ITAMAR MEDICAL LTD.

QUARTERLY REPORT

AS OF MARCH 31, 2016

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Disclaimer

Set out below is an unofficial translation into the English language, for convenience purposes only, of the financial statements of Itamar Medical Ltd. (the "**Company**") for the nine and three-month period ended March 31, 2016 (the "**Financial Statements**") that originally were prepared in the Hebrew language.

The full, legal and binding version of the Financial Statements for all purposes is the Hebrew version, filed by the Company with the Israel Securities Authority and published on the MAGNA website: www.magna.isa.go.il, on May 24, 2016

In the event of a contradiction or inconsistency between this translation and the Hebrew version of the Financial Statements, the provisions of the Hebrew version shall prevail.

This translation was not carried out by the Company, nor checked by the Company, and accordingly, the Company does not guarantee that the translation fully, correctly or accurately reflects the Hebrew version of the Financial Statements and its contents.

Neither the Company, nor any of its directors, employees, advisors or other office holders, accept any responsibility on any grounds whatsoever to any other person in connection with this translation into English of the Financial Statements. The Company assumes no liability for any damages or loss of any kind (including, without limitation, indirect, special, incidental, punitive or consequential damages,) that might arise from the use of this translated version of the Financial Statements.

Readers are advised to read the authoritative Hebrew version of the Financial Statements in all matters which may affect them and/or their decisions in any way. Below are links to the Company's Financial Statements in Hebrew:

http://maya.tase.co.il/bursa/report.asp?report_cd=1036459-00&CompCd=1411&Type=Pdf
http://maya.tase.co.il/bursa/report.asp?report_cd=1036459-01&Type=Pdf

ITAMAR MEDICAL LTD.

PART A

SIGNIFICANT CHANGES AND REVISIONS

IN THE COMPANY'S BUSINESS

<u>Significant Changes and Innovations in Corporate Business in the Quarter Ended March 31, 2016</u>

Due to the Company's compliance with the conditions listed in the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (henceforth: "Report Regulations") with regard to its being a "small corporation", the company Board of Directors decided on March 18, 2014 to adopt all the easements determined in the Report Regulations regarding small corporations in the following subjects: a) combining the financial reports of an affiliated company; b) an effectiveness of internal audit report on financial reporting; c) attach a very significant valuation; and d) details of exposure to market risks.

As of January 1, 2016, and in accordance with the instructions of the Report Regulations, the company does not yet meet the definition of the term "small corporation". Therefore, according to regulation instruction 5E(c) of the Report Regulations, the company will continue to apply the above easements up to and including the company's quarterly report for September 30, 2016 (see the company's immediate report from January 7, 2016 (Reference No. 2016-01-005152)).

According to regulation 39a of the Report Regulations, details of significant changes and innovations that occurred in the transactions of Itamar Medical Ltd. (henceforth: **"The Company"**) for the three-month period ending on March 31, 2016 and up to the date of this report's issue follow. Terms used below shall have the meaning given to them in the Company's periodic report for the year 2015, which was issued in March 31, 2016 (Reference No. 2016-01-022878), included in this report by way of reference (henceforth: **"the Periodic Report for the year 2015"**), unless specifically indicated otherwise.

This chapter of the periodic report was prepared with the assumption that the reader will have the chapter describing the company's business in the periodic report for the year 2015 before him.

1. **<u>First Order for WatchPAT and disposable probes for a polysomnography laboratory of a substantial customer in the U.S.</u>**

   In continuation to the company's immediate reports from July 22, 2015 (Reference No. 2015-01-079251) regarding an extension to the framework agreement between the company's subsidiary, Itamar Medical Inc. and a substantial customer in the U.S. (henceforth: **"the substantial Customer"**), on January 19, 2016 the company announced that it had received its first order from an additional large polysomnography laboratory of the substantial customer to supply WatchPAT™ and disposable probes in a comprehensive scope of USD 274 thousand. In this way, the company has expanded its presence by product penetration of the WatchPAT into another site of the substantial customer. Company income from the substantial customer was about 16% to 17% of the company's sales in the years 2014 and 2015 respectively (prior to entry into this site).
   For further details, see section 11.1 of the periodic report for 2015 and the immediate reports of the company from July 22, 2015 and January 19, 2016 (Reference Nos. 2015-01-079251 and 16-01-013006 respectively), included in this report as references.

2. Completion of the third phase of the investment transaction in the company by the Viola Fund

In continuation of the shareholders' meeting of October 12, 2015, in which framework a transaction to allocate shares and option certificates to the Viola Fund: Viola P.E. II A.V. L.P. (Limited Partnership) through Viola Private Equity II (A) L.P. and Viola Equity II (B) L.P. was approved (the three corporations above will henceforth be called together: "**Viola Fund"**) (henceforth: **"the investment transaction"**) and the shelf offering report from December 2, 2015, whereby the company issued shareholder rights. On February 21, 2016, the company reported that it had completed the third phase of the Viola Fund investment transaction in the company, where the Viola Fund transferred the additional amount of about USD 1.1 million against the allocation of 2,976,148 shares in the company and 1,488,074 non-negotiable options that can be realized for an additional 1,488,074 shares in the company. The total investment of the Viola Fund came to approximately USD 25.2 million against 25.5% of the equity issued and redeemed by the company.
For further details, see the company's immediate report from February 1, 2016 (Reference No. 2016-01-020902), included in this report as a reference.

3. Outline of the issue of restricted shares and stock options to employees and consultants

During the month of February 2014 the company announced an outline, according to which the company allocated 13,694,464 non-negotiable options and restricted shares to employees and consultants of the company and its subsidiaries (not including the Chairman of the Board and Directors), that can be realized into 13,694,464 ordinary shares in the company, each with a nominal value of NIS 0.01 (henceforth: **"ordinary shares"**), as well as revised maturity terms for 925,441 non-negotiable options previously issued. At the same time, 3,643,393 non-negotiable options that the company had previously issued to a limited group of position holders and senior employees in the company and its subsidiaries that had not yet reached maturity were cancelled.
For further details, see the immediate reports the company issued on February 4, 2016 and the reports complementing if from March 8, 2016 (Reference Nos. 2016-01-023689, 2016-01-001791 and 2016-01-010950 respectively), included in this report as references.

4. Company Shareholders' Special General Meeting

On March 16, 2016, a special company shareholders' general meeting was convened (henceforth for this section: **"the meeting"**), which approved:

4.1 An updated compensation policy;

4.2 The allocation of 12,123,935 non-negotiable options and restricted shares in the company, to be realized as 12,123,935 ordinary shares in the company, and at the same time the cancellation of 3,400,000 non-negotiable options allocated to the previous CEI that had not yet matured;

4.3 Allocation of 110,000 non-negotiable options to be realized as 110,000 ordinary shares in the company, to Board of Directors member Martin Gerstel;

4.4 Allocation of 110,000 non-negotiable options to be realized as 110,000 ordinary shares in the company, to Board of Directors member Jonathan Kolber;[1]

4.5 Allocation of 110,000 non-negotiable options to be realized as 110,000 ordinary shares in the company, to Board of Directors member Sami Totah;[2]

4.6 A compensation plan from 2016 based on the equity of position holders, employees and consultants of the company and its subsidiaries who are not residents of Israel.

For further details, see the report convening a special meeting that was distributed on February 4, 2016, its complementary reports from March 8, 2016 and March 13, 2016, as well as the immediate reports regarding the results of the meeting of March 16, 2016 and the report amending the report of the meeting results as noted from March 31, 2016 (Reference Nos.: 2016-01-023746, 2016-01-001070, 2016-01-0051169, 2016-01-008241 and 2016-01-021270 respectively), included in this report as references.

5. <u>The collaboration agreement for distributing information management software solutions for patients with sleep disorders</u>

On March 27, 2016, the company announced that is signed an agreement (henceforth, for this section: **"the agreement"**) for collaboration with Somnoware Systems Healthcare of the U.S. (henceforth, for this section: **"Somnoware"**), which develops and markets a cloud-based software solution for information management if patients with sleep disorders (henceforth: **the software"**). According to the agreement, the company will market and distribute the software to a select group of its customers, while Somnoware will supply those customers who purchased software licenses for installation, training, support and maintenance services for the software. According to the agreement, the company is committed to pay Somnoware a one-time payment for each license purchased by any of these customers, and a minimum monthly payment for each customer who purchases a software license during the first year of the agreement. The agreement is for a trial period of six months, where at the end of this period (if it is successful), the parties will conduct good-faith negotiations to sign a long-term agreement based on the conditions of this agreement.

For further details, see the company's immediate report from 27 March, 2016 (Reference No. 2016-01-014094), included in this report as a reference.

6. <u>Adjusting objectives used for determining the eligibility of the CEO for an annual bonus</u>

On March 31, 2016, the Board of Directors announced that in its meeting of March 31, 2016, after receiving the approval of the company's Compensations Committee, it approved the adjustment of the sales targets as well as one of the two threshold conditions (operational profit/loss at a minimal annual rate) that are used to determine the eligibility of the company's CEO, Mr. Gilad Glick for the annual bonus he is eligible for according to his existing consultation agreement with the company for the years 2016 and 2017, so that they conform to the objectives according to the company budget for 2016. The updated target incomes for the purpose of the CEO's eligibility

[1] These options were actually allocated to Viola P.E. Fund Management 2 Ltd., which was named as a controlling interest in the company, and Jonathan Kolber serves as a director in the company.

[2] These options were actually allocated to Viola P.E. Fund Management 2 Ltd., which was named as a controlling interest in the company, and Sami Totah serves as a director in the company.

for the full annual bonus for the years 2016 and 2017 reflect an increase of more than 40% in the company's income for each of those years.
For further details, see the immediate report from March 31, 2016 (Reference No. 2016-01-022782), included in this report as a reference.

7. Extension of the exclusive marketing agreement with Medtronic

On April 19, 2016, the company announced the extension of the marketing agreement from March 2014, as amended and extended in April 2015, between the subsidiary company of the company and Medtronic Inc., the parent company of Medtronic International Technology, Inc. (considered an interested party due to its holdings), under the same conditions, for an additional year that will end on April 28, 2017.
For further details, see the company's immediate report from April 19, 2016 (Reference No.: 2016-01-051553), included in this report as a reference.

8. Agreement for distribution rights of PAP medical equipment to treat sleep apnea syndrome in the USA

In continuation of the company's immediate report form November 30, 2015 (Reference No. 2015-01-169830) (henceforth: **"the previous report"**) and according to the instructions of Section 37 a 2 of the Reporting Regulations, on May 4, 2016 the company announced that it had signed a binding and valid agreement in principle (Term Sheet) with an American manufacturer (henceforth: **"the manufacturer"**) of a medical device for the treatment of sleep apnea syndrome (henceforth: **"Term Sheet"**). According to the term sheet, the company will act as the distributor for a range of medical devices the manufacturer produces, intended for treating sleep apnea syndrome, including PAP (Positive Airway Pressure) devices, masks and accessories, with exclusivity limited to the cardiology sector in the U.S. (and distribution on a non-exclusive basis in other U.S. markets). The commitment is for a period of five years. It is the intention of both parties to conduct good-faith negotiations with the aim of signing a detailed agreement that will be based on the conditions of the Term Sheet by the end of 2016 (henceforth: **"the final agreement"**). The Term sheet binds the parties, and they will act accordingly until the final agreement is signed, so that the company can begin distributing its products immediately.
For further details, see the company's immediate report from May 4, 2016 (Reference No.: 2016-01-058894), included in this report as a reference.

9. Annual General and Special Company Shareholders' Meetings

On May 25, 2016, the annual General and Special meeting of company shareholders was convened (henceforth, for this section: **"the meeting"**). The following topics were approved by the meeting:

9.1 The appointment of Ms. Yaffa Krindel Shiratzky as an external Director for the company and the compensation she will receive;
9.2 The appointment of Ms. Zipporah Ozer-Armon as an external Director for the company and the compensation she will receive;
9.3 A grant of 330,000 non-negotiable options that can be realized as 330,000 ordinary shares of the company to the external director, Ms. Yaffa Krindel Shiratzky;

9.4 A grant of 330,000 non-negotiable options that can be realized as 330,000 ordinary shares of the company to the external director, Ms. Zipporah Ozer-Armon;

9.5 The re-appointment of the company's serving directors who are not external directors: Giora Yaron, Martin Gerstal, Gary Ellis, Ilan Biran (as an independent director), Dr. Shmuel Morry Blumenfeld (as an independent director), Jonathan Kolber and Sami Totah, as well as the compensation they will receive;

9.6 The granting of options to the directors Dr. Giora Yaron, Martin Gerstal, Ilan Biran and Dr. Shmuel Morry Blumenfeld for their service as directors over the coming three terms of service (if, indeed, they are appointed for the terms of service noted), as follows: 265,833 non-negotiable options that can be realized as 265,833 ordinary shares in the company were allocated to Dr. Giora Yaron, 238,333 non-negotiable options that can be realized as 238,333 ordinary shares in the company were allocated to Mr. Martin Gerstal, 265,833 non-negotiable options that can be realized as 265,833 ordinary shares in the company were allocated to Mr. Ilan Biran, and 330,000 non-negotiable options that can be realized as 330,000 ordinary shares in the company were allocated to Dr. Shuel Morry Blumenfeld;

9.7 Directors' fees to Viola P.A. Fund Management II Ltd. for the service of the directors Jonathan Kolber and Sami Totah;

9.8 The granting of 476,666 non-negotiable options that can be realized as 476,666 ordinary shares in the company for Viola P.A. Fund Management II Ltd. for the service of the directors Jonathan Kolbert and Sami Totah;

9.9 Renewal of the appointment of the accounting firm of Somekh-Chaikin as the company's auditing accountants for 2016 and authorization to the company's Board to determine its fees.

For further details, see the report convening the annual general and special meeting that was distributed on April 14, 2016 and its complementary reports from May 3, 2016 and May 19, 2016 and the immediate reports regarding the results of the meeting of May 25, 2016 (Reference Nos.: 2016-01-049288, 2016-01-057808, 2016-01-029871 and 2016-01-034068 respectively), included in this report as references.

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ITAMAR MEDICAL LTD.

PART B

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF COMPANY'S AFFAIRS AS OF MARCH 31, 2016

Board of Directors' Report for the Three-month Period Ended March 31, 2016

We hereby present the Board of Directors' Report of Itamar Medical Ltd. (hereinafter: the "**Company"**) and its subsidiaries (the "**Group**") as of March 31, 2016 and the Company's consolidated financial results for the three-month period ended March 31, 2016 (the "**reporting period**" or the "**quarter**"), in conformity with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 (the "**Regulations**"). The Board of Directors' Report as of March 31, 2016, is provided with the assumption that the annual report for the year ended December 31, 2015, issued by the Company on March 31, 2016 (reference 2016-01-022878) (hereinafter: the "**Annual Report for the year 2015**") is available to the reader.

Definitions:

Series L Notes	Company notes (Series L), listed for trading on the TASE in March 2013 and convertible into the Company's ordinary shares
Stock Exchange	The Tel Aviv Stock Exchange Ltd. ("**TASE**")
Dollar	U.S. dollar

Preparation of the financial statements

The financial statements enclosed in Part C of this report are prepared in conformity with the Regulations and international financial reporting standards ("**IFRS**"). The functional currency and the reporting currency of the financial statements is dollar. For more information, see Note 2b to the Company's consolidated financial statements.

Chapter A – Board of Directors' Explanations of the State of Corporate Affairs

1. Summary description of the Company

The Company is engaged in research and development, marketing, sales and leasing of non-invasive diagnostic medical devices based on the PAT^{TM} ("**PAT**") signal platform and associated support services, for diagnosis of various diseases, including cardio-vascular conditions, and of sleep breathing disorders.

The Company has two products: WatchPAT^{TM} ("**WatchPAT**") and EndoPAT^{TM} ("**EndoPAT**"). For more information about the Company's products, see Section 8 of Part A of the annual report for the year 2015.

In accordance with its strategic plan, the Company currently focuses on marketing its products (EndoPAT and WatchPAT) is in the Cardiology field (while continuing its activities in the sleep breathing disorder field using its WatchPAT device), emphasizing the U.S., Japanese and Chinese markets, which the Company considers to be the main markets for its products, with a potential to increase its revenues. WatchPAT diagnoses sleep apnea, which has been proven, inter alia, to be a substantial risk factor in cardiac disease. Treatment of such disorders significantly improves the condition of the heart. EndoPAT is used to diagnose Endothelial function (arterial function), which is a key indicator of potential cardio-vascular disease. Hence, the Company reports on one operating segment, the Cardiology Segment. Both products have CE and FDA approval.

As part of its strategy, the US subsidiary launched in January 2015 the Total Sleep Solution ("**TSS**"), which is a family of products and services that address sleep apnea, providing cardiology solutions (clinics and departments around hospitals), improving the Company's business model and turning it from a manufacturer and marketer of medical products to a supplier of comprehensive solutions of: products, training and services as part of patient care. Recently the Company announced plans to expand its product portfolio and provide a comprehensive sleet solution including examinations using the WatchPAT and a solution for the treating of sleep apnea using PAP devices (Positive Airway pressure), a device that pumps air at a constant pressure to prevent tissue growth for patients, and for this purpose it has signed a binding principles agreement with a US manufacturer (the "**Manufacturer**") of medical devices for the treatment of sleep apnea syndrome, and according to the principles agreement, the Company will serve as the US distributor of medical devices for treating sleep apnea syndrome, including PAP devices, masks and accessories, with limited exclusivity in the US cardiology market.

For more information about the Company's strategy, see Section 31 of Part A of the annual report for the year 2015.

2. Major events during and after the reported period

The Company's revenues increased by approximately 3% in the first quarter of 2016, compared to the corresponding quarter last year, when revenues from Watch PAT, which is the focus of the strategy, having increased by approximately 14%, improving the gross margin rate from 73% in the first quarter of 2015 to 74% in the first quarter of 2016. The moderate increase in revenue for the WatchPAT is a result of the decline in sales of this product in Europe and from said move in the US from an ordinary sale model (sale of equipment and sensors) to the sale of tests, as explained in Section b below.

In the course of the first quarter of 2016, the Company focused on several material areas, as described below, aspiring to continue the growth in the current year as well:

a. In February 2016, the Company concluded the investment transaction with Viola Fund, which was carried out in three stages over the period between November 2015 and February 2016. Under this transaction the Viola Fund invested in the Company $25.2 million against the allotment of 25.5% of the Company's issued and paid-up share capital. As a result of the Viola Fund investment transaction on all of its three stages, the Company's capital increased by approximately 24 million dollars.

For further details, see section 2 in Part A of the quarterly report as well as note 16a to the financial statements for 2015.

b. The Company continues to promote and perfect in the U.S. the Total Sleep Solution (TSS) reported in January 2015, which is a family of products and services treating Sleep Apnea and providing cardiology solutions (clinics and departments around hospitals), improving the Company's business model and turning it from a manufacturer and marketer of medical products to a supplier of comprehensive solutions of: products, training and services as part of patient care. The first application of this model is being carried out with the Montefiore Medical Center of New York in the United States. For more information, see Section 8.4 of Part A of the 2015 Annual Report and the Company's immediate report of May 4, 2015 (reference number – 2015-01-011139). In addition, in respect of the addition of a treatment solution, see section c below.

In this context, the Company made a transition from the normal sales model (equipment and sensor sales) to the sale of medical tests. In the first stage, the implementation of this model has caused a decline in sales revenues resulting from sales of testing alone (sensors) without the equipment (WatchPAT), as in the past. This means that the Company recognizes the service revenues over a longer period, as compared to recognition of revenues from sales of equipment, but the Company expects that in the long-term this will creates lead to customer dependence on the Company's equipment, which is expected to improve future revenues.

c. On May 2016, the Company gave notice that it has signed a binding principles agreement with a US manufacturer of medical devices for the treatment of sleep apnea, whereby the Company shall serve as the US distributor of medical devices intended for the treatment of sleep apnea, including PAP devices, masks and accessories, with limited exclusivity in the US cardiology market. For more information, see section 9 of Part A of this quarterly report.

d. Focusing the Company's operations in accordance with the Company's strategy was expressed in the support and promotion of material distribution agreements for key target markets: the US, Japan and China. For more information, see Section 12.3 of Part A of the annual report for 2015.

e. As reflected in the results for the first quarter of 2016 and 2015, the decrease in the EndoPAT product revenues continues, due primarily to a reduction in research funding to research institutes, purchasing the EndoPAT product, as well as a delay in the change of the US insurance indemnification code for this product. The current insurance indemnification code for this product reduces the possibility of therapists to receive insurance reimbursement for use of the device. Accordingly, at this stage the Company has decided to focus its marketing efforts for the EndoPAT in Japan and China and reduce expenses related to this product in other areas.

f. In July 2015 a significant customer of the Company in the US elected to extend a second time by three years up to October 31st 2018 the agreement for the sale of the WatchPAT product, the zzzPAT ™ software and accompanying equipment and the provision of services related to these products. Under this agreement the WatchPAT unified product was added to the package and the commercial terms of the original framework agreement from September 2007 were revised. Revenues from sales to this customer in the year ending on December 31st 2015 amounted to approximately $ 2.9 million (17% of total sales in the same year). In January 2016 the Company expanded its activity to another site belonging to the client in the US and received an initial order in the amount of 274 thousand dollars. For further details, see Section 11.1 of Part A of the annual report for 2015.

g. A regular and an extraordinary shareholders' meeting held on May 25, resolved, inter alia, to appoint Ms. Yaffa Krindel Shiratzky and Ms. Tzihporah Ozer-Armon as external directors of the Company commencing June 17, 2016. The meeting also resolved that all other directors would remain in office, except for the external directors Ms. Regina Ungar and Ms. Miri Katz' whose term would end on June 16, 2016. The meeting also approved the compensation of, and the grant of options to, the new external directors and the other directors; the compensation and options in respect of the directors Mr. Jonathan Kolber and Mr. Sami Totah would be transferred directly to Viola Management PE Fund II Ltd., which is a part of a group considered the Company’s controlling shareholder. For further details, see the immediate report of April 14, 2016 and the supplemental immediate reports of May3, 2016 and May 19, 2016 (ref. numbers 2016-01-049288, 2016-01-57808, 2016-01-029871 and 2016-01-034068, respectively).

Information provided above with regard to continued growth of the Company and improvement in its future revenue flow constitutes forward-looking information, as this term is defined in the Israeli Securities Law. Forward-looking information is uncertain information with regard to the future, based on information or estimates currently available to the Company, including intents of or assessments by the Company as of the publication date of this report, or which is not entirely dependent on the Company. These assumptions depend on external and macro-economic factors over which the Company has no influence or limited influence. This information, in whole or in part, may not materialize or may materialize differently due, *inter alia*, to delay in negotiations with distributors and/or delay in research and development and/or change in market structure and requirements or market competition and/or financing difficulties which could impact the development of Company business.

3. The Group's Financial Position (Development of Items in the Statement of Financial Position)

Item	March 31, 2016	December 31, 2015	Change Increase (decrease) %	Company explanations
	Dollars in thousands			
Cash and cash equivalents and investments in securities available for sale	34,555	35,729	(3%)	The decrease during the first quarter of 2016 stems from the uses for the purpose of current operations in the amount of approximately $ 3.2 million which includes payment of interest for L Series bonds. On the other hand these balances increased by approximately $ 1.1 million as a result of the completion in February 2016, the third and final stage of the Viola Transaction. Another reason for the increase was the depreciation of the dollar against the shekel in the first quarter of 2016 at a rate of about 3.5%.
Current assets	40,532	41,609	(3%)	The decrease is primarily attributed to a decrease in the stated cash and cash equivalents balances and investments in securities available for sale.
Non-current assets	2,022	2,131	(5%)	The decrease is primarily due to an increase in trade receivables resulting from sales in part due to continued sales in sales channels

Item	March 31, 2016	December 31, 2015	Change Increase (decrease) %	Company explanations
	Dollars in thousands			
				characterized by credit terms for periods of 24 to 48 months (Total Sleep Solution). This increase was partially offset by an increase of approximately $ 0.3 million in provision for doubtful debts.
Current liabilities	13,147	4,620	185%	The increase is primarily due to the reclassification of half of the fund of the Series L bonds redeemable in February 2017 from long-term liabilities to short-term liabilities. On the other hand there was a reduction in accounts payable as a result of interest payments on Series L bonds in February 2016.
Non-current liabilities	16,806	22,169	(24%)	The decrease is primarily due, as stated above, to the reclassification of half of the fund of the Series L bonds redeemable in February 2017 from long-term liabilities to short-term liabilities. In addition, there was a decrease of approximately $ 0.9 million in the value of stock options embedded in L Series bonds due mainly to the decline in the Company's share price at the rate of 7% (as at March 31st 2016 compared to December 31st 2015) and as a result of shortening the life of the L Series bond due to the passage of time. On the other hand, there was an increase of approximately $ 2.9 million in the fair value of the options issued the Viola Fund in November 2015 and the warrants (Series 4) (publicly traded warrants issued under the rights offering at the end of December 2015 under the second stage of the Viola Investment Transaction) and an increase of approximately $0.2 million from additional issuance of options the Viola Fund (as part of the third stage of the Investment Transaction).

Item	March 31, 2016	December 31, 2015	Change Increase (decrease) %	Company explanations
	Dollars in thousands			
Working capital	27,385	36,989	(26%)	The decrease in working capital and the current ratio is primarily due to the reclassification, as stated above, of half of the fund of the Series L bonds from long-term liabilities to short-term liabilities. Another decrease occurred due to a decrease in the balances, as stated above, of cash and cash equivalents and investments in securities available for sale resulting from the financing of current operations.
Current ratio	3.1	9.0		
Shareholders' equity	12,601	16,951	(26%)	The decrease in equity is primarily due to the loss recorded by the Company in the first quarter of 2016 (for more information, see the analysis of operating results in section 4 below), partially offset by an additional investment by Viola in the amount of $ 1 million in the Company shares.

4. The Group's operating results (development in statements of operations items)

Below is a summary of operating results (dollars in thousands):

Summary of operating results as presented in the financial statements:

	Three months period ending on March 31		Year ending on December 31
	2016	2015	2015
Revenues	4,126	4,014	16,807
Cost of revenues	1,068	1,084	4,401
Gross profit	3,058	2,930	12,406
Selling and marketing expenses	3,715	2,502	10,684
Research and development expenses	933	679	2,831
General and administrative expenses	1,947	1,128	4,350
Operating loss	(3,537)	(1,379)	(5,459)
Financial income (expenses) relating to cash and investments	1,042	(166)	(354)
Financial expenses relating to notes and loans	(1,547)	(778)	(4,229)
Gain (loss)on financial derivatives	(2,134)	1,009	7,930

Financial income (expenses), net	(2,639)	65	3,347
Income (loss) before taxes on income	(6,176)	(1,314)	(2,112)
Taxes on income	(38)	(35)	(135)
Income (loss) for the period	**(6,214)**	**(1,349)**	**(2,247)**

Summary of non -IFRS operating results **:

	Three months period ending on March 31		Year ending on December 31
	2016	2015	2015
Revenues	4,126	4,014	16,807
Cost of revenues	1,021	1,044	4,254
Gross profit	3,105	2,970	12,553
Selling and marketing expenses	3,481	2,405	10,408
Research and development expenses	792	604	2,674
General and administrative expenses	1,034	906	3,714
Operating loss	(2,202)	(945)	(4,244)
Financial income (expenses) relating to cash and investments	1,042	(166)	(354)
Financial expenses relating to notes and loans	(1,547)	(778)	(4,229)
Gain (loss)on financial derivatives	(1)	-	(32)
Financial income (expenses), net	(506)	(944)	(4,615)
Income (loss) before taxes on income	(2,708)	(1,889)	(8,859)
Taxes on income	(38)	(35)	(135)
Income (loss) for the period*	**(2,746)**	**(1,924)**	**(8,994)**

Adjustments to income (loss) for the period:

Income (loss) for the period – per-IFRS	**(6,214)**	**(1,349)**	**(2,247)**
Adjustments:			
Depreciation and amortization	101	81	367
Change in provision for doubtful and bad debt	293	41	52
Expenses due to share-based payment	841	312	428
Expenses relating to aborted issuance	-	-	368
Loss (gain) from financial derivatives	2,133	(1,009)	(7,962)
Total adjustments	3,468	(575)	(6,747)
Adjusted loss for the period*	**(2,746)**	**(1,924)**	**(8,994)**

* Non-IFRS adjusted loss, which eliminates non-cash components, or non-recurring components.

** Adjusted information, not in conformity with IFRS rules, which eliminates non-cash components and non-recurring components.

Non-IFRS measures should be considered in addition to, and not as a substitute for, the results presented in accordance with IFRS. The Company presents such non-IFRS measures because management believes that such non-IFRS information is useful because it can enhance the understanding of its ongoing economic performance and therefore uses internally this non-IFRS information to evaluate and manage its operations. The Company has chosen to provide this information to investors to enable them to perform comparison of operating results in a manner similar to how the Company analyzes its operating results.

Information about product revenues (dollars in thousands):

	Three Months Ending on March 31		**Year Ending on December 31**
	2016	**2015**	**2015**
WatchPAT	3,508	3,079	12,414
EndoPAT	618	935	4,393
	4,126	**4,014**	**16,807**

Analysis of statement of operations data for the first quarter of 2016

Item	**For the Three-month period Ended March 31,**		**Change Increase (Decrease) %**	**Company Explanations**
	2016	**2015**		
	Dollars in thousands			
Revenues	4,126	4,014	3%	The increase in revenues in the first quarter of 2016 compared to the same period last year is due to an increase of approximately 14% in revenue from the WatchPAT product, resulting, among other things, from an increase in the quantity of products sold under the distribution agreement with Philips Japan, as well as an increase in the quantity of products sold in the United States (total WatchPAT revenues in the Unites States increased by approximately 46%). The moderate increase in revenue for the WatchPAT product stem from the decrease in sales of this product in Europe. On the other hand, the decrease in the EndoPAT product revenues, which decreased by 34% compared to the corresponding period last year is due to the reasons described in section 2 e above. Also, last year sales of the EndoPAT product were in the amount of $ 0.3 million as part of the distribution

Item	For the Three-month period Ended March 31, 2016	2015	Change Increase (Decrease) %	Company Explanations
	Dollars in thousands			
				agreement with BVMI, the Company's distributor in China.
Gross profit	3,058	2,930	4%	Gross margin in the first quarter of 2016 is approximately 74% of Group's revenues compared with 73% in the corresponding quarter the year before. There were no material changes in the gross margin or its composition.
Selling and marketing expenses	3,715	2,502	48%	The increase in selling and marketing expenses in the first quarter of 2016 compared to the corresponding quarter the year before is mainly due to the recruitment of sales and support staff in the US and Japan (increase in the cost of wages, sales commissions and salary related expenses), according to the Company's strategic plans, described in detail in the annual report for 2015. An additional increase occurred in the marketing expenses which include expenses in respect of exhibitions and publications as well as an increase of 120 thousand dollars for the allotment of options and restricted share units and the change the terms of options to employees and officers (for more information see the outline published on February 4th 2016, reference number: 2016-01-023689).
Research and development expenses	933	679	37%	The increase in research and development expenses in the first quarter of 2016 compared to the corresponding quarter the year before is mainly due to the research and development for the development of a new generation of products as well as to assist in the conduct of clinical trials, application development and changes to existing products (increase in salaries and related cost). Also, there was an increase in expenses for clinical trials necessary for regulatory requirements for new developments and for opening new markets. A further increase of about 60 thousand dollars occurred due to the granting of options and restricted share units and the change of the terms of

Item	For the Three-month period Ended March 31,		Change Increase (Decrease) %	Company Explanations
	2016	2015		
	Dollars in thousands			
				options to employees and officers.
General and administrative expenses	1,947	1,128	73%	The increase in general and administrative expenses in the first quarter of 2016 compared to the corresponding quarter the year before is mainly due to an increase in provision for doubtful debts as well as an increase of $ 330 thousand dollars in expenses for the grant of options and restricted share units and the change in terms of options to the CEO, officers, employees and directors (for more information see the Company's outline dated February 4th 2016), (for information on the convening of the general meeting see reference number: 2016-01-023746 as amended on March 8th 2016, reference number: 2016-01-002070) and on March 13th 2016 (reference number: 2016-01-005169)).
Operating loss	(3,537)	(1,379)	156%	The increase in operating loss in the first quarter of 2016 compared to the corresponding quarter the year before, despite the increase in revenues and gross profit margin, is mainly attributable to an increase in selling and marketing expenses, research and development expenses and general and administrative expenses, as described above.
Financial expenses relating to cash and investments	1,042	(166)		The transition from financing expenses corresponding quarter the year before to financial income in the current quarter is primarily due to the depreciation of the dollar against the shekel by about 3.5% in the current quarter compared with a devaluation of 2.3% in the corresponding quarter the year before.
Financial expenses relating to notes and loans	(1,547)	(778)	99%	The increase in financial expenses on notes and loans in the first quarter of 2016 compared to the corresponding quarter the year before was mainly due to the effect of changes in the exchange rate of the dollar against the shekel on the carrying amount of the liability in respect of L Series bonds. At the present time there is a reduction of approximately 3.5% in the

Item	For the Three-month period Ended March 31,		Change Increase (Decrease) %	Company Explanations
	2016	2015		
	Dollars in thousands			
				exchange rate of the dollar against the shekel, which led to an increase in financial expenses due to the increase in the dollar value of the L Series bonds, while in the corresponding quarter the year before there was an appreciation of the dollar by about 2.3%, which resulted a decrease in financial expenses due to the decline in the dollar value of L Series bonds and loans from shareholders.
Gain (loss) from financial derivatives	(2,134)	1,009		The transition to a loss from derivatives in the first quarter of 2016 from a profit in the corresponding quarter the year before is due to a change in the fair value (non-cash but affecting the income statement) of the options issued to the Viola Fund and of warrants (Series 4) issued to the public. The value of these options and warrants increased during the first quarter of 2016 by approximately 100% from 27.4 agorot on December 31st 2015 to 54.5 agorot as of March 31st 2016. On the other hand a gain from derivative financial instruments (which partially offset the loss from financial instruments) as a result of a decrease in the fair value of the options embedded in the Company's L Series bonds is due to: (a) a decline in the Company's share price (as of March 31st 2016 compared to December 31st 2015) at a rate of approximately 7%; (b) the depreciation of the dollar against the shekel; and (c) a decline in the value of the embedded option as a result of shortening the life of the bonds by three months. Profit in the corresponding quarter the year before was primarily created as a result of changes in the fair value of the options embedded in L Series bonds, caused mainly due to: (a) a decline in the embedded option value as a result shortening the life of the bonds by three months; (b) the strengthening of the dollar against the shekel; and (c) a decline in the share price (as of March 31st 2015

Item	For the Three-month period Ended March 31,		Change Increase (Decrease) %	Company Explanations
	2016	2015		
	Dollars in thousands			
				compared to December 31st 2014) at a rate of approximately 1.4%.
Loss	(6,214)	(1,349)	361%	The increase in loss in the first quarter of 2016, despite the improvement in gross profit, is due mainly to the transition to financial expenses, net, and as a result of the increase in selling and marketing expensed, research and development expenses and general and administrative expenses.
Adjustments to loss	3,468	(575)		The main change in adjustments to loss in the first quarter of 2016 compared to the corresponding quarter the year before is mainly due to the net loss recorded in the current quarter, for the revaluation of the warrants and the various options. In addition, there has been an increase in the current quarter in respect of share-based payments ($0.7 million in the quarter compared to $0.3 million in the corresponding quarter the year before) and an increase in the provision for doubtful debts.
Adjusted loss	(2,746)	(1,924)	43%	The increase in the adjusted loss in the first quarter of 2016 compared to the corresponding quarter the year before despite the improvement in gross profit and despite a decrease in net financial expenses, is due mainly to the increase in selling and marketing expenses, research and development expenses and general and administrative expenses to support the Company's continued growth.

5. Liquidity

In the reported period, the Company continued raising funds to finance its current operations, as follows: (i) by increasing sales and marketing effort in markets on which Company operations are focused: U.S., Japan and China; and (ii) Funds received from the Company against issuance of the bonds (Series L) in February 2013 and the funds received from the Viola Fund Investment Transaction in the Company and the rights issue to shareholders.

Analysis of cash flows for the first quarter of the year 2016

Activity Type	For the Three-Month Period Ended March 31,		Change Increase (Decrease) %	Company Explanations
	2016	2015		
	Dollars in thousands			
Operating activities	(3,242)	(3,173)	2%	The decrease in cash flows used for operating activities in the first quarter of 2016 compared to the corresponding quarter the year before stems mainly from: (a) the decrease in the loss for the current quarter (after neutralizing the non-cash financial expenses, expenses for doubtful debts and expenses for share-based payments); (b) a more moderate increase in inventory balances; (c) an increase in accounts payable compared to a decrease in the corresponding quarter the year before; and (d) a sharper increase in the balance of accounts receivable in the corresponding quarter the year before, primarily due to VAT refunds.
Investing activities	(89)	1,123		Cash flows used investing activities in the first quarter of 2016 were primarily used to realization investment in fixed assets. In the corresponding quarter the year before, the cash flows arising from investing activities were primarily derived from the exercise of an investment in shekel monetary funds.
Financing activities	1,083	18		Cash flows from financing activities in the first quarter of 2016 resulted from the issuance of additional shares and stock options as part of the third and final phase of the Viola Investment Transaction. In the corresponding quarter the yearbefore , cash flows derived from financing activities resulted from the exercise of options granted to employees.

6. Financing sources

6.1 Overview

Since its initial public offering in March 2007, the Group financed its operations primarily by public offerings, private issuances of equity and debt to Viola and to institutional investors and by private loans from shareholders.

For more information about the Company’s financing and grants received from the Chief Scientist, see Sections 3, 24 and 18.3, respectively, in Part A of the Annual Report for 2015.

6.2 Investment transaction with Viola

In February 2015, the Company concluded all three stages the investment transaction of Viola Fund, thereby raising a total (gross) of approximately $30 million (approximately $25.2 million from Viola and approximately $4.8 million by the rights issuance) as of the date of conclusion of the transaction, Viola held approximately 25.5% of the Company's issued and paid-up share capital and the Company considers Viola to be its controlling shareholder.

6.3 Exercise of convertible securities in the course of the report period

In the report year, employees, office-holders and directors did not exercise options into shares.

6.4 Line of credit from a bank

The Company has a line of credit from a bank in the total amount of NIS 100,000.

6.5 Irrecoverable undertaking to provide a credit facility

In January 2015, the Company received an irrecoverable undertaking to provide a credit facility from three of its shareholders in the total amount of to NIS 9.1 million (approximately $2.3 million) between January 2017 and February 28, 2017. For more information, see Section 24.4 of Part A of for 2015 Annual Report the.

6.6 Equity, cash balances, deposits and securities and future equity issues

As of March 31, 2016, the Company has equity capital of approximately 12,701 thousand dollars.

As of March 31, 2016, the Group has cash and cash equivalents and investments in securities available for sale amounting to approximately 34, 555 thousand dollars.

The Company reviews from time to time options to raise capital, including through issuance in the TASE or through private placement with investors in Israel and/or overseas. The funds raised or to be raised are designated to help the Company realize its growth potential, focusing on its target markets (in line with the Company's strategy), to accelerate development processes and to maintain the Company's capacity to achieve its other business and financial targets and to fulfill its liabilities (including repayment of notes (Series L).

6.7 Long-term loans (including current maturities)

The average balance of long-term notes and loans in the first quarter of 2016 amounted to 15,847 thousand dollars, compared to 15,023 thousand dollars in the corresponding quarter the year before.

7. Summary of exposure to market risk and management thereof

Sensitivity to change in exchange rates of the dollar against other currencies (sensitivity to dollar revaluation or devaluation against other currencies)

Assets and liabilities	Gain (loss) from change			Gain (loss) from change	
	10% increase in exchange rate	5% increase in exchange rate	Fair value	5% decrease in exchange rate	10% decrease in exchange rate
NIS	305	152	3,046	(152)	(305)
EUR	100	49	995	(49)	(100)

Sensitivity to changes in the Company share price

	Gain (loss) from change			Fair value	Gain (loss) from change		
	68% increase in share price	10% increase in share price	5% increase in share price		5% decrease in share price	10% decrease in share price	28% decrease in share price
Convertible notes (series L)	(6,483)	(714)	(281)	(22,172)	473	717	1,737

Sensitivity to changes in the Company's standard deviation

	Gain (loss) from change			Gain (loss) from change	
	10% increase in standard deviation	5% increase in standard deviation	Fair value	5% decrease in standard deviation	10% decrease in standard deviation
Convertible notes (Series L)	(306)	(153)	(22,172)	262	415

As of the report date, the policy on market risk management and actual risk management are aligned. For more information about the policy and actual risk management, see Section 10 below.

8. Compensation of interested parties and senior office holders

At the reporting date, no material change occurred concerning the link between the remuneration under Regulation 21 of the Regulations and the contribution of the recipient of the remuneration to the Company, so that the remuneration of officers is compatible with the remuneration policy.

It shall be noted that on May 25th 2016, an Annual and Special General Meeting of the Company shareholders will convene and is expected to approve, among other things, the granting of options and remuneration to the directors of the Company, including those considered as controlling shareholder. The Board of Directors examined and found that said remuneration complies with and remuneration policy and is fair and reasonable (For more information, see immediate report from April 14, 2016 and its complementary reports from May 3, 2016 and May 19, 2016 (Reference Nos.: 2016-01-049288, 2016-01-057808, 2016-01-029871 and 2016-01-034068 respectively).

9. Significant events during the quarter

For details of significant events during the quarter, in conformity with Regulation 39a of the Regulations, see Part A of this report.

Chapter B – Exposure to Market Risk and Management Thereof

10. Exposure to market risk and management thereof

Company policy with regard to market risk management

In the reported period ended on March 31, 2016, there was no significant change in exposure to market risk and management thereof, compared to the description provided in the Company's 2015 Annual Report, issued on March 31, 2016.

11. Linkage basis report

Below are the linkage terms of the monetary balances:

Consolidated	As at March 31, 2016						
	Dollar	Un-linked NIS	Index linked NIS	Euro	Other currencies	Non-monetary items	Total
	Dollars in thousands						
Assets							
Cash and cash equivalents	4,228	26,582	-	598	320	-	31,728
Available-for sale securities	-	1,484	1,343	-	-	-	2,827
Trade receivables	3,820	119	-	459	-	-	4,398
Other receivables (including prepaid expenses)	113	55	-	4	5	663	840
Inventories	-	-	-	-	-	1,548	1,548
Long-term restricted deposit	-	181	-	-	-	-	181
Fixed assets	-	-	-	-	-	761	761
Intangible assets	-	-	-	-	-	271	271
Total assets	**8,161**	**28,421**	**1,343**	**1,061**	**325**	**3,243**	**42,554**
Liabilities							
Trade payables	485	350	-	14	-	-	849
Employee benefits	-	-	-	-	-	492	492
Provisions	-	-	-	-	-	232	232
Other accounts payable and accrued expenses	1,876	663	-	52	115	318	3,024
Loans from shareholders	-	-	-	-	-	-	-
Convertible notes	-	16,056	-	-	-	-	16,056
Derivative instruments	-	8,718	-	-	-	-	8,718
Long-term accounts payable	582	-	-	-	-	-	582
Total liabilities	**2,943**	**25,787**	**-**	**66**	**115**	**1,042**	**29,953**
Carrying amount, net	**5,218**	**2,634**	**1,343**	**995**	**210**	**2,201**	**12,601**

Consolidated	As at December 31, 2015						
	Dollar	Un-linked NIS	Index linked NIS	Euro	Other currencies	Non-monetary items	Total
	Dollars in thousands						
Assets							
Cash and cash equivalents	4,392	28,197	-	383	47	-	33,019
Available-for sale securities	-	1,467	1,243	-	-	-	2,710
Trade receivables	3,943	117	-	390	-	-	4,450
Other receivables (including prepaid expenses)	119	21	-	5	5	616	766
Inventories	-	-	-	-	-	1,580	1,580
Long-term restricted deposit	-	177	-	-	-	-	177
Fixed assets	-	-	-	-	-	755	755
Intangible assets	-	-	-	-	-	283	283
Total assets	**8,454**	**29,979**	**1,243**	**778**	**52**	**3,234**	**43,740**
Liabilities							
Trade payables	591	448	-	16	-	-	1,055
Employee benefits	-	-	-	-	-	358	358
Provisions	-	-	-	-	-	238	238
Other accounts payable and accrued expenses	1,664	1,050	-	50	49	324	3,137
Loans from shareholders	-	-	-	-	-	-	-
Convertible notes	-	14,906	-	-	-	-	14,906
Derivative instruments	-	6,500	-	-	-	-	6,500
Long-term accounts payable	595	-	-	-	-	-	595
Total liabilities	**850,2**	**22,904**	**-**	**66**	**49**	**920**	**26,789**
Carrying amount, net	**5,604**	**7,075**	**1,243**	**712**	**3**	**2,314**	**16,951**

12. Sensitivity analysis

Below is a report on exposure to financial risks. This report includes sensitivity analysis to fair value of financial instruments. This sensitivity analysis tested the impact of market risk on fair value. Sensitivity analysis was conducted using 5% and 10% change (upwards and downwards). Sensitivity analysis was performed on:

12.1 Sensitivity to changes in exchange rates

- Excess of assets over liabilities in the NIS-linked basic statement (linked and not linked) amounts to 3,977 thousand dollars

- Excess of assets over liabilities in the Euro linked basic statement, amounts to 995 thousand dollars.

12.1.1 Sensitivity to changes in dollar/NIS exchange rate (dollars in thousands):

This sensitivity analysis is based on the dollar to shekel exchange rate as of March 31, 2016 - $0.2655 per NIS 1.

Assets and liabilities	Gain (loss) from change		Fair value	Gain (loss) from change	
	10% increase in exchange rate	5% increase in exchange rate		5% decrease in exchange rate	10% decrease in exchange rate
Cash and cash equivalents	2,658	1,329	26,582	(1,329)	(2,658)
Securities	283	141	2,827	(141)	(283)
Trade receivables	12	6	119	(6)	(12)
Other receivables	6	3	55	(3)	(6)
Deposits	18	9	181	(9)	(18)
Trade payables	(35)	(18)	(350)	18	35
Other accounts payable	(51)	(25)	(509)	25	51
Derivatives	(872)	(436)	(8,718)	436	872
	(1,714)	(857)	(17,141)	857	1,714
Convertible notes (Series L)					
Total	**305**	**152**	**3,046**	**(152)**	**(305)**

12.1.2 Sensitivity to changes in dollar/EUR exchange rate (dollars in thousands):

This sensitivity analysis is based on the dollar to Euro exchange rate as of March 31, 2016 - $1.1380 per EUR 1.

Assets and liabilities	Gain (loss) from change		Fair value	Gain (loss) from change	
	10% increase in exchange rate	5% increase in exchange rate		5% decrease in exchange rate	10% decrease in exchange rate
Cash and cash equivalents	60	30	598	(30)	(60)
Trade receivables	46	23	459	(23)	(46)
Other receivables	-	-	4	-	-
Trade accounts payable	(1)	(1)	(14)	1	1
Other accounts payable	(5)	(3)	(52)	3	5
Total	**100**	**49**	**995**	**(49)**	**(100)**

12.2 Sensitivity to change in the market value

12.2.1 Sensitivity to change in the Company share price (dollars in thousands):

	Gain (loss) from change			Fair value	Gain (loss) from change		
	68% increase in share price	10% increase in share price	5% increase in share price		5% decrease in share price	10% decrease in share price	28% decrease in share price
Notes (series L)	(6,483)	(714)	(281)	(22,172)	473	717	1,737

On November 18th 2008 there was a decrease of approximately 28% in the Company's stock exchange rate and on February 18th 2009, there was an increase of approximately 68% in the Company's stock exchange rate.

12.2.2 Sensitivity to change in the Company standard deviation (dollars in thousands):

	Gain (loss) from change		Fair value	Gain (loss) from change	
	10% increase in standard deviation	5% increase in standard deviation		5% decrease in standard deviation	10% decrease in standard deviation
Convertible notes (Series L)	(306)	(153)	(22,172)	262	415

Chapter C - Corporate Governance Aspects

13. Charitable donations

The Company has not adopted any policy with regard to charitable donations. The Company made no material charitable donations in the reported period.

14. Directors with accounting and financial expertise

At the reporting date, the Board has not changed its determination regarding the minimum number of directors with accounting and financial expertise, compared with the provisions of the 2015 Annual Report.

15. Independent directors

The Company's bylaws do not include a provision concerning the number of independent directors.

Currently, there are nine directors in the Company, two of which are independent directors (Dr. Samuel Morry Blumenfeld and Mr. Ilan Biran) and two external directors.

16. Internal Auditor of the Company

As of the report date, there was no significant change to the information about the Company's Internal Auditor, compared to the description provided in section 15 in Part B of the Company's 2015 Annual Report.

On May 25, 2016, upon the recommendation of the Company's Audit Committee, the Board of Directors resolved to appoint Mr. Yehuda Gevirtz, CPA, also a partner in Fahn Kanne Control Management Ltd., as the internal auditor of the Company instead of Mr. Doron Cohen, with the latter's consent. This did not result in a change in the details of the internal auditor as compared with the information provided in item 15 in Part B of the 2012 annual report, except for the following:

Item	Details
Name	Mr. Yehuda Gevirtz, CPA – partner in Fahn Kanne Control Management Ltd. (a member firm of Grant Thornton).
Start of term in office	May 25, 2016
Reasons for appointment	On May 25, 2016, the Company's Board of Directors appointed Mr. Yehuda Gevirtz, CPA as the Company's Internal Auditor, at the recommendation of the Audit Committee, based on his education, skills, and extensive experience in internal auditing, taking into account the nature, size, scope of operations and complexity of operations of the Company.

17. Approval of the financial statements

Management compiles and prepares the financial statements and the Independent Auditor audits or reviews them. The Company organ responsible for overall control (as defined in Opinion 76 of the Institute of Certified Accountants in Israel) with regard to approval of the financial statements is the Board of Directors, which as of the report date consists of nine members: Dr. Giora Yaron (Chairman); Mr. Martin Gerstel (director); Jonathan Kolber (director); Mr. Sami Totah (director); Mr. Gary Ellis (director); Mr. Ilan Biran (independent director); Dr. Samuel Morry Blumenfeld (independent director); Ms. Miri Katz (external director); and Ms. Regina Ungar (external director).

The Company has resolved that the Audit Committee would also serve as the Company's Financial Reporting Committee (the "**Committee**"), in conformity with provisions of Companies Regulations (Provisions and Conditions regarding Financial Statement Approval Process), 2010.

The Company's Audit Committee consists of three members: Ms. Regina Ungar (external director, Committee Chairperson); Ms. Miri Katz (external director); and Mr. Ilan Biran (independent director). The three Committee members all have accounting and financial expertise and are capable of reading and understanding financial statements, and have provided statements to this effect prior to their appointment. For details regarding their skill, education, experience and knowledge, based on which the Company regards them as having accounting and financial expertise and as being qualified to read and understand financial statements, see Section 15 in Part D of the Annual Report for 2015.

Prior to the meetings of the Committee and of the Board of Directors, all members thereof receive a copy of the Company's financial statements. At the meetings of the Committee and of the Board of Directors, the directors have the opportunity to raise questions regarding the financial statement and to the audit or review process conducted by the Company's Independent Auditor. The Company's Independent Auditor, President and CEO and/or CFO respond to questions raised by directors, as the case may be. After discussion and responding to all questions raised by directors, a vote is held to approve the financial statements. After approval of the financial statements by the Board of Directors, the Chairman of the Board of Directors, the President and CEO and the CFO are authorized to sign the financial statements.

Approval of the financial statement for the first quarter of 2016 consisted of two meetings, as follows:

On May 19th 2016, the Committee held a meeting to form its recommendations to the Board of Directors with regard to approval of the financial statements. The Company's Internal Auditor and Independent Auditor were invited to attend this Committee meeting. The Committee meeting was attended by the following Committee members: Ms. Regina Ungar (external director, Committee Chairperson); Ms. Miri Katz (external director); and Mr. Ilan Biran (independent director). The meeting was also attended by Dr. Giora Yaron, Co-Chairman of the Board of Directors; Mr. Gilad Glick, President and CEO; of the U.S. subsidiary, Mr. Joseph Tenne, the Company's VP Finance, and Mr. Shachar Cohen – Accountant, the Company's Independent Auditor. At the Committee meeting, the following matters were discussed, among others: (a) assessments and estimates with regard to the financial statements for the first quarter of 2016; (b) completeness and appropriateness of disclosure on the financial statements for the first quarter of 2016; (c) accounting policy and accounting treatment applied to issues material for the Company; ; (d) valuations underlying assumptions and estimates, on which the data in the financial statements for the first quarter of 2016. The discussion included a presentation of the aforementioned matters by the Company's VP Finance and comments by the Independent Auditor on the matters presented.

After presentation of the financial statements and discussion by the Committee, the Committee resolved to recommend that the Board of Directors approve the financial statements. The recommendations made by the Committee were provided in writing to Board members on May 22nd 2016 and modified recommendation on May 24th 2016.

On May 25th 2016, the Board of Directors held a meeting to discuss and approve the financial statements. At this meeting, the Board of Directors discussed the Committee's recommendations and approved the Company's financial statements as of March 31, 2016. The Board of Directors considers that the Committee's recommendations were provided to the directors in a timely manner prior to the aforementioned Board meeting. The aforementioned Board meeting was attended by the following directors: Dr. Giora Yaron, Mr. Sami Totah, Mr. Ilan Biran, Dr. Samuel Morry Blumenfeld, Ms. Miri Katz and Ms. Regina Ungar.

Chapter D – Disclosure with Regard to Financial Reporting by the Corporation

18. Subsequent events mentioned in the financial statements

For subsequent events in the financial statements, see Note 7 to the Company's financial statements as of March 31, 2016.

19. Valuation

The Company includes in this report the valuation of the options embedded in bonds (Series L), which is considered a very material valuation in a small corporation, as this term is defined in Article 5d (b) (1) of the Reports Regulations. The following are additional details in connection with the valuation, as required under the provisions of Article 8 (b) (1) and (2), 8 (d) and 8 (i) of the Reports Regulations.

Valuation of warrants in convertible notes (Series L)

Identification of the subject of valuation	Fair value of the warrants component of the convertible series L notes for accounting reporting purposes
Valuation date	March 31st 2016
Date of agreement with the external valuer	March 7, 2013
Value of the subject of valuation shortly before the valuation date had accounting principles, including depreciation and amortization, not required the change in value thereof based on appraisal	NIS 14,843,000
Value of the subject of valuation based on the appraisal	NIS 11,100,000
Identification of the valuer	
Name of the valuer	PricewaterhouseCoopers Management Consulting Ltd.
The person rendering the appraisal	Shalom Sofer, CPA (Isr), Partner in Kesselman & Kesselman PricewaterhouseCoopers
Education	BA in accounting and economics summa cum laude, The Tel-Aviv University, MA in economics, The Tel-Aviv University
Appraising experience	About 14 year experience in economic and

	financial consulting
Dependence on the contractee	There is no dependence between the valuer and the Company
Indemnification agreements with the appraiser	There is an indemnification agreement
Valuation model applied by the appraiser	Binomial model generally accepted for option valuation
Assumptions upon which the valuation is based	
Risk-free unlinked interest	0.26%
Maximum life span of the warrants	2.16 years
Yield to redemption of the straight notes	21.17%

Valued item	**Valuator**	**Valuation date**	**Valuation(1)**	**Resulting effect(2)**	**Share price**	**Standard deviation**	**Discount rate**
Equity component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of February 28, 2013	7,450	-	153.7	66.1%	13.80%
Equity component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of March 12, 2013	1,692	-	156.9	65.9%	13.63%
Equity component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of December 31, 2013	13,019	(3,877)	203.7	63.0%	13.86%
Equity component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of December 31, 2014	9,162	3,857	190.9	62.1%	16.78%
Equity component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of December 31, 2015	3,804	5,358	142.9	60.0%	21.17%
Equity component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of March 31, 2016	2,940	864	133.1	59.4%	23.50%

The valuation as of February 28, 2013, the date of the public offering, pertains to NIS 62,556,000 par value convertible notes; the valuation as of March 11, 2013, the date of the private placement, pertains to for NIS 13,700,000 par value convertible notes. The valuation as of the report date pertains to total par value issued in the public offering and in the private placement.

(1) Data in dollars in thousands. The valuation was made in NIS and translated into dollars using the exchange rate upon the valuation date.

(2) Resulting effect in dollars in thousands, for the reported period.

For more information regarding the valuation of embedded options in bonds Series L see attached valuation report to this quarterly report.

20. Warning signs

The Company's Board of Directors, at its meeting held on May 25th 2016, discussed the provisions of Regulation 10(b)(14) of the Regulations regarding warning signs. When such warning signs occur within the corporation, a reporting entity should enclose a disclosure of the forecasted cash flow with details of existing and anticipated liabilities of the corporation over the two years following the date of the financial statements (the "**forecasted cash flow statement**" and the "**forecasted cash flow statement period"**, respectively) The only such warning sign which occurs at the Company is continuous negative operating cash flow.

Nevertheless, the Company's Board of Directors has determined that the said warning sign does not indicate any liquidity issue and that there is no reason to suspect that in the projected cash flow period, the Company will become unable to meet its existing and expected obligations in a timely manner, for the following reasons:

At the Board of Directors' meeting, the following matters were discussed, amongst others: (i) the Company's business plan, which includes updated targets and options to align the Company with the markets in which it does business and at which it targets its products; (ii) data with regard to estimated sales volume by the Company for the forecasted cash flow period (including estimates by the Company with regard to continued proceedings for adoption of insurance reimbursement in the U.S. for the Company's products by private insurers); (iii) total Company expenses for the period, adjusted for the Company's economic and business environment; (iv) the Company's current and anticipated liabilities over the forecasted cash flow period, including with respect to the notes (Series L); and (iv) the sources of financing at the Company's disposal, as detailed in item 6 above.

As of March 31st 2016, the Company had cash and cash equivalents and marketable securities of approximately $34.555 million.

The Company's Board of Directors continues to review, from time to time, the need for taking additional measures, including fund raising and/or streamlining measures.

Chapter E – Specific Disclosure for Noteholders

21. Additional information with regard to outstanding convertible notes (Series L)

At the reporting date, there was no change in the debentures issued by the Company, compared to the provisions of section 21 of Part II of the Annual Report for 2015, except as described below:

	Convertible notes (Series L)
Par value as of March 31, 2016:	76,255,261 NIS
Par value (according to linkage terms) as of March 31, 2016:	76,255,261 NIS
Accrued interest as of December 31, 2015:	$154,000
Fair value in the financial statements as of March 31, 2016:	$19,157,000 (includes $2,947,000 with respect to the conversion component including accrued interest).
Value on the TASE as of May 21, 2016:	NIS 82,508,000 (for NIS 76,255,000 par value).

The Company's Board of Directors wishes to thank Group's management and employees for their diligent work and contribution to the Company's success.

Dr. Giora Yaron
Chairman of the Board of Directors

Gilad Glick
President and CEO

Date: May 25th 2016

ITAMAR MEDICAL LTD.

PART C

FINANCIAL STATEMENTS

AS OF MARCH 31, 2016

ITAMAR MEDICAL LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2016

(UNAUDITED)

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Somekh Chaikin

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AUDITOR'S REVIEW REPORT
to the Shareholders of
ITAMAR MEDICAL LTD.

Introduction

We have reviewed the attached financial data of Itamar Medical Ltd. and its subsidiaries (hereinafter: **the "Group"**), including the Condensed Statement of Financial Position as of March 31, 2016, and the Condensed Statements of Income, Comprehensive Income, Changes in Equity (Equity Deficiency) and Cash Flows for the three-month period ended on that date. The Board of Directors and management are responsible for preparing and presenting the financial data for this interim period pursuant to International Accounting Standard IAS 34, *Financial Reporting for Interim Periods*, and are also responsible for preparing the financial data for this interim period pursuant to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970. Our responsibility is to express an opinion on the financial data for this interim period based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, *Review of Financial Data for Interim Periods Conducted by the Entity's Auditor*. A review of financial data for interim periods consists of clarifications, mainly with the persons in charge of financial and accounting matters, and implementation of analytical and other review procedures. A review is significantly limited in scope in comparison with an audit conducted pursuant to the generally accepted auditing standards in Israel, and therefore does not allow us to reach any certainty that we will learn of all significant issues which we could have identified in an audit. Therefore, we do not provide an audit opinion.

Conclusion

On the basis of our review, we did not learn of anything which would make us believe that this financial data was not prepared, in all material respects, pursuant to International Accounting Standard IAS 34.

In addition to the previous paragraph, on the basis of our review, we did not learn of anything that would make us believe that the foregoing financial information fails not comply, in all materials respects, with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970.

Somekh Chaikin
Certified Public Accountants
May 25, 2016

ITAMAR MEDICAL LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	March 31, 2016	March 31, 2015	December 31, 2015
	(Unaudited)	(Unaudited)	(Audited)
	USD in thousands		
Assets			
assets Current			
Cash and cash equivalents	**31,728**	7,269	33,019
Securities available for sale	**2,827**	7,505	2,710
Trade receivables	**3,733**	3,040	3,677
Receivables and debit balances	**696**	859	623
Inventories	**1,548**	1,964	1,580
Total current assets	**40,532**	20,637	41,609
Non-current assets			
Deposit in long-term pledge	**181**	169	177
Prepaid expenses	**144**	138	143
Long-term trade receivables	**665**	419	773
Fixed assets	**761**	632	755
Intangible assets	**271**	186	283
Total non-current assets	**2,022**	1,544	2,131
Total assets	**42,554**	22,181	43,740

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	March 31, 2016	March 31, 2015	December 31, 2015
	(Unaudited)	(Unaudited)	(Audited)
Liabilities	USD in thousands		
Current liabilities			
Trade payables	**849**	975	1,055
Short-term employee benefits	**386**	195	190
Current maturities of convertible notes	**8,656**	-	-
Provisions	**232**	348	238
Payable expenses	**1,260**	1,176	1,257
Other accounts payable	**1,764**	1,559	1,880
Total current liabilities	**13,147**	4,253	4,620
Non-current liabilities			
Convertible notes	**7,400**	13,081	14,906
Long-term loans from shareholders	**-**	1,607	-
Derivative instruments	**8,718**	8,153	6,500
Long-term employee benefits	**106**	44	168
Other long-term accounts payable	**582**	825	595
Total non-current liabilities	**16,806**	23,710	22,169
Total liabilities	**29,953**	27,963	26,789
Equity (equity deficiency)			
Ordinary share capital	**678**	467	670
Share premium	**104,334**	80,260	103,344
Capital reserve in respect of transactions with shareholders	**1,151**	1,151	1,151
Capital reserve in respect of currency translation adjustments	**(9)**	(9)	(9)
Capital reserve in respect of securities available-for-sale	**(29)**	(447)	(54)
Accumulated deficit	**(93,524)**	(87,204)	(88,151)
Total equity (equity deficiency)	**12,601**	(5,782)	16,951
Total liabilities and capital (less equity deficiency)	**42,554**	22,181	43,740

Dr. Giora Yaron, Chairman of the Board of Directors

Gilad Glick, President and Chief Executive Officer

Joseph Tenne, Chief Financial Officer

Date of approval date of the Financial Statements: May 25, 2016

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME

	Three Months Ended		Year Ended
	March 31, 2016	March 31, 2015	December 31, 2015
	(Unaudited)	(Unaudited)	(Audited)
	USD in Thousands		
Revenues	**4,126**	4,014	16,807
Cost of revenues	**1,068**	1,084	4,401
Gross profit	**3,058**	2,930	12,406
Sales and marketing expenses	**3,715**	2,502	10,684
Research and development expenses	**933**	679	2,831
General and administrative expenses	**1,947**	1,128	4,350
Operating loss	**(3,537)**	(1,379)	(5,459)
Financial income (expenses) relating to cash and investments	**1,042**	(166)	(354)
Financial expenses relating to notes, loans and others	**(1,547)**	(778)	(4,229)
Gain (loss) from derivatives instruments	**(2,134)**	1,009	7,930
Financial income (expenses), net	**(2,639)**	65	3,347
Loss before income tax	**(6,176)**	(1,314)	(2,112)
Income taxes	**(38)**	(35)	(135)
Loss for period	**(6,214)**	(1,349)	(2,247)
Basic loss per share (USD)	**(0.02)**	(0.01)	(0.01)
Diluted loss per share (USD)	**(0.02)**	(0.01)	(0.02)

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended		Year Ended
	March 31, 2016	March 31, 2015	December 31, 2015
	(Unaudited)	(Unaudited)	(Audited)
	USD in thousands		
Loss for the period	**(6,214)**	(1,349)	(2,247)
Other comprehensive loss items that will not be carried to the Statement of Income			
Remeasurement of defined benefit plan, net of tax	-	-	(72)
Total other comprehensive loss for the period that will not be carried to the Statement of Income, net of tax	-	-	(72)
Other comprehensive income (loss) items, which, after preliminary recognition in comprehensive profit, were carried or will be carried to profit or loss			
Net change in fair value of securities available for sale, net of tax	**25**	(129)	(123)
Net change in fair value of securities available for sale, net of tax, carried to profit and loss	**-**	136	523
Total other comprehensive income items which, after initial recognition in comprehensive profit, were transferred or will be transferred to profit and loss, net of tax	**25**	7	400
Other comprehensive income for the period	**25**	7	328
Total comprehensive loss for the period	**(6,189)**	(1,342)	(1,919)

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (EQUITY DEFICIENCY)

	Ordinary share capital	Premium on shares	Capital reserve in respect of transactions with shareholders	Capital reserve in respect of currency translation adjustments	Capital reserve in respect of securities available for sale	Accumulated deficit	Total
				USD in thousands			
For the three months ended March 31, 2016 (Unaudited)							
Balance as of January 1, 2016 (audited)	**670**	**103,344**	**1,151**	**(9)**	**(54)**	**(88,151)**	**16,951**
Total comprehensive loss for the period:							
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(6,214)**	**(6,214)**
Other comprehensive income for the period, net of tax	**-**	**-**	**-**	**-**	**25**	**-**	**25**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**25**	**(6,214)**	**(6,189)**
Transactions recognized directly in equity:							
Private placement of shares	**8**	**990**	**-**	**-**	**-**	**-**	**998**
Share-based payment	**-**	**-**	**-**	**-**	**-**	**841**	**841**
Balance as of March 31, 2016 (Unaudited)	**678**	**104,334**	**1,151**	**(9)**	**(29)**	**(93,524)**	**12,601**
For the three months ended March 31, 2015							
Balance as of January 1, 2015 (audited)	467	80,242	1,151	(9)	(454)	(86,167)	(4,770)
Total comprehensive loss for the period:							
Loss for the period	-	-	-	-	-	(1,349)	(1,349)
Other comprehensive income for the period, net of tax	-	-	-	-	7	-	7
Total comprehensive loss for the period	-	-	-	-	7	(1,349)	(1,342)
Transactions recognized directly in equity:							
Issue of shares for exercised options	*-	18	-	-	-	-	18
Share-based payment	-	-	-	-	-	312	312
Balance as of March 31, 2015 (unaudited)	467	80,260	1,151	(9)	(447)	(87,204)	(5,782)

* Representing an amount of less than USD 1 thousand.

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (EQUITY DEFICIENCY)

	Ordinary share capital	Premium on shares	Capital reserve in respect of transactions with shareholders	Capital reserve in respect of currency translation adjustments	Capital reserve in respect of securities available-for-sale	Accumulated deficit	Total
	U.S. dollars in thousands						
For the year ended December 31, 2015 (audited)							
Balance as of January 1, 2015 (audited)	467	80,242	1,151	(9)	(454)	(86,167)	(4,770)
Total comprehensive loss for the year:							
Loss for the year	-	-	-	-	-	(2,247)	(2,247)
Other comprehensive income for the year, net of tax	-	-	-	-	400	(72)	328
Total comprehensive loss for the year	-	-	-	-	400	(2,319)	(1,919)
Transactions recognized directly in equity:							
Issue of shares for exercised options	5	149	-	-	-	-	154
Issue of shares, options and warrants	198	22,953	-	-	-	-	23,151
Share-based payment	-	-	-	-	-	428	428
Prepayment of shareholder loan	-	-	-	-	-	(93)	(93)
Balance as of December 31, 2015 (audited)	670	103,344	1,151	(9)	(54)	(88,151)	16,951

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Three months ended		Year ended
	March 31, 2016	March 31, 2015	December 31, 2015
	(Unaudited)	(Unaudited)	(Audited)
		USD in thousands	
Cash flows from operating activities			
Loss for the period	**(6,214)**	(1,349)	(2,247)
Adjustments for:			
Depreciation and amortization	**101**	81	367
Expenses in respect of share-based payment	**841**	312	428
Change in provision for doubtful and bad debt	**393**	41	52
Net financial expenses	**518**	879	4,591
Loss (income) from revaluation of derivatives	**2,133**	(1,009)	(7,962)
Increase in trade receivables	**(341)**	(170)	(1,307)
Increase in other accounts receivable	**(74)**	(282)	(51)
Increase in inventories	**(20)**	(570)	(268)
Increase (decrease) in trade payables	**(160)**	(138)	5
Increase (decrease) in other accounts payable	**246**	(88)	(412)
Increase in employee benefits	**134**	14	61
Decrease in provisions	**(6)**	(2)	(112)
Income tax expenses	**86**	44	179
Taxes paid during the period	**(48)**	(9)	(44)
Interest received during the period	**10**	1	11
Interest paid during the period	**(841)**	(928)	(1,901)
Net cash used in operating activities	**(3,242)**	(3,173)	(8,610)
Cash flow from investing activities			
Sale of securities available for sale	**-**	1,243	6,080
Purchase of fixed assets and intangible assets and capitalization of development costs	**(89)**	(76)	(562)
Investment in long-term pledged deposits	**-**	(44)	(44)
Net cash from (used in) investing activities	**(89)**	1,123	5,474
Cash flow from financing activities			
Issue of shares, less issue expenses	**998**	-	23.151
Issue of options and warrants	**85**	-	5.300
Repayment of shareholder loans	**-**	-	(1,765)
Issue of shares for exercised options	**-**	18	154
Net cash from financing activities	**1,083**	18	26,840
Increase (decrease) in cash and cash equivalents	**(2,248)**	(2,032)	23,704
Cash and cash equivalents balance at beginning of period	**33,019**	9,417	9,417
Effect of exchange rate fluctuations on cash and cash equivalent balances	**957**	(116)	(102)
Cash and cash equivalent balance at end of period	**31,728**	7,269	33,019

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements.

NOTE 1 – GENERAL

a. The reporting entity

Itamar Medical Ltd. (hereinafter: the "Company") is a company resident in Israel, incorporated on January 15, 1997; the Company's address of record is 9 Halamish Street, Northern Industrial Zone, Caesarea. The Company's securities are listed for trading on the Tel Aviv Stock Exchange Ltd.

The Company and its subsidiaries are engaged in research, development, manufacturing, marketing, sale and leasing of non-invasive diagnostic medical devices and associated support services for such devices, mainly for the purpose of diagnosing cardio-vascular conditions and sleep breathing disorders. The unique technology developed by the Company can monitor the Peripheral Arterial Tone – PAT® ("PAT"). The PAT signal accurately measures changes in the patient's peripheral arterial pulse volumes as well as various parameters of arterial activity. The peripheral arterial volume is measured, using the PAT technology, by way of a thimble-shaped probe which fits over the patient's finger and transmits information to a computer-based processing system, which diagnoses the patient's medical condition.

The Company develops and markets two PAT-signal based products: WatchPAT™ (hereinafter: "WatchPAT") and EndoPAT™ (hereinafter: "EndoPAT"). The WatchPAT product diagnoses sleep breathing disorders which were established as, inter alia, significant risk factors in cardiovascular diseases, and treatment of which improves the patient's cardiovascular condition. The EndoPAT product diagnoses endothelial dysfunction, established as a predictor of cardiovascular diseases.

The condensed financial statements of the Company and its subsidiaries (hereinafter: the "Group") as of March 31, 2016 and the period ended on that date, include the financial statements of the Company and its subsidiaries.

b. Completion of the investment agreement with an entity of the Viola Funf Group

On February 1, 2016, the Company completed the third and last stage of the investment transaction with the Viola Fund, in which the Company allocated to the Viola Fund 2,976,148 ordinary shares and 1,488,074 options in consideration for a total amount of 1.1 million United States Dollars (hereinafter: **"USD"**).

The Viola Fund investment transaction was performed in three stages, in the period of November 2015 to February 2016, and in it the Company allocated to the Viola Fund shares and nonnegotiable options of the Company in consideration for a total amount of approximately USD 25.2 million, this simultaneously with the execution of an issue of rights to shareholders under similar terms and for a consideration at the amount of an additional USD 4.8 million, so that the total consideration for the transaction in all its stages amounted to approximately USD 30 million. Upon the completion of the transaction as foregoing, the Viola Fund held approximately 25.5% of the Company's issued and paid-up share capital.

For information on the private placement to the Viola Fund and the issue of rights carried out in 2015, see Note 16a to the 2015 Consolidated Financial Statements.

NOTE 2 – BASIS OF PREPARATION

a. International Financial Reporting Standards ("IFRS")

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting*. Accordingly, they do not contain all the information required in full annual financial statements. These interim statements should be read in conjunction with the Audited Consolidated Financial Statements as of December 31, 2015 and for the year then ended (hereinafter: the **"Annual Financial Statements"**). In addition, these financial statements have been prepared in accordance with Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 5730 - 1970.

The financial statements were approved by the Board of Directors on May 25, 2016.

NOTE 2 – BASIS OF PREPARATION (CONTINUED)

b. Use of estimates and judgments

The preparation of the consolidated interim financial statements in conformity with IFRS requires the management to exercise judgment in estimates, appraisals and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. It is clarified that actual results may differ from such estimates.

The management's judgment at the time of applying the Group's accounting policy, and the basic assumptions used in the assessments involving uncertainty, are consistent with those used in the preparation of the Annual Financial Statements.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its 2015 Consolidated Financial Statements:

NOTE 4 – FINANCIAL INSTRUMENTS

a. Financial instruments that are measured at fair value for disclosure purposes only

The book value of cash and cash equivalents, trade receivables, other receivables, bank deposits, pledged deposits, supplier and service provide liabilities and other accounts payables , are identical or proximate to their fair value, due to the life of these items.

The fair values of other financial assets and liabilities in the books, shown in the Statement of Financial Position, are as follows:

	As of March 31, 2016		As of March 31, 2015		As of December 31, 2015	
	Value	Fair value	Value	Fair value	Value	Fair value
	U.S. dollars in thousands					
	(Unaudited)				(Audited)	
Non-current liabilities						
Loans from shareholders (included accrued interest)	-	-	1,622	1,541		
Notes convertible into shares (including accumulated interest and conversion component)	**19,157**	**22,172**	21,375	23,624	19,289	22,181

NOTE 4 – FINANCIAL INSTRUMENTS (CONTINUED)

b. Fair value hierarchy of instruments measured at fair value

The table below presents an analysis of financial instruments measured at fair value on a periodic basis, using the valuation method pursuant to the fair value levels in the hierarchy.

The different levels were defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical instruments.

Level 2: Observable data, whether directly or indirectly, which are not included in Level 1 above.

Level 3: Data not based on observable market data.

	As of March 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	USD in thousands			
	(Unaudited)			
Financial assets - securities available for sale	**2,827**	**-**	**-**	**2,827**
Financial liabilities - derivative instruments	932	**4,839**	**2,947**	**8,718**

	As of March 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	USD in thousands			
	(Unaudited)			
Financial assets - securities available for sale	7,505	-	-	7,505
Financial liabilities – derivative instruments	-		* 8,153	8,153

	As of December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	U.S. dollars in thousands			
	(Audited)			
Financial assets - securities available for sale	2,710	-	-	2,710
Financial liabilities - derivative instruments	-	2,696	3,804	6,500

* Reclassified

NOTE 4 – FINANCIAL INSTRUMENTS (CONTINUED)

c. Valuation technique applied in determination of fair value and data types used therein

The fair value of the option component embedded in the convertible notes was measured on the basis of directly or indirectly observable market data, according to the binomial model, on the basis of relevant parameters of the terms of notes identified as necessary in order to valuate the option component. The assumptions and variables of the model include: the base asset (market price of the share), the exercise price of the option, the conversion ratio, exercise addition, option life, expected volatility of the base assets (price share), risk-free interest rate and repayment rate of return for the bond.

The fair value of the options issued to Viola was measured by the quoted market value of the warrants (Series 4), in light of the fact that the options issued to Viola and the warrants (Series 4) in essence have identical terms.

NOTE 5 – SHARE BASED PAYMENT

On March 16, 2016, the Company allocated to the Company's CEO 3,620,834 new options, replacing all old options yet to mature. In addition, the CEO was allocated on this date 6,810,789 additional options and 1,692,312 restricted stock units (RSU). In addition, on this date, the Company allocated 330,000 options to three Company directors.

On March 28, 2016, the Company allocated 3,755,847 new options to replace all options given in the past which have not yet matured, to 16 senior employees of the Company (of whom 6 are officeholders). In addition, these employees were allocated on that date 7,174,168 additional options and 1,773,449 restricted stock units.

On March 28, 2016, 671,000 additional options were allocated to 17 offerees, and the terms of 741,314 options allocated in 2014 or afterwards to 65 offerees were updated, so that their exercise terms were cancelled and their vesting period was extended.

NOTE 5 – SHARE BASED PAYMENT (CONTINUED)

The following table details the new grants and replacements in the period:

Grant date and entitled employees	Terms of the instrument	Number of instruments (in thousands)	Vesting conditions	Contractual duration of the options (in years)
Options granted to the Company's CEO and senior employees on January 2016, at terms of service cost only	Each option is exercisable into a share with a nominal value of NIS 0.01, with an exercise addition of NIS 1.55.	4,183,792 (1,869,467 options replacing old options and 2,314,325 new options) to senior employees.	25% will mature and be exercisable one year after the grant date. The other 75% will mature and be exercisable in 12 equal portions on a quarterly basis, at the end of each calendar quarter starting from the maturing of the first portion (i.e. on March 31, June 30, September 30 and December 31). The first quarterly portion will mature on March 31, 2017).	5 years from the grant date.
Options granted to the Company's CEO and senior employees on January 21, 2016, at terms of service and market conditions cost.	Each option is exercisable into a share of NIS 0.01 in nominal value, with an exercise addition of NIS 1.40.	17,177,846 (5,507,214 options replacing old options and 11,670,632 new options).	The options will mature after 4 years, if the share price is at least NIS 2.13 per share, in which case a quantity of 50% will mature, while if the share price is NIS 4.24 per share, the entire quantity will mature. In the range between these two share prices, a proportional quantity will mature.	5 years from the grant date.
Options granted to employees on January 21, 2016, at terms of service cost only.	Each option is exercisable into a share of NIS 0.01 in nominal value, with an exercise addition of NIS 1.55.	671,000	2/3 will mature and become exercisable two years after the grant date, and the remaining 1/3 will mature and become exercisable in 4 equal portions, on a quarterly basis, at the end of each calendar quarter from the maturing of the first portion. The first quarterly portion will mature on March 31, 2018.	5 years after the grant date.

NOTE 5 – SHARE BASED PAYMENT (CONTINUED)

Grant date and entitled employees	Terms of the instrument	Number of instruments (in thousands)	Vesting conditions	Contractual duration of the options (in years)
Options granted to consultants on January 21, 2016, at terms of service cost only.	Each option is exercisable into a share of NIS 0.01 in nominal value, with an exercise addition of NIS 1.55.	250,000	25% will mature and become exercisable one year after the grant date. The remaining 75% will mature and become exercisable in 4 equal portions on a quarterly basis at the end of each calendar quarter from the maturing of the first portion (i.e. on March 31, June 30, September 30 and December 31). The first quarterly portion will mature on March 31, 2017.	5 years after the grant date.
Options granted to 3 directors on March 16, 2016, at terms of service cost only.	Each option is exercisable into a share of NIS 0.01 in nominal value, with an exercise addition of NIS 1.55.	330,000	The options will mature in four equal portions on January 21 of each year from 2017 to 2020.	
Total share options		22,612,638 (7,376,681 replacing old options and 15,235,957 new options)		
Restricted stock units granted to the Company's CEO on January 21, 2016	Each restricted stock unit is convertible into an ordinary share of NIS 0.01 in nominal value with an exercise addition of NIS 0.30.	1,692,312	The restricted stock units will mature after 4 years if the share price is at least NIS 2.13 per share, in which case 50% will mature, while if the share price is NIS 4.24 per share, the entire quantity will mature. In the range between these two share prices, a proportional quantity will mature.	5 years after the grant date.
Restricted stock units granted to senior employees on January 21, 2016	Each restricted stock unit is convertible into an ordinary share of NIS 0.01 in nominal value without any exercise addition.	1,773,449	The restricted stock units will mature after 4 years if the share price is at least NIS 2.13 per share, in which case 50% will mature, while if the share price is NIS 4.24 per share, the entire quantity will mature. In the range between these two share prices, a proportional quantity will mature.	5 years after the grant date.
Total restricted stock units		3,465,761		

NOTE 5 – SHARE BASED PAYMENT (CONTINUED)

Grant date and entitled employees	Terms of the instrument	Number of instruments (in thousands)	Vesting conditions	Contractual duration of the options (in years)
Change of option terms:				
Change of option terms to employees, for exercise conditions granted in 2014 and 2015.	Each option is exercisable into a share of NIS 0.01 in nominal value, with an exercise addition as determined on the original grant date (in the range of between NIS 1.57 and NIS 2.13)	741,314	2/3 will mature and become exercisable two years after the change date, which is January 21, 2016. The remaining 1/3 will mature and become exercisable in 4 equal portions, on a quarterly basis, at the end of each calendar quarter from the maturing of the first portion. The first quarterly portion will mature on March 31, 2018.	10 years after the original grant date.

The fair value on the grant date of the options at terms of service cost only that were granted to directors, the CEO, employees and consultants as foregoing, was assessed using the Black-Scholes model for pricing options.

Due to the complexity of the terms of the options with market condition cost, and due to the complexity of the terms of the restricted stock units, the fair value of these securities was assessed on the grant date using the Monte Carlo simulation.

The parameters used to measure fair value on the grant date of share-based payment plans are presented below:

	Option at terms of service cost only	Options at terms of service and market condition cost	Restricted stock units
Fair value on the grant date (in thousands dollars)	**458**	**1,538**	**600**
Number of exercisable shares (in thousands)	**3,565**	**11,671**	**3,466**
Parameters taken into account when calculating fair value:			
Share price (on the grant date) (in NIS)	**1.311 – 1.338**	**1.311 – 1.338**	**1.311 – 1.338**
Exercise price (in NIS)	**1.55**	**1.40**	**0.00 – 0.30**
Expected volatility (weighted average)	**59.4% - 59.5%**	**59.4% - 59.5%**	**59.4% - 59.5%**
Expected duration (weighted average)	**3.1 – 4.1 years**	**4.3 years**	**4.3 years**
Risk-free interest rate	**0.46% - 0.71%**	**0.78%**	**0.78%**
Expected dividend rate	**0%**	**0%**	**0%**

The expected volatility was determined on the basis of the historical volatility of the share price. The expected duration of options was determined pursuant to the management's evaluation of the period of employees' holding of them, taking into consideration their position in the Company and the Company's past experience regarding resigning employees. The risk-free interest rate was determined on the basis of NIS government bonds, when their remaining period is equal to the expected duration of the options.

ITAMAR MEDICAL LTD.

CONDENSED INTERIM FINANCIAL DATA

FROM CONSOLIDATED FINANCIAL STATEMENTS ATTRIBUTED TO THE COMPANY SOLO

AS OF MARCH 31, 2016

(UNAUDITED)

ADDITIONAL SOLO FINANCIAL DATA FROM CONSOLIDATED FINANCIAL STATEMENTS ATTRIBUTED TO THE COMPANY SOLO AS OF MARCH 31, 2016

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KPMG

Somekh Chaikin KPMG

17 Ha'Arbaa St., P. O. Box 609

Tel Aviv 6100601

03 684 8000

To

The shareholders of Itamar Medical Ltd.

Re: Special Report of the Auditors on the interim financial information in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970

Introduction

We have reviewed the enclosed interim financial data provided pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970 of Itamar Medical Ltd. (hereinafter: the "Company") as of March 31st 2016 and for the period of the three months ending on said date. The Board of Directors and management are responsible for the interim financial information. Our responsibility is to express a conclusion on this interim financial information for these interim periods based on our review.

The scope of the review

We conducted our reviews in accordance with review standard 1 of the Israel Certified Public Accountants Bureau "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of separate financial information for interim periods consists of making inquiries, primarily with persons responsible for financial and accounting matters, and of applying analytical review and other procedures. The review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards and consequently does not enable us to obtain assurance that shall learn all of significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that said financial information does not comply, in all material respects, with the disclosure requirements of the provision of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970.

Somekh Chaikin

CPA

May 25th 2016

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENT OF FINANCIAL POSITION

	March 31		December 31
	2016	2015	2015
	(Unaudited)	(Unaudited)	(Audited)
	U.S. dollars in thousands		
Assets			
Current assets			
Cash and cash equivalents	**30,620**	6,165	32,207
Securities available for sale	**2,827**	7,505	2,710
Trade receivables	**1,213**	1,664	1,169
Subsidiaries current account	**3,773**	3,517	3,783
Other receivables	**446**	668	430
Inventories	**1,079**	1,261	1,196
Total current assets	**39,958**	20,780	41,495
Non-current assets			
Restricted deposits	**181**	169	177
Prepaid expenses	**60**	48	59
Investment in subsidiaries	**261**	-	350
Fixed assets	**412**	377	424
Intangible assets	**245**	177	255
Total non-current assets	**1,159**	771	1,265
Total assets	**41,117**	21,551	42,760

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENT OF FINANCIAL POSITION

	March 31		December 31
	2016	**2015**	**2015**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	U.S. dollars in thousands		
Liabilities			
Current liabilities			
Trade payables	**672**	850	942
Short-term employee benefits	**333**	163	144
Current maturities of convertible debentures	**8,656**	-	-
Provisions	**71**	104	79
Payable expenses	**1,134**	1,094	1,145
Other accounts payable	**730**	1,050	1,237
Total current liabilities	**11,596**	3,261	3,547
Non-current liabilities			
Convertible notes, net of current maturities	**7,400**	13,081	14,906
Loans from shareholders	**-**	1,607	-
Derivative instruments	**8,718**	8,153	6,500
Long-term employee benefits	**106**	44	168
Subsidiaries current account	**114**	362	93
Other long-term accounts payable	**582**	825	595
Total non-current liabilities	**16,920**	24,072	22,262
Total liabilities	**28,516**	27,333	25,809
Capital deficiency			
Ordinary share capital	**678**	467	670
Additional paid-in capital	**104,334**	80,260	103,344
Capital reserve in respect of transactions with shareholders	**1,151**	1,151	1,151
Capital reserve in respect of currency translation adjustments	**(9)**	(9)	(9)
Capital reserve in respect of securities available-for-sale	**(29)**	(447)	(54)
Accumulated deficit	**(93,524)**	(87,204)	(88,151)
Total equity (equity deficiency)	**(12,601)**	(5,782)	16,951
Total liabilities and capital (less equity deficiency)	**41,117**	21,551	42,760

Dr. Giora Yaron, Chairman of the Board of Directors

Gilad Glick, President and Chief Executive Officer

Joseph Tenne, Chief Financial Officer

Date of approval date of the financial statements: May 25, 2016

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENT OF INCOME

	Three Months Ended March 31		Year Ended December 31,
	2016	**2015**	**2015**
	(Unaudited)		**(Audited)**
Revenues from external parties	**1,045**	1,619	5,720
Revenues from inter-company sales	**1,660**	1,783	5,014
Total revenues	**2,705**	3,402	10,734
Cost of revenues	**1,087**	1,336	4,155
Gross profit	**1,618**	2,066	6,579
Sales and marketing expenses	**789**	586	2,621
Transfer pricing adjustments	**1,958**	921	3,552
Research and development expenses	**933**	679	2,831
General and administrative expenses	**1,215**	793	3,184
Operating loss	**(3,277)**	(913)	(5,609)
Financial income (expenses) relating to cash and investments	**1,004**	(220)	(530)
Financial expenses relating to notes, loans and others	**(1,525)**	(750)	(4,131)
Gain (loss) from derivatives instruments	**(2,134)**	1,009	7,930
Financial income (expenses), net	**(2,655)**	39	3,269
Loss before income taxes	**(5,932)**	(874)	(2,340)
Income taxes	**-**	-	2
Income (loss) from investees	**(282)**	(475)	91
Net loss attributable to equity holders of the Company	**(6,214)**	(1,349)	(2,247)

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended March 31		Year Ended December 31,
	2016	**2015**	**2015**
	(Unaudited)		(Audited)
Loss for the period	**(6,214)**	(1,349)	(2,247)
Other comprehensive loss items that will not be carried to the Statement of Income			
Remeasurement of defined benefit plan, net of tax	**-**	-	**(72)**
Total other comprehensive profit for the period not carried to profit or loss , net of tax	**-**	-	(72)
Other comprehensive income (loss) items, which, after preliminary recognition in comprehensive profit, were carried or will be carried to profit or loss			
Net change in fair value of marketable securities available-for-sale, net of tax	**25**	(129)	(123)
Net change in fair value of securities available for sale, net of tax, carried to profit and loss	**-**	136	523
Total other comprehensive income items, which, after preliminary recognition in comprehensive profit, were carried or will be carried to profit or loss, net of tax	**25**	7	400
Total other comprehensive income (loss) for the period	**25**	7	328
Total comprehensive loss for the period	**(6,189)**	(1,342)	(1,919)

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD.
ADDITIONAL SOLO FINANCIAL DATA
CONDENSED STATEMENTS OF CASH FLOWS DATA

	Three Months Ended March 31		Year Ended December 31,
	2016	2015	2015
	(Unaudited)		(Audited)
Cash flows from operating activities			
Loss for the period	**(6,214)**	(1,349)	(2,247)
Adjustments for:			
Depreciation and amortization	**60**	53	217
Change in provision for doubtful and bad debt	**31**	5	(4)
Net financial cost	**514**	879	4,591
(Profit) loss from revaluation of derivatives	**2,133**	(1,009)	(7,962)
Gain with respect to investee	**282**	475	(91)
Share-based payment	**669**	239	302
Increase in trade receivables	**(75)**	(411)	(42)
(Increase) Decrease in other accounts receivable	**(17)**	(218)	9
(Increase) Decrease in current balances with investee	**10**	(1,024)	(1,790)
(Increase) Decrease in inventories	**109**	(204)	(172)
(Decrease) Increase trade payables	**(224)**	(152)	3
(Decrease) Increase in other accounts payable	**(117)**	(45)	(431)
Increase (Decrease) in employee benefits	**127**	3	36
(Decrease) Increase in provisions	**(8)**	(2)	27
Income tax (revenues) expenses	**-**	-	(2)
Interest received during the period	**10**	1	11
Interest paid during the period	**(841)**	(928)	(1,901)
Net cash provided by current operations with respect to transactions with investee	**-**	300	800
Net cash used in operating activities	**(3,551)**	(3,389)	(8,700)
Cash flow from investing activities			
Sale of securities available-for-sale	**-**	1,243	6,080
Purchase of fixed assets and intangible assets and Capitalization of development expenses	**(76)**	(79)	(399)
Investment in pledged deposits	**-**	(44)	(44)
Capitalization of development expenses	**-**	-	(70)
Net cash from (used in) investing activities	**(76)**	1,120	5,637
Cash flow from financing activities			
Proceeds from issuance of share capital	**998**	-	23,151
Repayment of notes	**85**	-	5,300
Proceeds from exercise of share options	**-**	-	(1,765)
Private share capital issuance expenses	**-**	18	154
Net cash provided by financing activities	**1,083**	18	26,840
Increase (Decrease) in cash and cash equivalents	**(2,544)**	(2,251)	23,777
Cash and cash equivalents at beginning of period	**32,207**	8,532	8,532
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**957**	(116)	(102)
Cash and cash equivalent balance at end of period	**30,620**	6,165	32,207

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

AS OF MARCH 31, 2016

NOTE 1 – GENERAL

Below is a summary of financial data from the condensed interim consolidated financial statements of the Group as at March 31 2016 (hereinafter: the "**Consolidated Financial Statements**"), published as part of the periodic reports, attributable to the Company (hereinafter: the "**Condensed Interim Financial Information**"), presented in accordance with Regulation 38D and the tenth Schedule to the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970, regarding the separate condensed consolidated interim financial statements of the corporation. This Condensed Interim Financial Information is to be read together with the separate financial information as of December 31, 2015 and together with the Consolidated Financial Statements as of March 31, 2016.

In this Condensed Interim Financial Information

Definitions

(1)	The Company	-	Itamar Medical Limited
(2)	Subsidiary	-	Subsidiaries, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policy in this separate interim financial information is accordingly to the general the policy of the accountants which were specified in the financial separate information as of December 31, 2015.

ITAMAR MEDICAL LTD.

PART D

CHIEF EXECUTIVE OFFICER'S
CERTIFICATION ACCORDING TO REGULATION 38C(D)(1)

I. Gilad Glick, certify that:

(1) I have reviewed the quarterly report of Itamar Medical Ltd., (the "**Company**") for the first quarter of 2016 (the "**Reports**").

(2) Based on my knowledge, the Reports do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which such statements were included, not misleading with respect to the period covered by the Reports.

(3) Based on my knowledge, the financial statements and other financial information included in the Reports fairly represent in all material respects, the financial condition, results of operations and cash flows of the Company as of, and for, the periods reported in the Reports.

(4) I have disclosed to the independent auditor, the Board of Directors and the Audit Committee of the Company's Board of Directors any fraud, whether or not material, that involves the Chief Executive Officer or persons directly subordinate to him, or involve other employees who have a significant role in the Company's internal controls over financial reporting and disclosure.

Nothing stated above detracts from my responsibility or that of any other person, under any law.

May 24, 2016

____
Gilad Glick,
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S
CERTIFICATION ACCORDING TO REGULATION 38C(D)(2)

I. Joseph Tenne, certify that:

(1) I have reviewed the interim financial statements and other financial information comprised in the interim periodical statements of Itamar Medical Ltd., (the "**Company**") for the first quarter of 2016 (the "**Reports**").

(2) Based on my knowledge, the interim financial statements and other financial information contained in the interim reports do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which such statements were included, not misleading with respect to the period covered by the Reports.

(3) Based on my knowledge, the financial statements and other financial information included in the reports for the interim period fairly represent in all material respects, the financial condition, results of operations and cash flows of the Company as of, and for, the periods reported in the Reports.

(4) I have disclosed to the independent auditor, the Board of Directors and the Audit Committee of the Company's Board of Directors any fraud, whether or not material, that involves the Chief Operating Officer or persons directly subordinate to him, or involve other employees who have a significant role in the Company's internal controls over financial reporting and disclosure.

Nothing stated above detracts from my responsibility or that of any other person, under any law.

May 24, 2016

____
Joseph Tenne,
Chief Financial Officer