Rosetta Genomics Reports 2016 Fourth Quarter and Full Year Financial Results

Conference Call to Begin Today at 10:00 a.m. Eastern time

PHILADELPHIA and REHOVOT, Israel (March 30, 2017) – Rosetta Genomics Ltd. (NASDAQ: ROSG), a genomic diagnostics company that improves treatment decisions by providing timely and accurate diagnostic information to physicians, announces financial results for the three and 12 months ended December 31, 2016. Rosetta Genomics also affirms 2017 revenue and unit guidance for RosettaGX Reveal™, the Company's first-of-its-kind microRNA classifier for indeterminate thyroid nodules, and provides a business update.

Highlights for the fourth quarter of 2016 and recent weeks include:

- Allowed three key U.S. patents related to RosettaGX Reveal microRNAs;
- Raised $4.6 million, net, through concurrent registered direct and private placement offerings with one prominent institutional healthcare investor;
- Entered into a research agreement with Sheba Medical Center at Tel HaShomer, Israel to develop a microRNA-based signature to predict response to nivolumab, an immunotherapy drug marketed as Opdivo® and approved for treating lung cancer;
- Announced the publication of a clinical validation study in support of Reveal in the peer-reviewed *Journal of Clinical Pathology*;
- Reveal was featured on the cover of the October issue of the peer-reviewed journal *Cancer Cytopathology;* and
- Entered into an exclusive distribution agreement with Rhenium Ltd., for the sales and marketing of Reveal in Israel, where Clalit, (General Sick Fund), the largest and oldest health insurance institution in Israel, has indicated it will include Reveal in its Sick Fund.

Management Commentary

"We made significant progress throughout 2016 on a number of important initiatives, most notably the successful commercial launch of our Reveal assay for the classification of indeterminate thyroid nodules. The publication of clinical and analytical validation studies in two prestigious peer-reviewed medical journals further supported our sales and marketing efforts. Moving forward, we expect to add to this growing body of clinical evidence that demonstrates the superiority of our differentiated assay," stated Kenneth A. Berlin, President and Chief Executive Officer of Rosetta Genomics.

"During 2017, we will be primarily focused on expanding Reveal's market share while retaining our customer base for our FISH-based and other products in urology and oncology. We remain committed to achieving our 2017 Reveal revenue and unit projections. In the first quarter of 2017 we have already added more than 50 new Reveal customer accounts and have achieved our fourth consecutive quarterly increase in Reveal units and revenues as our market share continues to grow in this exciting segment. Our competitive advantages of convenience and high negative predictive value continue to resonate with physicians who are looking for better solutions for their patients with thyroid nodules requiring more timely and accurate cancer diagnoses. In addition to increased unit demand for Reveal, we continue to work with payers to ensure proper payment for this assay, which we estimate has the potential to save, on average, $6,000 for each patient tested with Reveal due to its ability to prevent unnecessary thyroid surgeries.

"In addition, we are excited to be collaborating on the development of new microRNA biomarker signatures that can better predict patient response to immuno-oncology drugs, both on the market and in development. These breakthrough therapies offer hope to many cancer patients but the medical community is still in the early phases of understanding who will benefit from which immunotherapy. We continue to make progress with our current partner and expect to enter into additional collaborations in 2017.

"We look forward to 2017 being a year of continued growth and value creation as we build upon the initial commercial success of Reveal to increase revenue and advance collaborations with partners to apply our microRNA expertise to bring truly personalized medicine to patients and physicians," added Mr. Berlin.

Fourth Quarter Financial Results

- Clinical testing revenues for the fourth quarter of 2016 were $2.0 million compared with $2.0 million for the fourth quarter of 2015. The fourth quarter of 2015 also included $1.6 million in licensing revenues, bringing total revenues for the fourth quarter of 2015 to $3.6 million.
- Revenues from urologic cancer testing services for the fourth quarter of 2016 were $1.1 million compared with $1.2 million for the fourth quarter of 2015, and represented approximately 53% of clinical testing revenues for the fourth quarter of 2016.
- Revenues from solid tumor testing services for the fourth quarter of 2016 of $404,000 compared with $726,000 for the fourth quarter of 2015, and represented 20% of clinical testing revenues during the fourth quarter of 2016.
- Reveal revenues for the fourth quarter of 2016 were $389,000, a 38% increase compared with $282,000 for the third quarter of 2016. There were no Reveal revenues in 2015 as the assay was launched commercially in the first quarter of 2016. Reveal revenues represented 19% of clinical testing revenues in the fourth quarter of 2016.
- The Company had $156,000 of revenues from Hematological FISH testing (HEME FISH), a new line of business introduced in the second half of 2016, which represented 8% of clinical testing revenues in the fourth quarter of 2016.
- On a non-GAAP basis, gross billings for Reveal during the fourth quarter of 2016 were $1.2 million compared with $930,000 for the third quarter of 2016, representing growth of 34%. Gross billings are the aggregate amounts invoiced to customers.

- Cost of revenues for the fourth quarter of 2016 increased to $2.0 million from $1.8 million for the fourth quarter of 2015, primarily due to increased headcount at our Philadelphia facility to service the growing Reveal volume, in addition to the timing of procurements of certain lab supplies and reagents. Higher cost of revenues lead to a decline in gross margin during the fourth quarter of 2016 to 1% compared with clinical testing margin of 10% for the same period last year.
- Research and development expenses for the fourth quarter of 2016 decreased to $818,000 from $1.0 million for the fourth quarter of 2015.
- Sales, marketing and business development expenses were $1.5 million for the fourth quarter of 2016 compared with $1.6 million for the fourth quarter of 2015, with the 7% decline primarily attributable to lower marketing and travel expenses.
- General and administrative expenses for the fourth quarter of 2016 remained flat at $2.0 million for both 2016 and 2015.
- The operating loss for the fourth quarter of 2016 was $4.3 million, which included $162,000 of non-cash stock-based compensation expense, compared with an operating loss of $5.1 million for the fourth quarter of 2015, which included $261,000 of non-cash stock-based compensation expense as well as a $2.2 million adjustment to the gain on bargain purchase related to the acquisition of PersonalizeDx.
- The net loss for the fourth quarter of 2016 was $4.8 million, or $2.73 per ordinary share on 1.8 million weighted average shares outstanding, compared with a net loss for the fourth quarter of 2015 of $6.7 million, or $4.39 per ordinary share on 1.5 million weighted average shares outstanding, as adjusted for the recent 12-for-1 reverse stock split.
- On a non-GAAP basis, excluding $162,000 of non-cash stock-based compensation expense as well as $558,000 non-cash expense related to issuance of debentures and warrants, the net loss for the fourth quarter of 2016 was $4.1 million, or $2.32 per ordinary shares on 1.8 million weighted average shares outstanding. For the fourth quarter of 2015, on a non-GAAP basis excluding $261,000 of non-cash stock-based compensation expense, the $2.2 million adjustment to the gain on bargain purchase related to the acquisition of PersonalizeDx and $1.6 million in expenses related to revaluation of warrants for share purchase agreements, the net loss for the fourth quarter of 2015 was $2.7 million, or $1.73 per ordinary shares on 1.5 million weighted average shares outstanding, as adjusted for the recent 12-for-1 reverse stock split.

Full Year Financial Results

- Clinical testing revenues for 2016 were $9.2 million compared with $6.7 million for 2015. On a pro forma basis (as if the PersonalizeDx acquisition occurred on January 1, 2015 instead of the actual acquisition date of April 13, 2015), clinical testing revenues for 2016 increased 8% compared with pro forma clinical testing revenues of $8.6 million for 2015. 2015 revenues also included $1.6 million in licensing revenues bringing total revenues for 2015 to $8.3 million or $10.2 million on a pro-forma basis.
- Reveal revenues for 2016 were $854,000. There were no Reveal revenues in 2015 as this assay was launched commercially in the first quarter of 2016.
- Cost of revenues for 2016 was $7.4 million compared with $6.3 million for 2015. Gross margin for 2016 was 19% compared to 24% in 2015. Excluding the 2015 licensing revenues and associated cost of revenues, clinical testing gross margin for 2015 was 7%. The increase in gross margin during 2016 is primarily attributable to cash-basis revenues

associated with 2015 samples, as well as a more favorable mix of higher-margin tests, such as Reveal and HEME FISH, that were not present in 2015.

- Research and development expenses for 2016 increased 7% to $3.2 million from $3.0 million in 2015, primarily related to post-market studies.
- Sales, marketing and business development expenses were $6.8 million in 2016, a 7% decrease from $7.4 million in 2015, primarily attributable to lower marketing, travel and business development expenses.
- General and administrative expenses for 2016 were $7.5 million, compared with $7.6 million in 2015, a decrease of 1%.
- Total operating expenses for 2016 were $17.4 million compared with $17.7 million for 2015.
- The operating loss for 2016 was $15.7 million, which included $859,000 of non-cash stock-based compensation expense, compared with an operating loss of $15.7 million in 2015, which included $1.0 million of non-cash stock-based compensation expense as well as a $155,000 gain on bargain purchase related to the acquisition of PersonalizeDx.
- The net loss for 2016 was $16.2 million, or $9.31 per ordinary share on 1.7 million weighted average shares outstanding (post reverse-split), compared with a net loss for 2015 of $17.3 million, or $13.79 per ordinary share on 1.3 million weighted average shares outstanding (post reverse-split).
- On a non-GAAP basis excluding $859,000 of non-cash stock-based compensation expense as well as $558,000 non-cash expense related to issuance of debentures and warrants, the net loss for 2016 was $14.8 million, or $8.50 per ordinary shares on $1.7 million weighted average shares outstanding. For 2015, on a non-GAAP basis excluding 1.0 million of non-cash stock-based compensation expense, the $155,000 gain on bargain purchase related to the acquisition of PersonalizeDx, and $1.6 million in expenses related to revaluation of warrants for share purchase agreements, the net loss for 2015 was $14.9 million, or $11.82 per ordinary shares on 1.3 million weighted average shares outstanding (post reverse-split).

Balance Sheet Highlights

As of December 31, 2016, Rosetta Genomics had cash, cash equivalents, restricted cash and short-term bank deposits of $6.3 million, compared with $13.6 million as of December 31, 2015. The Company used approximately $12.3 million in cash to fund operations during 2016, and collected approximately $8.8 million in cash from its clinical testing services, $1.6 million from a licensing deal signed in December 2015 and $3.3 million of the proceeds from concurrent registered direct and private placement offerings with one institutional healthcare investor, which occurred in November 2016. Following the close of 2016, Rosetta Genomics received $1.3 million related to the private placement of convertible debentures announced in the November fundraise.

Rosetta Genomics believes its current cash, together with its near-term operations and commercial opportunities, should provide sufficient resources to fund the Company's operations into the third quarter of 2017. The Company continues to evaluate the profitability prospects of each of its product offerings and lines of business so as to ensure its portfolio of offerings allows it to reach profitability within the shortest period of time.

2017 Revenue and Unit Guidance for RosettaGX Reveal

Rosetta Genomics affirms 2017 revenue and unit guidance for RosettaGX Reveal. For 2017, Rosetta Genomics expects Reveal revenue to be between $4.0 million and $5.0 million, and expects to process between 2,500 and 3,500 Reveal units during the year.

Conference Call

Rosetta Genomics management will host a conference call today beginning at 10:00 a.m. Eastern time to provide an update on the Company's business and respond to questions. Individuals interested in listening to the conference call may do so by dialing (866) 239-5859, or for international callers (702) 495-1913. The conference ID number is 92837292. The call is also being webcast, and can be accessed on the investor relations section of the Company's website at www.rosettagx.com.

A telephone replay will be available through April 5, 2017 by dialing (855) 859-2056 or for international callers (404) 537-3406, and entering the conference ID number 92837292. The webcast will be available on the Company's website for 30 days.

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 Genomics

Rosetta is pioneering the field of molecular diagnostics by offering rapid and accurate diagnostic information that enables physicians to make more timely and informed treatment decisions to improve patient care. Rosetta has developed a portfolio of unique diagnostic solutions for oncologists, urologists, endocrinologists, cytopathologists and other specialists to help them deliver better care to their patients. RosettaGX Reveal™, a Thyroid microRNA Classifier for the diagnosis of cancer in thyroid nodules, as well as the full RosettaGX™ portfolio of cancer testing services are commercially available through the Company's Philadelphia, PA- and Lake Forest, CA-based CAP-accredited, CLIA-certified labs.

Forward-Looking Statement Disclaimer

Various statements in this release, including but not limited to, statements relating adding to growing body of clinical evidence, expanding Reveal's market share, retaining the customer case for the FISH-based and other products in urology and oncology, achieving 2017 revenue and unit projections, ensuring proper payment for assays, entering into collaborations, continuing growth, increasing revenue and advancing collaborations with partners 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 most recently filed Annual Report on Form 20-F, 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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Tables to Follow

CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

	December 31,	
	2016	**2015**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,163	$ 12,447
Short-term bank deposits and restricted cash	130	1,098
Trade receivables	2,851	3,633
Other accounts receivable and prepaid expenses	369	2,192
Total current assets	9,513	19,370
LONG TERM ASSETS:		
Property and equipment, net	2,442	2,975
Long-term bank deposits and other long-term receivables	6	78
Total long term assets	2,448	3,053
Total assets	$ 11,961	$ 22,423

CONSOLIDATED BALANCE SHEETS

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

	December 31,	
	2016	**2015**
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturity of long-term capital lease	$ 55	$ -
Trade payables	1,574	1,070
Other accounts payable and accruals	2,175	1,733
Total current liabilities	3,804	2,803
LONG-TERM LIABILITIES:		
Debentures and Warrants	3,675	-
Long-term capital lease obligations	65	-
Total long-term liabilities	3,740	-
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary Shares of NIS 7.2 par value: 5,000,000 shares authorized at December 31, 2016 and 2015, respectively; 1,842,704 and 1,709,900 shares issued at December 31, 2016 and 2015, respectively; 1,842,704 and 1,709,628 shares outstanding at December 31, 2016 and 2015, respectively	3,442	3,194
Additional paid-in capital	157,478	156,696
Accumulated deficit	(156,503)	(140,270)
Total shareholders' equity	4,417	19,620
Total liabilities and shareholders' equity	$ 11,961	$ 22,423

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	Year ended December 31,		
	2016	**2015**	**2014**
Clinical testing revenues	$ 9,234	$ 6,668	$ 1,099
Licensing revenues	-	1,600	228
Total revenues	9,234	8,268	1,327
Cost of clinical testing revenues	7,439	6,192	1,310
Cost of licensing revenues	-	80	-
Total cost of revenues	7,439	6,272	1,310
Gross profit	1,795	1,996	17
Operating expenses:			
Research and development, net	3,156	2,956	1,927
Sales, marketing and business development	6,806	7,350	6,848
General and administrative	7,497	7,566	5,494
Gain from bargain purchase related to acquisition of CynoGen, Inc.	-	(155)	-
Total operating expenses	17,459	17,717	14,269
Operating loss	15,664	15,721	14,252
Financial expenses, net	603	1,605	259
Loss before income taxes	16,267	17,326	14,511
Income tax (benefit) expense	(34)	19	15
Net loss	16,233	17,345	14,526
Basic and diluted net loss per Ordinary Share	$ 9.31	$ 13.79	$ 15.51
Weighted average number of Ordinary Shares used to compute basic and diluted net loss per Ordinary Share	1,743,067	1,257,724	936,658

USD in thousands	Quarter ended December 30, 2016	Quarter ended September 30, 2016
Revenues for Reveal	$ 389	$ 282
Unrecognized billings	861	648
Gross billings for Reveal	$ 1,250	$ 930

USD in thousands	Quarter ended December 31, 2016	Quarter ended December 31, 2015
Net loss	$ 4,837	$ 6,723
Share-based compensation	162	261
Gain from bargain purchase related to acquisition of CynoGen, Inc.	-	2,197
Revaluation of warrants and issuance expenses of warrants and debentures	558	1,612
non-GAAP net loss	**$ 4,117**	**$ 2,653**

Basic and diluted per share data	Quarter Ended December 31, 2016	Quarter Ended December 31, 2015
Net loss from continuing operations	$ 2.73	$ 4.39
Share-based compensation	0.09	0.17
Gain from bargain purchase related to acquisition of CynoGen, Inc.	-	1.43
Revaluation of warrants and issuance expenses of warrants and debentures	0.31	1.05
non-GAAP net loss	**$ 2.32**	**$ 1.73**
Weighted average number of Ordinary shares used to compute basic and diluted net loss per Ordinary share	1,773,462	1,533,033

USD in thousands	December 31, 2015
Clinical testing GAAP revenues	$ 6,668
Additional revenues from PersonalizeDx for non-consolidated period of January 1, 2015 - April 12, 2015	1,903
Pro forma clinical testing revenues	$ 8,571

USD in thousands	December 31, 2015
GAAP revenues	$ 8,268
Additional revenues from PersonalizeDx for non-consolidated period of January 1, 2015 - April 12, 2015	1,903
Pro forma revenues	$ 10,171

USD in thousands	Year Ended December 31, 2016	Year Ended December 31, 2015
Net loss from continuing operations	$ 16,233	$ 17,345
Share-based compensation	859	1,016
Gain from bargain purchase related to acquisition of CynoGen, Inc.	-	(155)
Revaluation of warrants and issuance expenses of warrants and debentures	558	1,612
non-GAAP net loss	**$ 14,816**	**$ 14,872**

Basic and diluted per share data	Year Ended December 31, 2016	Year Ended December 31, 2014
Net loss from continuing operations	$ 9.31	$ 13.79
Share-based compensation	0.49	0.81
Gain from bargain purchase related to acquisition of CynoGen, Inc.	-	(0.12)
Revaluation of warrants and issuance expenses of warrants and debentures	0.32	1.28
non-GAAP net loss	**$ 8.50**	**$ 11.82**
Weighted average number of Ordinary shares used to compute basic and diluted net loss per Ordinary share	1,743,067	1,257,724