ITAMAR MEDICAL LTD.

QUARTERLY REPORT

AS OF MARCH 31, 2015

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ITAMAR MEDICAL LTD.

PART A

SIGNIFICANT CHANGES AND REVISIONS

IN THE COMPANY'S BUSINESS

Significant changes and innovations in corporate business in the quarter ended March 31, 2015

The Company meets the definition of a “small corporation” in Securities Regulations (Periodic and immediate reports), 1970 (the “**Reporting Regulations**”**).** On March 18, 2014, the Company Board of Directors resolved to adopt the reliefs set forth in section 5d(b) of the Reporting Regulations with regard to a small corporation, as follows: (a) reliefs with regard to mandatory enclosing of financial statements of an associate; (b) reliefs with regard to the report on effectiveness of internal control over financial reporting; (c) relief with regard to mandatory enclosing of highly material valuations; and (d) reliefs with regard to mandatory details of exposure to market risk. Note that due to the carrying amount of convertible debentures (Series L), the Company included in the Board of Directors’ Report a chapter on exposure to market risk.

In conformity with Regulation 39a of the Reporting Regulations, below are details of significant changes and innovations which occurred in the business of Itamar Medical Ltd. (“**Itamar Medical**” or the “**Company**”) for the three-month period ended March 31, 2015 (the “**reported period**”) and through the publication of this report. The following terms shall have the meaning assigned to them in the Company’s 2014 annual report, issued on March 24, 2015 (reference: 2015-01-058909) (the “**2014 annual report**”), unless otherwise explicitly indicated.

This chapter of the quarterly report has been compiled with the assumption that the chapter “Description of Company affairs” of the 2014 annual report is available to the reader.

1. **Approval received from the Canadian Ministry of Health for a new version of WatchPAT™**

On January 20, 2015, the Company reported it had received approval from the Canadian Ministry of Health for a new, improved version of its WatchPAT™ product which is being sold world-wide. In the new version of this product, a unified probe is used to measure both the PAT™ signal (which is patented by the Company) and the blood oxygen saturation, thereby simplifying the testing process and enhancing convenience of use both when putting it on before going to sleep and during sleep.

For more information see immediate report by the Company dated January 20, 2015 (reference 2015-01-015160).

2. **Private issuance of option warrants to Company employees pursuant to incentive programs for Company employees**

On January 22, 2015, the Company reported that the Board of Directors approved a non-material, non-extraordinary private offering of 644,500 options (not listed for trading), offered for no consideration and exercisable into 644,500 Company ordinary shares of NIS 0.01 par value each. These options were allotted to six employees of the Company and of Company subsidiaries and to two consultants (none of whom is an officer of the Company).

For more information see immediate report by the Company dated January 22, 2015 (reference 2015-01-017629).

3. **<u>Commitment by controlling shareholders to extend to the Company a credit facility amounting to NIS 9 million</u>**

On January 25, 2015, the Company reported it had received an irrevocable commitment from the three major shareholders of the Company, to provide a credit facility amounting up to NIS 9,058,131, as follows: (1)Medtronic International Technology, Inc – 39.14% (2) Itamar Technologies and Investments (1994) Ltd. (a company controlled by Dr. Giora Yaron) – 34.13% (3) Mr. Martin Grestel, an interested party in the Company – 26.73%.

The credit facility was extended given positive developments with regard to Company operations, as reported by the Company in 2014, and in conformity with the decision by Company management to act to increase cash on hand to allow the Company to realize its strategy and growth potential with regard to said positive developments.

For more information and for highlights of the terms and conditions of this commitment, see immediate report by the Company dated January 25, 2015 (reference 2015-01-017752).

4. **<u>Grant of permission to use the shelf prospectus dated January 13, 2013 for a further 12 months</u>**

On January 26, 2015, the Company reported it had obtained permission from ISA, pursuant to the latter's authority pursuant to Section 23a(b) of the Securities Act, 1968 to extend the period in which securities may be offered pursuant to the Company's shelf prospectus dated February 13, 2013, by a further 12 months - i.e. through February 12, 2016.

For more information see immediate report by the Company dated January 26, 2015 (reference 2015-01-018778).

5. **<u>Contracting of representation and distribution agreements in the U.S. with Arterial Health International LLC</u>**

On March 8, 2015, the Company reported it had signed representation and distribution agreements with Arterial Health International LLC ("**AHI**"). Pursuant to the representation agreement, AHI would be the exclusive service provider in ten US states for administering cardiovascular tests using the EndoPAT 2000 device for customers in the U.S., in conjunction with a bundle of cardiovascular testing provided by AHI.

In conjunction with the representation agreement, AHI committed to minimum purchasing in each year between 2015 and 2017. In addition to the representation agreement, the Company and AHI signed a distribution agreement for WatchPAT (in its new version with a unified probe) and for EndoPAT to primary care physicians.

The term of the aforementioned agreements is three years (the representation agreement would be automatically renewed for a further one year at the end of its term). The agreements also provide for maintaining confidentiality, intellectual property, commitment to indemnify by either party towards the other, an arbitration procedure for settling disagreements and provisions with regard to early termination of the agreement due to any breach and/or insolvency and/or change of control of either party.

For more information see immediate report by the Company dated March 8, 2015 (reference 2015-01-045556).

6. **<u>CE approval received for new WatchPAT version</u>**

Further to immediate reports by the Company dated June 5, 2014 (reference: 2014-01-084177) and dated January 20, 2015 (reference: 2015-01-015160) with regard to receipt of approvals from FDA and from the Canadian Health Ministry for a new, improved version of the WatchPAT product developed by the Company and sold world-wide; on March 10, 2015, the Company reported it had received CE approval for the new version of this product. This approval allows the Company to market and sell the product in EU countries and in EFTA countries (Iceland, Lichtenstein, Switzerland and Norway).

For more information see immediate report by the Company dated March 10, 2015 (reference 2015-01-047944).

7. **<u>Renewal of Board member and officer liability insurance policy</u>**

On January 14, 2014, the General Meeting of Company Shareholders approved the Company’s remuneration policy which includes provisions with regard to conditions for renewal of the Board member and officer liability insurance policy. For more information see the report convening a General Meeting, dated January 8, 2014 (reference: 2014-01-009652).

On March 23, 2015, the Company reported that the Company Board of Directors approved, as required pursuant to the remuneration policy and after receiving the recommendations made by the Company’s Remuneration Committee, the purchase of a Board member and officer liability insurance policy, in conformity with provisions of Section 1b(1) of the Corporate Regulations (Relief for transactions with interested parties), 2000.

The Company contracted this insurance policy in conformity with the conditions set forth in the remuneration policy, as follows: (a) purchase of a liability insurance policy for Board members and officers of the Company and its subsidiaries; (b) the insurance policy is to include Mr. Garry Ellis, who also serves as an officer of Medtronic International Technology Inc.; (c) the insurance policy is to include Mr. Gilad Glick, the Company's CEO.

For more information about highlights and terms of said contracting, see immediate report by the Company dated March 23, 2015 (reference 2015-01-058816).

8. **Transition from pilot to full scale marketing agreement with Medtronic Inc.**

Further to the immediate report by the Company with regard to the marketing agreement (the "**agreement**") contracted with Medtronic Inc. (For more information about the agreement, see immediate report by the Company dated March 5, 2014, reference: 2014-01-005643) At the end of March 2015, the pilot phase of this agreement was concluded (for more information see immediate report by the Company dated April 1, 2015, reference: 2015-01-071080). The Company and Medtronic decided to continue their agreement and to transition to a full scale marketing agreement, i.e. conclusion of the pilot phase - which was limited to a single geographic region - and transition to nation-wide deployment in the U.S., subject to several amendments to the agreement (the "**amendment to the agreement**"); (a) according to the amendment to the agreement, Medtronic would focus on increasing customer awareness of the WatchPAT product as a device for sleep breathing disorder diagnosis, in order to increase product sales; (b) the parties decided to eliminate Medtronic's commitment to make a specific investment in marketing and to achieve minimum targets and agreed, *in lieu*, that Medtronic would focus on these activities, using its own resources. Therefore, the parties agreed that the agreement term would be 13 months (rather than 36 months), from March 2015 through April 2016.

For more information see immediate report by the Company dated April 19, 2015 (reference 2015-01-001332).

9. **Initial implementation of the Total Sleep Solution model**

On May 4, 2015, the Company reported that further to section 8.4 in the chapter "Description of Corporate Affairs" in the Company's 2014 annual report (reference: 2015-01-058909) with regard to Total Sleep Solution, a suite of products of services which address sleep apnea and provide a solution for cardiology (hospital clinics and wards) ("**TSS**"), the Company reached agreement with Montefiore Medical Center in New York, U.S. ("**Montefiore**") and the first patient was referred for home testing using the Company’s WatchPAT device (as part of the TSS model) by the Montefiore Clinical Cardiology Department, headed by Professor David Wertheimer, who heads a team of 18 cardiologists.

TSS consists of: (a) home testing using the WatchPAT device; (b) use of the CloudPAT service - an IT platform for data transfer for interpretation of the WatchPAT test; (c) service agreements with Independent Diagnostic Testing Facilities (“**IDTF**”), which would conduct testing using the WatchPAT device for physicians / medical facilities who do not have such a device; (d) selection of treatment service providers through Durable Medical Equipment (“**DME**”) who would offer treatment solutions for Sleep Apnea.

In this context, the Company would be the interface for hospitals or clinics throughout the process and would manage the process for patients by using Company products and services, enabling a more comprehensive solution to be provided in uniform, convenient fashion for both patients and physicians.

TSS includes, as noted above, three types of product / service and in the aforementioned agreement, Montefiore selected the EasySleep solution, whereby Montefiore systematically refers patients suspected of suffering from Obstructive Sleep Apnea (“**OSA**”) for diagnosis and if OSA treatment is required, patients would receive services by referral to the appropriate IDTF and DME, as set in section 8.4 in the chapter “Description of Corporate Affairs” in the Company’s 2014 annual report. Note that Montefiore does not own the devices and is not involved in reimbursement settlement by insurers.

For more information see immediate report by the Company dated May 04, 2015 (reference 2015-01-011139).

10. **<u>Research results about WatchPAT efficiency</u>**

On May 6, 2015, the Company reported that in the Nordic Sleep Conference, which started on said date in Sweden, new information was presented, based on the following research, whereby diagnosis of Sleep Apnea using the Company’s WatchPAT device which can measure the True Sleep Time, is therefore more accurate and identifies an additional 20% of patients out of those who suffer from Sleep Apnea, compared to competing products which are incapable of measuring True Sleep Time and therefore cannot identify these patients. The unique measurement method applied by WatchPAT measures the patient’s True Sleep Time, while commonly used methods for diagnosis of Sleep Apnea, currently in use in the market, rely on the device’s Total Recording Time - i.e. the time elapsed from turning the device on to turning the device off, without testing whether the patient is asleep. These data rely on two research sureys, one published by Pennsylvania University in the U.S. and the other yet to be published, but the results of which were presented by the researchers at the most recent conference of the German association of sleep physicians.

For more information see immediate report by the Company dated May 06, 2015 (reference 2015-01-013065).

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ITAMAR MEDICAL LTD.

PART B

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF CORPORATE AFFAIRS

AS OF MARCH 31, 2015

Board of Directors' Report for the Three-month Period Ended March 31, 2015

We hereby present the Board of Directors' Report of Itamar Medical Ltd. ("**Itamar Medical**" or the "**Company"**) and its subsidiaries (the "**Group**") as of March 31, 2015 (the "**report date**"), and the Company's consolidated financial results for the three-month period ended March 31, 2015 (the "**reporting period**" or the "**quarter**", respectively), in conformity with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 (the "**Regulations**"). The Board of Directors' Report as of March 31, 2015, is provided with the assumption that the annual report for the year ended December 31, 2014, issued by the Company on March 23, 2015 (the "**Annual Report**") is available to the reader.

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 the U.S. dollar ("**dollar**" or "**$**"). For more information, see Note 2b to the Company's consolidated financial statements as of December 31, 2014.

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 unique technology developed by the Company can monitor the PAT signal, which measures change in a patient's peripheral arterial volume as well as various parameters of arterial activity. The parameters of arterial activity accurately reflect the patient's sympathetic nervous system (autonomous (involuntary) nervous system) function, as well as changes to the endothelial system (the cell tissue which covers the interior of all blood vessels).

As of the date of this report, the Company is engaged in the development and marketing of two PAT signal based products, mainly for the diagnosis of cardiological conditions, as well as sleep breathing disorder: WatchPAT™ ("**WatchPAT**") and EndoPAT™ ("**EndoPAT**"). The WatchPAT diagnoses sleep apnea, which has been proven to be a substantial risk factor in cardiac disease. Treatment of such disorders significantly improves the condition of the heart. The WatchPAT is designated for ambulatory diagnosis of sleep breathing disorders and for home use by patients, which may be easily and conveniently operated by the patient. The EndoPAT, is a device for cardiology diagnosis used to diagnose Endothelial function (arterial function), which is a key indicator of the development of arterial sclerosis and other cardio-vascular conditions, allowing for identification of potential cardio-vascular events (such as chest pain, repeat heart attacks and stroke) beyond the tests and tools commonly used today.

2. Major events during and after the reported period

In the first three months of 2015, the Company focused on several significant areas, as described below, in order to further support growth in this year as well:

a. In January 2015, the U.S. subsidiary launched the Total Sleep Solution ("**TSS**") family of products and services. TSS is intended to provide a complete Sleep Apnea management solution to cardiology medicine (clinics and departments in hospital-based environments). The TSS improves the Company's business model and shifts it from a manufacturer and seller of medical devices to a complete service pathway provider, including products, education and services throughout the patient care pathway. The first agreement using this model was reached in April 2014 with the Montefiore Medical Center in New York City. For further details, see Section 8.4 of Part 1 of the 2014 Annual Report and the immediate report dated May 4, 2014 (reference: 2015-01-011139).

b. Focusing of activities in line with the Company's strategy, reflected by signing and promotion of significant distribution agreements signed during 2014: (i) in the sleep disorder field, an agreement with Philips Respironics GK, the local Philips representative in Japan,; (ii) an agreement with Medtronic, Inc. in the cardiology field in the U.S., for doctors who specialize in Arrhythmia (electrophysiology). After the completion of the pilot stage which was limited to on geographic area and ended on April 1, 2015, country-wide marketing in the United States commenced; and (iii) an exclusive distribution agreement in Japan with Nihon Kohden Corporation ("**Nihon Kohden**") in the field of cardiology and internal medicine, whereby the EndoPAT2000 system and accessories are distributed to customers in Japan, including general practitioners and hospitals.

c. In March 2015, the Company entered into representation and distribution agreements **(**the "**Agreements**") with **Arterial Health International LLC (**"**AHI**"). Under the representation agreement, AHI is to be the sole service provider in ten states in various parts of the U.S. for cardiovascular examinations performed using the EndoPAT2000 device on customers under the cardiovascular examination package provided by AHI using mobile laboratories.

d. As for support for its future product line, the Company has received the approvals of the Canadian Ministry of Health and from the CE for the marketing of a new, improved version of its WatchPAT Unified Probe, a product which incorporates an oxymetry sensor within the probe sensor, thereby simplifying the test process and further increasing its efficacy, in the European Community and the EFTA countries(Island, Lichtenstein, Switzerland and Norway) these approvals are additional to the previously obtained approvals of the FDA and the Israeli Ministry of Health. .

e. The Company has launched further development designed to adapt its WatchPAT device for diagnosis in children and infants. Such development includes a smaller device and a new probe adapted for younger patients, software and algorithm development as well as other accessories. Since currently, children and infants undergo sleep breathing disorder diagnosis at hospital labs, this development would potentially allow for in-home diagnosis of children and infants as well.

These actions are also reflected in the Company's current results. In the first quarter of 2015, the Company's revenues increased by approximately 11% over the corresponding period last year, while maintaining a high gross margin of approximately 73%.

Information provided above with regard to continued growth of the Company, constitutes forward-looking information, as 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)

In this report, Series A notes mean the Company's notes (Series A), which were convertible into the Company's ordinary shares and listed for trading on the Tel Aviv Stock Exchange Ltd. ("**TASE**") and were fully repaid in February 2014.

In this report, Series L notes mean the Company's notes (Series L), issued in March 2013 ,listed for trading on the TASE and convertible into the Company's ordinary shares.

Item	March 31, 2015	December 31, 2014	Change Increase (decrease) %	Company explanations
	Dollars in thousands			
Cash and cash equivalents and investments in marketable securities	14,774	18,336	(19%)	Most of the decrease during the first quarter of 2015 results from the use of approximately $3.2 million to finance the operating activities of the Company, which include current operations and semi-annual interest payment. In addition, the devaluation of the shekel against the dollar decreased the value of NIS-denominated balances.
Current assets	21,056	23,569	(11%)	The decrease is primarily due to a decrease in cash and cash equivalents and in available-for-sale securities, partly offset by an increase in trade receivables (which resulted partially from granting credit terms of net 180 days to a customer in China, which are higher than the Company's regular credit terms and inventories.
Current liabilities	4,253	4,712	(10%)	The decrease is primarily due to payment, in February 2015, of interest on notes (Series L) and on loans from four shareholders.
Non-current liabilities	23,710	24,623	(4%)	The decrease is due to a decrease in the fair value of the warrants embedded in notes

Item	March 31, 2015	December 31, 2014	Change Increase (decrease) %	Company explanations
	Dollars in thousands			
				(Series L), primarily due to a three-month decrease in the life of the notes resulting from the time elapsed, the approximately 2.3% increase in the exchange rate of the dollar as compared to December 31, 2014 and the approximately 1.4% decrease in the value of the Company shares as of March 31, 2015, compared to December 31, 2014.
Working capital	16,803	18,857	(11%)	The decrease in working capital is primarily due to the decrease in cash and cash equivalents as described above and in available-for-sale securities.
Current ratio	5.0	5.0		
Capital deficiency	5,782	4,770	21%	The decrease in capital deficiency is mainly due to the loss recorded in the first quarter of 2015 (for more information see analysis of operating results in Section 4 below).

4. Group 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 Ended March 31, 2015	Three Months Ended March 31, 2014	Year Ended December 31 2014
Revenues	4,014	3,620	16,387
Cost of revenues	1,084	1,071	4,798
Gross profit	2,930	2,549	11,589
Selling and marketing expenses	2,502	1,888	8,436
Research and development expenses	679	429	2,017
General and administrative expenses	1,128	1,2267	4,745
Operating loss	1,37)9(	(1,035)	(3,609)
Financial expenses	(166)	(61)	(468)
Financial expenses	(778)	(936)	(2,817)
Gain (loss) from financial derivatives	1,009	(1,039)	3,743
Financial income (expenses), net	65	(5,607)	458
Loss before taxes on income	(1,314)	(6,642)	(3,151)
Income tax	(35)	(30)	(124)
Loss for the period	**(1,349)**	**(6,672)**	**(3,275)**

Summary of Non-IFRS operating results **:

	Three Months Ended March 31,		Year Ended December 31
	2015	2014	2014
Revenues	4,014	3,620	16,387
Cost of revenues	1,044	1,031	4,622
Gross profit	2,970	2,589	11,765
Selling and marketing expenses	2,405	1,859	8,018
Research and development expenses	604	415	1,827
General and administrative expenses	906	869	3,684
Operating loss	(945)	(554)	(1,764)
Financial expenses	(166)	(61)	(468)
Financial expenses	(778)	(936)	(2,817)
Gain (loss) from financial derivatives	-	21	(114)
Financial income (expenses), net	(944)	(976)	(3,399)
Loss before taxes on income	(1,889)	(1,530)	(5,163)
Income tax	(35)	(30)	(124)
Adjusted loss for the period*	**(1,924)**	**(1,560)**	(5,287)

	Three Months Ended March 31,		Year Ended December 31
	2015	2014	2014
Adjustments to loss for the period:			
Loss for the period under IFRS	**(1,349)**	**(6,672)**	**(3,275)**
Adjustments:			
Depreciation and amortization	81	90	324
Change in provision for doubtful accounts and bad debt	41	27	46
Share-based payment	312	364	1,475
Revaluation of embedded warrants	(1,009)	4,631	(3,857)
Operating loss	(575)	5,112	(2,012)
Adjusted loss for the period*	**(1,924)**	**(1,560)**	**(5,287)**

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

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

Non-IFRS financial data are presented in addition to, and not as a substitute for, the results presented in accordance with IFRS. The Company presents such non-IFRS data because management believes that such non-IFRS information 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 better 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 Ended March 31,		Year Ended December 31
	2015	**2014**	**2014**
WatchPAT	3,079	1,995	9,173
EndoPAT	935	1,625	7,214
	4,014	**3,620**	**16,387**

Analysis of statement of operations items for the first quarter of 2015

Item	**For the Three-Month Period Ended March 31,**		**Change Increase (Decrease) %**	**Company Explanations**
	2015	**2014**		
	Dollars in thousands			
Revenues	4,014	3,620	11%	The increase in revenue in the first quarter of 2015, compared to the corresponding quarter last year, is due to the 54% increase in revenues from the WatchPAT product, mainly as a result of increased sales in the U.S. and in Japan. It was partially offset by the decrease of approximately 42% in revenues from the EndoPAT product, mainly resulting from the decrease in sales in the U.S. due to the difficulties in obtaining insurance reimbursement, and the decrease in sales of that product in Japan.
Gross profit	2,930	2,549	15%	Gross margin in the first quarter of 2015 was 73% of the Group's revenues, compared to 70% in the corresponding quarter last year. The improvement in gross margin is primarily attributable to: (i) streamlining of production processes and cost reduction; (ii) sales of the improved (unified) version of WatchPAT, the cost of manufacture of which are lower than those of the previous version, and (iii) allocation of fixed costs to a larger production volume.
Selling and marketing	2,502	1,888	33%	The increase in selling and marketing expenses in the first quarter of 2015, compared to the

Item	For the Three-Month Period Ended March 31,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
expenses				corresponding quarter last year, is primarily due to increase in payroll, sales commissions and payroll-related benefits resulting from the recruitment of sales staff in the U.S. and in Japan, and an increase in expenses with respect to options granted to officers and employees.
Research and development expenses	679	429	58%	The increase in research and development expenses in the first quarter of 2015, compared to the corresponding quarter last year, was primarily due to the increase in payroll and related expenses (including the option component) of research and development staff recruited to assist in clinical trials of the Company's products, development of applications and changes in current products, as well as to develop a new generation of products.
General and administrative expenses	1,128	1,267	(11%)	In the first quarter of 2015 there were no significant changes in general and administrative expenses or the composition thereof, compared to the corresponding quarter last year.
Operating loss	(1,379)	(1,035)	33%	The increase in operating loss in the first quarter of 2015, compared to the corresponding quarter last year, despite the increase in revenues and the improved gross margin, is mainly attributable to the increase in selling and marketing expenses and in research and development expenses, as described above.
Financial income (expenses)	(166)	(61)	172%	The increase in financial expenses in the first quarter of 2015, compared to the corresponding quarter last year, was primarily due to the realization of losses from Israeli currency money market funds (primarily resulting from the appreciation in the dollar/NIS exchange rate in that quarter. In the corresponding quarter last year, financial expenses were recorded primarily due to exchange rate differentials on NIS-denominated cash and cash equivalents.
Financial expenses	(778)	(936)	(17%)	The decrease in financial expenses in the first quarter of 2015, compared to the corresponding quarter last year, is primarily due to the effect of changes in dollar/NIS exchange rate on the

Item	For the Three-Month Period Ended March 31,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
				book value of the liability in respect of the Series L notes. In the current quarter, the dollar/NIS exchange rate increased by approximately 2.3%, as compared to about 0.5% in the corresponding quarter last year.
Gain (loss) from financial derivatives	1,009	(4,610)		The change to gain from financial derivatives in the first quarter of 2015 is due to non-cash flow change in the fair value of warrants embedded in the notes (Series L). The gain derives mainly from: (i) decline in value of the embedded warrants due to the shortening of the period of the notes by three months; (ii) the approximately 2.3% appreciation of the dollar relative to Israeli currency as compared to December 31, 2014; and (iii) from the approximately 1.4% decline in value of the Company's shares as of March 31, 2015, as compared to December 31, 2014. In the corresponding quarter last year the Company recorded a loss of $4.6 million due to change in the fair value of warrants embedded in the notes (Series L), primarily caused by an approximately 28% increase in the share price in the share price (as of March 31, 2014, compared to December 31, 2013).
Loss	(1,343))	(6,672)	(80%)	The decrease in loss in the first quarter of 2015 is primarily attributable to the decrease in net financial expenses as above and the improved gross margin, which was partially offset by the increase in selling and marketing expenses and research and development expenses.
Adjustments to loss	(575)	5,112		Most of the change in adjustments to loss in the first quarter of 2015, compared to the corresponding quarter last year, is due to gain of approximately $1 million recognized by the Company in the first quarter of 2015 with respect to revaluation of warrants embedded in the Company’s notes (Series L), whereas in the corresponding quarter last year. Conversely, in the first quarter of 2014 the Company recorded a loss of approximately $4.6 million with respect to revaluation of the embedded warrants.

Item	For the Three-Month Period Ended March 31,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
Adjusted loss	(1,924)	(1,560)	23%	The increase in adjusted loss in the first quarter of 2015, compared to the corresponding quarter last year despite the increase in revenues and in gross margin is mainly due to the increase in selling and marketing expenses and research and development expenses in order to support the continued growth of the Company.

5. Liquidity

In the reported period, the Company continued to invest in current operations, so as to: (i) increase sales and marketing effort in markets on which Company operations are focused, mainly U.S., Japan and China. These efforts continue to yield results which are reflected in higher sales in the first quarter of 2015, as compared to the corresponding quarter last year; and (ii) accelerated research and development activities and early launch of improvements and new indications for the Company's products.

Activity Type	For the Three-Month Period Ended March 31,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
Operating activities	(3,173)	(2,392)	33%	The increase in cash flows used in operating activities in the first quarter of 2015 is primarily due to: (i) increase in loss for the period (net of gain or loss from financial derivatives; (ii) increase in inventories; and (iii) increase in other accounts payable (mainly VAT refundable, mostly received as of the date of issuance of this report). This increase was partially offset by: (i) a moderate increase in trade receivables, compared to a decrease in the corresponding period last year; and .(ii) lower interest payments in the current quarter due to higher exchange rate of the dollar and because in the corresponding quarter last year the Company paid interest also in respect of the Series A notes, which were fully repaid in February 2014.
Investing activities	1,123	44		Cash flows provided by investing activities in the first quarter of 2015 are primarily due to realization of NIS denominated money

Activity Type	For the Three-Month Period Ended March 31,		Change Increase (Decrease)	Company Explanations
	2015	2014		
	Dollars in thousands		%	
				market funds. In the corresponding quarter last year, cash flows provided by investing activities were primarily due to consideration of foreign currency options written and realization of restricted deposits, which were partly offset by purchase of fixed assets.
Financing activities	18	111	(84%)	Cash flows provided by financing activities in the first quarter of 2015 resulted from proceeds from exercise of options granted to employees. In the corresponding quarter last year, cash flows provided by financing activities resulted from a private placement with an institutional investor. These cash flows were almost fully offset by the repayment of the Series A notes.

6. Financing sources

6.1 Exercise of convertible securities in the reported period

In the reported period, employees exercised approximately 106,000 options for a total consideration paid to the Company of approximately $18 thousand.

6.2 Irrevocable undertaking for the placement of shareholders' credit facility

In January 2015, the Company received an irrevocable undertaking to place a credit facility of up to NIS 9,058,131 (approximately $2.3 million) from three of its shareholders. The credit facility may be utilized in a single withdrawing from January 2017 to February 28, 2017. For more information, see section 24.5 in Part A of the Company's Annual Report.

6.3 Irrevocable undertaking for the placement of bank's credit facility

On May ___, 2015, the Company received an irrevocable undertaking to place a credit facility from a bank of up to $6 million. The credit facility will be comprised of two components:

a. A term loan in the amount of $ 3 million, which the Company will be able to draw by December 1, 2015 and will be repaid in twelve monthly installments commencing on March 1, 2017.
b. A line of credit which will finance accounts receivable of up to $3 million. The rate of financing will be up to 80% of the eligible accounts receivable and the Company will be able to draw it by November 30, 2017.

The credit facility will become effective upon signing a definitive agreement and is subject to registration of a floating charge on the Company's assets and the assets of the U.S. subsidiary, fixed charge on accounts receivables and intellectual property of the Company and its U.S. subsidiary and a negative pledge on the Japanese subsidiary.

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

As of March 31, 2015, the Company has capital deficiency of approximately $5,782 thousand.

As of March 31, 2015, The Group's cash and cash equivalents and available for sale securities as of March 31, 2015 amount to $14,774 thousand.

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 new 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 Series L notes).

6.5 Long-term loans (including current maturities)

The average balance of long-term loans in the first three months of 2015 amounted to $15,023 thousand, compared to $17,828 thousand in the corresponding period last year.

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	(1,751)	(875)	(17,512)	875	1,751
Euro	109	54	1,081	(54)	(109)

Sensitivity to changes in market value of shares

	Gain (loss) from change			Fair value	Gain (loss) from change		
	23% increase in fair value	10% increase in fair value	5% increase in fair value		5% decrease in fair value	10% decrease in fair value	23% decrease in fair value
Convertible notes (Series L)	(3,322)	(1,480)	(615)	(23,624)	717	1,499	3,184

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 officers

As of the report date, there has been no significant change in the relation between compensation awarded according to Regulation 21 of the Regulations and the compensated parties' contribution to the Company, other than as listed below:

On January 18, 2015, the Company's Compensation Committee approved the employment terms of Ms. Dafna Katz, the Companies Vice President Global marketing. On January 22, 2022, the Company Board of Directors approved those terms. Ms. Katz started her term in office on March 1, 2015. Ms. Katz is entitled to gross monthly salary of NIS 38,500, social benefits customary in the Company as approved by the Company's Compensation Committee and by its Board of Directors. The Board of Directors also approved, after approval by the Compensation Committee, a non-material and non-exceptional private grant of 500,000 options (not listed for trading), exercisable for 500,000 ordinary shares of NIS 0.01 par value, to Ms. Katz. For more information about the grant, see immediate report of the Company dated …, 2015 (reference: 2015-01-….). The Company Board of Directors reviewed and concluded that the total compensation payable to the Chief Marketing Officer is in line with the compensation policy adopted by the Company.

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 there was no significant change in exposure to market risk and management thereof, compared to the description provided in the Company's 2014 Annual Report, issued on March 23, 2015.

Linkage basis

Below are linkage terms of monetary balances:

	As of March 31, 2015					
	Dollar	**NIS, non-linked**	**EUR**	**Other currencies**	**Non-monetary items**	**Total**
	Dollars in thousands					
Assets						
Cash and cash equivalents	4,848	1,454	734	233	-	7,269
Available-for sale securities	-	7,505	-	-	-	7,505
Trade receivables	2,811	142	506	-	-	3,459
Other receivables (including prepaid expenses)	230	17	5	5	730	987
Inventories	-	-	-	-	1,964	1,964
Long-term restricted deposit	-	169	-	-	-	169
Fixed assets	-	-	-	-	632	632
Intangible assets	-	-	-	-	186	186
Total assets	7,889	9,287	1,245	238	3,512	22,171
Liabilities						
Trade payables	506	469	-	-	-	975
Employee benefits	-	-	-	-	239	239
Provisions	-	-	-	-	348	348
Other accounts payable and accrued expenses	1,929	285	164	47	267	2,692
Loans from shareholders	-	1,607	-	-	-	1,607
Convertible notes	-	13,081	-	-	-	13,081
Derivative instruments	-	8,153	-	-	-	8,153
Long-term accounts payable	825	-	-	-	-	825
Total liabilities	3,260	23,595	47	47	854	22,790
Carrying amount, net	4,626	(14,308)	1,249	191	2,658	(5,749)

	As of December 31, 2014					
	Dollar	NIS, non-linked	EUR	Other currencies	Non-monetary items	Total
	Dollars in thousands					
Assets						
Cash and cash equivalents	4,988	3,429	661	339	-	9,417
Available-for sale securities	-	8,919	-	-	-	8,919
Trade receivables	2,496	49	650	-	-	3,195
Other receivables (including prepaid expenses)	217	16	5	-	477	715
Inventories	-	-	-	-	1,432	1,432
Long-term restricted deposit	-	131	-	-	-	131
Fixed assets	-	-	-	-	550	550
Intangible assets	-	-	-	-	206	206
Total assets	7,701	12,544	1,316	339	2,665	24,565
Liabilities						
Trade payables	562	521	-	-	-	1,083
Employee benefits	-	-	-	-	225	225
Provisions	-	-	-	-	350	350
Other accounts payable and accrued expenses	1,661	1,092	67	59	251	3,130
Loans from shareholders	-	1,634	-	-	-	1,634
Convertible notes	-	12,929	-	-	-	12,929
Derivative instruments	-	9,162	-	-	-	9,162
Long-term accounts payable	822	-	-	-	-	822
Total liabilities	3,045	25,338	67	59	826	29,335
Carrying amount, net	4,656	(12,794)	1,249	280	1,839	(4,770)

12. Sensitivity analysis

In conformity with the Regulations, 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 in respect of:

12.1 Sensitivity to change in exchange rates

- Excess liabilities over assets in the NIS-linked statement of financial position items (linked and not linked) amounts to $14,308 thousand. For more information about hedging transactions conducted by the Company, see Section 10 above.

- Excess assets over liabilities on the Euro statement of financial position items amounts to $1,216 thousand.

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

This sensitivity analysis is based on the exchange rate as of March 31, 2015 - $0.2523 = 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	145	73	1,454	(73)	(145)
Available-for sale marketable securities	751	375	7,505	(375)	(751)
Trade receivables	14	7	142	(7)	(14)
Other receivables	2	1	17	(1)	(2)
Long-term restricted deposits	17	8	169	(8)	(17)
Trade payables	(47)	(23)	(469)	23	47
Other accounts payable	(13)	(6)	(129)	6	13
Derivatives	(815)	(408)	(8,153)	408	815
Loans from shareholders	(154)	(77)	(1,541)	77	154
Convertible notes (Series L)	(1,651)	(825)	(16,507)	825	1,651
Total	**(1,751)**	**(875)**	**(17,512)**	**875**	**1,751**

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

This sensitivity analysis is based on the exchange rate as of March 31, 2015 - $1.0737 = Euro 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	73	37	734	(37)	(73)
Trade receivables	51	25	506	(25)	(51)
Other receivables	1	-	5	-	(1)
Other accounts payable	(16)	(8)	(164)	8	16
Total	**109**	**54**	**1,081**	**(54)**	**(109)**

12.2 Sensitivity to change in market value

12.2.1.Sensitivity to change in market value of convertible notes (dollars in thousands):

	Gain (loss) from change			Fair value	Gain (loss) from change		
	23% increase in fair value	10% increase in fair value	5% increase in fair value		5% decrease in fair value	10% decrease in fair value	23% decrease in fair value
Convertible notes (Series L)	(3,322)	(1,480)	(615)	(23,624)	717	1,499	3,184

On June 22, 2008 the fair value of Company convertible notes (Series A) decreased by 23%.

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

As of the report date, the Board of Directors made no change with regard to the minimum required number of directors with accounting and financial expertise, as compared to the Company's 2014 Annual Report.

15. Independent Directors

The Company's Bylaws stipulate, that external and independent directors should constitute a majority of the Board members in office. Currently, two independent directors (Dr. Samuel Morry Blumenfeld and Mr. Ilan Biran) and two external directors (Ms. Miri Katz and Ms. Regina Ungar) serve on the Company's Board of Directors, altogether constituting the majority of the incumbent 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 2014 Annual Report.

On May 21, 2015, the Audit Committee discussed the Internal Auditor's report with regard to implementation of the latter's recommendations concerning manufacturing and manufacturing marketing and sales.

17. Approval of financial statements

Management compiles and prepares the financial statements and the Independent Auditor audits or reviews them, as the case may be. The body responsible for the overall control (as defined in Opinion 76 of the Institute of Certified Public Accountants in Israel) over the approval of the financial statements is the Board of Directors, which as of the report date consists of seven members: Dr. Giora Yaron (Co-Chairman of the Board of Directors); Mr. Martin Gerstel (Co-Chairman of the Board of Directors); 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 Corporate Regulations (Provisions and Conditions re 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 declared so prior to their appointment. For details regarding their skills, 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 Company's 2014 Annual Report.

Prior to meetings of the Committee and of the Board of Directors, all members thereof receive a copy of the Company's financial statements. At meetings of the Committee and of the Board of Directors, the directors have the opportunity to raise questions regarding the financial statements and to the audit or review process conducted by the Company's Independent Auditor. The Company's Independent Auditor, CEO and/or CFO respond to questions 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 CEO and the CFO are authorized to sign the financial statements.

The financial statements for the first quarter of 2015 were approved at two meetings, as follows:

On May 21, 2015, 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 Gilad Glick, President and CEO; Mr. Shaul Sharoni, CFO; Joseph Tenne, VP Finance and the Company's Independent Auditor. Among others, the following matters were discussed: assessments and estimates made with regard to the financial statements for the first quarter of 2015; completeness and appropriateness of disclosure on the financial statements for the first quarter of 2015; accounting policy and accounting treatment applied to issues material for the Company; valuations, including underlying assumptions and estimates, relied upon in the financial statements for the first quarter of 2015. The deliberations included a presentation of the aforementioned matters by the Company's CFO and comments by the Independent Auditor on the matters presented.

After the presentation of the financial statements and discussion thereof, , 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 …, 2014.

On May 26, 2015, the Board of Directors held a meeting to discuss and approve the financial statements. At that meeting, the Board of Directors discussed the Committee's recommendations and approved the Company's financial statements as of March 31, 2015. The Board of Directors is of the opinion that the Committee's recommendations were presented to the directors in reasonable time prior to the meeting, in view of the scope and complexity of these recommendations. The aforementioned Board meeting was attended by the following directors: Dr. Giora Yaron, Mr. Martin Gerstel, Mr. Gary Ellis, Mr. Ilan Biran, Ms. Regina Ungar, Ms. Miri Katz and Dr. Samuel Morry Blumenfeld.

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, 2015.

19. Critical accounting estimates

As of the report date, there was no change to critical accounting estimates compared to the description provided in section 19 in Part B (Board of Directors' Report) of the 2014 Annual Report, except for the following:

Valuation of embedded warrants in convertible notes (Series L)

In March 2013, the Company issued, in conjunction with a public offering and private placement (see Note 19b in Part C of the Company's 2013 Annual Report), NIS 76 million par value convertible notes. The notes bear interest at 8.65% per annum, with principal and interest non-linked. Interest for notes is payable semi-annually, from 2013 through 2018. The notes are convertible, such that each NIS 1.92 par value notes may be converted into one Company ordinary share of NIS 0.01 par value.

In conformity with IFRS, convertible notes are to be bifurcated into two components: a liability component with no conversion rights, which is measured at amortized cost using the effective interest method, and a conversion option linked to the Israeli Consumer Price Index, measured at fair value at each reporting date. Changes to the fair value of this component are recognized in the statement of operations in each period.

The valuation was prepared by PricewaterhouseCoopers Consulting Ltd. (the "**appraiser"**), which specializes, among others, in corporate valuation, valuation of employee stock options, financial instruments and financial derivatives. The appraiser has no personal interest in shares of the Company, shareholders thereof or affiliated parties thereof. The appraiser has no dependence on or affinity to these entities, as defined in the Corporate Act, 1999. For more information about valuation of embedded warrants in notes (Series L), see the valuation report enclosed with this quarterly report.

In valuing the convertible warrants, the appraiser applied the binomial model, which allows for specification of complex exercise and conversion terms. The model also allows feeding of information which varies over time.

Valued item	**Appraiser**	**Valuation date**	**Valuation [1]**	**Effect on operating results [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	PricewaterhouseCoopers	Effective	1,692	-	156.9	65.9%	13.63%

Valued item	Appraiser	Valuation date	Valuation (1)	Effect on operating results (2)	Share price	Standard deviation	Discount rate
component of convertible notes	Consulting Ltd.	as of March 12, 2013					
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%	17.78%
Equity component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of March 31, 2015	8,153	(1,009)	188.2	62.1%	16.47%

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

20. Warning signs

The Company Board of Directors, at its meeting held on May 26, 2015, discussed the provisions of Regulation 10(b)(14) of the Regulations regarding warning signs. When such warning signs occur within a corporation, the corporation should provide a disclosure of the forecasted cash flows 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) Two of the aforementioned warning signs in the Company are: capital deficiency and continuous negative operating cash flow.

At the Board of Directors' meeting, the following matters were discussed, *inter alia*: (a) the Company's business plan, which includes updated targets and possibilities to align the Company with the markets in which it does business and at which it targets its products; (b) data regarding the estimated sales volume for the forecasted cash flow period (including the Company's estimates with regard to continued proceedings for the adoption of insurance coverage for Company products by private insurers in the U.S.; (c) total expenses for the period, adjusted for its economic and business environment; and(d) the existing and anticipated liabilities over the forecasted cash flow period, including with respect to Company notes (Series L).

Financing sources available to the Company, as detailed in item 6 above, were also discussed.

As of March 31, 2015, the balance of the Company's cash and cash equivalents and investments in marketable securities is approximately $14.8 million.

In view of the foregoing, even though as of March 31, 2015, the Company had capital deficiency and continuous negative operating cash flows, the Company's Board of Directors resolved that as of the date of this report, the existence of the aforementioned warning signs does not indicate a liquidity problem in the forecasted cash flow period, and that there is no reasonable concern that, during the forecasted cash flow statement period, the Company may not fulfill its existing and anticipated obligations when these become due. The Company's Board of Directors continues to review, from time to time, the need for taking additional measures, including additional streamlining measures. Below is the forecasted cash flow statement for the 24-month period following April 1, 2015 (dollars in millions):

	Note	April 1, 2015 through December 31, 2015	January 1, 2016 through December 31, 2016	January 1, 2017 through March 31, 2017
Opening balance – excluding restricted deposits	1	14.8	12.1	7.7
Own sources:				
Cash flows used in operating activities		(7.9)	(10.8)	(3.1)
Cash flows provided by financing activities:				
Credit line from shareholders	2,5	-	-	2.4
Bank loan	5	3.0	-	-
Credit line from bank	5	-	-	3.0
Sources – from investees:		3.4	8.6	2.4
		(1.5)	(2.2)	4.7
Total sources		13.2	9.9	12.4
Expected liabilities (expected use):				
Cash flows used in financing activities				
Repayment of convertible notes	2,4	-	-	10.0
Repayment of shareholders' loans	2,4	-	-	0.9

	Note	April 1, 2015 through December 31, 2015	January 1, 2016 through December 31, 2016	January 1, 2017 through March 31, 2017
Interest payment on bank loans		0.1	0.3	0.1
Interest payment on convertible notes	2	0.9	1.7	0.9
Interest payment on shareholders' loan s	2	0.1	0.2	01
Total uses		1.1	2.2	12.0
Closing balance		**12.1**	**7.7**	**0.4**

1. The balance of liquid assets (including cash and cash equivalent and investments in securities (NIS-denominated money market funds)) refers to the Company and its wholly-owned subsidiaries. The Company does not foresee any restrictions on transfer of liquid assets between the Company and its subsidiaries in the U.S. and Japan.

2. Calculated based on outstanding par value and dollar/NIS exchange rate of 3.80.

3. Sensitivity to exchange rate fluctuations:

   In March 2013, the Company raised $19.5 million (in Israeli currency) by issuance of notes (Series L) (convertible notes bearing NIS-denominated interest of 8.65% p.a.), to support sales and marketing growth as well as development of new applications and products (for more information about the notes, see section 24.3 of Part A of the Company's 2014 Annual Report).

4. Repayment of convertible notes (Series L) and shareholders' loans

   On February 28, 2017, assuming that the Series L notes are not converted into shares before their maturity date, the first principal repayment on the Series L notes and the shareholders loans and semi-annual interest on such debt, in a total amount of NIS 45.2 million ($11.9 million, at the exchange rate of $1 = NIS 3.80) are due. That amount includes NIS 9.9 million ($2.6 million at the exchange rate of $1 = NIS 3.80) in respect of Series L notes held by the three shareholders as defined above and in respect of loans therefrom.

   The Company reviews from time to time options to raise capital, including by issuance of securities through public offerings or private placements in Israel or abroad, as well as by entering into credit agreements with banks (see also Note 5 below). It should be noticed that in 2013 and 2014, through issuance of convertible notes to the public and to institutional investors and through issuance of shares to institutional investors in, the Company succeeded to raise funds in the total amount of approximately $37 million. Should the capital market conditions not allow raising of capital as above (or allow the raising of only a part of the funds required), the Company will take vigorous measures for the reduction of its activities and of its operating expenses so as to meet its liabilities.

5. As described in Section 6.2 above, in January 2015, the Company received an irrevocable undertaking to place a credit facility of up to NIS 9,058,131 (approximately $2.3 million) from

three of its shareholders. The credit facility may be utilized from January 2017 to February 28, 2017. If utilized, the credit facility will be repaid in February 2018.

As described in Section 6.3 above, on May __, 2015, the Company received an irrevocable undertaking to place a credit facility of up to $6 million from a bank. If utilized, the credit facility will be repaid starting March 1, 2017.

The Company's forecasted cash flow and aforementioned information constitute forward-looking information, as defined in the Securities Act. 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. 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 failure of Company estimates to materialize with regard to Company revenues and expenses over the forecasted cash flow statement period, exchange rate fluctuations, increasing competition in markets in which the Company does business and any other risk factors for the Company, technology innovations, lack of sufficient reimbursement for use of Company products.

Chapter E – Specific Disclosure for Noteholders

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

As of the report date, there was no change to information about notes issued by the Company, compared to the description provided in Section 21 in Part B of the Company's 2014 Annual Report, except for the following:

	Convertible notes (Series L)
Par value as of March 31, 2015	NIS 76,255,260
Par value (according to linkage terms) as of March 31, 2015	NIS 76,255,260
Accrued interest	$141 thousand
Fair value on the financial statements as of March 31, 2015	$21,374 thousand (including $8,153 thousand in respect of the conversion component, including accrued interest).
Value on the TASE as of May ___, 2015	NIS 91,125 thousand (for NIS 76,255 thousand par value).

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

________________________	________________________
Dr. Giora Yaron	**Gilad Glick**
Co-Chairman of the Board of Directors	**President and CEO**

Date: May 26, 2015

ITAMAR MEDICAL LTD.

PART C

FINANCIAL STATEMENTS

AS OF MARCH 31, 2015

ITAMAR MEDICAL LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2015

(UNAUDITED)

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONSILIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2015

(UNAUDITED)

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ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2015	**2014**	**2014**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	U.S. dollars in thousands		
Assets			
Current assets			
Cash and cash equivalents	**7,269**	9,658	9,417
Investments in marketable securities available-for-sale	**7,505**	6,914	8,919
Trade receivables	**3,459**	2,573	3,195
Other receivables	**859**	495	606
Inventories	**1,964**	1,083	1,432
Total current assets	**21,056**	20,723	23,569
Non-current assets			
Restricted deposits	**169**	145	131
Prepaid expenses	**138**	112	109
Fixed assets	**632**	478	550
Intangible assets	**186**	294	206
Total non-current assets	**1,125**	1,029	996
Total assets	**22,181**	21,752	24,565

The accompanying notes are an integral part of these condensed financial statements.

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	U.S. dollars in thousands		
Liabilities			
Current liabilities			
Trade payables	**975**	596	1,083
Short-term employee benefits	**195**	193	149
Derivative instruments	**-**	29	-
Provisions	**348**	293	350
Accrued expenses	**1,176**	1,199	1,177
Other accounts payable	**1,559**	1,1119	1,953
Total current liabilities	**4,253**	3,429	4,712
Non-current liabilities			
Convertible notes, net of current maturities	**13,081**	13,075	12,929
Loans from shareholders	**1,607**	1,817	1,634
Derivative instruments	**8,153**	17,650	9,162
Long-term employee benefits	**44**	87	76
Other long-term accounts payable	**825**	1,148	822
Total non-current liabilities	**23,710**	33,777	24,623
Total liabilities	**27,963**	37,206	29,335
Capital deficiency			
Ordinary share capital	**467**	426	467
Additional paid-in capital	**80,260**	73,464	80,242
Capital reserve in respect of transactions with shareholders	**1,151**	1,129	1,151
Capital reserve in respect of currency translation adjustments	**(9)**	(6)	**(9)**
Capital reserve in respect of securities available-for-sale	**(447)**	229	(454)
Accumulated deficit	**(87,204)**	(90,696)	**(**86,167**)**
Total capital deficiency	**(5,782)**	(15,454)	**(**4,770**)**
Total liabilities, net of capital deficiency	**22,181**	21,752	24,565

Dr. Giora Yaron	Gilad Glick	Shaul Sharoni
Chairman of the Board of Directors	President and Chief Executive Officer	Chief Financial Officer

Date of approval date of the financial statements: May 26, 2015

The accompanying notes are an integral part of these condensed financial statements.

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Year Ended December 31
	2015	**2014**	**2014**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	U.S. dollars in thousands (except per share data)		
Revenues	**4,014**	3,620	16,387
Cost of revenues	**(1,084)**	(1,071)	(4,798)
Gross profit	**2,930**	2,549	11,589
Selling and marketing expenses	**2,502**	1,888	8,436
Research and development expenses	**679**	429	2,017
General and administrative expenses	**1,128**	1,26	4,745
Operating loss	**(1,379)**	(1,035)	(3,609)
Financial expenses from Cash and Investments	**(166)**	* (61)	(468)
Financing expenses from Bonds and Loans	**(778)**	* (936)	(2,817)
Gain (loss) from change in fair value of derivatives instruments, net	**1,009**	(4,610)	3,743
Financial income (expenses), net	**65**	(5,607)	458
Loss before income taxes	**1,314**	(6,642)	(3,151)
Income taxes	**(35)**	(3**0**)	(124)
Income (loss) for the period	**(1,349)**	(6,672)	(3,275)
Basic and Diluted loss per share (In Dollars)	**(0.01)**	(0.04)	(0.02)

* Reclassified.

The accompanying notes are an integral part of these condensed financial statements.

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended March 31		Year Ended December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	U.S. dollars in thousands		
Loss for the period	**(1,349)**	(6,672)	(3,275)
Other comprehensive loss items that will never be reclassified to the statement of operations:			
Remeasurement of defined benefit plan, net of tax	**-**	-	21
Total	**-**	-	21
Other comprehensive income (loss) items that are or may be reclassified to the statement of operations			
Currency translation differences	**-**	49	46
Net change in fair value of marketable securities available-for-sale, net of tax	**(129)**	(13)	(696)
Net change in fair value of marketable securities available-for-sale, net of tax that was reclassified to the statement of operations	**136**	-	-
Total	**7**	36	(650)
Total Other comprehensive income (loss) for the period, net of tax	**7**	36	(629)
Total comprehensive income (loss) for the period	**(1,342)**	(6,636)	(3,904)

The accompanying notes are an integral part of these condensed financial statements.

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

	Ordinary share capital	Additional paid-in capital	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 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:							
Exercise of 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)**

The accompanying notes are an integral part of these condensed financial statements.

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

	Ordinary share capital	Additional paid-in capital	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 three months ended March 31, 2014:							
Balance as of January 1, 2014 (audited)	385	68,238	935	(55)	242	(84,388)	(14,643)
Total comprehensive loss for the period:							
Loss for the period	-	-	-	-	-	(6,672)	(6,672)
Other comprehensive income for the period, net of tax	-	-	-	49	(13)	-	36
Total comprehensive loss for the period	-	-	-	49	(13)	(6,672)	(6,636)
Transactions recognized directly in equity:							
Exercise of options	1	104	-	-	-	-	106
Private issuance of ordinary shares	39	5,122	-	-	-	-	5,161
Share-based payment	-	-	-	-	-	364	364
Capital reserve from transactions with shareholders	-	-	194	-	-	-	274
Early repayment of loan from shareholders	-	-	-	-	-	(465)	(465)
Balance as of March 31, 2014 (unaudited)	344	63,900	1,129	(6)	229	(90,696)	(15,454)

The accompanying notes are an integral part of these condensed financial statements.

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

	Ordinary share capital	Additional paid-in capital	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, 2014:							
Balance as of January 1, 2014 (audited)	385	68,238	935	(55)	242	(84,388)	(14,643)
Total comprehensive loss for the year:							
Loss for the year	-	-	-	-	-	(3,275)	(3,275)
Other comprehensive income for the year, net of tax	-	-	-	46	(696)	21	(629)
Total comprehensive loss for the year	-	-	-	46	(696)	(3,254)	(3,904)
Transactions recognized directly in equity:							
Exercise of options	5	300	-	-	-	-	305
Private issuance of ordinary shares	77	11,704	-	-	-	-	11,781
Share-based payment	-	-	-	-	-	1,475	1,475
Capital reserve from transactions with shareholders	-	-	216	-	-	-	216
Balance as of December 31, 2013	467	80,242	1,151	(9)	(454)	(86,167)	(4,770)

The accompanying notes are an integral part of these condensed financial statements.

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,		Year Ended December 31, 2014
	2015	2014	
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Cash flows from operating activities			
Loss for the period	**(1,349)**	(6,672)	(3,275)
Adjustments for:			
Depreciation and amortization	**81**	90	324
Change in provision for doubtful and bad debt	**41**	27	46
Net financial cost	**879**	896	2,958
Loss (gain) from revaluation of derivatives	**(1,009)**	4,610	(3,743)
Changes in capital reserve in respect of transactions with shareholders	**-**	11	33
Share-based payment	**312**	364	**1,475**
Decrease (increase) in trade receivables	**(170)**	(537)	(1,175)
Decrease (increase) in other accounts receivable	**(282)**	133	25
Decrease in inventories	**(570)**	(7)	(445)
Increase (decrease) in trade payables	**(138)**	(84)	432
Increase in other long-term accounts payable	**(6)**	(2)	(328)
Increase (decrease) in employee benefits	**14**	18	(16)
Increase (decrease) in provisions	**(2)**	22	79
Increase (decrease) in other accounts payable and accrued expenses	**(82)**	(97)	250
Income tax expense	**44**	67	204
Taxes paid during the period	**(9)**	(37)	(80)
Interest received during the period	**1**	17	40
Interest paid during the period	**(928)**	(1,121)	(2,247)
Net cash used in operating activities	**(3,173)**	(2,392)	(5,443)
Cash flow from investing activities			
Purchase of securities available-for-sale	**-**	-	(2,897)
Proceeds from (Payment on) writing currency options	**-**	30	(134)
Sale of securities available-for-sale	**1,243**	-	-
Realization of deposits and pledged deposits	**-**	57	57
Purchase of fixed assets and intangible assets	**(76)**	(43)	(202)
Investment in pledged deposits	**(44)**	-	-
Net cash used in investing activities	**1,123**	44	(3,176)
Cash flow for financing activities			
Proceeds from issuance of share capital	**-**	5,275	12,031
Issuance expenses	**-**	(114)	(250)
Repayment of notes	**-**	(5,156)	(5,156)
Proceeds from exercise of share options	**18**	106	305
Net cash provided by financing activities	**18**	111	6,930
Increase (decrease) in cash and cash equivalents	**(2,032)**	(2,237)	(1,689)
Cash and cash equivalents at beginning of period	**9,417**	11,950	11,950
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**(116)**	(55)	(844)
Cash and cash equivalent balance at end of period	**7,269**	9,658	9,417

The accompanying notes are an integral part of these condensed financial statements.

NOTE 1 – GENERAL

a. The reporting entity

Itamar Medical Ltd. (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. Since its inception, the Company is engaged in research and development of non-invasive diagnostic medical devices and associated support services for early diagnosis and monitoring of medical conditions - focusing on cardio-vascular conditions and on sleep breathing disorders. The unique technology developed by the Company can monitor the Peripheral Arterial Tone ("**PAT®**") technology.

The PAT® technology allows for accurate measuring of 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 monitors the PAT® signal and diagnoses the patient's medical condition.

The Company has two wholly-owned subsidiaries: The U.S. subsidiary, Itamar Medical Inc., provides distribution, marketing and sales promotion services for the Company's products in North America; the Japanese subsidiary, Itamar Medical Japan Co. Ltd., provides distribution, marketing and sales promotion services for Company's products in Japan.

The consolidated financial statements of the Company as of March 31, 2015 include the Company and its subsidiaries (collectively, the "**Group**").

b. The Company's liquidity status

The Company's management and Board of Directors are of the opinion that based on the continuation of the positive trend in the Company's results of operations, the irrecoverable undertaking from January 2015 to provide a credit facility from three of its shareholders and the irrecoverable undertaking to provide a credit facility from a bank (as described below), and the ability to adjust the Company's budget to changes in its business, the Company has enough funds to continue its business operation in the foreseeable future.

During the years ended December 31, 2013 and 2014, the Company was able to raise capital by way of issuance of convertible notes and shares to the public and to institutional investors in Israeli in the total amount of approximately $37 million.

In addition, on January 2015, the Company received an irrecoverable undertaking to provide a credit facility from three of its shareholders (Medtronic International technology, Inc., Dr. Giora Yaron and Mr. Martin Gerstel) in the total amount of approximately $2.3 million and in May 2015, the Company received an irrecoverable undertaking to provide a credit facility from a bank in the total amount of up to $6 million (see Note 5).

In the first quarter of 2017, the Company will have to repay principal and interest of convertible notes which were issued in a public offering and a private placement. The repayment is estimated by the Company to be approximately $10.4 million, as well as principal and interest in the total amount of approximately $1.0 million relating to a loan received in February 2014 from four major shareholders.

As of March 31, 2015, the Company had a capital deficiency of $5,782 thousand and negative cash flows from operating activities of $3,173 for the three months ended March 31, 2015.

The Company's management reviews regularly the sources of funds available to finance its operations and servicing its debt, including options to raise capital. In addition, management reviews regularly its operating results, compared to its budget and is prepared to respond to a shortage in funds by reducing its operating expenses in case it does not meet its goals.

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 for annual financial statements. These interim statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2014 and for the year then ended (the "**Annual Financial Statements**"). In addition, these financial statements have been prepared in accordance with Section D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

The financial statements were approved by the Board of Directors on May 26, 2015.

b. Use of estimates, assumptions and judgments

The preparation of interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Management 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

Except as described below, 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 annual consolidated financial statements:

New standards and interpretations not yet adopted:

IFRS 9 (2014), *Financial Instruments*

Further to that mentioned in the disclosure on new standards and interpretations not yet adopted in note 3 regarding significant accounting policies in the annual financial statements, the Group is examining the effects of applying the standard on the financial statements and has no plans for early application.

IFRS 15, *Revenue from Contracts with Customers*

Further to that mentioned in the disclosure on new standards and interpretations not yet adopted in note 3 regarding significant accounting policies in the annual financial statements, the Group is examining the effects of applying the standard on the financial statements and has no plans for early application.

NOTE 4 – LOANS AND CREDIT

Irrevocable undertaking to place a credit facility to the Company

In January 2015, the Company received an irrevocable undertaking to place a credit facility of up to NIS 9,058,131 ($2.3 million) (the "**credit amount**"), subject to certain conditions, from certain Company's shareholders: (i) Medtronic International Technology, Inc.; (ii) Itamar Technologies and Investments (1994) Ltd., a company controlled by Dr. Giora Yaron; and (iii) Mr. Martin Grestel, (jointly: the "**three shareholders**"). The credit facility may be utilized in a single withdrawing from January 2017 to February 28, 2017. Should the credit amount or a portion thereof remain unutilized after February 28, 2017, the facility will expire and the Company will no longer be entitled thereto. The credit, if utilized, will bear interest at the annual rate of 10.4% (unlinked). The principal of any amount drawn will mature in one payment on February 28, 2018. The Company is not obligated to utilize the credit amount and that the resolution to utilize the credit must be adopted subject to any binding legal provisions.

NOTE 4 – LOANS AND CREDIT (CONTINUED)

Irrevocable undertaking for the placement of bank's credit facility

On May ___, 2015, the Company received an irrevocable undertaking to place a credit facility from a bank of up to $6 million. The credit facility will be comprised of two components:

a. A term loan in the amount of $ 3 million, which the Company will be able to draw by December 1, 2015 and will be repaid in twelve monthly installments commencing on March 1, 2017.

b. A line of credit which will finance accounts receivable of up to $3 million. The rate of financing will be up to 80% of the eligible accounts receivable and the Company will be able to draw it by November 30, 2017.

The credit facility will become effective upon signing a definitive agreement and is subject to registration of a floating charge on the Company's assets and the assets of the U.S. subsidiary, fixed charge on accounts receivables and intellectual property of the Company and its U.S. subsidiary and a negative pledge on the Japanese subsidiary.

NOTE 5 – FINANCIAL INSTRUMENTS

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

The book value of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, pledged deposits, tradable securities, interest rate swap, loans and short-term credit, trade payables and other payables are the same or proximate to their fair value.

The fair values of financial assets and liabilities, together with the book value shown in the statement of financial condition, are as follows:

	March 31, 2015		March 31, 2014	
	Book value	Fair value	Book value	Book value
	U.S. dollars in thousands		U.S. dollars in thousands	
	(Unaudited)		(Unaudited)	
Non-current Liabilities				
Loans from shareholders (Including accrued interest)	**1,622**	**1,541**	1,844	1,835
Convertible notes (Including accrued interest)	**21,375**	**23,624**	30,878	30,376

	December 31, 2014	
	Book value	Fair value
	U.S. dollars in thousands	
	(Audited)	
Non-current Liabilities:		
Loans from shareholders (Including accrued interest)	1,696	1,594
Convertible notes (Including accrued interest)	22,667	23,726

NOTE 5 – FINANCIAL INSTRUMENTS (CONTINUED)

b. Fair value hierarchy

The table below presents an analysis of financial instruments measured at fair value using the valuation method.

The different levels were defined as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical instruments.

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

Level 3: Data not based on expected market data.

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
	U.S. dollars in thousands			
	(Unaudited)			
Financial assets - available-for-sale securities	7,505	-	-	7,505
Financial liabilities - embedded warrants	-	**8,153**	-	**8,153**

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
	U.S. dollars in thousands			
	(Unaudited)			
Financial assets – available-for-sale securities	6,914	-	-	6,914
Financial liabilities:				
Written options on foreign currency exchange rate	-	29	-	29
Embedded warrants	-	17,650	-	17,650
Total Financial liabilities	-	17,679	-	17,679

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	U.S. dollars in thousands			
	(Audited)			
Financial assets – available-for-sale securities	8,919	-	-	8,919
Financial liabilities - embedded warrants	-	9,162	-	9,162

NOTE 5 – FINANCIAL INSTRUMENTS (CONTINUED)

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

The fair value of marketable warrants is based on a quoted price on an active market.

The fair value of embedded warrants is measured based on directly or indirectly observed market data, using the binomial model.

NOTE 6 – SHARE BASED PAYMENT

Options based on achievements

Options which vest based on achievement of two cumulative threshold conditions which include target sales and minimum operating income or loss, as specified by the Company's Compensation Committee and Board of Directors - in line with the work plan approved by the Company's Board of Directors. With regard to measurement of said operating income or loss to be used by the Board of Directors for review of the threshold conditions, the operating income or loss to be used would exclude depreciation and amortization, changes in provision for doubtful accounts and bad debt, expenses with respect to share-based payment and the effect of non-recurring events ("**Adjusted operating income (loss)**"). The adjusted operating loss was calculated as follows:

	Three Months Ended March 31		Year Ended December 31
	2015	**2014**	**2014**
	U.S. dollars in thousands		
	(Unaudited)	(Unaudited)	(Audited)
Operating loss according to statement of operations	**(1,379)**	**(1,035)**	**(3,609)**
Adjustments:			
Depreciation and amortization	**81**	90	324
Change in provision for doubtful debts	**41**	27	46
Share based payment expenses	**312**	364	1,475
Adjusted operating loss	**(945)**	(554)	(1,764)

NOTE 7 – SUBSEQUENT EVENTS

a. Irrevocable undertaking for the placement of bank's credit facility

As to irrecoverable undertaking to place a credit facility from bank which was received on May ___, 2015, see Note 5.

b. Grant of stock options to employees

On May 26, 2015, the Company's Board of Directors approved the grant of XXX stock options to eleven employees, as follows:

a) X employees of the Company.
b) X employees of the U.S. subsidiary.
c) X employees of the Japanese subsidiary.

.

The stock options are exercisable into XXXX ordinary shares of NIS 0.01 par value each.

NOTE 7 – SUBSEQUENT EVENTS (CONTINUED)

The vesting of the stock options is partly (28.5%) contingent on continued employment of the grantee (vesting over four years) and partly (71.5%) contingent on the grantee achieving company-wide levels.

The following table provides a summary of the exercise price with respect to the option granted:

Grantees	Stock options A (Vesting over time)	Stock options B (Vesting based on achieving targets)
Plan for Israel-resident employees	NIS XX	NIS XX
Plan for U.S.-resident and Japan-resident employees	NIS XX	NIS XX

The fair value of the stock options as of the grant date, using the Black-Scholes valuation model, is $XXXX thousand for stock options A and $XXX thousand for option B (assuming 100% target achievement), based on the following assumptions: risk-free interest rate of between 1.44% and 2.09%, expected volatility of between 60.08% and 64.34% and share price of $0.43. The expected duration ranges between 5.5 and 7.7 years. The stock options will expire on the 10th anniversary of the grant date.

ITAMAR MEDICAL LTD.

CONDENSED INTERIM FINANCIAL DATA
FROM CONSOLIDATED FINANCIAL STATEMENTS
ATTRIBUTED TO THE COMPANY SOLO

AS OF MARCH 31, 2015

(UNAUDITED)

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

ADDITIONAL SOLO FINANCIAL DATA

AS OF MARCH 31, 2015

(UNAUDITED)

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ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENTS OF FINANCIAL POSITION DATA

	March 31		December
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	U.S. dollars in thousands		
Assets			
Current assets			
Cash and cash equivalents	**6,165**	8,638	8,532
Investments in marketable securities available-for-sale	**7,505**	6,914	8,919
Trade receivables	**1,664**	1,068	1,123
Debt balance of subsidiaries	**3,517**	2,614	2,793
Other receivables	**668**	325	455
Inventories	**1,261**	652	1,050
Total Current Assets	**20,780**	20,211	22,872
Non-current assets			
Restricted deposits	**169**	145	131
Prepaid expenses	**48**	42	43
Investment in subsidiaries	**-**	-	148
Fixed assets	**377**	268	308
Intangible assets	**177**	294	196
Total non-current assets	**771**	749	826
Total assets	**21,551**	20,960	23,698

The accompanying notes are an integral part of these condensed financial data.

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENTS OF FINANCIAL POSITION DATA

	March 31		December
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	U.S. dollars in thousands		
Liabilities			
Current liabilities			
Trade payables	**850**	532	972
Short-term employee benefits	**163**	165	128
Derivative instruments	**-**	29	-
Provisions	**104**	95	106
Accrued expenses	**1, 094**	993	1,076
Other accounts payable	**1,050**	716	1,455
Total current liabilities	**3,261**	2,530	3,737
Non-current liabilities			
Convertible notes, net of current maturities	**13,081**	13,075	12,929
Loans from shareholders	**1,607**	1,817	1,634
Derivative instruments	**8,153**	17,650	9,162
Long-term employees benefits	**44**	87	76
Provision for loss of subsidiaries	**362**	107	108
Other long-term accounts payable	**825**	1,148	822
Total non-current liabilities	**24,072**	33,884	24,731
Total liabilities	**27,333**	36,414	28,468
Capital deficiency			
Ordinary share capital	**467**	426	467
Additional paid-in capital	**80,260**	73,464	80,242
Capital reserve in respect of transactions with shareholders	**1,151**	1,1129	1,151
Capital reserve in respect of currency translation adjustments	**(9)**	(6)	(9)
Capital reserve in respect of securities available-for-sale	**(447)**	229	(454)
Accumulated deficit	**(87,204)**	(90,696)	(86,167)
Total capital deficiency	**(5,782)**	(15,454)	(4,770)
Total liabilities, net of capital deficiency	**21,551**	20,960	23,698

Dr. Giora Yaron	Gilad Glick	Shaul Sharoni
Chairman of the Board of Directors	President and Chief Executive Officer	Chief Financial Officer

Date of approval date of the financial statements: May 26, 2015

The accompanying notes are an integral part of these condensed financial data.

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENTS OF OPERATION DATA

	Three Months Ended March 31,		Year Ended December 31
	2015	**2014**	**2014**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	U.S. dollars in thousands		
Revenues from external parties	**1,619**	1,359	6,348
Revenues from inter-company sales	**1,783**	1,253	4,798
Total revenues	**3,402**	2,612	11,146
Cost of revenues	**(1,336)**	(1,055)	(4,393)
Gross profit	**2,066**	1,557	6,753
Selling and marketing expenses	**586**	657	2,904
Transfer pricing adjustments	**921**	473	1,888
Research and development expenses	**679**	429	2,017
General and administrative expenses	793	989	3,592
Operating loss	**(913)**	(991)	(3,648)
Financial expenses from cash and investments	**(220)**	* (76)	(560)
Financing expenses from bonds and loans	**(750)**	* (882)	(2,618)
Gain (loss) from change in fair value of derivatives instruments, net	**1,009**	(4,610)	3,743
Financial income (expenses), net	**39**	(5,568)	565
Loss before income taxes	**(874)**	(6,559)	(3,083)
Income taxes	-	(5)	(87)
Loss from investees	**(475)**	(108)	(105)
Net loss attributable to equity holders of the Company	**(1,349)**	(6,672)	(3,275)

*Reclassified.

The accompanying notes are an integral part of these condensed financial data.

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENTS OF COMPREHENSIVE LOSS DATA

	Three Months Ended March 31,		Year Ended December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	U.S. dollars in thousands		
Loss for the period	**(1,349)**	(6,672)	(3,275)
Other comprehensive loss items that will never be reclassified to the statement of operations			
Remeasurement of defined benefit plan, net of tax	-	-	21
Total	-	-	21
Other comprehensive income (loss) items that are or may be reclassified to the statement of operations			
currency translation differences	-	49	46
Net change in fair value of securities available-for-sale, net of tax	**(129)**	(13)	(696)
Net change in fair value of securities available-for-sale, net of tax that was classified to the statement of operations	**136**	-	-
Total	7	36	(696)
Total other comprehensive income (loss) for the period, net of tax	7	36	(675)
Total comprehensive income (loss) for the period	**(1,342)**	(6,636)	(3,904)

The accompanying notes are an integral part of these condensed financial data.

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENTS OF CASH FLOWS DATA

	Three Months Ended March 31,		Year Ended December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	U.S. dollars in thousands		
Loss for the period	**(1,349)**	(6,672)	(3,275)
Adjustments for:			
Depreciation and amortization	**53**	68	230
Change in provision for doubtful and bad debt	**5**	1	(12)
Net financial cost	**879**	898	2,957
Loss (gain) from revaluation of derivatives	**(1,009)**	4,610	(3,743)
Changes in capital reserve in respect of transactions with shareholders	**-**	11	33
Loss from investees	**475**	108	105
Share-based payment	**239**	361	1,325
Increase in trade receivables	**(411)**	(242)	(284)
Decrease (increase) in other accounts receivable	**(218)**	128	(3)
Increase in current balances with investees	**(1,024)**	(766)	(2,458)
Decrease(increase) in inventories	**(204)**	62	(340)
Increase (decrease) in trade payables	**(152)**	(76)	393
Increase in long-term accounts payable	**(6)**	(2)	(328)
Increase (decrease) in employee benefits	**3**	8	(19)
Increase (decrease) in provisions	**(2)**	15	26
Increase (decrease) in other accounts payable and accrued expenses	**(39)**	(3)	365
Income tax expenses	**-**	5	87
Interest received during the period	**1**	17	40
Interest paid during the period	**(928)**	(1,211)	(2,247)
Net cash provided by operating activities in respect of transactions with investee	**300**	559	2,072
Net cash used in operating activities	**(3,389)**	(2,121)	(5,076)
Cash flows from investing activities			
Proceeds from writing of currency options	**-**	30	(134)
Purchase of securities available-for-sale	**-**	-	(2,897)
Realization of securities available-for-sale	**1,243**	-	-
Realization of deposits and pledged deposits	**-**	57	57
Purchase of fixed assets and intangible assets	**(79)**	(34)	(160)
Investment in pledged deposits	**(44)**	-	-
Net cash used in investing activities	**1,120**	53	(3,134)
Cash flow for financing activities			
Proceeds from issuance of share capital	**-**	5,275	12,031
Issuance expenses	**-**	(114)	(250)
Repayment of notes	**-**	(5,156)	(5,156)
Proceeds from exercise of share options	**18**	106	305
Net cash provided by financing activities	**18**	111	6,930
Decrease in cash and cash equivalents	**(2,251)**	(1,957)	(1,280)
Cash and cash equivalents at beginning of period	**8,532**	10,677	10,677
Effect of exchange rate fluctuations on balances of cash and cash-equivalents	**(116)**	(82)	(865)
Cash and cash equivalent at end of period	**6,165**	8,638	8,532

The accompanying notes are an integral part of these condensed financial data.

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

AS OF MARCH 31, 2015

NOTE 1 – GENERAL

Basis for preparing financial data from the Company's consolidated financial statements as at March 31, 2015

The separate interim financial information is presented in accordance with Regulation 38D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 and does not include all the information required in accordance with Regulation 9C and the tenth addendum to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 with respect to separate financial information of an entity. The separate interim financial information should be read together with the consolidated condensed financial statements as at December 31, 2014 (the "**consolidated financial statements**").

Definitions

(1)	The Company	-	Itamar Medical Limited
(2)	Subsidiary	-	Company, 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, 2014.

NOTE 3 – LOANS AND CREDIT

Irrevocable undertaking to place a credit facility to the Company

In January 2015, the Company received an irrevocable undertaking to place a credit facility of up to NIS 9,058,131 ($2.3 million) (the "**credit amount**"), subject to certain conditions, from certain Company's shareholders: (i) Medtronic International Technology, Inc.; (ii) Itamar Technologies and Investments (1994) Ltd., a company controlled by Dr. Giora Yaron; and (iii) Mr. Martin Grestel, (jointly: the "**three shareholders**"). The credit facility may be utilized in a single withdrawing from January 2017 to February 28, 2017. Should the credit amount or a portion thereof remain unutilized after February 28, 2017, the facility will expire and the Company will no longer be entitled thereto. The credit, if utilized, will bear interest at the annual rate of 10.4% (unlinked). The principal of any amount drawn will mature in one payment on February 28, 2018. The Company is not obligated to utilize the credit amount and that the resolution to utilize the credit must be adopted subject to any binding legal provisions.

Irrevocable undertaking for the placement of bank's credit facility

On May ___, 2015, the Company received an irrevocable undertaking to place a credit facility from a bank of up to $6 million. The credit facility will be comprised of two components:

a. A term loan in the amount of $ 3 million, which the Company will be able to draw by December 1, 2015 and will be repaid in twelve monthly installments commencing on March 1, 2017.

b. A line of credit which will finance accounts receivable of up to $3 million. The rate of financing will be up to 80% of the eligible accounts receivable and the Company will be able to draw it by November 30, 2017.

The credit facility will become effective upon signing a definitive agreement and is subject to registration of a floating charge on the Company's assets and the assets of the U.S. subsidiary, fixed charge on accounts receivables and intellectual property of the Company and its U.S. subsidiary and a negative pledge on the Japanese subsidiary.