

## Rosetta Genomics Reports 2014 Financial Results

*Revenues increase 228%; Gross billings more than double*

*Business Update Conference Call to be held on March 17<sup>th</sup> at 10:00 a.m. Eastern time*

**PRINCETON, N.J. and REHOVOT, Israel (March 16, 2015)** – Rosetta Genomics Ltd. (NASDAQ: ROSG), a leading developer and provider of microRNA-based molecular diagnostics, today reported financial results for the 12 months ended December 31, 2014.

### Highlights for the second half of 2014 and recent weeks include:

- Showcased the Company's microRNA-based assay for thyroid cancer at the 84<sup>th</sup> Annual Meeting of the American Thyroid Association (ATA), on track to launch in the third quarter of 2015;
- Published data in the peer-reviewed journal *Applied Immunohistochemistry and Molecular Morphology*, which highlight the ability of microRNA profiles to differentiate adrenocortical carcinomas from adenomas, as well as their ability to identify malignancy in adrenocortical tumors (ACTs);
- Conducted the first clinical study to identify novel microRNA candidates for the treatment of Duchenne Muscular Dystrophy (DMD) under a strategic alliance with Marina Biotech;
- Published a study in the *Journal of Kidney Cancer* that supports the use of the Rosetta Kidney Cancer Test™ to accurately classify tumor subtypes in kidney cancers and be a potential driver of the reduction of unnecessary surgeries;
- Executed the following four collaboration agreements:
  - Collaboration with Biocept, Inc. that will utilize Biocept's patented microfluidic channel technology to capture circulating tumor cells (CTCs) and then apply Rosetta Genomics' technical expertise and proprietary methods to extract and analyze microRNA from these cells;
  - Strategic alliance with the Institute of Molecular Translational Medicine (IMTM) to improve the diagnosis of malignant tumors in suspected thyroid cancers by utilizing the clinical samples available at IMTM and Rosetta's microRNA platform technology;
  - Partnership with Admera Health to market and sell their PGxOne and EGFR & KRAS clinical sequencing tests to oncologists and pathologists, which is expected to generate additional revenue through 2015 and beyond; and
  - Partnership with Precipio Diagnostics for the sales and marketing of Precipio's oncology tests, which include bone marrow and peripheral blood testing for hematological malignancies, such as leukemias and lymphomas.
- Fortified the Company's intellectual property with the issuance of three important patents in Japan, the U.S. and Europe:
  - Japanese patent protects the sequence of miR-92b, its complement, as well as its use as a probe in Rosetta's Cancer Origin Test™;

- U.S. patent covers the use of miR-34a for the treatment of p53-associated cancers; and
- European patent claims the specific composition for miR-451, a miR relating to Rosetta's Cancer of Unknown Primary testing franchise.

## **Management Commentary**

"Throughout the second half of 2014, we continued to make significant progress on our strategic plan to advance Rosetta Genomics in three key areas: broadening our differentiated and proprietary content for use in personalized medicine, accelerating our revenue growth to achieve scale and improving our efficiency in delivering and distributing novel content. Our ongoing focus on these areas will support our goals to grow current product revenue, expand our product offerings and optimize our commercial and laboratory infrastructure as we move toward profitability," said Kenneth A. Berlin, President and Chief Executive Officer of Rosetta Genomics.

"We are very pleased with our 2014 revenue, which increased more than 200% compared with 2013. While off a modest base, this growth highlights the traction our commercial team is gaining and demonstrates that we are making good progress enhancing awareness and increasing demand for our testing services as well as monetizing our leading microRNA biomarker platform through our various collaborations.

"Since the beginning of 2014 we have entered into eight collaborations that include sales and marketing partnerships, research and development alliances and master service agreements. We expect these relationships will be significant contributors to both our revenue base and our product pipeline over time. Our revenues already reflect the positive impact of certain of these arrangements and we expect to see continued revenue growth from these third-party collaborations in 2015. Importantly, these arrangements allow us to leverage our leading microRNA biomarker platform and commercial organization, and have the potential to drive long-term value.

"Throughout 2014 we made considerable progress with our clinical development programs, most notably with our thyroid neoplasia assay, which remains on track to complete final validation studies and launch in the U.S. in the third quarter of 2015. We look forward to publishing data on this new assay to underscore its significant advantages compared with currently marketed products, which generated approximately \$45 million in revenues in 2014. We believe this will be an important product for our portfolio because these earlier competitors have established the market, and because up to 30% of FNAs yield indeterminate results. The resulting opportunity exceeds \$350 million in the U.S. alone.

"We continue to build and strengthen our patent portfolio, which allows us to protect, advance and monetize our leadership position in microRNA technology in diagnostics and therapeutics," concluded Mr. Berlin.

## **Financial results for the year ended December 31, 2014 include:**

- Revenues from continuing operations for 2014 were \$1.3 million, up 228% from 2013 revenues of \$405,000.
- Total gross billings for 2014 were \$2.8 million, more than double gross billings of \$1.1 million in 2013.

- Cost of revenues for 2014 increased to \$1.3 million from \$709,000 for 2013, primarily due to higher volume of processed samples.
- Research and development expenses for 2014 increased to \$1.9 million from \$1.7 million for 2013, primarily due to increases in headcount and lab materials to create and advance the Company's expanded pipeline of R&D projects.
- Marketing and business development expenses for 2014 decreased to \$6.8 million from \$7.0 million in the prior year, as the Company maintained its ongoing investment in U.S. commercialization efforts as well as business development initiatives to procure collaborative and/or licensing agreements.
- General and administrative expenses for 2014 were \$5.5 million, compared with \$4.3 million for 2013, with the increase primarily due to higher overhead as the Company added key management and other personnel.
- The operating loss for 2014 was \$14.3 million, including \$943,000 of non-cash stock-based compensation expense. This compares with an operating loss for 2013 of \$13.3 million, including \$893,000 of non-cash stock-based compensation expense.
- The net loss after discontinued operations for 2014 was \$14.5 million, or \$1.29 per ordinary share on 11.2 million shares outstanding, compared with a net loss after discontinued operations for 2013 of \$12.9 million, or \$1.34 per ordinary share on 9.6 million shares outstanding.
- On a non-GAAP basis, excluding stock-based compensation expense, the net loss for 2014 was \$13.6 million, or \$1.21 per ordinary share, compared with a net loss for 2013 of \$12.0 million, or \$1.25 per ordinary share. Details reconciling non-GAAP amounts with GAAP amounts are provided below.

### **Balance Sheet Highlights**

As of December 31, 2014, Rosetta Genomics had \$15.6 million in cash and cash equivalents, restricted cash and short-term bank deposits, compared with \$24.5 million as of December 31, 2013. The Company used approximately \$13.6 million in cash to fund operations during 2014. During 2014, the Company raised net proceeds of \$5.0 million from the sale of approximately 1.2 million ordinary shares through a Sales Agreement with Cantor Fitzgerald & Co., which was terminated in October 2014.

During the first quarter of 2015 to date, the Company has raised net proceeds of \$9.3 million from the sale of approximately 2.2 million ordinary shares through a new Sales Agreement entered into with Cantor Fitzgerald & Co. in February 2015. Given this recent raise and based on the Company's current operations, Rosetta expects its current cash position will take it into 2017.

### **Conference Call**

Rosetta Genomics management will host a conference call on March 17, 2015 at 10:00 a.m. Eastern time to discuss these financial results and recent corporate developments, and to answer questions. Individuals interested in listening to the conference call may do so by dialing (866) 239-5859 from within the U.S. or (702) 495-1913 from outside the U.S. The conference ID number is 4557508.

A telephone replay will be available through March 24, 2015 by dialing (855) 859-2056 from within the U.S. or (404) 537-3406 from outside the U.S., and entering the Conference ID number 4557508. The webcast will be available for 30 days following the completion of the call.

A live audio webcast of the call will also be available in the "Investors" section of the Company's website at [www.rosettagenomics.com](http://www.rosettagenomics.com). An archived webcast will be available on the Company's website for 30 days beginning approximately two hours after the event.

### **Use of Non-GAAP Financial Measures**

This press release contains certain non-GAAP financial measures. A "non-GAAP financial measure" refers to a numerical measure of historical or future financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in the financial statements. In this release, Rosetta provides non-GAAP gross billings, non-GAAP net loss and non-GAAP net loss per share data as additional information relating to its operating results. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net loss or net loss per share prepared in accordance with GAAP.

Pursuant to the requirements of Regulation G promulgated by the SEC, the Company has provided a reconciliation of each non-GAAP financial measure used in this earnings release and related conference call or webcast to the most directly comparable financial measure prepared in accordance with GAAP. This reconciliation is presented in the tables below under the heading "Reconciliation of GAAP to Non-GAAP Consolidated Statement of Operation." Investors are encouraged to review these reconciliations to ensure they have a thorough understanding of the reported non-GAAP financial measures and their most directly comparable GAAP financial measures.

Management uses these non-GAAP measures for internal reporting and forecasting purposes. The Company has provided these non-GAAP financial measures in addition to GAAP financial results because it believes that these non-GAAP financial measures provide useful information to certain investors and financial analysts for comparison across accounting periods not influenced by certain non-cash items that are not used by management when evaluating the Company's historical and prospective financial performance.

### **About Rosetta Cancer Testing Services**

Rosetta Cancer Tests are a series of microRNA-based diagnostic testing services offered by Rosetta Genomics. The Rosetta Cancer Origin Test™ can accurately identify the primary tumor type in primary and metastatic cancer including cancer of unknown or uncertain primary (CUP). The Rosetta Lung Cancer Test™ accurately identifies the four main subtypes of lung cancer using small amounts of tumor cells. The Rosetta Kidney Cancer Test™ accurately classifies the four most common kidney tumors: clear cell renal cell carcinoma (RCC), papillary RCC, chromophobe RCC and oncocytoma. Rosetta's assays are designed to provide objective diagnostic data; it is the treating physician's responsibility to diagnose and administer the appropriate treatment. In the U.S. alone, Rosetta Genomics estimates that 200,000 patients a year may benefit from the Rosetta Cancer Origin Test™, 65,000 from the Rosetta Kidney Cancer Test™ and 226,000 patients from the Rosetta Lung Cancer Test™. The Company's assays are offered directly by Rosetta Genomics in the U.S., and through distributors around the world. In addition to its proprietary products, the Company markets the Rosetta Genomics PGxOne™ test and the EGFR and KRAS sequencing services for Admera Health, as well as Precipio's oncology tests, which include bone marrow and peripheral blood testing for hematological malignancies, such as leukemias and lymphomas. For more information, please visit [www.rosettagenomics.com](http://www.rosettagenomics.com). Parties interested in ordering the test can contact Rosetta Genomics at (215) 382-9000 ext. 309.

### **About Rosetta Genomics**

Rosetta develops and commercializes a full range of microRNA-based molecular diagnostics. Founded in 2000, Rosetta's integrative research platform combining bioinformatics and state-of-the-art laboratory processes has led to the discovery of hundreds of biologically validated novel human microRNAs. Building on its strong patent position and proprietary platform technologies, Rosetta is working on the application of these technologies in the development and commercialization of a full range of microRNA-based diagnostic tools. Rosetta's cancer testing services are commercially available through its Philadelphia-based CAP-accredited, CLIA-certified lab.

### **Forward-Looking Statement Disclaimer**

Various statements in this release concerning Rosetta's future expectations, plans and prospects, including without limitation, that the partnership with Admera Health is expected to generate additional revenue through 2015 and beyond, that the ongoing focus on content, scale and efficiencies in delivery and distribution will support Rosetta's goals to grow current product revenue, expand product offerings and optimize commercial and laboratory infrastructure as the Company moves toward profitability, that third-party collaborations will be significant contributors to Rosetta's revenue base and product pipeline over time, and that Rosetta's thyroid neoplasia assay will complete final validation studies and launch in the U.S. in the third quarter of 2015 and the potential market for this assay, constitute forward-looking statements for the purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including those risks more fully discussed in the "Risk Factors" section of Rosetta's Annual Report on Form 20-F for the year ended December 31, 2014 as filed with the SEC. In addition, any forward-looking statements represent Rosetta's views only as of the date of this release and should not be relied upon as representing its views as of any subsequent date. Rosetta does not assume any obligation to update any forward-looking statements unless required by law.

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**CONSOLIDATED BALANCE SHEETS**  
**U.S. dollars in thousands**

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	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 7,929	\$ 16,774
Restricted cash	52	24
Short-term bank deposits	7,650	7,667
Trade receivables	338	224
Other accounts receivable and prepaid expenses	483	309
<u>Total current assets</u>	<u>16,452</u>	<u>24,998</u>
<b>LONG TERM ASSETS:</b>		
Long-term receivable	4	8
Property and equipment, net	822	874
<u>Total long term assets</u>	<u>826</u>	<u>882</u>
<u>Total assets</u>	<u>\$ 17,278</u>	<u>\$ 25,880</u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 563	\$ 906
Other accounts payables and accruals	1,648	1,032
<u>Total current liabilities</u>	<u>2,211</u>	<u>1,938</u>
<b>LONG-TERM LIABILITIES:</b>		
Warrants related to share purchase agreements	2	81
Deferred revenue	-	228
<u>Total long-term liabilities</u>	<u>2</u>	<u>309</u>
<u>Total shareholders' equity</u>	<u>15,065</u>	<u>23,633</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 17,278</u>	<u>\$ 25,880</u>

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****U.S. dollars in thousands (except share and per share data)**

	<u>2014</u>	<u>2013</u>
Revenues	\$ 1,327	\$ 405
Cost of revenues	<u>1,310</u>	<u>709</u>
Gross (profit) loss	<u>(17)</u>	<u>304</u>
Operating expenses:		
Research and development, net	1,927	1,744
Marketing and business development	6,848	7,002
General and administrative	<u>5,494</u>	<u>4,297</u>
<u>Total operating expenses</u>	<u>14,269</u>	<u>13,043</u>
Operating loss	14,252	13,347
Financial expense (income), net	<u>259</u>	<u>(177)</u>
Loss before taxes	14,511	13,170
Taxes expense	<u>15</u>	<u>-</u>
Loss from continuing operations	<u>14,526</u>	<u>13,170</u>
Net comprehensive (income) from discontinued operations	<u>-</u>	<u>(273)</u>
Net comprehensive loss after discontinued operations	<u>\$ 14,526</u>	<u>\$ 12,897</u>
Basic and diluted net loss per Ordinary Share from continuing operations	<u>\$ 1.29</u>	<u>\$ 1.37</u>
Basic and diluted net (income) per Ordinary Share from discontinued operations	<u>\$ -</u>	<u>\$ (0.03)</u>
Basic and diluted net loss per Ordinary Share	<u>\$ 1.29</u>	<u>\$ 1.34</u>
Weighted average number of Ordinary Shares used to compute basic and diluted net loss per Ordinary Share	<u>11,239,892</u>	<u>9,593,952</u>

**RECONCILIATION OF GAAP TO NON-GAAP CONSOLIDATED ST**  
**U.S. Dollar in Thousands (except share and per share data)**

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b><u>USD in thousands</u></b>		
Net comprehensive loss after discontinued operations	\$ 14,526	\$ 12,897
Stock-based compensation	943	893
<b>non-GAAP net loss</b>	<b>\$ 13,583</b>	<b>\$ 12,004</b>

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b><u>Basic and diluted per share data</u></b>		
Net loss after discontinued operations	\$ 1.29	\$ 1.34
Stock-based compensation	0.08	0.09
<b>non-GAAP net loss</b>	<b>\$ 1.21</b>	<b>\$ 1.25</b>

Weighted average number of Ordinary shares used to compute basic and diluted net loss per Ordinary share	11,239,892	9,593,952
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	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Revenues	\$ 1,326,740	\$ 404,927
Unrecognized billings	1,452,967	686,361
Gross billings	\$ 2,779,707	\$ 1,091,288

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