

## **Rosetta Genomics Reports Financial Results for the First Half of 2015**

*Business update conference call to be held October 27<sup>th</sup> at 10:00 a.m. Eastern time*

**PHILADELPHIA and REHOVOT, Israel (October 26, 2015)** – Rosetta Genomics Ltd. (NASDAQ: ROSG), a leading developer and provider of microRNA-based and other molecular diagnostics, today reported financial results for the six months ended June 30, 2015.

### **Highlights for the first half of 2015 and recent weeks include:**

- Acquired CynoGen, Inc. (d/b/a PersonalizeDx) from Prelude Corporation
- Launched seven high-value molecular diagnostic tests year-to-date
- Presented positive performance data from a validation study with the Company's first-of-its-kind thyroid nodule classification assay and launched RosettaGX Reveal™ at the International Thyroid Congress and Annual Meeting of the American Thyroid Association
- Fortified the Company's intellectual property portfolio with four key U.S. patent allowances and two international patent allowances
- Executed multiple strategic commercial agreements, including:
  - A network participation agreement with MultiPlan for Rosetta's healthcare services including the Rosetta Cancer Origin Test™ and the entire suite of PersonalizeDx testing and services to be available to MultiPlan's participating members, providers, payers and third-party administrators
  - A partnership with FNAPath to provide centralized laboratory testing services for RosettaGX Reveal for the classification of indeterminate thyroid nodules
- Strengthened balance sheet with an aggregate of \$16.7 million in net proceeds from the sale of ordinary shares under the Controlled Equity Offering<sup>SM</sup> Sales Agreement with Cantor Fitzgerald & Co. and a private placement of ordinary shares and warrants in October 2015

### **Management Commentary**

"The first half of 2015 has been transformational for Rosetta Genomics. Our acquisition of PersonalizeDx in April allowed us to advance our strategic plan to broaden our differentiated and proprietary content for use in personalized medicine, accelerate revenue growth to achieve scale and improve efficiency in delivering and distributing novel content. The acquisition has had wide-ranging and positive financial, commercial, operational and pipeline impact on Rosetta Genomics. The integration of PersonalizeDx has been rapid and smooth, and we have benefitted from the addition of many talented professionals who complement the industry-leading team at Rosetta Genomics. Through the acquisition we also gained a state-of-the-art, high-complexity CLIA laboratory in Lake Forest, California, giving us fulfillment capabilities on both coasts."

“In addition to the PersonalizeDx acquisition, we achieved a number of important milestones during the first half of the year that bolster our commercial offerings and protect our industry-leading technology platforms. We have significantly strengthened and expanded our patent portfolio, which protects our global leadership position in microRNA technology and provides opportunities to monetize certain assets. We launched seven new molecular tests so far this year, which we expect will add to our revenue base and enhance our leadership in molecular diagnostic testing.

“We are particularly excited about the positive performance data from our blinded validation study of RosettaGX Reveal for classifying indeterminate thyroid nodules, as these data demonstrate exceptional clinical performance much like we have seen with microRNA-based testing in other areas. Also, our test is the only currently available assay that can be run on very small samples and smears. This flexibility, coupled with exceptional clinical performance, should provide considerable competitive advantage as we launch RosettaGX Reveal into a market valued at \$350 million annually in the U.S. alone. We believe RosettaGX Reveal will quickly become an important product in our portfolio as earlier market entrants have begun penetrating the market. We estimate that the total converted market in 2015 for the molecular classification of indeterminate thyroid nodules will be greater than \$50 million. Given the competitiveness of RosettaGX Reveal, we believe we should be able to garner appreciable market share in this growing market.

“We are pleased with our top-line results during the first half of 2015, which reflect the contribution from the PersonalizeDx acquisition and a 25% increase in revenues from Rosetta Genomics’ microRNA-based assays compared to the first half of 2014. We continue to focus on accelerating demand for our testing services and are working to upgrade our selling efforts. In addition, we expect that our expanded reimbursement team will continue to enhance both the amount and timing of payments for our testing services.

“Lastly, throughout the balance of the year, we look forward to building on the numerous achievements thus far in 2015 as we move towards profitability and long-term value creation,” concluded Mr. Berlin.

**Financial results for the six months ended June 30, 2015 include:**

- The Company recorded revenues from continuing operations for the first half of 2015 of \$2.3 million, up 311% from revenues from continuing operations of \$554,000 for the first half of 2014.
- Pro forma consolidated revenues for the first half of 2015 assuming a full six months of PersonalizeDx operations were \$4.2 million.
- Pro forma gross billings for the first half of 2015 were \$11.8 million (assuming a full six months of PersonalizeDx operations), which included gross billings for the PersonalizeDx business of \$10.5 million. For the same period in 2014, Rosetta Genomics’ gross billings were \$1.3 million.
- Cost of revenues for the first six months of 2015 increased to \$2.3 million from \$770,000 a year ago, primarily due to the acquisition of PersonalizeDx leading to a higher volume of processed samples as well as increases in personnel and infrastructure.
- Research and development expenses for the first half of 2015 increased to \$1.4 million from \$1.0 million for the first half of 2014, primarily due to increased activities related to the development of the Company’s thyroid assay.

- Marketing and business development expenses for the first half of 2015 increased to \$4.1 million from \$3.4 million in the prior-year period due to a larger commercial footprint as a result of the acquisition of PersonalizeDx.
- General and administrative expenses for the first six months of 2015 were \$3.6 million compared with \$2.6 million for the same period in 2014, with the increase primarily due to acquisition-related costs of the PersonalizeDx business.
- The operating loss for the first half of 2015 was \$6.7 million, including \$554,000 of non-cash stock-based compensation expense as well as a gain of \$2.4 million from a bargain purchase related to the acquisition of PersonalizeDx. This compares with an operating loss for the first half of 2014 of \$7.2 million, including \$471,000 of non-cash stock-based compensation expense.
- The net loss for the first six months of 2015 was \$6.7 million, or \$0.49 per ordinary share on 13.6 million shares outstanding, compared with a net loss for the same period in 2014 of \$7.2 million, or \$0.66 per ordinary share on 10.8 million shares outstanding.
- On a non-GAAP basis, excluding stock-based compensation expense and the gain from the bargain purchase, the net loss for the first six months of 2015 was \$8.5 million, or \$0.62 per ordinary share, compared with a net loss for the first six months of 2014 of \$6.7 million, or \$0.62 per ordinary share.

### **Balance Sheet Highlights**

As of June 30, 2015, Rosetta Genomics had \$14.5 million in cash and cash equivalents, restricted cash and short- and long-term bank deposits, compared with \$15.6 million as of December 31, 2014. The Company used approximately \$8.4 million in cash to fund operations during the first half of 2015, which included \$2.0 million in cash associated with the acquisition of PersonalizeDx. During the first half of 2015, the Company raised net proceeds of \$9.3 million from the sale of approximately 2.2 million ordinary shares through a Sales Agreement with Cantor Fitzgerald & Co. On October 16, 2015, Rosetta Genomics raised net proceeds of \$7.4 million in a private placement of units that consisted of common shares and warrants. Given this recent raise and based on the Company's current operations and plans, Rosetta expects its current cash position will take it into the first quarter of 2017.

### **Conference Call**

Rosetta Genomics management will host a conference call on October 27, 2015 beginning 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 63154375.

A telephone replay will be available through November 2, 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 63154375. 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 completion of the call.

## **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 revenues, 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 and other genomic 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. RosettaGX Reveal accurately classifies indeterminate thyroid nodules. In the U.S. alone, Rosetta Genomics estimates that 150,000 patients a year may benefit from the Rosetta Cancer Origin Test™, 62,000 patients a year may benefit from the Rosetta Kidney Cancer Test™, 222,000 patients a year may benefit from the Rosetta Lung Cancer Test™ and 150,000 a year may benefit patients from RosettaGX Reveal. 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 OncoGxOne, OncoGxLung, PGxOne™ and EGFR and KRAS tests for Admera Health. With the acquisition of PersonalizeDx, the Company now offers a broader menu of molecular and other assays for bladder, lung, prostate and breast cancer patients. For more information, please visit [www.rosettagenomics.com](http://www.rosettagenomics.com). Parties interested in ordering any of these tests can contact Rosetta Genomics at (215) 382-9000 ext. 309.

## **About Rosetta Genomics**

Rosetta develops and commercializes a full range of microRNA-based and other molecular diagnostics. 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. Through the acquisition of PersonalizeDx, the Company offers core FISH, IHC and PCR-based testing capabilities and partnerships in oncology and urology that provide additional content and platforms that complement the Rosetta offerings. Rosetta's and PersonalizeDx's cancer testing services are commercially available through the Philadelphia, PA- and Lake Forest, CA-based CAP-accredited, CLIA-certified labs, respectively. For more information visit [www.rosettagenomics.com](http://www.rosettagenomics.com).

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

Various statements in this release concerning Rosetta's future expectations, plans and prospects, including but not limited to statements relating to the expected competitive advantages of and potential market for Rosetta's RosettaGX Reveal assay, RosettaGX Reveal becoming an important product in Rosetta's portfolio, the ability of RosettaGX Reveal to garner appreciable market share, and the ability of Rosetta to achieve profitability and long-term value creation 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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**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
	<b><u>Unaudited</u></b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 4,723	\$ 7,929
Restricted cash	54	52
Short-term bank deposits	9,068	7,650
Trade receivables	5,016	338
Other accounts receivable and prepaid expenses	560	483
<b><u>Total</u></b> current assets	<b><u>19,421</u></b>	<b><u>16,452</u></b>
<b>LONG TERM ASSETS:</b>		
Property and equipment, net	3,265	822
Restricted bank deposit and other long-term receivables	625	4
<b><u>Total</u></b> long term assets	<b><u>3,890</u></b>	<b><u>826</u></b>
<b><u>Total</u></b> assets	<b><u>\$ 23,311</u></b>	<b><u>\$ 17,278</u></b>

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS****U.S. dollars in thousands (except share and per share data)**

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
	<b><u>Unaudited</u></b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 1,367	\$ 563
Other accounts payables and accruals	2,117	1,648
<b><u>Total</u> current liabilities</b>	<b><u>3,484</u></b>	<b><u>2,211</u></b>
<b>LONG-TERM LIABILITIES:</b>		
Warrants related to share purchase agreements	6	2
<b><u>Total</u> long-term liabilities</b>	<b><u>6</u></b>	<b><u>2</u></b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>		
<b>SHAREHOLDERS EQUITY:</b>		
Share capital:		
Ordinary Shares of NIS 0.6 par value: 40,000,000 shares authorized at June 30, 2015 (Unaudited) and December 31, 2014; 14,502,942 (Unaudited) and 11,765,678 shares issued at June 30, 2015 and December 31, 2014, respectively; 14,499,684 (unaudited) and 11,762,420 shares outstanding at June 30, 2015 and December 31, 2014, respectively	2,254	1,830
Additional paid-in capital	147,179	136,160
Accumulated deficit	(129,612)	(122,925)
<b><u>Total</u> shareholders' equity</b>	<b><u>19,821</u></b>	<b><u>15,065</u></b>
<b><u>Total</u> liabilities and shareholders' equity</b>	<b><u>\$ 23,311</u></b>	<b><u>\$ 17,278</u></b>

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

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

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>Unaudited</b>	
Revenues	\$ 2,278	\$ 554
Cost of revenues	<u>2,269</u>	<u>770</u>
Gross profit (loss)	<u>9</u>	<u>(216)</u>
Operating expenses:		
Research and development, net	1,361	1,011
Marketing and business development	4,075	3,393
General and administrative	3,643	2,620
Gain from bargain purchase related to acquisition of CynoGen, Inc. (Note 1)	<u>(2,352)</u>	<u>-</u>
Total operating expenses	<u>6,727</u>	<u>7,024</u>
Operating loss	6,718	7,240
Financial income, net	41	64
Tax expenses	<u>10</u>	<u>8</u>
Net loss	<u>\$ 6,687</u>	<u>\$ 7,184</u>
Basic and diluted net loss per ordinary share attributable to Rosetta Genomics' shareholders	<u>\$ 0.49</u>	<u>\$ 0.66</u>
Weighted average number of ordinary shares used to compute basic and diluted net loss per ordinary share	<u>13,598,198</u>	<u>10,806,738</u>

The accompanying notes are an integral part of the unaudited condensed interim consolidated financial statements.

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS U.S. dollars in thousands**

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>Unaudited</b>	
<u>Cash flows from operating activities:</u>		
Net loss	\$ (6,687)	\$ (7,184)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	293	158
Increase in trade receivables	(566)	(220)
Decrease in other accounts receivable and prepaid expenses	(73)	(336)
Stock-based compensation	544	471
Gain from bargain purchase related to acquisition of CynoGen, Inc.	(2,352)	-
Change in fair value of warrants related to share purchase agreement	4	(22)
Increase (decrease) in trade payables	9	(154)
Increase (decrease) in other accounts payable and accruals	436	(274)
Net cash used in operating activities	<u>(8,392)</u>	<u>(7,561)</u>
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(108)	(74)
Investment in short-term bank deposits	(2,043)	(3,003)
Acquisition of CynoGen, Inc. (a)	(2,000)	-
Increase in restricted cash, net	(2)	(35)
Net cash used in investing activities	<u>(4,153)</u>	<u>(3,112)</u>
<u>Cash flows from financing activities:</u>		
Issuance of shares, net	9,339	2,956
Net cash provided by financing activities	<u>9,339</u>	<u>2,956</u>
Decrease in cash and cash equivalents	(3,206)	(7,717)
Cash and cash equivalents at beginning of period	<u>7,929</u>	<u>16,774</u>
Cash and cash equivalents at end of period	<u>\$ 4,723</u>	<u>\$ 9,057</u>
<u>Supplemental cash flow activities:</u>		
<u>(a) Acquisition of CynoGen, Inc.</u>		
Fair value of assets acquired and liabilities assumed at the date of acquisition:		
Working capital, net (excluding cash and cash equivalents)	\$ 3,672	\$ -
Property and equipment	2,629	-
Gain from bargain purchase related to acquisition of CynoGen, Inc.	(2,352)	-
Issuance of shares, net	(1,560)	-
Commitment to issue shares	(389)	-
	<u>\$ 2,000</u>	<u>\$ -</u>
<u>(b) Supplemental disclosure of non-cash activities:</u>		
Share issuance for acquisition of CynoGen, Inc.	<u>\$ 1,560</u>	<u>\$ -</u>
Commitment to issue shares with respect to the Acquisition of CynoGen, Inc.	<u>\$ 389</u>	<u>\$ -</u>

