all* major co-morbidities



## Links Between OSA and Chronic Disease

**FIGURE** Possible mechanistic links between obstructive sleep apnea, obesity, metabolic syndrome, and type 2 diabetes



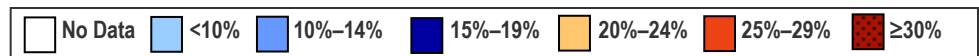
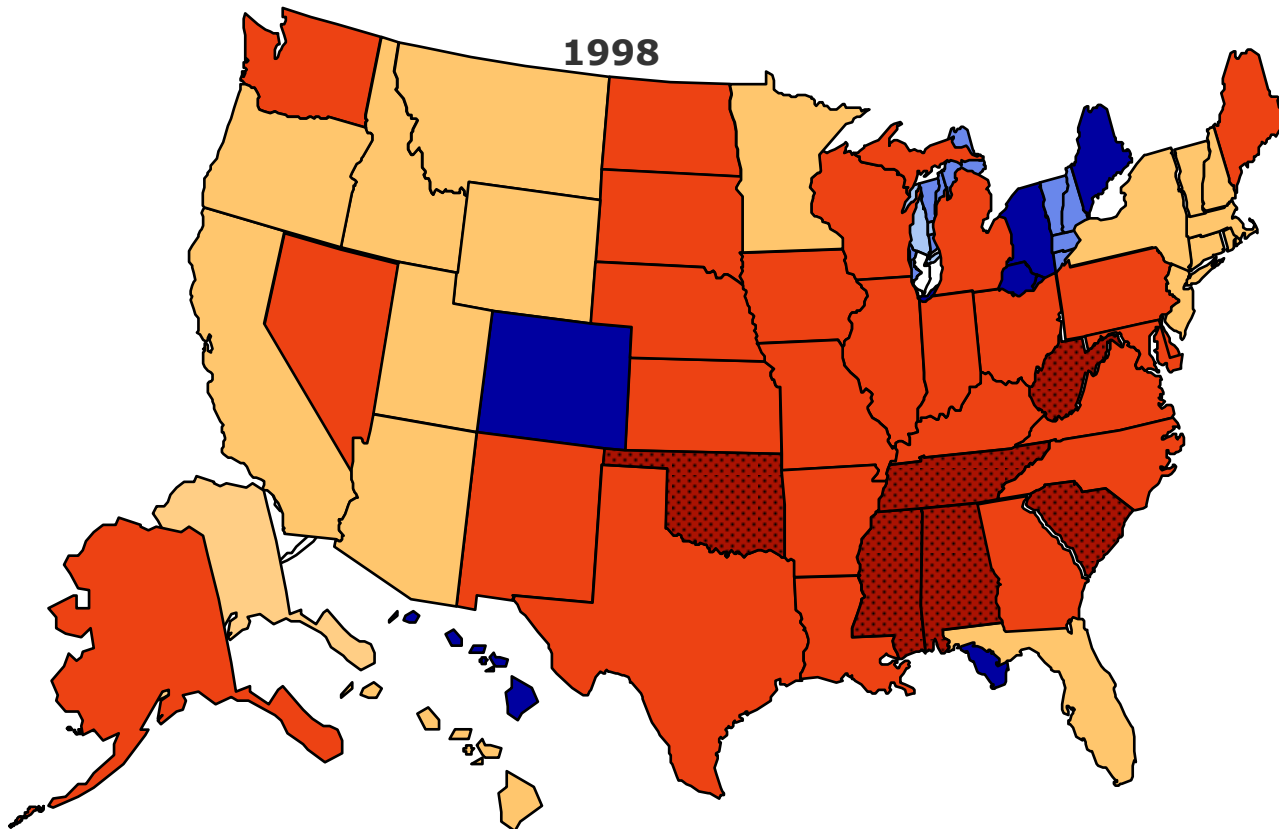
Reproduced with permission from Tasali E, p MSM, 2008. Obstructive sleep apnea and metabolic syndrome: Alterations in glucose metabolism and inflammation. Proc AM Thorax Soc. 5:207-217 (2008). Official journal of the American Thoracic Society. Copyright © American Thoracic Society.

## Obesity Rates Continue to Climb

(\*BMI  $\geq 30$ , or about 30 lbs. overweight for 5'4" person)

2008

1998



Journal of Sleep: CDC Behavior Risk Factor Surveillance Survey (BRFSS)

## Cardiology Guidelines Recognize SDB

In September 2008, the European Society of Cardiologists published guidelines for the treatment of acute and chronic heart failure.

- For the first time, the guidelines noted that patients with symptomatic heart failure frequently have sleep-related disorders (central or obstructive sleep apnea).
- Recommended treatment with CPAP for patients diagnosed with obstructive sleep apnea.
- Cardiovascular disease affects 80 million US adults, with direct and indirect costs of over \$475 billion. Heart Failure alone affects 2.5% of the US and costs \$37.2 billion per year in direct and indirect costs.<sup>1</sup>

*1 American Heart Association 2009 Update*

European Heart Journal Advance Access published September 17, 2008



European Heart Journal  
doi:10.1093/eurheartj/ehn309

**ESC GUIDELINES**



**ESC Guidelines for the diagnosis and treatment  
of acute and chronic heart failure 2008**

## Diabetes Consensus Statement Recognizes SDB

Patients with either sleep apnea or diabetes should be evaluated for the other condition.

The IDF  
Consensus  
Statement on

**SLEEP APNOEA AND  
TYPE 2 DIABETES**



International Diabetes Federation

- Patients with type 2 diabetes should be assessed for symptoms of sleep-disordered breathing.
- Continuous positive airway pressure is the current best treatment for moderate to severe sleep apnea.
- Over 23 million Americans suffer from diabetes; with medical expenditures of \$27 billion in direct costs, and \$58 billion in indirect costs.<sup>1</sup>

*1 American Diabetes Association*

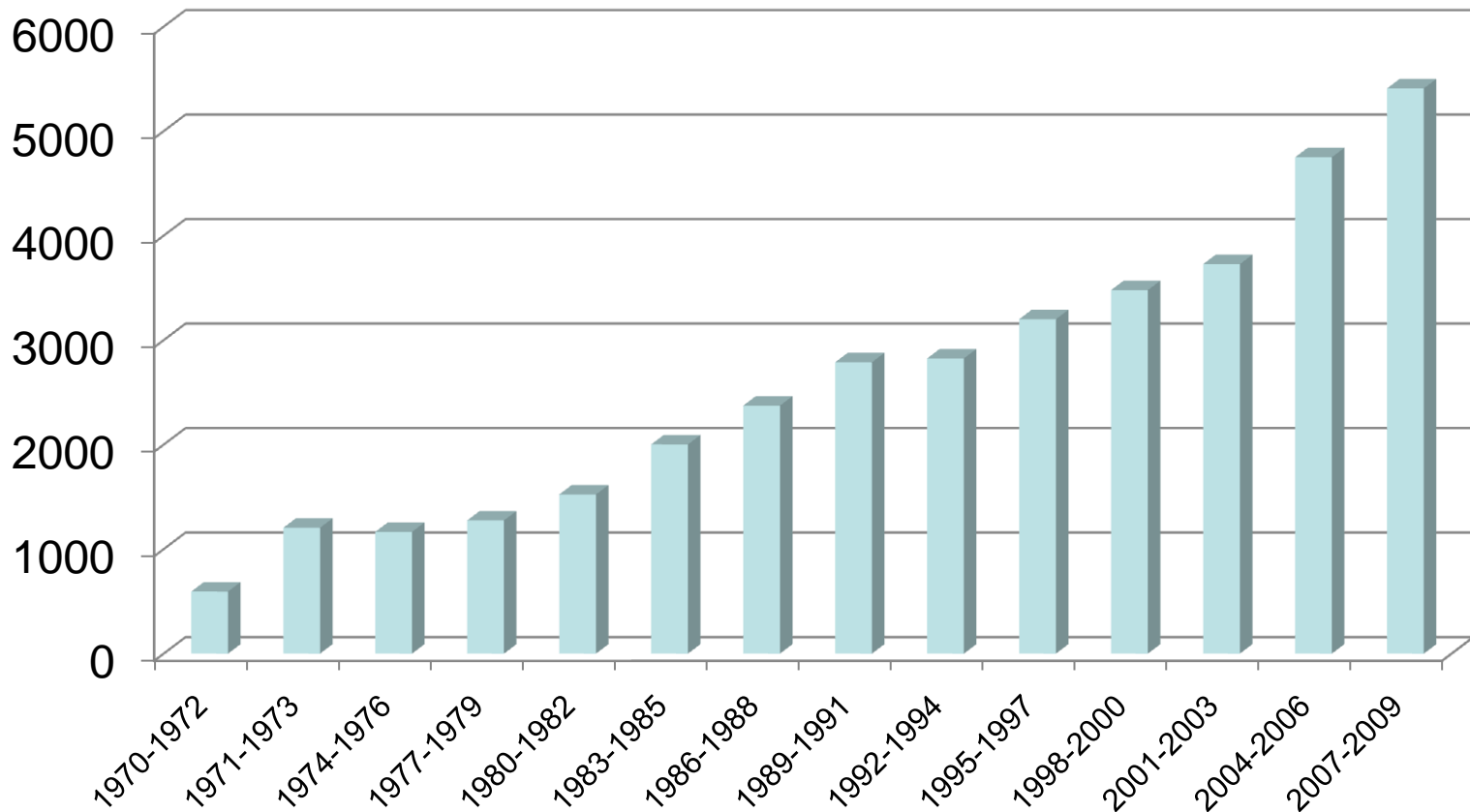
## SDB Increases Stroke Risk

In April 2010, results of a landmark study supported by the National Heart, Lung, and Blood Institute of the National Institutes of Health were published

- Obstructive sleep apnea is associated with an increased risk of stroke in middle-aged and older adults, especially men.
- Risk of stroke doubles in men with mild sleep apnea.
- Risk of stroke triples in men with moderate to severe sleep apnea.
- For the first time, a link between sleep apnea and increased risk of stroke in women is reported.



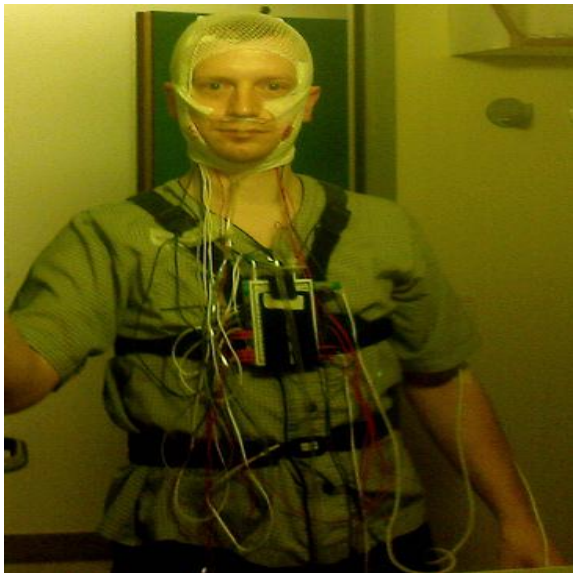
## Publications Increase Awareness of SDB and its Risks



# Healthcare Economics

## Adoption of Home Sleep Testing Increases

- Medicare and all major commercial payers now cover HST
- Over 80% of the US adult population is covered for HST
- 50% of labs are currently developing protocols and programs to offer HST in the next 6 months



Sleep Lab



Home Sleep Testing

## Treating Obstructive Sleep Apnea is Cost Effective

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### NICE (National Institute for Clinical Excellence)

- NICE is an independent UK organization responsible for providing national guidance on promoting good health and preventing and treating ill health.
- NICE conducted a study to determine if diagnosing obstructive sleep apnea and treating it with CPAP is cost-effective.
- NICE concluded CPAP should be recommended as a treatment option for adults with moderate or severe symptomatic obstructive sleep apnea.
  - CPAP was associated with more improvements in quality of life and lower healthcare costs.

## Transportation Agencies Recognize Link between SDB and Accidents

**In October 2009, the NTSB wrote to the US Coast Guard and Federal Motor Carrier Safety Administration recommending screening of all ship pilots, bus and truck drivers for sleep apnea.**



A bus driver with ineffectively treated sleep apnea ran off the road, killing 9 passengers and injuring 43.<sup>1</sup>



An airline captain with undiagnosed severe obstructive sleep apnea fell asleep and overshot his destination in Hawaii in 2008.<sup>2</sup>



A Boston trolley operator killed in a 2008 crash fell asleep before the crash, leading the NTSB to recommend that other agencies improve programs to identify and treat drivers at risk for OSA.<sup>3</sup>

*1 National Transportation Safety Board final report April 21, 2009  
2 National Transportation Safety Board final report August 3, 2009  
3 National Transportation Safety Board final report July 14, 2009*

# Superior Product Innovation

## S9 Series Delivers More Comfort, More Compliance, More Connectivity



## New Mask Offerings Considered Best in Class

Mirage™ Soft Gel



Swift FX



## Titration Solutions and Data Management Provide Support

### VPAP Tx Lab System



### S9 Wireless



## Foundation for Continued Growth and Opportunity

- Diabetes and heart failure validation
- New range of products launched
- Balanced global results
- Solid balance sheet, global reach, proven ability to execute
- Home testing approved
- Drive adoption in diabetes, heart failure, PCPs
- Launch innovative product platforms



# Appendix

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## Update: Q1 2011

	Q1 2011 US\$	Q1 2010 US\$	Y-O-Y %	Y-O-Y CC %	% Revenue
<b>Net Revenue</b>	<b>\$ 282,012</b>	<b>\$ 246,992</b>	<b>14%</b>	<b>17%</b>	
Cost of Sales	\$ 108,058	\$ 96,814	12%		38.3%
<b>Gross Profit</b>	<b>\$ 173,954</b>	<b>\$ 150,178</b>	<b>16%</b>		<b>61.7%</b>
S,G&A	\$ 84,791	\$ 76,756	10%	12%	30.1%
R&D Expenses	\$ 19,739	\$ 17,914	10%	6%	7.0%
Amortisation Expenses	\$ 2,030	\$ 1,845	10%		0.7%
Donation to Foundation	\$ 1,000	\$ 1,000			0.4%
<b>Total Operating Expenses</b>	<b>\$ 107,560</b>	<b>\$ 97,515</b>	<b>10%</b>		<b>38.1%</b>
<b>Income from Operations</b>	<b>\$ 66,394</b>	<b>\$ 52,663</b>	<b>26%</b>		<b>23.5%</b>
Total Other income / (expense) net	\$ 10,160	\$ 5,243	94%		3.6%
<b>Income before Tax</b>	<b>\$ 76,554</b>	<b>\$ 57,906</b>	<b>32%</b>		<b>27.1%</b>
Income taxes	\$ 19,846	\$ 15,804	26%		7.0%
<b>Net Income</b>	<b>\$ 56,708</b>	<b>\$ 42,102</b>	<b>35%</b>		<b>20.1%</b>
<b>Diluted EPS</b>	<b>\$ 0.36</b>	<b>\$ 0.27</b>	<b>33%</b>		

## Sales by Region and Product: Q1 2011

	<b>Americas</b>	<b>ROW</b>	<b>TOTAL</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Flow Generators	14	16 <b>22</b>	15 <b>19</b>
Masks/ Other	17	6 <b>13</b>	13 <b>15</b>
<b>TOTAL</b>	<b>16</b>	<b>13</b>	<b>14</b>
<b>Constant Currency</b>		<b>19</b>	<b>17</b>

## Balance Sheet and Capital Management

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- Cash and cash equivalents, net of external debt, of \$446 million
- Total assets of \$1.8 billion and net equity of \$1.5 billion
- Cash flow from operations was \$59.1 million for Q1 2011
- Share buy-back program
  - During Q1 2011 we repurchased 347k shares for consideration of \$17.9 million
  - During FY 2010 we repurchased 2.5 million shares for consideration of \$135.8 million
  - To date we have repurchased 9.6 million shares

## Balance Sheet

<b>USD '000</b>	<b>Sep-10</b>	<b>Jun-10</b>
Cash/ Marketable Securities	540,004	488,776
Accounts Receivable	225,836	226,911
Inventory	214,208	185,642
Other Current Assets	88,463	84,012
PP&E	423,940	387,148
Patents/ Goodwill	272,312	229,550
Other Assets	27,467	24,358
<b>TOTAL ASSETS</b>	<b>1,792,230</b>	<b>1,626,397</b>
Accounts Payable	43,071	57,535
Accruals	84,770	80,883
Income Taxes Payable	31,764	25,297
Current portion, long term debt	93,800	121,689
Deferred Revenue	50,196	42,262
Long Term Debt	0	0
Deferred Income Tax	11,784	11,195
<b>TOTAL LIABILITIES</b>	<b>315,385</b>	<b>338,861</b>
Common Stock	685,302	660,790
Retained Earnings	941,584	884,876
Treasury Stock	-362,377	-344,505
Other Comp Gain (Loss)	212,336	86,375
<b>STOCKHOLDERS EQUITY</b>	<b>1,476,845</b>	<b>1,287,536</b>

## Sleep Apnea Significantly Increases Risk of Death

*Recent studies have confirmed the independent association between sleep apnea and increased risk of all-cause mortality:*

Moderate to severe sleep apnea is independently associated with a greater than six-fold increase in the risk of all-cause mortality.<sup>1</sup>

Untreated severe sleep apnea independently increased the risk of all-cause mortality by 3.8; risk of cardiovascular mortality increased by 5.2.<sup>2</sup>

<sup>1</sup> Marshall, et al., *Sleep* 2008

<sup>2</sup> Young et al., *Sleep* 2008

## Drivers with OSA More Dangerous and Costly

- 28.1% of truck drivers have sleep apnea<sup>1</sup>
- Drivers with sleep apnea have a 6-fold increased risk for crash<sup>2</sup>
- Drivers with sleep apnea are more dangerous than drunk drivers<sup>3</sup>
- The National Highway Traffic Safety Administration estimates the cost of drowsy driving is \$12.4B/yr<sup>4</sup>
- Treating all US drivers suffering from apnea would save \$11.1 Billion in collision costs and save 980 lives annually<sup>5</sup>

1 Grubhagavatula L et al. AJRCCM 2004

2 Teran-Santos J et al. NEJM 1999

3 George CF et al. AJRCCM 1996

4 et al. Sleep 2004

5 Sassani et al. Sleep 2004