News Release

# Rosetta Genomics Reports 2013 Financial Results

*Demand for microRNA oncology testing services continues to grow as Company advances a broad pipeline of microRNA-based diagnostic assays and therapeutic products*

*Business Update Conference Call to be held April 1st at 10:00 a.m. Eastern time*

**PRINCETON, N.J. and REHOVOT, Israel (March 31, 2014)** – Rosetta Genomics Ltd. (NASDAQ: ROSG), a leading developer and provider of microRNA-based molecular diagnostics and therapeutics, today reported financial results for the year ended December 31, 2013.

**Highlights for the second half of 2013 and recent weeks include:**

- Continued to enhance awareness of and demand for the Rosetta Cancer Origin Test™, which resulted in a 100% increase in revenues compared with 2012;
- Recorded gross billings for 2013 of $1.1 million, which more than doubled from $490,000 in 2012, with commercial initiatives continuing to gain significant traction as evidenced by gross billings of nearly $600,000 in the first quarter of 2014;
- Executed credentialing agreements for the Rosetta Cancer Origin Test with four U.S. national healthcare network providers as well as a managed care contract with a large Blue Cross/Blue Shield affiliate, increasing coverage for this test to approximately 170 million Americans;
- Received three important U.S. patents that cover the Company's microRNA-based technology as a diagnostic for pre-eclampsia, as a treatment for liver cancer and as a therapeutic for non-small cell lung cancer (NSCLC) in p53-negative patients;
- Announced a master service provider agreement with an undisclosed major global biopharmaceutical company under which Rosetta will provide its microRNA profiling and other services in important areas of unmet medical need;
- Closed 2013 with cash and equivalents and short term bank deposits of $24.5 million to support commercial expansion and product development.

**Management Commentary**

"Throughout 2013 we made considerable progress in all three areas critical to long-term revenue generation including current product sales, new product development and third-party collaborations. On the commercial front we made inroads enhancing awareness and driving demand for the Rosetta Cancer Origin Test and expanded coverage through Medicare and private healthcare network providers," said Kenneth A. Berlin, President and Chief Executive Officer of Rosetta Genomics.

"Investments in our commercial infrastructure are yielding results as evidenced by the significant increase in product revenues and billings in 2013. Moreover, we have seen continued growth in product demand for the Rosetta Cancer Origin Test, with first quarter 2014 billings of nearly $600,000 maintaining the momentum we saw in the fourth quarter of 2013. We look forward to further increases in billings and product revenues as we continue to expand reimbursement coverage to additional commercial carriers.

"The recently announced reinvigoration of our Research and Development efforts is already producing results as we now expect to launch at least one new diagnostic assay per year beginning in 2015. We have a number of promising product candidates under development including our assay for indeterminate thyroid fine need aspirate, which is scheduled to launch next year, as well as assays for chronic kidney rejection, heart failure, Alzheimer's disease and a therapeutic for cytomegalovirus (CMV) infection. We look forward to reporting our progress with these initiatives over the coming months.

"We were especially pleased to execute a master service agreement with an undisclosed global biopharmaceutical company for our microRNA profiling services, and expect to collaborate on the utilization of a novel therapeutic approach in important areas of unmet medical need. In addition, we continue to have high-level discussions with a number of potential collaborators that could allow us to leverage our leading microRNA biomarker platform in both diagnostic and therapeutic applications. We anticipate executing agreements with pharmaceutical and biotech companies to assist their therapeutic efforts.

"In support of both our commercial and our development efforts, we were pleased to publish several important articles in peer-reviewed journals and to have clinically-validated data presented at several key medical conferences. In tandem, we remained focused on fortifying our leading patent position in microRNA technology as this allows us to protect current products, provides the backbone for new product development and offers multiple opportunities for potential development partnerships as well as transactions to monetize our intellectual property," concluded Mr. Berlin.

**Financial Results for the Year Ended December 31, 2013**

- For the year ended December 31, 2013, the Company recorded revenues from continuing operations of $405,000, more than double the $201,000 of revenues recorded for the year ended December 31, 2012.
- Cost of revenues increased to $709,000 for 2013, up from $258,000 for 2012 primarily due to higher volume of processed samples as well as increases in personnel and infrastructure to meet current and anticipated sample volume.
- Research and development expenses for 2013 increased to $1.7 million from $1.2 million for 2012 primarily due to an increase in headcount and lab materials to create and advance our expanded pipeline of R&D projects.
- Marketing and business development expenses for 2013 increased to $7.0 million from $4.0 million for 2012, primarily due to the Company's ongoing investment in its U.S. commercialization efforts, as well as to increases in business development initiatives to procure collaborative and/or licensing agreements.
- General and administrative expenses in 2013 were $4.3 million compared with $3.0 million in 2012, with the increase primarily due to higher overhead as the Company

added key executives and other personnel.

- The operating loss for 2013 was $13.3 million, including $847,000 of non-cash stock-compensation expense. This compares with an operating loss for 2012 of $8.3 million, including $549,000 of non-cash stock-compensation expense.
- The Company's net loss after discontinued operations for 2013 was $12.9 million or $1.34 per ordinary share on 9.6 million shares outstanding, compared with a net loss after discontinued operations for 2012 of $10.5 million or $2.35 per ordinary share on 4.4 million shares outstanding.
- On a non-GAAP basis, excluding stock-based compensation expense and income/loss from revaluation of warrants, which are presented as a liability on the balance sheet, as well as the embedded conversion feature in the 2012 convertible debenture, the net loss for 2013 was $12.1 million or $1.26 per ordinary share, compared with a net loss for 2012 of $7.7 million or $1.74 per ordinary share.
- Details reconciling non-GAAP amounts with GAAP amounts are provided below.

**Balance Sheet Highlights**

As of December 31, 2013, Rosetta Genomics had $24.5 million in cash and cash equivalents, restricted cash and short-term bank deposits, compared with $31.0 million as of December 31, 2012. The Company used approximately $12 million in cash to fund operations in 2013. The 2013 cash position included net proceeds of $4.8 million from the sale of 1.3 million ordinary shares through the previously announced Cantor Sales Agreement and $625,000 received from a settlement with Sanra Laboratories in connection with the previous sale of Parkway Clinical Laboratories by Rosetta Genomics to Sanra.

**Cash Guidance**

The Company plans to continue to invest in the expansion of its U.S. commercial operations and will fund further clinical development of its microRNA technology. As a result, the Company estimates that net cash requirements to fund operations in 2014 will be in the range of $14 million to $15 million. Rosetta Genomics believes that its cash balance of $24.5 million as of December 31, 2013, combined with projected revenue growth, will be sufficient to fund operations until late 2015.

**Conference Call**

Rosetta Genomics management will host a conference call on April 1, 2014 at 10:00 a.m. Eastern time to discuss these financial results and recent corporate developments, and to answer questions. To access the live conference call, U.S. and Canadian participants may dial (866) 239-5859; international participants may dial (702) 495-1913. The access code for the call is 19429704.

To access the audio replay, beginning two hours after the event U.S. and Canadian participants may dial (855) 859-2056; international participants may dial (404) 537-3406. The access code for the replay is 19429704. The replay will be available through April 8, 2014.

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

**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). Rosetta Mesothelioma Test™ diagnoses mesothelioma, a cancer connected to asbestos exposure. 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™, 60,000 from the Rosetta Mesothelioma 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. For more information, please visit www.rosettagenomics.com. Parties interested in ordering the test can contact Rosetta Genomics at (215) 382-9000.

**About Rosetta Genomics**
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 and therapeutics. Rosetta currently commercializes a full range of microRNA-based molecular diagnostics. Rosetta's cancer testing services are commercially available through its Philadelphia-based CAP-accredited, CLIA-certified lab. Frost & Sullivan recognized Rosetta Genomics with the 2012 North American Next Generation Diagnostics Entrepreneurial Company of the Year Award. For more information, please visit www.rosettagenomics.com.

**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 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 a table 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.

**Forward-Looking Statement Disclaimer**
Various statements in this release concerning Rosetta's future expectations, plans and prospects, including without limitation, Rosetta's plans to launch one new product per year beginning in 2015, that significant increases in billings will translate to product revenue, that discussions with potential collaborators could allow Rosetta to leverage its leading microRNA biomarker platform in both diagnostic and therapeutic applications and that Rosetta's cash balance of $24.5 million as of December 31, 2013, combined with projected revenue growth, will be sufficient to fund operations into 2015, 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, 2012 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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## CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

**U.S. dollars in thousands**

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 16,774 | $ 30,798 |
| Restricted cash | 24 | 34 |
| Short-term bank deposits | 7,667 | 130 |
| Trade receivables | 224 | 88 |
| Other accounts receivable and prepaid expenses | 309 | 568 |
| Discontinued operation, current assets | - | 135 |
| Total current assets | 24,998 | 31,753 |
| LONG-TERM ASSETS: | | |
| Long-term receivables | 8 | 7 |
| Property and equipment, net | 874 | 546 |
| Discontinued operation, non-current assets | - | 224 |
| Total long-term assets | 882 | 777 |
| Total assets | **$ 25,880** | **$ 32,530** |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Trade payables | $ 906 | $ 754 |
| Other accounts payable and accruals | 1,032 | 512 |
| Total current liabilities | 1,938 | 1,266 |
| LONG-TERM LIABILITIES: | | |
| Warrants related to share purchase agreements | 81 | 136 |
| Deferred revenue | 228 | 228 |
| Total long-term liabilities | 309 | 364 |
| SHAREHOLDERS' EQUITY (DEFICIENCY): | | |
| Ordinary Shares of NIS 0.6 par value: 40,000,000 and 20,000,000 shares authorized at December 31, 2013 and 2012, respectively; 10,473,488 and 9,099,805 shares issued at December 31, 2013 and 2012, respectively; 10,470,230 and 9,096,547 shares outstanding at December 31, 2013 and 2012, respectively | 1,609 | 1,379 |
| Additional paid-in capital | 130,423 | 125,023 |
| Accumulated deficit | (108,399) | (95,502) |
| Total shareholders' equity | 23,633 | 30,900 |

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS

**U.S. dollars in thousands (except share and per share data)**

| | For the year ended December 31, | |
|---|---|---|
| | **2013** | **2012** |
| Revenues | $ 405 | $ 201 |
| Cost of revenues | 709 | 258 |
| Gross loss | 304 | 57 |
| Operating expenses: | | |
| Research and development, net | 1,744 | 1,247 |
| Marketing and business development | 7,002 | 3,938 |
| General and administrative | 4,297 | 3,025 |
| Total operating expenses | 13,043 | 8,210 |
| Operating loss | 13,347 | 8,267 |
| Financial expense (income), net | (177) | 2,429 |
| Loss from continuing operations | 13,170 | 10,696 |
| Other comprehensive income attributed to marketable securities | - | - |
| Net comprehensive (income) loss from discontinued operations | (273) | (239) |
| Net comprehensive loss after discontinued operations | **12,897** | **10,457** |
| Basic and diluted net loss per Ordinary Share from continuing operations | 1.37 | 2.40 |

**RECONCILIATION OF GAAP TO NON-GAAP CONSOLIDATED STATEMENT OF OPERATION:**

**U.S. dollars in thousands in thousands (except share and per share data)**

| **USD in thousands** | Year ended December 31, **2013** | **2012** |
|---|---|---|
| Net comprehensive loss after discontinued operations | $ 12,897 | $ 10,457 |
| Stock-based compensation relating to options, RSUs, shares and warrants granted to employees, non-employees and directors | 893 | 549 |
| Revaluation of warrants related to share purchase agreement | (55) | 635 |
| Amortization of discount and change in fair value of embedded conversion feature in the convertible debenture | - | 1,547 |
| **non-GAAP net loss** | **$ 12,059** | **$ 7,726** |

| **Basic and diluted per share data** | Year ended December 31, **2013** | **2012** |
|---|---|---|
| Net loss after discontinued operations | $ 1.34 | $ 2.35 |
| Stock-based compensation | 0.09 | 0.12 |
| Revaluation of warrants related to share purchase agreement | (0.01) | 0.14 |
| Embedded conversion feature in the convertible debenture | - | 0.35 |
| **non-GAAP net loss** | **$ 1.26** | **$ 1.74** |

| | Year ended December 31, **2013** | **2012** |
|---|---|---|
| Gross billings | 1,091,288 | 490,075 |
| Unrecognized billings | 685,965 | 288,864 |
| Revenues | 405,323 | 201,211 |

| | Quarter ended **March 31, 2014** |
|---|---|
| Estimated gross billings | 580,000 |
| Unrecognized billings | 320,000 |
| Estimated revenues | 260,000 |