



MZT

Matritech, Inc.

May 3, 2006

Detecting Bladder Cancer Tumors Conventional Methods Miss

Ranking: **“BUY”**

Price at 5/02/06: **\$1.23**

52 Week Range: **\$1.56 - \$0.52**

New Price Target: **\$2.50 - \$2.75**

Market Capitalization: **\$64.91 m**

Enterprise Value: **\$65.75 m**

Shares Outstanding: **52.78 m**

Fiscal Year End: **Dec**

Exchange: **AMEX**



Building on momentum

The clinical performance of MZT's NMP22® BladderChek® Test, the point-of-care urine test, in detecting occult bladder cancers was recently presented at the 21st Annual Congress of the European Association of Urology (EAU) in Paris. The NMP22 BladderChek Test was reported to detect all of the cancers that occurred in the upper urinary tract of patients with risk factors or symptoms of bladder cancer. Cystoscopy (a visual examination of the interior of the bladder using a scope inserted through the urethra) did not identify these tumors because they were outside the viewing area of the instrument. The tumors were also not detected by cytology, a commonly used laboratory test. Revenues for Q1/06 were \$2,909,000, compared with \$2,174,000 for Q1/05, an increase of 34% versus Q4/05 results of \$2.82m (a 3.2% increase). Revenue recognized from sales of the NMP22 BladderChek Test increased 62% during Q1/06 to \$2,387,000 compared to \$1,477,000 in Q1/05 versus Q4/05 of \$2,254,000. Again, BladderChek® Test sales had accounted for approximately 90% of sales in the NMP22® product line (as in Q4/05). MZT's shares closed April up 56%. MZT recently rose to a 52 week high of \$1.56 per share. Investors responded and shareholders are seeing a buying opportunity. The long term trend is positive as the stock is trading upwards along with both 50 day and 200 day moving averages. We maintain that MZT's stock is also undervalued relative to its strong intellectual property portfolio, breast cancer update and 4 FDA approved products. Q1/06 revenues and the guidance of FY06 make MZT's stock attractive to small-cap investors. MZT presents a substantial upside story.

Urinary tract cancer is most common urological malignancy

Matritech, Inc. (MZT) is engaged in the development, manufacturing, marketing, distribution and licensing of cancer diagnostic technologies: products and services that focus primarily on the early detection of various types of cancer and on finding differences in the types and amounts of proteins found in the tissue, blood and urine in patients with or without cancer. MZT currently manufactures products for detecting bladder cancer utilizing its NMP22® technology which sells through its own direct sales force in the US and Germany and through distributors in other countries. The AUA's Annual Meeting is the world's largest meeting of urologic professionals and will occur on May 20-25/06 in Atlanta, Georgia with more than 10,000 urologists and health care professionals and 5,000 exhibitors in attendance and over 350 exhibitors showcasing their urological products or services.

Henry McCusker
617.236.6396
hwm@scimitarequity.com

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

Investment Thesis

I maintain a strong "BUY" on MZT and I am raising the 12 month price target to \$2.50 – \$2.75. I maintain this "Buy" ranking based on the positive results of Q4/05, Q1/06 and the clinical performance of MZT's NMP22® BladderChek® Test which was recently presented at the 21st Annual Congress of the European Association of Urology (EAU) in Paris.

The NMP22 BladderChek Test was reported to detect all of the cancers that occurred in the upper urinary tract of patients with risk factors or symptoms of bladder cancer. Cystoscopy (a visual examination of the interior of the bladder using a scope inserted through the urethra) did not identify these tumors because they were outside the viewing area of the instrument. The tumors were also not detected by cytology, a commonly used laboratory test. MZT's revenue target for 2006 is \$14-15 m and the target for the 2005 revenue was estimated at \$10.5 m with an actual year ending at \$10.42m. **MZT also secured a financing (1.13.06) with very reputable investors (H&Q Capital Management, SDS Capital Group and ProMed Offshore Fund II) that added \$6.25 million in cash to the balance sheet.** MZT's shares closed April up 56% for the month and closed down from its 52 week high at \$1.23 on May 2nd. 2006 annual revenue is expected to increase by 35-40% over last year. Revenue growth beyond 2006 appears to be very favorable for BladderChek® and progress by Sysmex (NMP179 partner) and NMP66 could fuel future growth. I project Q2/06 total revenue to be \$3.5 m.

The AUA's Annual Meeting is the world's largest meeting of urologic professionals and will occur on May 20-25/06 in Atlanta, Georgia with more than 10,000 urologists and health care professionals and 5,000 exhibitors in attendance and over 350 exhibitors showcasing their urological products or services. **Six (6) different papers/abstracts will be presented at the annual meeting highlight the MZT's NMP22® BladderChek® Test.** The Abstract Links are: [Abstract #891](#) , [Abstract #1238](#) and [Abstract #882](#). The American Urological Association (AUA) is the premier professional association for the advancement of urologic patient care, and works to ensure that its more than 14,500 members are current on the latest research and practices in urology. The AUA also pursues its mission of fostering the highest standards of urologic care by providing a wide range of services—including publications, research, continuing education and the formulation of health policy.

MZT is seeing continued growth in NMP22® BladderChek® Test sales and progress in Germany in Q1/06 selling the NMP22 BladderChek Test to gynecologists for over a year. MZT stated, "Hundreds of gynecologists in Germany have purchased BladderChek tests and as a result, sales now exceed a \$1 million dollar annual sales run-rate to these physicians. Also encouraging were sales growth in the German urology segment, which is still growing in our fifth year of selling." **Look for a dramatic uptick in/to the future from the female (womens health) market and gynecologists in the US as this large market is penetrated.**

Revenues for the first quarter of 2006 were \$2,909,000, compared with \$2,174,000 for the first quarter of 2005, an increase of 34%. Revenue recognized from sales of the NMP22 BladderChek Test increased 62% during the quarter to \$2,387,000 compared to \$1,477,000 in the first quarter of 2005. This increase included the recognition of \$150,000 of shipments to two distributors, which previously had been recorded as deferred revenue. NMP22 BladderChek Test sales accounted for approximately 90% of sales in the NMP22 product line. **MZT reported a loss from operations of \$2,197,000 for the quarter ended March 31, 2006, compared with a loss from operations of \$2,165,000 for the same period in 2005 versus \$1,794,983 in Q4/05.** This 1% increase was due primarily to MZT's direct-to-the-doctor sales force and sales related marketing expenses. MZT reported a net loss attributable to common shareholders of \$3,093,000 or \$0.06 per share for the quarter ended March 31, 2006, compared with a net loss attributable to common shareholders of \$3,723,000 or \$0.09 per share for the same period in 2005. The reported net loss attributable to common shareholders for 2005 included a \$1,627,000 non-cash charge attributable to the beneficial conversion feature of the Series A Convertible Preferred Stock financing offset by a non-cash gain of \$714,000 related to changes in the market value of the warrants issued in the financing.

We maintain that MZT's stock is also undervalued relative to its strong intellectual property portfolio and 4 FDA approved products. Q1/06 revenues and the guidance of FY06 make MZT's stock attractive to small-cap investors. MZT presents a substantial upside story.

What was stated on the Conference Call

David Corbet's comments -

"We are seeing continued growth in NMP22 BladderChek Test sales as evidenced by our 62% growth over the first quarter of 2005. We were particularly pleased by the progress in Germany this past quarter. In Germany, as you know, we've begun selling BladderChek to gynecologists. Over 900 gynecologists in Germany have purchased BladderChek tests thus far, and as a result, sales to these physicians now exceed a \$1 million annual run rate. Also encouraging, was our sales growth to German urologists. Sales to urologists in Germany are still growing and we are in our 5th year of selling. In the U.S., the first quarter of 2006 was a strong quarter of adding new customers to our urologist base. However, we were disappointed in our progress of converting occasional users of the BladderChek Test into higher volume users. This remains our principle challenge in the U.S. and we've recently taken a number of steps to focus more resources on achieving this goal".

"We continue to analyze the market opportunity for gynecologists in the U.S. and remain on track to enter this market later this year. In a first for the company, the NMP22 BladderChek Test will be exhibited at a U.S. gynecology conference. We will have an exhibit booth at the American College of Obstetricians and Gynecologists, known as ACOG, their annual meeting in Washington DC next week May 8-10. ACOG is considered the preeminent national medical association of health care providers for women with a membership of approximately 49,000. We believe bladder cancer is a significant issue for women and their gynecologists. More women die of bladder cancer than of cervical cancer in the U.S. Also in the U.S., women have a higher probability of developing invasive bladder cancer than invasive cervical cancer. The disparity between women and men in both the diagnosis of bladder cancer and five year survival rates is compelling if- not alarming. The five year bladder cancer survival rate in women is less than the ten year bladder cancer survival rate in men. As our early experience in Germany suggests, we believe the gynecology market in the U.S. is a significant opportunity".

"In a few weeks, the American Urological Association, the AUA, will be in Atlanta for their annual meeting. There will be a number of new presentations at this meeting which include MD Anderson's Dr. Grossman will be providing an overview of the updated monitoring study which was published in JAMA earlier this year. Dr Yair Lotan of the University of Texas Southwestern will demonstrate that screening of high risk patients for bladder cancer is cost effective. And Dr. Mark Soloway ,University of Miami School of Medicine, and Dr. Barry Stein, Rhode Island Hospital and Brown University School of Medicine, are presenting a new analysis of clinical trial data that shows that BladderChek helps to identify whether a tumor is dangerous, that is invasive or aggressive, prior to biopsy. This provides utility beyond detecting cancer. It aids the physician in therapeutic planning".

Stephen Chubb's comments -

"Now I would like to comment on our progress in developing products based on other NMPs. NMP66 for breast cancer and NMP179 for cervical cancer. **During the first quarter our scientists continued the NMP66 optimization and preclinical testing activities that we described during our earnings conference call last February. Our goal is to complete these activities in sufficient time to begin FDA clinical trials of serum specimens for breast cancer this year. We would then compile the results of that testing and prepare submission to the FDA. In previous communications with you, we have reported the preliminary results of using an antisense affinity capture or AAC method to concentrate the NMP66 protein complex from the blood of women with breast cancer. We are presently evaluating the benefits of this, and other NMP66 concentration procedures. If they continue to appear promising it is likely that we will incorporate one of them into our routine specimen preparation protocols. In previous communications with you, we have also provided the project status that our partner Sysmex Corporation, has announced using our NMP179 protein marker. Sysmex is using NMP179 protein marker. Sysmex is using NMP179 in conjunction with its flow cytometry technology to automate the review of cervical specimens to detect abnormal cells which could lead to cancer.** As a public company, Sysmex communicates directly with the financial community about its major activities, including its progress in the preclinical trials for the NMP 179 system, as well as its plans for FDA trials, submission and product launch. **Sysmex has announced that it expects to launch the automated cervical cancer detection system in 2008.** We are providing counsel and support as requested from Sysmex to assist them in meeting this launch date goal".

"We have reaffirmed our guidance to product sales for 2006 will exceed \$14 million".

Valuation Analysis

MZT's current value lies in its sales of its NMP22® product line for bladder cancer in the US, Germany and Japan. **Reiterating, MZT's stock price has not been closely correlated to the industry. Sales and company specific factors seem to have much more of an affect on the stock price than the industry.** Since MZT's sales do not seem to be cyclical or seasonal the market will be looking for consistent market penetration into the urology market. Valuation bullets have been aimed at improving margins and quarterly sales growth.

Progress with BladderChek® sales is the only indicator for valuation gains at the moment. **The next generation of tests is the key to the valuation's progression.** Research continues on NMP179® program for cervical cancer and NMP66™ program for breast cancer. Sysmex Corporation has the responsibility for completion of development and FDA submission of this NMP179® automated detection system, Sysmex is expected to launch NMP179 in 2008. Management has stated that their goal is to complete the NMP66 optimization and preclinical testing activities so they can initiate FDA clinical trials this year. I continue to view MZT as a tracking stock to CYTC and other well-respected, high-growth diagnostic public companies. CYTC has a valuation of about forty-eight (48) times MZT. Consistently good news from MZT continues to narrow this gap. I like the investment snapshot of a company with two FDA approved diagnostics. MZT's shares closed April up 56%. The monthly average trading volume for April was 834k shares. The 3 month avg. volume and 10 day avg. volume is 387k shares and 875k shares, respectively. Investors have seen a buying opportunity as the stock dropped near 20 day moving average with ROC sliding toward oversold level. The long term trend is positive as the stock is trading upwards along with both 50 day and 200 day moving averages.

MZT addresses a current market (approved products) of \$1-2 Billion with 3 competitors and 6 analogous diagnostic firms. My 2006 revenue projection for MZT is \$14.2 million. CYTC is projected to have approximately \$606 million in revenues in 2006 (Thomson Consensus). The current market capitalization of MZT is \$64.91 m and CYTC's is \$2.97 B. **The enterprise values for the 2 firms are \$65.75 m for MZT and \$3.00 B for CYTC. Using these comparables MZT should have a current market capitalization of \$70.6 m (\$1.34 a share) based on the comparable enterprise value to revenue ratio (ev/revenue= 4.97 for CYTC). We expect additional value to be created in early 2007 as clinical trials progress and the BladderChek® test sales growth accelerates (penetrating OB/GYN market). These catalysts should double the value of the stock over the next 12 months as we see sales to be in excess of \$20 m in 2007.**

| Company (Symbol) | Ticker Price | 52-Week High-Low | Shares Outstanding | Market Capitalization |
|------------------------|--------------|------------------|--------------------|-----------------------|
| CYTC Corp (CYTC) | \$25.74 | \$30.77-21.05 | 115.75 m | \$2.97 B |
| Digene (DIGE) | \$39.74 | \$44.40-18.75 | 22.54 m | \$895.70 m |
| TriPath Imaging (TPTH) | \$7.81 | \$9.45-5.55 | 38.38 m | \$299.76 m |
| Immunomedics (IMMU) | \$2.80 | \$3.50-1.63 | 55.54 m | \$155.52 m |
| Matritech (MZT) | \$1.23 | \$1.56-0.52 | 52.78 m | \$64.91 m |

Comparables

| Micro Cap | Ticker Symbol | Price (5/02/2006) | 12 month High-Low | Shares (MM) | Mkt. Cap (\$MM) | Ent. Value (\$MM) | Calendar Revenue | | EV/Calendar Revenue | |
|------------------|---------------|-------------------|-------------------|-------------|-----------------|-------------------|------------------|---------|---------------------|--------|
| | | | | | | | 2005A | 2006E* | 2005 | 2006E* |
| TriPath Imaging | TPTH | \$7.81 | \$9.45 - \$5.55 | 38.38 m | \$299.76m | \$266.69m | 85.96 m | 103.0 m | 3.10 | 2.59 |
| Immunomedics | IMMU | \$2.80 | \$3.50 - \$1.63 | 55.54 m | \$155.52 m | \$182.96 m | 2.58 m | N/A | 70.91 | N/A |
| Matritech | MZT | \$1.23 | \$1.56 - \$0.52 | 52.78 m | \$64.91 m | \$65.75 m | 10.42 m | 14.2 m | 6.31 | 4.63 |
| Small Cap | | | | | | | | | | |
| Digene Corp | DIGE | \$39.74 | \$44.40 - \$18.75 | 22.54 m | \$895.70 m | \$804.31m | 132.42 m | 164.28 | 6.07 | 4.90 |
| Mid Cap | | | | | | | | | | |
| CYTYC Corp | CYTC | \$25.74 | \$30.77 - \$21.05 | 115.75 m | \$2.97 B | \$3.0 B | 508.25 m | 603.51 | 5.90 | 4.97 |

*Thomson Consensus Estimates, except for MZT (our own)

Comparables Chart for Matritech:

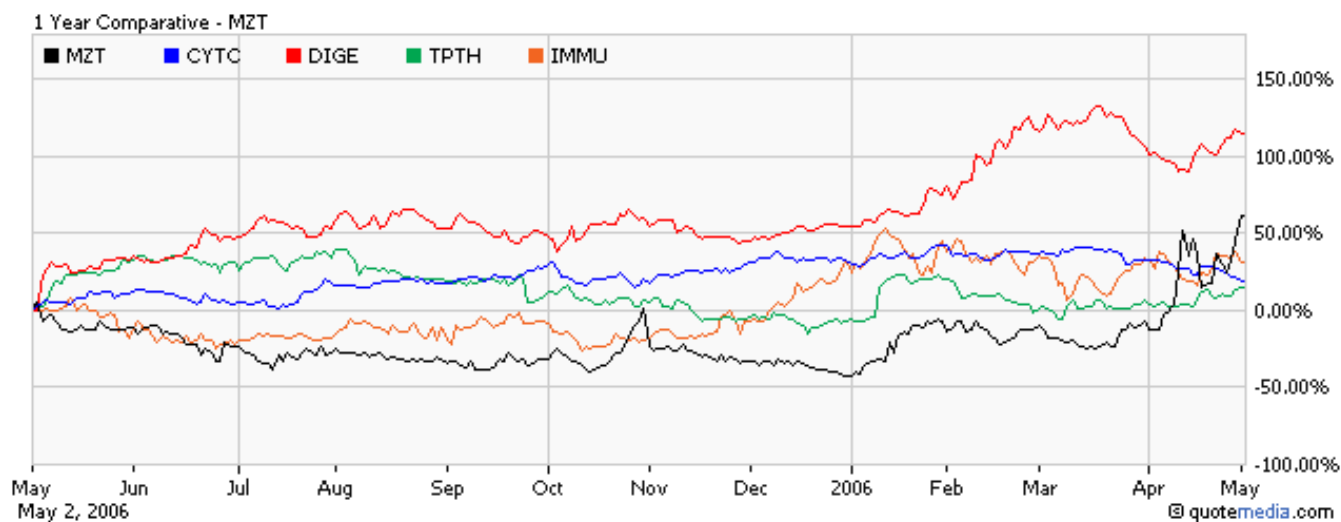
Matritech (MZT - Black)

CYTYC Corp (CYTC - Blue)

Digene (DIGE - Red)

TriPath Imaging (TPTH - Green)

Immunomedics (IMMU - Orange)



Company Description

Matritech, Inc. (MZT) is a biotechnology company principally engaged in the development, manufacturing, 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. 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.

More information is available at: <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. These companies may have greater access to capital and greater experience in the United States diagnostics market.

MZT in 2006 needs to 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 and be the first to the market with a novel, minimally invasive test. MZT has promising new and emerging technologies. 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 Q1/2007. The company is reliant on equity financing until it becomes profitable. MZT has also significantly expanded its sales and account management force. This expansion has affected the company's operating results and expenses. If certain sales goals are not met, then the cost of the sales (SG&A) 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 | STATUS |
|--------------------------|---|---------------|
| 2005 | Leverage Expanded Sales Force | On-going |
| Q1/05 | Start Clinical Testing of Breast Cancer specimens | On-going |
| Q3/05 | Gain Marketing Approval in Japan for NMP22® | Completed |
| Q3/05 | Issued US Patent for NMP66™ | Completed |
| Q1/06 | \$7m Financing | Completed |
| Q1/06 | JAMA Article on NMP22 Study Published | Completed |
| Q1/2006 | 1 million unit sales for BladderChek® | Completed |
| 2006 | Assess and enter OB/GYN PCP (US) market for BladderChek® | |
| Q3-Q4/06 | Submit Breast Cancer (BC) Data to FDA | |
| Late 2007/ Early 2008 | FDA Approval for NMP66™ (Breast Cancer) | |
| 2008 | Commercialization of NMP179® for Cervical Cancer in US and Europe | |

Top Insider and Institutional Holdings

| Insider Holdings | | |
|---|-----------|----------------|
| Holder | Shares** | % Outstanding* |
| Management and Directors (Stephen Chubb, David Corbet, Richard Sandberg, Franz Maier, Melodie Domurad, Patricia Randall, Gary Fagan, Walter Fredericks, Judith Kurland, Jonathan Niloff, John Quigley, Jr.) | 3,091,724 | 5.9% |

| TOP INSTITUTIONAL HOLDERS | | |
|--|-----------|--------|
| Holder | Shares** | % Out* |
| SDS Capital Group SPC | 4,066,649 | 7.7% |
| ProMed Offshore Fund II | 3,283,377 | 6.2% |
| H&Q Life Sciences Investors | 3,076,923 | 5.8% |
| Dimensional Fund Advisors, Inc. | 592,500 | 1.12% |
| Barclays Global Investors, N.A. | 476,124 | 0.90% |
| Deutsche Asset Management Americas | 322,900 | 0.61% |
| Vanguard Group, Inc. | 205,701 | 0.39% |
| Perkins Capital Management, Inc. | 189,800 | 0.36% |
| Alexandra Investment Management, L.L.C. | 185,185 | 0.35% |
| New Jersey Division of Investment | 140,000 | 0.27% |
| California Public Employees' Retirement System | 98,800 | 0.19% |
| ProMed Management, Inc. | 92,022 | 0.17% |
| Northern Trust Global Investments | 79,300 | 0.15% |
| Overbrook Management Corporation | 50,000 | 0.09% |
| Northern Trust Investments, N.A. | 44,778 | 0.08% |
| Mellon Private Wealth Management | 32,580 | 0.06% |

* Out of 52,776,560 shares

** Beneficial Ownership of shares as defined by the SEC, numbers from company SEC Filings and Thomson One Analytics

Clinical Development Path

| Program | Current Status | Projected FDA Approval | US Partner | Foreign Partner |
|----------------------------|---------------------|------------------------|------------------------|-------------------------|
| NMP66™ Breast Cancer | Preclinical Testing | Late 2007/Early 2008 | None | Mitsubishi Kagaku-Japan |
| NMP179® Cervical Cancer | Preclinical Testing | 2008 | Sysmex | Sysmex |
| NMP48™ Prostate Cancer | Deferred | Not Available | To be Determined (TBD) | TBD |
| NMP35™ Colon Cancer | Inactive | Not Available | Inactive | Inactive |

Competition

| Bladder Cancer | Breast Cancer | Cervical Cancer | Prostate Cancer |
|--|---|---|---|
| Polymedco** Products- BTA Trak and BTA Stat | Fujirebio Diagnostics Product- CA 15-3® Radioimmunoassay | CYTYC Product- ThinPrep® Pap test | Abbott Labs, Product- Total PSA (prostate specific antigen) test |
| Abbot Laboratories Product- UroVysion | Roche, Bayer, J&J and Abbott Products- CA 15.3 and CA 27.29 | TriPath Imaging Product- SurePath® liquid based Pap test | Bayer Product- Bayer Immuno 1® PSA test |
| Other methods to detect bladder cancer- CT scan, urine cytology, intravenous pyelogram, cystoscopy and urinalysis. | Other Methods- Mammography, Digital Mammography, MRI and Ultrasound | Other Methods- HPV tests | Other Methods- Digital Rectal Exam from physician |

**** The BladderChek® point of care (POC) test for monitoring competes with Polymedco's BTA Stat test. Both tests are more sensitive than cytology, although less specific. The BladderChek® test is more specific than the BTA Stat test. The BladderChek® POC tests for diagnosis does not have a direct urine test competitor that uses a tumor marker. Other new tumor markers are being tested that may compete with MZT's test in the future. These are called HA-HAase and CYFRA 21-1. Also an antibody to whole cells called Immunocyt is being tested¹.**

| Experimental Urine Test (Italy) | |
|---|--|
| Telomerase* *(larger studies are needed) | This new test detects urine levels of telomerase, or what is sometimes called the "immortalizing enzyme" because it enables cancer cells to keep growing indefinitely ² . Telomerase is present in almost all human cancer cells but only rarely in non-cancerous cells, and burgeoning research is investigating ways to use it as a target for both diagnosing and treating cancer. Blood in the urine is a common symptom, but it also can signal less serious conditions and patients frequently dismiss it until the disease has progressed ³ . The study involved 134 male bladder cancer patients and 84 healthy men. The test correctly identified cancer in 90 percent of the patients and ruled it out appropriately in healthy men almost as often. Newer detection methods include testing urine for certain proteins, with results available while patients wait in the doctor's office. These typically don't rule out the need for more invasive testing. |

¹ American Cancer Society website, www.cancer.org; *What's New in Bladder Cancer Research and Treatment*

² Dr. Edward Messing, urology chairman at the University of Rochester Medical Center

³ Jerry Shay, a cancer researcher at the University of Texas Southwestern Medical Center in Dallas.

Capitalization

From 10-K (includes 1/2006 financing)

| Financial Instruments | # of Shares | Conversion or Exercise Price(s) | Expiration Date |
|--|-------------------|---------------------------------|-----------------|
| Authorized Shares | 90,000,000 | | |
| Common Stock Outstanding | 47,498,000 | | |
| Stock reserved for converting debentures | 1,054,000 | (\$0.73) | |
| Stock reserved for secured convertible notes | 10,766,000 | (\$0.65) | |
| Stock reserved for warrant exercises | 17,487,000 | Range (\$0.65-\$2.70) | |
| Stock reserved for outstanding stock options | 3,116,000 | Range (\$0.55- \$13.13) | |
| Stock reserved for Series A Preferred Stock | 7,156,000 | (\$0.70) | |
| Fully Dilutive Totals | 87,077,000 | | |

January 2006 Financing:

On January 13, 2006, the MZT entered into a purchase agreement (the "Purchase Agreement") with accredited investors pursuant to which it sold its 15% Secured Convertible Promissory Notes maturing January 13, 2009 (the "Notes"), which are in the aggregate currently convertible into 10,766,092 shares of Registrant's common stock, par value \$.01 per share, and accompanying Warrants (the "Purchaser Warrants") exercisable beginning on July 14, 2006 and expiring on January 13, 2011 for an aggregate of 6,459,655 shares of its common stock at an exercise price of \$0.67 per share. The aggregate purchase price for the Notes and the Investor Warrants sold in the transaction (the "Private Placement") was approximately \$7.0 million. MZT issued warrants to two placement agents in connection with the Private Placement (the "Placement Agent Warrants") exercisable beginning on July 14, 2006 and expiring on January 13, 2011 for 1,036,609 shares of MZT's common stock at an exercise price of \$0.65 per share. The Private Placement triggered the anti-dilution provisions in MZT's 7.5% Convertible Debentures (due March 31, 2006 - the "Convertible Debentures") so that such Debentures are now convertible at \$.73 per share, and are convertible into an additional 207,555 shares of MZT's common stock, (ii) MZT's Series A Convertible Preferred Stock, which is now convertible into common stock based on a \$.70 per share of common stock value, so that the Series A Preferred is now convertible into an additional 1,463,788 shares of MZT's common stock, and (iii) various warrants previously issued by MZT, covering an aggregate of approximately 6,538,489 shares of common stock, so that the warrants have revised exercise prices ranging from \$.65 to \$1.34 per share. MZT received net proceeds of approximately \$6.25 million after deducting the estimated expenses and commissions in connection with the Private Placement, including a cash payment of approximately \$449,000 to a placement agent. MZT intends to use the net proceeds from the Private Placement for research and development, to cover selling and marketing expenses, working capital and for general corporate purposes.

Technology, Strategic Alliances, Management, Board

To access technology section click on the link below

HTTP: [Technology Review](#)

Financial Highlights

Q4/05

Revenues for the fourth quarter of 2005 were \$2,818,000 compared with \$2,432,000 for the fourth quarter of 2004, an increase of 16%. Revenue recognized from sales of the NMP22® BladderChek® Test increased 38% during the quarter to \$2,254,000 compared to \$1,632,000 in the fourth quarter of 2004. Overall product sales for the fourth quarter of 2005 were \$2,776,000 compared with \$2,382,000 for the fourth quarter of 2004. NMP22® BladderChek® Test sales accounted for approximately 90% of sales in the NMP22® product line. MZT reported a loss from operations of \$1,795,000 for the fourth quarter of 2005 compared with a loss from operations of \$1,853,000 for the same period in 2004. This 3% decrease was mainly the result of increased sales of NMP22® BladderChek® Test. MZT reported a net loss of \$2,218,000 or \$0.05 per share for the fourth quarter of 2005, compared with a loss of \$2,490,000 or \$0.06 per share for the same period in 2004.

Q1/06

Revenues for the first quarter of 2006 were \$2,909,000, compared with \$2,174,000 for the first quarter of 2005, an increase of 34%. Revenue recognized from sales of the NMP22 BladderChek Test increased 62% during the quarter to \$2,387,000 compared to \$1,477,000 in the first quarter of 2005. This increase included the recognition of \$150,000 of shipments to two distributors, which previously had been recorded as deferred revenue. NMP22 BladderChek Test sales accounted for approximately 90% of sales in the NMP22 product line. MZT reported a loss from operations of \$2,197,000 for the quarter ended March 31, 2006, compared with a loss from operations of \$2,165,000 for the same period in 2005. This 1% increase was due primarily to MZT's direct-to-the-doctor sales force and sales related marketing expenses. MZT reported a net loss attributable to common shareholders of \$3,093,000 or \$0.06 per share for the quarter ended March 31, 2006, compared with a net loss attributable to common shareholders of \$3,723,000 or \$0.09 per share for the same period in 2005. The reported net loss attributable to common shareholders for 2005 included a \$1,627,000 non-cash charge attributable to the beneficial conversion feature of the Series A Convertible Preferred Stock financing 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 | | | FY | 2005 | | | | FY | 2006 |
| | Sept | Dec | 2004 | Mar | Jun | Sept | Dec | 2005 | Mar |
| Revenues | 1,935,000 | 2,432,034 | 7,483,095 | 2,173,869 | 2,643,773 | 2,779,636 | 2,818,192 | 10,415,470 | 2,908,611 |
| Costs and expenses: | | | | | | | | | |
| Cost of sales | 597,000 | 797,914 | 2,579,581 | 718,025 | 777,208 | 752,346 | 837,886 | 3,085,465 | 790,075 |
| Research, development and clinical expense | 662,000 | 658,273 | 2,726,030 | 729,750 | 703,035 | 748,494 | 681,465 | 2,862,744 | 831,461 |
| Selling, general and administrative | 2,665,000 | 2,828,577 | 10,545,268 | 2,891,520 | 3,198,296 | 3,013,321 | 3,093,824 | 12,196,962 | 3,484,353 |
| Total Costs and Expenses | 3,924,000 | 4,284,764 | 15,850,879 | 4,339,295 | 4,678,539 | 4,514,161 | 4,613,175 | 18,145,171 | 5,105,889 |
| Operating Loss | -1,989,000 | -1,852,730 | -8,367,784 | -2,165,426 | -2,034,766 | -1,734,525 | -1,794,983 | -7,729,701 | -2,197,278 |
| Interest Income (expense) | -286,000 | -637,081 | -2,755,371 | -644,275 | -561,854 | -465,891 | -423,032 | -2,755,371 | -871,722 |
| Market to market income from warrants | - | - | - | 714,304 | 1,212,598 | -27,204 | - | 1,899,698 | - |
| Gain on sale of fixed assets | - | - | - | - | - | 60,091 | - | 60,091 | - |
| Other Expense | - | - | - | - | - | - | - | - | -23,659 |
| Net loss | -2,275,000 | -2,489,811 | -11,123,155 | -2,095,397 | -1,384,022 | -2,167,529 | -2,218,015 | -7,864,963 | -3,092,659 |
| Beneficial conversion feature | - | - | - | -1,627,232 | - | - | - | -1,627,232 | - |
| Net loss attributable to commonstock | -2,275,000 | -2,489,811 | -11,123,155 | -3,722,629 | -1,384,022 | -2,167,529 | -2,218,015 | -9,492,195 | -3,092,659 |
| Basic and diluted net loss per common share | (0.05) | (0.06) | (0.27) | (0.09) | (0.03) | (0.05) | (0.05) | (0.21) | (0.06) |
| Shares used in computing basic and diluted net loss per common share | 42,590,000 | 42,405,837 | 40,686,755 | 43,467,499 | 44,178,048 | 45,370,972 | 46,951,793 | 45,002,662 | 50,811,207 |
| Balance Sheet Metrics | | | | | | | | | |
| | | | FY | 2005 | | | | FY | 2006 |
| | Sept | Dec | 2004 | Mar | June | Sept | Dec | 2005 | Mar |
| Cash & Equivalents | 7,036,000 | 4,906,178 | 4,906,178 | 7,834,088 | 5,579,907 | 3,795,194 | 1,789,792 | 1,789,792 | 6,147,357 |
| Total Assets | 10,276,000 | 8,245,996 | 8,245,996 | 11,010,861 | 9,120,381 | 7,636,637 | 5,627,984 | 5,627,984 | 10,870,805 |
| Long-term debt | 565,000 | 377,770 | 377,770 | 3,103,991 | 1,941,222 | 1,364,238 | 792,781 | 792,781 | 6,987,948 |
| Shareholders equity | 5,183 | 3,394,912 | 3,394,912 | 3,028,728 | 4,203,374 | 2,784,025 | 1,353,744 | 1,353,744 | 4,654,684 |

The information contained herein is believed to be reliable, but is not guaranteed by us

Please review our multiple disclosures section. 5/3/2006

Quarterly Press Releases

Matritech Up on BladderChek Study

Thursday April 6

Matritech Shares Rise Following Study Showing Detection of Previously Missed Cancers

Shares of Matritech Inc. rose Thursday after the maker of cancer-detection tests said its NMP22 BladderChek test uncovered cancers that standard tests failed to detect.

Matritech's NMP22(R) BladderChek(R) Test Detected Cancers Not Found By Current Methods

Thursday April 6

The NMP22 BladderChek Point-of-care Assay Identified Tumors Outside Viewing Area of the Cystoscope Results Presented at Largest Urology Conference in Europe

The clinical performance of Matritech's NMP22® BladderChek® Test, a point-of-care urine test, in detecting occult bladder cancers was presented today at the 21st Annual Congress of the European Association of Urology (EAU) in Paris. The NMP22 BladderChek Test was reported to detect all of the cancers that occurred in the upper urinary tract of patients with risk factors or symptoms of bladder cancer. Cystoscopy (a visual examination of the interior of the bladder using a scope inserted through the urethra) did not identify these tumors because they were outside the viewing area of the instrument. The tumors were also not detected by cytology, a commonly used laboratory test.

Matritech Announces Addition of Vice President of Sales

Monday March 27

David Kolasinski, 30 Year Accomplished Sales Veteran, Joins Management Team

Matritech, Inc. a leading developer and marketer of protein-based diagnostic products for the early detection of cancer, today announced that it has added a Vice President of Sales to its sales and marketing team. David G. Kolasinski, a veteran diagnostic and point-of-care product sales executive with more than 30 years of experience has joined the company. Mr. Kolasinski will be responsible for all non-European sales activities for the company's lead product, the NMP22® BladderChek® Test, a point-of-care bladder cancer diagnostic test. He will focus initially on accelerating U.S. product sales.

NMP22(R) BladderChek(R) Test Detected 100% of Dangerous Tumors in Women at Risk for Bladder Cancer

Friday March 24

Women Have a Disproportionately Higher Death Rate from Bladder Cancer than Men Clinical Results Presented at Society of Gynecologic Investigation Annual Meeting

Point-of-Care Test has utility as a Screening Tool for Women at Risk for Bladder Cancer

Two leading clinical investigators, a UCLA gynecologist and a noted urologist and author, presented clinical results for Matritech's (Amex: MZT - News) NMP22® BladderChek® Test reporting it detected 100% of the aggressive tumors, one of which was muscle invasive, in women with symptoms or risk factors for bladder cancer. The NMP22 BladderChek Test was also positive for seven conditions that required biopsy for diagnosis. The data and the point-of-care NMP22 BladderChek Test were presented at the 53rd Annual Meeting of the Society for Gynecologic Investigation (SGI) in Toronto in a poster presentation, "Evaluation of a Point-Of-Care Assay for Detection of Bladder Cancer in Women at Risk."

Matritech to Present at Sachs Associates North American Biotech Forum

Monday March 6

Matritech, Inc., a leading developer and marketer 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 Sachs Associates 5th Annual North American Forum for Investing & Partnering in Biotech & Medtech on Monday, March 13, 2006 at 12:40 p.m. (Eastern Time). The forum will be held at the Fairmont Copley Plaza hotel in Boston. Mr. Chubb's presentation will be webcast live and can be accessed on the investors section of the Matritech website at www.matritech.com.

Matritech Announces that More than One Million NMP22(R) BladderChek(R) Tests Have Been Sold

Monday February 6

Matritech, Inc. a leading developer and marketer of protein-based diagnostic products for the early detection of cancer, today announced that more than one million of its NMP22® BladderChek® Tests, a point-of-care cancer diagnostic for bladder cancer, have been sold worldwide. This milestone comes within weeks of a report in the Journal of the American Medical Association (JAMA) that the NMP22® BladderChek® Test significantly increased the detection of recurrent bladder cancer to 99% when used with cystoscopy, a visual examination of the bladder. The NMP22® BladderChek® Test also detected the presence of life threatening cancers missed by cystoscopy.

Matritech Reporting Fourth Quarter and 2005 Financial Results on February 7, 2006

Tuesday January 24

Matritech, Inc. announced today that it will hold a conference call on Tuesday, February 7, 2006 at 8:30 a.m. Eastern Time to discuss fourth quarter and 2005 financial results and provide a company update.

Matritech's NMP22(R) BladderChek(R) Test Detects Bladder Cancers in Symptomatic Patients Missed by Traditional Laboratory Test

Thursday January 19

Military Veterans with Blood in Their Urine Reported to Have Twice the Incidence of Bladder Cancer as Other Individuals

Giora Katz, M.D., a urologist with the Lake City Veterans' Hospital in Lake City, Florida reported today that in a recent bladder cancer clinical trial including veterans hospitals, Matritech's NMP22® BladderChek® Test detected three times more cases of bladder cancer in symptomatic patients than the traditional laboratory test, cytology.

Study in the Journal of American Medical Association (JAMA) Reports Significant Improvement in Bladder Cancer Detection - 99% of Malignancies Found

Tuesday January 17

JAMA Reports that the NMP22(R) BladderChek(R) Test is Better at Detecting Bladder Malignancies than Current Technologies

A simple point-of-care urine test, the NMP22 BladderChek Test, was found to significantly increase the detection of recurrent bladder cancer, finding 99% of the malignancies when used with cystoscopy, according to a report in the January 18 issue of the Journal of the American Medical Association (JAMA).

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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.

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

info@scimitarequity.com

www.scimitarequity.com