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. **Commitment by controlling shareholders to extend to the Company a credit facility amounting to NIS 9 million**

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

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. **Contracting of representation and distribution agreements in the U.S. with Arterial Health International LLC**

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. **CE approval received for new WatchPAT version**

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. **Renewal of Board member and officer liability insurance policy**

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. **Research results about WatchPAT efficiency**

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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