RESMED

Global Leaders in Sleep and Respiratory Medicine

Q2 2011

Investor Presentation

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Forward looking statements

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

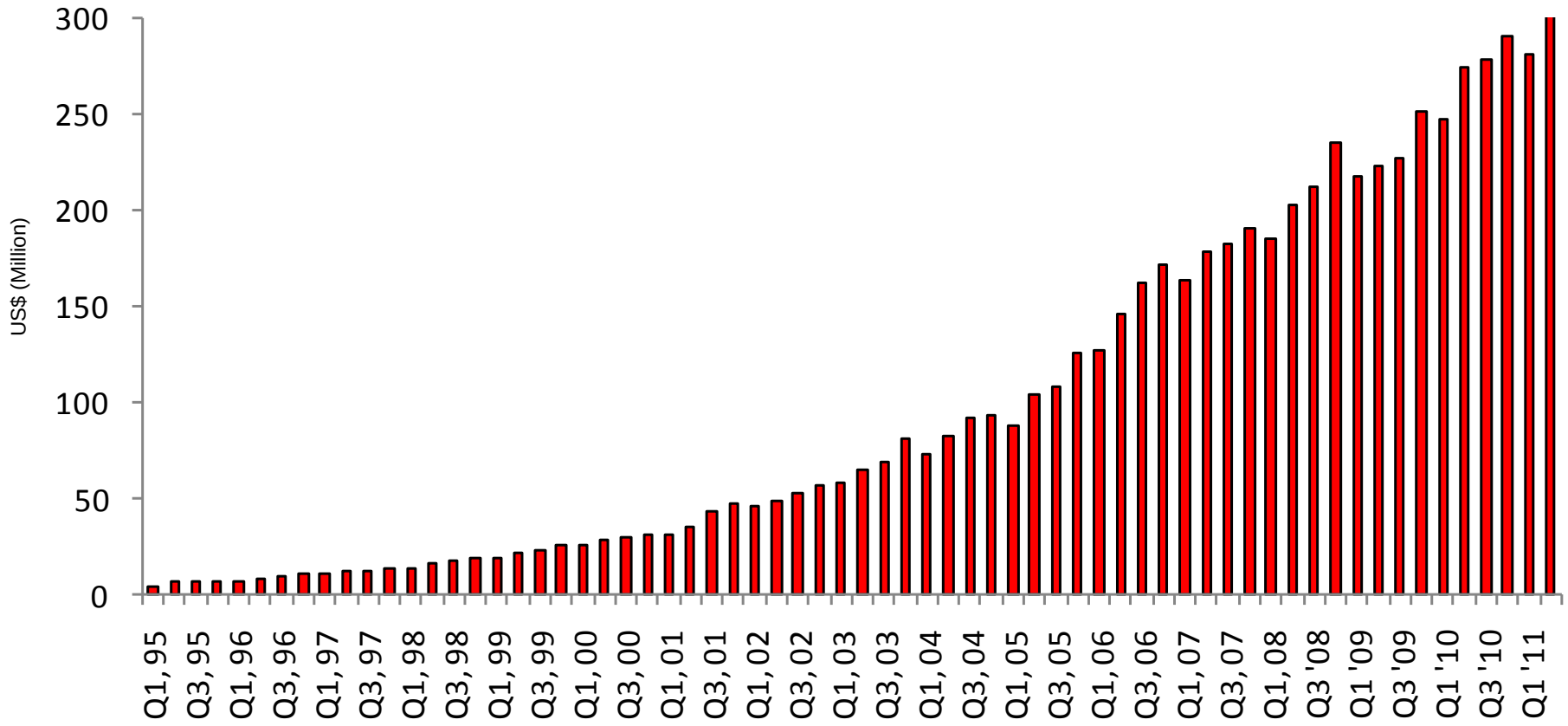
Global leading developer, manufacturer and distributor of medical devices to treat sleep-disordered breathing (SDB) and other respiratory conditions

64th Consecutive Quarter of Revenue Growth

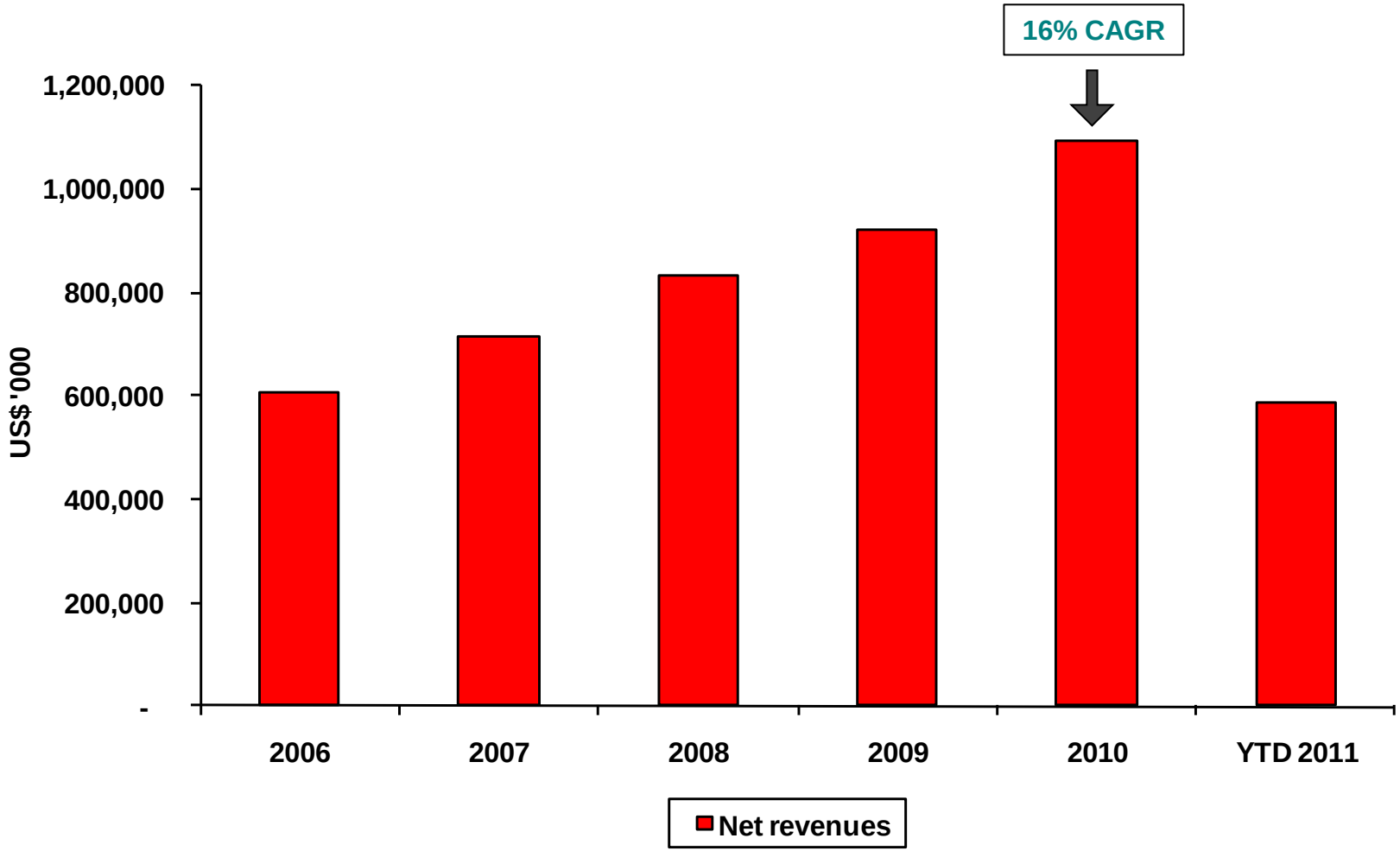
Q2 2011

Revenue **(Constant Currency)**	$306.0M +11% (+14%)
Net Income	$58.5M +27%
EPS	$0.37 +23%

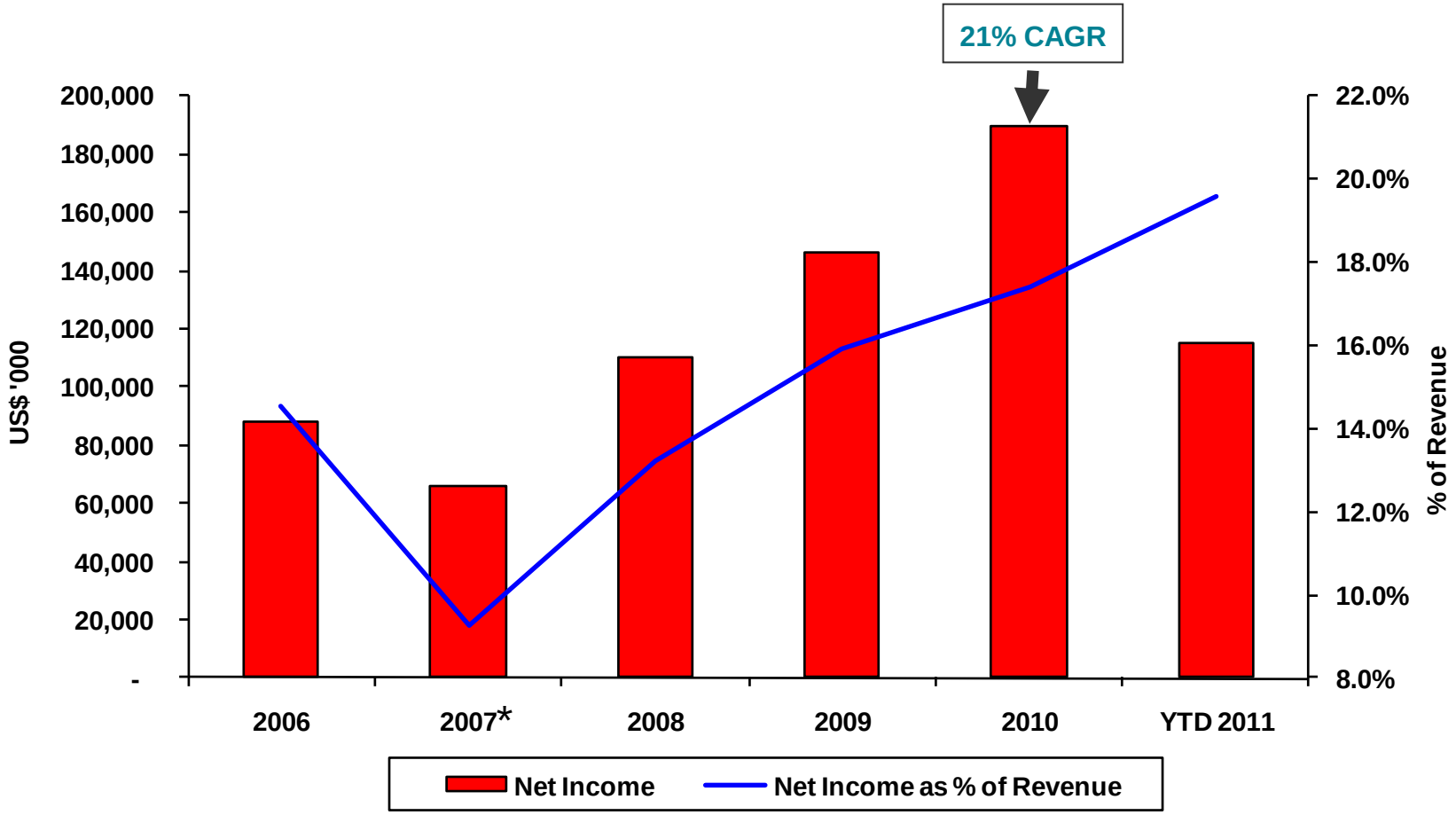
Consistent Quarterly Sales Growth



Annual Revenue Performance

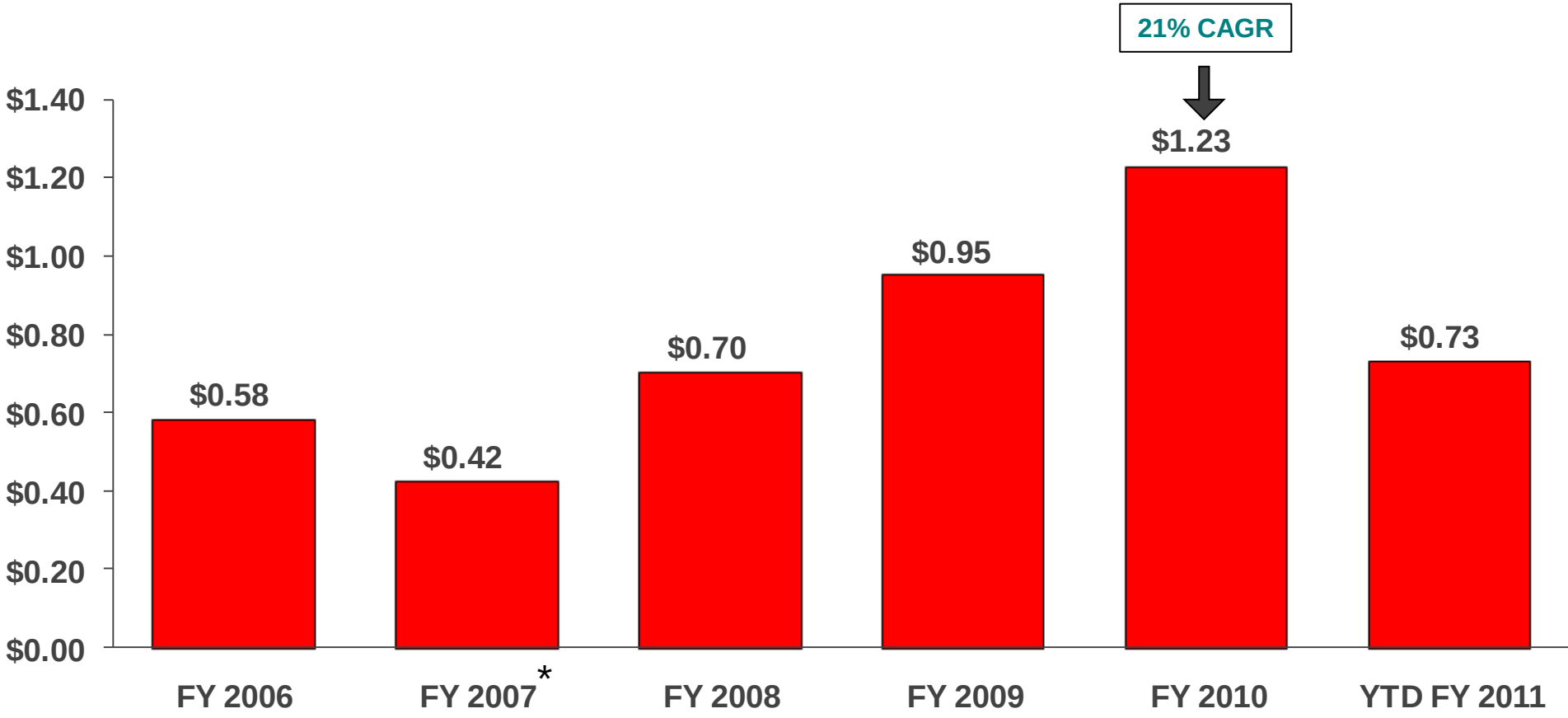


Net Income Growth



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

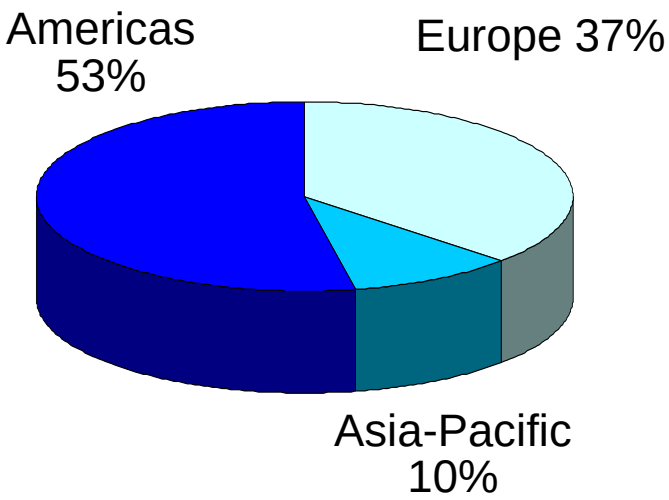
Sustained EPS Growth

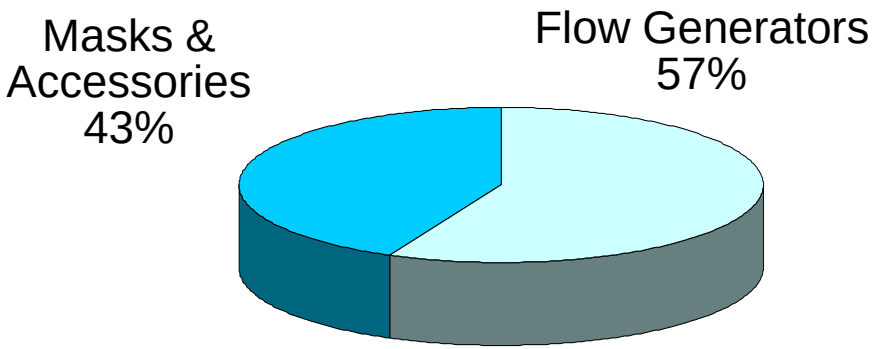


** 2007 EPS includes the impact of a voluntary product recall expense of $59.7 million, $41.8 million net of tax.*

Sales by Region & Product

Q2 2011





Links between SDB and Chronic Disease

Market Opportunities

Market Size – 20% sleep apnea in the adult population

13% Mild; 7% Moderate to Severe

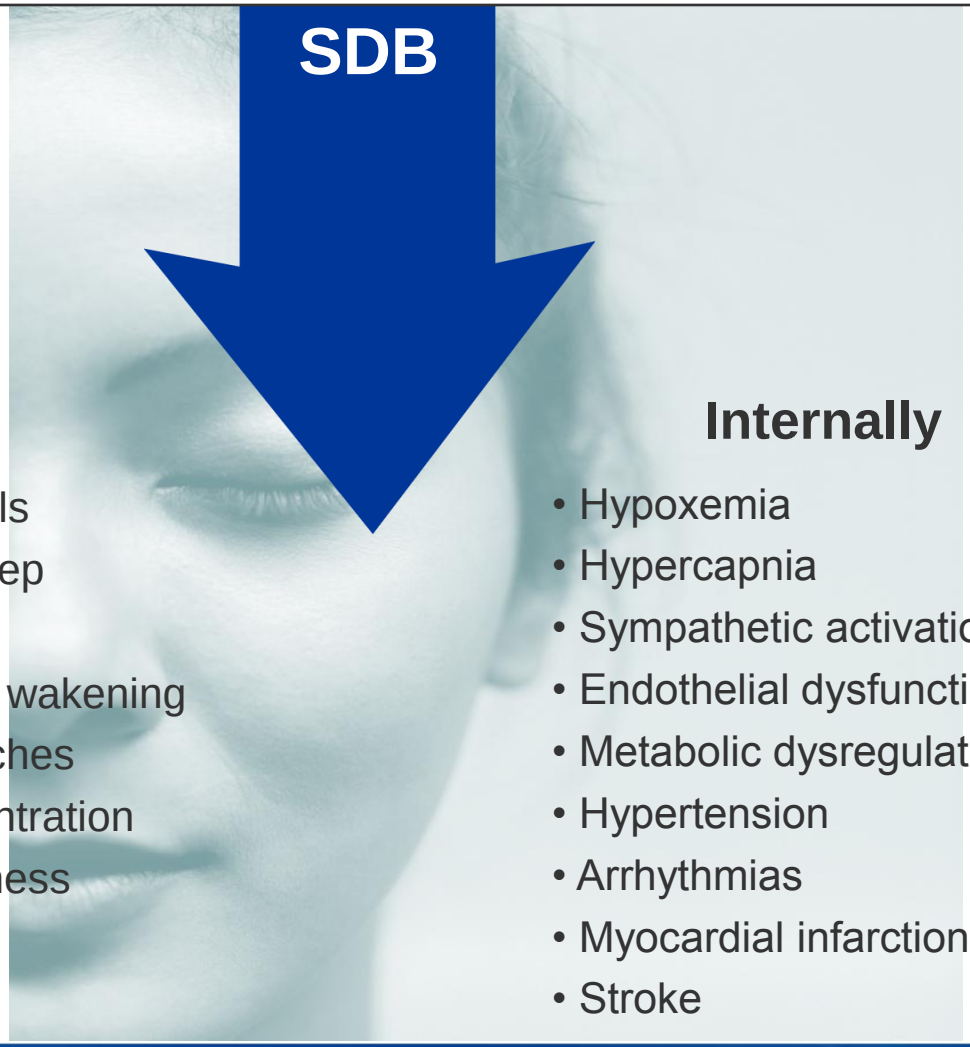
Young T, Peppard E, and Gottlieb D. Epidemiology of obstructive sleep apnea: a population health perspective. *Am J Respir Crit Care Med* 2002*; 165:1217-1239*

Healthy People 2020: Sleep Health New Goal

- The Department of Health and Human Services has launched its Healthy People 2020 goals, one of which includes sleep health
- The main focus is to increase public knowledge of how adequate sleep and treatment of sleep disorders improves health, productivity, wellness, quality of life and safety on the roads and in the workplace
- Objectives are:
  - Increase the proportion of persons with symptoms of OSA who see medical care
  - Reduce the rate of vehicular crashes due to drowsy driving
  - Increase the proportion of students in grades 9-12 and adults who get sufficient sleep

CHEST Physician
THE NEWSPAPER OF THE AMERICAN COLLEGE OF CHEST PHYSICIANS

Visible and Hidden Impacts of SDB



SDB

Externally

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

Internally

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

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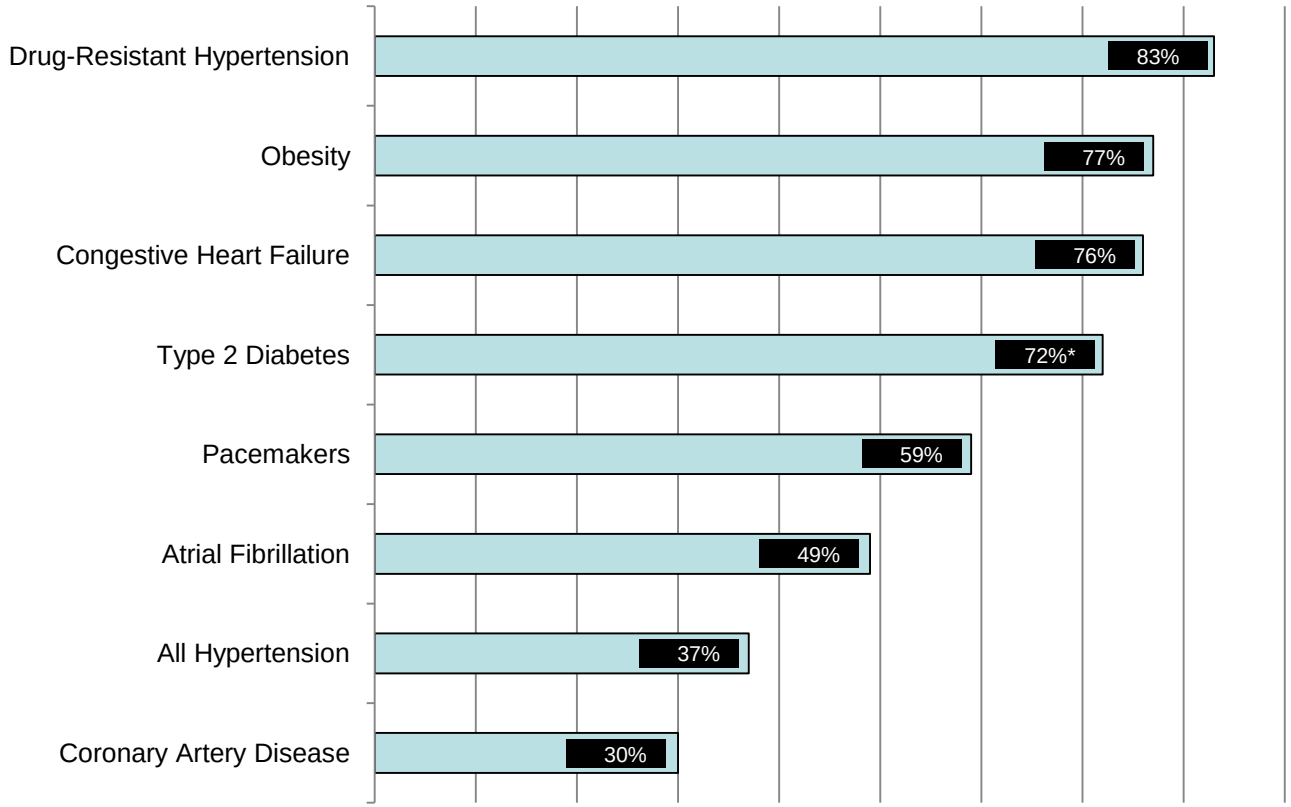
Sleep Apnea is Prevalent in Patients with Other Serious Conditions



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

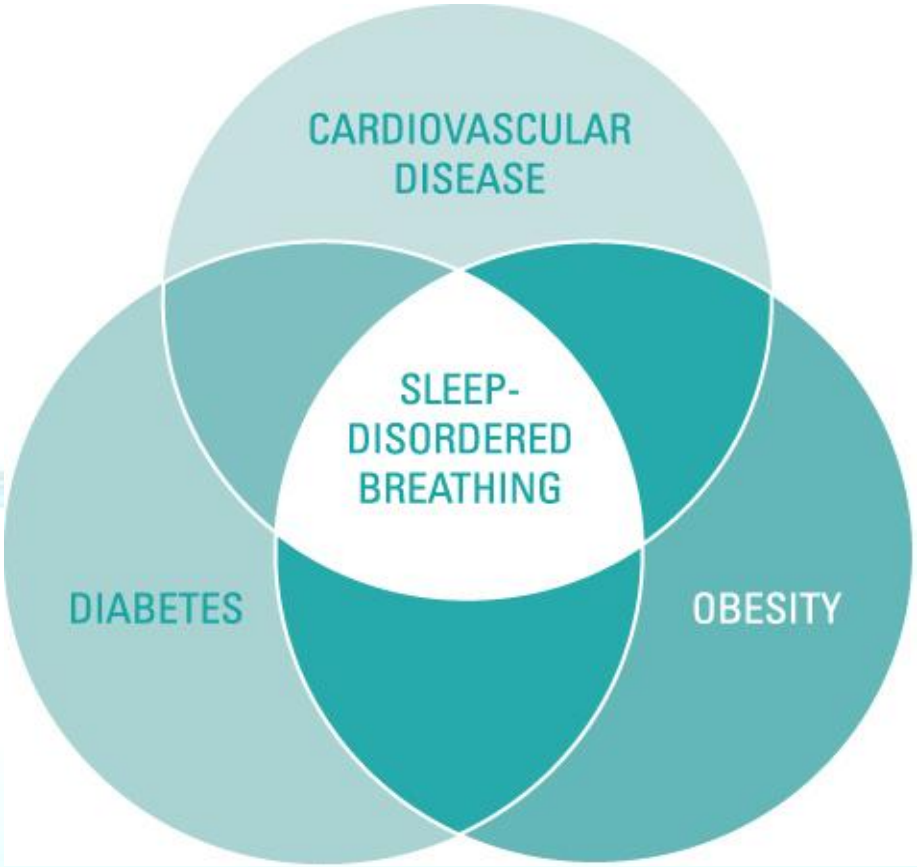
Sjostrom et al.
Thorax 2002

Schafer et al.
Cardiology 1999

** Apnea-Hypopnea Index ≥ 5*

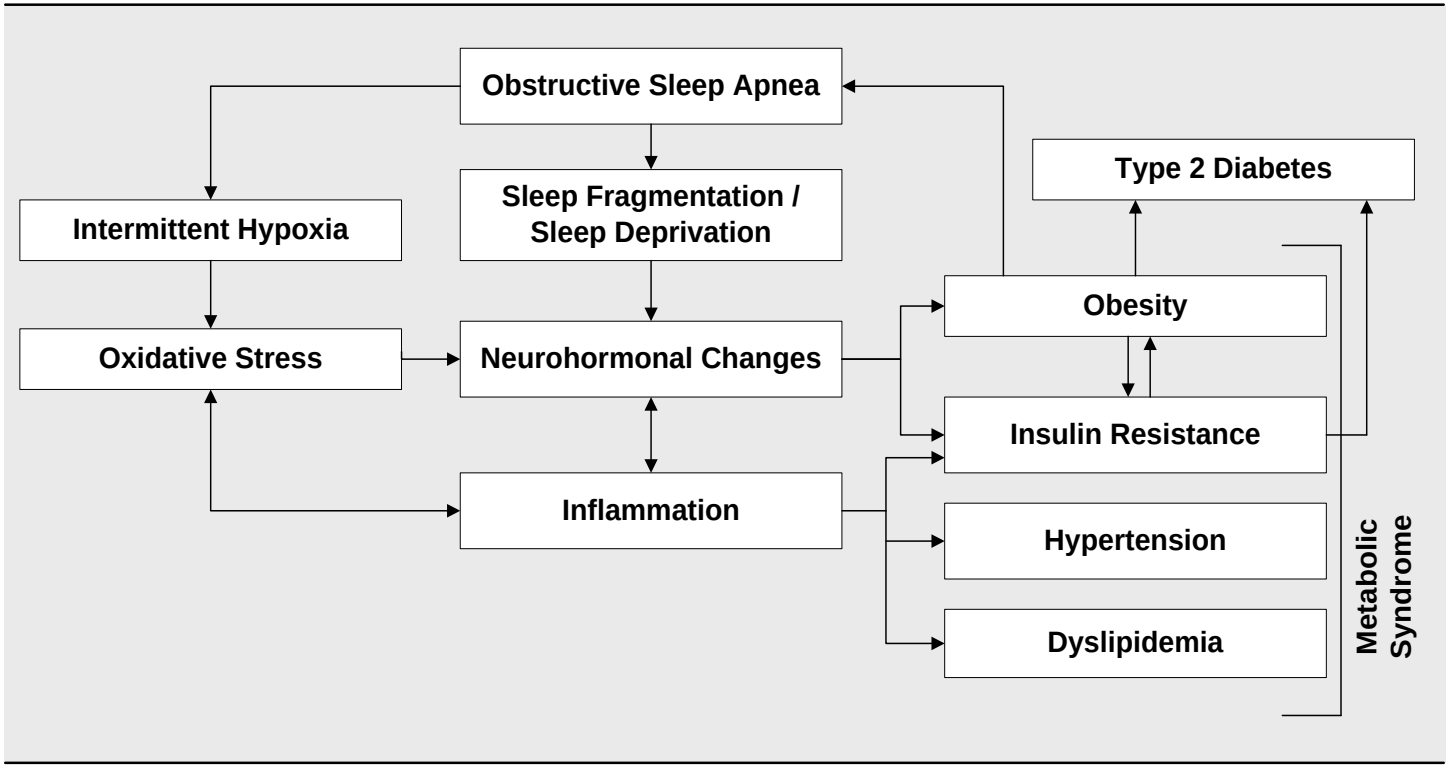
SDB at the Heart of Metabolic Syndrome

- 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.

OSA and Cardiovascular Disease

Why Sleep Apnea and Cardiovascular Disease?

- Sleep apnea is highly prevalent in cardiovascular disease patients[1]
  - 30% to 80% of patients for common CVD states
- Obstructive sleep apnea increases risk of incident heart failure[2]
  - Men ages 40-70 with AHI $\geq$30 were 68% more likely to develop heart disease than those with AHI <5
- Proven benefits -- sleep apnea therapy lowers blood pressure[3]
  - 4mm Hg to 10mm Hg reduction with CPAP therapy
- Proven benefits -- sleep apnea therapy improves cardiovascular health[4]
  - Left ventricular ejection fraction, six-minute walk, VO_2 max, afterload, BNP

1 Logan et al. J. Hypertension 2001; Schafer et al. Cardiology 1999
2 Gottlieb et al, Circulation July 2010
3 Becker et al. Circulation 2003
4 Kaneko et al. NEJM 2003, Maisel et al. UCSD VA Hospital – Case Study Data (2002), Teschler et al. AJRCCM 2001

SERVE-HF Clinical Trial

- **Aim: To demonstrate that adaptive servo-ventilation therapy over 2 years can improve morbidity and mortality in patients with predominant central sleep apnea and heart failure**
- Design: randomized controlled trial with @1200 evaluable subjects
  - Control arm - optimal medical care
  - Active arm - optimal medical care plus ASV
- Status: Actively enrolling in Europe
- Progress: Currently enrolled 646 patients from 63 centers
- Main Sub-study: Demonstrate that ASV therapy improves heart failure outcomes such as left ventricular ejection fraction and quality of life metrics (n=300)

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OSA Increases Stroke Risk

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

- 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

National Institutes of Health
The Nation's Medical Research Agency

SDB Can Increase Stroke Risk

Stroke
JOURNAL OF THE AMERICAN HEART ASSOCIATION

American Stroke Association
A Division of American Heart Association

- A ten-year observational study of 1651 men found that severe obstructive sleep apnea increased the risk of fatal and non-fatal cardiovascular events 2-5 fold[1]

- Sleep-disordered breathing can increase stroke risk by leading to or worsening hypertension and heart disease and possibly by causing reductions in cerebral blood flow

- Because of its association with other vascular risk factors and cardiovascular morbidity, evaluation for sleep-disordered breathing is recommended particularly in those with obesity, hypertension, heart disease or drug-resistant hypertension

[1] *Goldstein et al. AHA 12/2010*

OSA and Diabetes

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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

American Diabetes Association June 2008

Type 2 Diabetes & OSA Clinical Connections

- 48% of patients with type 2 diabetes suffer from obstructive sleep apnea[1]
  - 86% of obese diabetics have obstructive sleep apnea
- OSA may have a causal role in the development of diabetes[2]
- OSA is associated with insulin resistance (independent of obesity)[3]
- Obese patients with sleep apnea are more insulin resistant than patients with simple obesity[4]
- 30% of patients presenting to a sleep clinic have impaired glucose tolerance or diabetes, of which 40% are undiagnosed[5]

[1] Einhorn et al. *Endocr Pract* 2007
[2] Reichmuth et al. *Am J Respir Crit Care Med* 2005
[3] Ip et al *Am J Respir Crit Care Med* 2002, Punjabi et al. *Am J Respir Crit Care Med* 2002
[4] Tassone et al. *Clin Endocrinol* 2003
[5] Meslier et al. *Eur Respir J* 2003

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OSA and Obesity

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Obesity is growing faster than any previous public health issue America has ever faced. If current trends continue, 103 million American adults will be considered obese by 2018[1]

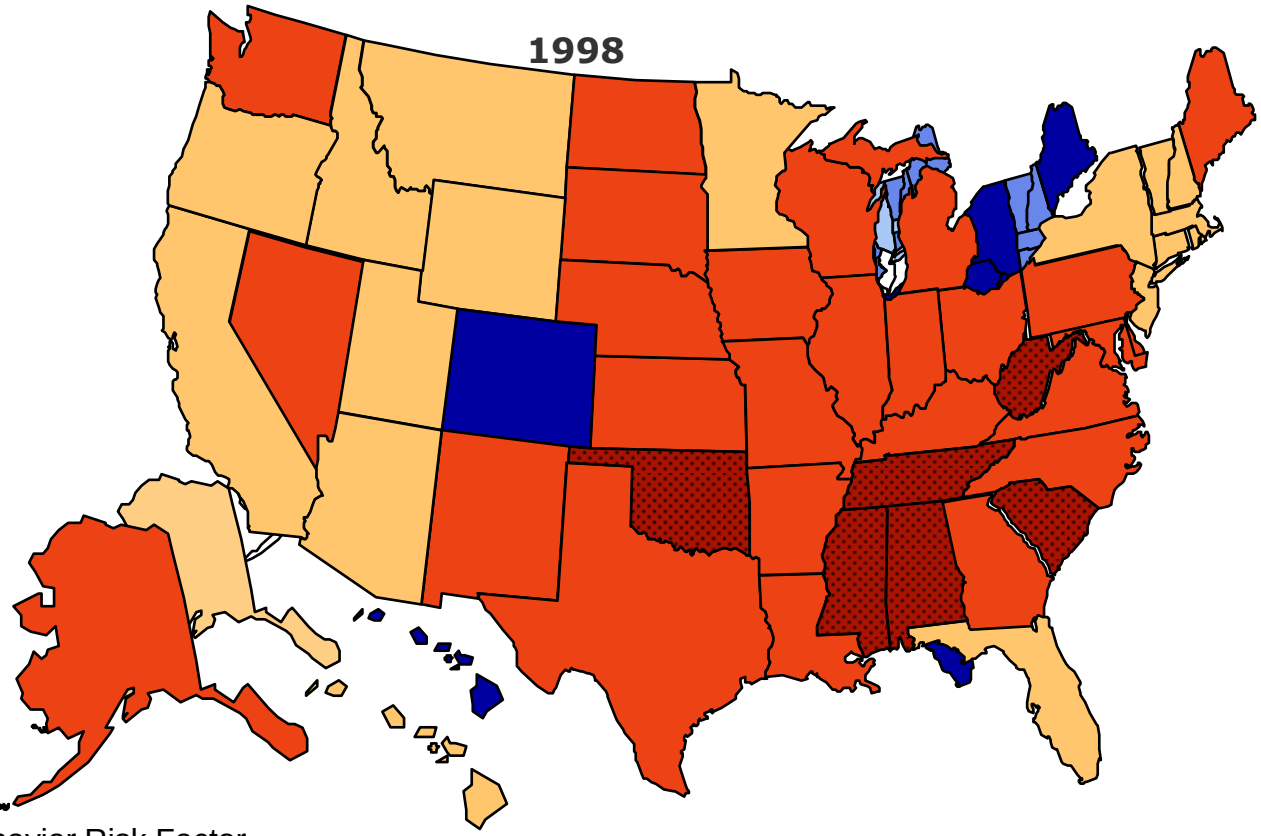
[1]Thorpe KE. The Future Costs of Obesity; Emory University, Nov. 2009

Obesity Rates Continue to Climb

(*BMI ≥30, or about 30 lbs. overweight for 5’4” person)

2008

1998

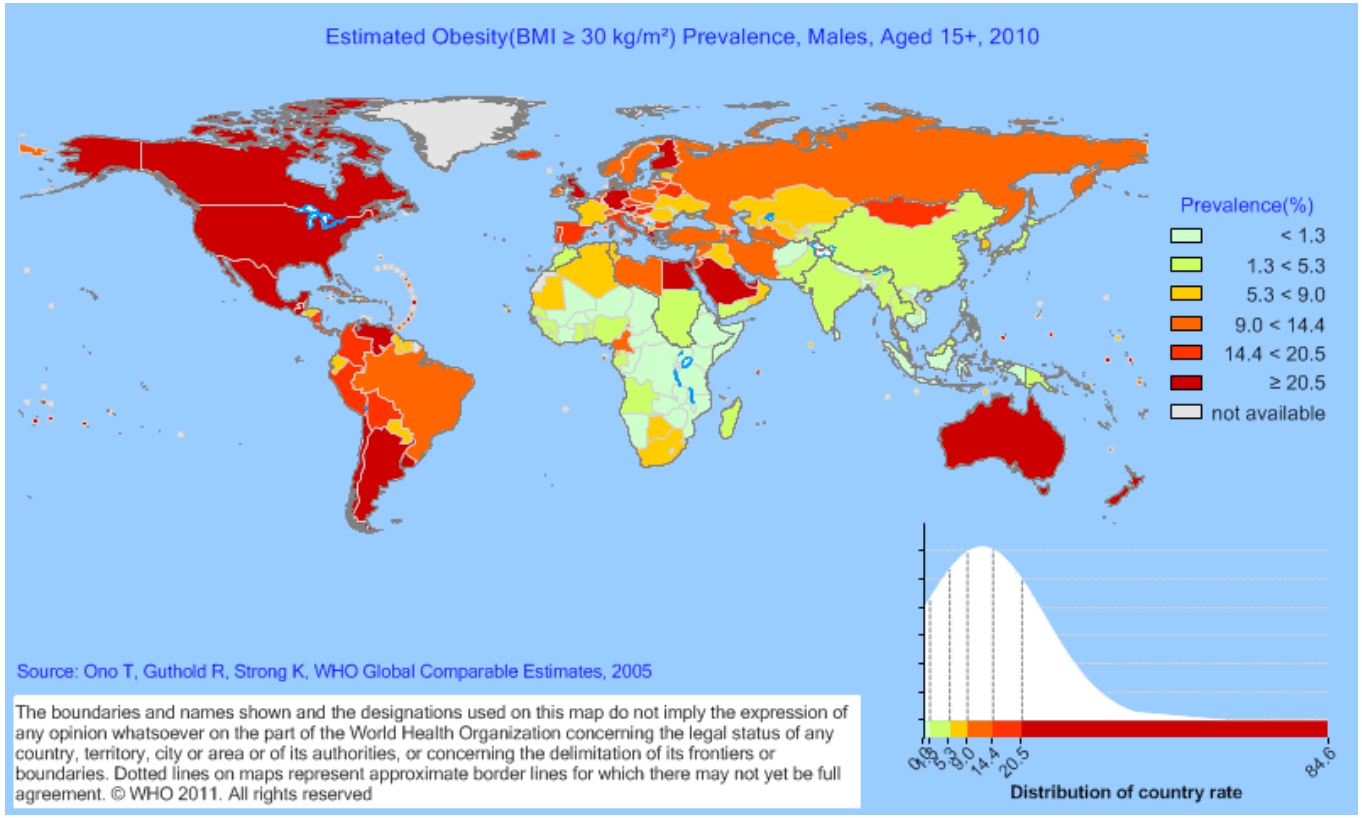


No Data | <10% | 10%–14% | 15%–19% | 20%–24% | 25%–29% | ≥30%

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

Global Obesity Forecast

- People are getting heavier almost everywhere in the world. The World Health Organization predicts there will be 2.3 billion overweight adults in the world by 2015 and more than 700 million of them will be obese



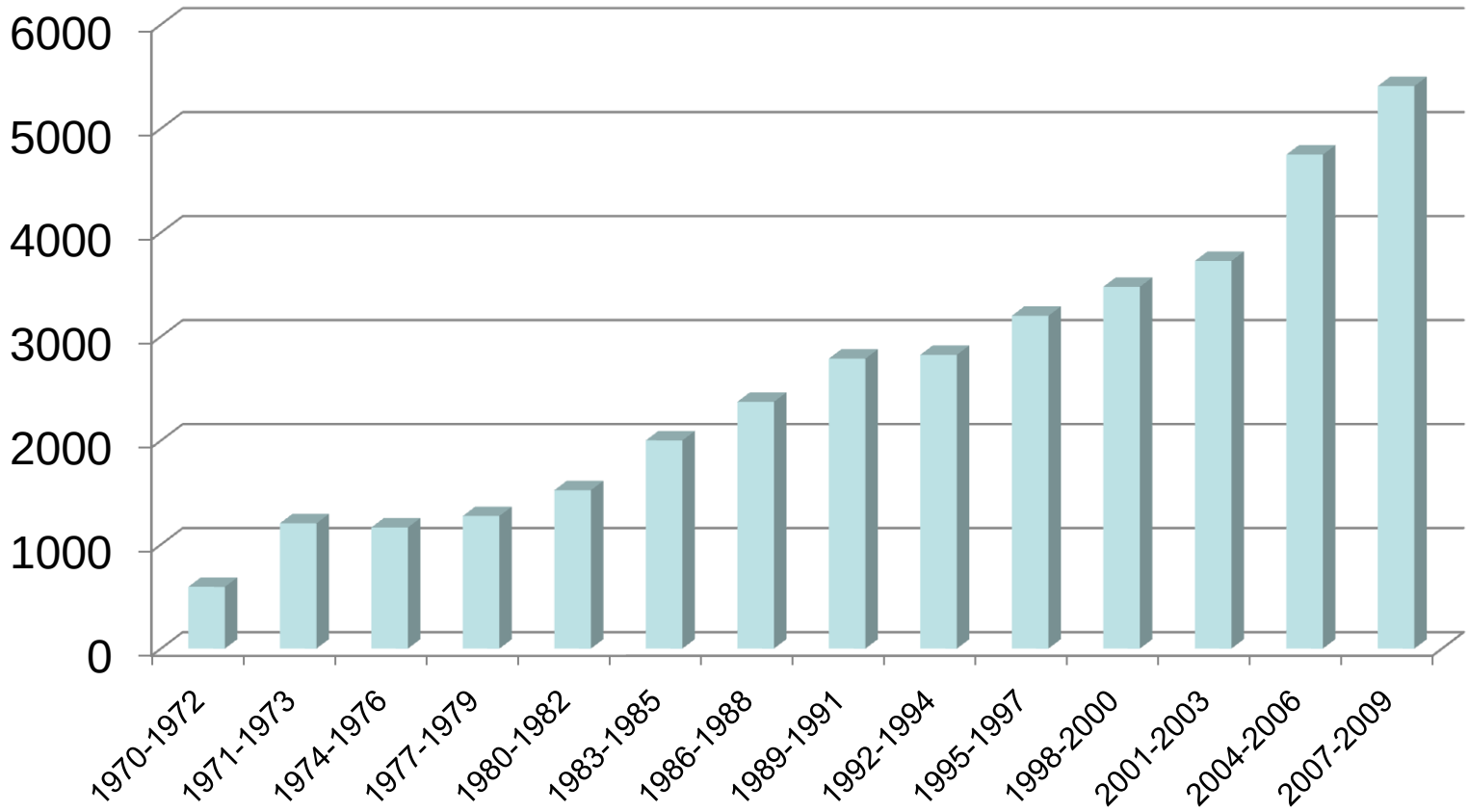
2004 American College of Physicians Study

Sleep curtailment in healthy young men is associated with decreased leptin levels, elevated ghrelin levels, and increased hunger and appetite

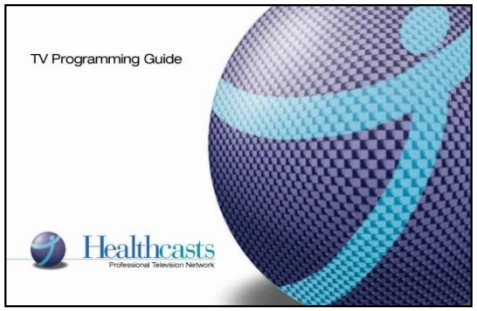
- Context
  - Studies in animals and humans suggest that sleep duration is an important regulator of metabolism
- Contribution
  - In this study, 12 young, healthy, normal-weight men exhibited reductions in the satiety hormone leptin, increases in the hunger hormone ghrelin, and increases in hunger after 2 nights of only 4 hours of sleep compared with after 2 nights of 10 hours of sleep
- Implications
  - Inadequate sleep seems to influence the hormones that regulate satiety and hunger in a way that could promote excess eating

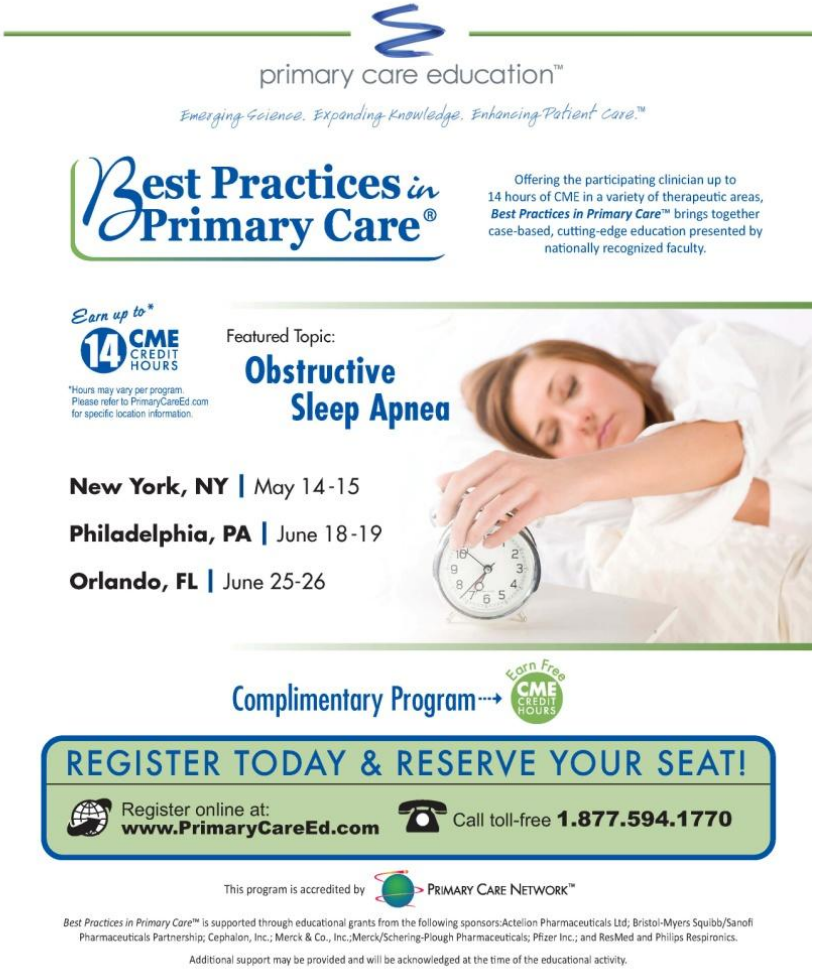
 © ResMed Q2 2011

Publications Increase Awareness of SDB and its Risks



ResMed continues to drive awareness among non-sleep specialist physicians





- The ResMed Foundation recently sponsored an educational grant for a symposium on obstructive sleep apnea and Cardiometabolic Syndrome

Healthcare Economics

Treating Obstructive Sleep Apnea is Cost Effective

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.

March 2008

NHS
National Institute for Clinical Excellence

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.[1]

An airline captain with undiagnosed severe obstructive sleep apnea fell asleep and overshot his destination in Hawaii in 2008.[2]

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.[3]

[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*

Drivers with OSA More Dangerous and Costly

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

[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*

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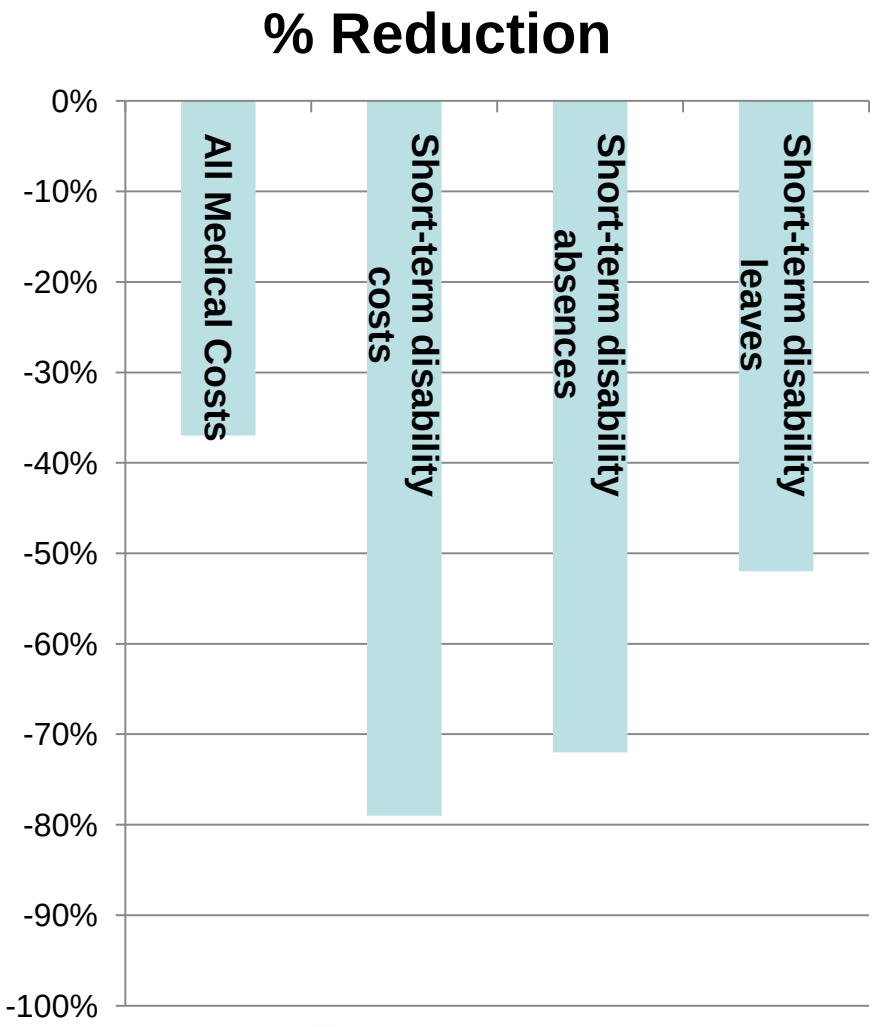
Health Plan and Disability Cost Benefits of OSA Treatment

Waste Management's Experience

- 37% reduction in total medical costs for those treated in 1st year
- 79% reduction in short-term disability costs for those treated in 1st year
- 72% reduction in short-term disability days absent in 1st year
- 52% reduction of Employees with a short-term disability leave in 1st year

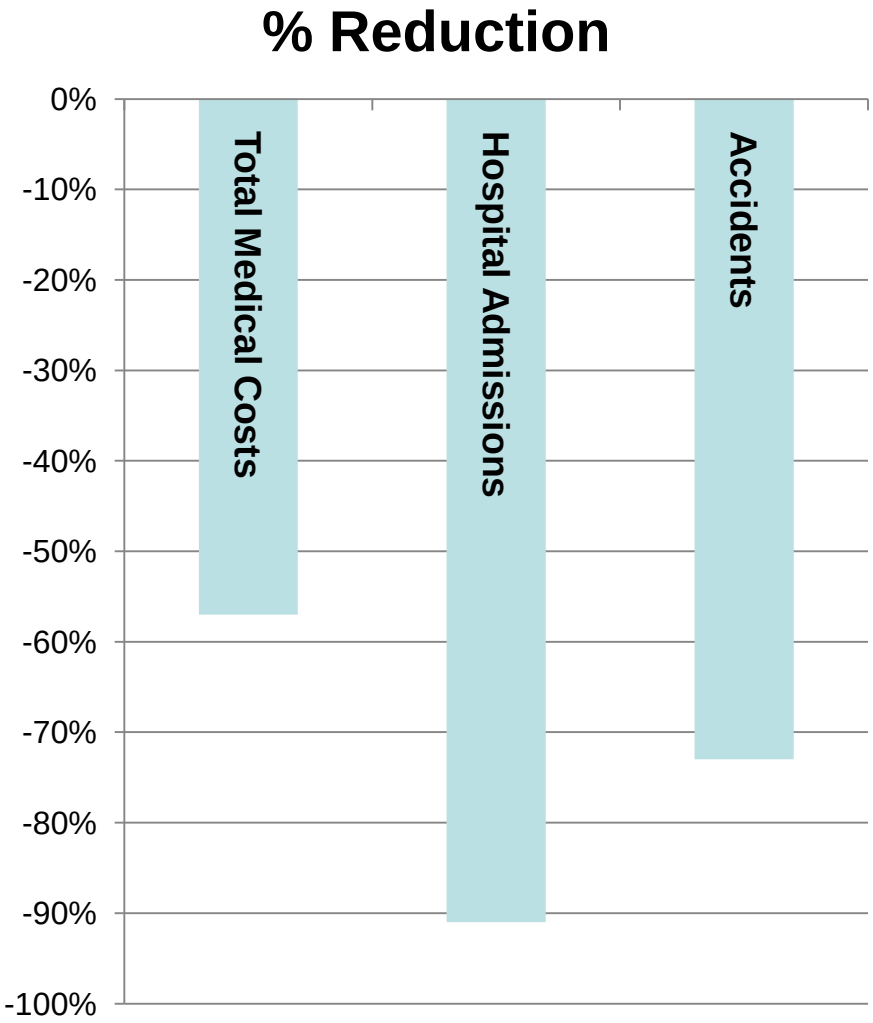


CMV operators with OSA and treated with PAP therapy (N-156)
Hoffman, et al., *Journal of Occupational & Environmental Medicine*, vol. 52, no. 5 (*2010)*

Health Plan and Disability Cost Benefits of OSA Treatment

Schneider Trucking's Experience

- Results 12 months post-CPAP treatment[1]
  - 57.4% reduction in total medical expenses = $6,456/year
  - 91% reduction in hospital admits
  - Does not include savings from accidents
- Results from original 6-month follow up study
  - Improved retention by 229%
  - 73% reduction in accidents



[1]Berger, et al., *CHEST 2006*

Superior Product Innovation

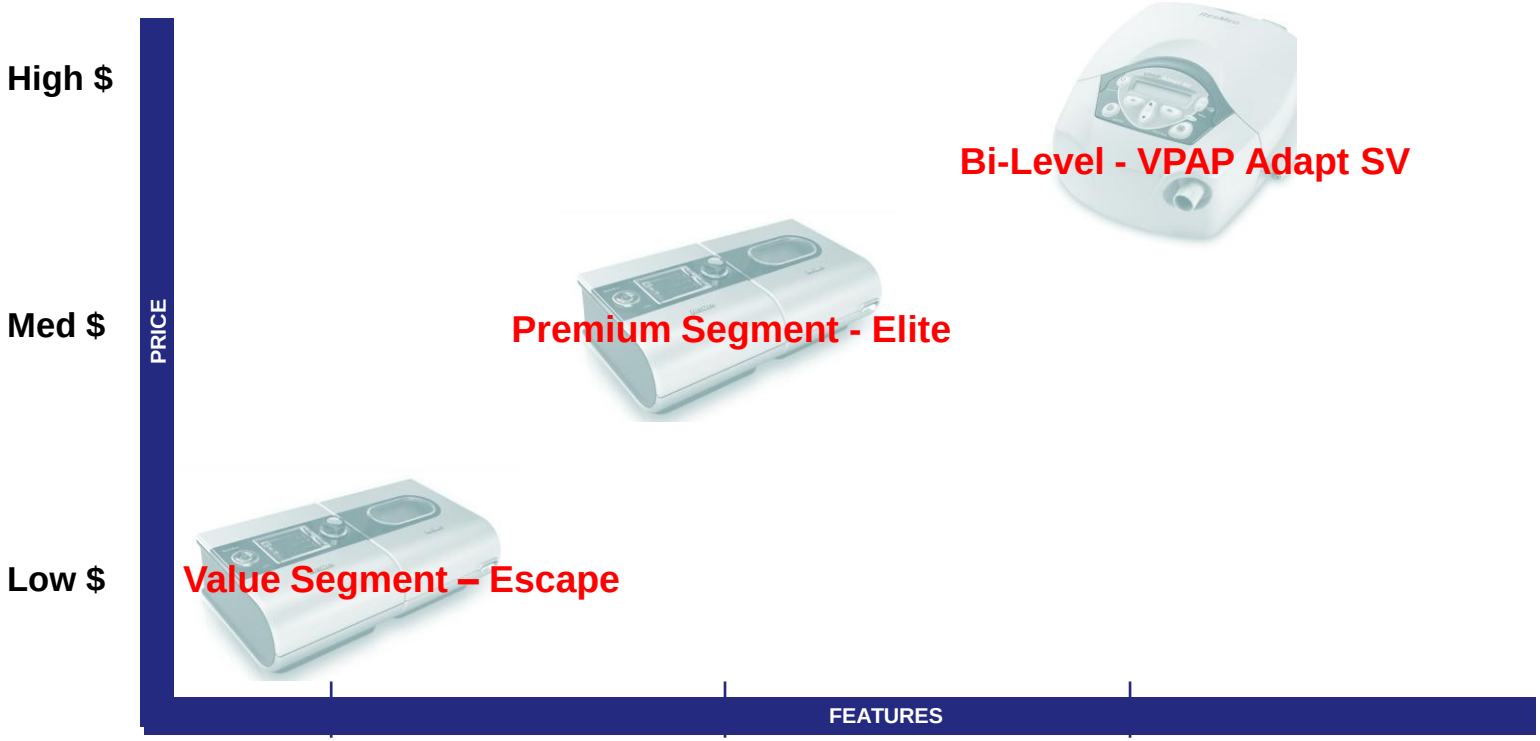
S9 Series Delivers More Comfort, More Compliance, More Connectivity

New Mask Offerings Considered Best in Class

Quattro FX

Swift FX

Flow Generator Market Segmentation



- Climate control
- Wireless monitoring
- Sleep quality indicator

- Climate control
- Wireless monitoring
- Sleep quality indicator
- Comprehensive data (AHI tracking, mouth leak, central sleep apnea detection)

- Treats complex sleep apnea syndrome and central sleep apnea
- Adapts to the patient's ventilatory needs on a breath-by-breath basis
- Automatically calculates a target ventilation (90% of the patient's recent average ventilation)
- Adjusts the pressure support to achieve it

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

Update: Q2 2011

	Q2 2011 US$	Q2 2010 US$	Y-O-Y %	Y-O-Y CC %	% Revenue
Net Revenue	**$ 305,986**	**$ 275,134**	**11%**	**14%**	
Cost of Sales	$ 119,987	$ 110,929	8%		39.2%
Gross Profit	**$ 185,999**	**$ 164,205**	**13%**		**60.8%**
S,G&A	$ 91,581	$ 84,094	9%	10%	29.9%
R&D Expenses	$ 21,972	$ 19,059	15%	10%	7.2%
Amortisation Expenses	$ 2,573	$ 2,130	21%		0.8%
Donation to Foundation	$ -	$ 1,000			0.0%
Total Operating Expenses	**$ 116,126**	**$ 106,283**	**9%**		**38.0%**
Income from Operations	**$ 69,873**	**$ 57,922**	**21%**		**22.8%**
Total Other income / (expense) net	$ 9,048	$ 5,175	75%		3.0%
Income before Tax	**$ 78,921**	**$ 63,097**	**25%**		**25.8%**
Income taxes	$ 20,465	$ 17,114	20%		6.7%
Net Income	**$ 58,456**	**$ 45,983**	**27%**		**19.1%**
Diluted EPS	**$ 0.37**	**$ 0.30**	**23%**		

Sales by Region and Product: Q2 2011

	Americas %	ROW %	TOTAL %
Flow Generators	2	14 19	8 11
Masks/ Other	19	10 14	16 17
TOTAL **Constant Currency**	**10**	**12** **17**	**11** **14**

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Balance Sheet and Capital Management

- Cash and cash equivalents, net of external debt, of $552 million
- Total assets of $1.9 billion and net equity of $1.6 billion
- Cash flow from operations was $68.3 million for Q2 2011
- Share buy-back program
  - During Q2 2011 we repurchased 595k shares for consideration of $18.7 million
  - During FY 2010 we repurchased 2.5 million shares for consideration of $135.8 million
  - To date we have repurchased 10.2 million shares

Balance Sheet

USD '000	Dec-10	Jun-10
Cash/ Marketable Securities	616,201	488,776
Accounts Receivable	235,083	226,911
Inventory	214,886	185,642
Other Current Assets	84,809	84,012
PP&E	441,049	387,148
Patents/ Goodwill	269,847	229,550
Other Assets	28,061	24,358
TOTAL ASSETS	1,889,936	1,626,397
Accounts Payable	44,329	57,535
Accruals	98,252	80,883
Income Taxes Payable	10,100	25,297
Current portion, long term debt	64,358	121,689
Deferred Revenue	52,016	42,262
Long Term Debt	0	0
Deferred Income Tax	10,079	11,195
TOTAL LIABILITIES	279,134	338,861
Common Stock	737,914	660,790
Retained Earnings	1,000,040	884,876
Treasury Stock	-381,101	-344,505
Other Comp Gain (Loss)	253,949	86,375
STOCKHOLDERS EQUITY	1,610,802	1,287,536