



# MZT

Matritech, Inc. (AMEX)

May 5, 2005

## A Faster, Cheaper and More Reliable Test to Detect Bladder Cancer!

Ranking:

**Maintaining  
"BUY"**

Price at 05/04/05:

**\$0.85**

Price target:

**\$1.50 -1.75**

Market Capitalization:

**\$37.16 m**

Shares Outstanding:

**43.72 m**

Exchange:

**AMEX**

Henry McCusker

617.236.6396

[hwm@scimitarequity.com](mailto:hwm@scimitarequity.com)

**Please read the important  
Disclosures Section  
At the end of this review**

### A test that saves lives

Matritech is using its patented nuclear matrix protein (NMP) technology to develop diagnostics for the detection of major cancers. MZT's first two products, the NMP22® Test Kit and NMP22®BladderChek® Test, have been approved for both the monitoring and diagnosis of bladder cancer. The Journal of the American Medical Association (JAMA) recently published the results of a large, multi-site clinical trial reporting that the NMP22® BladderChek® test detected cases of life threatening bladder cancer not detected by cystoscopy. The authors also reported that when used together, the NMP22 BladderChek® test and cystoscopy detected 94% of the cases of cancer. The NMP22® BladderChek® test could become a "standard of care" for the routine detection and management of bladder cancer.

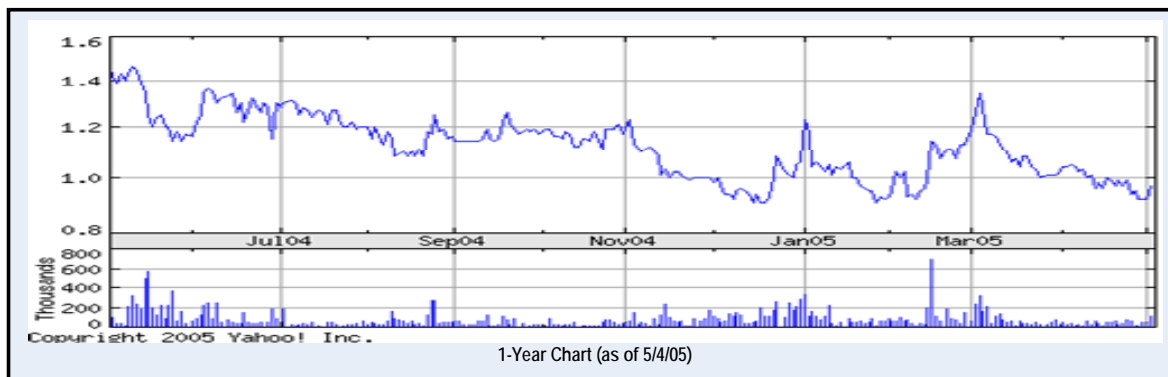
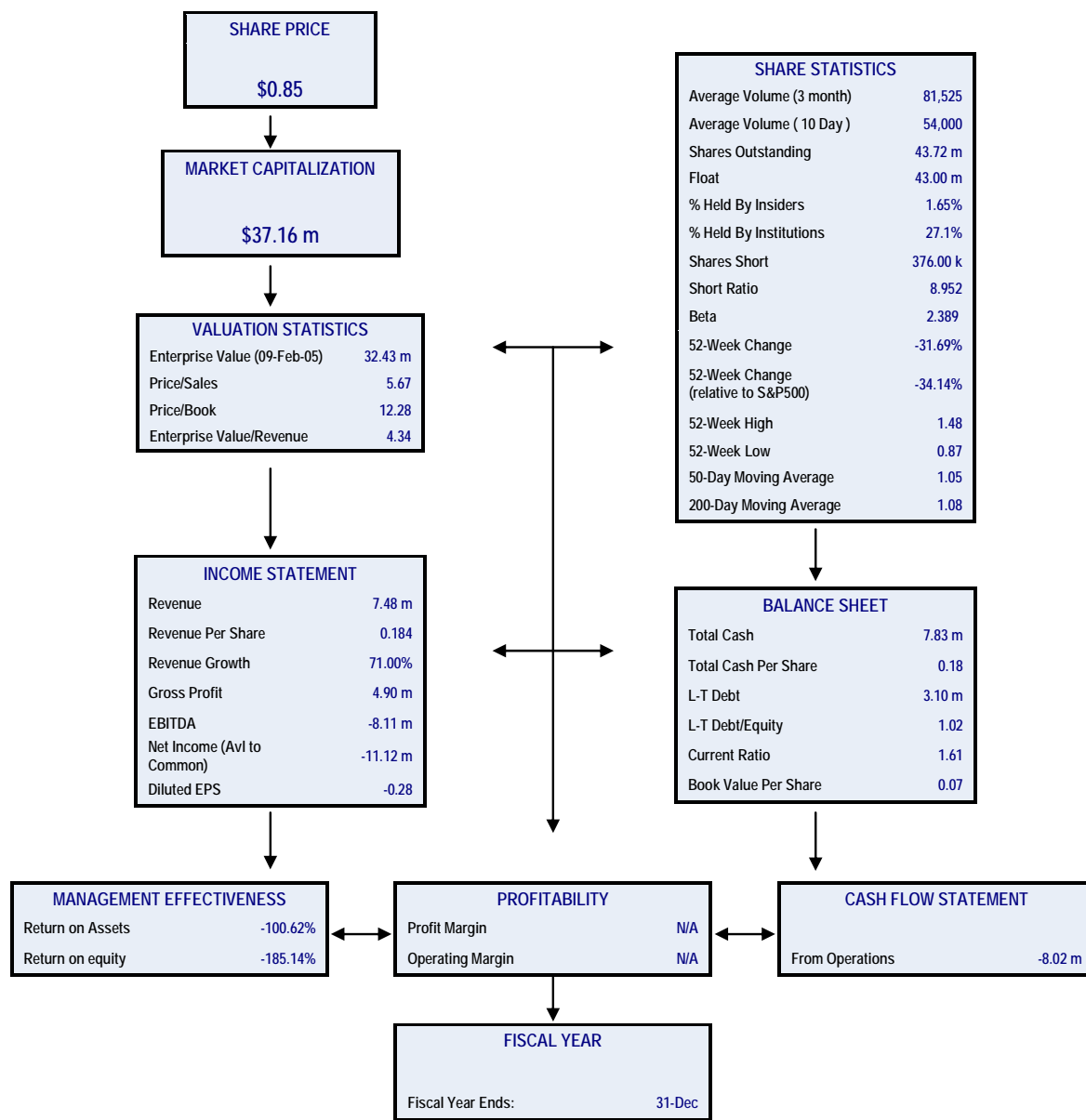
### Q1/FY05 sales for BladderChek® Tests

NMP22 BladderChek® test revenues for first quarter of 2005 were \$2,174,000. This increase included the recognition of \$70,000 of shipments to several distributors, which previously had been recorded as deferred revenue. Overall product sales for the first quarter of 2005 were \$2,143,000. Test sales accounted for approximately 89% of sales in the NMP22® product. Test adoption rate increased by urologists in both the United States and Germany. MZT now has over 1,000 urologists using the test while adding over 200 new urologists during the quarter. Revenues were lower than in Q4/2004 due to a customer focus issue which has been addressed as well as quarter-to-quarter variations in non-recurring distributor revenue. Recognized revenue from distribution sales was \$137,000 in Q1 2005. MZT can now better estimate product returns while recognizing revenue upon shipments. Finalized Q1/05 deferred revenue account included approximately \$166,000 related to other distributors. MZT 's Q1/05 sales of its NMP22® products, the NMP22® Test Kit and the NMP22 BladderChek® Test, has increased by 101% versus Q1/04 sales. Sales for NMP22® products had previously increased in FY04 by 228%.

### Minimal downside risk opportunity

At the present market cap of \$37.16 m, MZT is significantly undervalued compared to its comparables and presents little downside risk and should exhibit a substantial upside opportunity.

### Financial Metrics



## Investment Thesis

**MZT is working on increasing its share of the bladder cancer test market as the direct marketing efforts to the urology sector of its BladderChek® test has increased sales from last year's first quarter by 101%. NMP22 BladderChek® Test sales accounted for 68% of revenues. We maintain our "buy" ranking based on rapidly increasing sales of the BladderChek® Point of Care test from last year, an undervaluation of the company's stock price and a solid pipeline of products for future commercial use.**

What did we hear in the conference call? **There is a growing and accepting market for the NMP22® BladderChek® Test. Sales did not meet expectations, but they were still significant. Sales were slower in Q1/05 however; MZT had just come off a very dramatic Q4/04 of strong sales. A stock piling of tests and Doctor Office inventories could be a factor. It is typical for a new direct sales force to be somewhat inconsistent at the beginning of their efforts. The major problem was determined that the sales team needed to focus on high volume customers, instead of occasional users of the BladderChek® test. I project a significant pick up of sales during Q2-Q3/05 following the trickle-down or dissemination of the JAMA article. MZT has yet to realize the upside of the JAMA article. NMP22® BladderChek® is becoming the next "standard-of-care". What does resonate though is that MZT must execute better on sales management. Thus, two experienced sales managers have been hired to strengthen the account management focus.**

This recent sales strength seems to be dependent on US; once the launch is firmly planted in the EU BladderChek®, then this region could contribute more to the top line. **It was mentioned that the state legislatures of MA and NY may pass legislation that would require every fireman to be tested for bladder cancer. If this legislation passes, then a domino effect may occur in other states.** 67% of MZT's sales in 2004 were to foreign countries and the remaining 33% was in the US. Sales growth for 2005 should come primarily from sales of the BladderChek® test. The direct sales effort to urologists is pushing forward in the US. MZT is currently beginning direct sales efforts of its BladderChek® test in Germany with obstetricians/gynecologists (OB/GYN). MZT terminated its sales agreement with Cytogen on 12/31/2004 for sales of its BladderChek test to oncologists.

Management entered into a purchase agreement on March 4, 2005 for the sale of preferred stock to institutional and accredited investors. Total proceeds from the sale, upon consummation of the purchase agreement, equals \$12.55 m. The first tranche of the financing was completed in March and raised proceeds of \$5.9 m; the second tranche of \$6.65 m requires shareholder approval at the annual meeting of stockholders on 5/25/2005. The operating cash flow FY2004 was \$-(8.02) m. The burn rate for 2005 and 2006 could be volatile because of increased research and development expenses for an FDA trial of its NMP66 for breast cancer, which would require a premarket approval (PMA) since lab test kits for the diagnosis of cancer are class III devices. **Increased revenue for the company should offset these increases and we project the burn rate will be close to last year. Regardless, assuming the closing of the second tranche of financing, MZT should have enough cash to last it through the end of 2006.**

**We maintain that MZT's stock is undervalued relative to its strong intellectual property portfolio, and 4 FDA approvals, which make the company's stock attractive to small-cap investors.** MZT's share price depreciation reflected the lower first quarter revenues compared to the previous quarter. We are looking to the future quarters of 2005 hoping that revenues should continue to grow quickly. We project that product sales will increase by \$3 million for the year 2005. This growth level must be sustainable, or better managed as expenses are held tight or cut. The model is financial as much as it is operational—and the market wants to see this seasoned management team execute in a straightforward and disciplined manner. We expect 2005 to be catalyst rich for MZT, driven primarily by increasing market penetration and revenues. In addition, we anticipate promising data to be available concerning the regulatory route of NMP66 for breast cancer. In the short term, for 2005, we feel that MZT's gross margins of 67%, a better managed direct sales force, new clinical initiatives, and increasing revenues should be catalysts for the stock price.

## Company Description

Matritech, Inc. (MZT) is a biotechnology company principally engaged in the development, manufacture, marketing and distribution as well as licensing of cancer diagnostic technologies, products and services.

**MZT is focused primarily on the early detection of various types of cancer because treatment options may be greater and/or more successful and treatment costs may be lower when tumors are detected in their early stages. MZT's revenues are derived from product sales, milestone payments for development work, and royalties from licensing.**

**The products MZT has developed are based on its proprietary nuclear matrix protein ("NMP") technology. The nuclear matrix, a three-dimensional protein framework within the nucleus of cells, plays a fundamental role in determining cell type by physically organizing the contents of the nucleus, including DNA.**

MZT focuses its research on finding differences in the types and amounts of proteins found in the tissue, blood and urine in patients with and without cancer. MZT designs its products to detect these differences and to generate medically useful information in order to assist physicians in their diagnosis and treatment of patients.

MZT currently manufactures products for detecting bladder cancer utilizing its NMP22 technology and sells them through its own direct sales forces in the United States and Germany and through distributors in other countries. In Europe, MZT also sells diagnostic products manufactured by Hitachi and others to laboratories and physicians, principally in Germany. Sysmex Corporation ("Sysmex"), a leading manufacturer of automated laboratory instruments based in Kobe, Japan, has licensed MZT's NMP179 technology for detecting cervical cancer and is proceeding to develop a cellular analysis system to detect cervical cancer and other cervical cell abnormalities. For a number of years, MZT has been engaged in ongoing research and development work, at MZT and through collaborations with others, to develop technologies for the detection of cancer of the breast, prostate and colon.

Matritech, Inc. was incorporated in Delaware in October 1987. Its headquarters are located at 330 Nevada Street, Newton, Massachusetts 02460. The company's website is:

<http://www.matritech.com/>

## Investment Risks

MZT relies heavily on its NMP22 technology for a significant portion of its revenue. If the technology does not gain broad market acceptance by urologists and oncologists, or the Intellectual Property rights are not properly protected, then the company's stock price will be adversely affected.

**MZT faces competition from companies such as: CYTYC Corp, Tripath Imaging, Digene, Immunomedics and other test diagnostic companies that may have more effective products.** Some of these companies will have greater access to capital and greater experience in the United States diagnostics market.

Can MZT in 2005 complete the timetable for the sample testing method and development of a "proprietary testing method" that can be used for the early detection of breast cancer? Matritech could be first to the market with a novel, minimally invasive test. However, early stage partnering is a core component of diagnostic, biotech and pharmaceutical business strategy that allows for continued development and marketing prowess. MZT has promising new and emerging technologies. The risk of sharing future revenue is diluted, however, through royalty payments. Will 2005 and 2006 bring about better focus to regulatory approvals and allow MZT to deliver these unique tests? Future results may differ from expectations of management and shareholders. Also, MZT may take several years to achieve profitability.

**Currently, MZT has enough cash to make it to the end of 2006.** Dilution risk based on financings and future financings may be unfavorable to current shareholders and adversely affect the stock price. The company is reliant on equity financing until it becomes profitable. If the company is unable to obtain financing, then the company's future as a continuing operation is jeopardized.

MZT has also significantly expanded its sale and account management force. This expansion has affected the company's operating results and expenses. If certain sales goals are not met, and costs not contained, then the cost of the sales may adversely affect the stock price.

**Investors should always read the risk factors in MZT's latest 10-K and 10-Q SEC filings before making any investment decisions.**

## Catalysts and Milestones

DATE	EVENTS	COMPLETED
Year 2004	Reported Sales of NMP22 BladderChek® Increased 228% for the fiscal year 2004 from the 2003 FY	Done
Q2/04	Medicare Reimbursement for Monitoring in 50 States; for Diagnosis in 49 States	Done
Q2/04	Begin preclinical trials for NMP179 for cervical cancer with Sysmex	Done
Q3-Q4/04	Continue to Increase Sales of NMP22 Products	Done
Q4/04	Leverage Expanded Sales Force	On-going
Q1/05	Start Clinical Testing of Breast Cancer specimens	On-going
Q2/05	Complete Second Tranche of Equity Financing	
Q2-Q3/05	Sign US Partner for NMP66	
Q3-Q4/05	Submit Breast Cancer Data to FDA	
FY05-FY06	Test of BC Test NON US - Europe	

## Valuation Analysis

**MZT's quarterly growth opportunity should be quite compelling over these next two to three quarters in 2005.** We continue to view MZT as a tracking stock to CYTC and other well-respected, high-growth diagnostic public companies.

**MZT's stock has been held to a venture-level valuation. CYTC has a valuation of about sixty-eight (68) times MZT. Consistent good news from MZT should disproportionately narrow this gap. We like the investment snapshot of a company with two FDA approved diagnostics.** MZT addresses a current market (approved products) of \$1-2 Billion with 3 competitors and 6 analogous diagnostic firms.

We are projecting revenues for MZT of approximately \$10.5 million for the year 2005. Using CYTC's price/sales ratio of 5.82, since we feel this is the most appropriate and tangible market valuation method at this time, we obtain an estimated market valuation for MZT's stock of \$61 million. MZT's current market capitalization is \$37.16 m. The real future value comes from the products in development. The market will continue to undervalue MZT's stock until it begins FDA clinical trials for NMP66 for breast cancer diagnosis. MZT has put all of its present R&D expenditures into NMP66, and investors would like to see a positive outcome in a timely manner. Investors should expect management to address the projected path for NMP66 by the second quarter conference call in August. Future royalties from Sysmex for use of NMP179 in cervical cancer diagnosis would not occur until after an FDA approval (milestone payments from Sysmex are also part of the collaboration). This approval is projected to be in 2006. NMP48 for prostate cancer and NMP35 for colon cancer are in too early of a stage of development to be included in our valuation of the firm at this time.

**Progress has been articulated in the development of NMP66 for the detection of breast cancer.** According to the American Cancer Society, approximately 211,300 new cases of invasive breast cancer and 55,700 cases of in-situ breast cancer occurred in the United States during 2003. Breast cancer is a "malignant neoplasm of the breast". A cancer cell has characteristics differentiating it from normal tissue cells with respect to: the cell outline, shape, structure of nucleus and most importantly, its ability to metastasize and infiltrate. Cancer is currently confirmed after a biopsy (surgically extracting a tissue sample) and pathological evaluation. Consider if NMP66 is developed in a test format; breast cancer is the leading cause of death among women aged 15-54 in the United States. What woman wouldn't buy or pay for this non-invasive test? The demand for new prevention, treatment and monitoring diagnostics for the major diseases of the developed world is so great that potential partners are willing to pay higher fees to access and reward scientific innovation.

**This story is familiar to many development companies. Expectation is always the consideration.** MZT's current pipeline of products addresses a huge multi-billion dollar market potential. The break down for the potential cancer screening market (millions of tests/year) in the USA include: Bladder- 10 m., Prostate - 50 m., Cervical - 75 m., Breast - 45 m., and Colorectal - 80 m tests. Sizing the aggregate of this US market in dollars is estimated at \$5 billion and includes sales from both traditional lab tests and point of care (POC) sectors. The Rest of World (ROW) market potential is estimated to equal the USA market. **Near term, for 2006, we believe that the product development pipeline: novel markers for cervical, breast, prostate, colorectal tests and potential for point of care (POC) reimbursement for doctors should provide a fundamental drive toward share price recovery.** Currently, MZT has focused its R&D on its most promising technology: NMP66 for breast cancer. The NMP66 test is currently being developed and additional studies to optimize the method of NMP66 detection are being conducted. After these studies are completed (assuming positive results), then the company plans on moving the test into FDA trials (please read Government Regulation section on Diagnostic Products in FDA trials in MZT's most recent 10-K SEC filing).

## Top Institutional and Mutual Fund Holdings

TOP INSTITUTIONAL HOLDERS		
Holder	Shares	% Out
Omicron Master Trust	2,257,784	4.9%
ProMed Funds and Affiliates	1,730,848	4.0%
Radius Venture Partners II, LP	1,342,854	3.0%
Midsummer Investment Ltd.	1,045,935	2.3%
SF Capital Partners Ltd.	1,007,134	2.3%
SDS Capital Group SPC, Ltd.	872,846	2.0%
Alpha Capital Aktiengesellschaft	656,100	1.5%
Bristol Investment Fund	650,988	1.5%
Dimensional Fund Advisors Inc	592,520	1.4%
Perkins Capital Management, Inc.	526,800	1.2%
Millenium Partners, LP	503,561	1.1%
Barclays Bank Plc	486,717	1.1%

TOP MUTUAL FUND HOLDERS		
Holder	Shares	% Out
Vanguard Total Stock Market Index Fund	258,993	.59%
DFA U.S. Small Cap Series	30,500	.07%
Vanguard Balanced Index Fund	23,600	.05%
DFA Tax-Managed U.S. Small Cap Portfolio	18,900	.04%
Spartan Extended Market Index Fund	9,731	.02%
SA Fds Inv Tr-U.S. Small Company Fd	3,100	.01%
Price (T.Rowe) Extended Equity Market Index Fund	2,600	.01%
Vanguard Institutional Index-Inst Total Stock Market Ind	1,700	0.0%

## Comparables

As of market close 5/4/2005:

Company Name	Ticker PRICE	52-Week High-Low	Shares Outstanding	Market Capitalization
Matritech (MZT)	\$0.85	\$0.85 -1.48	43.72 m	\$37.16 m
CYTYC Corp (CYTC)	\$22.30	\$17.74 - 29.05	113.77 m	\$2.54 b
Digene (DIGE)	\$23.29	\$16.94 - 40.86	19.99 m	\$465.61 m
Tripath Imaging (TPTH)	\$6.70	\$6.15 - 10.45	38.16 m	\$255.7 m
Immunomedics (IMMU)	\$2.20	\$2.14 - 6.24	54.07 m	\$118.96 m

### Comparables Chart and Index Performance Chart

**Comparables Chart for Matritech:**

- Matritech (Blue)
- CYTYC Corp (Red)
- Digene (Green)
- Tripath Imaging (Black)
- Immunomedics (Orange)



**Index Performance Chart for Matritech:**

- Matritech (Blue)
- Nasdaq Biotechnology Index (Red)
- Nasdaq Composite Index (Green)



## Financial Highlights

### Q4/04 Results

Revenues for the fourth quarter of 2004 were \$2,432,034, compared with \$1,150,409 for the fourth quarter of 2003, an increase of 111%. Revenue recognized from sales of the NMP22® BladderChek® Test increased 238% during the quarter to \$1,632,084, compared to \$483,121 in the fourth quarter of 2003. Overall product sales for the fourth quarter of 2004 were \$2,382,050, compared with \$1,062,623 for the fourth quarter of 2003. MZT reported a loss from operations of \$1,852,730 for the quarter ended December 31, 2004, compared with a loss from operations of \$1,589,156 for the same period in 2003. This 17% increase was due primarily to the increased expenses of staffing MZT's direct-to-the-doctor sales force and sales-related marketing expenses. MZT reported a net loss of \$2,489,811 or \$0.06 per share for the quarter ended December 31, 2004, compared with a net loss of \$2,274,684 or \$0.06 per share for the same period in 2003. This 9% increase in net loss was due to the 17% increase in operating loss described above offset by lower amortization of non-cash charges related to MZT's convertible debt. Revenues for the year ended December 31, 2004 were \$7,483,095, an increase of 71% over revenue of \$4,375,211 in 2003. Revenue recognized from sales of the NMP22® BladderChek® Test increased 228% during 2004 to \$4,466,392, compared with sales of \$1,361,803 in 2003. Overall product sales for 2004 were \$7,274,789 compared with \$4,017,896 for 2003. MZT reported a loss from operations of \$8,367,784 for the year ended December 31, 2004, compared with a loss from operations of \$6,855,547 for the same period in 2003. This 22% increase was due primarily to the increased expenses of staffing MZT's direct-to-the-doctor sales force and sales-related marketing expenses. The Company reported a net loss of \$11,123,155 or \$0.27 per share for year ended December 31, 2004, compared with a net loss of \$7,878,290 or \$0.24 per share in 2003. This 41% increase in net loss was due to higher amortization of non-cash charges related to the MZT's convertible debt and to the expenses described above. At December 31, 2004 the MZT had cash and cash equivalents of \$4,906,178.

### Q1/FY05

**Revenues for the first quarter of 2005 were \$2,174,000, compared with \$1,434,000 for the first quarter of 2004, an increase of 52%. Revenue recognized from sales of the NMP22® BladderChek® Test increased 101% during the quarter to \$1,477,000, compared to \$734,000 in the first quarter of 2004. This increase included the recognition of \$70,000 of shipments to several distributors, which previously would have been recorded as deferred revenue. Overall product sales for the first quarter of 2005 were \$2,143,000, compared with \$1,386,000 for the first quarter of 2004. NMP22 BladderChek® Test sales accounted for approximately 89% of sales in the NMP22 product line. MZT reported a loss from operations of \$2,165,000 for the quarter ended March 31, 2005, compared with a loss from operations of \$2,090,000 for the same period in 2004. This 4% increase was due primarily to the increased expenses of staffing Matritech's direct-to-the-doctor sales force and sales related marketing expenses. MZT reported a net loss attributable to common shareholders of \$3,723,000 or \$0.09 per share for the quarter ended March 31, 2005, compared with a loss of \$2,692,000 or \$0.07 per share for the same period in 2004. The reported net loss attributable to common shareholders for 2005 includes a \$1,627,000 non-cash charge attributable to the beneficial conversion feature of the Series A Convertible Preferred Stock financing which closed in the first quarter of 2005 offset by a non-cash gain of \$714,000 related to changes in the market value of the warrants issued in the financing.**

## Financial Statement

## MATRITECH, INC.

## UNAUDITED CONDENSED

## STATEMENTS OF OPERATIONS

Three Months Ended	2003				FY	2004				FY	2005
	Mar	Jun	Sep	Dec	2003	Mar	Jun	Sept	Dec	2005	Mar
Revenues	615,527	1,137,966	1,171,310	1,150,409	4,375,000	1,433,627	1,682,029	1,935,000	2,432,034	7,483,095	2,173,869
<b>Costs and expenses:</b>											
Cost of sales	546,731	524,984	476,862	460,377	2,009,000	539,376	645,790	597,000	797,914	2,579,581	718,025
Research, development and clinical expense	731,682	666,206	636,242	613,586	2,648,000	715,466	690,333	662,000	658,273	2,726,030	729,750
Selling, general and administrative	1,606,606	1,642,068	1,659,813	1,665,602	6,574,000	2,268,995	2,783,028	2,665,000	2,828,577	10,545,268	2,891,520
<b>Total Costs and Expenses</b>	<b>2,885,019</b>	<b>2,833,258</b>	<b>2,772,917</b>	<b>2,739,565</b>	<b>11,231,000</b>	<b>3,523,837</b>	<b>4,119,151</b>	<b>3,924,000</b>	<b>4,284,764</b>	<b>15,850,879</b>	<b>4,339,295</b>
Interest Income/expense	314,892	-171,147	-180,961	-685,528	-1,022,000	-602,034	-784,139	-286,000	-637,081	-2,755,371	-644,275
Market to market income from warrants	-	-	-	-	-	-	-	-	-	-	714,304
Net loss	-1,954,600	-1,866,439	-1,782,568	-2,274,684	-7,878,000	-2,692,244	-3,221,261	-2,275,000	-2,489,811	-11,123,155	-2,095,397
Beneficial conversion feature	-	-	-	-	-	-	-	-	-	-	-1,627,232
Net loss attributable to commonstock	-1,954,600	-1,866,439	-1,782,568	-2,274,684	-7,878,000	-2,692,244	-3,221,261	-2,275,000	-2,489,811	-11,123,155	-3,722,629
Basic and diluted net loss per common share	(0.06)	(0.06)	(0.06)	(0.06)	(0.24)	(0.07)	(0.08)	(0.05)	(0.06)	(0.27)	(0.09)
Shares used in computing basic and diluted net loss per common share	32,119,981	32,120,388	32,150,176	35,409,721	32,825,000	36,715,762	41,473,897	42,590,000	42,405,837	40,686,755	43,467,499

Balance Sheet Metrics	2003				FY	2004				FY	2005
	Mar	Jun	Sep	Dec	2003	Mar	Jun	Sept	Dec	2005	Mar
Cash & Equivalents	6,927,075	5,087,150	3,413,743	7,518,124	7,518,124	11,206,138	8,967,505	7,036,000	4,906,178	4,906,178	7,834,088
Total Assets	9,857,627	7,938,698	6,338,787	10,418,320	10,418,320	14,236,723	12,093,866	10,276,000	8,245,996	8,245,996	11,010,861
Long-term debt	3,808,767	3,072,381	2,602,616	1,855,714	1,338,062	737,135	678,163	565,000	377,770	377,770	3,103,991
Shareholders equity	3,268,416	1,454,498	-219,817	4,798,230	4,798,230	9,593,705	7,070,572	5,183	3,394,912	3,394,912	3,028,728

The information contained herein is believed to be reliable, but is not guaranteed by us  
Please review our multiple disclosures section. 5/5/05

**Technology, Strategic Alliances, Management, Board**

To access technology section click on the link below

**HTTP:**

**[http://www.scimitarequity.com/technology/MZT\\_Tech.pdf](http://www.scimitarequity.com/technology/MZT_Tech.pdf)**

## Quarterly Press Releases

### **Matritech, Inc. Announces Conference Call for First Quarter 2005 Earnings Monday April 25**

Matritech, Inc., a leading developer of protein-based diagnostic products for the early detection of cancer, will hold a conference call on Wednesday, May 4, 2005, at 8:30 a.m. Eastern Time to discuss the financial results of operations and progress in the achievement of corporate objectives for the first quarter 2005.

### **Matritech to Present at Rodman & Renshaw Techvest 2nd Annual Global Healthcare Conference Thursday April 21**

Matritech, Inc., a leading developer of protein-based diagnostic products for the early detection of cancer, announced today that Stephen D. Chubb, Chairman and Chief Executive Officer, will be presenting at the Rodman & Renshaw Techvest 2nd Annual Global Healthcare Conference scheduled for May 4-6, 2005 in Paris, France at The Intercontinental Hotel.

### **Matritech Announces \$12.55 Million Financing Friday March 4**

Matritech, Inc., a leading developer of proteomics-based diagnostic products, today announced that it has entered into an agreement providing for a \$12.55 million private placement for the sale of 1,426,124 shares of its Series A Convertible Preferred Stock, each share of which is convertible into ten shares of common stock, and five-year Warrants to purchase 4,991,382 shares of common stock at an exercise price of \$1.47 per share. The first portion of the placement, involving \$5.9 million in proceeds and resulting in sale of 670,272 shares of its Series A Convertible Preferred Stock and all the warrants described above, has been closed. The second portion of the placement, for \$6.65 million, is subject to stockholder approval.

### **Journal of the American Medical Association Reports Matritech's NMP22 BladderChek® Test Detects Bladder Cancers Missed by Cystoscopy Tuesday February 15 BladderChek® Test Recommended As Adjunct to Cystoscopy in Diagnosing Bladder Cancer**

The Point-of-Care Test Detected Three Times More Malignancies Than the Currently Used Laboratory Based Urine Cytology Test. According to a study published today in the Journal of the American Medical Association (JAMA), Matritech's NMP22@BladderChek® Test detects cancers missed by cystoscopy, the medical reference standard used to diagnose bladder cancer. The NMP22@BladderChek® Test is the only FDA approved point-of-care, or in-office test, for the diagnosis of bladder cancer. The researchers concluded that the BladderChek® Test can increase the accuracy of cystoscopy in diagnosing bladder cancer, with results available during the patient's visit.

### **Matritech Reports Fourth Quarter and 2004 Fiscal Year Results Sales of NMP22(R) BladderChek® Tests for Bladder Cancer Up 238% in Fourth Quarter and 228% for the Year. Tuesday February 8**

Company Also Announces Election of Jonathan M. Niloff, M.D. to Board of Directors  
Matritech a leading developer of protein-based diagnostic products for the early detection of cancer, today reported financial results for the fourth quarter and the year ended December 31, 2004.

## Please Read these Important Disclosures!

### Reg. AC, Analyst Certification

I, Henry W. McCusker, hereby certify that all the views expressed in this review, accurately reflect my personal views about the subject Company or companies and its or their securities. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views contained in this review.

<http://www.scimitarequity.com/content/disclosure/disclosure.jsp>

### Regulatory Disclosure

Scimitar Equity Research, Inc. (Scimitar) is an equity research firm providing unbiased and insightful analysis for under-followed and small capitalization health science companies. Scimitar is a publisher of research utilizing the "sponsored" or "paid-for" research compensation model to increase visibility and access for these sector specific companies. Scimitar "clearly and prominently" articulates a statement of financial sponsorship and has a compensation arrangement for this quarterly (\$7,500) research review. Scimitar provides qualitative scientific and financial analyses to identify those companies demonstrating real progress towards their vision while meeting quarterly expectations Scimitar delivers this research and analysis of selected segments within the health/life science industry via the world-wide web and our proprietary database to the institutional, advisory and retail investment communities. To maximize transparency in analyst certification, we are required to disclose any potential conflicts of interest thus insuring independence. We do not accept payment of any fees in company stock or any form of security.

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### Company Specific Risk Disclosure

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Informational: It has been our practice to generate an informational company review when we initiate coverage. A "Buy" ranking could accompany a price target but these company reviews generally entail that additional information is needed to determine or clarify the companies approach to the growth opportunity.

Buy: Stocks ranked "Buy" are those stocks Scimitar recommend actively buying. These are stocks that are demonstrating their vision while meeting expectation and should appreciate at least 10% over the next 6 months.

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Sell: Stocks ranked "Sell" are those Scimitar would sell; these are stocks that appear not to be able to fulfill or deliver on their disclosed milestones and are expected to depreciate at least 10% over the next 6 months.

Termination (of coverage): In the event an analyst's coverage is terminated, there is a requirement that firms notify investors when coverage is dropped. This notice must include a final ranking or recommendation. The rule specifically calls for notice to be made in the same manner as in research coverage was first initiated.

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Scimitar Equity Research, Inc.  
216 Commonwealth Ave.  
Boston MA, 02116  
617.236.6396

[info@scimitarequity.com](mailto:info@scimitarequity.com)

[www.scimitarequity.com](http://www.scimitarequity.com)

