ITAMAR MEDICAL LTD.

QUARTERLY REPORT

AS OF JUNE 30, 2015

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Disclaimer

Set out below is an unofficial translation into the English language, for convenience purposes only, of the financial statements of Itamar Medical Ltd. (the "**Company**") for the three-month period ended June 30, 2015 (the "**Financial Statements**") that originally were prepared in the Hebrew language.

The full, legal and binding version of the Financial Statements for all purposes is the Hebrew version, filed by the Company with the Israel Securities Authority and published on the MAGNA website: www.magna.isa.go.il, on August 27, 2015

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

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

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

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

http://maya.tase.co.il/bursa/report.asp?report_cd=968591-00&Type=Pdf

http://maya.tase.co.il/bursa/report.asp?report_cd=968591-01&CompCd=1411&Type=Pdf

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 June 30, 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 June 30, 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 and it's update published through the Board of Directors' Report as of March 31, 2015, issued by the Company on May 27, 2015 (reference: 2015-01-029889) are available to the reader.

1. 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); The Company updates that 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™ ("**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).

2. 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 launching service 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.

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 for those diagnosed as sick.

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.

The 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).

3. 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).

4. **<u>Regulatory approval (Shonin) received in Japan for new version of the WatchPAT product</u>**

On May 26, 2015, the Company reported that, further to immediate reports by the Company dated June 5, 2014 (reference: 2014-01-084177) and March 10, 2015 (reference: 2015-01-047944) with regard to FDA and CE approvals received for a new, improved version of the WatchPAT product - developed by the Company and sold world-wide - the Company also received Shonin approval for importing of the new product version, from PMDA (Pharmaceutical and Medical Device Agency), the Japanese healthcare authority equivalent to the US FDA, which is responsible for all import permits for drugs and medical devices into Japan.

For more information see immediate report by the Company dated May 26, 2015 (reference: 2015-01-028218).

5. **<u>Private offering of options to Company employees pursuant to incentive programs for Company employees</u>**

On May 26, 2015, the Company's Board of Directors approved a non-material, non-material private offering of 667,750 options (not listed for trading), offered for no consideration and exercisable into 667,750 Company ordinary shares of NIS 0.01 par value each. These options were granted to five employees of the Company and of the Company's Japanese subsidiary (of which 500,000 options to an officer of the Company).

6. **<u>Distribution agreement with VeriVita Group AB</u>**

In June 2005, the Company signed an exclusive distribution agreement with VeriVita Group AB ("**VeriVita**" and the "**Agreement**", respectively) whereby VeriVita would be the exclusive distributor for the Company’s WatchPAT™ product and related accessories (the “**product**”) in Sweden, Denmark, Norway and Finland, subject to achievement of minimum sales targets specified in the Agreement.

The Agreement is for a three-year term and may be further extended by agreement between both parties. The distribution agreement may be terminated in case of breach, subject to prior written notice.

For more information see immediate report by the Company dated June 29, 2015 (reference: 2015-01-058803).

7. <u>Extension of framework agreement with material customer</u>

As set forth in section 11.1 of the 2014 Periodic Report, the Company has in place a framework agreement with a material customer (which incorporates multiple entities) (the “**Customer**”) for sale of the WatchPAT product, zzzPAT™ software and related equipment and for provision of services associated with these products.

The framework agreement governs the relationship between the Company and the Customer on various matters, including: schedules for delivery of Customer’s orders, schedules for payments by the customer for supplied orders, warranty and maintenance services provided by the Company, non-disclosure, intellectual property and the like. The framework agreement does not include a commitment by the Customer to minimum ordering volume of the Company’s products.

In July 2015, the Company reported the revision of terms and conditions of the framework agreement and its extension through October 31, 2018.

For more information see immediate report by the Company dated July 22, 2015 (reference: 2015-01-079251).

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ITAMAR MEDICAL LTD.

PART B

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

AS OF JUNE 30, 2015

Board of Directors' Report for the Six -month Period Ended June 30, 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 June 30, 2015 (the "**report date**"), and the Company's consolidated financial results for the six and three-month periods ended June 30, 2015 (the "**reporting period**" and the "**quarter**", respectively), in conformity with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 (the "**Regulations**"). The Board of Directors' Report as of June 30, 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**") and the Directors' Report as of March 31, 2005, issued on May 27, 2015, are 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 (it is designated for ambulatory and home use by patients, and may be easily and conveniently operated by the patient). Treatment of such disorders significantly improves the condition of the heart. 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 six 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 Company's immediate report dated May 4, 2014 (reference: 2015-01-011139).

   In addition, the Company is considering additional corporations in the field of obstructive sleep apnea.

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; (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: and (iv) an exclusive distribution agreement with Beijing Viable Medical Investment Co. Ltd. for the distribution of the EndoPAT product in China.

c. In March 2015, the Company entered into representation and distribution 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. In June 2015, the Company entered into three year distribution agreement with VeriVita Group AB ("**VeriVita**"), a leading Scandinavian medical equipment company dealing in equipment for the treatment, diagnosing and management of various diseases, including cardiology, breathing, sleep, etc; the agreement provides for a renewal option. Under that agreement, VeriVita is to distribute the Company's WatchPAT product and it ancillary products in Sweden, Denmark, Norway and Finland.

e. In July 2015, a material U.S. customer elected to extend yet again, for another three years ending October 31, 2018, the agreement for the sale of the WatchPAT product, the zzzPAT software and ancillary devices and for provision of ancillary services for these products. The unified version of WatchPAT has been added to the range of products; consequently, certain commercial terms of the original agreement of September 2007 have been modified.

f. As for support for its future product line, the Company has received the approvals of the Canadian Ministry of Health, from the CE for sales and marketing in the European Community and the EFTA countries (Iceland, Lichtenstein, Switzerland and Norway) and from the Japanese Health Authority 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. These approvals are additional to the previously obtained approvals of the FDA and the Israeli Ministry of Health.

g. 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 half and in the second quarter of 2015, the Company's revenues increased by approximately 14% and 17%, respectively, over the corresponding periods last year, with revenues from the WatchPAT product, on which most of the Company's strategy is focused, growing by approximately 49% and 45%, respectively, while maintaining a high gross margin of approximately 71%.

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, among others, 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, which mature in two equal installments in 2017 and 2018.

Item	June 30, 2015	December 31, 2014	Change Increase (decrease)	Company explanations
	Dollars in thousands		%	
Cash and cash	13,043	18,336	(29%)	Most of the decrease during the first half of

Item	June 30, 2015	December 31, 2014	Change Increase (decrease) %	Company explanations
	Dollars in thousands			
equivalents and investments in marketable securities				2015 results from the use of approximately $5.1 million to finance the operating activities of the Company, which include current operations and semi-annual interest payment. In addition, the devaluation of the dollar against the shekel increased the value of dollar-denominated balances (an impact of approximately $0.2 million).
Current assets	19,457	23,169	(16%)	As mentioned above, the decrease is primarily due to a decrease in cash and cash equivalents and in the value of available-for-sale securities, partly offset by an increase in trade receivables (which resulted partially from granting credit of approximately $0.3 million at terms of current month plus 180 days to a customer in China, which is longer than the Company's regular credit terms), new sales channels of Total Sleep Solution, characterized by longer - 24 to 48 moths - credit terms) and in inventories.
Current liabilities	4,450	4,712	(3%)	The decrease is primarily due to payment of $0.4 million to AMC (a former distributor) under a compromise agreement (for further details, see Note 26b to the annual financial statements as of December 31, 2014),
Non-current liabilities	23,627	24,623	(4%)	The decrease resulted mainly from an approximately $2.5 million decrease in the fair value of the warrants embedded in notes (Series L), primarily due to the approximately 11% decline in the price of the shares between December 31, 2014 and June 30, 2015) and a six-month decrease in the life of the notes resulting from the time elapsed. This decrease was partly offset by the approximately 3.2% decrease in the exchange rate of the dollar as compared to December 31, 2014. The book value of the Series L notes increased by approximately $1.4 million as a result of the devaluation of the dollar against the shekel and the resulting decrease in the discount of the principal of the notes.
Working capital	14,907	18,457	(19%)	The decrease in working capital is primarily due to the decrease in cash and cash equivalents as described above and in
Current ratio	4.3	4.9		

Item	June 30, 2015	December 31, 2014	Change Increase (decrease)	Company explanations
	Dollars in thousands		%	
				available-for-sale securities, resulting from the use of funds in operating activities.
Capital deficiency	6,807	4,770	43%	The decrease in capital deficiency is mainly due to the loss recorded in the first half 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:

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31
	2015	2014	2015	2014	2014
Revenues	8,783	7,705	4,769	4,085	16,387
Cost of revenues	2,506	2,411	1,422	1,340	4,798
Gross profit	6,277	5,294	3,347	2,745	11,589
Selling and marketing expenses	5,325	3,969	2,823	2,081	8,436
Research and development expenses	1,406	969	727	540	2,017
General and administrative expenses	2,107	2,376	979	1,109	4,745
Operating loss	(2,561)	(2,020)	(1,182)	(985)	(3,609)
Financial income (expenses) relating to cash and investments	(190)	115	(24)	176	(468)
Financial expenses relating to notes	(2,621)	(2,188)	(1,843)	(1,252)	(2,817)
Gain (loss) from financial derivatives	2,501	(2,631)	1,492	1,979	3,743
Financial income (expenses), net	(310)	(4,704)	(375)	903	458
Loss before taxes on income	(2,871)	(6,724)	(1,557)	(82)	(3,151)
Income tax credit (expense)	(71)	(16)	(36)	14	(124)

Loss for the period	**(2,942)**	**(6,740)**	**(1,593)**	**(68)**	**(3,275)**

Summary of Non-IFRS operating results **:

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31,
	2015	**2014**	**2015**	**2014**	**2014**
Revenues	8,783	7,705	4,769	4,085	16,387
Cost of revenues	2,428	2,323	(1,384)	(1,292)	4,622
Gross profit	6,355	5,382	3,385	2,793	11,765
Selling and marketing expenses	5,165	3,811	2,760	1,952	8,018
Research and development expenses	1,291	898	687	483	1,827
General and administrative expenses	1,836	1,777	930	908	3,684
Operating loss	(1,937)	(1,104)	(992)	(550)	(1,764)
Financial income (expenses) relating to cash and investments	(190)	115	(24)	176	(468)
Financial expenses relating to notes and loans	(2,621)	(2,188)	(1,843)	(1,252)	(2,817)
Gain (loss) from financial derivatives	-	44	-	23	(114)
Financial expenses, net	(2,811)	(2,029)	(1,867)	(1,053)	(3,399)
Loss before taxes on income	(4,748)	(3,133)	(2,859)	(1,603)	(5,163)
Income tax credit (expense)	(71)	(16)	(36)	14	(124)
Adjusted loss for the period*	**(4,819)**	**(3,149)**	**(2,895)**	**(1,589)**	**(5,287)**

Adjustments to loss for the period:

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31,
	2015	**2014**	**2015**	**2014**	**2014**
Loss for the period – under IFRS	**(2,942)**	**(6,740)**	**(1,593)**	**(68)**	**(3,275)**
Adjustments:					
Depreciation and amortization	169	171	88	81	324

Change in provision for doubtful accounts	32	9	(9)	(18)	46
Change in provision for doubtful accounts	32	9	(9)	(18)	46
Share-based payment	423	736	111	372	1,475
Revaluation of embedded warrants	(2,501)	2,675	(1,492)	(1,956)	(3,857)
	(1,877)	3,591	(1,302)	(1,521)	(2,012)
Adjusted loss for the period*	**(4,819)**	**(3,149)**	**(2,895)**	**(1,589)**	**(5,287)**

* Non-IFRS adjusted loss, which eliminates non-cash components and the effect non-recurring events.

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

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):

	Six Months Ended June 30,		**Three Months Ended June 30,**		**Year Ended December 31**
	2015	**2014**	**2015**	**2014**	**2014**
WatchPAT	6,491	4,351	3,412	2,356	9,173
EndoPAT	2,292	3,354	1,357	1,729	7,214
	8,783	7,705	4,769	4,085	16,387

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

Item	**For the Six-Month Period Ended June 30,**		**Change Increase (Decrease) %**	**Company Explanations**
	2015	**2014**		
	Dollars in thousands			
Revenues	8,783	7,705	14%	The increase in revenue in the first half of 2015, compared to the corresponding period last year, is due to the approximately 49%

Item	For the Six-Month Period Ended June 30,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
				increase in revenues from the WatchPAT product, mainly as a result of increased sales in the U.S., Japan and Scandinavia. It was partially offset by the decrease of approximately 32% in revenues from the EndoPAT product, mainly resulting from the sales mix in the current period – a decrease in sales in Japan and in Western Europe, while the sales in the U.S. increased.
Gross profit	6,277	5,294	19%	Gross margin in the first half of 2015 was approximately 71% of the Group's revenues, compared to approximately 69% in the corresponding period 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, (iii) the average exchange rate during the period being about 12% higher than in the corresponding period last year and (iv) allocation of fixed costs to a larger production volume. That increase was partly offset by a provision recorded in respect of an undertaking towards a distributor to improve the security of the EndoPAT product.
Selling and marketing expenses	5,325	3,969	34%	The increase in selling and marketing expenses in the first half of 2015, compared to the corresponding period last year, is primarily due to the recruitment of sales and sales support staff in the U.S. and in Japan, in line with the Company's strategy.
Research and development expenses	1,406	969	45%	The increase in research and development expenses in the first half of 2015, compared to the corresponding period last year, was primarily due to the increase in payroll and related expenses (including the option component) of research and development staff recruited to develop a new generation of products and to assist in clinical trials of the Company's products, development of applications and changes in current products.. Moreover, there was an increase in expenses for clinical research required for regulation

Item	For the Six-Month Period Ended June 30,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
				with respect of new products and for the development of new markets.
General and administrative expenses	2,107	2,376	(11%)	The decrease in general and administrative expenses in the first half of 2015 compared to the corresponding period last year resulted mainly from the decrease in expenses pertaining to granting of options to the CEO, office holders. other employees and directors.
Operating loss	(2,561)	(2,020)	27%	The increase in operating loss in the first half of 2015, compared to the corresponding period 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 relating to cash and investments	(190)	115		The change from financial income relating to cash and investments expenses in the first half of 2014 to financial expenses in the first half of 2015, was primarily due to the realization of losses from Israeli currency money market funds (primarily resulting from the sharp appreciation in the dollar/NIS exchange rate in the period from the original investment to exercise. This loss was partly offset by financial income resulting from the approximately 3.1% decline in the dollar-shekel exchange rate in the first half of 2015. In the corresponding period last year, financial income deriving from interest on deposits, exchange rate differentials and the financing element embedded in long-term sales. was recorded.
Financial expenses relating to notes and loans	(2,621)	(2,188)	20%	The decrease in financial expenses relating to notes and loans in the first half of 2015, compared to the corresponding period last year, is primarily due to the effect of changes in dollar/NIS exchange rate on the book value of the liability in respect of the Series L notes. In the current period, the dollar/NIS exchange rate declined by approximately 3.1%, as compared to about 1.0% in the corresponding period last year.
Gain (loss) from	2,501	(2,631)		The change from a loss in the first half of

Item	For the Six-Month Period Ended June 30,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
financial derivatives				2014 to gain from financial derivatives in the first half of 2015 is due to non-cash flow change in the fair value of warrants embedded in the notes (Series L) which impact the statement of operations deriving from: (i) the approximately 10.9% decline in the share price as compared to the corresponding period last year, and (ii) the decline in value of the embedded warrants due to the shortening of the period of the notes by six months; In the corresponding period last year the Company recorded a loss of approximately $2.7 million due to change in the fair value of warrants embedded in the notes (Series L), primarily caused by an approximately 17% increase in the share price (as of June 30, 2014, compared to December 31, 2013).
Loss	(2,942)	(6,740)	(56%)	The decrease in loss in the first half of 2015 is primarily attributable to the decrease in net financial expenses as above and in administrative and general expenses, as well as the improved gross margin, which was partially offset by the increase in selling and marketing expenses and research and development expenses.
Adjustments to loss	(1,877)	3,591		Most of the change in adjustments to loss in the first half of 2015, compared to the corresponding period last year, is due to gain of approximately $2.5 million recognized by the Company in the first half of 2015 with respect to revaluation of warrants embedded in the Series L notes, whereas in the corresponding period last year. the Company recorded a loss of approximately $2.7 million with respect to revaluation of the embedded warrants.
Adjusted loss	(4,819)	(3,149)	53%	The increase in adjusted loss in the first half of 2015, compared to the corresponding period 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,

Item	For the Six-Month Period Ended June 30,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
				and from the increase in net financial expenses as above..

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

Item	For the Three-Month Period Ended June 30,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
Revenues	4,769	4,085	17%	The increase in revenue in the second quarter of 2015, compared to the corresponding quarter last year, is primarily due to the approximately 45% increase in revenues from the WatchPAT product, mainly as a result of increased sales in Japan, the U.S. and Scandinavia. It was partially offset by the decrease of approximately 22% in revenues from the EndoPAT product, mainly resulting from the change in the sales mix – a decrease in sales in Japan, mitigated by the increase of sales of this product in the U.S.
Gross profit	3,347	2,745	22%	Gross margin in the second quarter of 2015 was approximately 70% of the Group's revenues, compared to 67% 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, (iii) the average exchange rate during the period being about 12% higher than in the corresponding quarter last year and (iv) allocation of fixed costs to a larger production volume.. .
Selling and marketing expenses	2,823	2,081	36%	The increase in selling and marketing expenses in the second quarter of 2015, compared to the corresponding quarter last

Item	For the Three-Month Period Ended June 30, 2015	2014	Change Increase (Decrease) %	Company Explanations
	Dollars in thousands			
				year, is due to the reasons described in the comparison of results for the first half of 2015 to those for the first half of 2014.
Research and development expenses	727	540	35%	The increase in research and development expenses in the second quarter of 2015, compared to the corresponding quarter last year, is due to the reasons described in the comparison of results for the first half of 2015 to those for the first half of 2014.
General and administrative expenses	979	1,109	(12%)	The decrease in general and administrative expenses in the second quarter of 2015 as compared to the corresponding quarter last year, is due to the reasons described in the comparison of results for the first half of 2015 to those for the first half of 2014.
Operating loss	(1,182)	(985)	20%	The increase in operating loss in the second 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) in respect of cash and investments	(24)	176		The change from financial income relating to cash and investments expenses in the second quarter of 2014 to financial expenses in the current quarter was primarily due to the realization of losses from Israeli currency money market funds (resulting from the sharp appreciation in the dollar/NIS exchange rate). This loss was partly offset by financial income resulting from the approximately 5.3% decline in the dollar-shekel exchange rate (between March 31, 2015 and June 30, 2015), In the corresponding period last year, financial income deriving mainly from exchange rate differentials was recorded.
Financial expenses in respect of notes and loans	(1,843)	(1,252)	47%	The decrease in financial expenses in the second 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 book value of the liability in respect of the Series L notes. In

Item	For the Three-Month Period Ended June 30,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
				the current quarter, the dollar/NIS exchange rate declined by approximately 5.3%, as compared to about 1.4% in the corresponding quarter last year.
Gain from financial derivatives	1,492	1,979	(25%)	The decrease in gain from financial derivatives in the second quarter of 2015 compared to the corresponding period in the preceding year is due to non-cash flow change in the fair value of warrants embedded in the notes (Series L). The gain of approximately $1.5 million in the current period derives mainly from the approximately 10% decline in the share price as compared to the corresponding period last year. It was partly offset by the decline in the $/shekel exchange rate. In the corresponding quarter last year most of the gain of approximately $2 million was also derived from the change in the fair value of warrants embedded in the Series L notes, (primarily due to the approximately 8% decrease in the share price in the second quarter of 2014).
Loss	(1,593)	(68)	2,243%	The increase in loss in the second quarter of 2015 is primarily attributable to the change from financial income in the second quarter of 2014 to financial expenses in the current quarter, for the reasons described above.
Adjustments to loss	(1,302)	(1,521)	(14%)	Most of the change in adjustments to loss in the second quarter of 2015, compared to the corresponding quarter last year, is due to the decline in gain from revaluation of warrants embedded in the Company's notes (Series L), which was partly offset by the decrease in expenditure pertaining to granting options to employees, office holders, the CEO, directors and consultants.
Adjusted loss	(2,895)	(1,589)	82%	The increase in adjusted loss in the second 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

Item	For the Three-Month Period Ended June 30,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
				development expenses in order to support the continued growth of the Company, and to the increase in net financial expenses, as described above.

5. Liquidity

In the reported period, the Company continued to finance its current operations as follows: (i) increase in 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 half of 2015, as compared to the corresponding period last year; and (ii) accelerated research and development activities and early launch of improvements and new indications for the Company's products.

Analysis of cash flows for the first half of 2015

Activity Type	For the Six-Month Period Ended June 30,		Change Increase (Decrease) %	Company Explanations
	2015	2014		
	Dollars in thousands			
Operating activities	(5,128)	(3,687)	39%	The increase in cash flows used in operating activities in the first half of 2015, compared to the corresponding period last year, 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) larger increase in trade accounts payable resulting from long-term (over one year) TSS transactions. This increase was partially offset by lower interest payments in the current period due to higher exchange rate of the dollar and because in the corresponding period last year the Company paid interest also in respect of the Series A notes, which were fully repaid in February 2014.
Investing activities	5,733	(1,976)		Cash flows provided by investing activities in the first half of 2015 are primarily due to realization of NIS denominated money market funds. In the corresponding period last year, cash flows used in investing activities were primarily due to application of

Activity Type	For the Six-Month Period Ended June 30,		Change Increase (Decrease)	Company Explanations
	2015	2014		
	Dollars in thousands		%	
				funds to purchase of available-for-sale securities through portfolio managers
Financing activities	22	6,795	(100%)	Cash flows provided by financing activities in the first half of 2015 resulted from proceeds from exercise of options granted to employees. In the corresponding period last year, cash flows provided by financing activities resulted from a private placement with institutional investors. In the corresponding period last year, these cash flows were partly offset by redemption of the Series A notes.

Analysis of cash flows for the second quarter of 2015

Activity Type	For the Three-Month Period Ended June 30,		Change Increase (Decrease)	Company Explanations
	2015	2014		
	Dollars in thousands		%	
Operating activities	(1,955)	(1,295)	51%	The increase in cash flows used in operating activities in the second quarter of 2015, compared to the corresponding quarter last year, is primarily due to: (i) increase in loss for the period (net of gain from financial derivatives); (ii) increase in inventories; and (iii) larger increase in trade accounts payable resulting from long-term (over one year) TSS transactions, as described above This increase was partially offset by 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	4,610	(2,020)		Cash flows provided by investing activities in the second quarter of 2015 and cash flows used in investing activities in the second quarter of 2014 are attributable to the reasons described in the comparison of the first half of 2014 and 2015.
Financing activities	4	6,684	100%	Cash flows provided by financing activities in the second of 2015 resulted from proceeds

Activity Type	For the Three-Month Period Ended June 30,		Change Increase (Decrease)	Company Explanations
	2015	2014		
	Dollars in thousands		%	
				from exercise of options granted to employees. In the corresponding quarter last year, cash flows provided by financing activities resulted from private placements with institutional investors.

6. Financing sources

6.1 Exercise of convertible securities in the reported period

In the reported period, employees exercised approximately 115 thousand options for a total consideration paid to the Company of approximately $22 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 26, 2015, the Company received an irrevocable undertaking to place a credit facility from a bank of up to approximately $6 million. The credit facility, if utilized, 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 approximately another $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 February 1, 2018.

The credit facility will become effective once the Company decides to utilize the credit facility, which is subject to fulfillment of certain preconditions, which include, amongst others, registration of a floating charge on the Company's assets, including a charge on its shares in its U.S. and Japanese subsidiaries, a charge on the assets of its U.S. subsidiary, a fixed charge on the accounts receivables and intellectual property of the Company and its U.S. subsidiary, and a negative pledge on the assets of its Japanese subsidiary.

To the date of issuance of this report, the credit facility has not been utilized. If it is utilized, the Company will issue an immediate report as required by law.

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

As of June 30, 2015, the Company has capital deficiency of approximately $6,807 thousand.

As of June 30, 2015, The Group's cash and cash equivalents and available for sale securities as of June 30, 2015 amount to $13,043 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 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 debt (including current maturities)

The average balance of long-term debt (including the notes) in the first six months of 2015 amounted to $15,573 thousand, compared to $17,298 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) (in thousands of dollars)

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
NIS	(1,850)	(926)	(18,510)	926	1,850
Euro	92	46	922	(46)	(92)

Sensitivity to changes in market value of shares (in thousands of dollars)

	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)	(3,024)	(1,432)	(747)	(24,178)	583	1,308	2,769

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.

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.

11. **Linkage basis**

Below are linkage terms of monetary balances:

	As of June 30, 2015					
	Dollar	**NIS, unlinked**	**EURO**	**Other currencies**	**Non-monetary items**	**Total**
	Dollars in thousands					
Assets						
Cash and cash equivalents	4,579	4,988	471	205	-	10,243
Available-for sale securities	-	2,800	-	-	-	2,800
Trade receivables (including non-current)	3,385	137	486	470	-	4,478
Other receivables (including prepaid expenses)	240	35	4	5	656	940
Inventories	-	-	-	-	1,808	1,808
Long-term restricted deposit	-	183	-	-	-	183
Fixed assets	-	-	-	-	582	582
Intangible assets	-	-	-	-	336	336
Total assets	8,204	8,143	961	680	3,382	21,370
Liabilities						
Trade payables	634	332	-	-	-	966
Employee benefits	-	-	-	-	325	325
Provisions	-	-	-	-	356	356
Other accounts payable and accrued expenses	1,633	1,040	39	46	235	2,993
Loans from shareholders	-	1,708	-	-	-	1,708
Convertible notes	-	14,320	-	-	-	14,320
Derivative instruments	-	6,661	-	-	-	6,661
Long-term accounts payable	848	-	-	-	-	848
Total liabilities	3,115	24,061	39	46	916	28,177
Carrying amount, net	5,089	(15,918)	922	634	2,466	(6,807)

	As of December 31, 2014					
	Dollar	NIS, unlinked	EURO)	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 (including non-current)	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

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 $15,918 thousand.

- Excess of Euro-linked assets over Euro-linked liabilities in the linkage terms statement amounts to $922 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 June 30, 2015 - $0.2653 = 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	499	249	4,988	(249)	(499)
Available-for sale securities	280	140	2,800	(140)	(280)
Trade receivables	14	7	137	(7)	(14)
Other receivables	4	2	35	(2)	(4)
Long-term restricted deposits	18	9	183	(9)	(18)
Trade payables	(33)	(17)	(332)	17	33
Other accounts payable	(39)	(20)	(392)	20	39
Derivatives	(666)	(333)	(6,661)	333	666
Loans from shareholders	(165)	(82)	(1,646)	82	165
Convertible notes (Series L)	(1,762)	(881)	(17,622)	881	1,762
Total	**(1,850)**	**(926)**	**(18,510)**	**926**	**1,850**

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 June 30, 2015 - $1.1195 = 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	47	471	734	(24)	(47)
Trade receivables	49	24	486	(24)	(49)
Other receivables	-	-	4	-	-
Other accounts payable	(4)	(2)	(39)	2	4
Total	**92**	**46**	**922**	**(46)**	**(92)**

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)	(3,204)	(1,432)	(747)	(24,178)	583	1,308	2,769

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.

On August 20, 2015, the Audit Committee discussed the Internal Auditor's report with regard to implementation of the latter's recommendations concerning the U.S. subsidiary.

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 Companies 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 second quarter of 2015 were approved at two meetings, as follows:

On August 20, 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 Mr. Gilad Glick, President and CEO; Mr. Shaul Sharoni, CFO; Mr. 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 second quarter of 2015; completeness and appropriateness of disclosure on the financial statements for the second 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 second 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 August 21, 2015.

On August 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 June 30, 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 consolidated financial statements as of June 30, 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. (a member of the PwC Accounting Firm; 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 component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of March 12, 2013	1,692	-	156.9	65.9%	13.63%
Equity component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of December 31, 2013	13,019	3,877	203.7	63.0%	13.86%
Equity component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of December 31, 2014	9,162	(3,857)	190.9	62.1%	17.78%
Equity component of convertible notes	PricewaterhouseCoopers Consulting Ltd.	Effective as of June 30, 2015	6,661	(2,501)	170.0	61.0%	18.04%

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's Board of Directors, at its meeting held on August 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; (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 June 30, 2015, the balance of the Company's cash and cash equivalents and investments in marketable securities is approximately $13 million.

In view of the foregoing, even though as of June 30, 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 raising of funds and streamlining measures. Below is the forecasted cash flow statement for the 24-month period following July 1, 2015 (dollars in thousands):

	Note	July 1, 2015 through December 31, 2015	January 1, 2016 through December 31, 2016	January 1, 2017 through June 30, 2017
Opening balance – excluding restricted deposits		13,043	13,105	8,840
	1			
Own sources:				
Cash flows used in operating activities				
		(3,941)	(10,663)	(5,587)
Cash flows provided by financing activities:				
Credit line from shareholders				
	2,5	-	-	2,368
Bank loan	5	3,000	-	3,000
Sources – from investees:		2,095	8,607	5,555n
		1,154	(2,056)	5,337
Total sources		14,197	11,049	14,177
Expected liabilities (expected use):				
Cash flows used in financing activities				
Repayment of convertible notes	2,4	-	-	10,034

	Note	July 1, 2015 through December 31, 2015	January 1, 2016 through December 31, 2016	January 1, 2017 through June 30, 2017
Repayment of shareholders' loans	2,4	-	-	903
Repayment of bank loan		-	-	1,000
Interest payment on bank loans		130	285	182
Interest payment on convertible notes	2	868	1,736	868
Interest payment on shareholders' loans	2	94	188	94
Total uses		1,092	2,209	13,081
Closing balance		**13,105**	**8,840**	**1,096**

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. The balance of the Series L notes is calculated based on outstanding par value and dollar/NIS exchange rate of 3.80. The credit facility provided by shareholders is denominated in Israeli currency and translated into dollars at the dollar/NIS exchange rate of 3.80.

3. <u>Sensitivity to exchange rate fluctuations</u>:

   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. <u>Redemption of convertible notes (Series L) and repayment of shareholders' loans</u>

   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 interest thereon, as well as the first repayment of shareholders loans and semi-annual interest on such thereon, in a total amount of approximately NIS 45.2 million (approximately $11.9 million, at the exchange rate of $1 = NIS 3.80) are due. That amount includes approximately NIS 9.9 million (approximately $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. As explained in Section 5 below, shareholders and banks have given the Company irrevocable undertakings from to place credit facilities at its disposal.

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 26, 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 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

21. 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 June 30, 2015	NIS 76,255,260
Par value (according to linkage terms) as of June 30, 2015	NIS 76,255,260
Accrued interest	$585 thousand
Fair value on the financial statements as of June 30, 2015	$21,566 thousand (including $86,661thousand in respect of the conversion component, including accrued interest).
Value on the TASE as of August 24, 2015	NIS 92,650 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: August 26, 2015

ITAMAR MEDICAL LTD.

PART C

FINANCIAL STATEMENTS

AS OF JUNE 30, 2015

ITAMAR MEDICAL LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2015

(UNAUDITED)

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONSILIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2015

(UNAUDITED)

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ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31
	2015	**2014**	**2014**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	U.S. dollars in thousands		
Assets			
Current assets			
Cash and cash equivalents	**10,243**	13,129	9,417
Investments in marketable securities available-for-sale	**2,800**	9,050	8,919
Trade receivables	**3,801**	*2,526	*2,795
Other receivables	**805**	866	606
Inventories	**1,808**	963	1,432
Total current assets	**19,457**	26,534	23,169
Non-current assets			
Restricted deposits	**183**	148	131
Prepaid expenses	**135**	113	109
Long-term trade receivables	**677**	*350	*400
Fixed assets	**582**	472	550
Intangible assets	**336**	256	206
Total non-current assets	**1,913**	1,339	1,396
Total assets	**21,370**	27,873	24,565

* Reclassified.

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

	June 30,		December 31
	2015	**2014**	**2014**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Liabilities	**U.S. dollars in thousands**		
Current liabilities			
Trade payables	**966**	650	1,083
Short-term employee benefits	**235**	227	149
Financial derivatives	**-**	15	-
Provisions	**356**	313	350
Accrued expenses	**885**	740	1,177
Other accounts payable	**2,108**	1,837	1,953
Total current liabilities	**4,550**	3,782	4,712
Non-current liabilities			
Convertible notes, net of current maturities	**14,320**	13,694	12,929
Loans from shareholders	**1,708**	1,826	1,634
Derivative instruments	**6,661**	15,693	9,162
Long-term employee benefits	**90**	88	76
Liability to the Chief Scientist	**848**	1,158	822
Total non-current liabilities	**23,627**	32,459	24,623
Total liabilities	**28,177**	36,241	29,335
Capital deficiency			
Ordinary share capital	**467**	466	467
Additional paid-in capital	**80,264**	80,108	80,242
Capital reserve in respect of transactions with shareholders	**1,151**	1,140	1,151
Capital reserve in respect of currency translation adjustments	**(9)**	(15)	(9)
Capital reserve in respect of securities available-for-sale	**6**	325	(454)
Accumulated deficit	**(88,686)**	(90,392)	(86,167)
Total capital deficiency	**(6,807)**	(8,368)	(4,770)
Total liabilities, net of capital deficiency	**21,370**	27,873	24,565

Dr. Giora Yaron, Chairman of the Board of Directors

Gilad Glick, President and Chief Executive Officer

Shaul Sharoni, Chief Financial Officer

Date of approval date of the financial statements: August 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

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December
	2015	**2014**	**2015**	**2014**	**2014**
	(Unaudited)		**(Unaudited)**		**(Audited)**
	U.S. dollars in thousands (except per share data)				
Revenues	**8,783**	7,705	**4,769**	4,085	16,387
Cost of revenues	**(2,506)**	(2,411)	**(1,422)**	(1,340)	(4,798)
Gross profit	**6,277**	5,294	**3,347**	2,745	11,589
Selling and marketing expenses	**5,325**	3,969	**2,823**	2,081	8,436
Research and development expenses	**1,406**	969	**727**	540	2,017
General and administrative expenses	**2,107**	2,376	**979**	1,109	4,745
Operating loss	**(2,561)**	(2,020)	**(1,182)**	(985)	(3,609)
Financial expenses relating to cash and investments	**(190)**	*115	**(24)**	*176	(468)
Financial expenses relating to notes and loans	**(2,621)**	*(2,188)	**(1,843)**	*(1,252)	(2,817)
Gain (loss) from change in fair value of derivatives instruments, net	**2,501**	(2,631)	**1,492**	1,979	3,743
Financial income (expenses), net	**(310)**	(4,704)	**(375)**	903	458
Loss before income tax	**(2,871)**	(6,724)	**(1,557)**	(82)	(3,151)
Income taxes	**(71)**	(16)	**(36)**	14	(124)
Loss for the period	**(2,942)**	(6,740)	**(1,593)**	(68)	(3,275)
Basic Loss per share (In Dollars)	**(0.02)**	(0.04)	**(0.01)**	(0.00)	(0.02)
Diluted Loss per share (In Dollars)	**(0.02)**	(0.04)	**(0.01)**	(0.00)	(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

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	(Unaudied)		(Unaudied)		(Audited)
	U.S. dollars in thousands				
Loss for the period	**(2,942)**	(6,740)	**(1,593)**	(68)	(3,275)
income (loss) items that are or may be reclassified to the statement of operations					
Remeasurement of defined benefit plan, net of tax	**-**	-	**-**	-	21
Currency translation differences	**-**	40	**-**	(9)	46
Net change in fair value of marketable securities available-for-sale, net of tax	**(63)**	83	**66**	96	(696)
Net change in fair value of marketable securities available-for-sale, net of tax that was reclassified to the statement of operations	**523**	-	**387**	-	-
Total Other comprehensive income (loss) for the period, net of tax	**460**	123	**453**	87	(629)
Total comprehensive income (loss) for the period	**(2,482)**	(6,617)	**(1,140)**	19	(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 six months ended June 30, 2015 (Unaudited)							
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	-	-	-	-	-	(2,942)	(2,942)
Other comprehensive income for the period, net of tax	-	-	-	-	460	-	460
Total comprehensive loss for the period	-	-	-	-	460	(2,942)	(2,482)
Transactions with owner recognized directly in							
Exercise of options	-	22	-	-	-	-	22
Share-based payment	-	-	-	-	-	423	423
Balance as of June 30, 2015 (Unaudited)	467	80,264	1,151	(9)	6	(88,686)	(6,807)
For the six months ended June 30, 2014 (Unaudited)							
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	-	-	-	-	-	(6,740)	(6,740)
Other comprehensive income for the period, net of tax	-	-	-	40	83	-	123
Total comprehensive loss for the period	-	-	-	40	83	(6,740)	(6,617)
Transactions with owner recognized directly in							
Exercise of options	4	166	-	-	-	-	170
Private issuance of ordinary shares	77	11,704	-	-	-	-	11,781
Share-based payment	-	-	-	-	-	736	736
Capital reserve from transactions with shareholders	-	-	205	-	-	-	205
Balance as of June 30, 2014 (Unaudited)	466	80,108	1,140	(15)	325	(90,392)	(8,368)

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 June 30, 2015							
Balance as of April 1, 2015 (Unaudited)	467	80,260	1,151	(9)	(447)	(87,204)	(5,782)
Total comprehensive profit for the period:							
Profit for the period	-	-	-	-	-	(1,593)	(1,593)
Other comprehensive income for the period, net of tax	-	-	-	-	453	-	453
Total comprehensive profit for the period	-	-	-	-	453	(1,593)	(1,140)
Transactions with owner recognized directly in							
Exercise of options	-	4	-	-	-	-	4
Share-based payment	-	-	-	-	-	111	111
Balance as of June 30, 2015 (Unaudited)	467	80,264	1,151	(9)	6	(88,686)	(6,807)
For the three months ended June 30, 2014							
Balance as of April 1, 2014 (Unaudited)	426	73,464	1,129	(6)	229	(90,696)	(15,454)
Total comprehensive profit for the period:							
Loss for the period	-	-	-	-	-	(68)	(68)
Other comprehensive income for the period, net of tax	-	-	-	(9)	96	-	87
Total comprehensive profit for the period	-	-	-	(9)	96	(68)	19
Transactions with owner recognized directly in							
Exercise of options	2	62	-	-	-	-	64
Private issuance of ordinary shares	38	6,582	-	-	-	-	6,620
Share-based payment	-	-	-	-	-	372	372
Capital reserve from transactions with shareholders	-	-	11	-	-	-	11
Balance as of June 30, 2014 (Unaudited)	466	80,108	1,140	(15)	325	(90,392)	(8,368)

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 loss for the year, net of tax	-	-	-	46	(696)	21	(629)
Total comprehensive loss for the year	-	-	-	46	(696)	(3,254)	(3,904)
Transactions with owner 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, 2014 (Audited)	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

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
Cash flows from operating activities					
Loss for the period	(2,942)	(6,740)	(1,593)	(68)	(3,275)
Adjustments for:					
Depreciation and amortization	169	171	88	81	324
Change in provision for doubtful and bad debt	32	9	(9)	(18)	46
Net financial cost	2,730	1,827	1,851	931	2,958
(Profit) loss from revaluation of derivatives	(2,501)	2,631	(1,492)	(1,979)	(3,743)
Changes in capital reserve in respect of transactions with shareholders	-	22	-	11	33
Share-based payment	423	736	111	372	1,475
Increase in trade receivables	(1,315)	(820)	(1,145)	(283)	(1,175)
(Increase) Decrease in other accounts receivable	(225)	(239)	57	(372)	25
(Increase) Decrease in inventories	(453)	98	117	105	(445)
(Decrease) Increase trade payables	(70)	(36)	68	48	432
(Decrease) Increase in other long-term accounts payable	(12)	8	(6)	10	(328)
Increase (Decrease) in employee benefits	100	53	86	35	(16)
(Decrease) Increase in provisions	6	42	8	20	79
(Decrease) Increase in other accounts payable and accrued expenses	(217)	(283)	(135)	(186)	250
Income tax expenses (revenues)	96	61	52	(6)	204
Taxes paid during the period	(25)	(45)	(16)	(8)	(80)
Interest received during the period	4	29	3	12	40
Interest paid during the period	(928)	(1,211)	-	-	(2,247)
Net cash used in operating activities	(5,128)	(3,687)	(1,955)	(1,295)	(5,443)
Cash flow from investing activities					
Purchase of securities available-for-sale	-	(2,006)	-	(2,006)	(2,897)
Proceeds from (Payment on) writing currency options	-	38	-	8	(134)
Sale of securities available-for-sale	6,079	-	4,836	-	-
Realization of deposits and pledged deposits	-	57	-	-	57
Purchase of fixed assets and intangible assets	(232)	(65)	(156)	(22)	(202)
Capitalization of development expenses	(70)	-	(70)	-	-
Investment in pledged deposits	(44)	-	-	-	-
Net cash from (used in) investing activities	5,733	(1,976)	4,610	(2,020)	(3,176)
Cash flow from financing activities					
Proceeds from issuance of share capital	-	12,031	-	6,756	12,031
Repayment of notes	-	(5,156)	-	-	(5,156)
Proceeds from exercise of share options	22	170	4	64	305
Private share capital issuance expenses	-	(250)	-	(136)	(250)
Net cash provided by financing activities	22	6,795	4	6,684	6,930
(Decrease) Increase in cash and cash equivalents	627	1,132	2,659	3,369	(1,689)
Cash and cash equivalents at beginning of period	9,417	11,950	7,269	9,658	11,950
Effect of exchange rate fluctuations on balances of cash and cash equivalents	199	47	315	102	(844)
Cash and cash equivalent balance at end of period	10,243	13,129	10,243	13,129	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™ ("**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 June 30, 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 $2.4 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 4).

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 June 30, 2015, the Company had a capital deficiency of $6,807 thousand and negative cash flows from operating activities of $5,128 and $1,955 for the six and three months ended June 30, 2015, accordingly.

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 August 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.

c. Reclassification

The Company changed the classification of trade receivables to long term trade receivables. Accordingly, $350 thousand and $400 thousand were reclassified for consistency as of June 30, 2014 and December 31, 2014. This classification did not have any effect on the total assets as of June 30, 2014 and December 31, 2014.

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. On July 22, 2015, The IASB postponed by one year the application of IFRS 15.

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 (approximately $2.4 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 26, 2015, the Company received an irrevocable undertaking to place a credit facility from a bank of up to approximately $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 31, 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 approximately $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 February 1, 2018.

The credit facility will become effective once the Company decides to utilize the credit facility, which is subject to fulfilment of certain preconditions, which include, amongst others, registration of a floating charge on the Company's assets, including its shares in its U.S. and Japanese subsidiaries, a charge on the assets of its U.S. subsidiary, a fixed charge on the accounts receivables and intellectual property of the Company and its U.S. subsidiary, and a negative pledge on the assets of its Japanese subsidiary.

As of the date of issuance of these financial statements the Company did not utilize the credit facility.

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:

	June 30, 2015		June 30, 2014	
	Book Value	Fair Value	Book Value	Fair Value
	U.S. dollars in thousands			
	(Unaudited)			
Non-current Liabilities				
Loans from shareholders (Including accrued interest)	**1,771**	**1,646**	1,906	1,895
Convertible notes (Including accrued interest)	**21,566**	**24,178**	30,026	30,986

	December 31, 2014	
	Book Value	Fair Value
	U.S. dollars in thousands	
	(Unaudited)	
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)

a. 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.

	June 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	U.S. dollars in thousands			
	(Unaudited)			
Financial assets - available-for-sale securities	**2,800**	**-**	**-**	**2,800**
Financial liabilities - embedded warrants	**-**	**6,661**	**-**	**6,661**

	June 30, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	U.S. dollars in thousands			
	(Unaudited)			
Financial assets - available-for-sale securities	9,050	-	-	9,050
Financial liabilities:				
Written options on foreign currency exchange rate	-	15	-	15
Embedded warrants	-	15,693	-	15,693
Total Financial liabilities	-	15,708	-	15,708

	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)

a. 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

a. Grant of stock options to employees

1) On January 22, 2015, the Company's Board of Directors approved the grant of 284,500 stock options to six employees and one consultant, as follows:

a) 2 employees of the Company.
b) 3 employee of the U.S subsidiary.
c) 1 employee of the Japanese subsidiary.
d) 1 consultant to the U.S subsidiary.

The stock options are exercisable into 284,500 ordinary shares of NIS 0.01 par value each.

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 1.98	NIS 1.80
Plan for U.S.-resident and Japan-resident employees	NIS 1.98	NIS 1.80

The fair value of the stock options as of the grant date, using the Black-Scholes valuation model, is $21 thousand for stock options A and $55 thousand for option B (assuming 100% target achievement), based on the following assumptions: risk-free interest rate of between 1.00% and 1.53%, expected volatility of between 44.61% and 63.94% and share price of $0.46. The expected duration ranges between 5.4 and 7.5 years. The stock options will expire on the 10th anniversary of the grant date.

2) On May 26, 2015, the Company's Board of Directors approved the grant of 667,750 stock options to five employees, as follows:

e) 4 employees of the Company.
f) 1 employee of the Japanese subsidiary.

.

The stock options are exercisable into 667,750 ordinary shares of NIS 0.01 par value each.

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.

NOTE 6 – SHARE BASED PAYMENT (CONTINUED)

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 1.95	NIS 1.77
Plan for U.S.-resident and Japan-resident employees	NIS 1.95	NIS 1.88

The fair value of the stock options as of the grant date, using the Black-Scholes valuation model, is $48 thousand for stock options A and $132 thousand for option B (assuming 100% target achievement), based on the following assumptions: risk-free interest rate of between 1.61% and 2.27%, expected volatility of between 43.16% and 63.65% and share price of $0.49. The expected duration ranges between 5.3 and 7.3 years. The stock options will expire on the 10th anniversary of the grant date.

b. 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:

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31,
	2015	**2014**	**2015**	**2014**	**2014**
	U.S. dollars in thousands				
	(Unaudited)				(Audited)
Operating loss according to statement of operations	**(2,561)**	(2,020)	**(1,182)**	(985)	(3,609)
Adjustments:					
Depreciation and amortization	**169**	171	**88**	81	324
Change in provision for doubtful debts	**32**	9	**(9)**	(18)	46
Share based payment expenses	**423**	736	**111**	372	1,475
Adjusted operating loss	**(1,937)**	(1,104)	**(992)**	(550)	(1,764)

ITAMAR MEDICAL LTD.

CONDENSED INTERIM FINANCIAL DATA

FROM CONSOLIDATED FINANCIAL STATEMENTS ATTRIBUTED TO THE COMPANY SOLO

AS OF JUNE 30, 2015

(UNAUDITED)

ITAMAR MEDICAL LTD. AND ITS SUBSIDIARIES

ADDITIONAL SOLO FINANCIAL DATA

AS OF JUNE 30, 2015

(UNAUDITED)

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ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENTS OF FINANCIAL POSITION DATA

	June 30,		December 31
	2015	2014	2014
	(Unaudited)	(Unaudited)	(Audited)
	U.S. dollars in thousands		
Assets			
Current assets			
Cash and cash equivalents	**9,537**	11,704	8,532
Investments in marketable securities available-for-sale	**2,800**	9,050	8,919
Trade receivables	**1,577**	792	1,123
Other receivables	**3,605**	3,165	2,793
Financial derivatives	**582**	642	455
Inventories	**1,294**	698	1,050
Total current assets	**19,395**	26,051	22,872
Non-current assets			
Restricted deposits	**183**	148	131
Prepaid expenses	**48**	43	43
Investment in Subsidairies	**63**	200	148
Fixed assets	**328**	277	308
Intangible assets	**310**	256	196
Total non-current assets	**932**	924	826
Total assets	**20,327**	26,975	23,698

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

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENTS OF FINANCIAL POSITION DATA

	June 30,		December 31
	2015	**2014**	**2014**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	U.S. dollars in thousands		
Liabilities			
Current liabilities			
Trade payables	**887**	584	972
Short-term employee benefits	**198**	196	128
Financial derivatives	**-**	15	-
Provisions	**108**	88	106
Accrued expenses	**733**	679	1,076
Other accounts payable	**1,433**	1,322	1,455
Total current liabilities	**3,359**	2,884	3,737
Non-current liabilities			
Convertible notes, net of current maturities	**14,320**	13,694	12,929
Loans from shareholders	**1,708**	1,826	1,634
Derivative instruments	**6,661**	15,693	9,162
Long-term employee benefits	**90**	88	76
Other long-term accounts payable	**148**	-	108
Liability to the Chief Scientist	**848**	1,158	822
Total non-current liabilities	**23,775**	32,459	24,731
Total liabilities	**27,134**	35,343	28,468
Capital deficiency			
Ordinary share capital	**467**	466	467
Additional paid-in capital	**80,264**	80,108	80,242
Capital reserve in respect of transactions with shareholders	**1,151**	1,140	1,151
Capital reserve in respect of currency translation adjustments	**(9)**	(15)	(9)
Capital reserve in respect of securities available-for-sale	**6**	325	(454)
Accumulated deficit	**(88,686)**	(90,392)	(86,167)
Total capital deficiency	**(6,807)**	(8,368)	(4,770)
Total liabilities, net of capital deficiency	**20,327**	26,975	23,698

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

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

CONDENSED STATEMENTS OF OPERATION DATA

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
Revenues from external parties	**2,968**	2,570	**1,349**	1,211	6,348
Revenues from inter-company sales	**2,866**	2,224	**1,083**	971	4,798
Total revenues	**5,834**	4,794	**2,432**	2,182	11,146
Cost of revenues	**(2,422)**	(2,115)	**(1,086)**	(1,060)	(4,393)
Gross profit	**3,412**	2,679	**1,346**	1,122	6,753
Selling and marketing expenses	**1,329**	1,372	**743**	715	2,904
Transfer pricing adjustments	**1,526**	716	**605**	243	1,888
Research and development expenses	**1,406**	969	**727**	540	2,017
General and administrative expenses	**1,532**	1,858	**739**	869	3,592
Operating loss	**(2,381)**	(2,236)	**(1,468)**	(1,245)	(3,648)
Financial expenses from cash and investments	**(281)**	*73	**(61)**	*149	(560)
Financing expenses from bonds and loans	**(2,557)**	*(2,133)	**(1,807)**	*(1,251)	(2,618)
Gain (loss) from change in fair value of derivatives instruments, net	**2,501**	(2,631)	**1,492**	1,979	3,743
Financial income (expenses), net	**(337)**	(4,691)	**(376)**	877	565
Loss before income taxes	**(2,718)**	(6,927)	**(1,844)**	(368)	(3,083)
Income taxes	**2**	30	**2**	35	(87)
Loss from investees	**(226)**	157	**249**	265	(105)
Net loss attributable to equity holders of the Company	**(2,942)**	(6,740)	**(1,593)**	(68)	(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

	Six Months Ended June 30,		Three Months Ended June 30,		Year December
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
Loss for the period	**(2,942)**	(6,740)	**(1,593)**	(68)	(3,275)
income (loss) items that are or may 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	-	40	-	(9)	46
Net change in fair value of marketable securities available-for-sale, net of tax	**(63)**	83	**66**	96	(696)
Net change in fair value of marketable securities available-for-sale, net of tax that was reclassified to the statement of operations	**523**	-	**387**	-	-
Total					
Total Other comprehensive income (loss) for the period, net of tax	**460**	123	**453**	87	(629)
Total comprehensive income (loss) for the period	**(2,482)**	(6,617)	**(1,140)**	19	(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

	Six Months Ended June 30,		Three Months Ended June 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
Cash flows from operating activities					
Loss for the period	**(2,942)**	(6,740)	**(1,593)**	(68)	(3,275)
Adjustments for:					
Depreciation and amortization	**111**	127	**58**	59	230
Change in provision for doubtful and bad debt	**36**	33	**31**	32	(12)
Net financial cost	**2,730**	1,918	**1,852**	1,020	2,957
(Profit) loss from revaluation of derivatives	**(2,501)**	2,631	**(1,492)**	(1,979)	(3,743)
Changes in capital reserve in respect of transactions with shareholders	**-**	22	**-**	11	33
Gain with respect to investee	**226**	(157)	**(249)**	(265)	105
Share-based payment	**322**	683	**83**	322	1,325
(Increase) Decrease in trade receivables	**(490)**	2	**(79)**	244	(284)
Increase in other accounts receivable	**(132)**	(190)	**86**	(318)	(3)
Increase in current balances with investee	**(1,312)**	(1,564)	**(288)**	(798)	(2,458)
(Increase) Decrease in inventories	**(263)**	14	**(59)**	(48)	(340)
(Decrease) Increase trade payables	**(38)**	(30)	**114**	46	393
(Decrease) Increase in other long-term accounts payable	**(12)**	8	**(6)**	10	(328)
Increase (Decrease) in employee benefits	**84**	40	**81**	32	(19)
(Decrease) Increase in provisions	**2**	8	**4**	(7)	26
(Decrease) Increase in other accounts payable and accrued expenses	**(373)**	(214)	**(333)**	(211)	365
Income tax (revenues) expenses	**(2)**	(30)	**(2)**	(35)	87
Interest received during the period	**4**	17	**3**	-	40
Interest paid during the period	**(928)**	(1,211)	**-**	-	(2,247)
Net cash provided by current operations with respect to transactions with investee	**500**	806	**200**	247	2,072
Net cash used in operating activities	**(4,979)**	(3,827)	**(1,590)**	(1,706)	(5,076)
Cash flow from investing activities					
Purchase of securities available-for-sale	**-**	(2,006)	**-**	(2,006)	(2,897)
Proceeds from (Payment on) writing currency options	**-**	38	**-**	8	(134)
Sale of securities available-for-sale	**6,079**	-	**4,836**	-	-
Realization of deposits and pledged deposits	**-**	57	**-**	-	57
Purchase of fixed assets and intangible assets	**(202)**	(56)	**(123)**	(22)	(160)
Capitalization of development expenses	**(70)**	-	**(70)**	-	-
Investment in pledged deposits	**(44)**	-	**-**	-	-
Net cash from (used in) investing activities	**5,763**	(1,967)	**4,643**	(2,020)	(3,134)
Cash flow from financing activities					
Proceeds from issuance of share capital	**-**	12,031	**-**	6,756	12,031
Repayment of notes	**-**	(5,156)	**-**	-	(5,156)
Proceeds from exercise of share options	**22**	170	**4**	64	305
Private share capital issuance expenses	**-**	(250)	**-**	(136)	(250)
Net cash provided by financing activities	**22**	6,795	**4**	6,684	6,930
Decrease) Increase in cash and cash equivalents	**806**	1,001	**3,057**	2,958	(1,280)
Cash and cash equivalents at beginning of period	**8,532**	10,677	**6,165**	8,638	10,677
Effect of exchange rate fluctuations on balances of cash and cash equivalents	**199**	26	**315**	108	(865)
Cash and cash equivalent balance at end of period	**9,537**	11,704	**9,537**	11,704	8,532

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

ITAMAR MEDICAL LTD.

ADDITIONAL SOLO FINANCIAL DATA

AS OF JUNE 30, 2015

NOTE 1 – GENERAL

Basis for preparing financial data from the Company's consolidated financial statements as at June 30, 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 of 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 (approximately $2.4 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 26, 2015, the Company received an irrevocable undertaking to place a credit facility from a bank of up to approximately $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 approximately $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 February 1, 2018.

The credit facility will become effective once the Company decides to utilize the credit facility, which is subject to fulfilment of certain preconditions, which include, amongst others, registration of a floating charge on the Company's assets, including its shares in its U.S. and Japanese subsidiaries, a charge on the assets of its U.S. subsidiary, a fixed charge on the accounts receivables and intellectual property of the Company and its U.S. subsidiary, and a negative pledge on the assets of its Japanese subsidiary.

As of the date of issuance of these financial statements the Company did not utilize the credit facility.