CANCERVAX CORP
Form S-4
February 13, 2006

Table of Contents

As filed with the U.S. Securities and Exchange Commission on February 13, 2006
Registration No. 333-[_____]

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CANCERVAX CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	**2836**	**52-2243564**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

2110 Rutherford Road
Carlsbad, California 92008
(760) 494-4200
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Hazel M. Aker, Esq.
Senior Vice President, General
Counsel and Secretary
CancerVax Corporation
2110 Rutherford Road
Carlsbad, CA 92008
(760) 494-4200
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Scott N. Wolfe, Esq.
Latham & Watkins LLP
12636 High Bluff Drive, Suite 400
San Diego, CA 92130
(858) 523-5400

Christian Itin, Ph.D.
Micromet AG
Staffelseestrasse 2
81477 Munich
Germany
+49 89 895277 0

Christian E. Plaza, Esq.
Cooley Godward LLP
One Freedom Square
11951 Freedom Drive
Reston, VA 20190
(703) 456-8000

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, $0.00004 par value	69,458,195	N/A	$1,378,122.10	$147.46

(1) This registration statement relates to common stock, $0.00004 par value per share, of CancerVax Corporation (CancerVax) issuable to holders of common stock, $0.001 par value per share, of Micromet, Inc., a Delaware corporation (Micromet Parent), in the proposed merger of Carlsbad Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of CancerVax, with and into Micromet Parent. The amount of CancerVax common stock to be registered has been determined by multiplying 2.076923 by 33,442,836 (the estimated number of CancerVax s total fully diluted shares as of January 6, 2006, the date of the merger agreement).

(2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended, and computed pursuant to Rule 457(f)(2), based on one-third of the stated value of the securities the Registrant will receive in the merger due to the fact that Micromet AG has an accumulated capital deficit, calculated as the product of (a) one-third times (b) 3,451,057, the total number of Micromet AG ordinary shares and preference shares issued and outstanding, times (c) Euro 1, the stated value per share of the Micromet AG ordinary shares and preference shares, times (d) $1.198, the exchange rate for one Euro on February 9, 2006.

(3) This fee has been calculated pursuant to Section 6(b) of the Securities Act of 1933, as amended, by multiplying the maximum aggregate offering price by .000107.

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions under the merger agreement described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this registration

statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this proxy statement/prospectus is not complete and may be changed. CancerVax may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 13, 2006

SPECIAL MEETING OF STOCKHOLDERS
MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

The boards of directors of CancerVax Corporation, or CancerVax, and Micromet AG, or Micromet, have approved a merger combining CancerVax and Micromet. Subject to CancerVax stockholder approval of the merger, and upon the terms and subject to the conditions set forth in the merger agreement, CancerVax has agreed to issue, and Micromet securityholders will receive, shares of CancerVax common stock such that Micromet securityholders will own approximately 67.5% of the combined company on a fully-diluted basis, and CancerVax securityholders will own approximately 32.5% of the combined company on a fully-diluted basis.

The merger agreement provides that Carlsbad Acquisition Corporation, or Merger Sub, which is a wholly-owned subsidiary of CancerVax, will merge with and into Micromet, Inc., or Micromet Parent, with Micromet Parent becoming a wholly-owned subsidiary of CancerVax and the surviving corporation of the merger. The merger agreement also provides that immediately prior to the merger, the holders of equity interests of Micromet will exchange their interests for shares of common stock of Micromet Parent in an exchange transaction, which will result in Micromet becoming a wholly-owned subsidiary of Micromet Parent. Accordingly, as a result of the merger, Micromet Parent will survive as a wholly-owned direct subsidiary of CancerVax and, in turn, Micromet will be a wholly-owned indirect subsidiary of CancerVax. Following the merger, CancerVax will change its corporate name to Micromet, Inc. as required by the merger agreement.

Stockholders of CancerVax will be asked, at CancerVax s special meeting of stockholders, among other proposals, to approve the issuance of shares of CancerVax common stock to the stockholders of Micromet Parent in the merger, and the resulting change of control of CancerVax.

The date, time and place of the CancerVax stockholder special meeting is as follows:

[_____], 2006
[_____] a.m., local time
[_____]
[_____]
[_____]

This proxy statement/prospectus provides you with information about CancerVax, Micromet and the proposed merger. You may obtain other information about CancerVax from documents filed with the Securities and Exchange Commission. We encourage you to carefully read the entire proxy statement/prospectus.

David F. Hale
President and Chief Executive Officer
CancerVax Corporation

Christian Itin, Ph.D.
Chief Executive Officer
Micromet AG

FOR A DISCUSSION OF SIGNIFICANT MATTERS THAT SHOULD BE CONSIDERED BEFORE VOTING AT THE SPECIAL MEETING, SEE RISK FACTORS BEGINNING ON PAGE 30.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATORS HAVE APPROVED OR DISAPPROVED THIS TRANSACTION OR THE CANCERVAX COMMON STOCK TO BE ISSUED IN THE MERGER OR DETERMINED WHETHER THIS PROXY STATEMENT/PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement/prospectus is dated [_____], 2006, and is first being mailed to stockholders of CancerVax and Micromet on or about [_____], 2006.

THIS PROXY STATEMENT/PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Table of Contents

CANCERVAX CORPORATION
2110 Rutherford Road
Carlsbad, CA 92008
(760) 494-4200

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [ ], 2006

To the Stockholders of CancerVax Corporation:

On behalf of the board of directors of CancerVax Corporation, a Delaware corporation, we are pleased to deliver this proxy statement/prospectus for the proposed merger combining CancerVax and Micromet AG, a corporation organized under the laws of Germany. A special meeting of stockholders of CancerVax will be held on [_____], 2006 at [___] a.m., local time, at [_____], for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of CancerVax common stock pursuant to the Agreement and Plan of Merger and Reorganization, dated as of January 6, 2006, by and among CancerVax, Carlsbad Acquisition Corporation, a wholly-owned subsidiary of CancerVax, Micromet, Inc., a Delaware corporation, and Micromet AG, a corporation organized under the laws of Germany, and the resulting change of control of CancerVax, as described in the attached proxy statement/prospectus.

2. To approve an amendment to CancerVax s amended and restated certificate of incorporation to increase the number of authorized shares of common stock from 75,000,000 shares to 150,000,000 shares, which represents an additional 75,000,000 shares, as described in the attached proxy statement/prospectus.

3. To authorize the board of directors of CancerVax to amend in its discretion CancerVax s amended and restated certificate of incorporation to effect a reverse stock split of the CancerVax common stock, at a ratio within the range of [1:2 to 1:6], and at such ratio to be determined by the board of directors of CancerVax, as described in the attached proxy statement/prospectus.

4. To approve an amendment to CancerVax s amended and restated certificate of incorporation to change the name of CancerVax Corporation to Micromet, Inc.

5. To consider and vote upon an adjournment of the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1 through 4.

6. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

The board of directors of CancerVax has fixed [_____], 2006 as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. Only holders of record of shares of CancerVax common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting. At the close of business on the record date, CancerVax had [_____] shares of common stock outstanding and entitled to vote.

Your vote is important. The affirmative vote of the holders of a majority of the votes cast in person or by proxy at the CancerVax special meeting is required for approval of Proposal Nos. 1 and 5 above. The affirmative vote of holders of a majority of the outstanding common stock is required for approval of Proposal Nos. 2, 3 and 4. Even if you plan to attend the special meeting in person, we request that you sign and return the enclosed proxy and thus ensure that your shares will be represented at the special meeting if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of Proposal Nos. 1 through 5. If you fail to return your proxy card, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at

Table of Contents

the special meeting and will count as a vote against Proposal Nos. 2, 3 and 4. If you do attend the CancerVax special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

By Order of the Board of Directors,

David F. Hale
President and Chief Executive Officer
Carlsbad, California
[_____], 2006

THE CANCERVAX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT EACH OF THE PROPOSALS OUTLINED ABOVE IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, CANCERVAX AND ITS STOCKHOLDERS AND HAS APPROVED EACH SUCH PROPOSAL. THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX STOCKHOLDERS VOTE FOR EACH SUCH PROPOSAL.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

Except where specifically noted, the following information and all other information contained in this proxy statement/prospectus do not give effect to the proposed reverse stock split described in CancerVax s Proposal No. 3.

The following section provides answers to frequently asked questions about the merger and the effect of the merger on holders of CancerVax common stock and Micromet capital stock. This section, however, only provides summary information. CancerVax and Micromet urge you to read carefully the remainder of this proxy statement/prospectus, including the annexes to this proxy statement/prospectus, because the information in this section does not provide all the information that might be important to you regarding the merger and the other matters being considered at the special meeting.

Q: What is the merger?

A: CancerVax and Micromet have entered into an Agreement and Plan of Merger and Reorganization, dated January 6, 2006, which is referred to in this proxy statement/prospectus as the merger agreement, that contains the terms and conditions of the proposed merger of CancerVax and Micromet. Subject to CancerVax stockholder approval of the merger, and upon the terms and subject to the conditions set forth in the merger agreement, CancerVax has agreed to issue, and Micromet stockholders will receive, shares of CancerVax common stock such that Micromet shareholders, option holders, warrant holders and note holders will own approximately 67.5% of the combined company on a fully-diluted basis, and CancerVax stockholders, option holders and warrant holders will own approximately 32.5% of the combined company on a fully-diluted basis.

The merger agreement provides that Carlsbad Acquisition Corporation, or Merger Sub, which is a wholly-owned subsidiary of CancerVax, will merge with and into Micromet, Inc., or Micromet Parent, with Micromet Parent becoming a wholly-owned subsidiary of CancerVax and the surviving corporation of the merger. The merger agreement also provides that immediately prior to the merger, the holders of equity interests of Micromet will exchange their interests for shares of common stock of Micromet Parent in an exchange transaction, which will result in Micromet becoming a wholly-owned subsidiary of Micromet Parent. Accordingly, as a result of the merger, Micromet Parent will survive as a wholly-owned direct subsidiary of CancerVax and, in turn, Micromet will be a wholly-owned indirect subsidiary of CancerVax. Following the merger, CancerVax will change its corporate name to Micromet, Inc. as required by the merger agreement.

For a more complete description of the merger, please see the section entitled The Merger Agreement on page 92 of this proxy statement/prospectus.

Q: Why are the two companies proposing to merge?

A: Micromet has significant scientific expertise and a promising pipeline of novel, antibody-derived therapeutic product candidates for the treatment of cancer and autoimmune and inflammatory diseases. CancerVax has a U.S. infrastructure that includes an experienced Chief Executive Officer who will become Chairman of the combined company, an experienced U.S. Chief Financial Officer and a General Counsel, unrestricted cash, a Nasdaq listing, and selected ongoing product development programs. The companies believe that together they will be better able to achieve the goal of providing new medicines to patients and returns for stockholders. For a discussion of our reasons for the merger, we urge you to read the information under Reasons for the Merger on page 71 of this proxy statement/prospectus.

Q: Why am I receiving this proxy statement/prospectus?

A: You are receiving this proxy statement/prospectus because you have been identified as a securityholder of either CancerVax or Micromet. If you are a stockholder of CancerVax, you are entitled to vote at CancerVax s special meeting. This document serves as both a proxy statement of CancerVax, used to solicit proxies for the special meeting, and as a prospectus of CancerVax, used to offer shares of CancerVax common stock to Micromet shareholders in exchange for shares of Micromet Parent common stock pursuant to the terms of the merger agreement. This document contains important information about the merger, the shares of CancerVax common stock to be issued in the merger and the special meeting of CancerVax stockholders, and you should read it carefully.

Table of Contents

Q: What is required to consummate the merger?

A: To consummate the merger, CancerVax stockholders must approve (a) the issuance of shares of CancerVax common stock in the merger, and the resulting change of control of CancerVax, which require the affirmative vote of holders of a majority of the votes cast in person or by proxy at the CancerVax special meeting, and (b) the amendments to CancerVax s amended and restated certificate of incorporation approving the increase in CancerVax s authorized common stock, a reverse stock split and change of CancerVax s name to Micromet, Inc. , which require the affirmative vote of holders of a majority of CancerVax s outstanding common stock. Micromet shareholders have already approved the merger, and no stockholder approval of Micromet Parent is required. In addition to CancerVax obtaining stockholder approval and CancerVax and Micromet obtaining appropriate regulatory approvals, each of the other closing conditions set forth in the merger agreement must be satisfied or waived. For a more complete description of the closing conditions under the merger agreement, we urge you to read the section entitled The Merger Agreement Conditions to the Merger on page 105 of this proxy statement/prospectus.

Q: What will Micromet shareholders receive in the merger?

A: As a result of the merger, Micromet shareholders, option holders, warrant holders and note holders in the aggregate will receive shares of CancerVax common stock, and options and warrants to acquire shares of CancerVax common stock, equal to approximately 67.5% of the fully-diluted shares of the combined company.

For a more complete description of what Micromet shareholders will receive in the merger, please see the sections entitled Market Price and Dividend Data on page 20 and The Merger Agreement Merger Consideration; Manner and Basis of Converting Shares on page 93.

Q: Who will be the directors of the combined company following the merger?

A: Following the merger, the board of directors of the combined company will be as follows:

Name	Current Affiliation
David Hale (who will serve as Chairman)	President and Chief Executive Officer of CancerVax
Barclay Phillips	Director of CancerVax, Managing Director of Vector Fund Management
Phillip Schneider	Director of CancerVax
Michael Carter	Director of CancerVax, Member of Supervisory Board of Micromet, Venture Partner at SV Life Sciences Advisers LLP
Christian Itin	Chief Executive Officer of Micromet
Jerry Benjamin	Member of Supervisory Board of Micromet, General Partner of Advent Venture Partners
Otello Stampacchia	Member of Supervisory Board of Micromet, Chief Investment Adviser of the Omega Fund
John Berriman	Member of Supervisory Board of Micromet

There will be one additional member to be appointed to the board of directors prior to the closing, which individual will be designated by Micromet.

Table of Contents

Q: Who will be the executive officers of the combined company following the merger?

A: Following the merger, the executive management team of the combined company is expected to be composed primarily of certain members of CancerVax s and Micromet s executive management teams prior to the merger and is contemplated to include the following individuals:

Name	Position in the Combined Company	Current Position
Christian Itin, Ph.D.	President and Chief Executive Officer	Micromet s Chief Executive Officer
Patrick A. Baeuerle, Ph.D.	Senior Vice President and Chief Scientific Officer	Micromet s Chief Scientific Officer
William R. LaRue	Senior Vice President and Chief Financial Officer	CancerVax s Senior Vice President and Chief Financial Officer
Gregor Mirow, M.D., M.B.A.	Senior Vice President of Operations	Micromet s Chief Financial and Chief Operating Officer
Carsten Reinhardt, M.D., Ph.D.	Senior Vice President of Clinical Development	Micromet s Senior Vice President of Clinical Development
Hazel M. Aker, J.D.	Senior Vice President and General Counsel	CancerVax s Senior Vice President and General Counsel

Q: What are the material U.S. federal income tax consequences of the merger to me?

A: The merger has been structured to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and CancerVax and Micromet have agreed to use their commercially reasonable efforts in order for Micromet Parent to obtain the opinion of its counsel, Cooley Godward LLP, regarding such qualification. As a result of the merger s qualification as a reorganization, Micromet Parent stockholders will not recognize gain or loss for United States federal income tax purposes upon the exchange of shares of Micromet Parent common stock for shares of CancerVax common stock, except with respect to cash received in lieu of fractional shares of CancerVax common stock.

Tax matters are very complicated, and the tax consequences of the merger to a particular stockholder will depend in part on such stockholder s circumstances. Accordingly, we urge you to consult your own tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws.

For more information, please see the section entitled Material U.S. Federal Income Tax Consequences on page 89 of this proxy statement/prospectus.

Q: As a CancerVax stockholder, how does CancerVax s board of directors recommend that I vote?

A: After careful consideration, CancerVax s board of directors recommends that CancerVax stockholders vote:

FOR Proposal No. 1 to approve the issuance of shares of CancerVax common stock in the merger, and the resulting change of control of CancerVax;

FOR Proposal No. 2 to approve an amendment to CancerVax s amended and restated certificate of incorporation to increase the number of authorized shares of common stock from 75,000,000 shares to 150,000,000 shares, which represents an additional 75,000,000 shares;

FOR Proposal No. 3 to authorize the board of directors of CancerVax to amend in its discretion CancerVax s amended and restated certificate of incorporation to effect a reverse stock split of the CancerVax common stock, at a ratio within the range of [1:2 to 1:6], and at such ratio to be determined by the board of directors of CancerVax;

Table of Contents

FOR Proposal No. 4 to approve an amendment to CancerVax s amended and restated certificate of incorporation to change the name of CancerVax Corporation to Micromet, Inc. , to be effective at the closing of the merger; and

FOR Proposal No. 5 to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1 through 4.

Q: As a CancerVax stockholder, what risks should I consider in deciding whether to vote in favor of the share issuance?

A: You should carefully review the section of this proxy statement/prospectus entitled Risk Factors beginning on page 30, which sets forth certain risks and uncertainties related to the merger, risks and uncertainties to which the combined company s business will be subject, and risks and uncertainties to which each of CancerVax and Micromet, as an independent company, is subject.

Q: When do you expect the merger to be consummated?

A: We anticipate that the consummation of the merger will occur sometime in the second quarter of 2006, but we cannot predict the exact timing. For more information, please see the section entitled The Merger Agreement Conditions to the Merger on page 105 of this proxy statement/prospectus.

Q: How will the merger affect stock options for Micromet common stock?

A: At the effective time of the merger, each outstanding stock option to purchase Micromet Parent common stock not exercised prior to the merger will be converted into an option to purchase CancerVax common stock. After the merger, each Micromet Parent option assumed by CancerVax may be exercised for a number of shares of CancerVax common stock determined by the exchange ratio contained in the merger agreement and described fully herein. For more information, please see the section entitled The Merger Agreement Merger Consideration; Manner and Basis of Converting Shares on page 93 of this proxy statement/prospectus.

Additionally, because the listing standards of the Nasdaq National Market may require CancerVax to have, among other things, a $5.00 per share minimum bid price upon the closing of the merger, the holders of CancerVax common stock will be asked to approve a reverse stock split of CancerVax common stock. The reverse stock split will combine between [two (2) and six (6)] of the outstanding shares of CancerVax common stock into one (1) share of CancerVax common stock. The reverse stock split will not change the number of authorized shares of common stock or preferred stock, or the par value of CancerVax s common stock or preferred stock. For more information, please see the section entitled CancerVax Proposal No. 3 Authorization of the CancerVax Board of Directors to Effect the Reverse Stock Split on page 116 of this proxy statement/prospectus.

Q: What do I need to do now?

A: We urge you to read this proxy statement/prospectus carefully, including its annexes, and to consider how the merger affects you. If you are a CancerVax stockholder, you may provide your proxy instructions in three different ways. First, you can mail your signed proxy card in the enclosed return envelope. Alternatively, you can provide your proxy instructions via the toll-free call center set up for this purpose at 1-[___-_____-_____]. Finally, you can provide your proxy instructions via the Internet at http://www.proxyvoting.com/[_____]. Please provide your proxy instructions only once and as soon as possible so that your shares can be voted at the special meeting of CancerVax stockholders. Micromet shareholders and Micromet Parent stockholders do not need to vote to approve the merger, as more fully described under Micromet, Inc. Stockholder Approval on page [ ] of this proxy statement/prospectus.

Q: What happens if I do not return a proxy card or otherwise provide proxy instructions?

A: If you are a CancerVax stockholder, the failure to return your proxy card or otherwise provide proxy instructions could be a factor in establishing a quorum for the special meeting of CancerVax stockholders and will have the same effect as voting against Proposals Nos. 2, 3 and 4.

Table of Contents

Q: May I vote in person?

A: If your shares of CancerVax common stock are registered directly in your name with CancerVax s transfer agent you are considered, with respect to those shares, the stockholder of record, and the proxy materials and proxy card are being sent directly to you by CancerVax. If you are a CancerVax stockholder of record as of [_____], 2006, you may attend the special meeting of CancerVax stockholders to be held on [_____], 2006 and vote your shares in person, rather than signing and returning your proxy card or otherwise providing proxy instructions.

If your shares of CancerVax common stock are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and the proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you are also invited to attend the special meeting of CancerVax stockholders. Since a beneficial owner is not the stockholder of record, you may not vote these shares in person at the applicable special meeting unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting.

Q: If my CancerVax shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will not be able to vote your shares of CancerVax common stock without instructions from you. You should instruct your broker to vote your shares, following the procedure provided by your broker.

Q: May I change my vote after I have provided proxy instructions?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can send a written notice stating that you would like to revoke your proxy. Second, you can submit new proxy instructions either on a new proxy card, by telephone or via the Internet. Third, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares of CancerVax common stock, you must follow directions received from your broker to change those instructions.

Q: Should I send in my stock certificates now?

A: If you are a Micromet shareholder and exchange your shares into shares of Micromet Parent, after the merger is completed, CancerVax will send you written instructions for exchanging your stock certificates for CancerVax stock certificates. You will also receive instructions regarding how to receive cash in lieu of any fractional shares. If Proposal No. 3 is approved and effected, CancerVax stockholders will also exchange their stock certificates and you will receive written instructions from CancerVax s transfer agent for exchanging your shares of CancerVax common stock.

Q: Am I entitled to appraisal rights?

A: Under Delaware law, Micromet Parent stockholders and holders of CancerVax common stock are not entitled to appraisal rights in connection with the merger.

Q: Who is paying for this proxy solicitation?

A: CancerVax is conducting this proxy solicitation and will bear the cost of soliciting proxies, including the preparation, assembly, printing and mailing of this proxy statement/prospectus, the proxy card and any additional information furnished to stockholders. CancerVax may also reimburse brokerage houses and other custodians, nominees and fiduciaries for their costs of forwarding proxy and solicitation materials to beneficial owners.

Table of Contents

Q: Who can help answer my questions?

A: If you are a CancerVax stockholder and would like additional copies, without charge, of this proxy statement/prospectus or if you have questions about the merger, including the procedures for voting your shares, you should contact:

CancerVax Corporation
Attn: Investor Relations
2110 Rutherford Road
Carlsbad, California 92008
(760) 494-4200
E-mail: investors@cancervax.com

If you are a Micromet shareholder and would like additional copies, without charge, of this proxy statement/prospectus or if you have questions about the merger, you should contact:

Micromet AG
Attn: Investor Relations
Staffelseestr. 2
81477 Munich
Germany
Phone: +49 (0) 89/895277-0
Email: ir@micromet.de

Table of Contents

SUMMARY

This summary highlights selected information from this proxy statement/prospectus. To understand the merger fully, you should read carefully this entire document and the documents to which we refer, including the annexes attached hereto. See Where You Can Find More Information on page 231. The merger agreement is attached as Annex A to this proxy statement/prospectus. We encourage you to read the merger agreement as it is the legal document that governs the merger. We have included page references in parentheses to direct you to a more detailed description of the topics presented in this summary.

Except where specifically noted, the following information and all other information contained in this proxy statement/prospectus do not give effect to the proposed reverse stock split described in CancerVax s Proposal No. 3.

THE COMPANIES

CancerVax Corporation
2110 Rutherford Road
Carlsbad, California 92008
(760) 494-4200

CancerVax is a biotechnology company focused on the research, development and commercialization of novel biological products for the treatment of cancer. CancerVax s leading product candidate, D93, is a humanized, monoclonal, anti-angiogenic antibody that is currently being evaluated in pre-clinical studies. D93 has been shown to selectively bind to denatured or remodeled protein in diseased or damaged tissues, but not to native collagen in the extra-cellular matrix of healthy tissue, and has demonstrated the ability to selectively bind to denatured collagen targets in colon, melanoma, lung, and breast cancer tumors grown in xenogeneic mouse models. CancerVax expects to submit an investigational new drug application, or IND, for D93 to the FDA in the first quarter of 2006, and plans to initiate the first clinical trial for D93 later in 2006.

Carlsbad Acquisition Corporation is a wholly-owned subsidiary of CancerVax that was incorporated in Delaware in January 2006. Carlsbad Acquisition Corporation does not engage in any operations and exists solely to facilitate the merger.

Micromet AG
Staffelseestr. 2
81477 Munich
Germany
+49 (0) 89/895277-0

Micromet AG is a privately-held European biopharmaceutical company focused on the development of antibody-based drugs. Micromet s leading product candidate, adecatumumab (MT201), is a recombinant human monoclonal antibody with a binding specificity to epithelial cell adhesion molecule (Ep-CAM). Adecatumumab (MT201) is being evaluated in two European Phase 2 clinical trials, one in patients with prostate cancer, and one in patients with metastatic breast cancer. Adecatumumab (MT201) is also being studied as a combination therapy with Taxotere® (docetaxel) in a Phase 1 clinical trial for the treatment of patients with metastatic breast cancer. Micromet s other leading product candidate, MT103, is being evaluated in a European Phase 1 clinical trial for the treatment of patients with non-Hodgkin s lymphoma.

Micromet, Inc., which was incorporated in Delaware in January 2006, does not engage in any operations and exists solely to facilitate the merger.

The Combined Company

The combined company s U.S. headquarters following the consummation of the merger will be at CancerVax s current principal executive offices in Carlsbad, California, while the combined company s German headquarters will remain in Munich, Germany. As a result of the merger, former Micromet shareholders will possess majority control of the combined company. Certain members of the current management of Micromet and CancerVax will be responsible for the day-to-day management of the combined company.

Table of Contents

RISKS ASSOCIATED WITH CANCERVAX, MICROMET AND THE MERGER (PAGE 30)

The merger (including the possibility that the merger may not be completed) poses a number of risks to each company and its respective security holders. In addition, both CancerVax and Micromet are subject to various risks associated with their businesses and their industries. The risks are discussed in greater detail under the caption Risk Factors beginning on page 30 of this proxy statement/prospectus. CancerVax and Micromet both encourage you to read and consider all of these risks carefully.

REASONS FOR THE MERGER

The following discussion of the parties reasons for the merger contains a number of forward-looking statements that reflect the current views of CancerVax and/or Micromet with respect to future events that may have an effect on their future financial performance. Forward-looking statements are subject to risks and uncertainties. Actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Cautionary statements that identify important factors that could cause or contribute to differences in results and outcomes include those discussed in Summary Forward-Looking Information and Risk Factors.

Mutual Reasons for the Merger (Page 72). CancerVax and Micromet believe that the combined company represents a biotechnology company with the following potential advantages:

Deep Pipeline. The product pipeline for the combined company includes six drugs in various stages of development, including product candidates in Phase 2 and Phase 1 clinical trials, and in pre-clinical studies.

Attractive Markets. The markets to be addressed by the clinical stage or pre-clinical product candidates of the combined company represent sizable and underserved or unmet medical needs. The product candidates may provide significant medical benefits for patients and returns for investors.

Financial Resources. The financial resources of the combined company will allow it to continue to focus on execution with respect to its product portfolio.

Experienced Management Team. It is expected that the combined company will be led by a combination of experienced senior management from both CancerVax and Micromet, which will provide management continuity to support the integration of the two companies. Micromet s chief executive officer, Christian Itin, will become president and chief executive officer and serve on the board of directors. Patrick A. Baeuerle, currently chief scientific officer of Micromet, will become chief scientific officer of the combined entity. Carsten Reinhardt, currently senior vice president of clinical development of Micromet, will become senior vice president of clinical development of the combined entity. CancerVax s chief financial officer, William R. LaRue, will serve as senior vice president and chief financial officer of the combined company. Gregor Mirow, Micromet s chief financial officer and chief operating officer, will be senior vice president of operations, and Hazel M. Aker, CancerVax s general counsel, will continue to serve as senior vice president and general counsel. David F. Hale, currently president and chief executive officer of CancerVax, will become chairman of the board of directors of the combined company.

CancerVax s Reasons for the Merger (Page 72). The CancerVax board of directors approved the merger based on a number of factors, including the following:

Broad Pipeline. CancerVax currently has one product candidate, D93, in pre-clinical development, and has announced its intention to sublicense its rights to SAI-EGF, which is in clinical development, and its rights to two other product candidates in pre-clinical development. The addition of the two Micromet product candidates

currently being evaluated in three clinical trials, and a number of additional Micromet product candidates in pre-clinical development, significantly broadens the product pipeline.

Risk Diversification. The addition of Micromet s two clinical-stage product candidates to the portfolio potentially affords significant risk diversification for CancerVax stockholders. One of Micromet s product candidates, adecatumumab (MT201), is currently being evaluated in two Phase 2 clinical trials and as a combination therapy with Taxotere® in a Phase 1 clinical trial. A second Micromet product candidate, MT103, is the subject of an ongoing Phase 1 clinical trial.

Table of Contents

Access to Markets. By merging, CancerVax and Micromet will create a trans-Atlantic biotechnology company with access to both the U.S. and European markets.

Fairness Opinion. Piper Jaffray & Co. delivered its opinion to CancerVax s board of directors that, as of January 6, 2006 and based on and subject to the factors, assumptions and limitations set forth therein, the total merger consideration to be paid to the holders of Micromet Parent common stock in the merger was fair to CancerVax from a financial point of view. The full text of Piper Jaffray s written opinion, dated January 6, 2006, is attached to this proxy statement/prospectus as Annex C. You are encouraged to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken by Piper Jaffray. Piper Jaffray s opinion is addressed to the CancerVax board of directors and does not constitute a recommendation to any stockholder as to any matters relating to the merger.

In addition to considering the strategic factors outlined above, the CancerVax board of directors considered the following factors in reaching its conclusion to approve the merger and to recommend that the CancerVax stockholders approve the issuance of shares of CancerVax common stock in the merger and resulting change of control, all of which it viewed as generally supporting its decision to approve the business combination with Micromet:

the results of the due diligence review of Micromet s businesses and operations by CancerVax s management, legal advisors and financial advisors;

the terms and conditions of the merger agreement, including the following related factors:

the determination that the relative percentage ownership of CancerVax securityholders and Micromet securityholders is fixed and captures the respective ownership interests of the CancerVax and Micromet securityholders in the combined company based on valuations of CancerVax and Micromet at the time of the board s approval of the merger agreement and avoids fluctuations caused by near-term market volatility;

the nature of the conditions to Micromet s obligation to consummate the merger and the limited risk of non-satisfaction of such conditions;

the no solicitation provisions governing Micromet s ability to engage in negotiations with, provide any confidential information or data to, and otherwise have discussions with, any person relating to an alternative acquisition proposal;

the limited ability of the parties to terminate the merger agreement;

the possible effects of the provisions of the merger agreement regarding termination fees; and

the likelihood that the merger will be consummated on a timely basis.

In the course of its deliberations, CancerVax s board of directors also considered a variety of risks and other countervailing factors related to entering into the merger agreement, including the following:

the risks, challenges and costs inherent in combining the operations and the substantial expenses to be incurred in connection with the merger, including the possibility that delays or difficulties in completing the integration could adversely affect the combined company s operating results and preclude the achievement of some benefits anticipated from the merger;

the possible volatility, at least in the short term, of the trading price of CancerVax s common stock resulting from the merger announcement;

the possible loss of key management, scientific or other personnel of either of the combining companies as a result of the management and other changes that will be implemented in integrating the businesses, and the difficulties associated with operating a company with significant distances between its two key locations;

the risk of diverting management s attention from other strategic priorities to implement merger integration efforts;

Table of Contents

the risk that the merger might not be consummated in a timely manner or at all and the potential adverse effect of the public announcement of the merger on CancerVax s reputation;

the risk to CancerVax s business, operations and financial results in the event that the merger is not consummated; and

various other applicable risks associated with the combined company and the merger, including those described in the section of this proxy statement/prospectus entitled Risk Factors.

Micromet s Reasons for the Merger (Page 74). The Micromet supervisory board approved the merger based on a number of factors, including the following:

Alternative Strategic Relationships. Micromet s supervisory board s view as to the relative benefits of a transaction with CancerVax when compared to the benefits of a transaction with other third parties.

Historical and Current Information. Historical and current information concerning Micromet s business, including its financial performance and condition, operations, management and competitive position, current industry and economic conditions, and Micromet s prospects if it was to remain an independent company, including: (a) the risk that adecatumumab (MT201) clinical trial results would be negative or inconclusive; (b) the risk of adverse outcomes in its other clinical trials; and (c) its need to obtain additional financing and the likely terms on which it would be able to obtain that financing.

U.S. Presence of CancerVax. The fact that by merging with CancerVax, Micromet would have access to the U.S. capital markets as part of a trans-Atlantic company.

Management Team. The availability of a management team with significant experience managing a publicly-held biotechnology company, including CancerVax s chief financial officer and general counsel.

Capital. CancerVax s cash balance, which is expected to be in excess of $20 million if the merger closes before April 30, 2006, and the combined company s ability as a public company to raise additional capital.

Liquidity. CancerVax s status as a public company whose common stock is traded on the Nasdaq National Market, which would provide Micromet s shareholders with the possibility of additional liquidity.

In addition to considering the strategic factors outlined above, the Micromet supervisory board considered the following factors in reaching its conclusion to approve the merger, all of which it viewed as generally supporting its decision to approve the business combination with CancerVax:

CancerVax s attractiveness as a strategic partner, including CancerVax s:

substantial capital and ability to raise further capital, particularly in light of Micromet s cash needs and limited cash resources;

high quality and complementary management team; and

public company infrastructure and stock liquidity;

the opportunity for Micromet shareholders to participate in the long-term value of Micromet s development programs through the ownership of the combined company s common stock;

the aggregate value to be received by Micromet Parent stockholders in the merger;

the terms and conditions of the merger agreement, including the following related factors:

the expectation that the merger will be treated as a tax-free reorganization for U.S. federal income tax purposes, with the result that the Micromet Parent stockholders will generally not recognize taxable gain or loss for U.S. federal income tax purposes;

the determination that the fixed relative percentage ownership ratio of CancerVax securityholders and Micromet securityholders is consistent with market practice for a merger of this type and captures the respective ownership interests of the CancerVax and Micromet securityholders in the combined company

Table of Contents

based on Micromet s perceived valuations of CancerVax and Micromet at the time of the board s approval of the merger agreement;

the fact that shares of CancerVax common stock issued to Micromet Parent stockholders will be registered on Form S-4 and will be freely tradable for Micromet Parent stockholders who are not affiliates of Micromet;

the requirement that the issuance of shares of CancerVax common stock in the merger be submitted to a vote of the stockholders of CancerVax;

the limited number and nature of the conditions to CancerVax s obligation to consummate the merger and the limited risk of non-satisfaction of such conditions;

Micromet s rights under the merger agreement to consider certain unsolicited acquisition proposals under certain circumstances should Micromet receive a superior proposal; and

the conclusion of Micromet s supervisory board that the $2,000,000 termination fee, and the circumstances when such fee may be payable, were reasonable;

the likelihood that the merger will be consummated on a timely basis, including the likelihood that the merger will receive all necessary regulatory approvals; and

the major risks and uncertainties of alternatives to the merger, such as Micromet remaining an independent company.

In the course of its deliberations, Micromet s supervisory board also considered a variety of risks and other countervailing factors related to entering into the merger agreement, including the following:

Risks of Combination. The challenges and costs of combining the operations and the substantial expenses to be incurred in connection with the merger, including the risks that delays or difficulties in completing the integration and the inability to retain key employees as a result of the management and other changes that will be implemented in integrating the businesses could adversely affect the combined company s operating results and preclude the achievement of some benefits anticipated from the merger;

Stock Price. The price volatility of CancerVax s common stock, which may reduce the value of the CancerVax common stock that Micromet Parent stockholders will receive upon the consummation of the merger;

Value. The inability of Micromet s shareholders to realize the long-term value of the successful execution of Micromet s current strategy as an independent company;

Reputation. The possibility that the merger might not be completed and the potential adverse effect of the public announcement of the merger on Micromet s reputation and ability to obtain financing in the future;

Break-up Fee. The $2,000,000 termination fee payable to CancerVax upon the occurrence of certain events, and the potential effect of such termination fee in deterring other potential acquirors from proposing an alternative transaction that may be more advantageous to Micromet shareholders;

Diversion of Resources. The risk of diverting management s attention from other strategic priorities to implement merger integration efforts;

Completion Risk. The risk that the merger might not be consummated in a timely manner or at all; and

Other Risks. Various other applicable risks associated with the combined company and the merger, including those described in the section of this proxy statement/prospectus entitled Risk Factors.

THE MERGER (PAGE 92)

At the effective time, Merger Sub will be merged with and into Micromet Parent. Micromet Parent will be the surviving corporation and will continue as a wholly-owned subsidiary of CancerVax. Immediately prior to the merger, the holders of equity interests of Micromet will exchange their interests for shares of common stock in

Table of Contents

Micromet Parent in an exchange transaction (the Micromet Reorganization) that will result in Micromet becoming a wholly-owned subsidiary of Micromet Parent. Accordingly, as a result of the merger, Micromet will survive as a wholly-owned indirect subsidiary of CancerVax. Following the merger, CancerVax will change its name to Micromet, Inc. In the merger, all shares of Micromet Parent capital stock will be cancelled and, by virtue of the Micromet Reorganization and the merger, Micromet shareholders, option holders, warrant holders and note holders will receive the number of shares of CancerVax common stock equal to approximately 67.5% of the fully-diluted shares of the combined company. Each Micromet Parent stockholder who would otherwise be entitled to receive a fraction of a share of CancerVax common stock (after aggregating all fractional shares to be received by such stockholder) will instead be paid in cash for such fractional share. The approval of this matter by CancerVax stockholders is contingent upon receiving stockholder approval of CancerVax Proposal Nos. 1 through 4. Micromet and Micromet Parent have already approved the merger and no separate approval of the merger by the shareholders of Micromet or the stockholders of Micromet Parent is required.

EFFECT OF FAILURE TO APPROVE THE MERGER BY THE STOCKHOLDERS

CancerVax

CancerVax will continue to have significant cash resources and a strong management team. The growth of CancerVax will be largely based on the success of a single product candidate, D93, for the treatment of patients with solid tumors, as CancerVax is currently pursuing sublicensing opportunities for SAI-EGF, its clinical-stage product candidate, and two pre-clinical product candidates. CancerVax expects to submit an IND for D93 to the FDA in early 2006, and plans to initiate the first clinical trial for D93 later in 2006, however, this product candidate will require substantial testing in humans prior to commercialization. CancerVax may lack the personnel and financial resources to complete the testing of D93 in a timely manner and, as a result, could lose its rights to develop this product candidate.

Micromet

Micromet will continue to have a broad and deep pipeline of product candidates. The growth of Micromet will be largely based on the success of the product candidates in its portfolio. To support the development, registration and commercialization of those product candidates, Micromet will soon need to raise significant additional capital.

COMPARATIVE PER SHARE MARKET PRICE INFORMATION

CancerVax common stock is listed on the Nasdaq National Market under the symbol CNVX. On January 6, 2006, the last full trading day prior to the public announcement of the proposed merger, CancerVax common stock closed at $1.49. On [_____], 2006, CancerVax common stock closed at $[___].

Micromet is a private company and no public market exists for its ordinary shares or preference shares.

NUMBER OF STOCKHOLDERS

As of the record date of [_____], 2006, there were approximately [___] holders of record of CancerVax common stock.

As of February 9, 2006, there were approximately 43 holders of record of Micromet ordinary shares and preference shares.

THE CANCERVAX SPECIAL MEETING

The CancerVax Special Meeting (Page [_])

Time, Date and Place. A special meeting of the stockholders of CancerVax will be held on [_____], 2006, at [_____] at [___] a.m., local time, to vote on Proposal No. 1 to approve the issuance of shares of CancerVax common stock in the merger, and the resulting change of control of CancerVax; Proposal No. 2 to approve the amendment to CancerVax s amended and restated certificate of incorporation to increase the number of authorized

Table of Contents

shares of common stock from 75,000,000 shares to 150,000,000 shares; Proposal No. 3 to approve the authorization of the board of directors of CancerVax to amend in its discretion CancerVax s amended and restated certificate of incorporation to effect a reverse stock split of CancerVax s common stock, at a ratio within the range of [1:2 to 1:6]; Proposal No. 4 to approve the amendment to CancerVax s amended and restated certificate of incorporation to change the name of CancerVax Corporation to Micromet, Inc. ; and Proposal No. 5 to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1 through 4.

Record Date and Voting Power for CancerVax. You are entitled to vote at the CancerVax special meeting if you owned shares of CancerVax common stock at the close of business on [_____], 2006, the record date for the CancerVax special meeting. You will have one vote at the special meeting for each share of CancerVax common stock you owned at the close of business on the record date. There are [___] shares of CancerVax common stock entitled to vote at the special meeting.

CancerVax Required Vote. The affirmative vote of the holders of a majority of the votes cast in person or by proxy at the CancerVax special meeting is required for approval of Proposal Nos. 1 and 5 above. The affirmative vote of holders of a majority of the outstanding common stock is required for approval of Proposal Nos. 2, 3 and 4.

Share Ownership of Management. As of December 31, 2005, the directors and executive officers of CancerVax, together with their affiliates, beneficially owned approximately 37.2% of the shares entitled to vote at the CancerVax special meeting. Certain executive officers and affiliates of CancerVax, holding approximately 30% of CancerVax s outstanding common stock, have agreed to vote their shares in favor of the issuance of shares of CancerVax common stock in the merger, and the resulting change of control of CancerVax.

RECOMMENDATIONS TO CANCERVAX STOCKHOLDERS

The CancerVax board of directors has determined and believes that the issuance of shares of CancerVax common stock in the merger, and the resulting change of control of CancerVax, is advisable and fair to, and in the best interest of, CancerVax and its stockholders. The CancerVax board of directors recommends that the holders of CancerVax common stock vote:

For Proposal No. 1 to approve the issuance of shares of CancerVax common stock in the merger, and the resulting change of control of CancerVax;

For Proposal No. 2 to approve the increase in the number of authorized shares of common stock to 150,000,000;

For Proposal No. 3 to authorize the CancerVax board of directors to effect the reverse stock split;

For Proposal No. 4 to approve the name change of CancerVax Corporation to Micromet, Inc. ; and

For Proposal No. 5 to adjourn the CancerVax special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of proposal Nos. 1 through 4.

CancerVax Proposal No. 1 Approval of the Issuance of Shares of CancerVax Common Stock in the Merger and the Resulting Change of Control of CancerVax

The Merger (Page 68)

Merger Sub will be merged with and into Micromet Parent. Micromet Parent will be the surviving corporation and will continue as a wholly-owned subsidiary of CancerVax. Immediately prior to the merger, the holders of equity interests of Micromet will exchange their interests for shares of common stock in Micromet Parent in an exchange transaction that will result in Micromet becoming a wholly-owned subsidiary of Micromet Parent. As a result of the merger, Micromet will survive as a wholly-owned indirect subsidiary of CancerVax. Following the merger, CancerVax will change its name to Micromet, Inc. In the merger, all shares of Micromet Parent capital stock will be cancelled and Micromet shareholders, option holders, warrant holders and note holders will receive the number of shares, or options and warrants to acquire shares, of CancerVax common stock equal to approximately 67.5% of the fully-diluted shares of the combined company. The approval of this matter by CancerVax stockholders

Table of Contents

is contingent upon receiving stockholder approval of CancerVax Proposal Nos. 1 through 4. Micromet and Micromet Parent have already approved the merger and no separate approval of the merger by the shareholders of Micromet or the stockholders of Micromet Parent is required.

Merger Consideration; Manner and Basis of Converting Shares (Page 93)

As a result of the merger, all shares of Micromet Parent capital stock will automatically be cancelled and Micromet Parent stockholders, together with holders of options, warrants and other rights to acquire shares of Micromet Parent common stock, will receive an aggregate number of shares of CancerVax common stock equal to 67.5% of the fully-diluted shares of the combined company. There will be no adjustment to the total number of shares of CancerVax common stock to be issued to Micromet Parent stockholders or holders of options, warrants or other rights to acquire shares of Micromet Parent common stock for changes in the market price of CancerVax common stock. Further, the merger agreement does not include a price-based termination right. Accordingly, the market value of the shares of CancerVax issued in connection with the merger will depend on the market value of the shares of CancerVax common stock at the time of effectiveness of the merger, and could vary significantly from the market value on the date of this document.

The fixed number of shares of CancerVax common stock to be issued in exchange for all shares of Micromet Parent stock at the consummation of the merger will be allocated among:

- holders of Micromet Parent common stock;
- holders of options to purchase Micromet Parent common stock (which shares will become issuable upon the exercise of options to purchase CancerVax common stock, as more fully described under Micromet Parent Stock Options below);
- holder of warrants to purchase Micromet Parent common stock; and
- holders of rights to purchase shares of capital stock of Micromet to the extent such shares have not been exchanged for shares of Micromet Parent common stock or rights to purchase shares of Micromet Parent common stock.

The shares of CancerVax common stock to be issued in connection with the merger will be allocated to the Micromet Parent stockholders and holders of options, warrants and other rights to acquire shares of Micromet Parent common stock on a pro rata basis.

Micromet Parent Stock Options (Page 95)

Each outstanding option granted by Micromet Parent to purchase shares of Micromet Parent common stock will be converted into an option to acquire CancerVax common stock having the same terms and conditions as the Micromet Parent stock option. The number of shares that the new CancerVax option will be exercisable for and the exercise price of the new CancerVax option will reflect the exchange ratio in the merger. The number of shares of CancerVax common stock issuable upon the exercise of each stock option will be rounded down to the nearest whole number of shares of CancerVax common stock, and the exercise price will be rounded up to the nearest whole cent. The number of shares of CancerVax common stock issuable upon exercise of the new CancerVax options is part of the 67.5% of the fully-diluted shares of the combined company described under Merger Consideration; Manner and Basis for Converting Shares.

Micromet Parent Warrants (Page 95)

Each outstanding warrant granted by Micromet Parent to purchase shares of Micromet Parent common stock will be converted into a warrant to acquire CancerVax common stock having the same terms and conditions as the Micromet Parent warrant. The number of shares that the new CancerVax warrant will be exercisable for and the exercise price of the new CancerVax warrant will reflect the exchange ratio in the merger. The number of shares of CancerVax common stock issuable upon the exercise of each warrant will be rounded down to the nearest whole number of shares of CancerVax common stock, and the exercise price will be rounded up to the nearest whole cent. The number of shares of CancerVax common stock issuable upon exercise of the new CancerVax warrants is part of

Table of Contents

the 67.5% of the fully-diluted shares of the combined company described under Merger Consideration; Manner and Basis for Converting Shares.

MedImmune Note (Page 95)

In conjunction with the execution of a collaboration agreement between Micromet and MedImmune, Inc. in 2003, Micromet issued a 10,000,000 convertible note to MedImmune Ventures, Inc. The terms of that note, as amended on October 11, 2005, provide that the holder has the right, immediately prior to the effectiveness of the merger, to convert the note in full into Micromet preference shares series (A new) immediately prior to the effectiveness of the merger, if the pre-money valuation of Micromet in such transaction is 120,000,000 or more; if the valuation of Micromet is less, the conversion rate is a pro rata percentage determined as the pre-money valuation of Micromet in such transaction divided by 120,000,000, multiplied by one hundred. In addition, if the combined company after the merger holds more than 30,000,000 in cash, then MedImmune has the right (but not the obligation) to accelerate repayment of the loan in an amount equal to the principal balance multiplied by a fraction (A) the numerator of which is the amount of cash held by the combined company in excess of 30,000,000 and (B) the denominator of which is 30,000,000, to the extent such principal balance has not been converted as described in the immediately preceding sentence. As a result, if the combined company has at least 60,000,000 in cash, MedImmune may require the loan to be repaid in full. In each case, any remainder of the note remains outstanding until the due date in accordance with the terms of the note. The note bears interest at 4.5% per annum and is due in June 2010 unless earlier converted or repaid.

Fairness Opinion Received by CancerVax (Page 76)

Piper Jaffray delivered its opinion to CancerVax s board of directors that, as of January 6, 2006 and based on and subject to the factors, assumptions and limitations set forth therein, the total merger consideration to be paid to the holders of Micromet Parent common stock in the merger was fair to CancerVax from a financial point of view. For the purposes of Piper Jaffray s opinion, the shares of CancerVax common stock to be exchanged for outstanding shares of Micromet Parent common stock (determined as set forth in Section 1.6(a)(ii) of the merger agreement) were referred to as the merger consideration.

The full text of the written opinion of Piper Jaffray, dated January 6, 2006, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this proxy statement/prospectus as Annex C. Piper Jaffray provided its opinion for the information and assistance of CancerVax s board of directors in connection with its consideration of the merger. The Piper Jaffray opinion is not a recommendation as to how any holder of CancerVax common stock should vote with respect to the issuance of shares of CancerVax common stock in the merger. **CancerVax urges you to read the entire opinion carefully.**

Interests of CancerVax s Executive Officers and Directors in the Merger (Page 84)

When considering the recommendation by the CancerVax board of directors, you should be aware that a number of CancerVax s executive officers and directors have interests in the merger that are different from those of other CancerVax stockholders.

David F. Hale is the President and CEO, a member of the board of directors, a stockholder and a holder of options to purchase stock of CancerVax. Hazel M. Aker is the General Counsel and Secretary, a stockholder and a holder of options to purchase stock of CancerVax. William R. LaRue is the Chief Financial Officer, a stockholder and a holder of options to purchase stock of CancerVax. Upon closing of the merger, David F. Hale will become the Chairman of the board of directors of the combined corporation, Hazel Aker will become Senior Vice President and General

Counsel of the combined corporation and William LaRue will become Senior Vice President and Chief Financial Officer of the combined corporation. David F. Hale, Hazel Aker and William LaRue participated in the negotiation and approval of the terms of the merger on behalf of CancerVax, following disclosure of all material facts regarding their respective interests (or potential interests) in the merger.

Following the merger, in addition to David F. Hale, current CancerVax board members Phillip Schneider, Michael Carter and Barclay Phillips will continue to serve on the board of directors of the combined corporation.

Table of Contents

As of December 31, 2005, all directors and executive officers of CancerVax, together with their affiliates, beneficially owned 37.2% of the shares of CancerVax common stock. Approval of the merger requires the affirmative vote of the holders of a majority of CancerVax s outstanding common stock. Certain CancerVax officers and directors, and their affiliates, have also entered into voting agreements in connection with the merger. The voting agreements are discussed in greater detail under the caption Voting Agreements beginning on page 112.

For a more complete description of the interests of current and former officers and directors of CancerVax, please see the section entitled Interests of CancerVax s Executive Officers and Directors in the Merger on page 84 of this proxy statement/prospectus.

Interests of Micromet s Executive Officers and Directors in the Merger (Page 86)

You also should be aware that a number of Micromet s executive officers and directors have interests in the merger that are different from those of other Micromet stockholders.

Christian Itin is the Chief Executive Officer of Micromet and a shareholder and holder of options to purchase ordinary shares of Micromet. Patrick A. Baeuerle is the Chief Scientific Officer of Micromet and a shareholder and holder of options to purchase ordinary shares of Micromet. Gregor K. Mirow is the Chief Financial Officer and Chief Operating Officer of Micromet and a shareholder and holder of options to purchase ordinary shares of Micromet. Carsten Reinhardt is the Senior Vice President, Clinical Development of Micromet. Upon consummation of the Micromet Reorganization, each of Drs. Itin, Baeuerle and Mirow will be stockholders and optionholders of Micromet Parent and will receive shares of CancerVax common stock in the merger and have their options to purchase Micromet Parent common stock assumed by CancerVax.

Upon the closing of the merger, Dr. Itin will become the President and Chief Executive Officer of the combined corporation, Dr. Baeuerle will become Senior Vice President and Chief Scientific Officer of the combined corporation, Dr. Mirow will become Senior Vice President of Operations of the combined corporation and Dr. Reinhardt will become Senior Vice President, Clinical Development of the combined corporation. Each of Drs. Itin and Mirow participated in the negotiation and approval of the terms of the merger on behalf of Micromet following disclosure of all material facts regarding their respective interests (or potential interests) in the merger.

Following the merger, current members of the Micromet supervisory board Jerry Benjamin, John Berriman, Michael Carter and Otello Stampacchia will continue to serve on the board of directors of the combined company. Dr. Carter is a current director of CancerVax.

As of January 31, 2006, all directors and executive officers of Micromet, together with their affiliates, beneficially owned 34.7% of the ordinary shares of Micromet, 55.3% of the Micromet preference shares series (A new) and 61.4% of the Micromet preference shares series (B new). Upon consummation of the Micromet Reorganization, all directors and executive officers of Micromet, together with their affiliates, will own approximately 58.6% of the outstanding common stock of Micromet Parent. Consummation of the Micromet Reorganization requires the agreement to exchange at least 55% of the Micromet AG preference shares series (B new) for shares of Micromet Parent common stock. Certain of the officers and directors of Micromet, and their affiliates, have also entered into voting agreements in connection with the merger. The voting agreements are discussed in greater detail under the caption Voting Agreements beginning on page 112.

For a more complete description of the interests of current and former officers and directors of Micromet AG, please see the section entitled Interests of Micromet s Executive Officers and Directors in the Merger on page 84 of this proxy statement/prospectus.

Restrictions on Resales; Affiliate Agreements Relating to Micromet Affiliates (Page 91)

The shares of CancerVax common stock to be received by Micromet Parent stockholders in the merger will be registered under the Securities Act of 1933 and, except as described in this section, may be freely traded without restriction. CancerVax s registration statement on Form S-4, of which this proxy statement/prospectus is a part, does not cover the resale of shares of CancerVax common stock to be received in connection with the merger by persons who are deemed to be affiliates of Micromet Parent. The shares of CancerVax common stock to be issued in the merger and received by persons who are deemed to be affiliates of Micromet Parent may be resold by them only in

Table of Contents

transactions registered under the Securities Act of 1933, except from the registration requirements by the resale provisions of Rule 145 under the Securities Act of 1933 or as otherwise permitted under the Securities Act of 1933. Persons who are deemed to be affiliates of Micromet Parent prior to the merger include individuals or entities that control, are controlled by, or are under common control with Micromet Parent and may include officers and directors, as well as principal stockholders, of Micromet Parent. Affiliates of Micromet Parent will be notified separately of their affiliate status. Under the terms of the merger agreement, CancerVax has agreed to file as soon as practicable, and in any event within 45 days after the effective time of the merger, a resale registration statement to cover the resale by former affiliates of Micromet Parent and Micromet of shares of CancerVax common stock received by such stockholders in the merger. In addition, CancerVax agreed to use commercially reasonable efforts to keep the resale registration statement continuously effective until the earlier of the date upon which all of the shares held by such stockholders may be resold under Rule 145 without restriction and the date upon which all such shares have been sold pursuant to the resale registration statement.

The merger agreement provides that Micromet will use commercially reasonable efforts to secure signed affiliate agreements from all persons who are, become or might be deemed to be affiliates of Micromet Parent, and who will receive CancerVax common stock in connection with the merger. These affiliate agreements provide that these persons will not sell, transfer or otherwise dispose of their shares of CancerVax common stock unless they do so in compliance with securities laws governing sales by affiliates.

Limitation on Soliciting, Discussing and Negotiating Other Acquisition Proposals (Page 104)

CancerVax and Micromet have each agreed, and have further agreed to ensure that their representatives do not, prior to the consummation of the merger, directly or indirectly, solicit, initiate, knowingly encourage, induce or facilitate the making, submission or announcement of, or enter into discussions or negotiations with any person with respect to, any alternative acquisition proposal or any inquiry that would reasonably be expected to lead to an alternative acquisition proposal for their respective company. CancerVax and Micromet have also agreed to notify each other upon receipt of any alternative acquisition proposal or any inquiry that would reasonably be expected to lead to an alternative acquisition proposal, including the terms of the alternative acquisition proposal or inquiry and the identity of the person making the alternative acquisition proposal or inquiry. However, if CancerVax or Micromet receives an unsolicited bona fide written acquisition proposal that is a superior acquisition proposal, or could reasonably be expected to lead to a superior acquisition proposal, prior to its special meeting, then CancerVax or Micromet, as the case may be, may provide nonpublic information to, and engage in discussions and negotiations with, the third party making the acquisition proposal so long as certain conditions set forth in the merger agreement are satisfied.

Obligations of the CancerVax Board of Directors and Micromet Supervisory Board with Respect to Their Recommendations and Holding the CancerVax Meeting of Stockholders (Page 103)

Subject to certain conditions, the board of directors of CancerVax or Micromet may withdraw or modify their respective recommendation in support of the issuance of shares of CancerVax common stock in the merger or the adoption of the merger agreement, as the case may be. In the event that the board of directors of either company withdraws or modifies its recommendation in a manner adverse to the other company, that company may be required under certain circumstances to pay a termination fee of $2,000,000 to the other company.

Conditions to the Merger (Page 105)

The respective obligations of CancerVax and Micromet to consummate the merger are subject to the satisfaction of certain conditions described herein.

Termination of the Merger Agreement (Page 108)

Either CancerVax or Micromet can terminate the merger agreement under certain circumstances described herein, which would prevent the merger from being consummated.

Table of Contents

Expenses and Termination Fees (Page 110)

Subject to limited exceptions, all fees and expenses incurred in connection with the merger agreement will be paid by the company incurring such expenses. A termination fee of $2,000,000 may be payable by either CancerVax or Micromet to the other party upon the termination of the merger agreement under certain circumstances.

Material U.S. Federal Income Tax Consequences (Page 89)

As provided in the merger agreement, Cooley Godward LLP, counsel to Micromet and Micromet Parent, will issue a tax opinion to the effect that the merger will constitute a reorganization under Section 368 of the Internal Revenue Code of 1986, as amended. In such a reorganization, a Micromet Parent stockholder generally will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of its shares of Micromet Parent common stock for shares of CancerVax common stock. However, any cash received for any fractional share will result in the recognition of gain or loss as if such stockholder sold its fractional share. A Micromet Parent stockholder s tax basis in the shares of CancerVax common stock that it receives in the merger will equal its current tax basis in its Micromet Parent common stock exchanged in the merger, as the case may be (reduced by the basis allocable to any fractional share interest for which it receives cash).

Tax matters can be complicated, and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult your own tax advisors to fully understand the tax consequences of the merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws.

Regulatory Approvals (Page 91)

As of the date of this proxy statement/prospectus, neither CancerVax, Micromet nor Micromet Parent is required to make filings or to obtain approvals or clearances from any antitrust regulatory authorities in the United States or other countries to consummate the merger. In the United States, CancerVax must comply with applicable federal and state securities laws and the rules and regulations of the Nasdaq National Market in connection with the issuance of shares of CancerVax common stock in the merger and the filing of this proxy statement/prospectus with the SEC.

Anticipated Accounting Treatment (Page 90)

The merger will be treated by CancerVax as a reverse merger under the purchase method of accounting in accordance with U.S. generally accepted accounting principles. For accounting purposes, Micromet is considered to be acquiring CancerVax in this transaction. Therefore, the aggregate consideration paid in connection with the merger, together with the direct costs of acquisition, will be allocated to CancerVax s tangible and intangible assets and liabilities based on their fair market values. The assets and liabilities and results of operations of CancerVax will be consolidated into the results of operations of Micromet as of the effective date of the merger. These allocations will be based on a valuation that has not yet been finalized.

Appraisal Rights (Page 90)

Under Delaware law, neither CancerVax nor Micromet Parent stockholders are entitled to appraisal rights in connection with the merger.

CancerVax Proposal No. 2 Approval of Amendment to the Amended and Restated Certificate of Incorporation of CancerVax to Increase Authorized Common Stock (Page 115)

CancerVax currently does not have authorized sufficient shares to effectuate the merger. At the CancerVax meeting, holders of CancerVax stock will be asked to approve an amendment of CancerVax s amended and restated certificate of incorporation to increase the number of authorized shares of CancerVax common stock to 150,000,000, while the number of authorized shares of preferred stock will remain unchanged. CancerVax s amended and restated certificate of incorporation currently authorizes 75,000,000 shares of common stock and

Table of Contents

10,000,000 shares of preferred stock. On [_____], 2006, [___] shares of CancerVax common stock were outstanding.

CancerVax Proposal No. 3 Authorization of the CancerVax Board of Directors to Effect the Reverse Stock Split (Page 116)

At the CancerVax meeting, holders of CancerVax common stock will be asked to approve the proposal to authorize CancerVax s board of directors to, at their discretion, amend the CancerVax amended and restated certificate of incorporation to effect a reverse stock split of the issued and outstanding shares of CancerVax common stock at a ratio within the range of [1:2 and 1:6]. If approved by the CancerVax stockholders, the reverse stock split would become effective upon the closing of the merger. The CancerVax board may effect only one reverse stock split in connection with this Proposal No. 3. The CancerVax board s decision will be based on a number of factors, including market conditions, existing and expected trading prices for CancerVax s common stock and the listing requirements of the Nasdaq National Market. Even if the stockholders approve the reverse stock split, CancerVax reserves the right not to effect the reverse stock split if the CancerVax board does not deem it to be in the best interests of CancerVax and its stockholders to effect the reverse stock split. The CancerVax board may determine to effect the reverse stock split, if it is approved by the stockholders, even if the other proposals to be acted upon at the meeting are not approved, including the issuance of shares in the merger.

The form of the proposed amendment to the CancerVax amended and restated certificate of incorporation to effect the reverse stock split, as more fully described below, will effect the reverse stock split but will not change the number of authorized shares of common stock or preferred stock, or the par value of CancerVax s common stock or preferred stock.

CancerVax Proposal No. 4 Approval of Name Change (Page 121)

In connection with the merger, CancerVax is proposing to amend CancerVax s amended and restated certificate of incorporation to change the name of the corporation from CancerVax Corporation to Micromet, Inc. The primary reason for the corporate name change is that management believes this will allow for brand recognition of CancerVax s and Micromet s products and services through the creation of a single brand name. CancerVax s management believes that the current name will no longer accurately reflect the business of the combined company and the mission of the combined company subsequent to the consummation of the merger. Insofar as the proposed new corporate name will reflect a combination of Micromet s business with CancerVax following the merger, the proposed name change and the amendment of CancerVax s amended and restated certificate of incorporation, even if approved by the stockholders at the special meeting, will only be filed with the office of the Secretary of State of the State of Delaware and, therefore, become effective if the merger is consummated. The approval of the name change to Micromet, Inc. is a condition to the consummation of the merger.

CancerVax Proposal No. 5 Approval of Possible Adjournment of the Special Meeting (Page 122)

If CancerVax fails to receive a sufficient number of votes to approve Proposal Nos. 1 through 4, CancerVax may propose to adjourn the special meeting, if a quorum is present, for a period of not more than 30 days for the purpose of soliciting additional proxies to approve Proposal Nos. 1 through 4. CancerVax currently does not intend to propose adjournment at the special meeting if there are sufficient votes to approve Proposal Nos. 1 through 4.

Table of Contents

MARKET PRICE AND DIVIDEND DATA

CancerVax common stock is listed on the Nasdaq National Market under the symbol CNVX. The following table presents, for the periods indicated, the range of high and low per share sales prices for CancerVax common stock as reported on the Nasdaq National Market since CancerVax s initial public offering on October 30, 2003. Micromet is a private company and its ordinary shares and preference shares are not publicly traded.

CancerVax Common Stock

	High	Low
Year Ended December 31, 2003		
Fourth Quarter (beginning October 30, 2003)	$ 13.24	$ 8.82
Year Ended December 31, 2004		
First Quarter	$ 13.35	$ 9.25
Second Quarter	$ 12.27	$ 6.99
Third Quarter	$ 8.93	$ 5.55
Fourth Quarter	$ 11.45	$ 7.38
Year Ended December 31, 2005		
First Quarter	$ 11.00	$ 6.02
Second Quarter	$ 6.71	$ 2.70
Third Quarter	$ 4.24	$ 2.76
Fourth Quarter	$ 3.46	$ 1.31
Year Ended December 31, 2006		
First Quarter (through February 10, 2006)	$ 3.55	$ 1.32

On January 6, 2006, the last trading day prior to announcement of the merger, the closing price of CancerVax s common stock was $1.49, for an aggregate value of CancerVax of $41.6 million, so if the merger was consummated on that day, the value attributable to the Micromet capital stock in the aggregate, or to approximately 67.5% of the fully-diluted shares of the combined company, would equal $86.4 million. On February 10, 2006, the closing price of CancerVax s common stock was $2.59, for an aggregate value of CancerVax of $72.4 million, so if the merger was consummated on that day, the value attributable to the Micromet Parent capital stock in the aggregate, or to approximately 67.5% of the fully-diluted shares of the combined company, would equal $150.3 million. Accordingly, the value per share allocable to the holders of capital stock of Micromet Parent, assuming consummation of the Micromet Reorganization, as of January 6, 2006 and February 10, 2006, would be $25.04 and $43.52, respectively.

Because the market price of CancerVax common stock is subject to fluctuation, the market value of the shares of CancerVax common stock that holders of Micromet Parent capital stock will receive in the merger may increase or decrease.

Following the consummation of the merger and successful reapplication to the NASD for initial inclusion, CancerVax common stock will continue to be listed on the Nasdaq National Market and there will be no public market for the Micromet ordinary shares and preference shares.

Dividends

CancerVax has never declared or paid any cash dividends on its capital stock. CancerVax currently intends to retain any future earnings to finance the growth and development of its business and, therefore, does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of CancerVax s board of directors and will depend upon its financial condition, operating results, capital requirements, covenants in CancerVax s debt instruments, and such other factors as the board of directors deems relevant.

Micromet has never declared or paid any cash dividends on its capital stock nor does it intend to do so.

Table of Contents

CANCERVAX SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following selected historical financial data as of and for each of the years in the five-year period ended December 31, 2004 has been derived from CancerVax s audited consolidated financial statements. The following selected historical financial data as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005 has been derived from CancerVax s unaudited condensed consolidated financial statements. This information is only a summary and you should read the following tables in conjunction with CancerVax s financial statements and related notes and CancerVax s Management s Discussion and Analysis of Financial Condition and Results of Operations, contained in this proxy statement/prospectus. Historical results are not necessarily indicative of the results to be expected in the future.

	Years Ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
	(In thousands, except per share amounts)						
Consolidated Statement of Operations Data:							
Revenues:							
License fee	$	$	$	$	$ 316	$	$ 24,684
Collaborative research and development					1,210		14,204
Total revenues					1,526		38,888
Operating expenses:							
Research and development	$ 3,495	$ 13,910	$ 24,517	$ 27,725	$ 43,102	$ 31,579	$ 31,241
General and administrative	765	5,441	6,514	6,826	12,310	8,399	8,897
Amortization of employee stock-based compensation(1)			1,412	2,643	1,864	1,531	882
Impairment of long-lived assets							22,838
Purchased in-process research and development			2,840				
Total operating expenses	4,260	19,351	35,283	37,194	57,276	41,509	63,858
Other income (expense):							

Option fee income	1,000						
Interest income	147	909	691	553	920	695	1,340
Interest expense		(140)	(621)	(932)	(756)	(427)	(167)
Total other income (expense)	1,147	769	70	(379)	164	268	1,173
Net loss	(3,113)	(18,582)	(35,213)	(37,573)	(55,586)	(41,241)	(23,797)
Accretion to redemption value of redeemable convertible preferred stock		(4,105)	(7,635)	(7,867)			
Deemed dividend resulting from beneficial conversion feature on Series C preferred stock				(14,775)			
Net loss applicable to common stockholders	$ (3,113)	$ (22,687)	$ (42,848)	$ (60,215)	$ (55,586)	$ (41,241)	$ (23,797)
Basic and diluted net loss per share(2) (3)	$ (0.58)	$ (266.02)	$ (153.85)	$ (13.30)	$ (2.08)	$ (1.55)	$ (0.85)
Weighted average shares used to compute basic and diluted net loss per share(2) (3)	5,361	85	279	4,527	26,733	26,690	27,833

Table of Contents

(1) Amortization of employee stock-based compensation is allocated among operating expense categories as follows (in thousands):

	Years Ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
Research and development	$	$	$ 379	$ 838	$ 531	$ 441	$ 555
General and administrative			1,033	1,805	1,333	1,090	327
			1,412	2,643	1,864	1,531	882

(2) As a result of the conversion of our preferred stock into 20.1 million shares of our common stock upon completion of our initial public offering on November 4, 2003, there is a lack of comparability in the basic and diluted net loss per share amounts for the periods presented. Please reference Note 1 to our consolidated financial statements included elsewhere in this proxy statement/prospectus for an unaudited pro forma basic and diluted net loss per share calculation for these periods.

(3) In December 2000, we exchanged 6.0 million shares of our common stock for shares of Junior preferred stock on a 1-for-4.4 basis.

	As of December 31,					As of September 30,
	2000	2001	2002	2003	2004	2005
	(In thousands)					
Consolidated Balance Sheet Data:						
Cash, cash equivalents and securities available-for-sale	$ 29,194	$ 10,103	$ 36,201	$ 107,092	$ 65,073	$ 60,255
Total assets	32,854	20,795	55,187	127,007	116,160	77,392
Long-term debt, net of current portion	625	3,353	7,379	1,811	6,355	14,947
Redeemable convertible preferred stock		32,455	96,582			
Accumulated deficit	(3,442)	(26,129)	(68,977)	(129,192)	(184,778)	(208,575)
Total stockholders equity (deficit)	1,568	(20,663)	(55,878)	112,773	71,458	48,806

Table of Contents

MICROMET SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth selected historical financial data of Micromet. The statement of operations data for the years ended December 31, 2002, 2003 and 2004 and the balance sheet data as of December 31, 2003 and 2004 have been derived from Micromet s audited financial statements, which are included elsewhere in this proxy statement/prospectus. The statement of operations data for the periods ended December 31, 2000 and 2001 and the balance sheet data as of December 31, 2000, 2001 and 2002 have been derived from Micromet s unaudited financial statements, which are not included in this proxy statement/prospectus. The statement of operations data for the nine months ended September 30, 2004 and 2005 and the balance sheet data as of September 30, 2005 have been derived from Micromet s unaudited financial statements, which are included elsewhere in this proxy statement/prospectus. In the opinion of Micromet s management, these unaudited financial statements have been prepared on a basis consistent with that of Micromet s audited financial statements and reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation. This information is only a summary and you should read the following tables in conjunction with Micromet s financial statements and related notes and Micromet s Management s Discussion and Analysis of Financial Condition and Results of Operations, contained in this proxy statement/prospectus. Historical results are not necessarily indicative of the results to be expected in the future.

	Years Ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
				(In thousands)			
Statement of Operations Data:							
Revenues	794		3,741	13,189	13,459	10,580	13,484
Operating expenses:							
Research and development	5,562	11,387	22,428	26,173	26,598	18,327	17,171
General and administrative	1,396	1,383	2,566	3,916	4,493	3,348	3,399
Total operating expenses	6,958	12,770	24,994	30,089	31,091	21,675	20,570
Loss from operations	(6,164)	(12,770)	(21,253)	(16,900)	(17,632)	(11,095)	(7,086)
Total other income (expense)	(148)	423	(308)	(2,054)	(2,522)	(1,536)	(2,672)
Net loss	(6,312)	(12,347)	(21,561)	(18,954)	(20,154)	(12,631)	(9,758)

	As of December 31,					As of September 30,
	2000	2001	2002	2003	2004	2005
				(In thousands)		
Balance Sheet Data:						
Cash and cash equivalents	565	13,545	7,040	3,062	9,088	6,041

Total assets	8,724	46,788	44,633	36,441	36,648	23,081
Long-term debt, net of current portion	5,582	5,887	7,419	7,867	7,240	7,404
Convertible notes payable		3,696	13,413	23,840	29,490	31,289
Accumulated deficit	(13,597)	(25,944)	(47,401)	(66,458)	(86,612)	(96,370)
Total stockholders equity (deficit)	1,883	34,953	14,509	(4,181)	(24,356)	(34,112)

Table of Contents

SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following selected unaudited pro forma condensed combined financial information was prepared using the purchase method of accounting. For accounting purposes, Micromet is considered to be acquiring CancerVax in this merger. The CancerVax and Micromet unaudited pro forma condensed combined balance sheet data assume that the merger of CancerVax and Micromet was consummated on September 30, 2005, and combines CancerVax s historical balance sheet at September 30, 2005 with Micromet s historical balance sheet at September 30, 2005. The CancerVax and Micromet unaudited pro forma condensed combined statement of operations data assume that the merger of CancerVax and Micromet was consummated on January 1, 2004. The unaudited pro forma condensed combined statement of operations data for the year ended December 31, 2004 combines CancerVax s historical statement of operations for the year then ended with Micromet s historical statement of operations for the year ended December 31, 2004. The unaudited pro forma condensed combined statement of operations data for the nine months ended September 30, 2005 combines CancerVax s historical statement of operations for the nine months then ended with Micromet s historical statement of operations for the nine months ended September 30, 2005.

The selected unaudited pro forma condensed combined financial data are presented for illustrative purposes only and are not necessarily indicative of the combined financial position or results of operations of future periods or the results that actually would have been realized had the entities been a single entity during these periods. The selected unaudited pro forma condensed combined financial data as of and for the nine months ended September 30, 2005 and for the year ended December 31, 2004 are derived from the unaudited pro forma condensed combined financial statements at page [_] of this proxy statement/prospectus and should be read in conjunction with those statements and the related notes. See Unaudited Pro Forma Condensed Combined Financial Statements.

	Year Ended December 31, 2004	Nine Months Ended September 30, 2005
	(In thousands, except per share amounts)	
Unaudited Pro Forma Condensed Combined Statement of Operations Data:		
Revenues	$ 18,267	$ 55,934
Operating expenses:		
Research and development	74,772	51,355
General and administrative	17,241	12,698
Amortization of employee stock-based compensation	6,256	5,224
Impairment of long-lived assets		22,838
Total operating expenses	98,269	92,115
Other income (expense), net	(2,714)	(1,867)
Net loss	$ (82,716)	$ (38,048)
Basic and diluted net loss per share	$ (0.98)	$ (0.44)

Weighted averaged shares used to compute basic and diluted net loss per share	84,746	85,846

Table of Contents

	As of September 30, 2005 (In thousands)
Unaudited Pro Forma Condensed Combined Balance Sheet Data:	
Cash, cash equivalents and securities available-for-sale	$ 49,955
Total assets	75,633
Long-term debt, net of current portion	6,330
Convertible note payable	37,697
Accumulated deficit	(124,552)
Total stockholders equity (deficit)	(7,219)

Table of Contents

DESCRIPTION OF CANCERVAX S COMMON STOCK

Common Stock

As of February 9, 2006, the authorized common stock of CancerVax consisted of 75,000,000 shares of common stock, of which 27,933,069 shares were issued and outstanding.

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of CancerVax common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our board of directors may from time to time determine.

Voting Rights

Each CancerVax common stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for in our amended and restated certificate of incorporation, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to conversion or redemption.

Right to Receive Liquidation Distributions

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time after payment of liquidation preferences, if any, on any outstanding preferred stock and payment of other claims of creditors.

Anti-Takeover Provisions

The provisions of the Delaware General Corporation Law, or DGCL, CancerVax s amended and restated certificate of incorporation and bylaws may have the effect of delaying, deferring, or discouraging another person from acquiring control of CancerVax.

CancerVax is subject to Section 203 of the DGCL, which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with an interested stockholder for a period of three years following the time that such stockholder became an interested stockholder, unless:

- the board of directors of the corporation approves either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, prior to the time the interested stockholder attained that status;

- upon the closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the

transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (a) by persons who are directors and also officers and (b) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

With certain exceptions, an interested stockholder is a person or group who or which owns 15% or more of the corporation s outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant,

Table of Contents

agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of such voting stock at any time within the previous three years.

In general, Section 203 defines a business combination to include:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

A Delaware corporation may opt out of this provision with an express provision in its original amended and restated certificate of incorporation or an express provision in its amended and restated certificate of incorporation or bylaws resulting from a stockholders amendment approved by at least a majority of the outstanding voting shares. However, CancerVax has not opted out of this provision. Section 203 could prohibit or delay mergers or other takeover or change-in-control attempts and, accordingly, may discourage attempts to acquire CancerVax.

Transfer Agent

The transfer agent for CancerVax common stock is Mellon Investor Services, LLC.

Listing

CancerVax common stock is quoted on the Nasdaq National Market under the symbol CNVX.

Table of Contents

COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The following information does not give effect to the proposed reverse stock split of CancerVax common stock described in CancerVax s Proposal No. 3.

The information below reflects:

- the historical net loss and book value per share of CancerVax common stock and the historical net loss and book value per Micromet ordinary share in comparison with the unaudited pro forma net loss and book value per share after giving effect to the proposed merger of CancerVax with Micromet on a purchase basis;
- the equivalent historical net loss and book value per share attributable to an estimated 58,012,946 shares of CancerVax common stock which would have been issued to the holders of Micromet capital stock, assuming the merger was consummated on January 1, 2004; and
- the contemplated exchange of all Micromet equity interests for shares of common stock of Micromet Parent in the Micromet Reorganization.

You should read the tables below in conjunction with the respective audited and unaudited financial statements and related notes of CancerVax and Micromet included elsewhere in this proxy statement/prospectus and the unaudited pro forma condensed financial information and notes related to such financial statements included elsewhere in this proxy statement/prospectus.

CANCERVAX

	Year Ended December 31, 2004	Nine Months Ended September 30, 2005 (Unaudited)
Historical Per Common Share Data:		
Net loss per common share basic and diluted	$ (2.08)	$ (0.85)
Book value per share	$ 2.67	$ 1.75

MICROMET

	Year Ended December 31, 2004	Nine Months Ended September 30, 2005 (Unaudited)
Historical Per Ordinary Share Data(1):		
Net loss per ordinary share basic and diluted	(69.88)	(33.83)
Book value per share	(84.45)	(118.27)

(1) All per share data have been restated to give retroactive effect to an equity restructuring and reverse stock split of Micromet shares effected in October 2005.

CANCERVAX AND MICROMET

	Year Ended December 31, 2004	Nine Months Ended September 30, 2005 (Unaudited)
Combined Pro Forma Per Common Share Data:		
Net loss per combined share basic and diluted	$ (0.98)	$ (0.44)
Book value per combined share		$ (0.09)
Equivalent Pro Forma Data:		
Net loss per equivalent Micromet share basic and diluted	$ (16.47)	$ (7.40)

Table of Contents

FORWARD-LOOKING INFORMATION

This proxy statement/prospectus includes forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Words such as anticipate, believes, budget, continue, could, estimate, expect, forecast, intend, may, plan, potential, predicts, project, sho expressions are intended to identify such forward-looking statements. Forward-looking statements in this proxy statement/prospectus include, without limitation, statements regarding benefits of the proposed merger and future expectations concerning available cash and cash equivalents, the expected timing of the conclusion of clinical trials, the timing of regulatory filings, and other matters that involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to differ materially from results expressed in or implied by this proxy statement/prospectus. Such risk factors include, among others:

- difficulties encountered in integrating merged businesses;
- uncertainties as to the timing of the merger, approval of the transaction by the stockholders of CancerVax and the satisfaction of closing conditions to the transaction, including the receipt of regulatory approvals, if any;
- the competitive environment in the life sciences industry;
- whether the companies can successfully develop new products and the degree to which these gain market acceptance;
- the success and timing of our preclinical studies and clinical trials;
- the companies ability to obtain and maintain regulatory approval for their product candidates and the timing of such approvals;
- the companies plans to research, develop and commercialize their product candidates;
- regulatory developments in the United States and foreign countries; and
- the companies ability to obtain and maintain intellectual property protection for their product candidates.

Actual results may differ materially from those contained in the forward-looking statements in this proxy statement/prospectus. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement/prospectus. All forward-looking statements are qualified in their entirety by this cautionary statement.

Table of Contents

RISK FACTORS

You should consider the following factors in evaluating whether to approve the issuance of shares of CancerVax common stock in the merger and the resulting change in control of CancerVax. These factors should be considered in conjunction with the other information included by CancerVax and Micromet in this proxy statement/prospectus.

References to we, us and our in these risk factors refer to the operations of the combined company as it would exist following the merger.

Risks Relating to the Merger

If we are not successful in integrating our organizations, we may not be able to operate efficiently after the merger.

Achieving the benefits of the merger will depend in part on the successful integration of CancerVax s and Micromet s technical and business operations and personnel in a timely and efficient manner. The integration process requires coordination of the administrative, development, scientific and regulatory teams of both companies, and involves the integration of systems, applications, policies, procedures, business processes and operations. This process may be difficult and unpredictable because of possible conflicts and differing opinions on business, scientific and regulatory matters. Moreover, the integration of the two companies will present challenges resulting from the transatlantic nature of the combined company, with members of senior management in both California and Munich. If we cannot successfully integrate our technical and business operations and personnel, we may not realize the expected benefits of the merger.

Integrating our companies may divert management s attention away from our operations.

The successful integration of CancerVax s and Micromet s technical and business operations and personnel may place a significant burden on our management and internal resources. The diversion of management s attention and any difficulties encountered in the transition and integration process could result in delays in our clinical trial and product development programs and could otherwise harm our business, financial condition and operating results.

We expect to incur significant costs integrating the companies into a single business.

We expect to incur significant costs integrating CancerVax s and Micromet s technical and business operations and personnel. These costs may include costs for:

- employee redeployment, relocation or severance;
- conversion of information systems;
- combining administrative teams and processes;
- reorganization of facilities and disposition of excess facilities; and
- relocation or disposition of excess equipment.

If we fail to retain key employees, the benefits of the merger could be diminished.

The successful combination of CancerVax and Micromet will depend, in part, on the retention of key personnel. There can be no assurance that CancerVax will be able to retain its or Micromet s key management and scientific personnel. If we fail to retain such key employees, we may not realize the anticipated benefits of the merger.

Table of Contents

If one or more of the product candidates in the merged company cannot be shown to be safe and effective in clinical trials, is not approvable or not commercially successful, then the benefits of the merger may not be realized.

The combined company will have two product candidates in clinical trials, and we plan to commence clinical trials for one additional product candidate in 2006. All of these product candidates must be rigorously tested in clinical trials, and be shown to be safe and effective before the U.S. Food and Drug Administration or other regulatory authorities outside the U.S. will consider them for approval. Failure to demonstrate that one or more of our product candidates is safe and effective, or significant delays in demonstrating safety and efficacy, could diminish the benefits of the merger. Failure to obtain marketing approval of one or more of our product candidates from appropriate regulatory authorities, or significant delays in obtaining such approval, could diminish the benefits of the merger. If approved for sale, our product candidates must be successfully commercialized. Failure to successfully commercialize one or more of our product candidates could diminish the benefits of the merger.

Because Micromet Parent stockholders will receive a fixed number of shares of CancerVax common stock in the merger, rather than a fixed value, if the market price of CancerVax common stock declines, Micromet Parent stockholders will receive consideration in the merger of lesser value.

The aggregate number of shares of common stock of CancerVax to be issued to Micromet Parent stockholders is fixed. Accordingly, the aggregate number of shares that Micromet Parent stockholders will receive in the merger will not change, even if the market price of CancerVax common stock changes. In recent years, the stock market in general, and the securities of biotechnology companies in particular, have experienced extreme price and volume fluctuations. These market fluctuations may adversely affect the market price of CancerVax common stock. The market price of CancerVax common stock upon and after the consummation of the merger could be lower than the market price on the date of the merger agreement or the current market price.

Failure to complete the merger could adversely affect CancerVax s stock price and CancerVax s and Micromet s future business and operations.

The merger is subject to the satisfaction of closing conditions, including approval by CancerVax stockholders, and neither CancerVax nor Micromet can assure you that the merger will be successfully completed. In the event that the merger is not consummated, CancerVax and Micromet may be subject to many risks, including the costs related to the merger, such as legal, accounting and advisory fees, which must be paid even if the merger is not completed, and the payment by either Micromet or CancerVax of a termination fee under certain circumstances. If the merger is not consummated, the market price of CancerVax common stock could decline.

Completion of the merger may result in dilution of future earnings per share to the stockholders of CancerVax.

The completion of the merger may result in greater net losses or a weaker financial condition compared to that which would have been achieved by either CancerVax or Micromet on a stand-alone basis. The merger could fail to produce the benefits that the companies anticipate, or could have other adverse effects that the companies currently do not foresee. In addition, some of the assumptions that either company has made, such as the achievement of operating synergies, may not be realized. In this event, the merger could result in greater losses as compared to the losses that would have been incurred by CancerVax if the merger had not occurred.

The costs associated with the merger are difficult to estimate, may be higher than expected and may harm the financial results of the combined company.

CancerVax and Micromet estimate that they will incur aggregate direct transaction costs of approximately $3.8 million associated with the merger, and additional costs associated with the consolidation and integration of operations, which cannot be estimated accurately at this time. If the total costs of the merger exceed our estimates or the benefits of the merger do not exceed the total costs of the merger, the financial results of the combined company could be adversely affected.

Table of Contents

Micromet executive officers and directors may have interests that are different from, or in addition to, those of Micromet shareholders generally.

The executive officers and directors of Micromet may have interests in the merger that are different from, or are in addition to, those of Micromet shareholders generally. These interests include ownership through affiliated entities of CancerVax common stock, certain Micromet directors being nominated for election to the CancerVax board of directors at the effective time of the merger, the issuance of options to Micromet management immediately prior to the transaction, which will be assumed by CancerVax, the adoption of new employment agreements for certain Micromet executives in connection with the merger and/or the provision and continuation of indemnification and insurance arrangements for current directors of Micromet following consummation of the merger. In addition, you should be aware that Michael Carter has a significant relationship with both companies due to his position as a current director of both CancerVax and Micromet. See the section entitled The Merger Interests of Micromet s Executive Officers and Directors in the Merger starting on page 90.

Risks Relating to CancerVax

Risks Relating to CancerVax s Business

Our business to date has been largely dependent on the success of Canvaxin, which was the subject of Phase 3 clinical trials that we terminated in 2005. Although we ceased the development of Canvaxin and have reduced our workforce, we may be unable to successfully manage our remaining resources, including available cash, while we seek to implement the merger with Micromet.

Both of our Phase 3 clinical trials for Canvaxin in patients with advanced-stage melanoma were discontinued during 2005 based upon the recommendations of the independent Data and Safety Monitoring Board, or DSMB, with oversight responsibility for these clinical trials, that the data were unlikely to provide significant evidence of a survival benefit for Canvaxin-treated patients versus patients who received placebo. We had previously devoted substantially all of our research, development and clinical efforts and financial resources toward the development of Canvaxin. In connection with the termination of our clinical trials for Canvaxin, we announced restructuring activities, including significant workforce reductions, and incurred approximately $3.8 million of severance and related costs in 2005, the substantial majority of which were cash expenditures. In addition, we anticipate continued workforce reductions and associated employee severance and other costs in 2006. As a result of the discontinuation of our clinical trials, development program and manufacturing operations for Canvaxin, we are planning to sublease our manufacturing facility, which includes the additional production suite, our warehouse facility and our corporate headquarters. We cannot predict whether any such subleasing arrangements would be consummated on favorable terms or at all, and anticipate that such transactions may require us to incur significant additional costs and obtain third-party consents beyond our control. We may be unable to adequately reduce expenses associated with our existing manufacturing, administrative and warehouse facilities, clinical trial agreements and other commitments related to Canvaxin.

The remaining product candidates in our pipeline are in early stages of development and our efforts to develop and commercialize these product candidates are subject to a high risk of failure. If we fail to successfully develop our product candidates, our ability to generate revenues will be substantially impaired.

The process of successfully developing product candidates for the treatment of human diseases is very time-consuming, expensive and unpredictable and there is a high rate of attrition for product candidates in preclinical and clinical trials. Until recently, our business strategy depended upon the successful clinical development of Canvaxin and the subsequent development of additional pipeline product candidates to complement our initial focus on Canvaxin. Our remaining product candidates are in earlier stages of development than Canvaxin, so we will require

substantial additional financial resources, as well as research, development and clinical capabilities, to pursue the development of these product candidates, and we may never develop an approvable product.

Our remaining principal product candidates are D93, a humanized, anti-angiogenic monoclonal antibody, and SAI-EGF, a product candidate that target the epidermal growth factor receptor, or EGFR, signaling pathway. We are planning to file an Investigational New Drug, or IND, application to initiate a Phase 1 clinical trial for D93 in patients with solid tumors in early 2006, but we have not yet completed the required preclinical testing of this

product candidate, and there can be no assurance that such testing will be successfully completed so that we may commence clinical trials with D93. We have announced our intention to sub-license our rights to SAI-EGF and the other product candidates that we licensed from CIMAB, S.A., a Cuban company, and on January 13, 2006, we received a letter from CIMAB notifying us of their belief that we are in breach of our agreement with CIMAB as a result of our failure to make a milestone payment. If we are unable to resolve the dispute, then CIMAB will seek to terminate the agreement for breach sixty days from the date of CIMAB s letter to us.

Subject to our diligence obligations to our licensors for these product candidates, we are considering strategic alternatives with respect to certain other of our product candidates given the substantial reduction in our research and development and clinical resources in connection with the termination of our Canvaxin development activities. We may be unable to successfully develop these product candidates ourselves, and we also may be unable to enter into strategic collaborations with third parties to pursue the development of these product candidates. Even if we are able to identify potential strategic collaborators or licensees for these product candidates, we may be unable to obtain required consents from our licensors and the financial terms available to us may not be acceptable. In any event, we do not anticipate that any of our product candidates will reach the market for at least several years.

We do not know whether our planned preclinical development or clinical trials for our product candidates will begin on time or be completed on schedule, if at all. In addition, we do not know whether these clinical trials will result in marketable products. We cannot assure you that any of our product candidates will:

be successfully developed;

prove to be safe and effective in clinical trials;

be approved for marketing by United States or foreign regulatory authorities;

be adequately protected by our intellectual property rights or the rights of our licensors;

be capable of being produced in commercial quantities at acceptable costs;

achieve market acceptance and be commercially viable; or

be eligible for third party reimbursement from governmental or private insurers.

We are subject to extensive government regulation that increases the cost and uncertainty associated with our efforts to gain regulatory approval of our product candidates.

Preclinical development, clinical trials, manufacturing and commercialization of our product candidates are all subject to extensive regulation by United States and foreign governmental authorities. It takes many years and significant expenditures to obtain the required regulatory approvals for biological products. Satisfaction of regulatory requirements depends upon the type, complexity and novelty of the product candidate and requires substantial resources. As demonstrated by the discontinuation of our Phase 3 clinical trials of Canvaxin in patients with advanced-stage melanoma, we cannot be certain that any of our product candidates will be shown to be safe and effective, or that we will ultimately receive approval from the FDA or foreign regulatory authorities to market these products. In addition, even if granted, product approvals and designations such as fast-track and orphan drug may be withdrawn or limited at a later time.

We have no manufacturing capabilities or manufacturing personnel and expect to depend on third parties to manufacture the product candidates that we are currently developing. We will be dependent on sole-source

suppliers to provide our product candidates for early-stage clinical trials.

We do not operate any facilities for manufacturing D93 or any of the other product candidates that we may develop in the future. As a result, we will rely on third parties to manufacture these product candidates for our early-stage clinical trials. Our dependence upon third parties for the manufacture of these product candidates may result in unforeseen delays or other problems beyond our control.

In January 2005, we entered into an agreement with AppTec Laboratory Services, Inc., to manufacture D93 for early-stage clinical trials. There can be no assurance that we, AppTec or any other third party manufacturing

Table of Contents

organization will be able to develop adequate manufacturing capabilities to supply the quantities of D93 needed for our clinical trials or commercialization of this product candidate.

There are a limited number of manufacturers that are capable of manufacturing biological product candidates. We may not be able to obtain services from such manufacturers in a timely manner, if at all, to meet our requirements for clinical trials and, subject to the receipt of regulatory approvals, commercial sale. We also depend on third party contract laboratories to perform quality control testing of our product candidates.

Under our licensing agreement, CIMAB has the right and obligation, subject to specified terms and conditions, to supply SAI-EGF for Phase 1 and Phase 2 clinical trials, and for Phase 3 clinical trials and commercialization in countries in our territory other than the United States, Canada and Mexico. Production of these product candidates may require raw materials for which the sources and amounts are limited. Any inability to obtain adequate supplies of such raw materials could significantly delay the development, regulatory approval and marketing of these product candidates. In addition, prior to the initiation of Phase 3 clinical trials in the U.S., we will need to transfer the manufacturing and quality assurance processes for these product candidates to a facility outside of Cuba. Our ability to transfer information to CIMAB that might be beneficial in scaling-up such manufacturing processes is significantly limited due to U.S. government restrictions. Difficulties or delays in the transfer of the manufacturing and quality processes related to these product candidates could cause significant delays in the initiation of the Phase 3 clinical trials and in the establishment of our own commercial-scale manufacturing capabilities for these products. There can be no assurance that we or CIMAB will be able to develop adequate manufacturing capabilities to supply the quantities of SAI-EGF needed for clinical trials or commercial-scale quantities.

Product liability claims may damage our reputation and, if insurance proves inadequate, the product liability claims may harm our business.

We may be exposed to the risk of product liability claims that is inherent in the manufacturing, testing and marketing of therapies for treating people with cancer or other diseases. Patients who participated in our clinical trials for Canvaxin or patients who participate in our future clinical trials of our other product candidates may bring product liability claims. A product liability claim may damage our reputation by raising questions about a product s safety and efficacy and could limit our ability to continue to conduct clinical trials and develop or product candidates. If our claims experience results in higher rates, or if product liability insurance otherwise becomes costlier because of general economic, market or industry conditions, then we may not be able to maintain product liability coverage on acceptable terms.

Although we have product liability and clinical trial liability insurance with coverage limits of $5 million, this coverage may be inadequate, or may be unavailable in the future on acceptable terms, if at all. Defending a suit, regardless of its merit, could be costly and could divert management attention.

Changes in the laws or regulations of the United States or Cuba related to the conduct of our business with CIMAB may adversely affect our ability to develop and commercialize or sublicense our rights to SAI-EGF and the two other product candidates that we have licensed from that company.

The United States government has maintained an embargo against Cuba for more than 40 years. The embargo is administered by the Office of Foreign Assets Control, or OFAC, of the U.S. Department of Treasury. Without a license from OFAC, U.S. individuals and companies may not engage in any transaction in which Cuba or Cubans have an interest. In order to enter into and carry out our licensing agreements with CIMAB, we have obtained from OFAC a license authorizing us to carry out all transactions set forth in the license agreements that we have entered into with CIMAB for the development, testing, licensing and commercialization of SAI-EGF, and with CIMAB and YM Biosciences for the two other product candidates that target the EGF receptor signaling pathway. In the absence

of such a license from OFAC, the execution of and our performance under these agreements could have exposed us to legal and criminal liability. At any time, there may occur for reasons beyond our control a change in United States or Cuban law, or in the regulatory environment in the U.S. or Cuba, or a shift in the political attitudes of either the U.S. or Cuban governments, that could result in the suspension or revocation of our OFAC license or in our inability to carry out part or all of the licensing agreements with CIMAB. There can be no assurance that the U.S. or Cuban governments will not modify existing law or establish new laws or regulations that may adversely affect our ability

Table of Contents

to develop, test, license and commercialize these product candidates. Our OFAC license may be revoked or amended at anytime in the future, or the U.S. or Cuban governments may restrict our ability to carry out all or part of our respective duties under the licensing agreements between us, CIMAB and YM BioSciences. Similarly, any such actions may restrict CIMAB s ability to carry out all or part of its licensing agreements with us. In addition, we cannot be sure that the FDA or other regulatory authorities will accept data from the clinical trials of these products that were conducted in Cuba as the basis for our applications to conduct additional clinical trials, or as part of our application to seek marketing authorizations for such products.

In 1996, a significant change to the United States embargo against Cuba resulted from congressional passage of the Cuban Liberty and Democratic Solidarity Act, also known as the Helms-Burton Bill. That law authorizes private lawsuits for damages against anyone who traffics in property confiscated, without compensation, by the government of Cuba from persons who at the time were, or have since become, nationals of the United States. We do not own any property in Cuba and do not believe that any of CIMAB s properties or any of the scientific centers that are or have been involved in the development of the technology that we have licensed from CIMAB were confiscated by the government of Cuba from persons who at the time were, or who have since become, nationals of the U.S. However, there can be no assurance that our understanding in this regard is correct. We do not intend to traffic in confiscated property, and have included provisions in our licensing agreements to preclude the use of such property in association with the performance of CIMAB s obligations under those agreements.

As part of our interactions with CIMAB, we will be subject to the U.S. Commerce Department s export administration regulations that govern the transfer of technology to foreign nationals. Specifically, we or our sublicensees, if any, will require a license from the Commerce Department s Bureau of Industry and Security, or BIS, in order to export or otherwise transfer to CIMAB any information that constitutes technology under the definitions of the Export Administration Regulations, or EAR, administered by BIS. The export licensing process may take months to be completed, and the technology transfer in question may not take place unless and until a license is granted by the Commerce Department. Due to the unique status of the Republic of Cuba, technology that might otherwise be transferable to a foreign national without a Commerce Department license requires a license for export or transfer to a Cuban national. If we or our sublicensees fail to comply with the export administration regulations, we may be subject to both civil and criminal penalties. There can be no guarantee that any license application will be approved by BIS or that a license, once issued, will not be revoked, modified, suspended or otherwise restricted for reasons beyond our control due to a change in U.S.-Cuba policy or for other reasons.

As a result of the reduction in our workforce that we announced in October 2005, and continuing restructuring activities implemented in January 2006, we may not be successful in retaining key employees and in attracting qualified new employees as required in the future. If we are unable to retain our management, scientific staff and scientific advisors or to attract additional qualified personnel, our product development efforts will be seriously jeopardized.

In October 2005, we announced the discontinuation of any further development and manufacturing activities with respect to Canvaxin, and a corporate restructuring plan that included a reduction in our workforce from 183 to 52 employees. In January 2006, we implemented additional restructuring measures, which will result in the further reduction of our workforce to approximately 10 employees by the completion of the proposed merger with Micromet. This planned reduction includes the termination of David F. Hale, CancerVax s President and CEO, who will become chairman of the combined company, as well as three additional officers of the Company.

Competition among biotechnology companies for qualified employees is intense, and the ability to retain and attract qualified individuals is critical to our success. We may experience further reductions in force due to voluntary employee resignations and a diminished ability to recruit new employees to further the development of our product candidates. We may be unable to attract or retain key personnel on acceptable terms, if at all.

We have relationships with scientific advisors at academic and other institutions, some of whom conduct research at our request or assist us in formulating our research, development or clinical strategy. These scientific advisors are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. We have limited control over the activities of these scientific advisors and can generally expect these individuals to devote only limited time to our activities. Failure of any of these persons to devote sufficient time and resources to our programs could harm our business. In addition, these advisors

Table of Contents

may have arrangements with other companies to assist those companies in developing technologies that may compete with our products.

We do not maintain key person life insurance on any of our officers, employees or consultants.

We may become involved in securities class action litigation that could divert management s attention and harm our business.

The stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the common stock of pharmaceutical and biotechnology companies. These broad market fluctuations may cause the market price of our common stock to decline. In the past, following periods of volatility in the market price of a particular company s securities, securities class action litigation has often been brought against that company. We may become involved in this type of litigation in the future. Litigation often is expensive and diverts management s attention and resources, which could adversely affect our business.

If our competitors develop and market products that are more effective than our existing product candidates or any products that we may develop, or obtain marketing approval before we do, our commercial opportunity will be reduced or eliminated.

The biotechnology and pharmaceutical industries are subject to rapid and significant technological change. We have many potential competitors, including major drug and chemical companies, large, diversified biotechnology companies, smaller, specialized biotechnology firms, universities and other research institutions. These companies and other institutions may develop technologies and products that are more effective than our product candidates or that would make our technology and product candidates obsolete or non-competitive. Many of these companies and other institutions have greater financial and technical resources and development, production and marketing capabilities than we do. In addition, many of these companies and other institutions have more experience than we do in preclinical testing, human clinical trials and manufacturing of new or improved biological therapeutics, as well as in obtaining FDA and foreign regulatory approvals.

Various companies are developing or commercializing products that are used for the treatment of forms of cancer and other diseases that we have targeted for product development. Some of these products use therapeutic approaches that may compete directly with our product candidates. These companies may succeed in obtaining approvals from the FDA and foreign regulatory authorities for their products sooner than we do for ours.

Specifically, we face competition from a number of companies working in the fields of specific active immunotherapy for the treatment of solid tumors, anti-angiogenesis, and signal transduction through the EGFR pathway. We expect that competition among products approved for sale will be based on various factors, including product efficacy, safety, reliability, availability, price and patent position. Some of these products use therapeutic approaches that may compete directly with our product candidates, and the companies developing these competing technologies may have significantly greater resources that we do, and may succeed in obtaining approvals from the FDA and foreign regulatory authorities for their products sooner than we do for ours.

We are aware of a number of competitive products currently available in the marketplace or under development for the prevention and treatment of the diseases we have targeted for product development. For example, a number of companies are currently developing products in the field of anti-angiogenesis for the treatment of patients with tumors. These products use a number of substances designed to inhibit angiogenesis, such as vascular endothelial growth factor, or VEGF, VEGF receptor, platelet-derived growth factor, or PDGF, receptor, integrins, collagen, and matrix metalloprotienases. Genentech s Avastin® (bevacizumab) is an anti-angiogenic monoclonal antibody targeting the VEGF growth factor. It has been approved by FDA for the treatment of patients with metastatic colorectal cancer.

Pfizer s Sutent® (sunitinib malate) was recently approved by the FDA for the treatment of patients with a specific type of stomach cancer and kidney cancer, and Bayer and Onyx Pharmaceutical s Nexavar® (sorafenib tosylate) was approved by the FDA for the treatment of patients with gastric cancer. A proposed mechanism of action for both Nexavar and Sutent is inhibition of the VEGF receptor. A number of other VEGF growth factor and VEGF receptor antagonists are also under development, as well as a number of agents targeting other potential anti-angiogenic mechanisms. We are unaware of any products in development that specifically target the same denatured collagen as our D93 product candidate. We expect that competition among anti-angiogenic

Table of Contents

products approved for sale will be based on various factors, including product efficacy, safety, reliability, availability, price and patent position. As a result, any product candidates that we may develop may be rendered obsolete and noncompetitive.

Additionally, several products that target the EGFR signaling pathway in the treatment of cancer have recently been approved by the FDA or are in the late phases of clinical development. The approved products are AstraZeneca Pharmaceutical LP s Iressa™ (gefitinib), an EGFR-targeted tyrosine kinase inhibitor for refractory Stage IV Non-small lung cancer, or NSCLC, ImClone Systems, Inc. s Erbitux™ (cetuximab), an EGFR monoclonal antibody for Stage IV refractory colorectal cancer, and Genentech, Inc. and OSI Pharmaceuticals, Inc. s EGFR-targeted tyrosine kinase inhibitor, Tarceva™ (erlotinib HCl), for the treatment of patients with locally advanced or metastatic NSCLC after failure of at least one prior chemotherapy regimen, as well as in combination with Eli Lilly & Company s Gemzar® (gemcitabine) for the treatment of patients with locally advanced pancreatic cancer. Two other products that are currently being evaluated in Phase 3 clinical trials are GlaxoSmithKline s lapatinib (GW572016), a tyrosine kinase dual inhibitor of EGFR and HER-2, which is being studied in patients with advanced metastatic breast cancer whose disease progressed on Herceptin® (trastuzumab) therapy, and Abgenix, Inc. and Amgen, Inc. s panitumumab (ABX-EGF), a fully human monoclonal antibody targeting the EGFR, which is being studied in patients with advanced colorectal and renal cell cancer. Several other monoclonal antibodies and tyrosine kinase inhibitors targeting the EGFR signaling pathway are in the early stages of development. If we receive approval to market and sell any of our product candidates that target the EGFR signaling pathway, we may compete with certain of these companies and their products as well as other product candidates in varying stages of development. In addition, researchers are continually learning more about the treatment of NSCLC and other forms of cancer, and new discoveries may lead to new technologies for treatment.

We also face competition from pharmaceutical and biotechnology companies, academic institutions, governmental agencies and private research organizations in recruiting and retaining highly qualified scientific personnel and consultants and in the development and acquisition of technologies. Moreover, technology controlled by third parties that may be advantageous to our business may be acquired or licensed by our competitors, thereby preventing us from obtaining technology on commercially reasonable terms, if at all. Because part of our strategy is to target markets outside of the United States through collaborations with third parties, we will compete for the services of third parties that may have already developed or acquired internal biotechnology capabilities or made commercial arrangements with other biopharmaceutical companies to target the diseases on which we have focused.

Risks Related to CancerVax s Financial Results and Need for Financing

We have a history of losses and expect to incur substantial losses and negative operating cash flows for the foreseeable future, and we may never achieve sustained profitability.

We have incurred $174.2 million in net losses from our inception through September 30, 2005. We expect to increase our operating expenses over the next several years as we conduct clinical trials with D93, expand our research and development activities, acquire or license new technologies and product candidates and contract for manufacturing and quality services for our product candidates that are in clinical trials. The extent of our future operating losses and the timing of profitability are highly uncertain, and we may never generate revenue. In October 2005, we announced restructuring activities, including workforce reductions, and we incurred approximately $3.8 million of severance and related costs in 2005, the substantial majority of which were cash expenditures. We have and will continue to incur additional substantial expenses in connection with the early termination of clinical trial agreements and other commitments related to Canvaxin. Because of the numerous risks and uncertainties associated with our restructuring activities and our product development efforts, we are unable to predict the extent of any future losses or when we will become profitable, if at all.

We do not expect to generate any revenue for several years because our remaining pipeline product candidates are in the early stages of development. Our ability to generate revenue depends on a number of factors, including our ability to successfully develop and obtain regulatory approvals to commercialize D93 and our other product candidates, and our ability to sublicense SAI-EGF and the other product candidates licensed from CIMAB. We have not yet completed the development, including obtaining regulatory approvals, of any products and, consequently,

Table of Contents

have not generated revenues from the sale of products. Even if these early-stage product candidates receive regulatory approval, we will need to establish and maintain sales, marketing and distribution capabilities, and even if we are able to commercialize our product candidates, we may not achieve profitability for at least several years after generating material revenue, if ever. If we are unable to become profitable, we may be unable to continue our operations.

If we fail to obtain the capital necessary to fund our operations, we will be unable to develop or commercialize our product candidates and our ability to operate as a going concern may be adversely affected.

Absent the proposed merger with Micromet, we believe that our existing cash, cash equivalents, and securities available-for-sale as of September 30, 2005 and any remaining pre-commercialization cost-sharing payments from our collaboration for Canvaxin with Serono Technologies, S.A., will be sufficient to meet our projected operating requirements until September 30, 2007. In addition to our workforce reductions and the termination of our Canvaxin development activities, we have announced our intention to consummate the merger with Micromet. We may not successfully implement any of these alternatives, and even if we determine to pursue one or more of these alternatives, we may be unable to do so on acceptable financial terms. Our restructuring measures implemented to date and the proposed merger with Micromet may disappoint investors and further depress the price of our common stock and the value of an investment in our common stock thereby limiting our ability to raise additional funds.

We will require substantial funds to conduct development, including preclinical testing and clinical trials of our product candidates, including D93. Our ability to conduct the required development activities related to these product candidates will be significantly limited if we are unable to obtain the necessary capital. We may seek to raise additional funds to meet our working capital and capital expenditure needs. We have filed an S-3 shelf registration statement, declared effective by the Securities and Exchange Commission on December 9, 2004, under which we may raise up to $80 million through the sale of our common stock. We may also raise additional funds through additional debt financing or through additional strategic collaboration agreements. However, we do not know whether additional financing will be available when needed, or whether it will be available on favorable terms or at all. Having insufficient funds may require us to delay, scale back or eliminate some or all of our research or development programs or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose. Failure to obtain adequate financing also may adversely affect our ability to operate as a going concern.

Our future capital requirements will depend on, and could increase significantly as a result of, many factors, including:

- our ability to complete the termination of our clinical trials of Canvaxin in patients with advanced-stage melanoma, as well as the associated development and manufacturing activities, and to sublease on satisfactory terms the manufacturing, administrative and warehouse facilities associated with the production of Canvaxin;

- the costs involved in the research, preclinical and clinical development, and manufacturing of D93 and our other product candidates;

- our ability to successfully sublicense SAI-EGF and the other product candidates licensed from CIMAB on favorable terms and conditions;

- the costs involved in obtaining and maintaining regulatory approvals for our product candidates;

- the scope, prioritization and number of programs we pursue;

the costs involved in preparing, filing, prosecuting, maintaining, enforcing and defending patent and other intellectual property claims;

potential product liability claims associated with Canvaxin, D93 or our other product candidates;

the costs associated with manufacturing our product candidates;

our ability to enter into corporate collaborations and the terms and success of these collaborations;

Table of Contents

our acquisition and development of new technologies and product candidates; and

competing technological and market developments.

If we do not establish and maintain strategic collaborations to fund our product development activities, we may have to reduce or delay our rate of product development and increase our expenditures.

We intend to rely on strategic collaborations for research, development, marketing and commercialization of our product candidates. We have not yet obtained regulatory approval for, marketed or sold any of our product candidates in the United States or elsewhere and we will need to build our internal marketing and sales capabilities or enter into successful collaborations for these services in order to ultimately commercialize our product candidates. Establishing strategic collaborations is difficult and time-consuming. Our discussions with potential collaborators may not lead to the establishment of new collaborations on favorable terms, if at all. For example, potential collaborators may reject collaborations based upon their assessment of our financial, regulatory or intellectual property position. Any collaborations we may develop in the future may never result in the successful development or commercialization of our product candidates or the generation of sales revenue. To the extent that we enter into co-promotion or other collaborative arrangements, our product revenues are likely to be lower than if we directly marketed and sold any products that we may develop.

Management of our relationships with our collaborators will require:

significant time and effort from our management team;

coordination of our research and development programs with the research and development priorities of our collaborators; and

effective allocation of our resources to multiple projects.

If we enter into research and development collaborations at an early phase of product development, our success will in part depend on the performance of our corporate collaborators. We will not directly control the amount or timing of resources devoted by our corporate collaborators to activities related to our product candidates. Our corporate collaborators may not commit sufficient resources to our research and development programs or the commercialization, marketing or distribution of our product candidates. If any corporate collaborator fails to commit sufficient resources, our preclinical or clinical development programs related to the collaboration could be delayed or terminated. Also, our collaborators may pursue existing or other development-stage products or alternative technologies in preference to those being developed in collaboration with us. Finally, our collaborators may terminate our relationships, and we may be unable to establish additional corporate collaborations in the future on acceptable terms, if at all. If clinical trials of our product candidates are not successful, or if we fail to make required milestone or royalty payments to our collaborators or to observe other obligations in our agreements with them, our collaborators may have the right to terminate those agreements. For example, Serono may terminate our collaboration agreement for Canvaxin for convenience upon 180 days prior notice.

Our operating and financial flexibility, including our ability to borrow money, is limited by certain debt arrangements.

In December 2004, we entered into a loan and security agreement with a financing institution, and have borrowed the full $18.0 million available under this credit facility. In order to secure our obligations under this loan and security agreement, we granted the bank a first priority security interest in substantially all of our assets, excluding our

intellectual property. We used the proceeds from the loan agreement primarily to construct and equip an additional production suite in our existing manufacturing facility and to create additional warehouse and laboratory space to support the manufacture of Canvaxin. The terms of our loan and security agreement require that it be repaid in full upon the occurrence of a change of control event, such as the consummation of our merger with Micromet.

The loan agreement contains various customary affirmative and negative covenants, including, without limitation:

financial reporting;

Table of Contents

limitation on liens;

limitations on the occurrence of future indebtedness;

maintenance of a minimum amount of cash in deposit accounts of our lenders or in the accounts of affiliates of our lenders;

limitations on mergers and other consolidations;

limitations on dividends;

limitations on investments; and

limitations on transactions with affiliates.

In addition, under this loan agreement, we are generally obligated to maintain, as of the last day of each quarter, cash, cash equivalents and securities available-for-sale in an amount at least equal to the greater of (i) our quarterly cash burn multiplied by 2 or (ii) the then outstanding principal amount of the obligations under such agreement multiplied by 1.5. In the event that we breach this financial covenant, we are obligated to pledge and deliver to the bank a certificate of deposit in an amount equal to the aggregate outstanding principal amount of the obligations under such agreement.

Our loan agreements contain certain customary events of default, which generally include, among others, non-payment of principal and interest, violation of covenants, cross defaults, the occurrence of a material adverse change in our ability to satisfy our obligations under our loan agreements or with respect to one of our lender s security interest in our assets and in the event we are involved in certain insolvency proceedings. Upon the occurrence of an event of default, our lenders may be entitled to, among other things, accelerate all of our obligations and sell our assets to satisfy our obligations under our loan agreements. In addition, in an event of default, our outstanding obligations may be subject to increased rates of interest.

In addition, we may incur additional indebtedness from time to time to finance acquisitions, investments or strategic alliances or capital expenditures or for other purposes. Our level of indebtedness could have negative consequences for us, including the following:

our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;

payments on our indebtedness will reduce the funds that would otherwise be available for our operations and future business opportunities;

we may be more highly leveraged than our competitors, which may place us at a competitive disadvantage;

our debt level reduces our flexibility in responding to changing business and economic conditions; and

there would be an adverse effect on our business and financial condition if we are unable to service our indebtedness or obtain additional financing, as needed.

Our quarterly operating results and stock price may fluctuate significantly.

We expect our results of operations to be subject to quarterly fluctuations. The level of our revenues, if any, and results of operations at any given time, will be based primarily on the following factors:

- the progress of our restructuring activities, including with respect to the discontinuation of our Phase 3 clinical trials for Canvaxin and the related termination of employees and closure of our manufacturing facilities;
- the status of development of our other product candidates;
- the time at which we enter into research and license agreements with strategic collaborators that provide for payments to us, and the timing and accounting treatment of payments to us, if any, under those agreements;

Table of Contents

whether or not we achieve specified research or commercialization milestones under any agreement that we enter into with collaborators and the timely payment by commercial collaborators of any amounts payable to us;

the addition or termination of research programs or funding support;

the timing of milestone and other payments that we may be required to make to others; and

variations in the level of expenses related to our product candidates or potential product candidates during any given period.

These factors may cause the price of our stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

Risks Related to CancerVax s Intellectual Property and Litigation

Our success depends on whether we are able to maintain and enforce our licensing arrangements with various third party licensors.

We hold rights to commercialize our anti-angiogenesis product candidates under agreements that require, among other things, royalty payments on future sales, if any, and our achievement of certain development milestones. On October 15, 2004, we amended and restated our collaboration agreement with Applied Molecular Evolution, Inc., or AME, which is now a wholly-owned subsidiary of Eli Lilly and Company, under which AME utilized its technology to humanize a murine monoclonal antibody, which is now referred to as D93, and another of our anti-angiogenic monoclonal antibodies. Under the amended and restated collaboration agreement, AME may terminate the agreement if we fail to make milestone or royalty payments to AME, if we fail to file an IND application for one or more products that incorporate or are derived from one or more of the humanized monoclonal antibodies that are the subject of the agreement by February 28, 2006, or fail to meet certain other specified clinical development obligations. In the event of such termination, we will be required to grant to AME an exclusive license for all of our patent rights relating to the humanized monoclonal antibodies that are the subject of this agreement and the products that incorporate or are derived from one or more of the humanized monoclonal antibodies that are the subject of the agreement. AME also received a right of first negotiation to obtain from us an exclusive license under our intellectual property rights related to the making, using and selling of any products that incorporate or are derived from one or more of the humanized monoclonal antibodies that are the subject of the agreement should we decide to negotiate with or seek a collaborator for the commercialization of such product. The amended and restated collaboration agreement also obligates us to pay for the preparation, filing, prosecution, maintenance and enforcement of all patent applications directed at the humanized monoclonal antibodies that are the subject of the amended agreement. We made a $0.2 million payment to AME in the fourth quarter of 2004 in connection with the execution of the amended and restated collaboration agreement.

We hold exclusive rights through two agreements with CIMAB to develop and commercialize within a specific territory, which includes the U.S., Canada, Japan, Australia, New Zealand, Mexico, the countries comprising the European Union and certain other countries in Europe, SAI-EGF, a product candidate being evaluated in Phase 2 clinical trials that target the EGFR signaling pathway for the treatment of cancer. In addition, we obtained from CIMAB and YM BioSciences the exclusive rights to develop and commercialize, within the same territory, SAI-TGF-a, which targets transforming growth factor-alpha, and SAI-EGFR-ECD, which targets the extracellular domain of the EGF receptor, both of which are in preclinical development. In exchange for these rights, we will pay to CIMAB and YM BioSciences technology access fees and transfer fees totaling $5.7 million, to be paid over the first

three years of the agreement. We will also make future milestone payments to CIMAB and YM BioSciences up to a maximum of $34.7 million upon meeting certain regulatory, clinical and commercialization objectives, as well as royalties on future sales of commercial products, if any. Each agreement terminates upon the later of the expiration of the last of any patent rights to licensed products that are developed under each respective agreement or 15 years after the date of the first commercial sale of the last product licensed or developed under the agreements. CIMAB may terminate one or both of the agreements if we have not used reasonable commercial efforts to file an IND submission to the FDA for the leading product candidate by July 12, 2006, or if the first regulatory approval for

Table of Contents

marketing this product candidate within our territory is not obtained by July 12, 2016, provided that CIMAB has timely complied with all of its obligations under the agreements, or if CIMAB does not receive timely payment of the initial access fees and technology transfer fees under the agreements. In addition, if CIMAB does not receive payments under the agreements due to changes in U.S. law, actions by the U.S. government or by order of any U.S. court for a period of more than one year, CIMAB may terminate our rights to the licensed product candidates in countries within our territory other than the U.S. and Canada. We may terminate the agreements for any reason following 180 days written notice to CIMAB. On January 13, 2006, we received a letter from CIMAB notifying us of their belief that we are in breach of our agreement as a result of our failure to make a milestone payment. If we are unable to resolve the dispute, then CIMAB will seek to terminate the agreement for breach sixty days from the date of CIMAB s letter to us.

Although the license agreements with CIMAB are governed by the laws of England and Wales, their enforcement may necessitate pursuing legal proceedings and obtaining orders in other jurisdictions, including the U.S. and the Republic of Cuba. There can be no assurance that a court judgment or order obtained in one jurisdiction will be enforceable in another. In addition, as is the case in many developing countries, the commercial legal environment in Cuba may be subject to political risk. It is possible that we may not be able to enforce our legal rights in Cuba or against Cuban entities to the same extent as we would in a country with a commercial and legal system more consistent with United States or western European practice. Termination of these license arrangements or difficulties in the enforcement of such arrangements may have a material adverse effect on our business, operations and financial condition.

We have announced our intention to actively seek to sublicense our rights to the three product candidates licensed from CIMAB, but there can be no guarantee that we will be successful in our efforts to consummate a sublicense on terms and conditions that will be acceptable.

We also hold rights to a human monoclonal antibody under a license from M-Tech Therapeutics, which can be terminated if we determine not to file and obtain approval of an IND application for a licensed product by a specified date and conduct clinical trials for such product, or if we determine not to file and obtain approval of an IND application for a licensed product by a specified date because of negative pre-clinical results.

If we were to materially breach any of our license or collaboration agreements, we could lose our ability to commercialize the related technologies, and our business could be materially and adversely affected.

We are party to intellectual property licenses and agreements that are important to our business and expect to enter into similar licenses and agreements in the future. These licenses and agreements impose various research, development, commercialization, sublicensing, royalty, indemnification, insurance and other obligations on us. If we or our collaborators fail to perform under these agreements or otherwise breach obligations thereunder, we could lose intellectual property rights that are important to our business.

We cannot be certain we will be able to obtain additional patent protection to protect our product candidates and technology.

We cannot be certain that additional patents will be issued on our product candidates that target the EGFR signaling pathways, or that any patents will be issued on our anti-angiogenesis product candidates, as a result of pending applications filed to date. If a third party has also filed a patent application relating to an invention claimed by us or our licensors, we may be required to participate in an interference proceeding declared by the U.S. Patent and Trademark Office to determine priority of invention, which could result in substantial uncertainties and cost for us, even if the eventual outcome is favorable to us. The degree of future protection for our proprietary rights is uncertain. For example:

we might not have been the first to make the inventions covered by each of our patents and our pending patent applications;

we might not have been the first to file patent applications for these inventions;

others may independently develop similar or alternative technologies or duplicate any of our technologies;

Table of Contents

it is possible that none of our pending patent applications will result in issued patents;

any patents under which we hold rights may not provide us with a basis for commercially-viable products, may not provide us with any competitive advantages or may be challenged by third parties as not infringed, invalid, or unenforceable under United States or foreign laws;

any of the issued patents under which we hold rights may not be valid or enforceable; or

we may develop additional proprietary technologies that are not patentable and which may not be adequately protected through trade secrets, for example if a competitor independently develops duplicative, similar, or alternative technologies.

Additionally, there may be risks related to the licensing of the proprietary rights for the product candidates that target the EGFR signaling pathway that were developed in Cuba. Under current Cuban patent law, ownership of the inventions of the Cuban inventors for which patent applications have been filed rests with the state.

If we are not able to protect and control our unpatented trade secrets, know-how and other technological innovation, we may suffer competitive harm.

We also rely on proprietary trade secrets and unpatented know-how to protect our research, development and manufacturing activities, particularly when we do not believe that patent protection is appropriate or available. However, trade secrets are difficult to protect. We attempt to protect our trade secrets and unpatented know-how by requiring our employees, consultants and advisors to execute a confidentiality and non-use agreement. We cannot guarantee that these agreements will provide meaningful protection, that these agreements will not be breached, that we will have an adequate remedy for any such breach, or that our trade secrets will not otherwise become known or independently developed by a third party. Our trade secrets, and those of our present or future collaborators that we utilize by agreement, may become known or may be independently discovered by others, which could adversely affect the competitive position of our product candidates.

If our products violate third party patents or were derived from a patient s cell lines without the patient s consent, we could be forced to pay royalties or cease selling our products.

Our commercial success will depend in part on not infringing the patents or violating the proprietary rights of third parties. We are aware of competing intellectual property relating to our areas of practice. Competitors or third parties may obtain patents that may cover subject matter we use in developing the technology required to bring our products to market, that we use in producing our products, or that we use in treating patients with our products.

In addition, from time to time we receive correspondence inviting us to license patents from third parties. There has been, and we believe that there will continue to be, significant litigation in the pharmaceutical industry regarding patent and other intellectual property rights. While we believe that our pre-commercialization activities fall within the scope of an available exemption against patent infringement provided by 35 U.S.C. § 271(e), and that our subsequent manufacture of our commercial products will also not require the license of any of these patents, claims may be brought against us in the future based on these or other patents held by others.

Third parties could bring legal actions against us claiming we infringe their patents or proprietary rights, and seek monetary damages and seeking to enjoin clinical testing, manufacturing and marketing of the affected product or products. If we become involved in any litigation, it could consume a substantial portion of our resources, regardless of the outcome of the litigation. If any of these actions are successful, in addition to any potential liability for

damages, we could be required to obtain a license to continue to manufacture or market the affected product, in which case we may be required to pay substantial royalties or grant cross-licenses to our patents. However, there can be no assurance that any such license will be available on acceptable terms or at all. Ultimately, we could be prevented from commercializing a product, or forced to cease some aspect of our business operations, as a result of claims of patent infringement or violation of other intellectual property rights, which could harm our business.

We know that others have filed patent applications in various countries that relate to several areas in which we are developing products. Some of these patent applications have already resulted in patents and some are still pending. The pending patent applications may also result in patents being issued. In addition, patent applications are

Table of Contents

secret until patents are published in the United States or foreign countries, and in certain circumstances applications are not published until a patent issues, it may not be possible to be fully informed of all relevant third party patents. Publication of discoveries in the scientific or patent literature often lags behind actual discoveries. All issued patents are entitled to a presumption of validity under the laws of the United States and certain other countries. Issued patents held by others may therefore limit our ability to develop commercial products. If we need licenses to such patents to permit us to develop or market our product candidates, we may be required to pay significant fees or royalties and we cannot be certain that we would be able to obtain such licenses at all.

We may be involved in lawsuits or proceedings to protect or enforce our patent rights, trade secrets or know-how, which could be expensive and time consuming.

There has been significant litigation in the biotechnology industry over patents and other proprietary rights. Our patents and patents that we have licensed the rights to may be the subject of other challenges by our competitors in Europe, the United States and elsewhere. Furthermore, our patents and the patents that we have licensed the rights to may be circumvented, challenged, narrowed in scope, declared invalid, or unenforceable. Legal standards relating to the scope of claims and the validity of patents in the biotechnology field are still evolving, and no assurance can be given as to the degree of protection any patents issued to or licensed to us would provide. The defense and prosecution of intellectual property suits and related legal and administrative proceedings can be both costly and time consuming. Litigation and interference proceedings could result in substantial expense to us and significant diversion of effort by our technical and management personnel. Further, the outcome of patent litigation is subject to uncertainties that cannot be adequately quantified in advance, including the demeanor and credibility of witnesses and the identity of the adverse party. This is especially true in biotechnology related patent cases that may turn on the testimony of experts as to technical facts upon which experts may reasonably disagree. An adverse determination in an interference proceeding or litigation to which we may become a party could subject us to significant liabilities to third parties or require us to seek licenses from third parties. If required, the necessary licenses may not be available on acceptable terms or at all. Adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from commercializing our product candidates, which could have a material and adverse effect on our business, financial condition and results of operations.

Risk Relating to CancerVax Common Stock

We face possible delisting from the Nasdaq National Market, which would result in a limited public market for our common stock.

Our common stock trades on the Nasdaq National Market, which specifies certain requirements for the continued listing of common stock. There are several requirements for the continued listing of our common stock on the Nasdaq National Market including, but not limited to, a minimum stockholders equity value of $10.0 million and a minimum stock bid price of $1.00 per share. While we currently are in compliance with these requirements, there can be no guarantee that we will continue to remain in compliance. As of September 30, 2005, we had a stockholders deficit of $208.6 million, and our closing stock price as of November 4, 2005 was $1.42 per share. While we expect that our stock would continue to trade on the Over The Counter Bulletin Board following any delisting from the Nasdaq National Market, any such delisting of our common stock could have a material adverse effect on the market price of, and the efficiency of the trading market for, our common stock. Also, if in the future we were to determine that we need to seek additional equity capital, a delisting could have an adverse effect on our ability to raise such equity capital.

Future sales of our common stock may cause our stock price to decline.

Our current stockholders hold a substantial number of shares of our common stock that they will be able to sell in the public market. A significant portion of these shares are held by a small number of stockholders. Sales by our current stockholders of a substantial number of our shares could significantly reduce the market price of our common stock. Moreover, the holders of a substantial number of shares of our common stock have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We have also registered shares of our common stock that we may issue under our stock incentive plans and employee stock purchase plan. These shares

Table of Contents

generally can be freely sold in the public market upon issuance. If any of these holders cause a large number of securities to be sold in the public market, the sales could reduce the trading price of our common stock. These sales also could impede our ability to raise future capital.

Our stock price may be volatile, and you may lose all or a substantial part of your investment.

The market price for our common stock is volatile and may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- developments in our restructuring activities, including with respect to the discontinuation of our Phase 3 clinical trials for Canvaxin, and the related termination of employees and closure of our manufacturing facilities;
- changes in the regulatory status of our product candidates, including results of our clinical trials for D93, our leading humanized, anti-angiogenic monoclonal antibody, and SAI-EGF, our leading product candidate targeting the EGFR signaling pathway;
- changes in significant contracts, new technologies, acquisitions, commercial relationships, joint ventures or capital commitments;
- announcements of the results of clinical trials by companies with product candidates in the same therapeutic category as our product candidates;
- events affecting Serono or our collaboration agreement with Serono;
- fluctuations in stock market prices and trading volumes of similar companies;
- announcements of new products or technologies, commercial relationships or other events by us or our competitors;
- our ability to successfully complete one or more restructuring alternatives designed to conserve our remaining financial resources, such as spin-offs, acquisitions, strategic partnerships, joint ventures, restructurings, divestitures, business combinations and investments;
- variations in our quarterly operating results;
- changes in securities analysts estimates of our financial performance;
- changes in accounting principles;
- sales of large blocks of our common stock, including sales by our executive officers, directors and significant stockholders;
- additions or departures of key personnel; and
- discussion of CancerVax or our stock price by the financial and scientific press and online investor communities such as chat rooms.

If our officers and directors choose to act together, they can significantly influence our management and operations in a manner that may be in their best interests and not in the best interests of other stockholders.

As of December 31, 2005, our officers and directors, together with their affiliates, beneficially owned approximately 37.2% of our common stock. As a result, these stockholders, acting together, can significantly influence all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. The interests of this group of stockholders may not always coincide with our interests or the interests of other stockholders, and they may act in a manner that advances their best interests and not necessarily those of other stockholders.

Table of Contents

Our stockholder rights plan, anti-takeover provisions in our organizational documents and Delaware law may discourage or prevent a change in control, even if an acquisition would be beneficial to our stockholders, which could affect our stock price adversely and prevent attempts by our stockholders to replace or remove our current management.

Our stockholder rights plan and provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock and adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. The provisions in our amended and restated certificate of incorporation and bylaws include:

dividing our board of directors into three classes serving staggered three-year terms;

prohibiting our stockholders from calling a special meeting of stockholders;

permitting the issuance of additional shares of our common stock or preferred stock without stockholder approval;

prohibiting our stockholders from making certain changes to our amended and restated certificate of incorporation or bylaws except with 662/3% stockholder approval; and

requiring advance notice for raising matters of business or making nominations at stockholders meetings.

We are also subject to provisions of the Delaware corporation law that, in general, prohibit any business combination with a beneficial owner of 15% or more of our common stock for five years unless the holder s acquisition of our stock was approved in advance by our board of directors.

Risks Relating to Micromet

Risks Relating to Micromet s Financial Results and Need for Financing

We have incurred substantial losses, we expect to continue to incur substantial losses and we may never achieve profitability.

We have incurred substantial losses to date and we expect to incur substantial losses for the foreseeable future. We have no current sources of material ongoing revenue. As of September 30, 2005, we had an accumulated deficit of approximately 96.4 million. We have not commercialized any products to date, either alone or with a third party collaborator. If we are not able to commercialize any products, whether alone or with a collaborator, we will not achieve profitability. Even if our collaboration agreements provide funding for a portion of our research and development expenses for some of our programs, we expect to spend significant capital to fund our internal research and development programs for the foreseeable future. As a result, we will need to generate significant revenues in order to achieve profitability. We cannot be certain whether or when this will occur because of the significant uncertainties that affect our business. Our failure to become and remain profitable may depress the market price of our common stock and could impair our ability to raise capital, expand our business, diversify our product offerings or continue our operations.

We will require additional financing, which may be difficult to obtain and may dilute your ownership interest in us.

We will require substantial funds to continue our research and development programs. We believe that our existing cash and working capital should be sufficient to fund our operations through the third quarter of 2006, and if Micromet s shareholders invest an additional 4,000,000, as is currently contemplated under an investment agreement with such shareholders, then into the fourth quarter of 2006. However, our future capital requirements may vary from what we expect. There are factors that may affect our future capital requirements and accelerate our need for additional financing. Many of these factors are outside our control, including the following:

continued progress in our research and development programs, as well as the magnitude of these programs;

our ability to establish and maintain collaborative arrangements;

Table of Contents

the timing, receipt and amount of research funding and milestone, license, royalty and other payments, if any, from collaborators;

the timing, receipt and amount of sales revenues and associated royalties to us, if any, from our product candidates in the market; and

the costs of preparing, filing, prosecuting, maintaining and enforcing patent claims and other patent-related costs, including litigation costs and technology license fees.

We expect to seek additional funding through public or private financings and may seek additional funding for programs that are not currently licensed to collaborators, from new strategic collaborators. However, the biotechnology market in general, and the market for our common stock, in particular, is likely to be highly volatile. Due to market conditions and the status of our development pipeline, additional funding may not be available to us on acceptable terms, or at all. If we fail to obtain such additional financing on a timely basis, our ability to continue our research and development activities will be adversely affected.

If we raise additional funds through the issuance of equity securities, our stockholders may experience substantial dilution, or the equity securities may have rights, preferences or privileges senior to existing stockholders. If we raise additional funds through debt financings, these financings may involve significant cash payment obligations and covenants that restrict our ability to operate our business and make distributions to our stockholders. We also could elect to seek funds through arrangements with collaborators or others that may require us to relinquish rights to certain technologies, product candidates or products.

We currently have an outstanding promissory note issued to Curis in the amount of 2,000,000. While we do not believe that the merger triggers the obligation to repay any substantial amounts under the terms of this note, Curis has informed us that it does not agree with our interpretation. In the event that we were required to repay any substantial portion of the amounts outstanding under this note, it would have a material adverse effect on Micromet s financial resources in the near term.

We may not receive some or all of a capital contribution that certain of our investors have committed to make to us.

Under the terms of an investment agreement entered into in connection with a recently completed financing, the investors agreed to provide an additional cash contribution to Micromet in the aggregate amount of approximately 4,000,000 on or before March 31, 2006. There can be no guarantee that these investors will actually contribute this capital. Moreover, under the terms of the investment agreement, Micromet does not have standing to bring any action to enforce the investors obligations to provide this funding. If the investors fail to provide this additional capital as required under the terms of the investment agreement, it would have a material adverse impact on Micromet s capital resources in the near term, which would likely require Micromet to seek capital from other sources sooner that it otherwise would be required to do so.

If the estimates we make and the assumptions on which we rely in preparing our financial statements prove inaccurate, our actual results may vary significantly.

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses, the amounts of charges taken by us and related disclosure. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We cannot assure you that our estimates, or the assumptions underlying them,

will be correct. Accordingly, our actual financial results may vary significantly from the estimates contained in our financial statements.

Table of Contents

Risks Relating to Micromet s Collaborations

We are dependent on collaborators for the development and commercialization of many of our product candidates. If we lose any of these collaborators, of if they fail or delay in developing or commercializing our product candidates, our anticipated product pipeline and operating results would suffer.

The success of our strategy for development and commercialization of product candidates depends upon our ability to form and maintain productive strategic collaborations. We currently have strategic collaborations with Serono and MedImmune. We expect to enter into additional collaborations in the future. Our existing and any future collaborations may not be scientifically or commercially successful.

The risks that we face in connection with these collaborations include the following:

Each of our collaborators has significant discretion in determining the efforts and resources that it will apply to the collaboration. The timing and amount of any future royalty and milestone revenue that we may receive under such collaborative arrangements will depend on, among other things, such collaborator s efforts and allocation of resources.

All of our strategic collaboration agreements are for fixed terms and are subject to termination under various circumstances, including in some cases, on short notice without cause. If any collaborator were to terminate an agreement, we may be required to undertake product development, manufacturing and commercialization and we may not have the funds or capability to do this, which could result in a discontinuation or delay of such program.

Our collaborators may develop and commercialize, either alone or with others, products and services that are similar to or competitive with the products and services that are the subject of the collaboration with us.

Our collaborators may change the focus of their development and commercialization efforts. Pharmaceutical and biotechnology companies historically have re-evaluated their priorities following mergers and consolidations, which have been common in recent years in these industries. The ability of certain of our product candidates to reach their potential could be limited if our collaborators decrease or fail to increase spending related to such product candidates.

If Serono merges with another company or is acquired, it may adversely impact our development of adecatumumab (MT201).

Serono has recently been rumored to be the target of potential merger discussions. If Serono were to merge with, or be acquired by, another company, it is likely that that company would evaluate whether to continue the development of adecatumumab (MT201). If Serono s acquiror or merger partner elected not to continue the collaboration with Micromet, the rights to develop adecatumumab (MT201) would revert back to Micromet. Serono has the right to terminate our collaboration upon 180 days written notice. There can be no guarantee that Micromet would be able to find a replacement collaborator to continue the development of adecatumumab (MT201) on terms as favorable as the Serono collaboration, or at all. Additionally, if a replacement collaborator could be located, the process of identifying and negotiating the terms of the relationship with such a collaborator, would likely be time consuming and expensive. As a result, we could experience a material delay or complete cessation in developing adecatumumab (MT201), which would likely have a material adverse impact on our future business prospects, results of operations, liquidity and capital resources.

Risks Related to Micromet s Business, Industry, Strategy and Operations

We face substantial competition, which may result in our competitors discovering, developing or commercializing products before or more successfully than we do.

Our product candidates face competition with existing and new products being developed by biotechnology, medical device and pharmaceutical companies, as well as universities and other research institutions. For example, research in the fields of antibody-based therapeutics for the treatment of cancer and inflammatory disease is highly competitive. A number of entities are seeking to identify and patent antibodies, potentially active proteins and other

Table of Contents

potentially active compounds without specific knowledge of their therapeutic function. Our competitors may discover, characterize and develop important inducing molecules or genes in advance of us.

Many of our competitors have substantially greater capital resources, research and development staffs and facilities than we have. Efforts by other biotechnology, medical device and pharmaceutical companies could render our programs or products uneconomical or result in therapies superior to those that we develop alone or with a collaborator. For those programs that we have selected for further internal development, we face competition from companies that are more experienced in product development and commercialization, obtaining regulatory approvals and product manufacturing. As a result, they may develop competing products more rapidly and at a lower cost. For those programs that are subject to a collaboration agreement, competitors may discover, develop and commercialize products, which render our products non-competitive or obsolete. We expect competition to intensify in antibody research as technical advances in the field are made and become more widely known.

Since our product candidates may have different efficacy profiles in certain clinical indications, sub-indications or patient profiles and we have limited resources, our election to focus on a particular indication, sub-indication and patient profile may result in our failure to capitalize on other potentially profitable applications of our product candidates.

We have limited financial and managerial resources. These limitations require us to focus on a select group of product candidates in specific therapeutic areas and to forego the exploration of other product opportunities. While our technologies may permit us to work in multiple areas, resource commitments may require trade-offs resulting in delays in the development of certain programs or research areas, which may place us at a competitive disadvantage. Our decisions as to resource allocation may not lead to the development of viable commercial products and may divert resources away from other market opportunities, which ultimately prove to be more profitable.

Our growth could be limited if we are unable to attract and retain key personnel and consultants.

Our success depends on the ability to attract, train and retain qualified scientific and technical personnel to further our research and development efforts. The loss of services of one or more of our key employees or consultants could have a negative impact on our business and operating results. Locating candidates with the appropriate qualifications can be difficult. Although we expect to be able to attract and retain sufficient numbers of highly skilled employees for the foreseeable future, we may not be able to do so.

Any growth and expansion into areas and activities that may require additional human resources or expertise, such as regulatory affairs and compliance, would require us to either hire new key personnel or obtain such services via an outsourcing arrangement. The pool of personnel with the skills that we require is limited, and we may not be able to hire or contract such additional personnel.

Risks Relating to Micromet s Intellectual Property

If we breach any of the agreements under which we license or have acquired intellectual property from others, we could lose intellectual property rights that are important to our business.

We are a party to intellectual property licenses and agreements that are important to our business and expect to enter into similar licenses and agreements in the future. These licenses and agreements impose various research, development, commercialization, sublicensing, royalty, indemnification, insurance and other obligations on us. If we or our collaborators fail to perform under these agreements or otherwise breach obligations thereunder, we could lose intellectual property rights that are important to our business.

We may become involved in expensive patent litigation or other intellectual property proceedings which could result in liability for damages or require us to stop our development and commercialization efforts.

One of our patents became the subject of an opposition proceeding before the European Patent Office in March 2004. The opponent alleged that the patent did not fulfill all of the applicable requirements for issuance of a patent. In January 2006, the Opposition Division of the European Patent Office revoked the opposition in oral proceedings and maintained the patent as granted. The opponent can appeal the decision and request a hearing in front of the

Table of Contents

Board of Appeal of the European Patent Office and, it is possible that the Board of Appeal could overrule the decision of the Opposition Division and rule that the patent is invalid. If this were to occur, it could have a material adverse impact on our ability to protect our intellectual property.

Risks Relating to Micromet s Clinical and Regulatory Matters

The preliminary results of our Phase 2 clinical trial of adecatumumab (MT201) in patients with prostate cancer suggest that the primary endpoint of the trial was not reached and, if final assessment of the trial results confirm this conclusion, we may be forced to discontinue development of this product candidate in prostate cancer.

Preliminary results from our Phase 2 clinical trial of adecatumumab (MT201) in patients with prostate cancer indicate that the primary endpoint (mean change in prostate specific antigen, compared to placebo control) was not reached in the trial. We will perform a final assessment of the trial results after an independent expert review is conducted. We expect that we will perform this final assessment during mid-2006. If, upon final assessment, we conclude that the trial did not meet its endpoint, we will be forced to consider whether to discontinue pursuing the development of adecatumumab (MT201) for the treatment of prostate cancer. If we elect to abandon our development of adecatumumab (MT201) for the treatment of prostate cancer, this would have a material adverse impact on our future results of operations.

Although the preliminary results of our Phase 2 clinical trial of adecatumumab (MT201) in patients with breast cancer are encouraging, upon review of the final results we may nevertheless conclude that the trial was unsuccessful.

Based on a review of the preliminary results from our Phase 2 clinical trial of adecatumumab (MT201) in patients with breast cancer, it appears that the trial more likely than not satisfied its primary clinical endpoint (a statistically significant increase in clinical benefit rate in patients receiving a high dose of the drug, as compared to patients receiving a low dose). However, the database used to perform this preliminary analysis has not been locked or been subject to a formal data cleaning process, and the radiographs from the patients in this clinical trial are still subject to the assessment of an independent review board as some centralized radiology assessments differ from the radiology assessments performed at the local clinical trial sites. A final assessment of the study data will not be possible until the study is completed, all data discrepancies are resolved and the database is locked, which is currently anticipated to occur in the second half of 2006. Once the database has been locked and a final assessment of the trial data is performed, we may discover that the trial did not meet its primary endpoint. If, upon final assessment, we conclude that the trial did not meet its endpoints, we will be forced to consider whether to discontinue pursuing the development of adecatumumab (MT201) for the treatment of breast cancer. If we elect to abandon our development of adecatumumab (MT201) for the treatment of breast cancer, this would have a material adverse impact on our future results of operations.

We previously terminated three Phase 1 trials involving short-term infusion regimens of MT103 due to the adverse event profile and a lack of perceived tumor response, and there can be no assurance that our current continuous infusion Phase 1 trial of MT103 will produce a different outcome.

In April 2004, we initiated a Phase 1 dose finding study designed to evaluate the safety and tolerability of a continuous intravenous infusion of MT103 over 4-8 weeks at different dose levels in patients with relapsed Non-Hodgkin s Lymphoma. We previously terminated three other Phase 1 trials for MT103, which involved a short-term (as opposed to a continuous) infusion of MT103, due to adverse events and the lack of observed tumor responses. Although we have redesigned the dosing regime for our ongoing Phase 1 trial, and based upon on the preliminary data we currently are seeing considerably fewer adverse events in response to the new dosing regime, there can be no assurance that our ongoing continuous infusion trial will not produce the same adverse events

witnessed in our previous short-term infusion trials for MT103.

Table of Contents

Risks Relating to Micromet s Product Manufacturing and Sales

We will depend on our collaborators and third-party manufacturers to produce most, if not all, of our products under development, and if these third parties do not successfully manufacture these products our business will be harmed.

We have no manufacturing experience or manufacturing capabilities for clinical or commercial material. In order to continue to develop product candidates, apply for regulatory approvals, and commercialize our products, we or our collaborators must be able to manufacture products in clinical and commercial quantities, in compliance with regulatory requirements, at acceptable costs and in a timely manner. The manufacture of our product candidates may be complex, difficult to accomplish and difficult to scale-up when large-scale production is required. Manufacture may be subject to delays, inefficiencies and poor or low yields of quality products. The cost of manufacturing some of our products may make them prohibitively expensive. If supplies of any of our product candidates or related materials become unavailable on a timely basis or at all or are contaminated or otherwise lost, clinical trials by us and our collaborators could be seriously delayed. This is due to the fact that such materials are time-consuming to manufacture and cannot be readily obtained from third-party sources.

To the extent that we, or our collaborators, seek to enter into manufacturing arrangements with third parties, we and such collaborators will depend upon these third parties to perform their obligations in a timely and effective manner and in accordance with government regulations. Contract manufacturers may breach their manufacturing agreements because of factors beyond our control or may terminate or fail to renew a manufacturing agreement based on their own business priorities at a time that is costly or inconvenient for us. Contract manufacturers are subject to ongoing periodic, unannounced inspection by the FDA and corresponding state and foreign agencies or their designees to ensure strict compliance with current good manufacturing practices and other governmental regulations and corresponding foreign standards. Failure of contract manufacturers or our collaborators or us to comply with applicable regulations could result in sanctions being imposed, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, seizures or recalls of product candidates, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect our business. If we need to change manufacturers, the FDA and corresponding foreign regulatory agencies must approve these manufacturers in advance. This would involve testing and pre-approval inspections to ensure compliance with FDA and foreign regulations and standards. If third-party manufacturers fail to perform their obligations, our competitive position and ability to generate revenue may be adversely affected in a number of ways, including;

- we and our collaborators may not be able to initiate or continue clinical trials of products that are under development;
- we and our collaborators may be delayed in submitting applications for regulatory approvals for our product candidates; and
- we and our collaborators may not be able to meet commercial demands for any approved products.

We have no sales or marketing experience and, as such, will depend significantly on third parties who may not successfully sell our products.

We have no sales, marketing or product distribution experience. If we receive required regulatory approvals, we plan to rely primarily on sales, marketing and distribution arrangements with third parties, including our collaborative partners. For example, as part of Micromet s agreements with Serono and MedImmune, Micromet has granted its collaborators rights to distribute certain products resulting from such collaborations, if any are ever successfully

developed. We may have to enter into additional marketing arrangements in the future and we may not be able to enter into these additional arrangements on terms which are favorable to us, if at all. In addition, we may have limited or no control over the sales, marketing and distribution activities of these third parties and sales through these third parties could be less profitable to us than direct sales. These third parties could sell competing products and may devote insufficient sales efforts to our products. Our future revenues will be materially dependent upon the success of the efforts of these third parties.

Table of Contents

We may seek to independently market products that are not already subject to marketing agreements with other parties. If we determine to perform sales, marketing and distribution functions ourselves, we could face a number of additional risks, including:

- we may not be able to attract and build a significant and skilled marketing staff or sales force;
- the cost of establishing a marketing staff or sales force may not be justifiable in light of the revenues generated by any particular product; and
- our direct sales and marketing efforts may not be successful.

Risks Faced by Both CancerVax and Micromet Relating to the Life Sciences Industry

If our third-party manufacturers facilities do not follow current good manufacturing practices, our product development and commercialization efforts may be harmed.

There are a limited number of manufacturers that operate under the FDA s and European Union s good manufacturing practices regulations and are capable of manufacturing products. Third-party manufacturers may encounter difficulties in achieving quality control and quality assurance and may experience shortages of qualified personnel. A failure of third-party manufacturers to follow current good manufacturing practices or other regulatory requirements and to document their adherence to such practices may lead to significant delays in the availability of products for commercial use or clinical study, the termination of, or hold on a clinical study, or may delay or prevent filing or approval of marketing applications for our products. In addition we could be subject to sanctions being imposed on us, including fines, injunctions and civil penalties. Changing manufacturers may require additional clinical trials and the revalidation of the manufacturing process and procedures in accordance with FDA mandated current good manufacturing practices and will require FDA approval. This revalidation may be costly and time consuming. If we are unable to arrange for third-party manufacturing of our products, or to do so on commercially reasonable terms, we may not be able to complete development or marketing of our products.

If we fail to obtain an adequate level of reimbursement for our products by third-party payors, there may be no commercially viable markets for our products or the markets may be much smaller than expected.

The availability and levels of reimbursement by governmental and other third-party payors affect the market for our products. The efficacy, safety and cost-effectiveness of our products as well as the efficacy, safety and cost-effectiveness of any competing products will determine the availability and level of reimbursement. These third-party payors continually attempt to contain or reduce the costs of healthcare by challenging the prices charged for healthcare products and services. In certain countries, particularly the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take six to twelve months or longer after the receipt of regulatory marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct clinical trials that compare the cost-effectiveness of our products to other available therapies. If reimbursement for our products is unavailable or limited in scope or amount or if pricing is set at unsatisfactory levels, our revenues would be reduced.

Another development that may affect the pricing of drugs is regulatory action regarding drug reimportation into the United States. The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which became law in December 2003, requires the Secretary of the U.S. Department of Health and Human Services to promulgate regulations allowing drug reimportation from Canada into the United States under certain circumstances. These provisions will become effective only if the Secretary certifies that such imports will pose no additional risk to the

public s health and safety and result in significant cost savings to consumers. To date, the Secretary has made no such finding, but he could do so in the future. Proponents of drug reimportation may also attempt to pass legislation that would remove the requirement for the Secretary s certification or allow reimportation under circumstances beyond those anticipated under current law. If legislation is enacted, or regulations issued, allowing the reimportation of drugs, it could decrease the reimbursement we would receive for any products that we may commercialize, negatively affecting our anticipated revenues and prospects for profitability.

Table of Contents

We may not be successful in establishing additional strategic collaborations, which could adversely affect our ability to develop and commercialize products.

As an integral part of our ongoing research and development efforts, we periodically review opportunities to establish new collaborations, joint ventures and strategic collaborations for the development and commercialization of products in our development pipeline. We face significant competition in seeking appropriate collaborators and the negotiation process is time-consuming and complex. We may not be successful in our efforts to establish additional strategic collaborations or other alternative arrangements. Even if we are successful in our efforts to establish a collaboration or agreement, the terms that we establish may not be favorable to us. Finally, such strategic alliances or other arrangements may not result in successful products and associated revenue.

We expect to rely heavily on third parties for the conduct of clinical trials of our product candidates. If these clinical trials are not successful, or if we or our collaborators are not able to obtain the necessary regulatory approvals, we will not be able to commercialize our product candidates.

In order to obtain regulatory approval for the commercial sale of our product candidates, we and our collaborators will be required to complete extensive preclinical studies as well as clinical trials in humans to demonstrate to the FDA and foreign regulatory authorities that our product candidates are safe and effective. We have limited experience in conducting clinical trials and expect to rely primarily on collaborative partners and contract research organizations for their performance and management of clinical trials of our product candidates.

Clinical development, including preclinical testing, is a long, expensive and uncertain process. Accordingly, preclinical testing and clinical trials, if any, of our product candidates under development may not be successful. We and our collaborators could experience delays in preclinical or clinical trials of any of our product candidates, obtain unfavorable results in a development program, or fail to obtain regulatory approval for the commercialization of a product. Preclinical studies or clinical trials may produce negative, inconsistent or inconclusive results, and we or our collaborators may decide, or regulators may require us, to conduct additional preclinical studies or clinical trials. The results from early clinical trials may not be statistically significant or predictive of results that will be obtained from expanded, advanced clinical trials.

Furthermore, the timing and completion of clinical trials, if any, of our product candidates depend on, among other factors, the number of patients we will be required to enroll in the clinical trials and the rate at which those patients are enrolled. Any increase in the required number of patients, decrease in recruitment rates or difficulties retaining study participants may result in increased costs, program delays or both.

Also, our products under development may not be effective in treating any of our targeted disorders or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may prevent or limit their commercial use. Institutional review boards or regulators, including the FDA, may hold, suspend or terminate our clinical research or the clinical trials of our product candidates for various reasons, including non-compliance with regulatory requirements or if, in their opinion, the participating subjects are being exposed to unacceptable health risks. Additionally, the failure of third parties conducting or overseeing the operation of the clinical trials to perform their contractual or regulatory obligations in a timely fashion could delay the clinical trials. Failure of clinical trials can occur at any stage of testing. Any of these events would adversely affect our ability to market a product candidate.

Even if our products are approved by regulatory authorities, if we fail to comply with ongoing regulatory requirements, or if we experience unanticipated problems with our products, these products could be subject to restrictions or withdrawal from the market.

Any product for which we obtain marketing approval, along with the manufacturing processes, post-approval clinical data and promotional activities for such product, will be subject to continual review and periodic inspections by the FDA and other regulatory bodies. Even if regulatory approval of a product is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. Later discovery of previously unknown problems with our products, including unanticipated adverse events or adverse events of unanticipated severity or frequency, manufacturer or manufacturing processes, or failure to

Table of Contents

comply with regulatory requirements, may result in restrictions on such products or manufacturing processes, withdrawal of the products from the market, voluntary or mandatory recall, fines, suspension of regulatory approvals, product seizures, injunctions or the imposition of civil or criminal penalties.

The development process necessary to obtain regulatory approval is lengthy, complex and expensive. If we and our collaborative partners do not obtain necessary regulatory approvals, then our business will be unsuccessful and the market price of our common stock will substantially decline.

To the extent that we, or our collaborative partners, are able to successfully advance a product candidate through the clinic, we, or such partner, will be required to obtain regulatory approval prior to marketing and selling such product.

The process of obtaining FDA and other required regulatory approvals is expensive. The time required for FDA and other approvals is uncertain and typically takes a number of years, depending on the complexity and novelty of the product. The process of obtaining FDA and other required regulatory approvals for many of our products under development is further complicated because some of these products use non-traditional or novel materials in non-traditional or novel ways, and the regulatory officials have little precedent to follow. With respect to internal programs to date, we have limited experience in filing and prosecuting applications to obtain marketing approval.

Any regulatory approval to market a product may be subject to limitations on the indicated uses for which we, or our collaborative partners, may market the product. These limitations may restrict the size of the market for the product and affect reimbursement by third-party payers. In addition, regulatory agencies may not grant approvals on a timely basis or may revoke or significantly modify previously granted approvals.

We, or our collaborative partners, also are subject to numerous foreign regulatory requirements governing the manufacturing and marketing of our potential future products outside of the United States. The approval procedure varies among countries, additional testing may be required in some jurisdictions, and the time required to obtain foreign approvals often differs from that required to obtain FDA approvals. Moreover, approval by the FDA does not ensure approval by regulatory authorities in other countries, and vice versa.

As a result of these factors, we or our collaborators may not successfully begin or complete clinical trials in the time periods estimated, if at all. Moreover, if we or our collaborators incur costs and delays in development programs or fail to successfully develop and commercialize products based upon our technologies, we may not become profitable and our stock price could decline.

We, and our collaborators, are subject to governmental regulations other than those imposed by the FDA. We, and any of our collaborators, may not be able to comply with these regulations, which could subject us, or such collaborators, to penalties and otherwise result in the limitation of our or such collaborators operations.

In addition to regulations imposed by the FDA, we and our collaborators are subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Research Conservation and Recovery Act, as well as regulations administered by the Nuclear Regulatory Commission, national restrictions on technology transfer, import, export and customs regulations and certain other local, state or federal regulations. From time to time, other federal agencies and congressional committees have indicated an interest in implementing further regulation of biotechnology applications. We are not able to predict whether any such regulations will be adopted or whether, if adopted, such regulations will apply to our business, or whether we or our collaborators would be able to comply with any applicable regulations.

Failure to obtain regulatory approval in foreign jurisdictions will prevent us from marketing our products abroad.

We intend to market our products in international markets. In order to market our products in the European Union and many other foreign jurisdictions, we must obtain separate regulatory approvals. The approval procedure varies among countries and can involve additional testing, and the time required to obtain approval may differ from that required to obtain FDA approval. The foreign regulatory approval process may include all of the risks

Table of Contents

associated with obtaining FDA approval. We may not obtain foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. We may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize our products in any market.

We are subject to uncertainty relating to health care reform measures and reimbursement policies which, if not favorable to our product candidates, could hinder or prevent our product candidates commercial success.

The continuing efforts of the government, insurance companies, managed care organizations and other payors of health care costs to contain or reduce costs of health care may adversely affect:

- our ability to generate revenues and achieve profitability;
- the future revenues and profitability of our potential customers, suppliers and collaborators; and
- the availability of capital.

In certain foreign markets, the pricing of prescription pharmaceuticals is subject to government control. In the United States, given recent federal and state government initiatives directed at lowering the total cost of health care, the U.S. Congress and state legislatures will likely continue to focus on health care reform, the cost of prescription pharmaceuticals and on the reform of the Medicare and Medicaid systems. For example, legislation was enacted on December 8, 2003, which provides a new Medicare prescription drug benefit beginning in 2006 and mandates other reforms. While we cannot predict the full effects of the implementation of this new legislation or whether any legislative or regulatory proposals affecting our business will be adopted, the implementation of this legislation or announcement or adoption of these proposals could have a material and adverse effect on our business, financial condition and results of operations.

Our ability to commercialize our product candidates successfully will depend in part on the extent to which governmental authorities, private health insurers and other organizations establish appropriate reimbursement levels for the cost of our products and related treatments. Third-party payors are increasingly challenging the prices charged for medical products and services. Also, the trend toward managed health care in the United States, which could significantly influence the purchase of health care services and products, as well as legislative proposals to reform health care or reduce government insurance programs, may result in lower prices for our product candidates or exclusion of our product candidates from reimbursement programs. The cost containment measures that health care payors and providers are instituting and the effect of any health care reform could materially and adversely affect our results of operations.

If physicians and patients do not accept the products that we may develop, our ability to generate product revenue in the future will be adversely affected.

The product candidates that we may develop may not gain market acceptance among physicians, healthcare payors, patients and the medical community. Market acceptance of and demand for any product that we may develop will depend on many factors, including:

- our ability to provide acceptable evidence of safety and efficacy;
- convenience and ease of administration;

prevalence and severity of adverse side effects;

availability of alternative treatments;

cost effectiveness;

effectiveness of our marketing strategy and the pricing of any product that we may develop;

Table of Contents

publicity concerning our products or competitive products; and

our ability to obtain third-party coverage or reimbursement.

In addition, our decision to discontinue our Phase 3 clinical trials for Canvaxin in patients with advanced-stage melanoma based upon the recommendations of the independent DSMB could create negative publicity that, although not directly related to our remaining product candidates, could nevertheless affect their market acceptance. Even if we receive regulatory approval and satisfy the above criteria for our product candidates, physicians may be reluctant to recommend, or patients may be reluctant to use, our products.

We face the risk of product liability claims and may not be able to obtain insurance.

Our business exposes us to the risk of product liability claims that is inherent in the testing, manufacturing, and marketing of drugs and related devices. Although we have product liability and clinical trial liability insurance that we believe is appropriate, this insurance is subject to deductibles and coverage limitations. We may not be able to obtain or maintain adequate protection against potential liabilities. In addition, if any of our product candidates are approved for marketing, we may seek additional insurance coverage. If we are unable to obtain insurance at acceptable cost or on acceptable terms with adequate coverage or otherwise protect against potential product liability claims, we will be exposed to significant liabilities, which may harm our business. These liabilities could prevent or interfere with our product commercialization efforts. Defending a suit, regardless of merit, could be costly, could divert management attention and might result in adverse publicity or reduced acceptance of our products in the market.

Our operations involve hazardous materials and we must comply with environmental laws and regulations, which can be expensive.

Our research and development activities involve the controlled use of hazardous materials, including chemicals and radioactive and biological materials. Our operations also produce hazardous waste products. We are subject to a variety of federal, state and local regulations relating to the use, handling, storage and disposal of these materials. We generally contract with third parties for the disposal of such substances and store certain low-level radioactive waste at our facility until the materials are no longer considered radioactive. We cannot eliminate the risk of accidental contamination or injury from these materials. We may be required to incur substantial costs to comply with current or future environmental and safety regulations. If an accident or contamination occurred, we would likely incur significant costs associated with civil penalties or criminal fines and in complying with environmental laws and regulations. We do not have any insurance for liabilities arising from hazardous materials. Compliance with environmental laws and regulations is expensive, and current or future environmental regulation may impair our research, development or production efforts.

The life sciences industry is highly competitive and subject to rapid technological change.

The life sciences industry is highly competitive and subject to rapid and profound technological change. Our present and potential competitors include major pharmaceutical companies, as well as specialized biotechnology and life sciences firms in the United States and in other countries. Most of these companies have considerably greater financial, technical and marketing resources than we do. Additional mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated in our competitors. Our existing or prospective competitors may develop processes or products that are more effective than ours or be more effective at implementing their technologies to develop commercial products faster. Our competitors may succeed in obtaining patent protection and/or receiving regulatory approval for commercializing products before us. Developments by our competitors may render our product candidates obsolete or non-competitive.

We also experience competition from universities and other research institutions, and we frequently compete with others in acquiring technology from those sources. These industries have undergone, and are expected to continue to undergo, rapid and significant technological change, and we expect competition to intensify as technical advances in each field are made and become more widely known. There can be no assurance that others will not develop technologies with significant advantages over those that we are seeking to develop. Any such development could harm our business.

Table of Contents

Legislative or regulatory reform of the healthcare system may affect our ability to sell our products profitably.

In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory changes to the healthcare system in ways that could impact upon our ability to sell our products profitably. In the United States in recent years, new legislation has been enacted at the federal and state levels that would effect major changes in the healthcare system, either nationally or at the state level. These new laws include a prescription drug benefit for Medicare beneficiaries and certain changes in Medicare reimbursement. Given the recent enactment of these laws, it is still too early to determine its impact on the pharmaceutical industry and our business. Further federal and state proposals are likely. More recently, administrative proposals are pending and others have become effective that would change the method for calculating the reimbursement of certain drugs. The adoption of these proposals and potential adoption of pending proposals may affect our ability to raise capital, obtain additional collaborators or market our products. Such proposals may reduce our revenues, increase our expenses or limit the markets for our products. In particular, we expect to experience pricing pressures in connection with the sale of our products due to the trend toward managed health care, the increasing influence of health maintenance organizations and additional legislative proposals.

We may incur substantial costs enforcing our patents, defending against third-party patents, invalidating third-party patents or licensing third-party intellectual property, as a result of litigation or other proceedings relating to patent and other intellectual property rights.

We may not have rights under some patents or patent applications that may cover technologies that we use in our research, drug targets that we select, or product candidates that we seek to develop and commercialize. Third parties may own or control these patents and patent applications in the United States and abroad. These third parties could bring claims against us or our collaborators that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us or our collaborators, we or they could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit. We or our collaborators therefore may choose to seek, or be required to seek, a license from the third-party and would most likely be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we or our collaborators were able to obtain a license, the rights may be nonexclusive, which would give our competitors access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or forced to cease some aspect of our business operations, as a result of patent infringement claims, which could harm our business.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical and biotechnology industries. Although we are not currently a party to any patent litigation or any other adversarial proceeding, including any interference proceeding declared before the United States Patent and Trademark Office, regarding intellectual property rights with respect to our products and technology, we may become so in the future. We are not currently aware of any actual or potential third party infringement claim involving our products. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. The outcome of patent litigation is subject to uncertainties that cannot be adequately quantified in advance, including the demeanor and credibility of witnesses and the identity of the adverse party, especially in biotechnology related patent cases that may turn on the testimony of experts as to technical facts upon which experts may reasonably disagree. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. If a patent or other proceeding is resolved against us, we may be enjoined from researching, developing, manufacturing or commercializing our products without a license from the other party and we may be held liable for significant damages. We may not be able to obtain any required license on commercially acceptable terms or at all.

Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could harm our ability to compete in the marketplace. Patent litigation and other proceedings may also absorb significant management time.

Table of Contents

We may not be successful in our efforts to expand our portfolio of products and develop additional delivery technologies.

A key element of our strategy is to discover, develop and commercialize a portfolio of new drugs and technologies to deliver those drugs safely and efficiently. We are seeking to do so through our internal research programs and in-licensing. A significant portion of the research that we are conducting involves new and unproven technologies. Research programs to identify new disease targets, product candidates and delivery technologies require substantial technical, financial and human resources whether or not any candidates or technologies are ultimately identified. Our research programs may initially show promise in identifying potential product candidates or delivery technologies, yet fail to yield product candidates or delivery technologies for clinical development for any of the following reasons:

- research methodology used may not be successful in identifying potential product candidates;
- potential delivery technologies may not safely or efficiently deliver our drugs; and
- product candidates may on further study be shown to have harmful side effects or other characteristics that indicate they are unlikely to be effective drugs.

If we are unable to discover suitable potential product candidates or develop additional delivery technologies through internal research programs or in-license suitable products or delivery technologies on acceptable business terms, our business prospects will suffer.

If we are unable to protect our intellectual property rights, our competitors may develop and market products with similar features that may reduce demand for our potential products.

The following factors are important to our success:

- receiving patent protection for our product candidates;
- preventing others from infringing our intellectual property rights; and
- maintaining our patent rights and trade secrets.

We will be able to protect our intellectual property rights in patents and trade secrets from unauthorized use by third parties only to the extent that such intellectual property rights are covered by valid and enforceable patents or are effectively maintained as trade secrets.

To date, we have sought to protect our proprietary position by filing U.S. and foreign patent applications related to our important proprietary technology, inventions and improvements. Because the patent position of pharmaceutical companies involves complex legal and factual questions, the issuance, scope and enforceability of patents cannot be predicted with certainty. Patents, if issued, may be challenged, invalidated or circumvented. U.S. patents and patent applications may also be subject to interference proceedings, and U.S. patents may be subject to reexamination proceedings in the U.S. Patent and Trademark Office and foreign patents may be subject to opposition or comparable proceedings in corresponding foreign patent offices, which proceedings could result in either loss of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such interference, reexamination and opposition proceedings may be costly. Thus, any patents that we own or license from others may not provide any protection against competitors. Furthermore, an adverse decision in an interference proceeding can result in a third-party receiving the patent rights sought by us, which in turn could affect our ability to market a potential product to which that patent filing was directed. Our pending patent

applications, those that we may file in the future, or those that we may license from third parties may not result in patents being issued. If issued, they may not provide us with proprietary protection or competitive advantages against competitors with similar technology. Furthermore, others may independently develop similar technologies or duplicate any technology that we have developed. We rely on third-party payment services for the payment of foreign patent annuities and other fees. Non-payment or delay in payment of such fees, whether intentional or unintentional, may result in loss of patents or patent rights important to our business. Many countries, including certain countries in Europe, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. For example, compulsory licenses may be required in cases where the patent owner has failed to work the invention in that country, or the third-party has patented improvements. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent

owner may have limited remedies, which could materially diminish the value of the patent. Moreover, the legal systems of certain countries, particularly certain developing countries, do not favor the aggressive enforcement of patent and other intellectual property protection which makes it difficult to stop infringement.

In addition, our ability to enforce our patent rights depends on our ability to detect infringement. We are not currently aware of any actual or potential infringement claim involving our intellectual property rights. It is difficult to detect infringers who do not advertise the compounds that are used in their products. Any litigation to enforce or defend our patent rights, even if we prevail, could be costly and time-consuming and would divert the attention of management and key personnel from business operations.

We have also relied on trade secrets, know-how and technology, which are not protected by patents, to maintain our competitive position. We have sought to protect this information by entering into confidentiality agreements with parties that have access to it, such as strategic partners, collaborators, employees and consultants. Any of these parties may breach these agreements and disclose our confidential information or our competitors might learn of the information in some other way. If any trade secret, know-how or other technology not protected by a patent was to be disclosed to or independently developed by a competitor, our business, financial condition and results of operations could be materially adversely affected.

If licensees or assignees of our intellectual property rights breach any of the agreements under which we have licensed or assigned our intellectual property to them, we could be deprived of important intellectual property rights and future revenue.

We are a party to intellectual property out-licenses, collaborations and agreements that are important to our business and expect to enter into similar agreements with third parties in the future. Under these agreements, we license or transfer intellectual property to third parties and impose various research, development, commercialization, sublicensing, royalty, indemnification, insurance, and other obligations on them. If a third party fails to comply with these requirements, we generally retain the right to terminate the agreement, and to bring a legal action in court or in arbitration. In the event of breach, we may need to enforce our rights under these agreements by resorting to arbitration or litigation. During the period of arbitration or litigation, we may be unable to effectively use, assign or license the relevant intellectual property rights and may be deprived of current or future revenues that are associated with such intellectual property.

We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of our employees were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If we fail in defending such claims, in addition to paying money claims, we may lose valuable intellectual property rights or personnel. A loss of key personnel or their work product could hamper or prevent our ability to commercialize certain product candidates, which would adversely affect commercial development efforts.

Changes in, or interpretations of, accounting rules and regulations, such as expensing of stock options, could result in unfavorable accounting charges or require us to change our compensation policies.

Accounting methods and policies for biopharmaceutical companies, including policies governing revenue recognition, expenses, accounting for stock options and in-process research and development costs are subject to further review,

interpretation and guidance from relevant accounting authorities, including the Securities and Exchange Commission. Changes to, or interpretations of, accounting methods or policies in the future may require us to reclassify, restate or otherwise change or revise our financial statements, including those contained in this proxy statement/prospectus. Historically, CancerVax has recorded employee stock-based compensation charges only if the stock option exercise price is less than the fair value of CancerVax s common stock on the date of grant.

Table of Contents

Historically, Micromet has used the minimal value method to recognize any employee stock-based compensation charges in accordance with Statement of Financial Accounting Standards No. 125. The Financial Accounting Standards Board issued in December 2004 Statement of Financial Accounting Standards No. 123(revised) which will require us to record expense for the fair value of stock options granted and purchases under employee stock purchase plans in the first annual period beginning after June 15, 2005. When we change our accounting policy to record expense for the fair value of stock options granted and shares purchased, our operating expenses will increase. We rely heavily on stock options to motivate existing employees and attract new employees. When we are required to expense stock options, we may choose to reduce our reliance on stock options as a motivation tool. If we reduce our use of stock options, it may be more difficult for us to attract and retain qualified employees. If we do not reduce our reliance on stock options, our reported losses will increase.

After the merger we will need to modify our finance and accounting systems, procedures and controls to incorporate the operations of Micromet, which modifications may be time consuming and expensive to implement, and there is no guarantee that will be able to do so.

As a public reporting company, we are required to comply with the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission, including Section 404 of the Sarbanes-Oxley Act of 2002. Although we believe that CancerVax currently has adequate finance and accounting systems, procedures and controls for its business on a standalone basis, after the merger we will need to upgrade the existing, and implement additional, procedures and controls to incorporate the operations of Micromet. These updates may require significant time and expense, and there can be no guarantee that we will be successful in implementing them. If we are unable to complete the required modifications to our internal control reporting or if our independent registered public accounting firm is unable to provide us with an unqualified report as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our internal control over financial reporting, which could have a material adverse effect on our stock price.

Table of Contents

THE COMPANIES

CancerVax

We are a biotechnology company focused on the research, development and commercialization of novel biological products for the treatment and control of cancer.

On October 3, 2005, we and Serono Technologies, S.A., our collaboration partner for Canvaxin, announced the discontinuation of our Phase 3 clinical trial of our leading product candidate, Canvaxin, in patients with Stage III melanoma, based on the recommendation of the independent Data and Safety Monitoring Board, or DSMB, which completed its planned, third, interim analysis of data from this study on September 30, 2005. In April 2005, we announced the discontinuation of our Phase 3 clinical trial of Canvaxin in patients with Stage IV melanoma based upon a similar recommendation of the independent DSMB. The DSMB concluded, based on its planned, interim analysis of the data from these studies, that the data were unlikely to provide significant evidence of a survival benefit for Canvaxin-treated patients versus those receiving placebo. There were no significant safety issues identified with either of the Phase 3 clinical trials of Canvaxin, and the recommendations to close the studies were not made because of any potential safety concerns.

As a result of the discontinuation of the Canvaxin Phase 3 clinical trials, in October 2005 we and Serono announced the discontinuation of all further development and manufacturing activities with respect to Canvaxin. As a result, we recorded a non-cash charge for the impairment of long-lived assets of $22.8 million in the third quarter of 2005 to write-down the carrying value of the Canvaxin asset group to its estimated fair value. Additionally, in October 2005, we announced that our board of directors had approved a restructuring plan designed to realign resources in light of the decision to discontinue our Phase 3 clinical trial of Canvaxin in patients with Stage III melanoma, as well as all further development of Canvaxin and manufacturing activities at our Canvaxin manufacturing facilities. This restructuring plan reduced our workforce from 183 to 52 employees at December 31, 2005. In connection with this workforce reduction, we incurred approximately $3.8 million of severance and related costs, which were primarily paid in the fourth quarter of 2005. In January 2006, we implemented additional restructuring measures, which will result in the further reduction of our workforce to approximately 10 employees by the completion of the proposed merger with Micromet. We anticipate that we will incur additional costs as a result of our restructuring activities, including additional employee severance costs and costs associated with the closure of our manufacturing facilities and contract terminations. We may also incur additional charges from the impairment of long-lived assets. At this time, we are unable to reasonably estimate the expected amount of additional costs that will result from the restructuring plan or the timing of the related cash expenditures, although the additional restructuring costs may have a significant impact on our results of operations.

We have other product candidates in research and preclinical development, including four humanized, anti-angiogenic monoclonal antibodies and several peptides that potentially treat various solid tumors, as well as three product candidates targeting the epidermal growth factor receptor, or EGFR, signaling pathway for the treatment of cancer. Our efforts to identify, develop, commercialize and, in the case of the three product candidates that target the EGFR signaling pathway, to sublicense these product candidates are in an early stage and, therefore, these efforts are subject to a high risk of failure.

In early 2006, we plan to file an Investigational New Drug Application, or IND, to initiate a Phase 1 clinical trial for D93, our leading humanized, anti-angiogenic monoclonal antibody, in patients with solid tumors. We plan to actively seek to sublicense SAI-EGF and our two other product candidates that target the EGFR signaling pathway.

CancerVax was incorporated in Delaware in June 1998. The address of its principal executive office is 2110 Rutherford Road, Carlsbad, CA 92008 and its telephone number is (760) 494-4200. The CancerVax website address is www.cancervax.com. CancerVax does not incorporate the information on its website into this proxy statement/prospectus, and you should not consider it part of this proxy statement/prospectus.

Table of Contents

Merger Sub

Carlsbad Acquisition Corp., or Merger Sub, is a wholly-owned subsidiary of CancerVax that was incorporated in Delaware in January 2006. Merger Sub does not engage in any operations and exists solely to facilitate the merger.

Micromet AG

Micromet is a private biotechnology company with a focus on the development of novel, proprietary antibody-based products for cancer and inflammatory and autoimmune diseases. Two product candidates are currently in clinical trials. Adecatumumab (MT201), a recombinant human monoclonal antibody is being evaluated in two Phase 2 clinical trials for the treatment of certain solid tumors. In addition, MT103 is being studied in a Phase 1 clinical trial. Micromet has established a powerful drug development platform based on its BiTE^{tm} technology, a unique drug format that leverages the cytotoxic potential of T cells, the most powerful killer cells of the human immune system.

Micromet was incorporated in Germany in December 1993. Micromet s principal executive offices are located at Staffelseestrasse 2, 81477 Munich, Germany, and its telephone number is 49 89 895 277 0. Micromet s website is located at www.micromet.de. Micromet does not incorporate the information on its website into this proxy statement/prospectus, and you should not consider it part of this proxy statement/prospectus.

Micromet, Inc.

Micromet, Inc., or Micromet Parent, was incorporated in Delaware in January 2006. Micromet Parent does not engage in any operations and exists solely to facilitate the merger. Prior to the closing of the merger, stockholders of Micromet will exchange their ordinary and preference shares of Micromet for shares of common stock of Micromet Parent on a 1-for-1 basis.

Table of Contents

THE SPECIAL MEETING OF CANCERVAX STOCKHOLDERS

Date, Time and Place

The special meeting of CancerVax stockholders will be held on [_____], 2006, at [_____] commencing at [___] am. local time. We are sending this proxy statement/prospectus to you in connection with the solicitation of proxies by the CancerVax board of directors for use at the CancerVax special meeting and any adjournments or postponements of the special meeting.

Purposes of the CancerVax Special Meeting

The purposes of the CancerVax special meeting are:

1. To consider and vote upon a proposal to approve the issuance of CancerVax common stock pursuant to the Agreement and Plan of Merger and Reorganization, dated as of January 6, 2006, by and among CancerVax, Carlsbad Acquisition Corporation, a wholly-owned subsidiary of CancerVax, Micromet, Inc., a Delaware corporation, and Micromet AG, a corporation organized under the laws of Germany, and the resulting change of control of CancerVax.

2. To approve an amendment to CancerVax s amended and restated certificate of incorporation to increase the number of authorized shares of common stock from 75,000,000 shares to 150,000,000 shares, which represents an additional 75,000,000 shares.

3. To authorize the board of directors of CancerVax to amend in its discretion CancerVax s amended and restated certificate of incorporation to effect a reverse stock split of the CancerVax common stock, at a ratio within the range of [1:2 to 1:6], and at such ratio to be determined by the board of directors of CancerVax, as described in the attached proxy statement/prospectus.

4. To approve an amendment to CancerVax s amended and restated certificate of incorporation to change the name of CancerVax Corporation to Micromet, Inc.

5. To consider and vote upon an adjournment of the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1 through 4.

6. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

Recommendation of CancerVax s Board of Directors

THE CANCERVAX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE ISSUANCE OF SHARES OF CANCERVAX COMMON STOCK IN THE MERGER, AND THE RESULTING CHANGE OF CONTROL OF CANCERVAX, IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, CANCERVAX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH ITEMS. THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX STOCKHOLDERS VOTE FOR PROPOSAL NO. 1 TO APPROVE THE ISSUANCE OF SHARES OF CANCERVAX COMMON STOCK IN THE MERGER, AND THE RESULTING CHANGE OF CONTROL OF CANCERVAX.

THE CANCERVAX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE AMENDMENT OF CANCERVAX S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, CANCERVAX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH INCREASE. THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX STOCKHOLDERS VOTE FOR PROPOSAL NO. 2 TO APPROVE THE INCREASE IN THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK.

THE CANCERVAX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT IT IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, CANCERVAX AND ITS STOCKHOLDERS TO AUTHORIZE CANCERVAX S BOARD OF DIRECTORS IN ITS DISCRETION TO AMEND

Table of Contents

CANCERVAX S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF THE ISSUED AND OUTSTANDING SHARES OF CANCERVAX S COMMON STOCK (SUCH SPLIT TO COMBINE A NUMBER OF OUTSTANDING SHARES OF CANCERVAX S COMMON STOCK BETWEEN [TWO (2) AND SIX (6)], SUCH NUMBER CONSISTING OF ONLY WHOLE SHARES, INTO ONE (1) SHARE OF CANCERVAX S COMMON STOCK). THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX STOCKHOLDERS VOTE FOR PROPOSAL NO. 3 TO AUTHORIZE THE CANCERVAX BOARD OF DIRECTORS TO EFFECT THE REVERSE STOCK SPLIT.

THE CANCERVAX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE AMENDMENT OF CANCERVAX S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO CHANGE THE NAME OF CANCERVAX CORPORATION TO MICROMET, INC. IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, CANCERVAX AND ITS STOCKHOLDERS AND HAS APPROVED SUCH NAME CHANGE. THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX STOCKHOLDERS VOTE FOR PROPOSAL NO. 4 TO APPROVE THE NAME CHANGE.

THE CANCERVAX BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT ADJOURNING THE CANCERVAX SPECIAL MEETING, IF NECESSARY, IF A QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL NOS. 1 THROUGH 4 IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, CANCERVAX AND ITS STOCKHOLDERS AND HAS APPROVED AND ADOPTED THE PROPOSAL. ACCORDINGLY, THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX STOCKHOLDERS VOTE FOR PROPOSAL NO. 5 TO ADJOURN THE CANCERVAX SPECIAL MEETING, IF NECESSARY, IF A QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL NOS. 1 THROUGH 4.

Record Date and Voting Power

Only holders of record of CancerVax common stock at the close of business on the record date, [_____], 2006, are entitled to notice of, and to vote at, the CancerVax special meeting. There were approximately [___] holders of record of CancerVax common stock at the close of business on the record date. Because many of such shares are held by brokers and other institutions on behalf of stockholders, CancerVax is unable to estimate the total number of stockholders represented by these record holders. At the close of business on the record date, [___] shares of CancerVax common stock were issued and outstanding. Each share of CancerVax common stock entitles the holder thereof to one vote on each matter submitted for stockholder approval. See CancerVax Security Ownership by Certain Beneficial Owners for information regarding persons known to the management of CancerVax to be the beneficial owners of more than 5% of the outstanding shares of CancerVax common stock.

Voting and Revocation of Proxies

The proxy accompanying this proxy statement/prospectus is solicited on behalf of the board of directors of CancerVax for use at the CancerVax special meeting.

If you are a stockholder of record, you may vote in person at the special meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

To vote in person, come to the special meeting and we will give you a ballot when you arrive.

To vote using the proxy card, simply mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided. If you return your signed proxy card to us before the special meeting, we will vote your shares as you direct.

To vote over the telephone, dial toll-free [_____] using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by [___] [a/p].m., Eastern Time on [_____], 2006 to be counted.

Table of Contents

To vote on the Internet, go to http://www.proxyvoting.com/[___] to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by [___] [a/p].m., Eastern Time on [_____], 2006 to be counted.

All properly executed proxies that are not revoked will be voted at the CancerVax special meeting and at any adjournments or postponements of the special meeting in accordance with the instructions contained in the proxy. If a holder of CancerVax common stock executes and returns a proxy and does not specify otherwise, the shares represented by that proxy will be voted FOR Proposal No. 1 to approve the issuance of shares of CancerVax common stock in the merger, and the resulting change of control of CancerVax; FOR Proposal No. 2 to approve the increase in the number of shares of authorized common stock; FOR Proposal No. 3 to authorize the CancerVax board of directors to effect the reverse stock split; FOR Proposal No. 4 to change the name of CancerVax Corporation to Micromet, Inc. ; and FOR Proposal No. 5 to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1 through 4 in accordance with the recommendation of the CancerVax board of directors.

A CancerVax stockholder who has submitted a proxy may revoke it at any time before it is voted at the CancerVax special meeting by executing and returning a proxy bearing a later date, providing proxy instructions via the telephone or the Internet (your latest telephone or Internet proxy is counted), filing written notice of revocation with the Secretary of CancerVax stating that the proxy is revoked or attending the special meeting and voting in person.

Required Vote

The presence, in person or by proxy, at the special meeting of the holders of a majority of the shares of CancerVax common stock outstanding and entitled to vote at the special meeting is necessary to constitute a quorum at the meeting. Abstentions and broker non-votes will be counted towards a quorum. Approval of Proposal Nos. 1 and 5 requires the affirmative vote of the holders of a majority of the votes cast in person or by proxy at the special meeting. Approval of each of Proposal Nos. 2, 3 and 4 requires the affirmative vote of the holders of a majority of the outstanding shares of CancerVax common stock.

Votes will be counted by the inspector of election appointed for the meeting, who will separately count For and Against votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal and will have the same effect as Against votes. Broker non-votes will have the same effect as Against votes for any proposal except Proposal Nos. 1 and 5. For Proposal Nos. 1 and 5, broker non-votes will have no effect and will not be counted towards the vote total.

At the record date for the special meeting, the directors and executive officers of CancerVax owned approximately [_]% of the outstanding shares of CancerVax common stock entitled to vote at the meeting. Stockholders owning approximately 8,354,687 shares of CancerVax common stock, representing approximately [_]% of the outstanding shares of CancerVax common stock as of the record date, are subject to voting agreements and irrevocable proxies. Each such stockholder has agreed in the voting agreements to vote all shares of CancerVax common stock owned by him, her or it as of the record date in favor of the issuance of shares of CancerVax common stock in the merger. Each also granted Micromet an irrevocable proxy to vote their shares of CancerVax common stock in favor of the issuance of shares of CancerVax common stock in the merger and the resulting change in control of CancerVax. See Voting Agreements on page 112 of this proxy statement/prospectus.

Solicitation of Proxies

In addition to solicitation by mail, the directors, officers, employees and agents of CancerVax may solicit proxies from CancerVax s stockholders by personal interview, telephone, telegram or otherwise. CancerVax will bear the costs of the solicitation of proxies from its stockholders. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries who are record holders of CancerVax common stock for the forwarding of solicitation materials to the beneficial owners of CancerVax common stock. CancerVax will reimburse these brokers, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses they incur in connection with the forwarding of solicitation materials.

Table of Contents

Other Matters

As of the date of this proxy statement/prospectus, the CancerVax board of directors does not know of any business to be presented at the CancerVax special meeting other than as set forth in the notice accompanying this proxy statement/prospectus. If any other matters should properly come before the special meeting, it is intended that the shares represented by proxies will be voted with respect to such matters in accordance with the judgment of the persons voting the proxies.

Table of Contents

MICROMET, INC. STOCKHOLDER APPROVAL

Under Delaware law, the merger may be completed without receiving separate approval from the holders of Micromet Parent stock. As a result, there will not be a separate meeting of the stockholders of Micromet or Micromet Parent to approve the merger, and Micromet Parent is not soliciting proxies for the approval of the merger. The exchange of Micromet shares for shares of Micromet Parent as part of the Micromet Reorganization is the only action required by stockholders of Micromet or Micromet Parent in order to complete the merger.

Table of Contents

CANCERVAX PROPOSAL NO. 1 APPROVAL OF ISSUANCE OF SHARES OF CANCERVAX COMMON STOCK IN THE MERGER AND RESULTING CHANGE OF CONTROL OF CANCERVAX

General Description of the Merger

At the effective time, Merger Sub will be merged with and into Micromet Parent. Micromet Parent will be the surviving corporation and will continue as a wholly-owned subsidiary of CancerVax. Immediately prior to the merger, the holders of equity interests of Micromet will exchange their Micromet interests for shares of common stock in Micromet Parent in an exchange transaction, the Micromet Reorganization, that will result in Micromet becoming a wholly-owned subsidiary of Micromet Parent. Accordingly, as a result of the merger, Micromet will survive as a wholly-owned direct subsidiary of Micromet Parent and an indirect subsidiary of CancerVax. Following the merger, CancerVax will change its name to Micromet, Inc. In the merger, all shares of Micromet Parent capital stock will be cancelled and, by virtue of the Micromet Reorganization and the merger, Micromet stockholders, option holders, warrant holders and note holders will receive the number of shares of CancerVax common stock, or options or warrants to acquire shares of CancerVax common stock, equal to approximately 67.5% of the fully-diluted shares of the combined company. Each Micromet Parent stockholder who would otherwise be entitled to receive a fraction of a share of CancerVax common stock (after aggregating all fractional shares to be received by such stockholder) will instead be paid in cash for such fractional share. Micromet Parent and Micromet already approved the merger and no separate approval of the merger by the shareholders of Micromet or the stockholders of Micromet Parent is required.

Background of the Merger

Starting in January 2005, Micromet s supervisory board and management initiated a process to evaluate strategic options, including an initial public offering or a merger transaction. Micromet conducted a review of potential merger partners that included both domestic and foreign public and private companies. In parallel, the company performed an exploratory assessment of the financial markets to evaluate the possibilities of, and risks associated with, an initial public offering in Europe. Micromet subsequently decided that, given the then-current market conditions, the company would not pursue an initial public offering until at least the first quarter of 2006.

During the first half of 2005, Micromet held initial discussions with several parties under confidentiality agreements about possible mergers or acquisitions. None of these discussions advanced to in-depth discussions and were terminated.

In August 2005, Micromet began discussions with another party that led to in depth discussions about a possible merger. Between August 2005 and December 9, 2005, Micromet and the other potential merger party, with the assistance of their respective counsel and accountants, conducted due diligence investigations and negotiated the terms of a possible transaction between the parties.

On October 3, 2005, CancerVax and Serono Technologies, S.A., its collaboration partner for Canvaxin, announced the discontinuation of CancerVax s Phase 3 clinical trial of its leading product candidate, Canvaxin, in patients with Stage III melanoma, based on the recommendation of the independent Data and Safety Monitoring Board, which completed its planned, third, interim analysis of data from this study on September 30, 2005. As a result, CancerVax decided to explore various strategic alternatives, including the potential sale of the company. A special committee of the board of directors, comprised of Messrs. Hale, Kiss, Phillips and Schneider, was formed to explore such alternatives.

On October 5, 2005, CancerVax s chief executive officer, David F. Hale, at the request of the special committee, contacted the Chairman of Micromet s supervisory board, Jerry Benjamin, to explore the possibility of a transaction between the two companies.

On October 18, 2005, Micromet and CancerVax entered into a confidentiality agreement to evaluate the possibility of a merger. On the same day Micromet s chief executive officer, Christian Itin, and chief scientific officer, Patrick A. Baeuerle, provided CancerVax management with a presentation on Micromet s product pipeline

and technologies. In addition, Dr. Itin and Mr. Hale met to discuss the possibility of a transaction between CancerVax and Micromet.

On November 3, 2005, at a telephonic meeting of CancerVax s board of directors, CancerVax s special committee updated the board regarding its evaluation of strategic alternatives, including a potential merger with Micromet, and the engagement of an investment banker to assist in the process. Dr. Michael Carter, a director of both CancerVax and Micromet, did not participate in any substantive discussions regarding Micromet or a potential merger in this board meeting or any other board meeting.

On November 9, 2005, CancerVax s special committee approved Piper Jaffray as the company s financial advisor in connection with its consideration of a potential merger with Micromet and other possible strategic options for the company and for the rendering of a fairness opinion regarding the consideration paid or received in any resulting transaction.

The special committee discussed with Mr. Hale the possible terms of a transaction and requested that Mr. Hale continue discussions with Micromet.

On November 13 and 14, 2005, Dr. Itin and Mr. Hale met in Munich to continue discussions about a possible transaction between CancerVax and Micromet.

On November 15, 2005, Mr. Benjamin and Mr. Hale met in London to continue the discussions about a potential transaction between the parties.

On November 16 and 17, 2005, the CancerVax management team conducted an on-site due diligence meeting at Micromet s offices in Munich, Germany.

On November 25, 2005, Micromet instructed its outside counsel, Cooley Godward LLP, to begin work on a possible transaction with CancerVax.

On November 29, 2005, at a telephonic meeting of CancerVax s board of directors, CancerVax s special committee updated the board regarding the evaluation of strategic alternatives, including discussions regarding a potential merger with Micromet. During this meeting the special committee provided Mr. Hale with further guidance on possible terms of a merger and requested that Mr. Hale continue discussions with Micromet.

On December 5, 2005, Mr. Benjamin and Mr. Hale met in London to negotiate merger terms for a transaction between the parties.

On December 6 and December 7, 2005, at a meeting of CancerVax s board of directors, Piper Jaffray made a presentation regarding Micromet and a potential schedule for a possible transaction with Micromet. The board of directors also discussed several other potential companies with which it might pursue a possible strategic transaction. At this meeting, the board decided that the special committee should consist only of non-management directors, and Messrs. Kiss, Phillips and Schneider continued as the special committee.

On December 7 and 8, 2005, Micromet s management team, representatives from Cooley Godward, and auditors from Ernst & Young held on-site due diligence meetings at CancerVax s headquarters in Carlsbad, California.

On December 9, 2005, Micromet terminated its discussions with the other potential merger partner.

On December 13, 2005, Micromet s supervisory board discussed the rationale for a merger with CancerVax and the possible terms for such a transaction. After discussing the benefits of this opportunity when compared to other alternatives, the supervisory board instructed management to continue its discussions with CancerVax.

On December 14, 2005, Cooley Godward provided to counsel to CancerVax, Latham & Watkins LLP, an initial draft of the merger agreement. Thereafter, Cooley Godward and Latham & Watkins had a number of conversations concerning the terms of the merger agreement.

In a telephone conference call on December 14, 2005, Micromet s management informed CancerVax s board of directors of the clinical results of its Phase 2 clinical trial in prostate cancer, its ongoing Phase 2 trial in metastatic breast cancer, its ongoing Phase 1 trial combining adecatumumab (MT201) with docetaxel and the ongoing Phase 1

trial with MT103. In addition, Micromet management presented a brief update on its preclinical programs for MT110 and MT203.

On December 15, 2005, at a telephonic meeting of CancerVax s board of directors, the board discussed a potential merger transaction with Micromet and agreed to proceed with the negotiation of such transaction.

On December 16, 2005, Latham & Watkins provided to Cooley Godward a revised draft of the merger agreement.

From December 16, 2005 through January 6, 2006, the parties, together with their respective outside counsel, engaged in negotiations regarding the merger agreement and related documentation, affiliate agreements and voting agreements, including termination rights and fees, indemnification and escrow provisions, representations and warranties and covenants. During this period, final agreement on these and other issues was reached over the course of numerous discussions involving CancerVax and Micromet s respective management and counsel. In addition, during this period, the parties continued their due diligence reviews.

On December 16, 2005, Micromet s supervisory board authorized Micromet management to enter into an exclusivity agreement with CancerVax and to negotiate a definitive merger agreement. In addition, on December 16, 2005, the supervisory board discussed the potential terms of such a transaction, including the proposed exchange ratio.

On December 19, 2005, CancerVax s board of directors convened by telephone to discuss the status of the Micromet transaction, including provisions of the merger agreement, legal due diligence, and management issues. At this meeting, Latham & Watkins and Piper Jaffray made presentations to CancerVax s board of directors.

On December 20, 2005, CancerVax s special committee of the board of directors convened by teleconference to discuss the Micromet transaction.

On December 22, 2005, representatives of Micromet s supervisory board convened by telephone to discuss the merger agreement. Dr. Itin provided an overview of the process and status of the negotiations. Representatives from Cooley Godward discussed the merger agreement and the ongoing negotiations. The supervisory board provided guidance concerning further negotiations.

On December 22, 2005, Micromet and CancerVax entered into an exclusivity agreement to negotiate a definitive merger agreement by January 6, 2006.

On January 3, 2006, representatives of Micromet s supervisory board convened by teleconference to discuss the transaction. Dr. Itin provided an update of the current state of negotiations with CancerVax.

On January 3, 2006, CancerVax s board of directors convened by teleconference to discuss the merger transaction. Mr. Hale updated the board on the status of the negotiations with Micromet. Ms. Aker and Messrs. Ebel and LaRue then reviewed various aspects of the transaction, including transaction structure, due diligence, Micromet s capital structure and financials, and outstanding issues.

On January 4, 2006, representatives of Micromet s supervisory board convened by teleconference to discuss the transaction. Dr. Itin, representatives of Cooley Godward and representatives of Ernst & Young provided an overview of the diligence process and the findings from such review. The supervisory board provided guidance with respect to areas for further review. Also on this day, Micromet Parent was incorporated in the State of Delaware.

On January 5, 2006, representatives of Micromet s supervisory board convened by teleconference to discuss the transaction. Dr. Itin, representatives of Cooley Godward and representatives of Ernst & Young provided an update to

their diligence review.

Between January 3 and January 6, 2006, Micromet and CancerVax executives and their respective counsels continued due diligence and completed negotiation of the merger agreement.

On January 6, 2006, the Micromet supervisory board met to discuss the merger agreement. Micromet management discussed the strategic benefits of a merger. Representatives from Cooley Godward provided an overview of the merger agreement and the results of its ongoing diligence review. Micromet s supervisory board, after considering the findings of the due diligence investigation, the terms of the merger agreement and the related

Table of Contents

documents, and the various presentations, approved the merger and the merger agreement and the related documentation. Dr. Carter did not participate in the discussion and abstained from voting on the merger and related matters.

On January 6, 2006, CancerVax s board of directors convened by teleconference to discuss the merger transaction. A representative from Latham & Watkins provided an overview of the merger agreement and related documents and a full discussion ensued. Representatives of Piper Jaffray then made a presentation regarding its financial analyses related to the merger consideration to be paid to holders of Micromet Parent common stock and delivered to the special committee and the board of directors of CancerVax its oral opinion, subsequently confirmed in writing, that as of January 6, 2006 and based on and subject to the factors, assumptions and limitations set forth therein, the total merger consolidation to be paid to the holders of Micromet Parent common stock in the merger was fair to CancerVax from a financial point of view. The special committee then unanimously recommended to the board to proceed with the transaction. CancerVax s board of directors, after considering the terms of the merger agreement and the related documents, and the various presentations, approved the merger and the merger agreement and related documents. Dr. Carter did not participate in the discussion and abstained from voting on the merger and related matters.

On the evening of Friday, January 6, 2006, Micromet and CancerVax executed the merger agreement. On Monday, January 9, 2006, the parties issued a joint press release announcing the execution of the merger agreement.

The Combined Company

The combined company s U.S. headquarters following the completion of the merger will be at CancerVax s current principal executive offices in Carlsbad, California while its German headquarters will remain in Munich, Germany. As a result of the merger, former Micromet Parent stockholders will possess majority control of the combined company. Following the merger, the executive management team of the combined company is expected to be composed primarily of certain members of CancerVax s and Micromet s executive management team prior to the merger and will likely include the following individuals:

Name	Position in the Combined Company	Current Position
Christian Itin, Ph.D.	President and Chief Executive Officer	Micromet s Chief Executive Officer
Patrick A. Baeuerle, Ph.D.	Senior Vice President and Chief Scientific Officer	Micromet s Chief Scientific Officer
William R. LaRue	Senior Vice President and Chief Financial Officer	CancerVax s Senior Vice President and Chief Financial Officer
Gregor Mirow, M.D., M.B.A.	Senior Vice President of Operations	Micromet s Chief Financial and Chief Operating Officer
Carsten Reinhardt, M.D., Ph.D.	Senior Vice President of Clinical Development	Micromet s Senior Vice President of Clinical Development
Hazel M. Aker, J.D.	Senior Vice President and General Counsel	CancerVax s Senior Vice President and General Counsel

Management of the combined company will seek to identify synergies and redundancies in the combined workforce. The combined company intends to continue developing certain of CancerVax s current product candidates as well as Micromet s product candidates.

Reasons for the Merger

The following discussion of the parties reasons for the merger contains a number of forward-looking statements that reflect the current views of CancerVax and/or Micromet with respect to future events that may have an effect on their future financial performance. Forward-looking statements are subject to risks and uncertainties. Actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Cautionary statements that identify important factors that could cause or contribute to differences in results and outcomes include those discussed in Summary Forward-Looking Information and Risk Factors.

Table of Contents

Mutual Reasons for the Merger

CancerVax and Micromet believe that the combined company represents a biotechnology company with the following potential advantages:

Deep Pipeline. The product pipeline for the combined company is composed of six drugs in various stages of development, including product candidates in Phase 2 clinical trials and in pre-clinical studies.

Attractive Markets. The markets to be addressed by the clinical stage or pre-clinical product candidates of the combined company represent sizable and underserved or unmet medical needs. The product candidates may provide significant medical benefits for patients and returns for investors.

Financial Resources. The financial resources of the combined company will allow it to immediately focus on execution with respect to its product portfolio.

Experienced Management Team. It is expected that the combined company will be led by a combination of experienced senior management from both CancerVax and Micromet, which will provide management continuity to support the integration of the two companies. David F. Hale, currently president and chief executive officer of CancerVax, will become chairman of the board of directors of the combined company. Micromet s chief executive officer, Christian Itin, will become president and chief executive officer and serve on the board of directors. Patrick A. Baeuerle, currently chief scientific officer of Micromet, will become chief scientific officer of the combined entity. CancerVax s chief financial officer, William R. LaRue, will serve as chief financial officer of the combined company. Gregor Mirow, Micromet s chief financial officer and chief operating officer, will be senior vice president of operations, Carsten Reinhardt, Micromet s senior vice president of clinical development will continue to serve as senior vice president of clinical development of the combined company and Hazel M. Aker, CancerVax s general counsel, will continue to serve as general counsel.

CancerVax s Reasons for the Merger

The CancerVax board of directors approved the merger based on a number of factors, including the following:

Broad Pipeline. CancerVax currently has one product candidate, D93, in pre-clinical development, and has announced its intention to sublicense its rights to SAI-EGF, which is in clinical development, and its rights to two other product candidates in pre-clinical development. The addition of the two Micromet product candidates currently being evaluated in three clinical trials, and a number of additional Micromet product candidates in pre-clinical development, significantly broadens the product pipeline.

Risk Diversification. The addition of Micromet s two clinical-stage product candidates to the portfolio potentially affords significant risk diversification for CancerVax stockholders. One of Micromet s product candidates, adecatumumab (MT201), is currently being evaluated in two Phase 2 clinical trials and as a combination therapy with Taxotere® in a Phase 1 clinical trial. A second Micromet product candidate, MT103, is the subject of an ongoing Phase 1 clinical trial.

Access to Markets. By merging, CancerVax and Micromet will create a trans-Atlantic biotechnology company with access to both the U.S. and European markets.

Fairness Opinion. Piper Jaffray & Co. delivered its opinion to CancerVax s board of directors that, as of January 6, 2006 and based on and subject to the factors, assumptions and limitations set forth therein, the total merger consideration to be paid to the holders of Micromet Parent common stock in the merger was fair to CancerVax from a financial point of view. The full text of Piper Jaffray s written opinion, dated January 6, 2006, is attached to this proxy statement/prospectus as Annex C. You are encouraged to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken by Piper Jaffray. Piper Jaffray s opinion is addressed to the CancerVax board of directors and does not constitute a recommendation to any stockholder as to any matters relating to the merger.

Table of Contents

In addition to considering the strategic factors outlined above, the CancerVax board of directors considered the following factors in reaching its conclusion to approve the merger and to recommend that the CancerVax stockholders approve the issuance of shares of CancerVax common stock in the merger and the resulting change in control of CancerVax, all of which it viewed as generally supporting its decision to approve the business combination with Micromet:

- the results of the due diligence review of Micromet s businesses and operations by CancerVax s management, legal advisors and financial advisors;
- the terms and conditions of the merger agreement, including the following related factors:
  - the determination that the relative percentage ownership of CancerVax securityholders and Micromet securityholders is fixed and captures the respective ownership interests of the CancerVax and Micromet securityholders in the combined company based on valuations of CancerVax and Micromet at the time of the board s approval of the merger agreement and avoids fluctuations caused by near-term market volatility;
  - the nature of the conditions to Micromet s obligation to consummate the merger and the limited risk of non-satisfaction of such conditions;
  - the no solicitation provisions governing Micromet s ability to engage in negotiations with, provide any confidential information or data to, and otherwise have discussions with, any person relating to an alternative acquisition proposal;
  - the limited ability of the parties to terminate the merger agreement;
  - the possible effects of the provisions of the merger agreement regarding termination fees;
- the likelihood that the merger will be consummated on a timely basis, including the likelihood that the merger will receive all necessary regulatory approvals; and
- the likelihood of retaining key Micromet employees to help manage the combined company.

In the course of its deliberations, CancerVax s board of directors also considered a variety of risks and other countervailing factors related to entering into the merger agreement, including:

- the risks, challenges and costs inherent in combining the operations and the substantial expenses to be incurred in connection with the merger, including the possibility that delays or difficulties in completing the integration could adversely affect the combined company s operating results and preclude the achievement of some benefits anticipated from the merger;
- the possible volatility, at least in the short term, of the trading price of CancerVax s common stock resulting from the merger announcement;
- the possible loss of key management, scientific or other personnel of either of the combining companies as a result of the management and other changes that will be implemented in integrating the businesses, and the difficulties associated with operating a company with significant distances between its two key locations;

the risk of diverting management s attention from other strategic priorities to implement merger integration efforts;

the risk that the merger might not be consummated in a timely manner or at all and the potential adverse effect of the public announcement of the merger on CancerVax s reputation;

the risk to CancerVax s business, operations and financial results in the event that the merger is not consummated;

the potential incompatibility of business cultures; and

various other applicable risks associated with the combined company and the merger, including those described in the section of this proxy statement/prospectus entitled Risk Factors.

Table of Contents

The foregoing information and factors considered by CancerVax s board of directors are not intended to be exhaustive but are believed to include all of the material factors considered by CancerVax s board of directors. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, CancerVax s board of directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of CancerVax s board of directors may have given different weight to different factors. CancerVax s board of directors conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, CancerVax s management and CancerVax s legal and financial advisors, and considered the factors overall to be favorable to, and to support, its determination.

Micromet s Reasons for the Merger

The Micromet supervisory board approved the merger based on a number of factors, including the following:

Alternative Strategic Relationships. Micromet s supervisory board s view as to the limited potential for other third parties to enter into strategic relationships with Micromet or to acquire Micromet, particularly based on the thorough and formal process Micromet conducted and the results of such process.

Historical and Current Information. Historical and current information concerning Micromet s business, including its financial performance and condition, operations, management and competitive position, current industry and economic conditions, and Micromet s prospects if it was to remain an independent company, including: (a) the risk that adecatumumab (MT201) clinical trial results would be negative or inconclusive; (b) the risk of adverse outcomes in its other clinical trials; and (c) its need to obtain additional financing and the likely terms on which it would be able to obtain that financing.

U.S. Presence of CancerVax. The fact that by merging with CancerVax, Micromet would have access to the U.S. capital markets as part of a trans-Atlantic company.

Management Team. The availability of a management team with significant experience managing a publicly-held biotechnology company, including CancerVax s chief financial officer and general counsel.

Capital. CancerVax s cash balance, which is expected to be in excess of $20 million if the merger closes before April 30, 2006, and CancerVax s ability as a public company to raise additional capital.

Liquidity. CancerVax s status as a public company whose common stock is traded on the Nasdaq National Market, which would provide Micromet s stockholders with the possibility of additional liquidity.

In addition to considering the strategic factors outlined above, the Micromet supervisory board considered the following factors in reaching its conclusion to approve the merger, all of which it viewed as generally supporting its decision to approve the business combination with CancerVax:

CancerVax s attractiveness as a strategic partner, including CancerVax s:

substantial capital and ability to raise further capital, particularly in light of Micromet s cash needs and limited cash resources;

high quality and complementary management team; and

public company infrastructure and stock liquidity;

the opportunity for Micromet shareholders to participate in the long-term value of Micromet s development programs through the ownership of CancerVax common stock;

the aggregate value to be received by Micromet Parent stockholders in the merger;

the terms and conditions of the merger agreement, including the following related factors:

the expectation that the merger will be treated as a tax-free reorganization for U.S. federal income tax purposes, with the result that in the merger the Micromet Parent stockholders will generally not recognize taxable gain or loss for U.S. federal income tax purposes;

Table of Contents

the determination that the relative percentage ownership of CancerVax securityholders and Micromet securityholders is fixed and consistent with market practice for a merger of this type and captures the respective ownership interests of the CancerVax and Micromet securityholders in the combined company based on Micromet s perceived valuations of CancerVax and Micromet at the time of the board s approval of the merger agreement;

the fact that shares of CancerVax common stock issued to Micromet Parent stockholders will be registered on Form S-4 and will be freely tradable for Micromet Parent stockholders who are not affiliates of Micromet;

the requirement that the issuance of shares of CancerVax common stock in the merger be submitted to a vote of the stockholders of CancerVax;

the limited number and nature of the conditions to CancerVax s obligation to consummate the merger and the limited risk of non-satisfaction of such conditions;

Micromet s rights under the merger agreement to consider certain unsolicited acquisition proposals under certain circumstances should Micromet receive a superior proposal;

the conclusion of Micromet s supervisory board that the $2,000,000 termination fee, and the circumstances when such fee may be payable, were reasonable;

the likelihood that the merger will be consummated on a timely basis, including the likelihood that the merger will receive all necessary regulatory approvals; and

the major risks and uncertainties of alternatives to the merger, such as Micromet remaining an independent company.

In the course of its deliberations, Micromet s supervisory board also considered a variety of risks and other countervailing factors related to entering into the merger agreement, including the following:

Risks of Combination. The challenges and costs of combining the operations and the substantial expenses to be incurred in connection with the merger, including the risks that delays or difficulties in completing the integration and the inability to retain key employees as a result of the management and other changes that will be implemented in integrating the business could adversely affect the combined company s operating results and preclude the achievement of some benefits anticipated from the merger.

Stock Price. The price volatility of CancerVax s common stock, which may reduce the value of the CancerVax common stock that Micromet Parent stockholders will receive upon the consummation of the merger and, in particular, possibly result in the holders of Micromet Parent common stock receiving no consideration in the merger.

Value. The inability of Micromet s shareholders to realize the long-term value of the successful execution of Micromet s current strategy as an independent company.

Reputation. The possibility that the merger might not be completed and the potential adverse effect of the public announcement of the merger on Micromet s reputation and ability to obtain financing in the future.

Break-up fee. The $2,000,000 termination fee payable to CancerVax upon the occurrence of certain events, and the potential effect of such termination fee in deterring other potential acquirors from proposing an alternative transaction that may be more advantageous to Micromet shareholders;

Diversion of Resources. The risk of diverting management s attention from other strategic priorities to implement merger integration efforts;

Completion Risk. The risk that the merger might not be consummated in a timely manner or at all; and

Other Risks. Various other applicable risks associated with the combined company and the merger, including those described in the section of this proxy statement/prospectus entitled Risk Factors.

Table of Contents

The foregoing information and factors considered by Micromet s supervisory board are not intended to be exhaustive but are believed to include all of the material factors considered by Micromet s supervisory board. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Micromet supervisory board did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the Micromet supervisory board may have given different weight to different factors. The Micromet supervisory board conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, Micromet s management and Micromet s legal advisors, and considered the factors overall to be favorable to, and to support, its determination.

Opinion of CancerVax s Financial Advisor

The CancerVax board of directors retained Piper Jaffray to act as its financial advisor, and if requested, to render to CancerVax s board of directors an opinion as to the fairness, from a financial point of view, to CancerVax of the Merger Consideration (as defined below) to be paid by CancerVax to the holders of common stock of Micromet Parent in the merger.

On January 6, 2006, Piper Jaffray delivered its oral opinion to the CancerVax board of directors, which opinion was subsequently confirmed in writing, to the effect that, as of January 6, 2006, and based upon and subject to the factors, assumptions and limitations set forth in the written opinion and described below, the Merger Consideration to be paid to the holders of Micromet Parent common stock in the merger was fair, from a financial point of view, to CancerVax. For purposes of Piper Jaffray s opinion, the shares of CancerVax common stock to be exchanged for outstanding shares of Micromet Parent common stock (determined as set forth in Section 1.6(a)(ii) of the merger agreement) were referred to as the Merger Consideration.

The full text of the Piper Jaffray written opinion dated as of January 6, 2006, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Piper Jaffray in rendering its opinion, is attached as Annex C to this proxy statement/prospectus and is incorporated in its entirety herein by reference. You are urged to, and should, carefully read the Piper Jaffray opinion in its entirety. The Piper Jaffray opinion addresses only the fairness, from a financial point of view and as of the date of the opinion, to CancerVax of the Merger Consideration to be paid by CancerVax to the holders of common stock of Micromet Parent in the merger. The Piper Jaffray opinion was directed to the CancerVax board of directors and was not intended to be, and does not constitute, a recommendation to any CancerVax stockholder as to how any CancerVax stockholder should vote or act on any matter relating to the proposed merger.

In arriving at its opinion, Piper Jaffray, among other things, reviewed:

- the financial terms of a draft of the merger agreement, dated January 5, 2006;
- certain publicly available financial, business and operating information related to CancerVax and Micromet;
- certain internal financial, operating and other data with respect to Micromet prepared and furnished to Piper Jaffray by the management of Micromet;
- certain internal financial projections for Micromet for the period ending December 31, 2020, which were prepared for financial planning purposes (financial projections for 2005 through 2010 were prepared by the management of Micromet with certain adjustments based on guidance from the management of CancerVax and

financial projections for 2011 through 2020 were prepared by the management of CancerVax based on guidance from the management of Micromet);

certain internal financial, operating and other data with respect to CancerVax prepared and furnished to Piper Jaffray by the management of CancerVax;

certain internal financial projections for CancerVax for the period ending December 31, 2006, which were prepared for financial planning purposes and furnished to Piper Jaffray by the management of CancerVax;

Table of Contents

the reported prices and trading activity of CancerVax common stock and similar information for certain other companies deemed by Piper Jaffray to be comparable to CancerVax;

the financial performance of certain other publicly traded companies deemed comparable to CancerVax and Micromet by Piper Jaffray;

the financial terms, to the extent publicly available, of certain comparable merger transactions; and

a discounted cash flow analysis for Micromet on a stand-alone basis.

Piper Jaffray also conducted discussions with members of the senior management of CancerVax and Micromet with respect to the business and prospects of CancerVax and Micromet on a stand-alone basis and on a combined basis following the merger.

The following is a summary of the material financial analyses that Piper Jaffray prepared and relied on in delivering its opinion to CancerVax s board of directors at its meeting held on January 6, 2006. The preparation of analyses and a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, this summary does not purport to be a complete description of the analyses performed by Piper Jaffray or of its presentation to the CancerVax board of directors on January 6, 2006.

This summary includes information presented in tabular format. In order to understand fully the financial analyses used by Piper Jaffray, these tables must be read together with the text of each summary and considered as a whole. The tables alone do not constitute a complete description of the financial analyses. The order in which these analyses are presented below, and the results of those analyses, should not be taken as any indication of the relative importance or weight given to these analyses by Piper Jaffray or the CancerVax board of directors. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before December 30, 2005, and is not necessarily indicative of current market conditions.

Implied Consideration

Based on the terms of Section 1.6(a)(ii) of the merger agreement and information and assumptions furnished by management of CancerVax and Micromet, Piper Jaffray calculated an estimate of the conversion factor at which shares of Micromet Parent common stock would be converted into shares of CancerVax common stock, the aggregate share and share equivalents issuable in the merger to Micromet securityholders and the implied value of that consideration. All share information was based on data furnished by management of CancerVax and Micromet as of January 5, 2006, did not give effect to the proposed reverse stock split of CancerVax common stock, and, at the direction of management of CancerVax, assumed that shares of Micromet capital stock would be convertible into an equal number of shares of Micromet Parent common stock in the Micromet Reorganization and that a portion of the outstanding convertible debt of Micromet held by MedImmune would convert prior to the merger into 316,449 shares of Micromet Parent common stock. Based on (i) 27.9 million outstanding shares of CancerVax common stock, (ii) 3.3 million shares of CancerVax common stock issuable upon exercise of outstanding options and warrants of CancerVax using the adjusted fully-diluted stock method prescribed by the merger agreement, (iii) outstanding shares, and options, warrants and convertible debt exercisable or convertible into shares, aggregating 4.1 million shares of Micromet Parent common stock, and (iv) the exchange ratio factor set forth in the merger agreement, Piper Jaffray calculated a conversion factor in the merger of 15.7690 shares of CancerVax common stock for each outstanding share of Micromet Parent common stock and a resulting pro forma ownership of the combined company (on the adjusted fully-diluted basis referred to above) by former Micromet securityholders of approximately 64.9 million

shares of CancerVax common stock, or 67.5% of the combined company, and by CancerVax securityholders of approximately 31.2 million shares of CancerVax common stock, or 32.5% of the combined company. Based on CancerVax s stock price of $1.38 per share as of December 30, 2005, its aggregate market capitalization of $38.7 million and the estimated 67.5% pro forma ownership of the combined company by Micromet securityholders, Piper Jaffray calculated the implied equity value for Micromet as a stand-alone entity using the treasury stock method as of December 30, 2005 to be approximately $87.5 million and the implied

Table of Contents

enterprise value (equity value plus estimated debt, net of estimated cash, converted to US dollars at the rate of $1.18 per Euro) of Micromet as a stand-alone entity as of December 30, 2005 to be approximately $96.1 million.

Micromet Analyses

Comparable Companies Analysis (Oncology Companies)

Piper Jaffray reviewed selected data for Micromet and compared this data to certain publicly available financial, operating and stock market data for selected publicly traded companies that are in the biopharmaceutical industry and have lead therapeutic programs in oncology that Piper Jaffray believes are at a similar stage of development as Micromet. Piper Jaffray selected these companies based on information obtained by searching Securities and Exchange Commission filings, public company disclosures, press releases, industry and popular press reports, databases and other sources. Piper Jaffray identified and analyzed eight comparable companies:

Biocryst Pharmaceuticals, Inc.	Genvec, Inc.
Cytokinetics, Incorporated	Kosan Biosciences Incorporated
CuraGen Corporation	Seattle Genetics, Inc.
Entremed, Inc.	Sunesis Pharmaceuticals, Inc.

The financial data analyzed as part of this analysis included, among other things:

	Implied Value of Micromet(1)	Comparable Company Values (Oncology Companies) (at December 30, 2005)			
		Low	Median	Mean	High
		(In millions)			
Equity Value	$ 87.5	$ 93.1	$ 151.6	$ 182.9	$ 453.1
Net Cash(2)	$ (8.7)	$ 33.4	$ 54.4	$ 51.7	$ 71.0
Enterprise Value	$ 96.1	$ 52.9	$ 92.4	$ 131.2	$ 397.3

(1) As of December 30, 2005.

(2) Estimated as of December 31, 2005. Micromet s estimated net cash based on Micromet management projection.

Comparable Companies Analysis (Biotechnology Initial Public Offering Companies)

Piper Jaffray reviewed selected data for Micromet and compared this data to certain publicly available financial, operating and stock market data for selected publicly traded companies that are in the biopharmaceutical industry and that completed the initial public offering of their common stock during the period from January 1, 2004 through December 30, 2005. Piper Jaffray selected these companies based on information obtained by searching Securities and Exchange Commission filings, public company disclosures, press releases, industry and popular press reports, databases and other sources. Piper Jaffray identified and analyzed 22 comparable companies:

ACADIA Pharmaceuticals, Inc.	Dynavax Technologies Corporation
Advanced Life Sciences Holdings	Favrille, Inc.
Avalon Pharmaceuticals, Inc.	GTx, Inc.
Alnylam Pharmaceuticals, Inc.	Icagen, Inc.
Anadys Pharmaceuticals, Inc.	Inhibitex, Inc.
Barrier Therapeutics, Inc.	Momenta Pharmaceuticals, Inc.
CombinatoRx, Incorporated	Metabasis Therapeutics, Inc.
Corcept Therapeutics Incorporated	Memory Pharmaceuticals Corp.
CoTherix, Inc.	Renovis, Inc.
Critical Therapeutics, Inc.	Sunesis Pharmaceuticals, Inc.
Cytokinetics, Incorporated	Threshold Pharmaceuticals, Inc.

Table of Contents

The financial data analyzed as part of this analysis included, among other things:

	Implied Value of Micromet(1)	Comparable Company Values (Initial Public Offerings) (at December 30, 2005)			
		Low	Median	Mean	High
		(In millions)			
Equity Value	$ 87.5	$ 38.6	$ 213.2	$ 239.7	$ 700.1
Net Cash(2)	$ (8.7)	$ (10.2)	$ 79.0	$ 73.1	$ 160.5
Enterprise Value	$ 96.1	$ 42.7	$ 137.5	$ 166.6	$ 539.7

(1) As of December 30, 2005.

(2) Estimated as of December 31, 2005. Micromet s estimated net cash based on Micromet management projection.

	Implied Value of Micromet(1)	Comparable Company Values (Initial Public Offerings) (Immediately Prior to IPO)			
		Low	Median	Mean	High
		(In millions)			
Equity Value	$ 87.5	$ 56.9	$ 123.2	$ 145.3	$ 288.3
Enterprise Value	$ 96.1	$ 17.0	$ 96.4	$ 118.6	$ 265.4

(1) As of December 30, 2005.

Comparable M&A Transactions Analysis

Piper Jaffray reviewed selected data for Micromet and compared this data to corresponding data from a group of seven selected merger and acquisition transactions, which Piper Jaffray believed to be comparable to the merger. Each of the seven comparable merger and acquisition transactions involved a transaction announced and completed since January 1, 2002 and a target company that had a therapeutic program that was in a similar stage of development as Micromet. Piper Jaffray identified and analyzed seven such transactions:

AstraZeneca PLC s acquisition of KuDOS Pharmaceuticals

Cephalon, Inc. s acquisition of Salmedix, Inc.

Aphton Corporation s acquisition of Igenon AG

MGI Pharma, Inc. s acquisition of Aesgen, Inc.

Allergan, Inc. s acquisition of Oculex Pharmaceuticals, Inc.

Cell Therapeutics, Inc. s acquisition of Novuspharma SpA

Schering AG s acquisition of Collateral Therapeutics, Inc.

The financial data analyzed as part of this analysis included, among other things:

	Implied Value of Micromet(1)	Comparable Transaction Values			
		Low	Median	Mean	High
		(In millions)			
Equity Value	$ 87.5	$ 32	$ 160	$ 158	$ 236
Enterprise Value	$ 96.1	$ 32	$ 135	$ 137	$ 230

(1) As of December 30, 2005.

Comparable Reverse Merger Transactions Analysis

Piper Jaffray reviewed selected data for Micromet and compared this data to corresponding data from a group of three selected merger and acquisition transactions, which Piper Jaffray believed to be comparable to the merger. Each of the three comparable merger and acquisition transactions involved a transaction announced and completed

Table of Contents

since January 1, 2005 and a merger of a public company and a private company (stock for stock) in which the securityholders of the private company became the holders of a majority of the equity ownership of the combined company. Piper Jaffray identified and analyzed three such transactions:

Xcyte Therapies, Inc. s acquisition of Cyclacel Group plc

Corgentech Inc. s acquisition of AlgoRx Pharmaceuticals, Inc.

Maxim Pharmaceuticals, Inc. s acquisition of EpiCept Corporation

The financial data analyzed as part of this analysis included, among other things:

	Implied Value of Micromet(1)	Comparable Transaction Values			
		Low	Median	Mean	High
		(In millions)			
Equity Value	$ 87.5	$ 36	$ 98	$ 88	$ 130
Enterprise Value	$ 96.1	$ 26	$ 101	$ 76	$ 102

(1) As of December 30, 2005.

Discounted Cash Flow Analysis

Using a discounted cash flow analysis, Piper Jaffray calculated a range of theoretical values for Micromet based on (i) the net present value of implied annual cash flows of Micromet s business and (ii) the net present value of a terminal value, which is an estimate of the future value of Micromet s business at the end of the calendar year 2020 based upon a multiple of revenue. Piper Jaffray used certain internal financial projections for Micromet which were prepared for financial planning purposes (financial projections for 2005 through 2010 were prepared by the management of Micromet with certain adjustments based on guidance from the management of CancerVax and financial projections for 2011 through 2020 were prepared by the management of CancerVax with guidance from the management of Micromet). Piper Jaffray calculated the range of net present values for Micromet based on a range of discount rates of 30% to 40% and a range of revenue multiples for a terminal value of 7.0x to 9.0x applied to the projected fiscal year 2020 revenue. This analysis yielded a range of estimated enterprise values for Micromet of between $72.6 million and $286.1 million and a range of estimated equity values between $61.3 million and $274.8 million.

CancerVax Analyses

Selected Market Information Concerning CancerVax

Piper Jaffray reviewed selected market information concerning CancerVax s common stock. Among other things, Piper Jaffray noted the following with respect to the trading of CancerVax s common stock:

Market Price as of December 30, 2005	$ 1.38

30-day trading average	$ 1.41
60-day trading average	$ 1.46
90-day trading average	$ 1.99
52-week high	$ 11.09
52-week low	$ 1.31

Piper Jaffray also noted that CancerVax discontinued its Phase 3 clinical trial development of Canvaxin in patients with Stage III melanoma in October 2005 after the independent Data and Safety Monitoring Board found that this Phase 3 clinical trial was unlikely to provide significant evidence of overall survival benefit.

Piper Jaffray presented daily stock price and volume data for CancerVax common stock for the twelve-month period from December 30, 2004 to December 30, 2005. Piper Jaffray s analysis concerning CancerVax common stock was based on information concerning CancerVax and its common stock available as of December 30, 2005.

Table of Contents

Comparable Companies Analysis

Piper Jaffray reviewed selected financial data for CancerVax and compared this to available financial, operating and stock market data for selected publicly traded companies in the biopharmaceutical industry that Piper Jaffray believes have encountered clinical delays, negative clinical results or other circumstances similar to those encountered by CancerVax. Piper Jaffray selected these companies based on information obtained by searching Securities and Exchange Commission filings, public company disclosures, press releases, industry and popular press reports, databases and other sources. Piper Jaffray identified and analyzed eight such comparable companies, as well as an additional three such comparable companies that were involved in a reverse merger transaction (with values compared immediately prior to the announcement of such reverse merger transactions):

Comparable Pharmaceutical Companies:

Advancis Pharmaceutical Corporation
Aphton Corporation
Axonyx Inc.
Cellegy Pharmaceuticals, Inc.
Inex Pharmaceuticals Corporation
IntraBiotics Pharmaceuticals, Inc.
NeoRx Corporation
Praecis Pharmaceuticals Incorporated

Comparable Pharmaceutical Companies Involved in a Reverse Merger Transaction:

Corgentech Inc.
Maxim Pharmaceuticals, Inc.
Xcyte Therapies, Inc.

The financial data analyzed as part of this analysis included, among other things:

		Comparable Biopharmaceutical Companies			
	CancerVax(1)	Low	Median	Mean	High
		(In millions)			
Equity Value	$ 38.7	$ 4.5	$ 29.5	$ 29.1	$ 45.5
Net Cash(2)	$ 32.9	$ (2.8)	$ 22.5	$ 29.6	$ 66.9
Enterprise Value	$ 5.8	$ (21.4)	$ 1.0	$ (0.2)	$ 21.5

(1) As of December 30, 2005.

(2) Estimated as of December 31, 2005. CancerVax s estimated net cash based on CancerVax management projection.

	Comparable Biopharmaceutical Companies (Immediately Prior to Reverse Merger Transaction)				
CancerVax(1)	Low	Median	Mean	High	
	(In millions)				

Equity Value	$ 38.7	$ 9.0	$ 38.3	$ 41.1	$ 75.9
Net Cash(2)	$ 32.9	$ 22.1	$ 23.0	$ 44.7	$ 89.1
Enterprise Value	$ 5.8	$ (13.2)	$ (13.1)	$ (3.6)	$ 15.4

(1) As of December 30, 2005.

(2) Estimated as of December 31, 2005. CancerVax s estimated net cash based on CancerVax management projection.

Comparable M&A Transactions Analysis

Piper Jaffray reviewed selected financial data for CancerVax and compared this data to corresponding data from a group of five selected merger and acquisition transactions, which Piper Jaffray believed to be comparable to this transaction. Each of the five comparable merger and acquisition transactions involved a public-to-public merger

Table of Contents

announced and completed since January 1, 2002 and a target company whose cash and equivalents comprised a significant percentage of the target s assets. Piper Jaffray identified and analyzed five such transactions:

GenVec, Inc. s acquisition of Diacrin, Inc.

Inflazyme Pharmaceuticals Ltd. s acquisition of GLYCODesign, Inc.

Dendreon Corporation s acquisition of Corvas International, Inc.

Hyseq, Inc. s acquisition of Variagenics, Inc.

Exelixis, Inc. s acquisition of Genomica Corporation

The financial data analyzed as part of this analysis included, among other things:

		Comparable Transaction Values			
	CancerVax	Low	Median	Mean	High
		(Dollars in millions)			
Equity Value	$ 38.7	$ 8.2	$ 53.6	$ 57.7	$ 110.0
Enterprise Value	$ 5.8	$ (4.5)	$ (0.8)	$ (1.7)	$ 0.4
Estimated Cash at Close(1)	$ 19.1	$ 7.0	$ 47.2	$ 52.7	$ 109.0
Implied Premium of Equity Value to Estimated Cash at Close	101.9%	0.9%	15.8%	13.1%	18.3%

(1) Based on financial statements and public information. CancerVax s estimated cash at close (not including restricted cash) based on CancerVax management estimates (estimated close of the merger transaction on March 31, 2006).

Although the summary set forth above does not purport to be a complete description of the analyses performed by Piper Jaffray, the material analyses performed by Piper Jaffray in rendering its opinion have been summarized above. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Piper Jaffray believes that its analyses and the summary set forth above must be considered as a whole and that selecting portions of its analyses or of the summary, without considering the analyses as a whole or all of the factors included in its analyses, would create an incomplete view of the processes underlying the analyses set forth in the Piper Jaffray opinion. In arriving at its opinion, Piper Jaffray considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Instead, Piper Jaffray made its determination as to the fairness on the basis of its experience and financial judgment after considering the results of all of its analyses. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that this analysis was given greater weight than any other analysis. No company or transaction used in the above analyses as a comparison is directly comparable to CancerVax, Micromet or the proposed merger.

The analyses were prepared solely for purposes of Piper Jaffray providing its opinion to the CancerVax board of directors that, as of the date of the opinion, the Merger Consideration to be paid by CancerVax to the holders of common stock of Micromet Parent in the merger was fair, from a financial point of view, to CancerVax. These analyses do not purport to be appraisals or valuations. In performing its analyses, Piper Jaffray made numerous assumptions with respect to industry performance, general business and economic conditions and other matters. The

analyses performed by Piper Jaffray are based upon forecasts by CancerVax and Micromet management of future results, which are not necessarily indicative of actual values or actual future results and may be significantly more or less favorable than suggested by these analyses. These analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors. Piper Jaffray does not assume responsibility if future results are materially different from those forecasted.

Piper Jaffray relied upon and assumed the accuracy, completeness and fairness of the information provided to it by CancerVax and Micromet or otherwise made available to it, and did not assume the responsibility to independently verify this information. Each of CancerVax and Micromet has advised Piper Jaffray that they do not publicly disclose internal financial information of the type provided to Piper Jaffray and that such information was prepared for financial planning purposes and not with the expectation of public disclosure. Piper Jaffray also

Table of Contents

assumed, in reliance upon the assurances of the management of CancerVax and Micromet, that the information provided to Piper Jaffray by CancerVax and Micromet was prepared on a reasonable basis in accordance with industry practice and the management of CancerVax and Micromet was not aware of any information or facts that would make the information provided to Piper Jaffray incomplete or misleading. With respect to financial forecasts, projections and other estimates and business outlook information reviewed by Piper Jaffray, Piper Jaffray assumed that such information reflected the best currently available estimates and judgments of the management of CancerVax and Micromet and was based on reasonable assumptions. Piper Jaffray expressed no opinion as to such financial forecasts and other estimates and business outlook information or the assumptions on which they are based. In arriving at its opinion, Piper Jaffray relied, with CancerVax s board of directors consent, on advice of the outside counsel and the independent accountants provided to CancerVax and Micromet, and on the assumptions of the management of CancerVax and Micromet, as to all accounting, legal, tax and financial reporting matters with respect to CancerVax, Micromet and the merger agreement, including, without limitation, the amount of the Merger Consideration.

Piper Jaffray assumed, with CancerVax s board of directors consent, (a) that the merger will qualify as a tax-free reorganization under the United States Internal Revenue Code, (b) that the merger will be completed on the terms set forth in the merger agreement reviewed by Piper Jaffray, without amendments and with full satisfaction of all covenants, conditions and obligations without any waiver, and (c) that all necessary regulatory approvals and consents required for the merger will be obtained in a manner that will not adversely affect CancerVax, Micromet or the contemplated benefits of the merger.

Piper Jaffray did not assume responsibility for performing, and did not perform, any appraisals or valuations of specific assets or liabilities (fixed, contingent or other) of CancerVax or Micromet and was not furnished with any appraisals or valuations. Piper Jaffray made no physical inspection of the facilities of either entity in connection with rendering the opinion. The analyses performed by Piper Jaffray were going concern analyses. Piper Jaffray expressed no opinion regarding the liquidation value of any entity. Without limiting the generality of the foregoing, Piper Jaffray did not undertake any independent analysis of any outstanding, pending or threatened litigation, regulatory action, possible unasserted claims or other contingent liabilities to which CancerVax, Micromet or any of CancerVax s or Micromet s respective affiliates was a party or may be subject, and at the direction of the CancerVax board of directors, and with its consent, Piper Jaffray s opinion made no assumption concerning, and therefore did not consider, the potential effects of litigation, claims, investigations, or possible assertions of claims, or the outcomes or damages arising out of any such matters. Further, notwithstanding the analyses Piper Jaffray performed were going concern analyses, Piper Jaffray expressed no opinion as to the viability of CancerVax following the merger, including the potential for or timing of commercialization of any product or service, the nature and extent of CancerVax s financing needs or the ability of CancerVax to satisfy any such financing needs.

Piper Jaffray s opinion was necessarily based on the information available to it, the facts and circumstances as they existed and were subject to evaluation as of the date of the opinion; events occurring after the date of the opinion could materially affect the assumptions used by Piper Jaffray in preparing its opinion. Piper Jaffray expressed no opinion as to the prices at which shares of CancerVax or Micromet have traded or may trade following announcement of the merger or at any future time after the date of the opinion. Piper Jaffray has not undertaken and is not obligated to affirm or revise its opinion or otherwise comment on any events occurring after the date it was given.

While Piper Jaffray rendered its opinion and provided certain analyses to the board of directors of CancerVax, Piper Jaffray was not requested to, and did not make, any recommendation to the board of directors as to the specific form or amount of the consideration to be paid by CancerVax in the merger, which was determined through negotiations between CancerVax and Micromet. Piper Jaffray s written opinion, which was addressed to CancerVax s board of directors, addresses only the fairness, from a financial point of view, to CancerVax of the Merger Consideration to be paid by CancerVax to the holders of common stock of Micromet Parent in the merger as of the date of the opinion, does not address any other terms or agreement relating to the merger, and does not address CancerVax s underlying

business decision to proceed with, or effect, the merger or structure thereof, or the relative merits of the merger compared to any alternative business strategy or transaction in which CancerVax might engage. Although CancerVax engaged directly in an extensive effort to solicit a business combination, except for a limited number of parties with which Piper Jaffray made contact about a possible business combination, Piper Jaffray was

Table of Contents

not requested to solicit, and did not solicit, any business combination involving CancerVax or any other alternative transaction.

Piper Jaffray is a nationally recognized investment banking firm and is regularly engaged as a financial advisor in connection with mergers and acquisitions, underwritings and secondary distributions of securities and private placements. The CancerVax board of directors selected Piper Jaffray to render its fairness opinion in connection with the proposed merger on the basis of its experience and reputation in acting as a financial advisor in connection with mergers and acquisitions. In the ordinary course of its business, Piper Jaffray and its affiliates may actively trade securities of CancerVax for its own account or the account of its customers and, accordingly, it may at any time hold a long or short position in such securities. Piper Jaffray has provided investment banking services to CancerVax from time to time for compensation and Piper Jaffray may seek to provide investment banking services to CancerVax and Micromet in the future, for which Piper Jaffray may receive compensation. In particular, Piper Jaffray was a co-managing underwriter of CancerVax s initial public offering in October 2003 for which it received customary fees. Piper Jaffray also makes a market in CancerVax common stock.

Piper Jaffray acted as financial advisor to CancerVax in connection with the merger and, under the terms of CancerVax s engagement letter with Piper Jaffray, Piper Jaffray will receive from CancerVax upon consummation of the merger a fee equal to $1,250,000 (less a $100,000 retainer previously paid). The opinion fee was not contingent upon the consummation of the merger. Whether or not the proposed merger is consummated, CancerVax has also agreed to reimburse Piper Jaffray for its reasonable out-of-pocket expenses and to indemnify it against certain liabilities relating to or arising out of services performed by Piper Jaffray in rendering its opinion to the CancerVax board of directors.

Interests of CancerVax s Executive Officers and Directors in the Merger

In considering the recommendation of the CancerVax board of directors with respect to issuing shares of CancerVax common stock as contemplated by the merger agreement, CancerVax stockholders should be aware that certain members of the board of directors and executive officers of CancerVax have interests in the merger that are different from, or in addition to, their interests as CancerVax stockholders. These interests present a conflict of interest. The CancerVax board of directors was aware of these conflicts of interest during its deliberations on the merits of the merger and in making its decision in approving the merger, the merger agreement and the related transactions.

Board of Directors and Management

David F. Hale is the President and CEO, a member of the board of directors, a stockholder and a holder of options to purchase stock of CancerVax. Hazel M. Aker is the General Counsel and Secretary, a stockholder and a holder of options to purchase stock of CancerVax. William R. LaRue is the Chief Financial Officer, a stockholder and a holder of options to purchase stock of CancerVax. Upon closing of the merger, David F. Hale will become the Chairman of the board of directors of the combined corporation, Hazel Aker will become Senior Vice President and General Counsel of the combined corporation and William LaRue will become Senior Vice President and Chief Financial Officer of the combined corporation. David F. Hale, Hazel Aker and William LaRue participated in the negotiation and approval of the terms of the merger on behalf of CancerVax, following disclosure of all material facts regarding their respective interests (or potential interests) in the merger.

As of December 31, 2005, entities affiliated with Forward Ventures IV, L.P. beneficially owned approximately 5.3% of CancerVax common stock (on an as-converted basis). Following the merger, these entities will own approximately 1.7% of CancerVax common stock. Ivor Royston, M.D., the managing member of Forward IV Associates, L.L.C., which is the general partner of Forward Ventures IV, L.P., is the current chairman of the board of CancerVax. As of December 31, 2005, Dr. Royston owned exercisable options to purchase 16,666 shares of common stock and Colette

Royston, Dr. Royston s wife, owned 12,130 shares of CancerVax common stock.

Following the merger, in addition to David F. Hale, current CancerVax board members Phillip Schneider, Michael Carter and Barclay Phillips will continue to serve on the board of directors of the combined corporation.

Table of Contents

Ownership Interest

As of December 31, 2005, all directors and executive officers of CancerVax, together with their affiliates, beneficially owned 37.2% of the shares of CancerVax common stock. Approval of the merger requires the affirmative vote of the holders of a majority of CanverVax s outstanding common stock. Certain CancerVax officers and directors, and their affiliates, have also entered into voting agreements in connection with the merger. The voting agreements are discussed in greater detail under the caption Voting Agreements beginning on page 112.

For a more complete description of the interests of current and former officers and directors of CancerVax, please see the section entitled CancerVax Security Ownership by Certain Beneficial Owners on page 156 of this proxy statement/prospectus.

Equity Compensation Plans

Amended and Restated 2003 Equity Incentive Award Plan and the Third Amended and Restated 2000 Stock Incentive Plan

Under the 2003 Equity Incentive Award Plan and the 2000 Stock Incentive Plan, if an option or award holder s employment or service relationship is terminated in connection with a change of control, including the proposed merger, of CancerVax or as a result of an involuntary termination other than for cause or by the option or award holder for good reason (other than in connection with a general reduction in workforce) within two years following the merger, that option or award holder s outstanding options or awards will become 100% vested and exercisable immediately.

Employment Agreements

David F. Hale

David F. Hale s employment with CancerVax will be terminated upon the closing of the merger. Mr. Hale s amended and restated employment agreement provides that, upon his termination of employment following the closing of the merger, he will be entitled to receive 18 months of salary continuation payments, an amount equal to the average of his bonuses for the three fiscal years prior to the date of termination, payable over an 18 month period commencing on the date of termination, healthcare and life insurance benefits continuation at CancerVax s expense for 18 months, plus $15,000 towards outplacement services.

Mr. Hale s amended and restated employment agreement also provides that, upon his termination of employment following the closing of the merger, all of Mr. Hale s unvested stock awards will become immediately vested.

Other Employment Agreements

On November 15, 2005, CancerVax entered into amended and restated employment agreements with the following executives: Hazel M. Aker, Debra J. Arnold, Guy Gammon, Robert L. Jones, William R. LaRue, John Petricciani, and Dennis E. Van Epps. On June 14, 2005, CancerVax entered into an employment agreement with Carol Gallagher. On June 23, 2005, CancerVax entered into an employment agreement with Jeffrey S. Silverman. Of these executives, the employment of the following has recently been terminated without cause by CancerVax: Carol Gallagher (effective March 15, 2006); Jeff Silverman (effective March 15, 2006); and Dennis Van Epps (effective April 15, 2006). The employment of each of Debra Arnold, Robert Jones and John Petricciani was terminated effective December 16, 2005.

The employment agreements with the above executives provide the executives with certain severance benefits in the event his or her employment is terminated. The employment agreements provide that, in the event the executive s employment is terminated by CancerVax other than for cause or if the executive resigns for good reason, he or she will receive 12 months of salary continuation payments, an amount equal to the average of his or her annual bonuses for the three fiscal years prior to the termination, prorated for the period during the fiscal year that the executive was employed, healthcare and life insurance benefits continuation at CancerVax s expense for 12 months, plus $15,000 towards outplacement services. If such termination or resignation occurs more than six

Table of Contents

months prior to or more than 12 months following a change of control of CancerVax, including the proposed merger, that portion of the executive s stock awards which would have vested if he or she had remained employed for an additional 12 months will immediately vest on the date of termination.

The employment agreements also provide that, in the event of a change of control, including the proposed merger, 50% of each executive s unvested stock awards will immediately become vested. In addition, with respect to stock awards granted prior to the date of the employment agreements, if the executive s employment is terminated by CancerVax other than for cause or if he or she resigns with good reason within 12 months following the merger of CancerVax, any remaining unvested portion of such stock awards will immediately vest on the date of termination. With respect to stock awards granted on or after the date of the employment agreements, if such termination occurs within six months prior to or within 12 months following the merger of CancerVax, any remaining unvested portion of such stock awards will immediately vest on the later of the date of termination or the date of the change of control.

Interests of Micromet s Executive Officers and Directors in the Merger

In considering the recommendation of the supervisory board of Micromet with respect to approving the merger, the Micromet Reorganization and the transactions contemplated by the merger agreement, Micromet shareholders should be aware that certain members of the supervisory board of Micromet and executive officers of Micromet have interests in the merger that are different from, or in addition to, their interests as Micromet shareholders. These interests present a conflict of interest. The Micromet supervisory board was aware of these conflicts of interest during its deliberations on the merits of the merger and in making its decision in approving the Micromet Reorganization, the merger, the merger agreement and the related transactions.

Supervisory Board and Management

Christian Itin is the Chief Executive Officer of Micromet and a shareholder and holder of options to purchase ordinary shares of Micromet. Patrick A. Baeuerle is the Chief Scientific Officer of Micromet and a shareholder and holder of options to purchase ordinary shares of Micromet. Gregor K. Mirow is the Chief Financial Officer and Chief Operating Officer of Micromet and a shareholder and holder of options to purchase ordinary shares of Micromet. Carsten Reinhardt is the Senior Vice President, Clinical Development of Micromet. Upon consummation of the Micromet Reorganization, each of Drs. Itin, Baeuerle and Mirow will be stockholders and optionholders of Micromet Parent and will receive shares of CancerVax common stock in the merger and have their options to purchase Micromet Parent common stock assumed by CancerVax.

Upon the closing of the merger, Dr. Itin will become the President and Chief Executive Officer of the combined corporation, Dr. Baeuerle will become Senior Vice President and Chief Scientific Officer of the combined corporation, Dr. Mirow will become Senior Vice President of Operations of the combined corporation and Dr. Reinhardt will become Senior Vice President, Clinical Development of the combined corporation. Each of Drs. Itin and Mirow participated in the negotiation and approval of the terms of the merger on behalf of Micromet following disclosure of all material facts regarding their respective interests (or potential interests) in the merger.

Following the merger, current members of the Micromet supervisory board Jerry Benjamin, John Berriman, Michael Carter and Otello Stampacchia will continue to serve on the board of directors of the combined company. Dr. Carter is a current director of CancerVax.

Supervisory Board and Executive Officers Stock Ownership

As of January 31, 2006, all directors and executive officers of Micromet, together with their affiliates, beneficially owned 34.7% of the ordinary shares of Micromet, 55.3% of the Micromet preference shares series (A new) and 61.4%

of the Micromet preference shares series (B new). Upon consummation of the Micromet Reorganization, all directors and executive officers of Micromet, together with their affiliates, will own approximately 58.6% of the outstanding common stock of Micromet Parent. Consummation of the Micromet Reorganization requires approval of at least 55% of the Micromet AG preference shares series (B new). Certain of the officers and directors of Micromet, and their affiliates, have also entered into voting agreements in connection with

the merger. The voting agreements are discussed in greater detail under the caption Voting Agreements beginning on page 112.

As of January 31, 2006, Omega Fund beneficially owned no ordinary shares of Micromet, 10.8% of the Micromet preference shares series (A new) and 22.8% of the Micromet preference shares series (B new). Upon consummation of the Micromet Reorganization, Omega Fund I, L.P. will own approximately 18.0% of the outstanding common stock of Micromet Parent. Following the merger, based on shares outstanding as of January 30, 2006, Omega Fund I, L.P. will own approximately 12.1% of the common stock of the combined company. Otello Stampacchia, Chief Investment Adviser to Omega Fund I, L.P., is a current director of Micromet and has been nominated for election to the CancerVax board of directors at the effective time of the merger.

As of January 31, 2006, entities affiliated with 3i Group plc beneficially owned no ordinary shares of Micromet, 13.4% of the Micromet preference shares series (A new) and 18.5% of the Micromet preference shares series (B new). Upon consummation of the Micromet Reorganization, 3i Group plc will own approximately 16.2% of the outstanding common stock of Micromet Parent. Following the merger, based on shares outstanding as of January 30, 2006, 3i Group plc will own approximately 10.9% of the common stock of the combined company. Clemens Doppler, a director of 3i, is a current director of Micromet but will not remain on the board of directors of the combined company.

As of January 31, 2006, entities affiliated with Schroder Venture Managers Limited (the Schroders Entities) beneficially owned no ordinary shares of Micromet, 6.7% of the Micromet preference shares series (A new) and 2.8% of the Micromet preference shares series (B new). Upon consummation of the Micromet Reorganization, the Schroders entities will own approximately 4.1% of the outstanding common stock of Micromet Parent. Following the merger, based on shares outstanding as of January 30, 2006, the Schroders Entities will own approximately 2.8% of the common stock of the combined company. As of January 31, 2006, International Biotechnology Trust plc beneficially owned 0.5% of the ordinary shares of Micromet, 8.1% of the Micromet preferred shares series (A new) and 11.1% of the Micromet preferred series (B new). Upon consummation of the Micromet reorganization, International Biotechnology Trust will own approximately 9.8% of the outstanding common stock of Micromet Parent. International Biotechnology Trust also owns 386,502 shares of CancerVax common stock. Following the merger, based on shares outstanding as of January 30, 2006, International Biotechnology Trust will own approximately 7.1% of the common stock of the combined company. Dr. Michael Carter, venture partner at SV Life Science Advisers LLP, advisor to the manager of Schroder Ventures International Life Sciences Fund and to the manager of International Biotechnology Trust plc, is a current director of both Micromet and CancerVax, and will remain on the board of directors of the combined company.

As of January 31, 2006, entities affiliated with Advent Venture Partners beneficially owned approximately 0.5% of the ordinary shares of Micromet, 24.4% of the Micromet preference shares series (A new) and 17.3% of the Micromet preference shares series (B new). Upon consummation of the Micromet Reorganization, the Advent entities will own approximately 19.5% of the outstanding common stock of Micromet Parent. Following the merger, based on shares outstanding as of January 30, 2006, the entities affiliated with Advent Venture Partners will own approximately 13.1% of the common stock of the combined company. Jerry Benjamin, a partner of Advent Venture Partners, is a current director of Micromet and has been nominated for election to the CancerVax board of directors at the effective time of the merger.

Combined Company Board of Directors

Following the merger, the board of directors of CancerVax will be David F. Hale (who will serve as Chairman), Phillip Schneider, Michael Carter, Barclay Phillips, Christian Itin, Jerry Benjamin, Otello Stampacchia, John Berriman and an additional member to be identified by Micromet prior to the closing of the merger.

Indemnification; Directors and Officers Insurance

For six years after the closing of the merger, CancerVax has agreed to maintain in effect, for the benefit of each individual who is an officer or director of Micromet Parent, Micromet or CancerVax at date of the merger

Table of Contents

agreement, the existing director s and officer s insurance policies or an insurance and indemnification policy that is not less favorable than the existing director s and officer s insurance policies. CancerVax shall not, however, be required to pay an annual premium for such director s and officer s insurance policy that is in excess of 200% of the last annual premium paid by CancerVax for the existing director s and officer s insurance policies prior to the merger agreement.

Employment Agreements

In October 2002, Micromet entered into an employment agreement with Dr. Christian Itin, its chief executive officer, which was amended in October 2005. Dr. Itin currently receives an annual base salary of 260,000 and he is eligible to receive an annual performance bonus in the amount of 60,000. His employment can be terminated with twelve months prior notice, or for good cause at any time. In the event of disability, Dr. Itin would be paid his salary for six months. Dr. Itin is subject to a non-compete obligation for a period of twelve months following the termination of his employment. During the period of the non-compete obligation, Dr. Itin will be paid the statutorily required amounts under German law, but in no event less than 50% of his salary immediately preceding his termination. In addition, Micromet maintains disability and life insurance for Dr. Itin.

In October 2002, Micromet entered into an employment agreement with Prof. Patrick A. Baeuerle, its chief scientific officer, which was amended in October 2005. Prof. Baeuerle currently receives an annual base salary of 230,000 and is eligible to receive an annual performance bonus in the amount of 50,000. The other terms of his employment are substantially the same as described above for Dr. Itin.

In October 2002, Micromet entered into an employment agreement with Dr. Gregor Mirow, its chief financial officer and chief operating officer, which was amended in October 2005. Dr. Mirow currently receives an annual base salary of 187,000 and is eligible to receive an annual performance bonus in the amount of 40,000. The other terms of his employment are substantially the same as described above for Dr. Itin.

In June 2005, Micromet entered into an employment agreement with Dr. Carsten Reinhardt, M.D., Ph.D., its senior vice president of clinical development, which was amended in October 2005. Dr. Reinhardt currently receives an annual base salary of 180,000 and is eligible to receive an annual performance bonus in the amount of 40,000. The other terms of his employment are substantially the same as described above for Dr. Itin.

In connection with, and effective upon the closing of, the merger, it is anticipated that the existing employment agreements between Micromet and Drs. Itin, Baeuerle, Mirow and Reinhardt will be cancelled and replaced with agreements between such individuals and the combined entity. The terms of such agreements have not been finalized and remain subject to negotiation.

Micromet, Inc. 2006 Equity Incentive Award Plan

It is anticipated that immediately prior to the merger, Micromet Parent shall issue to certain officers, directors, founders and employees of Micromet options to acquire up to 366,472 shares of Micromet Parent common stock. Such options are being issued to provide incentives to such individuals and shall be issued, in part, to replace current Micromet options that will not be exchanged in the Micromet Reorganization or assumed by CancerVax in the merger. The options will be issued by Micromet Parent under a to-be-adopted Micromet, Inc. 2006 Equity Incentive Award Plan, which shall be substantially similar to the CancerVax Amended and Restated 2003 Equity Incentive Award Plan. For a given participant under the 2006 Equity Incentive Award Plan, 50% of the options granted to such individual shall vest upon grant, with the remaining 50% vesting ratably on a monthly basis over the 24 months following the date of grant. The exercise price for such options shall be set at 25% of the closing price of a share of CancerVax common stock on the date immediately preceding the date of grant of the option (as adjusted for the exchange ratio). In the merger, such options shall become options to acquire shares of CancerVax common stock in

accordance with the terms of the merger agreement and as described in this proxy statement/prospectus under The Merger Agreement Micromet Parent Stock Options.

Table of Contents

Material Federal Income Tax Consequences

The following discussion summarizes the material U.S. federal income tax considerations of the merger that are expected to apply generally to Micromet Parent stockholders upon an exchange of their Micromet Parent common stock for CancerVax common stock in the merger. This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended, or the Code, existing regulations under the Code and current administrative rulings and court decisions, all of which are subject to change. Any change, which may or may not be retroactive, could alter the tax consequences to CancerVax, Micromet Parent or the stockholders of Micromet Parent as described in this summary. In addition, this summary assumes the truth and satisfaction of the statements and conditions described below as the basis for the tax opinion of Cooley Godward LLP. No attempt has been made to comment on all U.S. federal income tax consequences of the merger that may be relevant to particular holders, including holders who:

- are subject to special tax rules such as dealers in securities, foreign persons, mutual funds, regulated investment companies, real estate investment trusts, insurance companies or tax-exempt entities;
- are subject to the alternative minimum tax provisions of the Code;
- acquired their shares in connection with stock option or stock purchase plans or in other compensatory transactions;
- hold their shares as a hedge or as part of a hedging, straddle or other risk reduction strategy; or
- do not hold their shares as capital assets; or
- acquired their Micromet Parent common stock upon exercise of a warrant.

In addition, the following discussion does not address the tax consequences of the merger under state, local and foreign tax laws. Furthermore, the following discussion does not address any of the following:

- the tax consequences of transactions effectuated before, after or at the same time as the merger, whether or not they are in connection with the merger, including, without limitation, the reorganization in which Micromet shareholders will exchange their interests for shares of common stock of Micromet Parent and Micromet will become a wholly owned subsidiary of Micromet Parent, or transactions in which Micromet shares are acquired or CancerVax shares are disposed of;
- the tax consequences to holders of options issued by Micromet Parent which are assumed by CancerVax in connection with the merger; or
- the tax implications of a failure of the merger to qualify as a reorganization.

Accordingly, holders of Micromet shares who will become holders of Micromet Parent common stock as part of the Micromet Reorganization are advised and expected to consult their own tax advisors regarding the federal income tax consequences of the merger in light of their personal circumstances and the consequences of the merger under state, local and foreign tax laws.

As set forth in the merger agreement, Cooley Godward LLP will render a tax opinion that the merger will constitute a reorganization within the meaning of Section 368 of the Code, or a Reorganization. The tax opinion discussed in this section is conditioned upon certain assumptions stated in the tax opinion and is based on the truth and accuracy, as of the completion of the merger, of certain representations and other statements made by CancerVax and Micromet in certificates delivered to counsel. If any such representations and other statements made in such certificates are inaccurate, or by the consummation of the merger becomes inaccurate, then the tax opinion may no longer be valid.

No ruling from the Internal Revenue Service has been or will be requested in connection with the merger. In addition, stockholders of Micromet Parent should be aware that the tax opinion discussed in this section is not

Table of Contents

binding on the IRS, and the IRS could adopt a contrary position and a contrary position could be sustained by a court.

Subject to the assumptions and limitations discussed above, it is the opinion of Cooley Godward LLP, tax counsel to Micromet and Micromet Parent, that the merger will be treated for U.S. federal income tax purposes as a reorganization. Accordingly, the following material U.S. federal income tax consequences will result:

- CancerVax, Merger Sub, Micromet Parent and Micromet will each be a party to the reorganization;
- CancerVax, Merger Sub, Micromet Parent and Micromet will not recognize any gain or loss solely as a result of the merger;
- stockholders of Micromet Parent will not recognize any gain or loss upon the receipt of solely CancerVax common stock for their Micromet Parent common stock, other than with respect to cash received in lieu of fractional shares of CancerVax common stock;
- the aggregate tax basis of the shares of CancerVax common stock received by a Micromet Parent stockholder in the merger (including any fractional share deemed received) will be the same as the aggregate basis of the shares of Micromet Parent common stock surrendered in exchange therefor;
- the holding period of the shares of CancerVax common stock received by a Micromet Parent stockholder in the merger will include the holding period of the shares of Micromet Parent common stock surrendered in exchange therefor; and
- cash payments received by Micromet Parent stockholders in lieu of fractional shares will be treated as if such fractional shares of CancerVax common stock were issued in the merger and then sold. A stockholder of Micromet Parent who receives such cash will recognize gain or loss equal to the difference, if any, between such stockholder s basis in the fractional share and the amount of cash received. Such gain or loss will be a capital gain or loss and any such capital gain will be long-term capital gain if the Micromet Parent common stock was held by such stockholder as a capital asset at the effective time of the merger and such stockholder s holding period for his, her or its Micromet Parent common stock is more than one year.

Micromet Parent stockholders are required to attach a statement to their tax returns for the year in which the merger is consummated that contains the information listed in Treasury Regulation Section 1.368-3(b). Such statement must include the stockholder s tax basis in the stockholder s Micromet Parent common stock and a description of the CancerVax common stock received.

The preceding discussion is intended only as a summary of certain U.S. federal income tax consequences of the merger and does not purport to be a complete analysis or discussion of all of the merger s potential tax effects. Micromet shareholders who will become stockholders of Micromet Parent are urged to consult their own tax advisors as to the specific tax consequences to them of the merger, including tax return reporting requirements, and the applicability and effect of federal, state, local and other applicable tax laws.

Anticipated Accounting Treatment

The merger will be treated by CancerVax as a reverse merger under the purchase method of accounting in accordance with U.S. generally accepted accounting principles. For accounting purposes, Micromet is considered to be acquiring CancerVax in this transaction. Therefore, the aggregate consideration paid in connection with the merger, together with the direct costs of acquisition, will be allocated to CancerVax s tangible and intangible assets and liabilities based on their fair market values. The assets and liabilities and results of operations of CancerVax will be consolidated into

the results of operations of Micromet as of the effective date of the merger. These allocations will be based upon a valuation that has not yet been finalized.

No Appraisal Rights

Under Delaware law, Micromet Parent stockholders and holders of CancerVax common stock are not entitled to appraisal rights in connection with the merger.

Table of Contents

Regulatory Approvals

As of the date of this proxy statement/prospectus, neither CancerVax nor Micromet or Micromet Parent is required to make filings or to obtain approvals or clearances from any antitrust regulatory authorities in the United States or other countries to consummate the merger. In the United States, CancerVax must comply with applicable federal and state securities laws and the rules and regulations of the Nasdaq National Market in connection with the issuance of shares of CancerVax common stock in the merger and the filing of this proxy statement/prospectus with the SEC.

Restrictions on Resales

The shares of CancerVax common stock to be received by Micromet Parent stockholders in the merger will be registered under the Securities Act of 1933 and, except as described in this section, may be freely traded without restriction. CancerVax s registration statement on Form S-4, of which this proxy statement/prospectus is a part, does not cover the resale of shares of CancerVax common stock to be received in connection with the merger by persons who are deemed to be affiliates of Micromet or Micromet Parent The shares of CancerVax common stock to be issued in the merger and received by persons who are deemed to be affiliates of Micromet or Micromet Parent may be resold by them only in transactions registered under the Securities Act of 1933, exempt from registration by the resale provisions of Rule 145 under the Securities Act of 1933 or as otherwise permitted under the Securities Act of 1933. Persons who are deemed to be affiliates of Micromet or Micromet Parent prior to the merger include individuals or entities that control, are controlled by, or are under common control with Micromet or Micromet Parent and may include officers and directors, as well as principal stockholders, of Micromet or Micromet Parent. Affiliates of Micromet and Micromet Parent will be notified separately of their affiliate status.

The merger agreement provides that Micromet will use commercially reasonable efforts to secure signed affiliate agreements from all persons who are, become or might be deemed to be affiliates of Micromet or Micromet Parent, and who will receive CancerVax common stock in connection with the merger. These affiliate agreements provide that these persons will not sell, transfer or otherwise dispose of their shares of CancerVax common stock unless they do so in compliance with securities laws governing sales by affiliates.

Under the terms of the merger agreement, CancerVax has agreed to file as soon as practicable, and in any event within 45 days after the effective time of the merger, a resale registration statement to cover the resale by former affiliates of Micromet Parent and Micromet of shares of CancerVax common stock received by such stockholders in the merger. In addition, CancerVax agreed to use commercially reasonable efforts to keep the resale registration statement continuously effective until the earlier of the date upon which all of the shares held by such stockholders may be resold under Rule 145 without restriction and the date upon which all such shares have been sold pursuant to the resale registration statement.

Table of Contents

THE MERGER AGREEMENT

The following description describes the material terms of the merger agreement. This description of the merger agreement is qualified in its entirety by reference to the full text of the merger agreement which is attached as Annex A to this proxy statement/prospectus and is incorporated herein by reference. The merger agreement has been included to provide you with information regarding its terms. We encourage you to read the entire merger agreement. The merger agreement is not intended to provide any other factual information about CancerVax, Micromet or Micromet Parent. Such information can be found elsewhere in this proxy statement/prospectus and in the case of CancerVax, in the other public filings CancerVax makes with the Securities and Exchange Commission, which are available without charge at www.sec.gov.

Micromet Reorganization

In order to facilitate the merger, Micromet Parent has been formed as a new corporation, which has not had any operations to date and which will not have any operations other than to effectuate the Micromet Reorganization and to merge with Merger Sub. As part of the Micromet Reorganization, all Micromet ordinary shares, Preference Shares Series (A new) and Preference Shares Series (B new) will be exchanged for shares of Micromet Parent common stock on a 1-for-1 basis. It is a condition to the completion of the merger that the Micromet Reorganization shall have occurred.

In order to effectuate the Micromet Reorganization, the stockholders of Micromet must exchange their shares of Micromet capital stock for shares of Micromet Parent common stock. The current Micromet Shareholders Agreement contains a drag-along provision that provides that stockholders holding 55% of the outstanding shares of Preference Shares Series (B new) electing to exchange their shares for shares of Micromet Parent common stock may force the remaining parties to the agreement, which includes all stockholders of Micromet other than Enzon Pharmaceuticals, Inc., to exchange their shares of Micromet capital stock for shares of Micromet Parent common stock. Therefore, in order to effectuate the Micromet Reorganization, and in order to complete the merger, holders of at least 55% of the outstanding shares of Preference Shares Series (B new) must elect to exchange all of their shares of Micromet capital stock for shares of Micromet Parent common stock. As of January 27, 2006 holders of 68.5% of Preference Shares Series (B new) have entered into agreements whereby they commit to exchange their shares in the Micromet Reorganization.

In addition, prior to the closing of the merger, Micromet Parent will establish the Micromet, Inc. 2006 Equity Incentive Award Plan, the Micromet Parent Plan. Pursuant to the Micromet Parent Plan, options to acquire up to 366,472 shares of Micromet Parent common stock will be issued by Micromet Parent prior to the closing of the merger. In the merger, these options will be exchanged for options to acquire shares of CancerVax common stock in accordance with the terms of the merger agreement. None of the existing options to acquire ordinary shares of Micromet will be exchanged in connection with the Micromet Reorganization and all such options will be terminated after the closing of the merger in accordance with their terms.

In the Micromet Reorganization, the warrants to acquire Micromet Preference Shares (A new) currently held by GATX/ETV will be exchanged for warrants to acquire shares of Micromet Parent common stock (the Micromet Parent Warrants). In the merger, these Micromet Parent Warrants will then be exchanged for warrants to acquire shares of CancerVax common stock in accordance with the terms of the merger agreement. Other than the warrants held by GATX/ETV, none of the existing warrants to acquire shares of Micromet capital stock will be exchanged in the Micromet Reorganization and all such warrants will expire to the extent unexercised as of the closing of the merger.

In the Micromet Reorganization, all outstanding debt instruments of Micromet will remain as debt obligations of Micromet, subject to the rights of MedImmune to convert some or all of its promissory note into capital stock of Micromet, as described below in Convertible Promissory Note issued to MedImmune Ventures, Inc. To the extent that MedImmune elects to convert some or all of its promissory note into capital stock of Micromet, these shares will be exchanged for shares of Micromet Parent common stock in the Micromet Reorganization and then converted into the right to receive shares of CancerVax common stock in the merger.

Table of Contents

Immediately upon consummation of the Micromet Reorganization, all outstanding shares of Micromet capital stock will be held by Micromet Parent (with the potential exception of up to 16,836 shares of Micromet common stock currently held by Enzon Pharmaceuticals, Inc.), with Micromet Parent surviving the merger as a wholly-owned subsidiary of CancerVax.

Except where specifically noted, the following information and all other information contained in this proxy statement/prospectus does not give effect to the proposed reverse stock split of CancerVax common stock described in CancerVax s Proposal No. 3.

Structure of the Merger

The merger agreement provides that at the effective time, Carlsbad Acquisition Corp., or Merger Sub, a wholly-owned subsidiary of CancerVax, will be merged with and into Micromet Parent. Upon the consummation of the merger, Micromet Parent will continue as the surviving corporation and will be a wholly-owned direct subsidiary of CancerVax.

Effective Time of the Merger

The merger agreement requires the parties to consummate the merger after all of the conditions to the consummation of the merger contained in the merger agreement are satisfied or waived, including the completion of the Micromet Reorganization and the approval of the issuance of shares of CancerVax common stock in the merger by the stockholders of CancerVax. The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as is agreed by CancerVax and Micromet Parent and specified in the certificate of merger. However, because the consummation of the merger may be subject to governmental and regulatory approvals and other conditions, we cannot predict the exact timing of the consummation of the merger.

Merger Consideration; Manner and Basis of Converting Shares

At the effective time, all shares of Micromet Parent capital stock will automatically be cancelled and Micromet Parent stockholders, together with holders of options, warrants and other rights to acquire shares of Micromet Parent common stock, will receive an aggregate number of shares of CancerVax common stock equal to 67.5% of the fully-diluted shares of the combined company. There will be no adjustment to the total number of shares of CancerVax common stock to be issued to Micromet Parent stockholders or holders of options, warrants or other rights to acquire shares of Micromet Parent common stock for changes in the market price of CancerVax common stock. Further, the merger agreement does not include a price-based termination right. Accordingly, the market value of the shares of CancerVax issued in connection with the merger will depend on the market value of the shares of CancerVax common stock at the time of effectiveness of the merger, and could vary significantly from the market value on the date of this document.

The fixed number of shares of CancerVax common stock to be issued in exchange for all shares of Micromet Parent stock at the consummation of the merger will be allocated among:

holders of Micromet Parent common stock;

holders of options to purchase Micromet Parent common stock (which shares of CancerVax will become issuable upon the exercise of options to purchase CancerVax common stock which are being issued in replacement of the outstanding options to purchase Micromet Parent common stock, as more fully described under Micromet Parent Stock Options below);

holder of warrants to purchase Micromet Parent common stock; and

holders of shares of capital stock of Micromet to the extent such shares have not been exchanged for shares of Micromet Parent common stock in the Micromet Reorganization.

The shares of CancerVax common stock to be issued in connection with the merger will be allocated to the Micromet Parent stockholders and holders of options, warrants and other rights to acquire shares of Micromet Parent common stock on a pro rata basis.

Table of Contents

Fractional Shares

No fractional shares of CancerVax common stock will be issued in the merger. Instead, each Micromet Parent stockholder otherwise entitled to a fractional share of CancerVax common stock (after aggregating all fractional shares of CancerVax common stock issuable to such stockholder) will be entitled to receive in cash the dollar amount (rounded to the nearest whole cent), without interest, determined by multiplying such fraction by the closing sale price for one share of CancerVax common stock as quoted on the Nasdaq National Market on the date the merger becomes effective.

Surrender of Micromet Parent Stock Certificates

The merger agreement provides that, promptly after the effective time of the merger, CancerVax will deposit with a reputable bank or trust company, as the exchange agent, stock certificates representing the shares of CancerVax common stock issuable to the Micromet Parent stockholders and a sufficient amount of cash to make payments in lieu of fractional shares.

The merger agreement provides that, as promptly as practicable following the effective time of the merger, the exchange agent for the merger will mail to each record holder of Micromet Parent common stock immediately prior to the effective time of the merger and after giving effect to the Micromet Reorganization a letter of transmittal and instructions for surrendering and exchanging the record holder s Micromet Parent stock certificates. Upon surrender of a Micromet Parent common stock certificate for exchange to the exchange agent, together with a duly signed letter of transmittal, and such other documents as the exchange agent may reasonably require, the holder of the Micromet Parent stock certificate will be entitled to receive the following:

- a certificate representing CancerVax common stock; and
- cash in lieu of any fractional share of CancerVax common stock.

The stock certificate so surrendered will be cancelled.

After the effective time, all holders of certificates representing shares of Micromet Parent common stock that were outstanding immediately prior to the effective time of the merger will cease to have any rights as stockholders of Micromet Parent. In addition, no transfer of Micromet Parent common stock after the effective time of the merger will be registered on the stock transfer books of Micromet Parent.

If any Micromet Parent stock certificate has been lost, stolen or destroyed, the owner of such certificate may deliver to the exchange agent an affidavit claiming such certificate has been lost, stolen or destroyed in order to receive the shares of CancerVax common stock issuable to the holder of such certificate.

From and after the effective time of the merger, until it is surrendered and exchanged, each certificate that previously evidenced Micromet Parent common stock will be deemed to represent only the right to receive shares of CancerVax common stock and cash in lieu of any fractional share of CancerVax common stock. CancerVax will not pay dividends or other distributions on any shares of CancerVax common stock to be issued in exchange for any unsurrendered Micromet Parent stock certificate until the Micromet Parent stock certificate is surrendered as provided in the merger agreement.

The Exchange Ratio

On the date that the merger closes, the parties will determine the aggregate number of shares of CancerVax common stock outstanding (assuming the exercise of all outstanding warrants to purchase shares of CancerVax common stock and the exercise of all outstanding options to purchase shares of CancerVax common stock that have exercise prices per share that are less than the greater of $3.31 and the average closing price for a share of CancerVax common stock for the five trading days immediately preceding the closing date, as well as all options issued after January 6, 2006 to the extent that such option grant has not been specifically approved by Micromet). This total number of shares of CancerVax common stock (subject to certain adjustments) will then be multiplied by the exchange ratio of 2.076923 to reflect the agreed-upon ownership allocation between Micromet Parent and CancerVax. The number of shares of CancerVax common stock to be delivered to Micromet Parent stockholders will be reduced to cover the shares of CancerVax common stock issuable upon exercise of Micromet Parent stock

Table of Contents

options, warrants and other rights to acquire Micromet Parent common stock that are being assumed by CancerVax in the merger, as well as any remaining shares of Micromet that were not exchanged for shares of Micromet Parent common stock in the Micromet Reorganization.

If the number of shares of common stock of CancerVax changes before the merger is completed because of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar event, then, by operation of the exchange ratio, an appropriate and proportionate adjustment will be made to the number of shares of CancerVax common stock to be issued to the Micromet Parent stockholders and holders of options, warrants and other rights to acquire shares of Micromet Parent common stock.

Micromet Parent Stock Options

At the effective time of the merger, each outstanding option granted by Micromet Parent to purchase shares of Micromet Parent common stock will be converted into an option to acquire CancerVax common stock having the same terms and conditions as the Micromet Parent stock option had before the effective time. The number of shares that the new CancerVax option will be exercisable for and the exercise price of the new CancerVax option will reflect the exchange ratio in the merger. The number of shares of CancerVax common stock issuable upon the exercise of each stock option will be rounded down to the nearest whole number of shares of CancerVax common stock, and the exercise price will be rounded up to the nearest whole cent. The number of shares of CancerVax common stock issuable upon exercise of the new CancerVax options is part of the 67.5% of the fully-diluted shares of the combined company described under Merger Consideration; Manner and Basis for Converting Shares. Current options to purchase Micromet shares will terminate after the closing of the merger in accordance with their terms.

CancerVax has agreed to file with the SEC, within 60 days after the effective date of the merger, a registration statement relating to the shares of CancerVax common stock issuable upon exercise of the new CancerVax options.

Micromet Parent Warrants

At the effective time of the merger, each outstanding warrant granted by Micromet Parent to purchase shares of Micromet Parent common stock will be converted into a warrant to acquire CancerVax common stock having the same terms and conditions as the Micromet Parent warrant had before the effective time. The number of shares that the new CancerVax warrant will be exercisable for and the exercise price of the new CancerVax warrant will reflect the exchange ratio in the merger. The number of shares of CancerVax common stock issuable upon the exercise of each warrant will be rounded down to the nearest whole number of shares of CancerVax common stock, and the exercise price will be rounded up to the nearest whole cent. The number of shares of CancerVax common stock issuable upon exercise of the new CancerVax warrants is part of the 67.5% of the fully-diluted shares of the combined company described under Merger Consideration; Manner and Basis for Converting Shares.

Convertible Promissory Note Issued to MedImmune Ventures, Inc.

In conjunction with the execution of a collaboration agreement between Micromet and MedImmune, Inc. in 2003, Micromet issued a 10,000,000 convertible note to MedImmune Ventures, Inc. The terms of that note, as amended on October 11, 2005, provide that the holder has the right, immediately prior to the effectiveness of the merger, to convert the note in full into Micromet preference shares series (A new) immediately prior to the effectiveness of the merger, if the pre-money valuation of Micromet is 120,000,000 or more; if the valuation is less, the conversion rate is a pro rata percentage determined as the pre-money valuation divided by 120,000,000, multiplied by one hundred. In the event that MedImmune elected to convert the applicable portion of the note into preference shares series (A new), such shares would be converted into shares of Micromet Parent common stock in the Micromet Reorganization, and into the right to receive the merger consideration in the merger. In addition, if the combined company after the merger

holds more than 30,000,000 in cash, then MedImmune has the right (but not the obligation) to accelerate repayment of the loan in an amount equal to the principal balance multiplied by a fraction (A) the numerator of which is the amount of cash held by the combined company in excess of 30,000,000 and (B) the denominator of which is 30,000,000, to the extent such principal balance has not been converted as described in the immediately preceding sentence. As a result, if the combined company has at least 60,000,000 in

Table of Contents

cash, MedImmune may require the loan to be repaid in full. In each case, the remainder of the note remains outstanding until the due date in accordance with the terms of the note. The note bears interest at 4.5% per annum and is due in June 2010 unless earlier converted or repaid.

Representations and Warranties

The merger agreement contains customary representations and warranties of CancerVax (including Merger Sub) and Micromet Parent (including Micromet AG) made to, and solely for the benefit of, each other. The representations and warranties expire at the effective time of the merger. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that CancerVax and Micromet Parent have exchanged in connection with signing the merger agreement. While CancerVax and Micromet Parent do not believe that they contain information securities laws require the parties to publicly disclose other than information that has already been so disclosed, the disclosure schedules do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they were only made as of the date of the merger agreement and are modified in important part by the underlying disclosure schedules. These disclosure schedules contain information that has been included in CancerVax s general prior public disclosures, as well as additional non-public information concerning both CancerVax and Micromet Parent. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, which subsequent information may or may not be fully reflected in CancerVax s public disclosures.

Covenants; Conduct of Business Prior to the Merger

Affirmative Covenants of Micromet Parent and Micromet. Subject to certain exceptions, Micromet Parent and Micromet have agreed that before the effective time, they will:

provide CancerVax and its representatives with reasonable access during normal business hours to Micromet Parent s and Micromet s representatives, personnel and assets and to all existing books, records, tax returns, work papers and other documents and information relating to Micromet Parent and Micromet;

provide CancerVax and its representatives with such copies of the existing books, records, tax returns, work papers, product data, and other documents and information relating to Micromet Parent and Micromet, and with such additional financial, operating and other data and information regarding Micromet Parent and Micromet as CancerVax may reasonably request;

permit CancerVax s officers and other employees to meet, upon reasonable notice and during normal business hours, with the chief financial officer and other officers and managers of Micromet Parent and Micromet responsible for Micromet Parent s and Micromet s financial statements and the internal controls of Micromet Parent and Micromet to discuss such matters as CancerVax may deem necessary or appropriate in order to enable CancerVax to satisfy its obligations under the Sarbanes-Oxley Act;

subject to applicable law, provide CancerVax with:

(1) unaudited monthly consolidated balance sheets, statements of operations, statements of stockholders equity and statements of cash flows of Micromet Parent and Micromet;

(2) all material operating and financing reports prepared by Micromet Parent or Micromet for its senior management;

(3) written materials or communications sent by Micromet Parent or Micromet to its stockholders;

(4) subject to limited exceptions, any material notice, document or other communication sent by or on behalf of Micromet Parent or Micromet to any other party to a material contract to which Micromet Parent or Micromet is a party;

(5) any notice, report or other document filed with or otherwise furnished, submitted or sent to any governmental entity on behalf of Micromet Parent or Micromet in connection with the merger;

Table of Contents

(6) any non-privileged notice, document or other communication sent by or on behalf of, or sent to, Micromet Parent or Micromet relating to any pending or threatened legal proceeding involving or affecting Micromet Parent or Micromet; and

(7) any material notice, report or other document received by Micromet Parent or Micromet from any governmental entity;

conduct their businesses and operations in the ordinary course of business, in compliance with all applicable laws and the requirements of all material contracts to which they are a party;

preserve intact their current business organization, keep available the services of their current officers and other employees and maintain their relations and goodwill with all material suppliers, customers, landlords, creditors, licensors, licensees, employees and other persons having material business relationships with Micromet Parent or Micromet;

promptly notify CancerVax of any notice or other communication alleging that the consent of such person is or may be required in connection with the merger or any legal proceeding against, relating to, involving or otherwise affecting Micromet Parent or Micromet that is commenced, or, to the knowledge of Micromet Parent or Micromet, threatened against, Micromet Parent or Micromet;

promptly notify CancerVax in writing of the discovery by Micromet Parent of (a) any event, condition, fact or circumstance that occurred or existed on or prior to the date of the merger agreement and that caused or constitutes a material inaccuracy in any representation or warranty made by Micromet Parent or Micromet, (b) any event, condition, fact or circumstance that occurs, arises or exists after the date of the merger agreement and that would cause or constitute a material inaccuracy in any representation or warranty made by Micromet Parent or Micromet if such representation or warranty had been made as of the time of the occurrence, existence or discovery of such event, condition, fact or circumstance or such event, condition, fact or circumstance had occurred, arisen or existed on or prior to the date of the merger agreement, (c) any material breach of any covenant or obligation of Micromet Parent or Micromet and (d) any event, condition, fact or circumstance that could reasonably be expected to make the timely satisfaction of any of the conditions precedent to the closing of the merger impossible or materially less likely;

use its commercially reasonable efforts to cause each person who may reasonably be deemed to be an affiliate of Micromet or Micromet Parent for purposes of Rule 145 of the Securities Act to execute and deliver to CancerVax an executed affiliate and market stand-off agreement;

use its commercially reasonable efforts to cause the delivery to CancerVax of Micromet s audited consolidated balance sheet at December 31, 2004 and the related consolidated statements of income, cash flow and shareholders equity for the year ended December 31, 2004; and

use its commercially reasonable efforts to cause Cooley Godward LLP to deliver to it a tax opinion satisfying the requirements of Item 601 of Regulation S-K promulgated under the Securities Act.

Negative Covenants of Micromet Parent and Micromet. Subject to certain exceptions, Micromet Parent and Micromet have agreed that before the effective time, except as otherwise approved by CancerVax, they will not:

declare, accrue, set aside or pay any dividend or make any other distribution in respect of any shares of capital stock, or repurchase, redeem or otherwise reacquire any shares of their capital stock or other securities;

subject to limited exceptions, sell, issue, grant or authorize the sale, issuance or grant of any capital stock or other security, any option, call, warrant or right to acquire any capital stock or other security or any instrument convertible into or exchangeable for any capital stock or other security;

amend or waive any of their rights under, or permit the acceleration of the vesting under, any provision of Micromet Parent s stock option plan, any stock option to purchase Micromet Parent common stock, any agreement evidencing or relating to any outstanding stock option or warrant to purchase Micromet Parent common stock, any restricted stock purchase agreement, or any other contract evidencing or relating to any equity award (whether payable in cash or stock);

Table of Contents

amend or permit the adoption of any amendment to their certificate of incorporation or bylaws or other charter or organizational documents, or effect or become a party to any merger, consolidation, share exchange, business combination, amalgamation, recapitalization, reclassification of shares, stock split, reverse stock split, division or subdivision of shares, consolidation of shares or similar transaction (other than the Micromet Reorganization);

form any subsidiary or acquire any equity interest or other interest in any other entity;

make any capital expenditure in excess of $250,000;

other than in the ordinary course of business consistent with past practices, enter into or become bound by, or permit any of the assets owned or used by them to become bound by, any material contract, or agree to amend or terminate any material contract;

subject to limited exceptions, acquire, lease or license any right or other asset from any other person or sell encumber, convey, assign, or otherwise dispose of or transfer of, or lease or license or sublicense, any right or other asset or interest therein to any other person, or waive or relinquish any material right;

other than in the ordinary course of business consistent with past practices, write off as uncollectible, or establish any extraordinary reserve with respect to, any receivable or other indebtedness;

subject to limited exceptions, make any pledge of any of their assets or permit any of their assets to become subject to any encumbrances;

lend money to any person, or incur or guarantee any indebtedness or issue or sell any debt securities or options, warrants, calls or other similar rights to acquire any debt securities of Micromet Parent or Micromet;

establish, adopt, enter into or amend any employee benefit plan or any employee stock purchase or employee stock option plan, pay any bonus or make any profit-sharing or similar payment to, or increase the amount of the wages, salary, commissions, fringe benefits or other compensation (including equity-based compensation, whether payable in stock, cash or other property) or remuneration payable to any of their directors or any of their officers or other employees except as required by law;

hire or terminate any key employee;

pay, discharge or satisfy any claim, liability or obligation, other than the payment, discharge or satisfaction of non-material amounts in the ordinary course of business;

change any of their personnel policies or other business policies, or any of their methods of accounting or accounting practices in any material respect;

make any tax election, adopt or change any accounting methods, principles or practice, file any material amendment to any tax return, enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any material tax, surrender any right to claim a material tax refund, or consent to any extension or waiver of the statute of limitations period applicable to any material tax claim or assessment;

commence or settle any legal proceeding in a manner that would be reasonably expected to result in a material adverse effect on Micromet Parent;

enter into any material transaction outside the ordinary course of business; or

issue any press release or make any disclosure regarding the merger unless Micromet Parent shall have approved such press release or disclosure in writing or CancerVax shall have determined in good faith, upon the advice of outside legal counsel, that such disclosure is required by applicable law and, to the extent practicable, before such press release or disclosure is issued or made, CancerVax advises Micromet Parent of, and consults with Micromet Parent regarding, the text of such press release or disclosure.

Table of Contents

Affirmative Covenants of CancerVax. Subject to certain exceptions, CancerVax has agreed that before the effective time, it will:

provide Micromet Parent and its representatives with reasonable access during normal business hours to Micromet Parent s representatives, personnel and assets and to all existing books, records, tax returns, work papers and other documents and information relating to CancerVax;

provide Micromet Parent and its representatives with such copies of the existing books, records, tax returns, work papers, product data, and other documents and information relating to CancerVax, and with such additional financial, operating and other data and information regarding CancerVax as Micromet Parent may reasonably request;

subject to applicable law, provide Micromet Parent with:

(1) unaudited monthly consolidated balance sheets, statements of operations, statements of stockholders equity and statements of cash flows of CancerVax;

(2) all material operating and financing reports prepared by CancerVax for its senior management;

(3) written materials or communications sent by CancerVax to its stockholders;

(4) subject to limited exceptions, any material notice, document or other communication sent by or on behalf of CancerVax to any other party to a material contract to which CancerVax is a party;

(5) any notice, report or other document filed with or otherwise furnished, submitted or sent to any governmental entity on behalf of CancerVax in connection with the merger;

(6) any non-privileged notice, document or other communication sent by or on behalf of, or sent to, CancerVax relating to any pending or threatened legal proceeding involving or affecting CancerVax; and

(7) any material notice, report or other document received by CancerVax from any governmental entity;

conduct its business and operations in the ordinary course of business, in compliance with all applicable laws and the requirements of all material contracts to which it is a party, and consistent with the actions customarily taken by a similarly situated corporation engaged in the prompt and orderly termination of its lead pharmaceutical candidate program;

preserve intact its current business organization, keep available the services of its current key employees and maintain its relations and goodwill with all material suppliers, customers, landlords, creditors, licensors, licensees, employees and other persons having material business relationships with CancerVax and its subsidiaries;

promptly notify Micromet Parent of any notice or other communication alleging that the consent of such person is or may be required in connection with the merger or any legal proceeding against, relating to, involving or otherwise affecting CancerVax or its subsidiaries that is commenced, or, to the knowledge of CancerVax, threatened against, CancerVax or its subsidiaries;

promptly notify Micromet Parent in writing of the discovery by CancerVax of (a) any event, condition, fact or circumstance that occurred or existed on or prior to the date of the merger agreement and that caused or constitutes a material inaccuracy in any representation or warranty made by CancerVax or Merger Sub, (b) any event, condition, fact or circumstance that occurs, arises or exists after the date of the merger agreement and that would cause or constitute a material inaccuracy in any representation or warranty made by CancerVax or Merger Sub if such representation or warranty had been made as of the time of the occurrence, existence or discovery of such event, condition, fact or circumstance or such event, condition, fact or circumstance had occurred, arisen or existed on or prior to the date of the merger agreement, (c) any material breach of any covenant or obligation of CancerVax or Merger Sub and (d) any event, condition, fact or circumstance that could reasonably be expected to make the timely satisfaction of any of the conditions precedent to the closing of the merger impossible or materially less likely;

Table of Contents

subject to limited exceptions, use commercially reasonable efforts to obtain all regulatory approvals needed to ensure that the CancerVax common stock to be issued in the merger will be registered or qualified or exempt from registration or qualification under the securities law of every jurisdiction of the United States in which any registered holder of Micromet Parent common stock has an address of record;

use reasonable best efforts to maintain its existing listing on the Nasdaq National Market and to cause the shares of CancerVax common stock to be issued as consideration in the merger to be approved for listing on the Nasdaq National Market;

file as soon as practicable, and in any event within 45 days after the effective time of the merger, a resale registration statement to cover the resale by former affiliates of Micromet Parent and Micromet of shares of CancerVax common stock received by such stockholders in the merger, and use commercially reasonable efforts to keep the resale registration statement continuously effective until the earlier of the date upon which all of the shares held by such stockholders may be resold under Rule 145 without restriction and the date upon which all such shares have been sold pursuant to the resale registration statement; and

cause the individuals listed in Section 5.12 of the merger agreement and the schedules thereto to be elected or appointed to the board of directors of CancerVax as of the effective time of the merger.

Negative Covenants of CancerVax. Subject to certain exceptions, CancerVax has agreed that before the effective time, except as otherwise approved by Micromet Parent, it will not, will not agree to, and will not permit any of its subsidiaries to:

declare, accrue, set aside or pay any dividend or make any other distribution in respect of any shares of its capital stock, or repurchase, redeem or otherwise reacquire any shares of capital stock or other securities;

subject to limited exceptions, sell, issue, grant or authorize the sale, issuance or grant of any capital stock or other security, any option, call, warrant or right to acquire any capital stock or other security or any instrument convertible into or exchangeable for any capital stock or other security;

amend or waive any of its rights under, or permit the acceleration of the vesting under, any provision of any of CancerVax s equity incentive plans, any stock option or warrant to purchase CancerVax common stock, any restricted stock purchase agreement, or any other contract evidencing or relating to any equity award (whether payable in cash or stock);

amend or permit the adoption of any amendment to its certificate of incorporation or bylaws or other charter or organizational documents, or effect or become a party to any merger, consolidation, share exchange, business combination, amalgamation, recapitalization, reclassification of shares, stock split, reverse stock split, division or subdivision of shares, consolidation of shares or similar transaction or otherwise acquire or agree to acquire any assets that are material, individually or in the aggregate, to the business of CancerVax;

form any subsidiary or acquire any equity interest or other interest in any other entity or enter into any material partnership arrangements, joint development agreements or strategic alliances;

make any capital expenditure in excess of $100,000;

other than in the ordinary course of business consistent with past practices, enter into or become bound by, or permit any of the assets owned or used by it to become bound by, any material contract, or agree to amend or

terminate any material contract;

subject to limited exceptions, acquire, lease or license any right or other asset from any other person or sell encumber, convey, assign, or otherwise dispose of or transfer of, or lease or license or sublicense, any right or other asset or interest therein to any other person, or waive or relinquish any material right;

other than in the ordinary course of business consistent with past practices, write off as uncollectible, or establish any extraordinary reserve with respect to, any receivable or other indebtedness;

subject to limited exceptions, make any pledge of any of its assets or permit any of its assets to become subject to any encumbrances;

Table of Contents

lend money to any person, or incur or guarantee any indebtedness or issue or sell any debt securities or options, warrants, calls or other similar rights to acquire any debt securities of CancerVax;

subject to limited exceptions, establish, adopt, enter into or amend any employee benefit plan or any employee stock purchase or employee stock option plan, or pay any bonus or make any profit-sharing or similar payment to, or increase the amount of the wages, salary, commissions, fringe benefits or other compensation (including equity-based compensation, whether payable in stock, cash or other property) or remuneration payable to any of its directors or any of its officers or other employees except as required by law;

hire any employee or terminate any key employee;

make any grant of exclusive rights to any third party;

transfer or license to any person or entity or otherwise extend, amend or modify in any material respect any rights to its intellectual property, or enter into any agreements or make other commitments or arrangements to grant, transfer or license to any person any future patent rights, other than non-exclusive licenses granted to customers, resellers and end users in the ordinary course of business consistent with past practices;

subject to limited exceptions, enter into, or materially modify, any material contract, agreement or obligation relating to the distribution, sale, license or marketing by third persons of CancerVax s or its subsidiaries products or products licensed by CancerVax or its subsidiaries;

pay, discharge or satisfy any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of non-material amounts in the ordinary course of business;

change any of its personnel policies or other business policies, or any of its methods of accounting or accounting practices in any material respect;

make any tax election, adopt or change any accounting methods, principles or practices, file any material amendment to any tax return, enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any material tax, surrender any right to claim a material tax refund, or consent to any extension or waiver of the statute of limitations period applicable to any material tax claim or assessment;

commence or settle any legal proceeding in a manner that would be reasonably expected to result in a material adverse effect on CancerVax;

enter into any material transaction outside the ordinary course of business; or

issue any press release or make any disclosure regarding the merger unless CancerVax shall have approved such press release or disclosure in writing or Micromet Parent shall have determined in good faith, upon the advice of outside legal counsel, that such disclosure is required by applicable law and, to the extent practicable, before such press release or disclosure is issued or made, Micromet Parent advises CancerVax of, and consults with CancerVax regarding, the text of such press release or disclosure.

Affirmative Covenants of CancerVax and Micromet Parent. CancerVax, Micromet Parent and Micromet have agreed that:

as promptly as practicable following the date of the merger agreement, both CancerVax and Micromet Parent will prepare and file with the SEC mutually acceptable proxy materials which shall constitute the proxy statement/prospectus and CancerVax shall prepare and file with the SEC a registration statement on Form S-4 with respect to the shares of CancerVax common stock to be issued in the merger. CancerVax and Micromet Parent shall use commercially reasonable efforts to have the registration statement declared effective by the SEC;

each party will use commercially reasonable efforts to file or otherwise submit, as soon as practicable, all applications, notices, reports and other documents reasonably required to be filed by such party to any governmental entity with respect to the merger and to submit promptly any additional information requested

by any such governmental entity, including (a) the notification and report any forms required to be filed under the HSR Act and (b) any notification or other document required to be filed in connection with the merger under any applicable foreign legal requirement relating to antitrust or competition matters;

subject to limited exceptions described in the merger agreement, each party shall use commercially reasonable efforts to cause to be taken all actions necessary to consummate the merger, including (a) making all filings and giving all notices required to be made and given by such party in connection with the merger, (b) using commercially reasonable efforts to obtain each consent reasonably required to be obtained by such party in connection with the merger, (c) using commercially reasonable efforts to lift any injunction prohibiting, or any other legal bar to, the merger and (d) using commercially reasonable efforts to satisfy the conditions precedent to the consummation of the merger, and each party has agreed to provide to the other party a copy of each proposed filing with any governmental entity relating to the merger and to give the other party a reasonable time prior to making such filing in which to review and comment on such proposed filing or other submission; and

each party will use commercially reasonable efforts to cause the merger to qualify, and will not take any actions which to their knowledge could reasonably be expected to prevent the merger from qualifying, as a reorganization within the meaning of section 368(a) of the Code, and each party will use commercially reasonable efforts in order for Micromet Parent to obtain the opinion of its tax counsel, Cooley Godward LLP, to the effect that the merger will constitute a reorganization within the meaning of section 368(a) of the Code, including the execution and delivery to Cooley Godward LLP of tax representation letters in customary form.

Employee Benefits Matters

The merger agreement provides that CancerVax, for the one-year period after the date that the merger becomes effective, will maintain for employees, independent contractors, officers and directors of CancerVax as of the date the merger becomes effective medical and dental insurance and similar benefits that are substantially the same as such benefits provided to such persons as of the time that the merger becomes effective. This extension of benefits does not include any benefits related to equity incentives or other compensation.

Nothing provided for in the merger agreement creates a right in any employee to employment with the surviving corporation or any subsidiary of the surviving corporation. In addition, no officer or director who continues in such capacity with the surviving corporation will be deemed to be a third party beneficiary of the merger agreement, except for officers and directors of Micromet Parent, Micromet and CancerVax to the extent of their respective rights with respect to the maintenance of indemnification rights and directors and officers insurance coverage. Please see The Merger Agreement Indemnification and Insurance below.

Indemnification and Insurance

The merger agreement provides that, for a period of six years after the merger, CancerVax will observe, to the fullest extent permitted by Delaware law, all rights of the directors and officers of Micromet Parent, Micromet and CancerVax as of the time the merger becomes effective to indemnification for acts and omissions as directors and officers occurring before the merger pursuant to the Micromet Parent or CancerVax certificate of incorporation and bylaws and pursuant to any indemnification agreements with Micromet Parent, Micromet or CancerVax. In addition, the merger agreement provides that for a period of six years after the merger, the surviving corporation will maintain in effect a directors and officers liability insurance policy covering the directors and officers of Micromet Parent, Micromet and CancerVax, with coverage in amount and scope at least as favorable as the coverage under CancerVax s existing policies as of the time the merger becomes effective, except that CancerVax is not required to pay an annual premium for such directors and officers liability insurance policy in excess of 200% of the last annual premium paid by CancerVax for its existing policies.

Table of Contents

Obligations of the CancerVax Board of Directors and Micromet Parent Board of Directors with Respect to Their Recommendations and Holding Meetings of Stockholders

CancerVax has agreed to take all action necessary to call, give notice of and, as promptly as practicable after the registration statement on Form S-4 of which this proxy statement/prospectus is a part is declared effective under the Securities Act of 1933, hold a meeting of its stockholders for the approval of the issuance of shares of CancerVax common stock in the merger. As noted above, Micromet Parent is not required to, and does not intend to solicit, the consent of its stockholders for the merger.

Both CancerVax and Micromet Parent have agreed to include a statement in this proxy statement/prospectus to the effect that the board of directors of CancerVax recommends that CancerVax s stockholders approve the issuance of shares of CancerVax common stock in the merger at the CancerVax special meeting. The merger agreement provides that neither the board of directors of Micromet Parent nor the board of directors of CancerVax may withdraw its recommendation or modify its recommendation in a manner adverse to the other company except in certain circumstances.

The merger agreement provides that Micromet Parent s board of directors is entitled to withhold, withdraw, modify or amend its recommendation if certain requirements, including the following, are met:

- Micromet Parent receives an unsolicited, bona fide written acquisition proposal that is not withdrawn;
- Such unsolicited written acquisition proposal was not obtained or made as a result of a breach of the merger agreement;
- Micromet Parent s board of directors determines in good faith, after having taken into account the advice of its outside legal counsel, that such acquisition proposal is a superior proposal;
- Micromet Parent s board of directors reasonably determines in good faith, after having taken into account the advice of its outside legal counsel, that failure to take such actions would constitute a breach of its fiduciary duties to its stockholders under applicable law; and
- Micromet Parent s board of directors shall have given CancerVax at least three business days notice of its intention to withhold, withdraw, modify or amend its recommendation.

The merger agreement provides that CancerVax s board of directors is entitled to withhold, withdraw, modify or amend its recommendation that CancerVax s stockholders vote to approve the issuance of shares of CancerVax common stock in the merger if certain requirements, including the following, are met:

- CancerVax receives an unsolicited, bona fide written acquisition proposal that is not withdrawn;
- Such unsolicited written acquisition proposal was not obtained or made as a result of a breach of the merger agreement;
- CancerVax s board of directors determines in good faith, after having taken into account the advice of its outside legal counsel, that such acquisition proposal is a superior proposal;

CancerVax s board of directors reasonably determines in good faith, after having taken into account the advice of its outside legal counsel, that failure to take such actions would constitute a breach of its fiduciary duties to its stockholders under applicable law; and

CancerVax s board of directors shall have given Micromet Parent at least three business days notice of its intention.

The merger agreement provides that, if either company withdraws or modifies the recommendation of its board of directors, that company may be required under certain circumstances to pay a termination fee of $2,000,000 to the other company. See Expenses and Termination Fees. In addition, regardless of any withdrawal or modification of a recommendation concerning the merger, each party shall call and hold its stockholders meeting.

Table of Contents

Limitation on Soliciting, Discussing or Negotiating Other Acquisition Proposals

The merger agreement contains detailed provisions prohibiting CancerVax and Micromet Parent from seeking or entering into an alternative transaction to the merger. Under these no solicitation and related provisions, subject to specific exceptions described below, CancerVax and Micromet Parent have agreed that they will not, directly or indirectly (and that they will ensure that their subsidiaries do not and they and their subsidiaries representatives do not directly or indirectly):

- initiate, solicit, induce, knowingly encourage or take any other action designed to, or which could reasonably be expected to, facilitate an acquisition proposal or acquisition inquiry or the making, submission or announcement of, any acquisition proposal or acquisition inquiry;

- furnish to any person any nonpublic information in connection with or in response to any acquisition proposal or acquisition inquiry;

- participate or engage in discussions or negotiations with any person with respect to any acquisition proposal or acquisition inquiry, except to notify such person as to the existence of these provisions;

- approve, endorse or recommend any acquisition proposal or acquisition inquiry; or

- enter into any letter of intent or similar document or any contract contemplating or otherwise relating to any acquisition proposal or acquisition inquiry.

Exception to Limitation on Discussing and Negotiating Other Acquisition Proposals

The merger agreement provides that, if, prior to the special meeting of CancerVax stockholders, CancerVax or Micromet Parent receive from any person an acquisition proposal that constitutes, or could reasonably be expected to result in the submission by such person of, a superior proposal (as described below), then CancerVax or Micromet Parent may furnish nonpublic information to, and engage in discussions and negotiations with, the person making the acquisition proposal, as long as:

- there has been no breach of any of the obligations described under the heading Limitation on Soliciting, Discussing or Negotiating Other Acquisition Proposals above;

- CancerVax s or Micromet Parent s board of directors, as applicable, reasonably determines in good faith, after having taken into account the advice of its outside legal counsel, that failure to take such actions would constitute a breach of its fiduciary duties to its stockholders under applicable law;

- CancerVax s or Micromet Parent s board of directors, as applicable, reasonably determines in good faith, after having taken into account the advice of its outside legal counsel, that such acquisition proposal is a superior proposal;

- at least two business days prior to furnishing any such nonpublic information to, or entering into discussions or negotiations with, such person, CancerVax or Micromet Parent gives the other party written notice of the identity of such person and of the party s intention to furnish nonpublic information to, or enter into discussions or negotiations with, such person;

the party receives from such person an executed confidentiality agreement containing terms and conditions at least as favorable as the provisions in the confidentiality agreement between CancerVax and Micromet Parent;

at least two business days prior to furnishing any nonpublic information to such person, CancerVax or Micromet Parent furnishes such nonpublic information to the other party to the extent not previously furnished;

the party shall as promptly as practicable (and in any event within 24 hours) advise the other party orally and in writing of any acquisition inquiry or acquisition proposal, including the identity of the person making such acquisition proposal or acquisition inquiry and the terms and conditions thereof; and

Table of Contents

the party shall keep the other party fully informed of the status and material details (including amendments or proposed amendments) of any such acquisition proposal or acquisition inquiry.

For purposes of the merger agreement, the term superior proposal shall mean, with respect to CancerVax and Micromet Parent, a bona fide written offer which is not solicited after the date of the merger agreement in violation of the merger agreement made by a third party to enter into:

a merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, reorganization, recapitalization, tender offer, exchange offer or other similar transaction as a result of which either (i) the party s stockholders prior to such transaction in the aggregate cease to own at least 50% of the voting securities of the entity surviving or resulting from such transaction or (ii) in which a person or group acquires beneficial or record ownership of securities representing 50% or more of the party s capital stock; or

a sale, lease, exchange transfer, license, acquisition or disposition of any business or other disposition of at least 50% of the assets of the party or its subsidiaries, taken as a whole, in a single transaction or a series of related transactions.

For any such acquisition proposal to be deemed to be a superior proposal, it much be for a transaction that:

is not subject to a financing contingency;

is reasonably capable of being consummated; and

is on terms which such party s board of directors in good faith concludes (after obtaining and taking into account the advice of its financial advisors and legal counsel) are reasonably likely to be more favorable from a financial point of view to the party s stockholders (in their capacities as stockholders) than the transactions contemplated by the merger agreement (including any revisions thereto).

Material Adverse Effect

Several of the representations, warranties, covenants and closing conditions of CancerVax, Merger Sub, Micromet Parent and Micromet in the merger agreement are qualified by reference to whether the item in question has had or could reasonably be expected to have a material adverse effect on the applicable company. The merger agreement provides that material adverse effect means, when used in connection with CancerVax, any change, effect, event, development or circumstance that has or could reasonably be expected to have a material adverse effect on the business, financial or other condition, capitalization, assets, operations, financial performance or prospects of CancerVax and its subsidiaries taken as a whole, or on the ability of CancerVax to consummate the transactions contemplated by the merger agreement, other than such changes, effects, events, developments or circumstances reasonably attributable to the announcement or pendency of the merger or any change in the stock price or trading volume of CancerVax. The merger agreement provides that material adverse effect means, when used in connection with Micromet Parent and Micromet, any change, effect, event, development or circumstance that has or could reasonably be expected to have a material adverse effect on the business, financial or other condition, capitalization, assets, operations, financial performance or prospects of Micromet Parent and its subsidiaries taken as a whole, or on the ability of Micromet Parent and Micromet to consummate the transactions contemplated by the merger agreement, other than such changes, effects, events, developments or circumstances reasonably attributable to the Micromet Reorganization or to the announcement or pendency of the merger.

Conditions to the Merger

Conditions to the Obligations of Each Party. The merger agreement contemplates that the respective obligations of each party to effect the merger and the other transactions contemplated in the merger agreement shall be subject to the satisfaction at or prior to the effective time of the following conditions, any or all of which may be waived, in whole or in part, to the extent permitted by applicable law:

the registration statement shall have been declared effective by the SEC under the Securities Act, and no stop order suspending the effectiveness of the registration statement shall have been issued by the SEC and no

Table of Contents

proceedings for that purpose shall have been initiated or, to the knowledge of Micromet Parent or CancerVax, threatened by the SEC;

CancerVax stockholder approval and any required Micromet Parent stockholder approval shall have been obtained;

no temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the merger shall have been issued by any court of competent jurisdiction or other governmental body which order or injunction remains in effect, and there shall not be any legal requirement which makes the consummation of the merger illegal;

any applicable waiting periods or approvals under the HSR Act and the antitrust or competition laws of any other applicable jurisdiction, including any material foreign antitrust requirements, shall have expired or been terminated or received;

the existing shares of CancerVax common stock shall have been continually listed on the Nasdaq National Market between the date of the merger agreement and the closing date, and the shares of CancerVax common stock issuable to Micromet Parent s stockholders in the merger shall have been approved for listing on the Nasdaq National Market, subject to official notice of issuance; and

no legal proceeding shall be pending or overtly threatened by any governmental body:

(1) intended to restrain or prohibit the consummation of the merger;

(2) relating to the merger and seeking to obtain from any party any damages or other relief that may be material to such party;

(3) seeking to prohibit or limit in any material and adverse respect a party s ability to exercise ownership rights with respect to the stock of CancerVax;

(4) that could materially and adversely affect the ability of a party to own its assets or operate its business; or

(5) seeking to compel a party to dispose of or hold separate any material assets as a result of the merger.

Additional Conditions to the Obligations of CancerVax. The merger agreement contemplates that the obligations of CancerVax and Merger Sub to effect the merger and the other transactions contemplated by the merger agreement are also subject to the following conditions:

the representations and warranties of Micromet Parent and Micromet contained in the merger agreement shall be true and correct (without giving effect to any limitation as to materiality or material adverse effect set forth therein) at and as of the effective time of the merger as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to materiality or material adverse effect set forth therein) would not, individually or in the aggregate, result in a material adverse effect, and CancerVax shall have received a certificate of the chief executive officer and chief financial officer of Micromet Parent and Micromet to that effect;

Micromet Parent and Micromet shall have performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied with by each of them on or prior to the

effective time of the merger, and CancerVax shall have received a certificate of the chief executive officer and chief financial officer of Micromet Parent and Micromet to that effect;

certain consents of third parties required to be obtained by Micromet Parent shall have been obtained, and CancerVax shall have received a certificate of the chief executive officer and chief financial officer of Micromet Parent and Micromet to that effect;

any governmental authorization or other consent required to be obtained by Micromet Parent or Micromet under any applicable antitrust or competition law or regulation or other applicable law shall have been obtained, and CancerVax shall have received a certificate of the chief executive officer and chief financial officer of Micromet Parent and Micromet to that effect;

Table of Contents

each person who may reasonably be deemed to be an affiliate of Micromet Parent or Micromet for purposes of Rule 145 of the Securities Act shall have delivered to CancerVax an executed affiliate and market stand-off agreement;

CancerVax shall have received certificates of good standing or equivalent documentation of Micromet Parent and Micromet in their respective jurisdictions or organization and the various jurisdictions in which they are qualified, and shall have received certified charter documents and certificates as to the incumbency of their officers and the adoption of resolutions by their supervisory board or board of directors;

no legal proceeding shall be pending in which, in the reasonable judgment of CancerVax, there is a reasonable possibility of an outcome adverse to a party (and CancerVax shall have received a certificate of the chief executive officer and chief financial officer of Micromet Parent and Micromet to that effect):

(1) intended to restrain or prohibit the consummation of the merger;

(2) relating to the merger and seeking to obtain from any party any damages or other relief that may be material to such party;

(3) seeking to prohibit or limit in any material and adverse respect a party s ability to exercise ownership rights with respect to the stock of the surviving corporation;

(4) that could materially and adversely affect the ability of a party to own its assets or operate its business; or

(5) seeking to compel a party to dispose of or hold separate any material assets as a result of the merger;

Micromet Parent and Micromet shall have consummated the Micromet Reorganization;

none of the clinical programs of Micromet shall be subject to any clinical hold order by the Food and Drug Administration or the European Medicines Agency; and

CancerVax shall have received from Micromet Parent a form of notice to the Internal Revenue Service in accordance with the requirements of applicable treasury regulations.

Additional Conditions to the Obligations of Micromet Parent. The merger agreement contemplates that the obligations of Micromet Parent to effect the merger and the other transactions contemplated by the merger agreement are also subject to the following conditions:

the representations and warranties of CancerVax and Merger Sub contained in the merger agreement shall be true and correct (without giving effect to any limitation as to materiality or material adverse effect set forth therein) at and as of the effective time of the merger as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be true and correct (without giving effect to any limitation as to materiality or material adverse effect set forth therein) would not, individually or in the aggregate, result in a material adverse effect, and Micromet Parent shall have received a certificate of the chief executive officer and chief financial officer of CancerVax to that effect;

CancerVax and Merger Sub shall have performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied with by each of them on or prior to the

effective time of the merger, and Micromet Parent shall have received a certificate of the chief executive officer or chief financial officer of CancerVax to that effect;

certain consents of third parties required to be obtained by CancerVax shall have been obtained, and Micromet Parent shall have received a certificate of the chief executive officer and chief financial officer of CancerVax to that effect;

Micromet Parent shall received an opinion from its tax counsel, Cooley Godward LLP, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code;

Micromet Parent shall have received certificates of good standing of CancerVax and Merger Sub in their respective jurisdictions or organization and the various jurisdictions in which they are qualified, and shall

Table of Contents

have received certified charter documents and certificates as to the incumbency of their officers and the adoption or resolutions by their boards of directors and stockholders;

Micromet Parent shall have received written resignations, dated as of the closing date and effective as of the effective time of the merger, of the officers and directors of CancerVax who are not to continue as officers or directors of CancerVax;

no legal proceeding shall be pending in which, in the reasonable judgment of Micromet Parent, there is a reasonable possibility of an outcome adverse to a party (and Micromet Parent shall have received a certificate of the chief executive officer and chief financial officer of CancerVax to that effect):

(1) intended to restrain or prohibit the consummation of the merger;

(2) relating to the merger and seeking to obtain from any party any damages or other relief that may be material to such party;

(3) seeking to prohibit or limit in any material and adverse respect a party s ability to exercise ownership rights with respect to the stock of the surviving corporation;

(4) that could materially and adversely affect the ability of a party to own its assets or operate its business; or

(5) seeking to compel a party to dispose of or hold separate any material assets as a result of the merger;

the principal executive officer and principal financial officer of CancerVax shall have provided all necessary certifications required by the Exchange Act to be provided in connection with all required filings by CancerVax with the SEC between the date of the merger agreement and the closing date;

the amount of CancerVax s cash, cash equivalents, restricted cash and securities available for sale, less certain current obligations of CancerVax, shall be no less than $20.5 million, measured as of the earlier of the closing date or April 30, 2006;

CancerVax shall have caused the board of directors of CancerVax to be constituted as provided in Section 5.12 of the merger agreement and caused the officers of CancerVax to be appointed as provided in the schedules to the merger agreement;

CancerVax shall have amended its stockholder rights plan to exclude the transactions contemplated by the merger agreement from having any effect on such plan; and

CancerVax shall have repaid its loan from Silicon Valley Bank in full and all security interests held by the bank shall have been released, or alternatively CancerVax shall have renegotiated the terms of its loan from Silicon Valley Bank on terms acceptable to Micromet Parent.

Termination of the Merger Agreement

The merger agreement provides that, at any time prior to the effective time of the merger, either before or after the requisite approval of the stockholders of CancerVax has been obtained, CancerVax and Micromet Parent can terminate the merger agreement by mutual written consent, which action is duly authorized by their respective boards of directors.

The merger agreement also provides that, at any time prior to the effective time of the merger, either before or after the requisite approval of the stockholders of CancerVax has been obtained, either company can terminate the merger agreement by action taken or authorized by the board of directors of the terminating party or parties:

if the merger shall not have been consummated prior to June 30, 2006; provided, however, that the right to terminate the merger agreement under this provision shall not be available to any party whose breach of the merger agreement has been the cause of, or resulted in, the failure of the effective time to occur on or before June 30, 2006;

if any governmental entity shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the merger agreement, and such order, decree, ruling or other action shall have become final and nonappealable (which order, decree,

ruling or other action the parties shall have used their commercially reasonable best efforts to resist, resolve or lift, as applicable); or

if CancerVax stockholder approval shall not have been obtained at CancerVax s special meeting duly convened therefor (or at any adjournment or postponement thereof).

The merger agreement also provides that, at any time prior to the effective time of the merger, either before or after the requisite approval of the stockholders of CancerVax has been obtained, CancerVax can terminate the merger agreement by action taken or authorized by its board of directors if it is not in material breach of its obligations under the merger agreement and if:

at any time that any of the representations and warranties of Micromet Parent or Micromet in the merger agreement become untrue or inaccurate such that Section 7.1 of the merger agreement would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become inaccurate, and such inaccuracy or breach (if curable) has not been cured within 30 days after notice to Micromet Parent;

there has been a breach on the part of Micromet Parent or Micromet of any of their respective covenants or agreements contained in the merger agreement such that Section 7.2 of the merger agreement would not be satisfied as of the time of such breach, and such breach (if curable) has not been cured within 30 days after notice to Micromet Parent;

the board of directors of Micromet Parent shall have:

(1) failed to make a recommendation, in accordance with the merger agreement, or withdrawn, or adversely modified or changed, resolved to withdraw or adversely modify or change, its recommendation; or

(2) approved or recommended, or resolved to approve or recommend, to its stockholders an acquisition proposal other than that contemplated by the merger agreement or entered into, or resolved to enter into, any agreement with respect to an acquisition proposal;

Micromet Parent shall have entered into a letter of intent or similar document relating to an acquisition proposal; or

Micromet Parent or any of its directors, officers or agents shall have willfully and intentionally breached the restrictions described under The Merger Agreement Limitation on Soliciting, Discussing or Negotiating Other Acquisition Proposals above.

The merger agreement also provides that Micromet Parent, at any time prior to the effective time of the merger, either before or after the requisite approval of the stockholders of CancerVax has been obtained, can terminate the merger agreement by action taken or authorized by its board of directors if it is not in material breach of its obligations under the merger agreement and if:

at any time that any of the representations and warranties of CancerVax or Merger Sub in the merger agreement become untrue or inaccurate such that Section 8.1 of the merger agreement would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become inaccurate, and such inaccuracy or breach (if curable) has not been cured within 30 days after notice to CancerVax;

there has been a breach on the part of CancerVax or Merger Sub of any of their respective covenants or agreements contained in the merger agreement such that Section 8.2 of the merger agreement would not be

satisfied as of the time of such breach, and such breach (if curable) has not been cured within 30 days after notice to CancerVax;

the board of directors of CancerVax shall have:

(1) failed to make a recommendation, in accordance with the merger agreement, or withdrawn, or adversely modified or changed, resolved to withdraw or adversely modify or change, its recommendation; or

(2) approved or recommended, or resolved to approve or recommend, to its stockholders an acquisition proposal other than that contemplated by the merger agreement or entered into, or resolved to enter into, any agreement with respect to an acquisition proposal;

Table of Contents

CancerVax shall have failed to hold a special meeting of its stockholders for purposes of approval of the issuance of shares of CancerVax common stock in the merger within 45 days after the registration statement on Form S-4 of which this proxy statement/prospectus is a part is declared effective under the Securities Act of 1933;

CancerVax shall have entered into a letter of intent or similar document relating to an acquisition proposal; or

CancerVax or any of its directors, officers or agents shall have willfully and intentionally breached the restrictions described under The Merger Agreement Limitation on Soliciting, Discussing or Negotiating Other Acquisition Proposals above.

Expenses and Termination Fees

The merger agreement provides that all expenses incurred by the parties to the merger agreement shall be paid by the party incurring such expenses, except that CancerVax and Micromet Parent will share equally all fees and expenses, other than expenses for attorneys and accountants, incurred in relation to the printing and filing with the SEC of the registration statement on Form S-4 of which this proxy statement/prospectus is a part.

The merger agreement provides that Micromet Parent shall pay CancerVax a termination fee of $2,000,000 as liquidated damages in the event that the merger agreement is terminated as follows:

if either party shall have terminated the merger agreement, and an acquisition proposal with respect to Micromet Parent is publicly announced, disclosed or otherwise communicated to Micromet Parent s board of directors; or

if CancerVax shall terminate the merger agreement because:

(1) the board of directors of Micromet Parent shall have:

failed to make a recommendation, in accordance with the merger agreement, or withdrawn, or adversely modified or changed, resolved to withdraw or adversely modify or change, its recommendation; or

approved or recommended, or resolved to approve or recommend, to its stockholders an acquisition proposal other than that contemplated by the merger agreement or entered into, or resolved to enter into, any agreement with respect to an acquisition proposal;

(2) Micromet Parent shall have entered into a letter of intent or similar document relating to an acquisition proposal; or

(3) Micromet Parent or any of its directors, officers or agents shall have willfully and intentionally breached the restrictions described under The Merger Agreement Limitation on Soliciting, Discussing or Negotiating Other Acquisition Proposals above.

The merger agreement provides that CancerVax will pay Micromet Parent a termination fee of $2,000,000 as liquidated damages in the event that the merger agreement is terminated as follows:

if either party shall have terminated the merger agreement because CancerVax stockholder approval was not obtained at CancerVax s special meeting duly convened therefor (or at any adjournment or postponement thereof), and prior to the CancerVax stockholder meeting an acquisition proposal with respect to CancerVax is publicly announced, disclosed or otherwise communicated to CancerVax s board of directors; or

if Micromet Parent shall terminate the merger agreement because:

(1) the board of directors of CancerVax shall have:

failed to make a recommendation, in accordance with the merger agreement, or withdrawn, or adversely modified or changed, resolved to withdraw or adversely modify or change, its recommendation; or

Table of Contents

approved or recommended, or resolved to approve or recommend, to its stockholders an acquisition proposal other than that contemplated by the merger agreement or entered into, or resolved to enter into, any agreement with respect to an acquisition proposal;

(2) CancerVax shall have failed to hold a special meeting of its stockholders for purposes of adopting the merger agreement within 45 days after the registration statement on Form S-4 of which this proxy statement/prospectus is a part is declared effective under the Securities Act of 1933;

(3) CancerVax shall have entered into a letter of intent or similar document relating to an acquisition proposal; or

(4) CancerVax or any of its directors, officers or agents shall have willfully and intentionally breached the restrictions described under The Merger Agreement Limitation on Soliciting, Discussing or Negotiating Other Acquisition Proposals above.

Amendment and Waiver of the Merger Agreement

The merger agreement may be amended by the parties, by action taken or authorized by their respective boards of directors, at any time before or after approval of the matters presented in connection with the merger by stockholders of CancerVax, provided that after any such approval, no amendment shall be made that by law requires further approval by CancerVax s or Micromet Parent s stockholders, as the case may be, without such further approval. The merger agreement may not be amended except by an instrument in writing signed on behalf of CancerVax, Micromet Parent and Micromet.

At any time prior to the effective time of the merger, CancerVax or Micromet Parent may, by written consent, waive compliance by the other party with any of the agreements or conditions contained in the merger agreement.

Table of Contents

VOTING AGREEMENTS

The following description of the voting agreements describes the material terms of the voting agreements. This description of the voting agreements is qualified in its entirety by reference to the forms of voting agreements which are attached as Annex B to this proxy statement/prospectus and are incorporated herein by reference. We encourage you to read the entire forms of voting agreements.

Voting Agreements Relating to CancerVax Shares

The Hale Family Trust, the William R. and Joyce E. LaRue Family Trust, Hazel M. Aker, the Donald L. Morton, M.D. Family Trust, Forward Ventures, Vector Later-Stage Equity Fund II, L.P., Vector Later-Stage Equity Fund II (QP), 522 Fifth Avenue Fund LLC, JP Morgan Direct Venture Capital Private Investors II LLC and JP Morgan Direct Venture Capital Institutional Investors II LLC have each entered into voting agreements with Micromet dated January 6, 2006. In the voting agreements, each stockholder granted Micromet an irrevocable proxy to vote his, her or its shares of CancerVax common stock:

- in favor of the merger, the adoption and approval of the merger agreement and the transactions contemplated by the merger agreement;
- against any action that would result in a breach of any representation, warranty, covenant or obligation of CancerVax in the merger agreement;
- against any merger or business combination involving CancerVax (other than the one contemplated by the merger agreement); and
- against any other action which would reasonably be expected to impede or delay the merger or any of the transactions contemplated by the merger agreement or the voting agreement.

Each stockholder has also agreed that, before the earlier of the date upon which the merger agreement is validly terminated or the date upon which the merger is consummated, they will not sell, transfer or dispose of any shares of CancerVax common stock or any options to purchase CancerVax common stock owned by them, except upon their death or to certain related parties, and only if each person to whom any shares or options are transferred agrees to be bound by the terms of the voting agreement. Approximately 8,354,687 shares in the aggregate (or approximately [___]% of the CancerVax common stock outstanding on the record date) are subject to voting agreements and irrevocable proxies. In addition, options to purchase 2,234,211 shares of CancerVax common stock are subject to voting agreements and irrevocable proxies; however, the shares underlying such options do not carry any voting rights unless and until such options are exercised.

Voting Agreements Relating to Micromet Parent and Micromet Shares

Certain shareholders affiliated with 3i Group plc., Schroder Ventures International Life Sciences Fund, Abingworth Bioventures II, Advent Private Equity Fund, DG Lux Lacuna Apo. Biotech, Medical Biohe@lth Trends, International Biotechnology Trust plc., and The Wellcome Trust Limited have each entered into voting agreements with CancerVax dated January 6, 2006. In the voting agreements, each shareholder granted CancerVax an irrevocable proxy to vote his, her or its shares of Micromet Parent or Micromet capital stock:

in favor of the merger and the Micromet Reorganization, the adoption and approval of the merger agreement and the transactions contemplated by the merger agreement;

in favor of any action of the shareholders of Micromet to exercise, in connection with the merger and Micromet Reorganization, the rights granted to the holders of the preference shares series B new to demand from other shareholders of Micromet the sale of such holders shares;

against any action that would result in a breach of any representation, warranty, covenant or obligation of Micromet Parent or Micromet in the merger agreement;

against any merger or business combination involving Micromet Parent or Micromet (other than the one contemplated by the merger agreement); and

Table of Contents

against any other action which would reasonably be expected to impede or delay the merger or any of the transactions contemplated by the merger agreement or the voting agreements.

Each Micromet shareholder who is a signatory of a voting agreement with CancerVax has also agreed that, before the earlier of the date upon which the merger agreement is validly terminated or the date upon which the merger is consummated, they will not sell, transfer or dispose of any shares of Micromet Parent or Micromet capital stock or any options to purchase Micromet Parent or Micromet capital stock owned by them, except upon their death or to certain related parties, and only if each person to whom any shares or options are transferred agrees to be bound by the terms of the voting agreement. Approximately 1,465,199 shares in the aggregate (or approximately 68.5% of the Series B new preference shares outstanding as of February 9, 2006) are currently subject to voting agreements and irrevocable proxies. The Micromet Reorganization and the adoption of the merger agreement by Micromet shareholders require the affirmative election of the holders of 55% of the Series B new preference shares, voting together as a single class, to exchange such shares for shares of Micromet Parent common stock.

The merger agreement provides that Micromet will use commercially reasonable efforts to secure signed affiliate agreements from all persons who are, become or might be deemed to be affiliates of Micromet or Micromet Parent, and who will receive CancerVax common stock in connection with the merger. These affiliate agreements provide that these persons will not sell, transfer or otherwise dispose of their shares of CancerVax common stock unless they do so in compliance with securities laws governing sales by affiliates.

Table of Contents

COMBINED COMPANY MANAGEMENT AFTER THE MERGER

Upon consummation of the merger, the board of directors of the combined company will be comprised of nine members. The following table lists the names, ages and positions of individuals currently designated by CancerVax and Micromet to serve as directors and executive officers of the combined company upon consummation of the merger. The ninth member of the board of directors is expected to be selected by Micromet prior to the completion of the merger. The ages of the individuals are provided as of January 31, 2006.

Executive Officers and Directors

Name	Age	Position
Executive Officers:		
Christian Itin, Ph.D.	41	President, Chief Executive Officer and Director
Gregor K. Mirow, M.D., M.B.A.	46	Senior Vice President of Operations
Patrick A. Baeuerle, Ph.D.	48	Senior Vice President, Chief Scientific Officer
Carsten Reinhardt, M.D., Ph.D.	38	Senior Vice President, Clinical Development
Hazel M. Aker, J.D.	50	Senior Vice President, General Counsel
William R. LaRue	54	Senior Vice President, Chief Financial Officer
Other Directors:		
David F. Hale	57	Chairman
Phillip M. Schneider	49	Director
Michael G. Carter, M.B., Ch.B., F.R.C.P	68	Director
Barclay A. Phillips	43	Director
Jerry C. Benjamin	65	Director
Otello Stampacchia, Ph.D.	36	Director
John E. Berriman	57	Director

For more information regarding the management of the combined company, please see Management of the Combined Company after the Merger on page 140.

THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX S STOCKHOLDERS VOTE FOR PROPOSAL NO. 1 TO APPROVE THE ISSUANCE OF SHARES OF CANCERVAX COMMON STOCK IN THE MERGER AND THE RESULTING CHANGE OF CONTROL OF CANCERVAX.

Table of Contents

CANCERVAX PROPOSAL NO. 2 APPROVAL OF AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED COMMON STOCK

At the CancerVax meeting, holders of CancerVax stock will be asked to approve the amendment of CancerVax s amended and restated certificate of incorporation to increase the number of authorized shares of CancerVax common stock to 150,000,000.

CancerVax s amended and restated certificate of incorporation currently authorizes 75,000,000 shares of common stock. On February 9, 2006, 27,933,069 shares of CancerVax common stock were outstanding.

To complete the merger, approximately 58,013,000 shares of CancerVax common stock will be issued at the effective time. Assuming the approval of the increase in the authorized shares of CancerVax common stock, and following the closing of the merger, and assuming a 1-for-2 reverse stock split, CancerVax would have approximately [ ] shares of common stock issued, [ ] shares of common stock reserved for issuance, and approximately [ ] shares of common stock authorized but unissued and unreserved. Assuming a 1-for-6 reverse stock split, CancerVax would have approximately [ ] shares of common stock issued, [ ] shares of common stock reserved for issuance, and approximately [ ] shares of common stock authorized but unissued and unreserved. The reverse stock split will not affect the number of authorized shares of CancerVax common stock. In the event Proposal No. 2 is approved, the number of authorized shares of CancerVax common stock will be 150,000,000.

CancerVax currently does not have sufficient authorized shares to complete the merger and it is a condition of the transaction that the number of authorized shares of CancerVax common stock be increased accordingly. At present, CancerVax has no plans to issue shares for any other purpose. However, the CancerVax board of directors believes it is also desirable to have additional shares available for other corporate purposes that might arise in the future, other than in the merger. For example, although CancerVax currently meets its obligations to deliver shares under employee stock options and similar arrangements with treasury shares (meaning previously issued shares that have been reacquired by CancerVax), it may become desirable in the future to use newly issued shares for this purpose. Shares could also be issued from time to time for acquisitions or to raise capital. Under some circumstances, it is also possible for a company to use unissued shares for antitakeover purposes, but CancerVax has no present intention to take any such action.

Whether or not any future issuance of shares unrelated to the merger would be submitted for stockholder vote depends upon the nature of the issuance, legal and stock exchange requirements, and the judgment of CancerVax s board at the time.

Votes Required to Approve the Amendment of the Amended and Restated Certificate of Incorporation

The affirmative vote of the holders of a majority of the issued and outstanding shares of CancerVax common stock will be required to approve the amendment of CancerVax s amended and restated certificate of incorporation.

THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX STOCKHOLDERS VOTE FOR PROPOSAL NO. 2 TO APPROVE THE INCREASE IN THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK.

Table of Contents

CANCERVAX PROPOSAL NO. 3 AUTHORIZATION OF THE CANCERVAX BOARD OF DIRECTORS TO EFFECT THE REVERSE STOCK SPLIT

General

At the CancerVax meeting, holders of CancerVax common stock will be asked to approve the proposal that CancerVax s amended and restated certificate of incorporation be amended to effect a reverse stock split of the issued and outstanding shares of CancerVax common stock (such split to combine a number of outstanding shares of CancerVax common stock between [two (2) and six (6)], such number consisting of only whole shares, into one (1) share of CancerVax common stock). If approved by the CancerVax stockholders, the reverse stock split would become effective upon the closing of the merger. The CancerVax board may effect only one reverse stock split in connection with this Proposal No. 3. The CancerVax board s decision will be based on a number of factors, including market conditions, existing and expected trading prices for CancerVax s common stock and the listing requirements of the Nasdaq National Market. Even if the stockholders approve the reverse stock split, CancerVax reserves the right not to effect the reverse stock split if the CancerVax board does not deem it to be in the best interests of CancerVax and its stockholders to effect the reverse stock split. The CancerVax board may determine to effect the reverse stock split, if it is approved by the stockholders, even if the other proposals to be acted upon at the meeting are not approved, including the issuance of shares of CancerVax common stock in the merger.

The form of the proposed amendment to the CancerVax amended and restated certificate of incorporation to effect the reverse stock split, as more fully described below, will effect the reverse stock split but will not change the number of authorized shares of common stock or preferred stock, or the par value of CancerVax s common stock or preferred stock.

Purpose

The CancerVax board approved the proposal authorizing the reverse stock split for the following reasons:

- since the listing standards of the Nasdaq National Market will require CancerVax to have, among other things, a $5.00 per share minimum bid price upon the closing of the merger, the reverse stock split may be necessary in order to consummate the merger;
- the board of directors believes effecting the reverse stock split may be an effective means of avoiding a delisting of CancerVax s common stock from the Nasdaq National Market in the future; and
- the board of directors believes a higher stock price may help generate investor interest in CancerVax and help CancerVax attract and retain employees.

If the reverse stock split successfully increases the per share price of CancerVax s common stock, CancerVax s board of directors believes this increase may increase trading volume in CancerVax s common stock and facilitate future financings by CancerVax.

Nasdaq Requirements for Listing on the Nasdaq National Market

CancerVax s common stock is quoted on the Nasdaq National Market under the symbol CNVX.

According to Nasdaq rules, an issuer must, in a case such as this, apply for initial inclusion following a transaction whereby the issuer combines with a non-Nasdaq entity, resulting in a change of control of the issuer and potentially allowing the non-Nasdaq entity to obtain a Nasdaq listing. Accordingly, the listing standards of the Nasdaq National Market will require CancerVax to have, among other things, a $5.00 per share minimum bid price upon the closing of the merger. Therefore, the reverse stock split may be necessary in order to consummate the merger.

Additionally, CancerVax s board of directors believes that maintaining its listing on the Nasdaq National Market may provide a broader market for CancerVax s common stock and facilitate the use of CancerVax s common stock in financing and other transactions. CancerVax s board of directors unanimously approved the reverse stock split partly as a means of maintaining the share price of CancerVax s common stock following the merger above $5.00 per share.

Table of Contents

One of the effects of the reverse stock split will be to effectively increase the proportion of authorized but unissued shares to issued shares. This could result in the combined company s management being able to issue more shares without further stockholder approval. For example, if CancerVax effects the reverse stock split using the 1:2 ratio, its authorized but unissued shares would be [ ] compared to shares issued of [ ]. If CancerVax effects the reverse stock split using the 1:6 ratio, its authorized but unissued shares would be [ ] compared to shares issued of [ ]. CancerVax currently has no plans to issue shares, other than in the merger and to satisfy obligations under CancerVax s employee stock options from time to time as these options are exercised. The reverse stock split will not affect the number of authorized shares of CancerVax common stock. In the event Proposal No. 2 is approved, the number of authorized shares of CancerVax common stock will be 150,000,000.

Potential Increased Investor Interest

On [ ], 2006, CancerVax s common stock closed at $[ ] per share. In approving the proposal authorizing the reverse stock split, CancerVax s board of directors considered that CancerVax s common stock may not appeal to brokerage firms that are reluctant to recommend lower priced securities to their clients. Investors may also be dissuaded from purchasing lower priced stocks because the brokerage commissions, as a percentage of the total transaction, tend to be higher for such stocks. Moreover, the analysts at many brokerage firms do not monitor the trading activity or otherwise provide coverage of lower priced stocks. Also, the CancerVax board believes that most investment funds are reluctant to invest in lower priced stocks.

There are risks associated with the reverse stock split, including that the reverse stock split may not result in an increase in the per share price of CancerVax s common stock.

CancerVax cannot predict whether the reverse stock split will increase the market price for CancerVax s common stock. The history of similar stock split combinations for companies in like circumstances is varied. There is no assurance that:

- the market price per share of CancerVax s common stock after the reverse stock split will rise in proportion to the reduction in the number of shares of CancerVax s common stock outstanding before the reverse stock split;
- the reverse stock split will result in a per share price that will attract brokers and investors who do not trade in lower priced stocks;
- the reverse stock split will result in a per share price that will increase CancerVax s ability to attract and retain employees and other service providers; or
- the market price per share will either exceed or remain in excess of the $1.00 minimum bid price as required by Nasdaq for continued listing, or that CancerVax will otherwise meet the requirements of Nasdaq for inclusion for trading on the Nasdaq National Market.

The market price of CancerVax s common stock will also be based on CancerVax s performance and other factors, some of which are unrelated to the number of shares outstanding. If the reverse stock split is effected and the market price of CancerVax s common stock declines, the percentage decline as an absolute number and as a percentage of CancerVax s overall market capitalization may be greater than would occur in the absence of a reverse stock split. Furthermore, the liquidity of CancerVax s common stock could be adversely affected by the reduced number of shares that would be outstanding after the reverse stock split.

Principal Effects of the Reverse Stock Split

If the stockholders approve the proposal to authorize CancerVax s board of directors to implement the reverse stock split and CancerVax s board of directors implements the reverse stock split, CancerVax will amend the

Table of Contents

existing provision of CancerVax s amended and restated certificate of incorporation relating to CancerVax s authorized capital to add the following paragraph at the end thereof:

Upon the effectiveness (the Effective Date) of the certificate of amendment to the amended and restated certificate of incorporation containing this sentence, each § shares of the Common Stock issued and outstanding as of the date and time immediately preceding the effective date of a reverse stock split, shall be automatically changed and reclassified, as of the effective date of the split and without further action, into one (1) fully paid and nonassessable share of Common Stock. There shall be no fractional shares issued. A holder of record of Common Stock on the effective date of the split who would otherwise be entitled to a fraction of a share shall, in lieu thereof, be entitled to receive a cash payment in an amount equal to the fraction to which the stockholder would otherwise be entitled multiplied by the closing price of the Common Stock, as reported in the Wall Street Journal, on the last trading day prior to the effective date of the split (or if such price is not available, the average of the last bid and asked prices of the Common Stock on such day or other price determined by the Corporation s board of directors).

The reverse stock split will be effected simultaneously for all outstanding shares of CancerVax s common stock and the exchange ratio will be the same for all shares of CancerVax s common stock. The reverse stock split will affect all of CancerVax s stockholders uniformly and will not affect any stockholder s percentage ownership interests in CancerVax, except to the extent that the reverse stock split results in any of CancerVax s stockholders owning a fractional share. Common stock issued pursuant to the reverse stock split will remain fully paid and nonassessable. The reverse stock split will not affect CancerVax s continuing to be subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended.

Procedure for Effecting Reverse Stock Split and Exchange of Stock Certificates

If the certificate of amendment is approved by the CancerVax stockholders, and if CancerVax s board of directors still believes that a reverse stock split is in the best interests of CancerVax and its stockholders, the CancerVax board will determine the ratio of the reverse stock split to be implemented. CancerVax will file the certificate of amendment with the Secretary of State of the State of Delaware at such time as CancerVax s board of directors has determined to be the appropriate effective time for the reverse stock split. CancerVax s board of directors may delay effecting the reverse stock split without resoliciting stockholder approval. The reverse stock split will become effective on the effective date of the split. Beginning on the effective date of the split, each certificate representing pre-split shares will be deemed for all corporate purposes to evidence ownership of post-split shares.

As soon as practicable after the effective date of the split, stockholders will be notified that the reverse stock split has been effected. CancerVax expects that CancerVax s transfer agent will act as exchange agent for purposes of implementing the exchange of stock certificates. Holders of pre-split shares will be asked to surrender to the exchange agent certificates representing pre-split shares in exchange for certificates representing post-split shares in accordance with the procedures to be set forth in a letter of transmittal to be sent by CancerVax. No new certificates will be issued to a stockholder until such stockholder has surrendered such stockholder s outstanding certificate(s) together with the properly completed and executed letter of transmittal to the exchange agent. Any pre-split shares submitted for transfer, whether pursuant to a sale or other disposition, or otherwise, will automatically be exchanged for post-split shares. STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.

Fractional Shares

No fractional shares will be issued in connection with the reverse stock split. Stockholders of record who otherwise would be entitled to receive fractional shares because they hold a number of pre-split shares not evenly

§ By approving this amendment stockholders will approve the combination of any whole number of shares of common stock between and including two (2) and six (6) into one (1) share. The certificate of amendment filed with the Secretary of State of the State of Delaware will include only that number determined by the board of directors to be in the best interests of CancerVax and its stockholders. In accordance with these resolutions, the board of directors will not implement any amendment providing for a different split ratio.

Table of Contents

divisible by the number of pre-split shares for which each post-split share is to be exchanged, will be entitled, upon surrender to the exchange agent of certificates representing such shares, to a cash payment in lieu thereof at a price equal to the fraction to which the stockholder would otherwise be entitled multiplied by the closing price of the common stock, as reported in the Wall Street Journal, on the last trading day prior to the effective date of the split (or if such price is not available, the average of the last bid and asked prices of the common stock on such day or other price determined by CancerVax s board of directors). The ownership of a fractional interest will not give the holder thereof any voting, dividend, or other rights except to receive payment therefor as described herein.

Stockholders should be aware that, under the escheat laws of the various jurisdictions where stockholders reside, where CancerVax is domiciled, and where the funds will be deposited, sums due for fractional interests that are not timely claimed after the effective date of the split may be required to be paid to the designated agent for each such jurisdiction, unless correspondence has been received by CancerVax or the exchange agent concerning ownership of such funds within the time permitted in such jurisdiction. Thereafter, stockholders otherwise entitled to receive such funds will have to seek to obtain them directly from the state to which they were paid.

Accounting Matters

The reverse stock split will not affect the common stock capital account on CancerVax s balance sheet. However, because the par value of CancerVax s common stock will remain unchanged on the effective date of the split, the components that make up the common stock capital account will change by offsetting amounts. Depending on the size of the reverse stock split the board of directors decides to implement, the stated capital component will be reduced to an amount between one-half (1/2) and one-sixth (1/6) of its present amount, and the additional paid-in capital component will be increased with the amount by which the stated capital is reduced. The per share net income or loss and net book value of CancerVax s common stock will be increased because there will be fewer shares of CancerVax s common stock outstanding. Prior periods per share amounts will be restated to reflect the reverse stock split.

Potential Anti-Takeover Effect

Although the increased proportion of unissued authorized shares to issued shares could, under certain circumstances, have an anti-takeover effect (for example, by permitting issuances that would dilute the stock ownership of a person seeking to effect a change in the composition of CancerVax s board of directors or contemplating a tender offer or other transaction for the combination of CancerVax with another company), the reverse stock split proposal is not being proposed in response to any effort of which we are aware to accumulate shares of CancerVax s common stock or obtain control of CancerVax, nor is it part of a plan by management to recommend a series of similar amendments to CancerVax s board of directors and stockholders. Other than the reverse stock split proposal, CancerVax s board of directors does not currently contemplate recommending the adoption of any other actions that could be construed to affect the ability of third parties to take over or change control of CancerVax.

No Appraisal Rights

Under the Delaware General Corporation Law, CancerVax s stockholders are not entitled to appraisal rights with respect to the reverse stock split, and CancerVax will not independently provide stockholders with any such right.

Federal Income Tax Consequences of the Reverse Stock Split

The following is a summary of certain material federal income tax consequences of the reverse stock split and does not purport to be a complete discussion of all of the possible federal income tax consequences of the reverse stock split and is included for general information only. Further, it does not address any state, local or foreign income or other tax consequences. For example, the state and local tax consequences of the reverse stock split may vary

significantly as to each stockholder, depending upon the state in which such stockholder resides. Also, it does not address the tax consequences to holders that are subject to special tax rules, such as banks, insurance companies, regulated investment companies, personal holding companies, foreign entities, nonresident alien individuals,

Table of Contents

broker-dealers and tax-exempt entities. The discussion is based on the provisions of the United States federal income tax law as of the date hereof, which is subject to change retroactively as well as prospectively. This summary also assumes that the pre-split shares were, and the post-split shares will be, held as a capital asset, as defined in the Internal Revenue Code of 1986, as amended (generally, property held for investment). The tax treatment of a stockholder may vary depending upon the particular facts and circumstances of such stockholder. Each stockholder is urged to consult with such stockholder s own tax advisor with respect to the tax consequences of the reverse stock split.

Other than the cash payments for fractional shares discussed below, no gain or loss should be recognized by a stockholder upon such stockholder s exchange of pre-split shares for post-split shares pursuant to the reverse stock split. The aggregate tax basis of the post-split shares received in the reverse stock split, including any fraction of a post-split share deemed to have been received, will be the same as the stockholder s aggregate tax basis in the pre-split shares that are exchanged. In general, stockholders who receive cash upon redemption of their fractional share interests in the post-split shares as a result of the reverse stock split will recognize gain or loss based on their adjusted basis in the fractional share interests redeemed. The federal income tax liability, if any, generated by the receipt of cash in lieu of a fractional interest should be minimal in view of the low value of the fractional interest. The stockholder s holding period for the post-split shares will include the period during which the stockholder held the pre-split shares surrendered in the reverse stock split.

CancerVax s view regarding the tax consequence of the reverse stock split is not binding on the Internal Revenue Service or the courts. Accordingly, each stockholder should consult with such stockholder s own tax advisor with respect to all of the potential tax consequences to such stockholder of the reverse stock split.

Vote Required; Recommendation of Board of Directors

The affirmative vote of the holders of a majority of all outstanding shares of CancerVax s common stock entitled to vote on this proposal will be required for approval of the certificate of amendment.

THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX STOCKHOLDERS VOTE FOR PROPOSAL NO. 3 TO AUTHORIZE THE CANCERVAX BOARD OF DIRECTORS TO EFFECT THE REVERSE STOCK SPLIT.

Table of Contents

CANCERVAX PROPOSAL NO. 4 APPROVAL OF NAME CHANGE

At the CancerVax meeting, holders of CancerVax stock will be asked to approve the amendment of CancerVax s amended and restated certificate of incorporation to change the name of the corporation from CancerVax Corporation to Micromet, Inc. upon consummation of the merger. The primary reason for the corporate name change is that management believes this will allow for brand recognition of CancerVax s and Micromet s products and services through the creation of a single brand name. CancerVax s management believes that the current name will no longer accurately reflect the business of the combined company and the mission of the combined company subsequent to the consummation of the merger. The approval of the name change by CancerVax stockholders is a condition to the closing of the merger.

CancerVax s management believes that a rebranding will permit CancerVax to unify the names of the two companies, CancerVax and Micromet, and decrease brand confusion in favor of one recognized name. Insofar as the proposed new corporate name will only reflect Micromet s business following the merger, the proposed name change and the amendment of CancerVax s amended and restated certificate of incorporation, even if approved by the stockholders at the special meeting, will only be filed with the office of the Secretary of State of the State of Delaware and, therefore, become effective if the merger is consummated.

The affirmative vote of the holders of a majority of the outstanding shares of CancerVax common stock entitled to vote is necessary for the approval of the proposal to change the name of CancerVax from CancerVax Corporation to Micromet, Inc.

THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX STOCKHOLDERS VOTE FOR PROPOSAL NO. 4 TO APPROVE THE NAME CHANGE.

Table of Contents

CANCERVAX PROPOSAL NO. 5 APPROVAL OF POSSIBLE ADJOURNMENT OF THE SPECIAL MEETING

If CancerVax fails to receive a sufficient number of votes to approve Proposal Nos. 1 through 4, CancerVax may propose to adjourn the special meeting, if a quorum is present, for a period of not more than 30 days for the purpose of soliciting additional proxies to approve Proposal Nos. 1 through 4. CancerVax currently does not intend to propose adjournment at the special meeting if there are sufficient votes to approve Proposal Nos. 1 through 4. If approval of the proposal to adjourn the CancerVax special meeting for the purpose of soliciting additional proxies is submitted to stockholders for approval, such approval requires the affirmative vote of the holders of a majority of the votes cast in person or by proxy at the CancerVax special meeting.

THE CANCERVAX BOARD OF DIRECTORS RECOMMENDS THAT CANCERVAX S STOCKHOLDERS VOTE FOR PROPOSAL NO. 5 TO ADJOURN THE SPECIAL MEETING, IF NECESSARY, IF A QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL NOS. 1 THROUGH 4.

Table of Contents

CANCERVAX SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS

Except where specifically noted, the following information and all other information contained in this proxy statement/prospectus does not give effect to the proposed reverse stock split described in CancerVax s Proposal No. 3.

The following table sets forth information as of December 31, 2005 regarding the beneficial ownership of CancerVax common stock by (a) each person known to CancerVax s board of directors to own beneficially 5% or more of CancerVax common stock, (b) each director of CancerVax, (c) the Named Executive Officers (as defined below), and (d) all of CancerVax s directors and executive officers as a group. Information with respect to beneficial ownership has been furnished by each director, officer or 5% or more stockholder, as the case may be. The address for all executive officers and directors is c/o CancerVax Corporation, 2110 Rutherford Road, Carlsbad, California 92008.

Percentage of beneficial ownership is calculated assuming 27,923,525 shares of common stock were outstanding as of December 31, 2005. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and includes shares of CancerVax common stock issuable pursuant to the exercise of stock options, warrants or other securities that are immediately exercisable or convertible or exercisable or convertible within 60 days of December 31, 2005. Unless

Table of Contents

otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Shares Beneficially Owned
5% Stockholders:		
Donald L. Morton, M.D.(1) 1374 Bella Oceana Vista Pacific Palisades, CA 90630	5,181,482	18.6%
Entities affiliated with Citigroup Inc.(2) 399 Park Avenue New York, NY 10043	1,978,324	7.1
Entities affiliated with AstraZeneca PLC(3) 15 Stanhope Gate London W1K 1LN United Kingdom	1,951,098	7.0
Entities affiliated with Forward IV Associates, LLC(4) 9393 Towne Center Drive, Suite 200 San Diego, CA 92121	1,486,538	5.3
Named Executive Officers and Directors:		
David F. Hale(5)	1,305,037	4.5
William R. LaRue(6)	199,243	*
Hazel M. Aker(7)	194,088	*
Ivor Royston, M.D.(8)	1,515,334	5.4
Michael G. Carter, M.B., Ch.B., F.R.C.P. (Edinburgh)(9)	45,299	*
Robert E. Kiss(10)	1,108,058	4.0
James Clayburn La Force, Jr., Ph.D.(11)	61,182	*
Donald L. Morton, M.D.(1)	5,181,482	18.6
Barclay A. Phillips(12)	1,023,441	3.7
Phillip M. Schneider(13)	45,454	*
Gail S. Schoettler, Ph.D.(14)	39,904	*
All executive officers and directors as a group (15 persons)(15)	11,087,789	37.2

* Represents beneficial ownership of less than 1% of CancerVax common stock.

(1) Represents 4,434,629 shares of common stock held of record by the Donald L. Morton Family Trust, dated June 2, 1989, of which Dr. Morton is the trustee, and 648,039 shares of common stock held of record by the Donald L. Morton, M.D., Grantor Retained Annuity Trust, dated September 6, 2002, of which Dr. Morton is the trustee. Dr. Morton disclaims beneficial ownership of the 648,039 shares held by the Donald L. Morton, M.D., Grantor Retained Annuity Trust dated September 6, 2002. Also includes 98,814 shares held of record by OncoVac, Inc., of which the Donald L. Morton Family Trust dated June 2, 1989 is the sole stockholder. The foregoing information is based upon information contained in a Schedule 13G filed with the SEC by the foregoing person and entities on February 11, 2005.

(2) Represents 1,978,324 shares of common stock beneficially owned by Citigroup Inc., a Delaware corporation (Citigroup), and Citigroup Global Markets Holdings Inc., a New York corporation (CGM Holdings), and includes 1,875,175 shares beneficially owned by Smith Barney Fund Management LLC, a Delaware limited liability company (SB Fund). Includes shares for which Citigroup, CGM Holdings and SB Fund disclaim beneficial ownership. Citigroup is the sole stockholder of CGM Holdings, which is the sole member of SB Fund. The foregoing information is based solely upon information contained in a Schedule 13G/A filed with the Securities and Exchange Commission by the foregoing entities on February 14, 2005. Per the Schedule

13G/A filed with the Securities and Exchange Commission by the foregoing entities on January 5, 2006, SB Fund was sold to Legg Mason, Inc., effective as of December 1, 2005. Upon completion of the sale of SB Fund, Citigroup and CGM Holdings no longer beneficially own more than 5% of CancerVax common stock.

(3) Represents 1,951,098 shares of common stock beneficially owned by AstraZeneca PLC, AstraZeneca Holding AB, AstraZeneca UK Limited, AstraZeneca Treasury Limited and AstraZeneca AB. The shares are owned directly by AstraZeneca AB. AstraZeneca AB is a Swedish corporation and a wholly-owned subsidiary of AstraZeneca Treasury Limited, which is an English corporation and a wholly-owned subsidiary of AstraZeneca UK Limited, which is an English corporation and a subsidiary of AstraZeneca Holding AB and AstraZeneca PLC. AstraZeneca Holding AB is a Swedish corporation and a wholly-owned subsidiary of AstraZeneca PLC, an English corporation. The foregoing information is based solely upon information contained in a Schedule 13G filed with the SEC by the foregoing entities on November 14, 2003.

(4) Represents 1,370,230 shares of common stock held of record by Forward Ventures IV, L.P. and 116,308 shares of common stock held of record by Forward Ventures IV B, L.P. Ivor Royston, M.D. is the managing member of Forward IV Associates, LLC, which is the general partner of Forward Ventures IV, L.P. and Forward Ventures IV B, L.P. Dr. Royston disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in the named fund. The foregoing information is based upon information contained in a Schedule 13D filed with the SEC by the foregoing entities on February 10, 2004.

(5) Represents 231,553 shares of common stock held of record by the Hale Family Trust, dated February 10, 1986, of which Mr. Hale is a co-trustee, and 4,544 shares held by the Michael T. Hale Trust, dated December 26, 1991, for the benefit of Shane Hale, Tara Hale, Erin Hale and David Garrett Hale. Mr. Hale disclaims beneficial ownership of the 4,544 shares held by the Michael T. Hale Trust, dated December 26, 1991. Also includes exercisable options to purchase 1,046,440 shares of common stock, of which 82,659 shares are unvested as of March 1, 2006. Also includes 22,500 shares of restricted stock, which would vest only upon submission of a Biologics License Application for Canvaxin™. In February 2006, due to the previous discontinuation of all clinical trials and further development of Canvaxin™, the compensation committee of CancerVax s board of directors confirmed the forfeiture of these shares of restricted stock.

(6) Represents 68,181 shares of common stock held of record by the William R. and Joyce E. LaRue Family Trust, dated November 4, 1991, of which Mr. LaRue is a co-trustee. Also includes exercisable options to purchase 119,812 shares of common stock, of which 7,861 shares are unvested as of March 1, 2006. Also includes 11,250 shares of restricted stock, which would vest only upon submission of a Biologics License Application for Canvaxin™. In February 2006, due to the previous discontinuation of all clinical trials and further development of Canvaxin™, the compensation committee of CancerVax s board of directors confirmed the forfeiture of these shares of restricted stock.

(7) Represents 40,072 shares of common stock held of record by Ms. Aker. Also includes exercisable options to purchase 142,766 shares of common stock, of which 13,234 shares are unvested as of March 1, 2006. Also includes 11,250 shares of restricted stock, which would vest only upon submission of a Biologics License Application for Canvaxin™. In February 2006, due to the previous discontinuation of all clinical trials and further development of Canvaxin™, the compensation committee of CancerVax s board of directors confirmed the forfeiture of these shares of restricted stock.

(8) Represents 1,370,230 shares of common stock held of record by Forward Ventures IV, L.P. and 116,308 shares of common stock held of record by Forward Ventures IV B, L.P. Ivor Royston, M.D. is the managing member of Forward IV Associates, L.L.C., which is the general partner of Forward Ventures, IV, L.P., and Forward Ventures IV B, L.P. Dr. Royston disclaims beneficial ownership of these shares except to the extent of his

pecuniary interest in the named fund. Also includes 12,130 shares of common stock held by Colette Royston, Dr. Royston s wife. Also includes exercisable options to purchase 16,666 shares of common stock.

(9) Represents 2,272 shares of common stock held of record by Dr. Carter. Also includes exercisable options to purchase 43,027 shares of common stock, of which 947 shares are unvested as of March 1, 2006.

(10) Represents 823,389 shares of common stock held of record by J.P. Morgan Direct Venture Capital Institutional Investors II LLC, 235,428 shares of common stock held of record by J.P. Morgan Direct Venture Capital Private Investors II LLC and 32,575 shares of common stock held of record by 522 Fifth Avenue Fund, LLC which are affiliated with J.P. Morgan Investment Management, Inc. Mr. Kiss is the Managing

Table of Contents

Director and Portfolio Manager of the Private Equity Group of J.P. Morgan Investment Management, Inc., which is affiliated with J.P. Morgan Direct Venture Capital Institutional Investors II LLC, J.P. Morgan Direct Venture Capital Private Investors II LLC and 522 Fifth Avenue Fund, LLC. Mr. Kiss disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in the named fund. Also includes exercisable options to purchase 16,666 shares of common stock.

(11) Represents 40,349 shares of common stock held of record by Dr. La Force. Of these shares, 1,184 are subject to repurchase as of March 1, 2006. Also includes exercisable options to purchase 20,833 shares of common stock.

(12) Represents 751,742 shares held of record by Vector Later-Stage Equity Fund II (QP), L.P. and 250,580 shares held of record by Vector Later-Stage Equity Fund II, L.P. Mr. Phillips is the managing member of Vector Fund Management II, L.L.C. which is the general partner of Vector Later-Stage Equity Fund II (QP), L.P. and Vector Later-Stage Equity Fund II, L.P. Mr. Phillips disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest in the named fund. Also includes 3,953 shares held of record by the Barclay A. Phillips, IRA Rollover. Also includes 500 shares held of record by Mr. Phillips. Also includes exercisable options to purchase 16,666 shares of common stock.

(13) Represents exercisable options to purchase 45,454 shares of common stock, of which 8,097 shares are unvested as of March 1, 2006.

(14) Represents 7,155 shares of common stock held of record by Dr. Schoettler. Also includes exercisable options to purchase 32,749 shares of common stock, of which 1,426 shares are unvested as of March 1, 2006.

(15) Includes 1,184 shares of common stock subject to repurchase and exercisable options to purchase 1,761,025 shares of common stock, of which 133,639 shares are unvested as of March 1, 2006. Also includes 90,100 shares of restricted stock, which would vest only upon submission of a Biologics License Application for Canvaxin™. In February 2006, due to the previous discontinuation of all clinical trials and further development of Canvaxin™, the compensation committee of CancerVax s board of directors confirmed the forfeiture of these shares of restricted stock.

Table of Contents

MICROMET SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS

The following table and footnotes sets forth information regarding the beneficial ownership of Micromet s ordinary shares, preference shares series (A new) and preference shares series (B new) as of January 31, 2006, and shares of common stock of Micromet Parent upon the consummation of the Micromet Reorganization, and the percentage which such ownership bears to the total number of outstanding shares of each class and all classes as of that date by (1) persons known to Micromet to be beneficial owners of more than 5% of any such stock, (2) the chief executive officer and the four other most highly compensated executive officers of Micromet who earned over $100,000 in the last completed fiscal year and who will become executive officers of the combined company and (3) all current executive officers and directors.

Beneficial ownership and percentage ownership are determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock underlying options and warrants that are exercisable within 60 days of January 31, 2006 are considered to be outstanding by the person holding such options or warrants, but are not considered to be outstanding for purposes of computing the percentage ownership of any other person. To the knowledge of Micromet, except as indicated in the footnotes to the following table and subject to community property laws where applicable, the persons named in this table have sole voting and investment power with respect to all shares of capital stock of Micromet shown as beneficially owned by them.

This table is based on the following number of shares of each class and series of Micromet stock outstanding as of January 31, 2006: 77,642 ordinary shares; 1,232,876 preference shares series (A new); and 2,140,539 preference shares series (B new), and assuming the consummation of the Micromet Reorganization, there will be 3,451,057 shares of Micromet Parent common stock outstanding. The address for those individuals for which an address is not otherwise indicated is: c/o Micromet AG, Staffelseestr. 2, 81477 Munich, Germany.

Name and Address of Beneficial Owner	Number of Shares Owned	Percentage of Outstanding Ordinary Shares	Percentage of Outstanding Series A (New) Preference Shares	Percentage of Outstanding Series B (New) Preference Shares	Percentage of Outstanding Micromet Parent Common Stock (after Micromet Reorganization)(12)
Directors and named executive officers:					
Jerry Benjamin(1)	672,519	*	24.4%	17.3%	19.5%
Gerhard Riethmüller	20,190	26.0%			*
Clemens Doppler(3)	560,376	*	13.4%	18.5%	16.2%
John Berriman		*			*
Michael Carter		*			
Otello Stampacchia(2)	620,884	*	10.8%	22.8%	18.0%
Christian Itin	550	*			*

Patrick A. Baeuerle	4,300	5.5%			*
Gregor Mirow	1,500	1.9%			*
Carsten Reinhardt		*			*
All executive officers and directors as a group (10 persons)(11)	1,880,319	34.7%	48.6%	58.6%	54.5%

Table of Contents

Name and Address of Beneficial Owner	Number of Shares Owned	Percentage of Outstanding Ordinary Shares	Percentage of Outstanding Series A (New) Preference Shares	Percentage of Outstanding Series B (New) Preference Shares	Percentage of Outstanding Micromet Parent Common Stock (after Micromet Reorganization)(12)
Five percent stockholders:					
Entities affiliated with Advent Venture Partners(1) 25 Buckingham Gate London SW1E 6LD United Kingdom	672,519	*	24.4%	17.3%	19.5%
Omega Fund I, L.P.(2) c/o Walkers SPV Limited Walker House Mary Street P.O. Box 908GT George Town, Grand Cayman Cayman Islands	620,884		10.8%	22.8%	18.0%
3i Group plc.(3) 91 Waterloo Road London SE1 8XP United Kingdom	560,376		13.4%	18.5%	16.2%
Entities affiliated with Schroder Venture Managers Ltd.(4) 22 Church Street Hamilton HM 11 Bermuda	142,959		6.7%	2.8%	4.1%
Abingworth Bioventures II SICAV(5) 231 Val des Bons Malades L-2121 Luxembourg-Kirchberg	213,313		6.9%	6.0%	6.2%
DG Lux Lacuna Apo Biotech, DG Bank Luxembourg S.A.(6) 4 rue Thomas Edison L-1445 Luxembourg-Strassen	179,295		6.5%	4.6%	5.2%
International Biotechnology Trust plc(7) 31 Gresham Street London EC2V 7QA United Kingdom	338,950	*	8.1%	11.1%	9.8%
The Wellcome Trust Limited(8) 210 Euston Road	224,172		8.1%	5.8%	6.5%

London NW1 2BE United Kingdom					
HBM Bioventures (Cayman) Ltd.(9) P.O. Box 30852 SMB, Eucalyptus Building Crewe Road Grand Cayman, Cayman Islands British West Indies	217,750		8.1%	5.5%	6.3%
Curis, Inc.(10) 61 Moulton Street Cambridge, MA	6,006	7.7%			*
Enzon Pharmaceuticals, Inc. 685 Route 202/206 Bridgewater, NJ 08807	16,836	21.7%			*
Gerhard Riethmüller	20,190	26.0%			*
Erich Felber	12,300	15.8%			*

Table of Contents

Name and Address of Beneficial Owner	Number of Shares Owned	Percentage of Outstanding Ordinary Shares	Percentage of Outstanding Series A (New) Preference Shares	Percentage of Outstanding Series B (New) Preference Shares	Percentage of Outstanding Micromet Parent Common Stock (after Micromet Reorganization)(12)
Gunther Schlimok	5,850	7.5%			*
Patrick A. Baeuerle	4,300	5.5%			*

* Represents beneficial ownership of less than 1%.

(1) Consists of: 210 ordinary shares, 152,179 preference shares series (A new) and 186,297 preference shares series (B new) held of record by Advent Private Equity Fund III A Limited Partnership; 103 ordinary shares, 74,562 preference shares series (A new) and 91,239 preference shares series (B new) held of record by Advent Private Equity Fund III B Limited Partnership; 29 ordinary shares, 20,807 preference shares series (A new) and 25,462 preference shares series (B new) held of record by Advent Private Equity Fund III C Limited Partnership; 56 ordinary shares, 40,918 preference shares series (A new) and 50,075 preference shares series (B new) held of record by Advent Private Equity Fund III D Limited Partnership; 8 ordinary shares, 5,885 preference shares series (A new) and 7,214 preference shares series (B new) held of record by Advent Private Equity Fund III GmbH & Co. KG; 7 ordinary shares, 4,899 preference shares series (A new) and 5,941 preference shares series (B new) held of record by Advent Private Equity Fund III Affiliates Limited Partnership; and 2 ordinary shares, 1,471 preference shares series (A new) and 1,289 preference shares series (B new) held of record by Advent Management III Limited Partnership. Mr. Benjamin is a general partner of each of the foregoing entities. As a result, Mr. Benjamin shares voting and dispositive power with respect to the shares held by these entities and disclaims beneficial ownership of the shares in which he has no pecuniary interest.

(2) Consists of: 133,483 preference shares series (A new) and 487,401 preference shares series (B new) held of record by Omega Fund I, L.P. Mr. Stampacchia is Chief Investment Advisor of Omega Fund I, L.P. As a result, Mr. Stampacchia shares voting and dispositive power with respect to the shares held by these entities and disclaims beneficial ownership of the shares in which he has no pecuniary interest.

(3) Consists of: 164,589 preference shares series (A new) and 395,787 preference shares series (B new) held of record by 3i Group plc. Dr. Doppler is a director of 3i, which is an advisor to 3i Group plc. As a result, Dr. Doppler shares voting and dispositive power with respect to the shares held by these entities and disclaims beneficial ownership of the shares in which he has no pecuniary interest.

(4) Consists of: 52,324 preference shares series (A new) and 37,753 preference shares series (B new) held of record by Schroder Ventures International Life Sciences Fund L.P. 1; 8,956 preference shares series (A new) and 8,038 preference shares series (B new) held of record by Schroder Ventures International Life Sciences Fund L.P. 2; 19,584 preference shares series (A new) and 14,239 preference shares series (B new) held of record by Schroder Ventures International Life Sciences Fund Trust.

(5) Consists of: 84,881 preference shares series (A new) and 128,432 preference shares series (B new) held of record by Abingworth Bioventures II SICA V.

(6) Consists of: 80,188 preference shares series (A new) and 99,107 preference shares series (B new) held of record by DG Lux Lacuna Apo Biotech, DG Bank Luxembourg S.A.

(7) Consists of: 354 ordinary shares, 100,235 preference shares series (A new) and 238,361 preference shares series (B new) held of record by International Biotechnology Trust plc.

(8) Consists of: 100,235 preference shares series (A new) and 123,937 preference shares series (B new) held of record by The Wellcome Trust Limited.

(9) Consists of: 100,234 preference shares series (A new) and 117,516 preference shares series (B new) held of record by HBM Bioventures (Cayman) Ltd.

(10) All reported shares are ordinary shares.

(11) Consists of: 26,955 ordinary shares, 681,722 preference shares series (A new) and 1,314,601 preference shares series (B new)

(12) It is anticipated that after the Micromet Reorganization, but prior to the consummation of the merger, certain employees and members of the supervisory board of Micromet will be granted options to purchase Micromet Parent common stock. As the amount of and terms of such option grants have not yet been determined, no options to purchase Micromet Parent have been included in the table.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Except where specifically noted, the following information and all other information contained in this proxy statement/prospectus does not give effect to the proposed reverse stock split described in CancerVax s Proposal No. 3.

The following unaudited pro forma condensed combined financial statements give effect to the proposed transaction between CancerVax and Micromet. For accounting purposes Micromet is considered to be acquiring CancerVax in this transaction. Accordingly, the purchase price is allocated among the fair values of the assets and liabilities of CancerVax, while the historical results of Micromet are reflected in the results of the combined company. The transaction will be accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards, or SFAS, No. 141, *Business Combinations.* Under the purchase method of accounting, the total estimated purchase price, calculated as described in Note 2 to these unaudited pro forma condensed combined financial statements, is allocated to the tangible and intangible assets acquired and liabilities assumed in connection with the transaction, based on their estimated fair values as of the completion of the transaction.

For purposes of these unaudited pro forma condensed combined financial statements, management has made a preliminary allocation of the estimated purchase price to the tangible and intangible assets acquired and liabilities assumed based on various preliminary estimates of their fair value, as described in Note 2 to these unaudited pro forma condensed combined financial statements. A final determination of these estimated fair values, which cannot be made prior to the completion of the transaction, will be based on the actual net tangible and intangible assets of CancerVax that exist as of the date of completion of the transaction. The actual amounts recorded as of the completion of the transaction may differ materially from the information presented in these unaudited pro forma condensed combined financial statements. In addition to the receipt of the final valuation, the impact of future integration activities, the timing of completion of the transaction and other changes in CancerVax s net tangible and intangible assets that occur prior to completion of the transaction could cause material differences in the information presented. For example, upon closing of the merger, as a result of CancerVax s continued consumption of its working capital, the final purchase price may exceed the fair value of the assets acquired and liabilities assumed resulting in positive goodwill.

The unaudited pro forma condensed combined financial statements presented below are based upon the historical financial statements of CancerVax and Micromet, adjusted to give effect to the acquisition of CancerVax by Micromet for accounting purposes. The pro forma adjustments are described in the accompanying notes presented on the following pages.

The unaudited pro forma condensed combined balance sheet as of September 30, 2005 gives effect to the proposed transaction as if it occurred on September 30, 2005 and combines the historical balance sheets of CancerVax and Micromet as of September 30, 2005. The Micromet balance sheet information was derived from its unaudited condensed balance sheet as of September 30, 2005 included herein. The CancerVax balance sheet information was derived from its unaudited condensed consolidated balance sheet included in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 and included herein.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2004 is presented as if the transaction was consummated on January 1, 2004 and combines the historical results of CancerVax and Micromet for the year ended December 31, 2004. The historical results of Micromet were derived from its audited statement of operations for the year ended December 31, 2004 included herein. The historical results of CancerVax were derived from its consolidated statement of operations included in its Annual Report on Form 10-K, for its year ended December 31, 2004 and included herein.

The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2005 is presented as if the transaction was consummated on January 1, 2004 and combines the historical results of CancerVax and Micromet for the nine months ended September 30, 2005. The historical results of Micromet were derived from its unaudited condensed statement of operations for the nine months ended September 30, 2005 included herein. The historical results of CancerVax were derived from its unaudited

Table of Contents

condensed consolidated statement of operations included in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 and included herein.

The unaudited pro forma condensed combined financial statements have been prepared by CancerVax and Micromet management for illustrative purposes only and are not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had CancerVax and Micromet been a combined company during the specified periods. The pro forma adjustments are based on the preliminary information available at the time of the preparation of this document. The unaudited pro forma condensed combined financial statements, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the historical financial statements of Micromet for the year ended December 31, 2004 included herein, the unaudited condensed financial statements of Micromet for the nine months ended September 30, 2005 included herein, the historical consolidated financial statements of CancerVax included in its Annual Report on Form 10-K, for the year ended December 31, 2004 and included herein and the historical unaudited condensed consolidated financial statements of CancerVax included in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 and included herein.

Table of Contents

Unaudited Pro Forma Condensed Combined Balance Sheets
As of September 30, 2005
(In thousands)

	Micromet Historical ($) (A)	CancerVax Historical ($)	Pro Forma Adjustments ($)		Pro Forma Combined ($)
ASSETS					
Current assets:					
Cash and cash equivalents	$ 7,279	$ 45,566	$ (18,000)	M	$ 32,188
			(247)	N	
			(2,410)	O	
Securities available-for-sale	3,078	14,689			17,767
Accounts receivable	1,325	4,500			5,825
Property and equipment held for sale			495	G	495
Other current assets	1,073	341			1,414
Total current assets	12,755	65,096	(20,162)		57,689
Property and equipment, net	3,790	4,602	(3,890)	G	4,502
Goodwill		5,381	(5,381)	F	
Patents, net	10,319	719			11,038
Restricted cash	539	1,280			1,819
Other assets	404	314	(133)	F	585
Total assets	$ 27,807	$ 77,392	$ (29,566)		$ 75,633
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable and accrued liabilities	$ 9,271	$ 8,852	$ 1,420	L	$ 20,361
			1,065	I	
			(247)	N	
Current portion of deferred revenue	7,323				7,323
Current portion of long-term debt	4,771	3,178	(3,053)	M	4,896
Total current liabilities	21,365	12,030	(815)		32,580
Deferred revenue, net of current portion	57				57
Long-term debt, net of current portion	8,920	14,947	(14,947)	M	6,330
			(2,590)	O	
Convertible notes payable	37,697				37,697
Other liabilities	867	1,609	(1,136)	F	6,188

			4,848	H	
Stockholders equity:					
Convertible preferred stock	274		(274)	D	
Common stock	73	1	(1)	B	3
			274	D	
			(344)	E	
Additional paid-in capital	75,039	257,841	(257,841)	B	118,352
			42,989	C	
			(20)	D	
			344	E	
Stock subscription receivable	(358)				(358)
Accumulated other comprehensive loss		(13)	13	B	
Deferred compensation		(448)	448	B	(664)
			(664)	K	
Accumulated deficit	(116,107)	(208,575)	208,575	B	(124,552)
			(8,625)	J	
			180	O	
Treasury stock	(20)		20	D	
Total stockholders equity (deficit)	(41,099)	48,806	(14,926)		(7,219)
Total liabilities and stockholders equity (deficit)	$ 27,807	$ 77,392	$ (29,566)		$ 75,633

Table of Contents

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2004
(In thousands, except per share amounts)

	Micromet Historical ($) (A)	CancerVax Historical ($)	Pro Forma Adjustments ($) (A)		Pro Forma Combined ($)
Revenues	$ 16,741	$ 1,526			$ 18,267
Operating expenses:					
Research and development	33,084	43,102	(1,414)	R	74,772
General and administrative	5,589	12,310	(658)	R	17,241
Amortization of employee stock-based compensation		1,864	4,392	S	6,256
Total operating expenses	38,673	57,276	2,320 7	P	98,269
Other income (expense), net	(3,137)	164	252	Q	(2,714)
Net loss	$ (25,069)	$ (55,586)	$ (2,061)		$ (82,716)
Basic and diluted net loss per share	$	$ (2.08)			$ (0.98)
Weighted averaged shares used to compute basic and diluted net loss per share		26,733	58,013	T	84,746

Table of Contents

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2005
(In thousands, except per share amounts)

	Micromet Historical ($) (A)	CancerVax Historical ($)	Pro Forma Adjustments ($) (A)		Pro Forma Combined ($)
Revenues	$ 17,046	$ 38,888			$ 55,934
Operating expenses:					
Research and development	21,707	31,241	(1,593)	R	51,355
General and administrative	4,297	8,897	(496)	R	12,698
Amortization of employee stock-based compensation		882	4,342	S	5,224
Impairment of long-lived assets		22,838			22,838
Total operating expenses	26,004	63,858	2,253		92,115
			157	P	
Other income (expense), net	(3,378)	1,173	181	Q	(1,867)
Net loss	$ (12,336)	$ (23,797)	$ (1,915)		$ (38,048)
Basic and diluted net loss per share	$	$ (0.85)			$ (0.44)
Weighted averaged shares used to compute basic and diluted net loss per share		27,833	58,013	T	85,846

Table of Contents

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

1. Basis of Presentation

On January 6, 2006, CancerVax and Micromet entered into an Agreement and Plan of Merger and Reorganization under which a wholly-owned subsidiary of CancerVax will merge with and into Micromet, Inc., or Micromet Parent with Micromet Parent becoming a wholly-owned subsidiary of CancerVax and the surviving corporation of the merger. Upon completion of the merger, the combined company will change its name to Micromet, Inc., as contemplated under Proposal No. 4. Pursuant to the terms of the merger agreement, CancerVax will issue to Micromet stockholders, option holders, warrant holders and note holders shares of CancerVax common stock such that Micromet stockholders, option holders, warrant holders and note holders will own approximately 67.5% of the combined company on a fully-diluted basis and CancerVax stockholders will own approximately 32.5% of the combined company on a fully-diluted basis. Additionally, CancerVax will assume all of the stock options, stock warrants and restricted stock of Micromet outstanding as of the merger closing date subject to the same terms and conditions. The merger is intended to qualify as a tax-free reorganization under the provisions of Section 368(a) of the Internal Revenue Code. The merger is subject to customary closing conditions, including approval by CancerVax stockholders.

Because Micromet stockholders will own approximately 67.5% of the voting stock of the combined company after the transaction, Micromet is deemed to be the acquiring company for accounting purposes and the transaction will be accounted for as a reverse acquisition under the purchase method of accounting for business combinations in accordance with accounting principles generally accepted in the United States. Accordingly, the assets and liabilities of CancerVax will be recorded as of the merger closing date at their estimated fair values.

2. Purchase Price

The preliminary estimated total purchase price of the proposed transaction is as follows (in thousands):

Fair value of CancerVax common stock	$ 40,725
Estimated fair value of CancerVax stock options and stock warrants assumed	2,264
Estimated transaction costs incurred by Micromet	1,420
Total preliminary estimated purchase price	$ 44,409

As of January 6, 2006, CancerVax had 27,932,160 shares of common stock outstanding. The fair value of the CancerVax common stock used in the determining the purchase price was $1.46 per share based on the average of the closing prices for a range of trading days (January 5, 2006 through January 11, 2006, inclusive) around and including the announcement date of the proposed transaction. The fair value of the CancerVax stock options and stock warrants assumed by Micromet was determined using the Black-Scholes option pricing model with the following assumptions: stock price of $1.46, which is the value ascribed to the CancerVax common stock in determining the purchase price; volatility of 75%; dividend rate of 0%; risk-free interest rate of 4.0%; and a weighted average expected option life of 2.03 years. The estimated purchase price is preliminary because the proposed merger has not yet been completed. The actual purchase price may change based on the actual number of shares of CancerVax common stock and the number of CancerVax stock options and stock warrants outstanding on the merger closing date and Micromet s final costs to complete the merger.

Under the purchase method of accounting, the total purchase price is allocated to the acquired tangible and intangible assets and assumed liabilities of CancerVax based on their estimated fair values as of the merger closing date. The excess of the purchase price over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill. The excess of the fair value of acquired assets and liabilities assumed over the purchase price (negative goodwill), if any, is considered negative goodwill and, in accordance with Statement of Financial Accounting Standard No. 141, *Business Combinations*, is allocated as a pro rata reduction of the amounts that otherwise would have been assigned to certain acquired assets.

Table of Contents

A preliminary allocation of the total preliminary estimated purchase price, as shown above, to the acquired tangible and intangible assets and assumed liabilities of CancerVax based on their estimated fair values as of September 30, 2005 and a preliminary allocation of the resulting negative goodwill are as follows (in thousands):

	Fair Value of Assets Acquired and Liabilities Assumed	Pro Rata Allocation of Negative Goodwill	Preliminary Allocation of Purchase Price
Cash, cash equivalents and securities available-for-sale	$ 60,255		$ 60,255
Property and equipment held for sale	495		495
Property and equipment held and used	1,921	$ (1,209)	712
In-process research and development	23,281	(14,656)	8,625
Capitalized patents	719		719
Other assets	6,302		6,302
Existing assumed liabilities	(27,450)		(27,450)
Unfavorable lease liability	(4,848)		(4,848)
Assumed severance obligation	(1,065)		(1,065)
Deferred stock-based compensation	664		664
Total	$ 60,274	$ (15,865)	$ 44,409

The allocation of the estimated purchase price is preliminary because the proposed transaction has not yet been completed. The purchase price allocation will remain preliminary until Micromet completes a third-party valuation of significant identifiable intangible assets acquired (including in-process research and development) and determines the fair values of other assets acquired and liabilities assumed. The final determination of the purchase price allocation is anticipated to be completed as soon as practicable after completion of the merger and will be based on the fair values of the assets acquired and liabilities assumed as of the merger closing date. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented in the unaudited pro forma condensed combined financial statements. For example, upon closing of the merger, as a result of CancerVax s continued consumption of its working capital, the final purchase price may exceed the fair value of the assets acquired and liabilities assumed resulting in positive goodwill.

After the pro rata reduction of the amounts assigned to acquired assets for the negative goodwill, the amount of the preliminary purchase price allocated to in-process research and development, or IPR&D, is estimated to be $8.6 million. The acquired IPR&D projects consists of the following: D93 and other denatured collagen related anti-angiogenesis programs that potentially target various solid tumors; SAI-EGF and related programs that target the epidermal growth factor receptor, or, EGFR, signaling pathway that potentially target non-small cell lung cancer and various solid tumors; GD2, a humanized, monoclonal antibody that appears to target tumor-associated antigens that are expressed in a variety of solid tumor cancers; and certain other non-denatured collagen related humanized, monoclonal antibodies and peptides that potentially target various solid tumors.

The fair value of the IPR&D projects was determined utilizing the income approach, assuming that the rights to the IPR&D projects will be sub-licensed to third parties in exchange for certain up-front, milestone and royalty payments, and the combined company will have no further involvement in the ongoing development and commercialization of

the projects. Under the income approach, the expected future net cash flows from sub-licensing for each IPR&D project are estimated, risk-adjusted to reflect the risks inherent in the development process and discounted to their net present value. Significant factors considered in the calculation of the discount rate are the weighted-average cost of capital and return on assets. Management believes that the discount rate utilized is consistent with the projects stage of development and the uncertainties in the estimates described above. Because the acquired IPR&D projects are in the early stages of the development cycle, the amount allocated to IPR&D will be recorded as an expense immediately upon completion of the merger.

Table of Contents

3. Pro Forma Adjustments

The unaudited pro forma condensed combined financial statements include certain pro forma adjustments to give effect to certain significant capital transactions of Micromet occurring prior to and as a direct result of the proposed merger, and the acquisition of CancerVax by Micromet for accounting purposes.

The unaudited pro forma condensed combined financial statements also include an adjustment for contractual severance liabilities owed to the chief executive officer and certain other CancerVax employees, in accordance with Emerging Issues Task Force, or EITF, No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination.* Additional employee severance, employee relocation or restructuring costs associated with the merger, if any, will result in additional assumed liabilities and an adjustment to goodwill.

The unaudited pro forma condensed combined financial statements do not include any adjustments for income taxes as the combined company is anticipated to incur taxable losses for the foreseeable future.

The pro forma adjustments are as follows (in thousands, except share and per share amounts):

(A) The historical financial statements of Micromet have been translated into US dollars, using an exchange rate of 1 Euro to 1.20480 US dollars for the balance sheet as of September 30, 2005, and 1 Euro to 1.24386 US dollars and 1 Euro to 1.26417 US dollars for the statements of operations for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively. The balance sheet rate is the exchange rate as of September 30, 2005. The statements of operations rates are an average exchange rate for the periods presented.

(B) To eliminate CancerVax s historical stockholders equity accounts.

(C) To record the value of the CancerVax common stock, stock options and stock warrants assumed in the merger.

(D) To reflect the conversion of all outstanding shares of Micromet preferred stock into Micromet common stock and the elimination of Micromet s treasury stock. Upon completion of the merger, all of the issued and outstanding shares of Micromet common stock will be exchanged for 58,012,946 shares of CancerVax common stock pursuant to the merger agreement.

(E) To adjust the common stock and additional paid-in capital accounts to reflect the 85,945,106 shares of CancerVax common stock, par value $0.00004, to be outstanding upon the completion of the merger. The pro forma shares of CancerVax common stock to be outstanding upon completion of the merger has not been adjusted for the CancerVax reverse stock split that is contemplated in Proposal No. 3.

(F) To eliminate CancerVax s historical goodwill, capitalized patents and certain other assets, and deferred rent liability.

(G) To record the step-down in the basis of CancerVax s property and equipment from book value to estimated fair value and reclassify property and equipment held for sale to a current asset.

(H) To record the unfavorable lease liability for CancerVax facility operating leases with above-market lease rates.

(I) To record the severance obligations due to David F. Hale, CancerVax s President and Chief Executive Officer, and certain other CancerVax employees upon completion of the merger. Mr. Hale s employment will be terminated effective upon completion of the merger, although Mr. Hale will continue as the chairman of the board of directors of the combined company. Because the expense associated with the severance obligation is directly attributable to the

merger and will not have a continuing impact, it is not reflected in the pro forma statements of operations. However, this item will be recorded as an expense immediately following the completion of the merger.

(J) To record the estimated fair value of in-process research and development acquired in the merger, net of the value of in-process research and development allocated to the capitalized patents asset. Because the in-process research and development charge is directly attributable to the merger and will not have a continuing impact, it is not reflected in the pro forma statements of operations. However, this item will be recorded as an expense immediately following the completion of the merger.

Table of Contents

(K) To record the deferred stock-based compensation associated with unvested CancerVax stock options assumed in the merger. The amortization of employee stock-based compensation associated with the value of unvested CancerVax stock options assumed in the merger has not been reflected in the pro forma statements of operations because the amortization will not have a material impact on continuing operations.

(L) To record Micromet s estimated cash transaction costs. CancerVax s estimated transaction costs of $2.4 million will be expensed as incurred and are not reflected in the pro forma statements of operations.

(M) To reflect the cash repayment, upon completion of the merger, of the $18.0 million of outstanding borrowings as of September 30, 2005 under CancerVax s $18.0 million bank credit facility. The terms of the loan agreement require that it be repaid in full upon the occurrence of a change of control event, such as the completion of the proposed merger.

(N) To reflect the cash repayment, upon completion of the merger, of Micromet s debtor warrant obligation with Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Eins KG, or GEK of 0.2 million ($0.2 million at the September 30, 2005 exchange rate).

(O) To reflect the settlement of certain of Micromet s long-term debt obligations with Technologie-Beteiligungs-Gesellschaft mbH, or tbg, with a face value of 2.2 million ($2.6 million at the September 30, 2005 exchange rate) for a cash payment of 2.0 million ($2.4 million at the September 30, 2005 exchange rate), due upon completion of the merger. The difference between the cash settlement payment and the face value of the debt obligations represents a gain on debt restructuring. Because this item is directly attributable to the merger and will not have a continuing impact, it is not reflected in the pro forma statements of operations. However, this item will be recorded as a gain immediately following the completion of the merger.

(P) To eliminate the interest expense recognized during the year ended December 31, 2004 and the nine months ended September 30, 2005 associated with CancerVax s $18.0 million bank credit facility as a result of the repayment of the outstanding borrowings under this credit facility upon completion of the merger.

(Q) To eliminate the interest expense recognized during the year ended December 31, 2004 and the nine months ended September 30, 2005 associated with certain of Micromet s long-term debt obligations with tbg as a result of the settlement of the debt upon completion of the merger.

(R) To eliminate the historical depreciation expense on property and equipment recognized by CancerVax for the year ended December 31, 2004 and the nine months ended September 30, 2005. The depreciation expense associated with the value of CancerVax property and equipment acquired in the merger has not been reflected in the pro forma statements of operations because the depreciation expense will not have a material impact on continuing operations.

(S) To adjust CancerVax s historical amortization of employee stock-based compensation to conform to Micromet s policy for accounting for stock-based compensation.

(T) To eliminate Micromet s weighted average shares outstanding and reflect the issuance of 58,012,946 shares of CancerVax common stock pursuant to the merger agreement. The pro forma weighted average shares outstanding upon completion of the merger has not been adjusted for the CancerVax reverse stock split that is contemplated in Proposal No. 3.

4. Significant Micromet Capital Transactions Subsequent to September 30, 2005

Subsequent to September 30, 2005, Micromet entered into the following significant capital transactions, which have not been reflected in the pro forma condensed combined financial statements:

In the fourth quarter of 2005, Micromet received an equity investment of 4.0 million ($4.8 million at the September 30, 2005 exchange rate), from existing shareholders for the purchase of preference shares Series (B new).

In December 2005, Micromet s convertible note payable to Enzon Pharmaceuticals, Inc. with a face value of 9.3 million ($11.2 million at the September 30, 2005 exchange rate) was converted into 16,836 shares of Micromet common stock as a result of the termination of Micromet s collaboration agreement with Enzon.

In December 2005, certain convertible notes payable to Micromet shareholders with a face value of 10.0 million ($12.0 million at the September 30, 2005 exchange rate) were converted into 18,704 shares of Micromet preference shares Series (B new).

Table of Contents

5. Impact of the Proposed Merger on Certain Micromet Debt Obligations

Micromet has a convertible note payable to MedImmune Ventures, Inc. with a face value of 10.0 million ($12.0 million at the September 30, 2005 exchange rate). MedImmune Ventures has the right to convert the note in full into shares of Micromet preference shares series (A new) upon an initial public offering or reverse merger involving Micromet if the pre-money valuation of Micromet in such transaction is at least 120.0 million ($144.6 million at the September 30, 2005 exchange rate). The conversion rate decreases ratably as Micromet s pre-money valuation in such transaction decreases. Additionally, MedImmune Ventures has the right to call the note in full if, immediately following an IPO or reverse merger involving Micromet, the resulting entity has cash and cash equivalents in excess of 60.0 million ($72.3 million at the September 30, 2005 exchange rate). The callable amount of the note decreases ratably as the amount of the cash and cash equivalents of the resulting entity immediately following such transaction decreases. No amount of the note is callable if the cash and cash equivalents of the resulting entity immediately following such transaction is less than 30.0 million ($36.1 million at the September 30, 2005 exchange rate). Management does not believe that the call option of the MedImmune Ventures note will be triggered upon completion of the proposed merger. The MedImmune Ventures note is classified as noncurrent in Micromet s historical balance sheet as of September 30, 2005.

Micromet has a non-interest bearing loan agreement with Curis, Inc. with remaining unpaid borrowings at September 30, 2005 of 3.3 million ($3.9 million at the September 30, 2005 exchange rate). In February 2006, Micromet was notified by Curis that the proposed merger with CancerVax qualifies as an exit event under the terms of the loan agreement, thereby triggering a loan payment of 2.0 million ($2.4 million at the September 30, 2005 exchange rate) within 30 days after completion of the merger. Management does not believe that the proposed merger qualifies as an exit event under the terms of the loan agreement and intends to dispute Curis interpretation of the loan agreement. The remaining unpaid balance of the Curis loan is classified as current in Micromet s historical balance sheet as of September 30, 2005.

Table of Contents

MANAGEMENT OF THE COMBINED COMPANY AFTER THE MERGER

Upon consummation of the merger, the board of directors of the combined company will be comprised of nine members. The following table lists the names, ages and positions of individuals currently designated by CancerVax and Micromet to serve as directors and executive officers of the combined company upon consummation of the merger. The ninth member of the board of directors is expected to be selected by Micromet prior to the completion of the merger. The ages of the individuals are provided as of January 31, 2006.

Executive Officers and Directors

Name	Age	Position
Executive Officers:		
Christian Itin, Ph.D.	41	President, Chief Executive Officer and Director
Gregor K. Mirow, M.D., M.B.A.	46	Senior Vice President, Operations
Patrick A. Baeuerle, Ph.D.	48	Senior Vice President, Chief Scientific Officer
Carsten Reinhardt, M.D., Ph.D.	38	Senior Vice President, Clinical Development
Hazel M. Aker, J.D.	50	Senior Vice President, General Counsel
William R. LaRue	54	Senior Vice President, Chief Financial Officer
Directors:		
David F. Hale	57	Chairman
Phillip M. Schneider(2)	49	Director
Michael G. Carter, M.B., Ch.B., F.R.C.P(1)(3)	68	Director
Barclay A. Phillips(2)(3)	43	Director
Jerry C. Benjamin(1)(3)	65	Director
Otello Stampacchia, Ph.D.(1)	36	Director
John E. Berriman(1)(2)	57	Director

(1) Member of compensation committee.

(2) Member of audit committee.

(3) Member of nominating/corporate governance committee.

Executive Officers

Christian Itin, Ph.D. has served as Chief Executive Officer of Micromet since March 2004, as Chief Business Officer from April 2002 to March 2004, as Vice President Business and Corporate Development from September 2001 to April 2002, Vice President of Corporate Development from September 2000 to September 2001 and as Head of IP and Licensing from September 1999 to September 2000. Before joining Micromet, Mr. Itin was a co-founder of Zyomyx, Inc. (Hayward, CA, USA), a protein chip company. Mr. Itin received a Diploma in biology and a Ph.D. in cell biology from the University of Basel, Switzerland; he also performed post-doctoral research at the Biocenter of Basel University and at Stanford University School of Medicine, CA.

Gregor K. Mirow, M.D., M.B.A. has served as the Chief Operating Officer and Chief Financial Officer of Micromet since June 1999. From January 1997 to April 1999, Mr. Mirow served as Managing Director of the Rentschler Medical Drug Group, a drug development company. From January 1990 to December 1996, Mr. Mirow worked as a management consultant in a variety of life science fields. Mr. Mirow received his medical degree at the Technical University of Munich in 1986 and an M.B.A. from the Wharton School of the University of Pennsylvania in 1989.

Patrick A. Baeuerle, Ph.D. has served as Micromet s Chief Scientific Officer since October 1998. From February 1996 to September 1998, Mr. Baeuerle headed the drug discovery activities of Tularik Inc. in South San Francisco, CA, as Director, Drug Discovery. From October 1994 to February 1996, Mr. Baeuerle served as a full Professor and Chairman of Biochemistry at the Medical Faculty of Freiburg University, Germany. In 1989, he was

Table of Contents

awarded a group leader position at the Gene Center in Martinsried, Germany, where he did seminal research on transcription factor NF-kappaB. According to a survey by the Institute for Scientific Information (ISI, Philadelphia, PA, USA), Mr. Baeuerle was Germany s most frequently cited biomedical scientist of the past decade, and 38th worldwide. He has published more than 190 scientific papers, and four educational children books on biology. In addition, Mr. Baeuerle is the first recipient of the Prix Européen de l Avenir and an elected member of the European Molecular Biology Organization (EMBO). He was appointed Honorary Professor of Immunology at the University of Munich in 2000. Mr. Baeuerle performed his Ph.D. work at the Max Planck Institute for Psychiatry in Martinsried and at the European Molecular Biology Laboratory (EMBL) in Heidelberg, obtained a Ph.D. degree in biology from the University of Munich, and performed his post-doctoral research with David Baltimore at the Whitehead Institute of the Massachusetts Institute of Technology (MIT), Cambridge, MA.

Carsten Reinhardt, M.D., Ph.D., has served as Senior Vice President Clinical Development of Micromet since June 2005. Before joining Micromet, Mr. Reinhardt was International Medical Leader for Herceptin at Hoffmann-La Roche (Basel, Switzerland) between 2003 and 2005, as well as Head of Clinical Development at Fresenius Biotech (Munich, Germany) until 2003. From 1995 to 2000, Mr. Reinhardt worked at various academic institutions (University of Tübingen, Max-Planck-Institute of Psychiatry, Munich) to complete his curriculum in Neurology. Between 1991 and 1995 Mr. Reinhardt performed his Ph.D. thesis in Cellular Immunology at the Institute of Immunology in Munich, Germany. Mr. Reinhardt received a Medical Degree in 1994 from University of Munich, Germany. Mr. Reinhardt is a Visiting Professor for Pharmaceutical Medicine at the University of Basel.

Hazel M. Aker, J.D. has served as CancerVax s Senior Vice President, General Counsel and Secretary since February 2003, and as Vice President, General Counsel and Secretary from February 2001 to February 2003. From April 2000 to March 2001, Ms. Aker served as Vice President, General Counsel and Secretary for Alaris Medical, Inc., and its subsidiary, Alaris Medical Systems, Inc., a manufacturer of intravenous infusion therapy products and patient monitoring systems. From October 1999 to April 2000, Ms. Aker served as Vice President and General Counsel and, from December 1999 to April 2000, as Vice President of Regulatory and Quality Affairs, for Women First HealthCare, Inc. From May 1995 until October 1999, Ms. Aker served as Corporate Vice President, Legal Affairs, and Assistant General Counsel for Alaris Medical Systems, Inc., which was formerly IVAC Medical Systems, Inc. Ms. Aker is a member of the State Bar of California. Ms. Aker received a B.A. from the University of California, San Diego and a J.D. from the University of San Diego School of Law.

William R. LaRue has served as CancerVax s Senior Vice President and Chief Financial Officer since April 2001. From March 2000 to February 2001, Mr. LaRue served as Executive Vice President and Chief Financial Officer of eHelp Corporation, a provider of user assistance software. From January 1997 to February 2000, Mr. LaRue served as Vice President and Treasurer of Safeskin Corporation, a publicly traded medical device company, and from January 1993 to 1997 he served as Treasurer of GDE Systems, Inc., a high technology electronic systems company. Mr. LaRue serves on the board of directors of Cadence Pharmaceuticals, Inc., a privately-held specialty pharmaceutical company. Mr. LaRue received a B.S. in business administration and M.B.A. from the University of Southern California.

Each officer will be elected by the combined company s board of directors and will serve at the board s discretion.

Directors

David F. Hale has served as President and Chief Executive Officer of CancerVax since October 2000 and as a member of our Board of Directors since December 2000. Upon consummation of the merger, Mr. Hale will continue as Chairman of the Board of Directors. Beginning in June 2000, Mr. Hale consulted with Dr. Morton on the transfer of the rights to Canvaxin to us, our initial financing and the commencement of our operations. From January 1998 to May 2000, Mr. Hale served as President and Chief Executive Officer of Women First HealthCare, Inc., a

publicly-traded specialty pharmaceuticals company. Prior to joining Women First HealthCare, Mr. Hale served from May 1987 to November 1997 as Chairman, President and Chief Executive Officer of Gensia, Inc., a publicly-held biopharmaceutical company, which merged with Sicor, Inc., to form GensiaSicor, Inc., and which was recently acquired by Teva Pharmaceutical Industries Limited. He also served from February 1987 to September 1995 as Chairman of Viagene, Inc., a publicly held biotechnology company that was acquired by Chiron, Inc. Mr. Hale

served from April 1982 to May 1987 in several positions with Hybritech, Inc., a publicly-traded biotechnology company that was acquired by Eli Lilly and Co., including Senior Vice President of Marketing and Business Development, President and Chief Operating Officer and ultimately President and Chief Executive Officer. Prior to joining Hybritech, Mr. Hale served from January 1980 to April 1982 as Vice President, Sales and Marketing and then as Vice President and General Manager with BBL Microbiology Systems, a division of Becton, Dickinson & Co. From March 1971 to December 1980, Mr. Hale held various marketing and sales management positions with Ortho Pharmaceutical Corporation, a division of Johnson & Johnson, Inc. Mr. Hale currently serves as Chairman of the Board of Directors of Santarus, Inc. and Somaxon Pharmaceuticals, Inc., publicly-traded specialty pharmaceutical companies, as a director of Metabasis Therapeutics, Inc., publicly-traded biotechnology company, and as a director of several privately-held biotechnology companies, including SkinMedica, Inc. and Verus Pharmaceuticals, Inc. Mr. Hale is also a director of the Biotechnology Industry Organization, BIOCOM, the California Healthcare Institute and is a co-founder and director of CONNECT. Mr. Hale received a B.A. in biology and chemistry from Jacksonville State University.

Phillip M. Schneider has served as a member of CancerVax s Board of Directors since September 2003. Mr. Schneider is the former Chief Financial Officer of IDEC Pharmaceuticals Corporation. During his 15-year tenure at IDEC, which ended in October 2002, he served as Senior Vice President and Chief Financial Officer and played an integral role in the company s growth. Prior to his association with IDEC, Mr. Schneider held various management positions at Syntex Pharmaceuticals Corporation and was previously with KPMG, LLP. Mr. Schneider has served as a director and chair of the audit committee of Gen-Probe Incorporated since November 2002 and serves as a member of the Board of Directors and chair of the audit committee for Targegen, Inc., a privately held biotechnology company. Mr. Schneider holds an M.B.A. from the University of Southern California and a B.S. in biochemistry from the University of California at Davis.

Michael G. Carter, M.B., Ch.B., F.R.C.P. (Edinburgh) has served as a member of CancerVax s Board of Directors since February 2001. Dr. Carter is a venture partner at S.V. Life Sciences Advisers LLP. Dr. Carter retired from Zeneca, PLC, a publicly-traded global pharmaceutical company, in 1998. Dr. Carter served Zeneca as International Medical Director from 1986 to 1989 and as International Marketing Director from 1990 to 1995. From 1985 to 1995, Dr. Carter served as a member of the U.K. Government s Medicines Commission. From 1976 to 1984, Dr. Carter held several positions with Roche Products, Ltd, including head of Medical Development and Medical Affairs and Director of the Pharmaceutical Division. Dr. Carter currently serves as a Director of several European biopharmaceutical companies, including Micromet GmbH and Fulcrum Pharmaceuticals PLC, as Chairman of the Board of Directors of Metris Therapeutics, Ltd., and as a member of the Board of Directors of Santarus, Inc. Dr. Carter is an Elected Fellow of the Royal Pharmaceutical Society, Faculty of Pharmaceutical Medicine, and of the Royal College of Physicians of Edinburgh. Dr. Carter received a bachelor s degree in Pharmacy from London University (U.K.) and a medical degree from Sheffield University Medical School (U.K.).

Barclay A. Phillips has served as a member of CancerVax s Board of Directors since December 2000. From 1999 to the present, Mr. Phillips has been a Managing Director of Vector Fund Management. Mr. Phillips has investment management responsibility for Vector Later-Stage Equity Fund, L.P. and Vector Later-Stage Equity Fund II, L.P. From 1991 to 1999, Mr. Phillips served in various roles including Director of Private Placements and Biotechnology Analyst for INVESCO Funds Group, Inc. From 1985 to 1990, Mr. Phillips held positions in sales and trading with Paine Webber, Inc. and Shearson Lehman Hutton, Inc. Over the last ten years, Mr. Phillips has held board positions for a number of private companies and currently serves as a Director of Cellomics, Inc. and Acorda Therapeutics, Inc. Mr. Phillips received a B.A. in economics from the University of Colorado in Boulder.

Christian Itin will become a director of the combined company in connection with the consummation of the merger. Please see the preceding Executive Officers section for information regarding Mr. Itin.

Jerry C. Benjamin will become a director of the combined company in connection with the consummation of the merger. Mr. Benjamin has been a General Partner of Advent Venture Partners, a venture capital management firm in London, since 1985. Mr. Benjamin also serves on the Board of Directors of Orthofix International N.V., an international orthopedics company listed on NASDAQ. In the past, Mr. Benjamin has been a director of a number of public and private health care companies.

Table of Contents

Otello Stampacchia, Ph.D. will become a director of the combined company in connection with the consummation of the merger. An Italian citizen, Mr. Stampacchia has served as Chief Investment Adviser of the Omega Fund since 2005. The Omega Fund is an investment vehicle specializing in providing liquidity to existing investors in health care companies through the acquisition and subsequent management of direct investment positions. Omega acquires ownership interests in public and private biopharmaceutical and device companies, focusing on Western Europe and the USA. Otello has been involved in various venture capital activities in biotechnology since 2001, formerly as Head of Life Sciences Investments at NIB Capital Private Equity (now Alpinvest Partners), a private equity asset manager with currently over EUR32bn under management. Previously, Mr. Stampacchia was a member of the health care Corporate Finance and M&A team at Goldman Sachs International in London, and he helped to initiate the health care investment activities of Index Securities (now Index Ventures). Mr. Stampacchia has a Ph.D. in Molecular Biology from the University of Geneva (Switzerland) and a European Doctorate in Biotechnology (EDBT) from the European Association for Higher Education in Biotechnology.

John E. Berriman will become a director of the combined company in connection with the consummation of the merger. Since May 2004, Mr. Berriman has been a consultant and a non-executive director of a number of private and public biotech companies. He served as a member of the Board of Directors of Alnylam Pharmaceuticals, Inc. from July 2003 until December 2005. From August 2001 until May 2004, Mr. Berriman served as a director of Abingworth Management, a venture capital firm specializing in life science biomedical companies. Mr. Berriman was a consultant to Abingworth Management from March 1997 to August 2001. From 1989 until 1996 Mr. Berriman was an executive director of Celltech pic.

Board Composition

Upon consummation of the merger, the board of directors of the combined company will be comprised of nine members. All directors hold office until their successors have been elected and qualified or until their earlier death, resignation, disqualification or removal. Our Amended and Restated Certificate of Incorporation provides that the terms of office of the directors are divided into three classes:

Class I, whose term will expire at the annual meeting of stockholders to be held in 2007;

Class II, whose term will expire at the annual meeting of stockholders to be held in 2008; and

Class III, whose term will expire at the annual meeting of stockholders to be held in 2006.

Upon the consummation of the merger, Class I will consist of Messrs. Benjamin, Phillips and Stampacchia, Class II will consist of Messrs. Schneider, Itin and an individual to be designated by Micromet prior to the closing of the merger, and Class III will consist of Messrs. Hale, Carter and Berriman. At each annual meeting of stockholders, the successors to directors whose terms will then expire serve from the time of election and qualification until the third annual meeting following election and until their successors are duly elected and qualified. A resolution of the board of directors or affirmative vote of the holders of at least 662/3% of our outstanding voting stock may change the authorized number of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in control or management of our company.

Board Committees

Our board of directors has an audit committee, a compensation committee and a corporate governance and nominating committee.

Compensation Committee. Upon consummation of the merger, our compensation committee will consist of Messrs. Benjamin (chairman), Berriman, Carter and Stampacchia, each of whom will be a non-management member of our board of directors. The functions of this committee include:

- reviewing and, as it deems appropriate, recommending to our board of directors, policies, practices and procedures relating to the compensation of our directors, officers and other managerial employees and the establishment and administration of our employee benefit plans;

- exercising authority under our stock incentive plan; and

Table of Contents

advising and consulting with our officers regarding managerial personnel and development.

Audit Committee. Upon consummation of the merger, our audit committee will consist of Messrs. Schneider (chairman), Berriman and Phillips, each of whom will be a non-management member of our board of directors. The functions of this committee include:

meeting with our management periodically to consider the adequacy of our internal controls and the objectivity of our financial reporting;

meeting with our independent auditors and with internal financial personnel regarding these matters;

recommending to our board of directors the engagement of our independent auditors;

reviewing our audited financial statements and reports and discussing the statements and reports with our management, including any significant adjustments, management judgments and estimates, new accounting policies and disagreements with management; and

reviewing our financial plans and reporting recommendations to our full board for approval and to authorize action. Both our independent auditors and internal financial personnel regularly meet privately with our audit committee and have unrestricted access to this committee.

Nominating/Corporate Governance Committee. Upon consummation of the merger, our nominating/ corporate governance committee will consist of Messrs. Phillips (chairman), Benjamin and Carter, each of whom will be a non-management member of our board of directors. The functions of this committee include:

reviewing and recommending nominees for election as directors;

assessing the performance of the board of directors;

developing guidelines for board composition; and

reviewing and administering our corporate governance guidelines and considering other issues relating to corporate governance

Compensation Committee Interlocks and Insider Participation. The combined company s Compensation Committee of the Board of Directors will consist of Messrs. Benjamin, Berriman, Carter and Stampacchia. Mr. Benjamin will be the chairman of the compensation committee. No member of the Compensation Committee will have been at any time an officer or employee of the Company. None of the combined company s executive officers serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the Compensation Committee. None of the combined company s executive officers serves, or in the past year has served, as a member of the compensation committee of any entity that has one or more executive officers serving on our Board of Directors.

Compensation of Directors

In fiscal year 2005, our directors received an annual fee of $16,000 for service as a director. In addition, our directors received $1,500 for each regularly scheduled board meeting and $750 for each regularly scheduled committee meeting. We reimbursed our directors for their reasonable expenses incurred in attending meetings of our board of

directors. Our directors may participate in our stock incentive plans and employee-directors may participate in our employee stock purchase plan. Any independent director who was elected to our board of directors was granted an option to purchase 25,000 shares of our common stock on the date of his or her initial election to our board of directors. In addition, each independent director was granted an option to purchase 10,000 shares of common stock on the date of each annual meeting at an exercise price per share equal to the fair market value of our common stock on such date. The chairman of our audit committee received an additional annual option to purchase 5,000 shares of common stock and the chairman of each of our compensation committee and our nominating/corporate governance committee received an additional annual option to purchase 2,500 shares of our common stock.

Upon consummation of the merger, our directors will receive an annual fee of $16,000 for service as a director. In addition, our directors will receive $1,500 for each regularly scheduled board meeting and $1,000 for each

Table of Contents

regularly scheduled committee meeting. We will reimburse our directors for their reasonable expenses incurred in attending meetings of our board of directors. Our directors may participate in our stock incentive plans and employee-directors may participate in our employee stock purchase plan. Upon consummation of the merger, each of our directors other than our chairman will be granted an option to purchase 35,000 shares of our common stock at an exercise price per share equal to the fair market value of our common stock on such date. Such options will vest over a three year period. Any independent director who is subsequently elected to our board of directors will be granted an option to purchase 35,000 shares of our common stock on the date of his or her initial election to our board of directors. Such options will vest over a three year period. In addition, each independent director other than our chairman will be granted an option to purchase 15,000 shares of common stock on the date of each annual meeting (beginning with the 2007 annual meeting) at an exercise price per share equal to the fair market value of our common stock on such date. Such options will vest over a one year period. The chairman of our audit committee will receive an additional annual option to purchase 7,500 shares of common stock, the chairman of our compensation committee will receive an additional annual option to purchase 5,000 shares of common stock, and the chairman of our nominating/corporate governance committee will receive an additional annual option to purchase 2,500 shares of our common stock. Such options will vest over a one-year period.

Upon consummation of the merger, our chairman will receive an annual fee of $85,000 for service as chairman of our board of directors. In addition to the regular directors fees, in fiscal year 2006, in lieu of cash, our chairman s compensation will be paid at the time of consummation of the merger in restricted stock under our equity incentive plan. Upon consummation of the merger, our chairman will be granted an option to purchase 70,000 shares of our common stock at an exercise price per share equal to the fair market value of our common stock on such date. Such option will vest over a three year period. In addition, our chairman will be granted an option to purchase 30,000 shares of common stock on the date of each annual meeting (beginning with the 2007 annual meeting) at an exercise price per share equal to the fair market value of our common stock on such date. Such option will vest over a one-year period.

Executive Compensation of Micromet

The following table sets forth all compensation awarded to or earned for the year ended December 31, 2005 by Micromet s chief executive officer and its other most highly compensated executive officers that are expected to serve as executive officers of the combined company following the merger (the Micromet Named Executive Officers). The information in the table includes the value of base salaries, bonus awards, certain reimbursements, and certain other compensation, whether paid or deferred.

Summary Compensation Table

	Annual Compensation	
Name and Principal Position	**Salary**	**Target Bonus(2)**
Christian Itin, Chief Executive Officer	260,000	60,000
Patrick A. Baeuerle, Chief Scientific Officer	230,000	50,000
Gregor Mirow, Chief Financial Officer and Chief Operating Officer	187,000	40,000
Carsten Reinhardt, Sr. Vice President of Clinical Development(1)	105,000	40,000

(1) Dr. Reinhardt joined Micromet in June 2005. Amounts disclosed in the table above represent the total compensation earned by Dr. Reinhardt for 2005.

(2) Target Bonus represents the maximum amount payable to the respective officer based upon satisfaction of the criteria set forth by Micromet s compensation committee. Bonus payments for 2005 have not been made as of the date of this proxy statement/prospectus.

Option Grants During 2005

No stock options were granted to the Micromet Named Executive Officers during the fiscal year ended December 31, 2005. Accordingly, the option grant table is not presented.

Table of Contents

Aggregated Option Exercises During the Fiscal Year Ended December 31, 2005 and Option Values on December 31, 2005

The following table sets forth certain information regarding unexercised options held by the Micromet Named Executive Officers at December 31, 2005. None of the Micromet Named Executive Officers exercised any options during the fiscal year ended December 31, 2005 and, accordingly, option exercise information is not presented.

Name	Number of Securities Underlying Unexercised Options at December 31, 2005 (#) Exercisable	Number of Securities Underlying Unexercised Options at December 31, 2005 (#) Unexercisable	Value of Unexercised In-the-Money Options at December 31, 2005 ($)(1) Exercisable	Value of Unexercised In-the-Money Options at December 31, 2005 ($)(1) Unexercisable
Christian Itin		165,700		
Patrick A. Baeuerle		130,200		
Gregor Mirow		109,550		
Carsten Reinhardt				

(1) Each outstanding option as of December 31, 2005 had an exercise price in excess of the fair market value of one ordinary share, and therefore there were not any in-the-money options at December 31, 2005.

Executive Compensation of CancerVax

Summary Compensation Table

The following table sets forth certain information concerning compensation for the fiscal years ended December 31, 2005, 2004 and 2003 received by CancerVax executive officers who were serving as executive officers of CancerVax at the end of the last completed fiscal year and, with the exception of David Hale (who will serve only as the chairman of the board of directors of the combined company following the merger), who will serve as executive officers of the combined company following the merger (the Named Executive Officers).

Name and Principal Position	Year	Annual Compensation Salary	Annual Compensation Bonus(1)	Other Annual Compensation	Long Term Compensation Awards Restricted Stock Awards(2)(3)	Long Term Compensation Awards Number of Securities Underlying Options	All Other Compensation
David F. Hale(5)	2005	$ 534,375	$ 136,250	$	$ 174,375	464,700(4)	$ 17,337(6)
President, Chief Executive	2004	509,583	221,450			200,000	23,451(7)
Officer and Director	2003	450,000	202,500			250,000	11,223(8)
William R. LaRue	2005	251,084	44,100		87,188	208,800(4)	
Senior Vice President and	2004	240,151	73,806			50,000	
Chief Financial Officer	2003	230,155	73,007			22,727	

Hazel M. Aker, J.D.	2005	252,279	45,500	87,188	223,800(4)
Senior Vice President,	2004	229,167	68,727		50,000
General Counsel and Secretary	2003	218,450	71,706		39,772

(1) The amounts shown under the bonus column for 2005 represent the estimated annual performance bonuses earned for the indicated fiscal year 2005, to be paid in the following year, subject to approval by the compensation committee of CancerVax s board of directors. The amounts shown under the bonus column for 2004 and 2003 represent the annual performance bonuses earned for fiscal years 2004 and 2003, but paid in the following year.

(2) In accordance with the rules of the Securities and Exchange Commission, the other annual compensation described in this table does not include various perquisites and other personal benefits received by the named executive officers that do not exceed the lesser of $50,000 or 10% of any such officer s salary and bonus disclosed in this table.

(3) The value of restricted stock awards granted to the Named Executive Officers is based on the closing sale price of CancerVax common stock on the date of grant. In February 2006, the compensation committee of

Table of Contents

CancerVax s board of directors confirmed the forfeiture of the shares of restricted stock granted to the Named Executive Officers.

(4) Of the stock options granted to the Named Executive Officers during the fiscal year ended December 31, 2005, options to purchase 67,500 shares of CancerVax common stock granted to Mr. Hale and options to purchase 33,750 shares of CancerVax common stock granted to each of Mr. LaRue and Ms. Aker were terminated by the compensation committee of CancerVax s board of directors in February 2006.

(5) David F. Hale will be the chairman of the board of directors of the combined company but will not be an executive officer of the combined company.

(6) Represents $11,223 for disability insurance premiums for 2005 and $6,114 for whole life insurance premiums for 2005 paid on behalf of Mr. Hale.

(7) Represents $11,223 for disability insurance premiums for 2004 and $12,228 for whole life insurance premiums for 2004 and 2003 paid on behalf of Mr. Hale.

(8) Represents disability insurance premiums paid on behalf of Mr. Hale.

Option Grants in Last Fiscal Year

The following table sets forth information regarding stock options granted by CancerVax during the year ended December 31, 2005 to each of the Named Executive Officers. During the year ended December 31, 2005, CancerVax granted stock options to purchase an aggregate of 4,130,756 shares of CancerVax common stock, of which 4,036,780 shares were granted to employees. All options were granted at the fair market value of CancerVax common stock on the date of grant.

	Individual Grants				Potential Realizable Value of Assumed Annual Rates of Stock Price Appreciation for Option Term(5)	
Name	Number of Securities Underlying Options Granted	Percent of Options Granted to CancerVax Employees in Fiscal Year	Exercise Price per Share	Expiration Date	5%	10%
David F. Hale	74,700(1)	1.9%	$ 7.93	2/9/2015	$ 372,539	$ 944,087
	67,500(2)	1.7	7.93	2/9/2015	336,632	853,090
	150,000(3)	3.7	2.82	6/14/2015	266,022	674,153
	150,000(4)	3.7	1.48	11/3/2015	139,615	353,811
William R. LaRue	58,800(1)	1.5	7.93	2/9/2015	293,244	743,137
	33,750(2)	0.8	7.93	2/9/2015	168,316	426,545
	35,000(3)	0.9	2.82	6/14/2015	62,072	157,302
	70,000(4)	1.7	1.48	11/3/2015	65,153	165,112
Hazel M. Aker, J.D.	58,800(1)	1.5	7.93	2/9/2015	293,244	743,137
	33,750(2)	0.8	7.93	2/9/2015	168,316	426,545

35,000(3)	0.9	2.82	6/14/2015	62,072	157,302
15,000(1)	0.4	2.82	6/14/2015	26,602	67,415
70,000(4)	1.7	1.48	11/3/2015	65,153	165,112

(1) Options vest monthly over 48 months. Vesting of the options will be accelerated in the event of certain change in control events (each as defined and subject to the terms of the underlying stock option agreement and the executive officer s employment agreement).

(2) Options would vest only upon CancerVax s satisfaction of certain performance targets, as follows: one third of the shares subject to such stock option will vest upon the successful completion of all conformance lots required for submission of a Biologics License Application (BLA) for Canvaxin™, and the remaining two thirds of the shares subject to such stock option would vest upon the approval of a BLA or equivalent marketing authorization for Canvaxin™ in the U.S. or E.U. In February 2006, due to the previous discontinuation of all clinical trials and further development of Canvaxin, the compensation committee of CancerVax s board of directors confirmed the termination of these options.

Table of Contents

(3) Options vested upon the disclosure of the final results of the Canvaxin[tm] MMAIT-III Phase 3 clinical trial in patients with Stage III melanoma, which occurred on October 3, 2005.

(4) Options vest monthly over 24 months. Vesting of the options will be accelerated in the event of certain change in control events (each as defined and subject to the terms of the underlying stock option agreement and the executive officer s employment agreement).

(5) The potential realizable value listed in the table represents hypothetical gains that could be achieved for the options if exercised at the end of the option term based on assumed rates of stock price appreciation of 5% and 10% compounded annually from the date the options were granted to their expiration date. The 5% and 10% rates of appreciation are provided in accordance with the rules of the Securities and Exchange Commission and do not represent our estimate or projection of our future stock value. Actual gains, if any, on option exercises will depend on the future performance of our common stock and overall market conditions. The potential realizable value computation does not take into account federal or state income tax consequences of option exercises or sales of appreciated stock.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

The following table sets forth information regarding option exercises in the year ended December 31, 2005 and unexercised stock options held by the Named Executive Officers as of December 31, 2005. Certain of the options shown as exercisable in the table below are immediately exercisable, but CancerVax has the right to purchase the shares of unvested common stock underlying some of these options upon termination of the holder s employment with CancerVax.

			Number of Securities Underlying Unexercised Options at December 31, 2005(1)		Value of Unexercised In the Money Options at December 31, 2005(2)	
Name	**Shares Acquired on Exercise**	**Value Realized**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
David F. Hale(3)			1,022,495	382,889(6)	$93,209	$
William R. LaRue(4)			109,445	174,468(6)		
Hazel M. Aker, J.D.(5)			131,774	187,593(6)		

(1) Vesting of certain options will be accelerated in the event of certain change in control events (each as defined and subject to the terms of the underlying stock option agreement and the executive officer s employment agreement).

(2) Based on the closing sale price of CancerVax common stock on December 30, 2005 ($1.38), as reported by the Nasdaq National Market, less the option exercise price.

(3) Of the options exercisable by Mr. Hale at December 31, 2005, 101,339 of the shares of CancerVax common stock that would be acquired upon exercise of these options would be subject to repurchase by CancerVax at the original $3.30 per share exercise price if, before the option shares have vested, Mr. Hale s employment terminates, subject to exceptions. Through December 31, 2005, Mr. Hale has exercised options to acquire 192,593 shares of CancerVax common stock, none of which are subject to repurchase.

(4) Of the options exercisable by Mr. LaRue at December 31, 2005, 9,376 of the shares of CancerVax common stock that would be acquired upon exercise of these options would be subject to repurchase by CancerVax at the original $3.30 per share exercise price if, before the option shares have vested, Mr. LaRue s employment terminates, subject to exceptions. Through December 31, 2005, Mr. LaRue has exercised options to acquire 68,181 shares of CancerVax common stock, none of which are subject to repurchase.

(5) Of the options exercisable by Ms. Aker at December 31, 2005, 15,602 of the shares of CancerVax common stock that would be acquired upon exercise of these options would be subject to repurchase by CancerVax at the original $3.30 per share exercise price if, before the option shares have vested, Ms. Aker s employment terminates, subject to exceptions. Through December 31, 2005, Ms. Aker has exercised options to acquire 39,771 shares of CancerVax common stock, none of which are subject to repurchase.

(6) Of the unexercisable stock options held by the Named Executive Officers at December 31, 2005, options to purchase 67,500 shares of CancerVax common stock held by Mr. Hale and options to purchase 33,750 shares of

Table of Contents

CancerVax common stock held by each of Mr. LaRue and Ms. Aker were terminated by the compensation committee of CancerVax s board of directors in February 2006.

Restricted Stock Award Grants in Last Fiscal Year

During the year ended December 31, 2005, CancerVax granted restricted stock awards to the Named Executive Officers as follows: Mr. Hale, 22,500 shares; Mr. LaRue, 11,250 shares; and Ms. Aker, 11,250 shares. The restricted stock awards granted to the Named Executive Officers gives each officer the right to purchase an equivalent number of shares of CancerVax s common stock at a purchase price per share of $0.00004, which is the par value of CancerVax s common stock. The restricted stock is subject to repurchase until such time that it vests. The restricted stock awards would vest only upon CancerVax s submission of a BLA for Canvaxin™. In February 2006, due to the previous discontinuation of all clinical trials and further development of Canvaxin, the compensation committee of CancerVax s board of directors confirmed the forfeiture of these shares of restricted stock.

Employment and Change in Control Agreements

We expect to enter into amended employment agreements with each of our executive officers prior to the completion of the merger.

Micromet Employment Agreements

In October 2002, Micromet entered into an employment agreement with Dr. Christian Itin, Ph.D., its chief executive officer, which was amended in October 2005. Dr. Itin currently receives an annual base salary of 260,000 and he is eligible to receive an annual performance bonus in the amount of 60,000. His employment can be terminated with twelve months prior notice, or for good cause at any time. In the event of disability, Dr. Itin would be paid his salary for six months. Dr. Itin is subject to a non-compete obligation for a period of twelve months following the termination of his employment. During the period of the non-compete obligation, Dr. Itin will be paid the statutorily required amounts, but in no event less than 50% of his salary immediately preceding his termination. In addition, we maintain disability and life insurance for Dr. Itin.

In October 2002, Micromet entered into an employment agreement with Prof. Patrick A. Baeuerle, its chief scientific officer, which was amended in October 2005. Prof. Baeuerle currently receives an annual base salary of 230,000 and is eligible to receive an annual performance bonus in the amount of 50,000. The other terms of his employment are substantially the same as described above for Dr. Itin.

In October 2002, Micromet entered into an employment agreement with Mr. Gregor Mirow, M.D., M.B.A., its chief financial officer and chief operating officer, which was amended in October 2005. Mr. Mirow currently receives an annual base salary of 187,000 and is eligible to receive an annual performance bonus in the amount of 40,000. The other terms of his employment are substantially the same as described above for Dr. Itin.

In June 2005, Micromet entered into an employment agreement with Mr. Carsten Reinhardt, M.D., Ph.D., its senior vice president of clinical development, which was amended in October 2005. Mr. Reinhardt currently receives an annual base salary of 180,000 and is eligible to receive an annual performance bonus in the amount of 40,000. The other terms of his employment are substantially the same as described above for Dr. Itin.

In connection with, and effective upon the closing of, the merger, it is anticipated that the existing employment agreements between Micromet and Drs. Itin, Baeuerle, Mirow and Reinhardt will be cancelled and replaced with agreements between such individuals and the combined entity. The terms of such agreements have not been finalized and remain subject to negotiation.

Micromet, Inc. 2006 Equity Incentive Award Plan

It is anticipated that immediately prior to the merger, Micromet Parent shall issue to certain officers, directors, founders and employees of Micromet options to acquire up to 366,472 shares of Micromet Parent common stock. Such options are being issued to incentive such individuals and shall be issued, in part, to replace current Micromet options that will not be exchanged in the Micromet Reorganization or assumed by CancerVax in the merger. The options shall be issued by Micromet Parent under a to-be-adopted Micromet, Inc. 2006 Equity Incentive Award

Table of Contents

Plan, which shall be substantially similar to the CancerVax Amended and Restated 2003 Equity Incentive Award Plan. For a given participant under the 2006 Equity Incentive Award Plan, 50% of the options granted to such individual shall vest upon grant, with the remaining 50% vesting ratably on a monthly basis over the 24 months following the date of grant. The exercise price for such options shall be set at 25% of the closing price of a share of CancerVax common stock on the date immediately preceding the date of grant of the option (as adjusted for the exchange ratio). In the merger, such options shall be exchanged for options to acquire shares of CancerVax common stock in accordance with the terms of the merger agreement.

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Securities Exchange Act of 1934, as amended, directors, officers and beneficial owners of ten percent or more of CancerVax s common stock (Reporting Persons) are required to report to the Securities and Exchange Commission on a timely basis the initiation of their status as a Reporting Person and any changes regarding their beneficial ownership of our common stock. Based solely on CancerVax s review of such forms received and the written representations of its Reporting Persons, CancerVax has determined that no Reporting Person known to it was delinquent with respect to their reporting obligations as set forth in Section 16(a) of the Exchange Act.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

CancerVax Certain Relationships and Transactions

Employment Agreements

CancerVax has entered into employment agreements, offer letters and bonus agreements with its executive officers. For more information regarding these agreements, see Executive Compensation Employment Agreements.

Employment Arrangements and Change in Control Arrangements

Employment Agreement with David F. Hale. On October 23, 2000, we entered into an employment agreement with David F. Hale, our President and Chief Executive Officer, which was subsequently amended and restated on November 15, 2004, and extended on October 14, 2005. Pursuant to the agreement, Mr. Hale is required to devote substantially all of his time and attention to our business and affairs. The employment agreement has a five-year term.

The amended and restated employment agreement sets forth Mr. Hale s initial base salary of $515,000, which is subject to increase upon review annually by and at the sole discretion of our Compensation Committee and as approved by our Board of Directors. Mr. Hale s 2005 base salary was $545,000. Pursuant to the amended and restated employment agreement, Mr. Hale is entitled to participate in any management incentive compensation plan adopted by us and will be paid an annual bonus in accordance with the terms of such plan as determined by the Compensation Committee of our Board of Directors and as approved by our Board of Directors. We have also agreed to pay the annual premiums on a disability insurance policy and a $1 million life insurance policy on Mr. Hale.

Mr. Hale s amended and restated employment agreement provides him with certain severance benefits in the event his employment is terminated. In the event Mr. Hale s employment is terminated as a result of his death or permanent disability, his estate will receive 12 months of salary continuation payments, an amount equal to the average of Mr. Hale s annual bonuses for the three fiscal years prior to the termination, plus healthcare and life insurance benefits continuation at our expense for 12 months. In addition, that portion of Mr. Hale s stock awards which would have vested if Mr. Hale had remained employed for an additional 12 months will immediately vest on the date of termination. The amended and restated employment agreement also provides that, in the event Mr. Hale s employment is terminated by us other than for cause or if Mr. Hale resigns for good reason, he will receive 12 months of salary continuation payments, an amount equal to the average of his annual bonuses for the three fiscal years prior to the termination, healthcare and life insurance benefits continuation at our expense for 12 months, plus $15,000 towards outplacement services. If such termination or resignation occurs more than six months prior to or more than 12 months following a change of control of our company, that portion of Mr. Hale s stock awards which would have vested if Mr. Hale had remained employed for an additional 12 months will immediately vest on the date of termination. If Mr. Hale s employment is terminated by us other than for cause or if he resigns with good reason within six months prior to or within 12 months following a change of control, Mr. Hale will be entitled to receive 18 months of salary continuation payments, an amount equal to the average of his bonuses for the three fiscal years prior to the date of termination payable over an 18 month period commencing on the date of termination, healthcare and life insurance benefits continuation at our expense for 18 months, plus $15,000 towards outplacement services.

Mr. Hale s amended and restated agreement also provides that, in the event of a change of control of our company, 50% of Mr. Hale s unvested stock awards will become immediately vested and all of his remaining unvested stock awards will become immediately vested if Mr. Hale is still employed by or providing services to us on the six-month anniversary of the change of control. In addition, with respect to stock awards granted prior to the date of the amended

and restated employment agreement, if Mr. Hale s employment is terminated by us other than for cause, or if Mr. Hale resigns with good reason, dies or becomes permanently disabled, in each case within six months following a change of control of our company, any remaining unvested portion of such stock awards will immediately vest on the date of termination. With respect to stock awards granted on or after the date of the amended and restated employment agreement, if Mr. Hale is terminated by us other than for cause, resigns with good reason, dies or becomes permanently disabled, in each case within six months prior to or within six months

following a change of control of our company, any remaining unvested portion of such stock awards will immediately vest on the later of the date of termination or the date of the change of control.

For purposes of Mr. Hale s amended and restated employment agreement, cause generally means Mr. Hale s commission of an act of fraud, embezzlement or dishonesty upon us that has a material adverse impact on us, his conviction of, or plea of guilty or no contest to a felony, his ongoing and repeated failure or refusal to perform or neglect of his duties (where such failure, refusal or neglect continues for 15 days following his receipt of notice from us), his gross negligence, insubordination, material violation of any duty of loyalty to us or any other material misconduct on his part, his unauthorized use or disclosure of our confidential information or trade secrets that has a material adverse impact on us or a material breach of his employment agreement. Prior to any determination by us that cause has occurred, we will provide Mr. Hale with written notice of the reasons for such determination, afford him a reasonable opportunity to remedy any such breach, and provide him an opportunity to be heard prior to the final decision to terminate his employment.

For purposes of Mr. Hale s amended and restated employment agreement, good reason generally means a change by us in Mr. Hale s status, position or responsibilities that represents a substantial and material reduction thereto, the assignment to him of any duties or responsibilities materially inconsistent with his status, position or responsibilities, the removal of Mr. Hale or failure to reappoint or reelect Mr. Hale to any position (except in connection with a termination for cause, his death or disability, or resignation without good reason), a reduction by us in his base salary (other than pursuant to a company-wide reduction of base salaries for employees of the company generally), a reduction by us in his compensation and benefits as provided on the date of the agreement, his relocation by us to a facility or location more than 50 miles from his place of employment, our material breach of the employment agreement, or any purported termination by us for cause that does not conform to the definition of cause in the employment agreement. In addition, good reason will also exist if Mr. Hale has not received a contemporaneous increase in his total compensation (including benefits) which is commensurate with increases in total compensation (including benefits) received by a majority of our officers or if he has earned, but not been paid, a bonus for any period under any management incentive compensation plan adopted by us, but a majority of our officers have been paid bonuses for such period under such plan.

Other Employment Agreements. We have also entered into employment agreements with Hazel M. Aker, Guy Gammon, William R. LaRue and Dennis E. Van Epps, which were amended and restated on November 15, 2004, and with Carol G. Gallagher and Jeffrey Silverman.

Pursuant to the employment agreements, each executive is required to devote substantially all of his or her time and attention to our business and affairs. The employment agreements set forth the executives base salaries and annual cash bonus eligibility. The initial base salaries of the executives called for by these employment agreements and their 2005 base salaries are as follows: Hazel M. Aker ($230,000, $260,000), Carol G. Gallagher ($215,000, $215,000), Guy Gammon ($207,000, $225,000), William R. LaRue ($241,000, $252,000), Jeffrey Silverman ($215,000, $215,000) and Dennis E. Van Epps ($208,000, $233,000). The employment of Ms. Gallagher, Mr. Silverman and Mr. Van Epps has been terminated without cause by CancerVax, effective March 15, 2006, March 15, 2006 and April 15, 2006, respectively. The employment agreements do not provide for automatic annual increases in salary, but each agreement provides for annual salary reviews by the Compensation Committee of the Board of Directors. Each of the executives is entitled to participate in any management incentive compensation plan adopted by us and will be paid an annual bonus in accordance with the terms of such plan as determined by the Compensation Committee of our Board of Directors and as approved by our Board of Directors. We may terminate any of the agreements for any reason.

The employment agreements provide the executives with certain severance benefits in the event his or her employment is terminated. In the event the executive s employment is terminated as a result of his or her death or

permanent disability, the executive s or his or her estate, as applicable, will receive 12 months of salary continuation payments, an amount equal to the average of the executive s annual bonuses for the three fiscal years prior to the termination, prorated for the period during the fiscal year that the executive was employed, plus healthcare and life insurance benefits continuation at our expense for 12 months. In addition, that portion of the executive s stock awards which would have vested if he or she had remained employed for an additional 12 months will immediately vest on the date of termination. The employment agreements also provides that, in the event the executive s

Table of Contents

employment is terminated by us other than for cause or if the executive resigns for good reason, he or she will receive 12 months of salary continuation payments, an amount equal to the average of his or her annual bonuses for the three fiscal years prior to the termination, prorated for the period during the fiscal year that the executive was employed, healthcare and life insurance benefits continuation at our expense for 12 months, plus $15,000 towards outplacement services. If such termination or resignation occurs more than six months prior to or more than 12 months following a change of control of our company, that portion of the executive s stock awards which would have vested if he or she had remained employed for an additional 12 months will immediately vest on the date of termination.

The employment agreements also provide that, in the event of a change of control of our company, 50% of each executive s unvested stock awards will immediately become vested. In addition, with respect to stock awards granted prior to the date of the employment agreements, if the executive s employment is terminated by us other than for cause or if he or she resigns with good reason within 12 months following a change of control of our company, any remaining unvested portion of such stock awards will immediately vest on the date of termination. With respect to stock awards granted on or after the date of the amended and restated employment agreements, if such termination occurs within six months prior to or within 12 months following a change of control of our company, any remaining unvested portion of such stock awards will immediately vest on the later of the date of termination or the date of the change of control.

For purposes of the employment agreements, cause generally means the executive s commission of an act of fraud, embezzlement or dishonesty upon us that has a material adverse impact on us, the executive s conviction of, or plea of guilty or no contest to a felony, the executive s ongoing and repeated failure or refusal to perform or neglect of his or her duties (where such failure, refusal or neglect continues for 15 days following the executive s receipt of notice from us), the executive s gross negligence, insubordination, material violation of any duty of loyalty to us or any other material misconduct on the part of the executive, the executive s unauthorized use or disclosure of our confidential information or trade secrets that has a material adverse impact on us or a material breach by the executive of his or her employment agreement. Prior to any determination by us that cause has occurred, we will provide the executive with written notice of the reasons for such determination, afford the executive a reasonable opportunity to remedy any such breach, and provide the executive an opportunity to be heard prior to the final decision to terminate the executive s employment.

For purposes of the employment agreements, good reason generally means a change by us in the executive s status, position or responsibilities that represents a substantial and material reduction thereto, the assignment to the executive of any duties or responsibilities materially inconsistent with his or her status, position or responsibilities, the removal of the executive or failure to reappoint or reelect the executive to any position (except in connection with a termination for cause, his or her death or disability, or resignation without good reason), a reduction by us in the executive s base salary (other than pursuant to a company-wide reduction of base salaries for employees of the company generally), a reduction by us in the executive s compensation and benefits as provided on the date of the agreement, the executive s relocation by us to a facility or location more than 50 miles from the executive s place of employment, our material breach of the employment agreement, or any purported termination by us for cause that does not conform to the definition of cause in the employment agreement.

Canvaxin Technology Transactions

In 1998, OncoVac, Inc., which is wholly owned by Dr. Morton and was previously named CancerVax, Inc., cross-licensed the rights to patents, patent applications, cell banks and manufacturing know-how from John Wayne Cancer Institute, or JWCI. Dr. Morton currently serves as Medical Director, Surgeon-in-Chief and a member of the Board of Directors of JWCI. In July 2000, OncoVac assigned all of its rights and obligations under that agreement to us. Under the cross-license, as assigned to us, we retain exclusive rights to commercialize Canvaxin for the treatment of cancer and JWCI retains a license to use Canvaxin and related technology for research and educational purposes.

Pursuant to the cross-license agreement and the assignment, we issued 284,090 shares of our common stock to JWCI and agreed to pay an aggregate of $1,250,000 to JWCI, of which $500,000 was paid upfront and the remainder is due in annual installments of $125,000 through June 2006. Of the total amount, $125,000 remains unpaid as of September 30, 2005. We also are obligated to pay JWCI 50% of the initial net royalties we receive from

Table of Contents

any sublicensees from sales of Canvaxin, if any, up to a maximum of $3.5 million. Subsequently, we are obligated to pay JWCI a 1% royalty on net sales of Canvaxin to third parties, if any, by us, our sublicensees and affiliates.

In July 2001, we entered into a clinical trial services agreement with JWCI. Under the terms of the clinical trial services agreement, as amended, we will make annual payments of $25,000 to JWCI while payments to the clinical trial sites are covered by National Cancer Institute grants and thereafter an annual amount equal to the greater of actual amounts incurred by JWCI in connection with the Canvaxin Phase 3 clinical trials or $50,000. We also will reimburse JWCI for certain expenses incurred. During the nine months ended September 30, 2005, we paid to JWCI approximately $0.1 million for services provided to us under the clinical trials services agreements, participation in the clinical trials and certain other services.

Other Related Party Transactions

In December 2004, in connection with the signing of our collaboration agreement with Serono Technologies, S.A., we entered into an amended and restated investors rights agreement with Serono and certain other holders of our common stock, including entities affiliated with Dr. Morton, Forward IV Associates, LLC, Vector Fund Management II, L.L.C., J.P. Morgan Investment Management, Inc. and Mr. Hale, whereby we granted these entities registration rights with respect to their shares of common stock.

We have entered into indemnification agreements with each of our executive officers and directors. These indemnification agreements require us to indemnify these individuals to the fullest extent permitted by Delaware law.

We had a consulting and noncompete agreement with Dr. Morton that expired in September 2005. Under the terms of the agreement, as amended, we paid Dr. Morton $12,500 per month through September 2005 to provide consulting services related to the development and commercialization of Canvaxin and our other product candidates as well as consult on medical and technical matters as requested.

We have entered into agreements and transactions with our management described under the heading Executive Compensation and Other Information.

We believe that all of the transactions described above were on terms at least as favorable to us as they would have been had we entered into those transactions with unaffiliated third parties.

CancerVax Director and Officer Indemnification

CancerVax has entered into an indemnification agreement with each of its directors and officers for the indemnification of, and advancement of expenses to, these persons to the full extent permitted by Delaware law. CancerVax also intends to enter into an indemnification agreement with each of its future directors and officers.

At present CancerVax is not aware of any pending litigation or proceeding involving any of its directors, officers, employees or agents in such person s capacity with CancerVax where indemnification will be required or permitted. CancerVax is also not aware of any threatened litigation or proceeding that might result in a claim for indemnification.

CancerVax believes that all of the transactions set forth above were made on terms no less favorable to CancerVax than could have been obtained from unaffiliated third parties. All future transactions between CancerVax and its officers, directors, principal stockholders and their affiliates will be approved by a majority of CancerVax s board of directors, including a majority of the independent and disinterested directors, and will continue to be on terms no less favorable to CancerVax than could be obtained from unaffiliated third parties.

Micromet Certain Relationships and Transactions

Micromet has entered into employment agreements and bonus arrangements with certain of its executive officers, and intends to replace such agreements with to-be-negotiated agreements with the combined company in connection with the merger. For more information regarding these agreements, see Micromet Employment Agreements. In addition, in connection with the merger, certain Micromet officers, directors and employees will be

Table of Contents

issued options to acquire Micromet Parent common stock, which options will be assumed by CancerVax in the merger. For more information, see Micromet, Inc. 2006 Equity Incentive Award Plan.

October 11, 2005 Recapitalization

On October 11, 2005, in connection with an equity financing led by its existing investors, Micromet undertook a recapitalization, pursuant to which all outstanding shares of its preferred stock were converted into a new series of preferred stock, the preference shares series (A new). The investors invested an aggregate of 4,000,000 in a new series of preferred stock, the preference shares series (new B) representing approximately 62% of the company s combined capital stock. Under the terms of the investment, the holders of the preference shares series (B new) are entitled to a liquidation preference of three times their original purchase price on a liquidation event at which such shares remain outstanding. As a consequence of the Micromet reorganization, such shares will be exchanged for shares of common stock of Micromet Parent and therefore will not receive any liquidation preference in connection with the merger. Under the terms of the investment agreement entered into in connection with the transaction, the investors in the financing agreed to invest an additional approximately 4,000,000, either through a purchase of shares, through a private placement, of a public company that merges with Micromet (which would include the proposed merger with CancerVax) on or before March 31, 2006, or as an additional capital contribution to Micromet if such a merger has not been completed by March 31, 2006.

Micromet Shareholders Agreement

On October 11, 2005, substantially all of the Micromet shareholders, including all of its executive officers, entered into a shareholders agreement (the Micromet Shareholders Agreement). The Micromet Shareholders Agreement was entered into in connection with the October 11, 2005 financing. The Micromet Shareholders Agreement provides for weighted average antidilution rights in favor of the holders of preference shares series (B new) in the event that Micromet issues, or agrees to issue additional shares for a lower purchase price per share than the per share purchase price of the preference shares series (B new), subject to limited exceptions. The Micromet Shareholders Agreement also provides for a right of first refusal in favor of all shareholders in the event that a shareholder wishes to sell his, her or its shares. The Micromet Shareholders Agreement also contains a drag-along provision pursuant to which the holders of 55% or more of the outstanding preference shares series (B new) (the Required Majority) may require the remaining parties to the Micromet Shareholders Agreement to join them in selling or exchanging their shares of Micromet stock to a third party on the same terms and conditions as the Required Majority. The Micromet Shareholders Agreement also provides for the payment of a liquidation preference in favor of the preference shares series (B new) and provides the holders of Micromet preference shares a veto right with respect to significant corporate events and transactions, including a merger, liquidation, and charter amendment.

Outstanding Indebtedness for Stock Subscriptions

In connection with the issuance of shares of treasury stock by Micromet in 1998, Micromet currently is owed 154,000 from Peter Kofer, 127,000 from Gregor Mirow and 16,000 from Christian Itin, each employees of Micromet. Under the terms of those obligations, those amounts will be due and payable as a result of the merger with CancerVax.

Table of Contents

COMBINED COMPANY SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS

Except where specifically noted, the following information and all other information contained in this joint proxy statement/prospectus does not give effect to the proposed reverse stock split described in CancerVax s Proposal No. 3.

The following table sets forth information as of December 31, 2005 regarding the beneficial ownership of the combined company upon consummation of the merger by (a) each person known to CancerVax s and Micromet s boards of directors to own beneficially 5% or more of the combined company upon consummation of the merger, (b) each director of CancerVax and Micromet who will be a director of the combined company, (c) the Named Executive Officers of CancerVax and Micromet (as defined below who will continue as an executive officer of the combined company), and (d) all of the combined company s directors and executive officers as a group. Information with respect to beneficial ownership has been furnished by each director, officer or 5% or more stockholder, as the case may be.

The number of shares beneficially owned upon consummation of the merger assumes an exchange ratio of 16.779 shares of CancerVax common stock issued for each share of Micromet Parent common stock outstanding. This exchange ratio is subject to change based on the relative number of shares, options and warrants of each of CancerVax and Micromet Parent outstanding at the effective time of the merger. Percentage of beneficial ownership in the combined company is calculated assuming 85,945,106 shares of common stock will be outstanding upon the consummation of the merger. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and includes shares of CancerVax and Micromet common stock issuable pursuant to the exercise of stock options, warrants or other securities that are immediately exercisable or convertible or exercisable or convertible within 60 days of December 31, 2005. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Shares Beneficially Owned
5% Stockholders:		
Entities affiliated with Advent Venture Partners	11,270,746	12.4%
Omega Fund I, LP	10,405,395	11.4
3i Group plc	9,391,341	10.3
International Biotechnology Trust plc	6,073,744	7.1
Donald L. Morton, M.D.	5,181,482	6.0
Named Executive Officers and Directors:		
David F. Hale	1,305,037	1.5
William R. LaRue	199,243	*
Hazel M. Aker	194,088	*
Michael G. Carter, M.B., Ch.B., F.R.C.P. (Edinburgh)	45,299	*
Barclay A. Phillips	1,023,441	1.2
Phillip M. Schneider	45,454	*
Christian Itin	9,217	*

Patrick A. Baeuerle	72,064	*
Gregor Mirow	25,139	*
Carsten Reinhardt		*
Jerry Benjamin	11,270,746	13.1
John Berriman		*
Otello Stampacchia	10,405,395	12.1
All executive officers and directors as a group (13 persons)	24,595,121	28.6

Table of Contents

* Represents beneficial ownership of less than 1% of the outstanding common shares of the combined company.

(1) It is anticipated that after the Micromet Reorganization, but prior to the consummation of the merger, certain employees and members of the supervisory board of Micromet will be granted options to purchase Micromet Parent common stock. As the amount of and terms of such option grants have not yet been determined, no options to purchase Micromet Parent have been included in the table.

Table of Contents

COMPARATIVE RIGHTS OF CANCERVAX STOCKHOLDERS AND MICROMET SHAREHOLDERS

CancerVax is incorporated under the laws of the State of Delaware and, accordingly, the rights of the stockholders of CancerVax are currently, and will continue to be, governed by the Delaware General Corporation Law, or the DGCL. Micromet is incorporated under the laws of Germany, and prior to the consummation of the merger, the rights of Micromet shareholders are governed by the German Stock Corporation Act, Micromet s Articles of Association and the Micromet Shareholders Agreement. Before the consummation of the merger, the rights of holders of CancerVax common stock are also governed by the amended and restated certificate of incorporation of CancerVax and the bylaws of CancerVax. After the consummation of the merger, the rights of CancerVax stockholders will continue to be governed by the DGCL, the amended and restated certificate of incorporation of CancerVax, and the bylaws of CancerVax.

The following is a summary of the material differences between the rights of CancerVax stockholders and the rights of Micromet shareholders under each company s respective charter documents, corporate laws and contractual arrangements. While we believe that this summary covers the material differences between the two, this summary may not contain all of the information that is important to you. This summary is not intended to be a complete discussion of the respective rights of CancerVax and Micromet stockholders and is qualified in its entirety by reference to the DGCL, the German Stock Corporation Act and the various documents of CancerVax and Micromet that we refer to in this summary. You should carefully read this entire proxy statement/prospectus and the other documents we refer to in this proxy statement/prospectus for a more complete understanding of the differences between being a shareholder of CancerVax and being a shareholder of Micromet. CancerVax has filed its documents referred to herein with the SEC and will send copies of these documents to you upon your request. See the section entitled Where You Can Find More Information.

	Micromet	**CancerVax**
Authorized Capital Stock	The authorized capital stock of Micromet is EUR 3,451,057, divided into 3,451,057 non-par value registered shares with a stated value of 1 per share, of which 77,642 shares are ordinary shares and 3,373,415 shares are preference shares, 1,232,876 of which are designated as Series (A new) and 2,140,539 of which are designated as Series (B new) . In addition, Micromet has contingent capital in order to serve stock options, convertible bonds and option bonds as follows: (i) up to 600,305 ordinary shares for the employee stock option plan 2000; (ii) up to 600 ordinary shares for	CancerVax s certificate of incorporation currently authorizes the issuance of 85,000,000 shares, consisting of two classes: 75,000,000 shares of common stock, $0.00004 par value per share, and 10,000,000 shares of preferred stock, $0.00004 par value per share. After giving effect to Proposal No. 3. to amend CancerVax s certificate of incorporation to effect the reverse stock split, the number of shares of authorized common stock will be increased to 150,000,000.

	the option bonds of the members of the Supervisory Board 2001; (iii) up to 600 ordinary shares for the option bonds of the members of the Supervisory Board 2002; (iv) up to 8,786 preference shares of Series (A new) for the option bonds of GATX/ETV 2002; (v) up to 11,933 ordinary shares for the employee stock option plan 2002; (vi) up to 600 ordinary shares for the option bonds of the members of the Supervisory Board 2003; (vii) up to 1,756 preference shares of Series (A new) for the option bonds of GATX/ETV 2003; (viii) up to 880,500 preference shares series (A new) for the convertible bond of MedImmune and (ix) up to 5,194 shares of preference shares series (B new) for the bridge conversion.	
Number of Directors	Micromet s Articles of Association provide that the number of the members of its	CancerVax s certificate of incorporation provides that the number of directors shall

Table of Contents

	Micromet	CancerVax
	supervisory board is six which are to be elected by the Shareholders Meeting. Under the Shareholders Agreement dated October 11, 2005, the shareholders of Micromet shall exercise their voting rights for the six members in the Shareholders Meeting in accordance with the nomination rights for one member each of Omega Fund I, L.P., 3i Group plc, SV Life Sciences, Advent Limited, all shareholders by a majority of 75% of the votes cast, and the holders of shares of common stock (provided that for the latter a 55% majority of all shares of preference shares series (B new) has the right to nominate a new independent chairman of the supervisory board replacing the member nominated by the holders of shares of common stock). The members of the supervisory board are elected by the Shareholders Meeting for a term of four fiscal years, provided that the fiscal year in which the term of office begins is not taken into account, so that the members of the supervisory board of Micromet will usually have a term of approximately five years. However, the Shareholders Meeting may determine a shorter term for all or individual members. The members of the supervisory board may be re-elected, and there is no limit on the number of additional terms. Micromet s Articles of Association provide that the number of the members of the Management Board may be one or more and shall be fixed by the supervisory board with a simple majority of the votes cast. Members of the Management Board are appointed by the supervisory	be fixed exclusively by resolution adopted by the affirmative vote of a majority of the directors.

	board with a simple majority of the votes cast for a fixed term not exceeding five years. A re-election, in each case not exceeding five years, is possible, provided that it may happen only in the last year of the preceding term. There is no limit on the number of additional terms.	
Cumulative Voting	The German Stock Corporation Act does not allow cumulative voting.	CancerVax s certificate of incorporation does not provide for cumulative voting, and as a result, holders of CancerVax common stock have no cumulative voting rights in connection with the election of directors.
Classification of board of directors	In accordance with the German Stock Corporation Act *(Aktiengesetz)*, Micromet has a two-tier board system consisting of the Micromet Management Board *(Vorstand)* and the Micromet supervisory board *(Aufsichtsrat)*. The German Stock Corporation Act prohibits simultaneous membership on the Management Board and the supervisory board. Under the German Stock Corporation Act, all members of the supervisory board are equal. The supervisory board elects from among its members a chairman and a	CancerVax has a classified board of directors. CancerVax s certificate of incorporation provides that the board of directors is divided into three classes, with board of directors members serving three year terms.

Table of Contents

	Micromet	CancerVax
	deputy chairman. Under Micromet s Articles of Association, in the event of a tied vote, the chairman (or in his absence the deputy chairman) has the casting vote. Under the German Stock Corporation Act, in general all members of the Management Board are equal. Deputy members of the Management Board are permissible, however they have all rights and obligations as the other members of the Management Board, but internally have less duties. If the Management Board consists of more than one member, the supervisory board may appoint a chairman of the Management Board (CEO).	
Removal of Directors	The members of the Micromet supervisory board elected by the Shareholders Meeting may be removed upon the affirmative vote of a simple majority of the votes cast at a Shareholders Meeting with or without good cause. A member of the supervisory board appointed by shareholders in accordance with the Shareholders Agreement may at any time be removed and replaced by such shareholders. Any member of the Micromet supervisory board can be removed for good cause, including gross breach of duty, by a court decision upon request of the Micromet supervisory board. In such case, Micromet supervisory board s ability to take such action requires a simple majority vote with the member affected having no voting power. The members of the Micromet Management Board may be removed prior to the expiration of their term of office by the Micromet supervisory board only for reasons	CancerVax s bylaws provide that any director or the entire board may be removed, for cause, from the board at any meeting of stockholders by 662/3% of the outstanding stock of the corporation.

	amounting to good cause, such as gross breach of duty, inability to duly fulfill their responsibilities or revocation of confidence by the Shareholders Meeting requiring the affirmative vote of a simple majority of the votes cast.	
Vacancies on the board of directors	In the case of any vacancy on the Micromet supervisory board, whether the result of death, resignation or removal, the Shareholders Meeting may determine a substitute member at the election of a member of the supervisory board. Further, if any vacancy occurs, the Shareholders Meeting may fill the vacancy by electing a new member. In urgent cases, vacancies on the Micromet supervisory board may be filled for an interim period until the next election by the Shareholders Meeting, by the competent court upon a motion by the Micromet Management Board, a member of the Micromet supervisory board or a shareholder. In the case of vacancies on the Micromet Management Board, the Micromet supervisory board may fill the vacancy by appointing a new member.	CancerVax s bylaws provide that vacancies on the board may be filled by a vote of the majority of the directors then in office, even though less than a quorum of the board of directors, or by a sole remaining director. Any director elected in accordance with the preceding sentence shall hold office until the next annual election of directors and until their successors are duly elected and shall qualify, unless sooner displaced.

Table of Contents

	Micromet	CancerVax
Stockholder Action by Written Consent	Under the German Stock Corporation Act, shareholders may not take any action by written consent in lieu of the Shareholders Meeting.	CancerVax s certificate of incorporation and bylaws specify that any action that may be taken or is required to be taken at an annual or special meeting of stockholders may not be taken without a meeting.
Amendment of Charter	Amendments of the Micromet Articles of Association may be proposed either by the Micromet supervisory board, the Micromet Management Board or by a shareholder or group of shareholders holding at least 5% of the issued shares or at least the notional par value amount of EUR 500,000. According to the Micromet Articles of Association, a resolution amending the Micromet Articles of Association generally must be passed by the following votes: (i) a simple majority of the votes cast; (ii) a simple majority of the issued shares represented at the Shareholders Meeting; and (iii) a majority of at least 75% of the issued shares of preferred stock represented at the Shareholders Meeting. In addition, if the relationship between classes of shares is amended to the disadvantage of any class of shares, the German Stock Corporation Act additionally requires a special resolution of the holders of such class of shares with a simple majority of the issued shares of such class represented at the Shareholders Meeting and a simple majority of the votes cast. The German Stock Corporation Act also requires that certain resolutions amending the Articles of Association be passed by a majority	CancerVax s certificate of incorporation may be amended in any manner otherwise permitted by law, with the exception that Article V (relating to the composition of the board of directors), Article VII (relating to alterations and amendments to CancerVax s bylaws, election of directors, actions by written consent and stockholder special meetings), Article VIII (relating to indemnification of directors and officers), Article IX (relating to director liability to CancerVax), and Article XI (relating to amendment of the certificate of incorporation) require the affirmative vote of the holders of 662/3% of the voting power of the outstanding shares of voting stock, voting together as a single class.

of at least three-quarters of the issued shares represented at the Shareholders Meeting and a simple majority of the votes cast at the meeting, including resolutions relating to: (i) capital increase with an exclusion of preemptive rights; (ii) capital decrease; (iii) the creation of authorized capital *(genehmigtes Kapital)* or conditional capital *(bedingtes Kapital)*; or (iv) amendments of the corporate purpose of Micromet; provided that (except in case of an amendment of the corporate purpose) a special resolution of each class of shares with a majority of 75% of the issued shares of each class represented at

Table of Contents

	Micromet	CancerVax
	the Shareholders Meeting and a simple majority of the votes cast is required.	
Amendment of Bylaws	Not applicable.	CancerVax s bylaws may be amended by the affirmative vote of the holders of 662/3% of the outstanding shares of voting stock, voting together as a single class. CancerVax s bylaws also permit the board of directors to adopt, amend or repeal the bylaws.
Special meetings of Stockholders	A special Shareholders Meeting of Micromet may be called at any time by the Micromet Management Board or, in cases required by law, the Micromet supervisory board. A special Shareholders Meeting must be called by the Micromet Management Board upon request of stockholders holding in the aggregate shares representing at least 5% of the issued shares. The request must be made in writing to the Micromet Management Board stating the purpose of and reasons for the special Shareholders Meeting.	CancerVax s bylaws provide that special meetings of the stockholders may be called, for any purpose, by the chairman of the board of directors or the president and shall be called by the president or the secretary at the request of the board.
Notice of Stockholder Meetings	The Shareholders Meeting is called by the Management Board or, in the cases provided by law, the supervisory board giving at least one month s notice, whereby the day of the Shareholders Meeting and the day of sending the notice shall not be counted. The notice has to include the agenda and has to be made in the electronic federal gazette *(elektronischer Bundesanzeiger)*. The Shareholders Meeting may also be called by registered mail if all stockholders are known by name. The Micromet Articles of Association provide that the Shareholders Meeting shall take place at Micromet s registered seat	CancerVax s bylaws require that notice of a meeting shall be given to stockholders not less than 10 days or more than 60 days before the date of the meeting.

	or in any city where a German stock exchange has its seat. The German Stock Corporation Act provides that the annual general Shareholders Meeting called to resolve in particular the discharge of the Management Board and the supervisory board, the appointment of the members of the supervisory board, the election of the auditors, the application of the balance sheet profits and the approval of the financial statements in cases required by law, must take place within the first eight months of each fiscal year.	
Delivery and Notice Requirements of Stockholder Nominations and Proposals	See preceding section.	CancerVax s bylaws provide that in order for a stockholder to make a nomination or propose business at an annual meeting of the stockholders, the stockholder must give timely written notice to CancerVax s secretary not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year s annual meeting; provided, however, that if the date of annual meeting has changed by more than 30 days before or

Table of Contents

	Micromet	CancerVax
		60 days after the date of the preceding year s annual meeting, notice by the stockholder to be timely must be received not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the earlier of (i) the day on which notice of the meeting was mailed or (ii) the date public announcement of the date of such meeting is first made by the corporation. The CancerVax stockholder s written notice must set forth: (A) as to each person whom the stockholder proposed to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person s written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made: (I) the name and address of such

		stockholder and of such beneficial owner, as they appear on CancerVax s books; (II) the class and number of shares of CancerVax which are owned beneficially and of record by such stockholder and such beneficial owner; (III) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination; and (IV) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (y) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation s outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (z) otherwise to solicit proxies from stockholders in support of such proposal or nomination.
Stockholder Approval Rights	Resolutions are passed at the Micromet Shareholders Meeting by a simple majority of the votes cast, unless a higher vote and/or a majority of the capital represented at the Shareholders Meeting and/or special	Each share of CancerVax common stock and preferred stock is entitled to one vote on matters submitted to the CancerVax stockholders under the DGCL or as

Table of Contents

Micromet	CancerVax
resolutions of particular classes of shares are required by law or the Micromet Articles of Association. Under the German Stock Corporation Act and Micromet Articles of Association, the following actions require the approval of a majority of at least 75% of the issued shares represented at the Shareholders Meeting passing the resolution and a simple majority of the votes cast at that meeting: (i) capital increases with an exclusion of preemptive rights; (ii) creation of authorized capital or conditional capital; (iii) capital decreases; (iv) a dissolution of Micromet; (v) amendments of the corporate purpose of Micromet; (vi) a merger of Micromet or any other form of transformation *(Umwandlung)* of Micromet, including, without limitation, spin-offs *(Spaltungen)*, a transfer of all or virtually all of Micromet AG s assets, a change of Micromet s corporate form, the execution of intercompany agreements *(Unternehmensverträge)*, integrations *(Eingliederungen)*; provided that (except in case of a transfer of all or virtually all of Micromet s assets, the execution of intercompany agreements, integrations, amendments of the corporate purpose and the dissolution of Micromet) a special resolution of each class of shares with a majority of 75% of the issued shares of each class represented at the Shareholders Meeting and a simple majority of the votes cast is required by law. Under the Articles of Association of Micromet and the Shareholders Agreement of Micromet, the	required by the Certification of Incorporation.

following resolutions in addition require the consent of the holders of shares of preferred stock to be passed with a majority of 75% of the issued shares of preferred stock represented at the Shareholders Meeting: (i) transformations *(Umwandlungen)*; (ii) a disposal of more than 50% of the assets of Micromet (according to fair market values); (iii) merger of Micromet with another entity; (iv) amendments to the Certificate of Incorporation; (v) capital increases, capital decreases, creation of authorized capital or conditional capital, creation of new classes of shares; (vi) dissolution of Micromet; (vii) approval of intercompany agreements *(Unternehmensverträge)*; (viii) integrations *(Eingliederungen)*; (ix) election of the auditors; (x) distributions to the stockholders; (xi) creation of new classes of shares; and (xii) redemption of shares.

If for any reason each class of shares is required also to pass a special resolution in respect of any of the matters mentioned in the foregoing sentence, each stockholder must exercise his voting rights in such

Table of Contents

	Micromet	CancerVax
	special resolutions of the holders of shares of common stock or the holders of shares of preferred stock in the same way as the majority of the stockholders of Micromet vote in the respective resolution of the Micromet Shareholders Meeting.	
Proxy	According to the German Stock Corporation Act and Micromet s Articles of Association, any shareholder may, in writing, appoint a proxy to exercise his or her rights at Shareholders Meetings including in particular without limitation voting rights. There is no time limitation for such proxy provided that the proxy itself may limit its term. Each proxy is revocable for the future at the pleasure of the person executing it.	CancerVax s bylaws provide that every person entitled to vote shall have the right to do so in person or may authorize another person to act for him by a proxy dated not more than three years prior to the meeting, unless the proxy provides for a longer period. An agent who is appointed need not be a stockholder.
Preemptive Rights	Under the German Stock Corporation Act, in general, an existing stockholder in a stock corporation has a preemptive right *(Bezugsrecht)* to subscribe for any issue by the corporation of new shares, including securities convertible into shares, securities with warrants to purchase shares, profit-sharing certificates and securities with a profit participation, in proportion to the shares held by the stockholder in the existing capital of such corporation. The German Stock Corporation Act provides that this preemptive right can be excluded only by a resolution of the Shareholders Meeting, provided there is a justification for such exclusion. The approval of a majority of at least 75% of the issued shares represented at the Shareholders Meeting and a simple majority of the votes cast at such Shareholders Meeting is required to exclude preemptive rights.	CancerVax s certificate of incorporation does not grant any preemptive rights. CancerVax s bylaws are silent as to preemptive rights.

	To the extent preemptive rights are not exercised by the existing stockholders, the other stockholders shall have a further preemptive right with respect to such shares on a pro rata basis before third parties are granted any right to subscribe for shares.	
Dividends	Under the German Stock Corporation Act, dividends may be declared and paid by resolution of the Shareholders Meeting out of any distributable balance sheet profits shown in the corporation s audited and approved financial statements for the preceding fiscal year. The holders of the shares of preferred stock are not entitled to any preferential dividends. Dividends are paid to the stockholders pro rata to their respective participation in the share capital.	CancerVax s bylaws provide that dividends may be declared and paid on the common stock from funds lawfully available as and when determined by the board of directors and subject to any preferential dividend rights of any then outstanding preferred stock.
Limitation of Personal Liability of Directors	See following section.	CancerVax s certificate of incorporation provides a director shall not be personally liable for monetary damages for breach of fiduciary duty as a director, except that liability is not eliminated (i) for any breach of his or her duty of loyalty to the CancerVax or its stockholders, (ii) for acts

Table of Contents

	Micromet	CancerVax
		or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derives an improper personal benefit. Furthermore, if the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated to the fullest extent permitted by the DGCL, as so amended.
Indemnification of Officers and Directors	Under German law, a corporation may indemnify its officers *(leitende Angestellte)*, and, under certain circumstances, German labor law requires a stock corporation to do so. However, a corporation may not, as a general matter, indemnify members of the Management Board or the supervisory board. A German stock corporation may, however, purchase directors and officers insurance on the basis of a corresponding resolution of the Shareholders Meeting. The insurance may be subject to any mandatory restrictions imposed by German law. In addition, German law may permit a corporation to indemnify a member of the Management Board or the supervisory board for attorneys fees incurred if such member is the successful party in a suit in a country, like the United States, where winning parties are required to bear their own costs, if German law would have required the losing party to pay the member s attorneys fees had the suit been brought in Germany.	CancerVax s certificate of incorporation provides that CancerVax shall indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by CancerVax) by reason of the fact that he or she is or was a director or officer of CancerVax, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe

his or her conduct was unlawful. CancerVax shall indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of CancerVax to procure a judgment in its favor by reason of the fact that he or she is or was a director or officer of CancerVax, or is or was serving at the request of CancerVax as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of CancerVax; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the CancerVax unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was

Table of Contents

	Micromet	CancerVax
		brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper. CancerVax s bylaws provide that the corporation may indemnify every person who was or is a party or is or was threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was an employee or agent of the corporation or, while an employee or agent of the corporation, is or was serving at the request of the corporation as an employee or agent or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including counsel fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, to the extent permitted by applicable law.
Dissenters Rights	A valuation proceeding *(Spruchverfahren)* is available to Micromet s shareholders under the German Stock Corporation Act and the German Transformation Act *(Umwandlungsgesetz)* to determine the adequacy of the consideration to be paid in certain corporate transactions. These transactions include, among other things: (i) a merger; (ii) a control and profit transfer agreement between a controlling shareholder and its	Appraisal rights are not available to CancerVax stockholders with respect to the merger.

	dependent company; (iii) the forced withdrawal of minority shareholders from the corporation upon the corporation s integration with a parent corporation holding shares representing at least 95% of the nominal capital of the corporation to be integrated; and (iv) the compulsory acquisition of minority shareholders by a majority shareholder holding at least 95% of the issued shares. These rights are available to shareholders, provided that in each case the shareholder complies with the procedural requirements specified in the respective statutory provisions.	
Certain Business Combination Restrictions	The German Securities Acquisitions and Takeovers Act provides that the Management Board of the target company may not take any measures that could prevent a bid from being successful. This shall not apply to actions that a prudent and diligent manager of the company not affected by a takeover bid would have taken, nor to the search for a competing bid, nor to actions having the approval of target company s supervisory board, nor to actions taken by the Management Board	Under Delaware law a corporation can elect not to be governed by §203 of the DGCL, which generally protects publicly traded Delaware corporations from hostile takeovers and from certain actions following such takeovers. CancerVax has not made this election and is therefore governed by §203 of the DGCL.

Table of Contents

	Micromet	CancerVax
	with the approval of the supervisory board on the basis of an authorization by the Shareholders Meeting prior to the bid to take actions falling within the scope of the Shareholders Meeting for the purpose of preventing the success of takeover bids.	
Vote on Business Combinations	German law does not specifically regulate business combinations with interested stockholders. However, certain general principles of German law may restrict business combinations under various circumstances.	Neither the CancerVax certificate of incorporation nor its bylaws contain any provisions relating to business combinations.
Rights on Liquidation	In the event of any liquidation of Micromet, a sale of at least 50% of all shares in Micromet in a single transaction or a series of related transactions or a sale of more than 50% of the assets of Micromet (calculated at fair market values), and in case of an exchange of shares, contribution or merger within the meaning of the German Act on the Transformation of Companies, provided that after such transactions having become effective, the shareholders of Micromet hold 50% or less of the voting rights in the new legal entity or the rights of the shareholders of Micromet are not to remain valid and unaffected in the new legal entity, the holders of the shares of preference shares have the following preference: (i) the proceeds are first to be paid to the holders of shares of preference shares series (B new) up to an amount of EUR 19.647 (or after payment of the second tranche of the investment of October 11, 2005 EUR 25.2273) per share of preference shares series (B new) plus the declared but not distributed	Each share of CancerVax common stock and preferred stock share ratably in any proceeds of a liquidation of CancerVax.

dividends attributable to the preference shares series (B new); (ii) with the same rank as the holders of shares of preference shares series (B new), the management and key employees of Micromet, the founders and certain members of the supervisory board of Micromet shall receive a certain percentage of the total proceeds to be defined in the trade sale pool model that would be determined by the compensation committee of the Micromet supervisory board; (iii) the remaining proceeds are then to be paid to the holders of shares of preference shares series (A new) up to an amount of EUR 49.818 per preference shares series (A new) plus the declared but not distributed dividends attributable to the preference shares series (A new); and (iv) from any remaining proceeds, 5% shall be allocated to the holders of ordinary shares pro rata based on the number of shares and the remaining 95% shall be allocated to the holders of preference shares pro rata based on the number of preference shares.

Table of Contents

INFORMATION REGARDING CANCERVAX S BUSINESS

Overview

We are a biotechnology company focused on the research, development and commercialization of novel biological products for the treatment and control of cancer. We were incorporated in Delaware in June 1998 and commenced substantial operations in the third quarter of 2000.

On October 3, 2005, we and Serono Technologies, S.A., announced the discontinuation of the Phase 3 clinical trial of our leading product candidate, Canvaxin, in patients with Stage III melanoma, based on the recommendation of the independent Data and Safety Monitoring Board, or DSMB. The DSMB concluded, based on its planned, third interim analysis of the data from this study, that the data were unlikely to provide significant evidence of a survival benefit for Canvaxin-treated patients versus those who received placebo. In April 2005, we announced the discontinuation of our Phase 3 clinical trial of Canvaxin in patients with Stage IV melanoma based upon a similar recommendation of the independent DSMB. There were no significant safety issues identified with either of the Phase 3 clinical trials of Canvaxin, and the recommendations to close the studies were not made because of any potential safety concerns.

As a result of the discontinuation of the Canvaxin Phase 3 clinical trials, in October 2005 we and Serono announced the discontinuation of all further development and manufacturing activities with respect to Canvaxin. As a result, we recorded a non-cash charge for the impairment of long-lived assets of $22.8 million in the third quarter of 2005 to write-down the carrying value of the Canvaxin asset group to its estimated fair value. Additionally, in October 2005, we announced that our Board of Directors had approved a restructuring plan designed to realign our resources in light of the decision to discontinue the Canvaxin clinical trials. This restructuring plan reduced our workforce from 183 to 52 employees as of December 31, 2005. In connection with this workforce reduction, we incurred approximately $3.8 million of severance and related costs, the substantial majority of which were cash expenditures that were primarily paid in the fourth quarter of 2005. In January 2006, we implemented additional restructuring measures, which, when fully implemented, will result in the further reduction of our workforce to approximately 10 employees by the completion of our proposed merger with Micromet. We anticipate that we will incur additional costs as a result of our restructuring activities, including additional severance costs and other costs associated with completing the closure of our manufacturing facilities and contract terminations. We may also incur additional charges from the impairment of long-lived assets. At this time, we are unable to reasonably estimate the expected amount of additional costs that will result from the restructuring plan or the timing of the related cash expenditures, although the additional restructuring costs may have a significant impact on our results of operations.

We have other product candidates in research and preclinical development, including four anti-angiogenic monoclonal antibodies and several peptides that may be useful for the treatment of patients with various solid tumors. In early 2006, we plan to file an Investigational New Drug Application, or IND, to initiate a Phase 1 clinical trial for D93, our leading humanized, anti-angiogenic monoclonal antibody, in patients with solid tumors.

We also have rights to three product candidates targeting the epidermal growth factor receptor, or EGFR, signaling pathway for the treatment of cancer, and we plan to actively seek sublicensing opportunities for these product candidates.

Our efforts to identify, develop and commercialize and, in the case of the three product candidates that target the EGFR signaling pathway, to sublicense, these product candidates are in an early stage and, therefore, these efforts are subject to a high risk of failure.

Industry Background

Cancer

The World Health Organization estimated that more than 10 million people were diagnosed with cancer worldwide in the year 2000 and that this number will increase to 15 million by 2020. In addition, the World Health Organization estimated that 6 million people died from the disease in 2000. The American Cancer Society estimated that over 1.3 million people in the United States were diagnosed with cancer in 2004 and over 500,000

people died from the disease. One in every four deaths in the United States is due to cancer. Cancer is the second leading cause of death in the United States, and has become the leading cause of death in people over age 85.

The increasing number of people diagnosed with cancer and the approval of new cancer treatments are factors that are expected to continue to fuel the growth of the world wide cancer market. The U.S. National Health Information Business Intelligence Reports reports that, on a world-wide basis, the revenues for cancer drugs are expected to grow from $35.5 billion in 2003 to $53.1 billion in 2009.

Anti-Angiogenesis for the Treatment of Cancer

In a process known as angiogenesis, cancer cells stimulate the formation of new blood vessels in order to bring oxygen and nutrients to rapidly-growing tumor tissue. Angiogenesis involves proliferation of cells that form new blood vessels and are involved in the remodeling of the extracellular matrix, a dense protein network that provides support and growth signals to blood vessels and tumors, and regulates cellular processes such as adhesion, migration, gene expression and differentiation.

During angiogenesis, cancer cells secrete growth factors that activate endothelial cells on the blood vessels supplying the tumor. Activation of these endothelial cells results in growth and proliferation of new blood vessels. In addition, the extracellular matrix is degraded by proteolytic enzymes. Degradation of the extracellular matrix contributes to the release of additional growth factors, facilitates the movement of activated endothelial cells, and supports the growth of new blood vessels. These processes encourage tumor growth through nourishment of the existing tumor, as well as by creating pathways for metastasis of the tumor. By inhibiting the angiogenesis process, it may be possible to restrict blood supply to a tumor and limit its ability to grow and metastasize.

Immunotherapy for the Treatment of Cancer

The body s immune system is a natural defense mechanism tasked with recognizing and combating cancer cells, viruses, bacteria and other disease-causing organisms. This defense is carried out mainly by white blood cells in the immune system. Specific types of white blood cells, known as T cells and B cells, are responsible for carrying out two types of immune responses in the body, the cell-mediated immune response, and the humoral, or antibody-based, immune response, respectively.

Cancer cells produce molecules known as tumor-associated antigens, which are present in normal cells but are over-produced in cancer cells. The T cells and B cells have receptors on their surfaces that enable them to recognize the tumor-associated antigens. For instance, once a B cell recognizes a tumor-associated antigen, it triggers the production of antibodies that kill the tumor cells. T cells play more diverse roles, including the identification and destruction of tumor cells by direct cell-to-cell contact.

While cancer cells naturally trigger a T cell-based immune response during the initial appearance of the disease, the immune system response may not be sufficiently robust to eradicate the cancer. The human body has developed numerous immune suppression mechanisms to prevent the immune system from destroying the body s normal tissues. Cancer cells have been shown to utilize these mechanisms to suppress the body s immune response against cancer cells. Even with an activated immune system, the number and size of tumors can overwhelm the immune system.

Research focused on the activation of the immune system in the treatment of cancer has increased significantly in recent years. Unlike traditional chemotherapeutic or radiotherapeutic approaches to cancer treatment that are designed to kill cancer cells directly, immunotherapy approaches to cancer are intended to activate and stimulate the body s immune system to fight the cancer. When administered to patients, monoclonal antibodies target specific receptors on the surface of a cancer cell or a secreted protein and either interfere directly with the functioning of cancer cells, or

bind to cancer cells and activate various cytotoxic mechanisms that may help destroy the cancer.

The immune system may also be harnessed to inactivate tumor-promoting signaling pathways, such as the EGF receptor signaling pathway, which may interfere with cancer cell growth, and to target specific molecules in the bloodstream or receptors on the surface of cells. EGF is one of several molecules that bind to the EGF receptor, and may be responsible for activating a series of intracellular processes that stimulate cell growth, enhance metastasis, and protect the tumor cells from cell death from treatments such as chemotherapy. While many cells in

Table of Contents

the human body express the EGF receptor, most solid tumor cell types express the EGF receptor in excessive quantities. By targeting EGF or the EGF receptor with specific active immunotherapies, cancer cell growth and proliferation may be suppressed or eliminated.

Our Pipeline

The table below lists our principal product candidates:

Product Candidates	Targeted Disease	Status	Commercialization Rights
Anti-Angiogenesis			
D93	Solid tumors	Preclinical; Anticipate IND filing in early 2006	CancerVax
Various other monoclonal antibodies and peptides	Solid tumors, ophthalmic diseases	Research	CancerVax
EGFR Signaling Pathway			
SAI-EGF	Non-small-cell lung cancer	Phase 1/2	CancerVax(a)
SAI-TGF-	Solid tumors	Preclinical	CancerVax(a)
SAI-EGFR-ECD	Solid tumors	Preclinical	CancerVax(a)

(a) CancerVax has the right to commercialize SAI-EGF, SAI-TGF- and SAI-EGFR-ECD in the United States, Canada, Japan, Australia, New Zealand, Mexico and specified countries in Europe, including but not limited to, Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom.

Anti-Angiogenesis Programs

Through our January 2002 acquisition of Cell-Matrix, Inc., we acquired unique therapeutic and diagnostic anti-angiogenesis technology. To complement this technology, in June 2003, we licensed from New York University the rights to several peptides that may also inhibit angiogenesis. These product candidates have a mechanism of action that is distinct from Avastin® (bevacizumab; Genenetch), a product approved for metastatic colorectal cancer that targets the vascular endothelial growth factor, and from other anti-angiogenesis product candidates currently in development by other companies. We believe that these antibodies and peptides may provide us with an opportunity to develop products that may be beneficial for the treatment of patients with various solid tumors.

Our Anti-Angiogenesis Platform

The extracellular matrix is a molecular network that provides mechanical support to cells and tissues and contains biochemical information important to cellular processes such as cell proliferation, adhesion and migration. Our monoclonal antibodies and peptides bind specifically to hidden, or cryptic, binding sites on extracellular matrix proteins that become exposed as a result of the denaturation of collagen that occurs during tumor formation. Binding of our monoclonal antibodies or peptides to these degraded or denatured extracellular matrix proteins may inhibit angiogenesis and the growth, proliferation and metastasis of tumor cells.

This approach to inhibiting angiogenesis may have several therapeutic advantages. Because our monoclonal antibodies and proteins bind preferentially to extracellular matrix proteins that have been denatured during angiogenesis rather than to the native, undenatured forms of collagen or laminin, we believe that these product candidates may have greater tumor site specificity than other therapies, especially those characterized by broad biologic activity. Additionally, the denatured proteins in the extracellular matrix may provide a better long-term therapeutic target than binding sites found directly on tumor cells since the proteins in the extracellular matrix represent a stable structure and are less likely to undergo mutations typical of cancer cells. Due to the unique mechanism through which our monoclonal antibodies and proteins inhibit angiogenesis, they may have the

Table of Contents

potential to be used in combination with other anti-angiogenic agents or with treatments such as chemotherapy and radiation.

D93

Based on pre-clinical data presented at scientific meetings over the past two years, we plan to file an IND to initiate a Phase 1 clinical trial with D93, our leading humanized, anti-angiogenic monoclonal antibody, in patients with solid tumors in early 2006.

In a presentation at the 2005 American Association of Cancer Research, or AACR, annual meeting, we demonstrated that D93 inhibited tumor cell growth in a dose-dependent manner, as compared to controls, in several *in vivo* tumor models. In addition, in an orthotopic human breast cancer model in mice, the combination of D93 with Taxol® (paclitaxel) resulted in a greater inhibition of tumor growth than either agent alone. These results suggest that D93 may have potential for use in the treatment of a variety of solid tumors and have the potential to be combined with other therapies.

The ability to distinguish tumor cells from normal cells is a key advantage of monoclonal antibody therapies. In a second presentation at the 2005 AACR annual meeting, our scientists showed data indicating that D93 specifically binds around blood vessels in human patient tumor sections, but does not bind to corresponding normal sections from the same tissues and patients. D93 was also shown to specifically bind to denatured collagen, but not to native collagen or other proteins found in the extracellular matrix.

At the 2004 AACR annual meeting, we presented data indicating that D93 inhibited tumor growth in a mouse model using human melanoma cells by 56%. D93 also inhibited human breast tumor growth by 84% in an animal model designed to more closely mimic breast cancer by generating human breast carcinomas in the mammary pads of mice.

We believe that our anti-angiogenic product candidates may be useful in other pathological conditions associated with angiogenesis, such as choroidal neovascularization, or CNV, an ophthalmologic condition caused by excess growth of blood vessels within the eye that is the major cause of severe visual loss in patients with age-related macular degeneration. Data presented during the 2004 Annual Meeting of the Association for Research in Vision and Ophthalmology demonstrated that in a murine model of CNV, another of our anti-angiogenic monoclonal antibodies, H8, preferentially recognized areas of new vascular growth but not existing normal vasculature and inhibited angiogenesis in a dose-dependent manner.

Product Candidates Targeting the EGF Receptor Signaling Pathway

In July 2004 our wholly-owned subsidiaries Tarcanta, Inc. and Tarcanta, Limited, signed an agreement with CIMAB, S.A., a Cuban company, whereby Tarcanta obtained the exclusive rights to develop and commercialize SAI-EGF, a product candidate that targets the EGF receptor signaling pathway, in a specific territory, which includes the United States, Canada, Japan, Australia, New Zealand, Mexico and certain countries in Europe. In addition, these two subsidiaries signed an agreement with CIMAB and YM BioSciences, Inc., a Canadian company, to obtain the exclusive rights to develop and commercialize SAI-TGF- , which targets transforming growth factor-alpha, and SAI-EGFR-ECD, which targets the extracellular domain of the EGF receptor, within the same territory. Both of these product candidates are in preclinical development. In late 2005, we announced plans to actively seek sublicensing opportunities for all three of these product candidates.

EGF Receptor Signaling Pathway Role in Regulating Tumor Growth

Dysregulation of the EGF receptor signaling pathway is associated with tumor growth and metastasis, decreased effectiveness of chemotherapy and radiotherapy, and decreased overall survival. EGF and TGF- are molecules that bind to and activate the EGF receptor. Increased stimulation of the EGF receptor signaling pathway, as a direct result of over-expression of the EGF receptor, EGF or TGF- , may contribute to dysregulation of the EGF receptor pathway. In addition, cancerous cells may secrete EGF and TGF- , which in turn fuels their growth and proliferation by increased activation of the EGF receptor pathway.

Table of Contents

Interference with signaling through the EGF receptor signaling pathway represents a therapeutic approach with potentially broad clinical applications. Over-stimulation of this pathway has been documented in breast, colorectal, brain, head and neck, non-small-cell lung, ovarian, pancreatic and prostate cancers.

Our Product Candidates Targeting the EGF Receptor Signaling Pathway

The three product candidates that we have licensed that target the EGF receptor signaling pathway are designed to stimulate the immune system to produce antibodies to EGF, TGF- and the extracellular domain of the EGF receptor, respectively, and ultimately reduce signaling through the EGF receptor. Since each of these product candidates targets a different aspect of the EGF receptor signaling pathway, it is possible that they may be used as single agents, in combination with each other, or in combination with other EGF receptor-targeted therapies. In addition, they may also be used with cytotoxics or other novel therapies for the treatment of cancer.

Phase 2 Clinical Trial Results with SAI-EGF

SAI-EGF is an investigational product candidate composed of recombinant human EGF that has been coupled to a proprietary immunogenic carrier protein, known as p64K. SAI-EGF, which is administered with a general immune system stimulant known as an immunologic adjuvant, stimulates the immune system to produce antibodies that target EGF. The anti-EGF antibodies bind to EGF circulating in the patient s bloodstream and interrupt EGF receptor signaling. This approach differs from existing EGF receptor inhibitors, such as monoclonal antibodies and tyrosine kinase inhibitors, in two important ways. First, it utilizes the body s own defense mechanisms to target the EGF receptor pathway, and second, it targets circulating EGF, which activates the EGF receptor, as opposed to targeting the receptor itself. The SAI-EGF product candidate has been studied in Phase 1 and Phase 2 clinical trials conducted by CIMAB or YM Biosciences in Canada, the United Kingdom and Cuba.

At the 2005 American Society of Clinical Oncology, or ASCO, annual meeting, data was presented by CIMAB updating the results of ongoing Phase 2 clinical trials sponsored by CIMAB in patients with unresectable Stage IIIb and Stage IV non-small-cell lung cancer. SAI-EGF was reported to induce an anti-EGF immune response in treated patients, with significantly more SAI-EGF-treated patients (67%) demonstrating antibody titer levels at least two times baseline compared to control patients (37%). In addition, 53% of the SAI-EGF-treated patients had a good antibody response (defined as at least four times baseline levels and at least 1:4000 sera dilution), compared to only 3.3% of the control patients. SAI-EGF treatment was also reported to reduce serum EGF concentrations. Fifty-nine percent ($p<0.05$) of the SAI-EGF-treated patients achieved EGF serum concentrations of less than or equal to 168pg/mL during the study, as compared to 19% of control patients. In the SAI-EGF-treated patients, the increase of anti-EGF antibody titers was reported to correlate with decreasing EGF serum concentrations ($p=0.001$), while this effect was not observed in control patients. The preliminary results reported in this study suggest that increased survival may be related to good anti-EGF antibody responses ($p=0.0002$) or low EGF serum concentrations ($p=0.0069$). Overall, a statistically significant difference in survival between SAI-EGF-treated and control patients was not demonstrated in this preliminary analysis of results ($p=0.07$). No serious adverse events were reported.

SAI-TGF- (preclinical)

SAI-TGF- is an investigational product candidate that may stimulate the immune system to develop anti-TGF- antibodies, another common molecule that activates the EGF receptor. Blocking TGF- may provide a therapeutic benefit in certain cancers and may also enhance the therapeutic effect when used in combination with other EGF receptor inhibitors.

SAI-EGFR-ECD (preclinical)

SAI-EGFR-ECD is an investigational product candidate that may stimulate the immune system to develop antibodies that target a portion of the EGF receptor that resides outside of the cell membrane, i.e. the extracellular domain. Stimulating the immune system with a therapeutic directed against the receptor itself may offer a unique approach to targeting the EGF receptor pathway.

Table of Contents

Other Technology

Scripps Research Institute

Our wholly-owned subsidiary Cell-Matrix, Inc., or Cell-Matrix, entered into a license agreement with The Scripps Research Institute, or Scripps, in 2001 under which we were granted an exclusive worldwide license to technology related to angiogenesis, including anti-angiogenic diagnostic applications. In consideration for the license, Scripps received an up-front license fee of $50,000, and will receive royalties on future net sales of products relating to the licensed technology, including a minimum annual royalty payment of $10,000 commencing on the third anniversary of the agreement. In addition, Scripps will receive milestone payments, up to a maximum of $1.2 million per therapeutic product and $0.4 million per diagnostic product, based on meeting certain regulatory and clinical milestones. From January 2002, the date we acquired Cell-Matrix and assumed this agreement, through September 30, 2005, we have paid an additional approximately $14,000 to Scripps under the license agreement for the reimbursement of certain patent expenses. The license agreement terminates upon the later of the expiration of the last of any patent rights to licensed products that are developed under the agreement or 15 years after the date of the first commercial sale of the last product licensed or developed under the agreement.

New York University

In June 2003, Cell-Matrix licensed from New York University, or NYU, the exclusive worldwide commercial rights to several peptides that appear to inhibit angiogenesis in preclinical models. Pursuant to our licensing arrangement, NYU received an initial license fee of $0.2 million, paid in three equal annual installments, and subsequent annual license maintenance fees of $15,000. Cell-Matrix is also obligated to pay milestone payments, up to a maximum of $0.8 million per product relating to the licenses, based on regulatory and clinical milestones and royalties on both future net sales of products relating to the licenses and payments received as consideration for the grant of a sublicense, if any. Through September 30, 2005, Cell-Matrix has paid approximately $0.2 million to NYU under the agreement representing two installments of the initial license fee and reimbursement of certain patent expenses. The agreement terminates upon the later of the expiration of the last of any patent rights to licensed products that are developed under this agreement, or 15 years after the date of the first commercial sale of the last product licensed or developed under the agreement. Cell-Matrix may terminate the agreement for any reason following 180 days written notice to NYU. This agreement may be terminated by NYU if Cell-Matrix fails to meet specified commercial development obligations under the agreement and we do not materially cure this failure in one year.

Our Strategy

Our objective is to establish our position as a leader in the development and marketing of biological products for the treatment and control of cancer. Key aspects of our corporate strategy include the following:

Initiate a Phase 1 Clinical Trial with D93. We plan to initiate a clinical trial with D93, our leading anti-angiogenic monoclonal antibody product candidate, in early 2006.

Advance the Development of Our Preclinical Product Candidates and Identify Additional Product Candidates Based on Our Anti-Angiogenesis Technology Platform. We plan to continue the development of our other preclinical anti-angiogenesis antibodies and peptides, and to leverage our research and preclinical experience in anti-angiogenesis to identify additional product candidates that will interact with sites exposed during the denaturation and remodeling of the extracellular matrix. In addition, we intend to explore using our anti-angiogenesis product candidates in combination with other therapies, such as chemotherapy and radiation.

Seek Sublicensing Opportunities for Our Product Candidates Targeting the EGF Receptor Signaling Pathway. We plan to actively seek sublicensing opportunities for SAI-EGF and our other two product candidates that target the EGF receptor signaling pathway.

Expand Our Product Pipeline and Technologies Through Acquisitions and Licensing. In addition to our internal development efforts, we plan to selectively license and acquire product opportunities, technologies and businesses that complement our target markets.

Table of Contents

Patents and Proprietary Technology

Our success will depend in large part on our ability to:

- maintain and obtain patent and other proprietary protection for cell lines, antigens, antibodies, peptides and delivery systems;
- defend patents;
- preserve trade secrets; and
- operate without infringing the patents and proprietary rights of third parties.

We intend to seek appropriate patent protection for our proprietary technologies by filing patent applications when possible in the United States and selected other countries. Our policy is to seek patent protection for the inventions that we consider important to the development of our business. As of December, 2005 we owned or have rights to over 150 issued or pending U.S. and foreign patents. We intend to continue using our scientific expertise to pursue and file patent applications on new developments with respect to uses, methods and compositions to enhance our intellectual property position in the field of cancer treatment.

Although we believe our rights under patents and patent applications provide a competitive advantage, the patent positions of pharmaceutical and biotechnology companies are highly uncertain and involve complex legal and factual questions. We may not be able to develop further patentable products or processes, and may not be able to obtain patents from pending applications. Even if patent claims are allowed, the claims may not issue, or in the event of issuance, may not be sufficient to protect the technology owned by or licensed to us.

Any patents or patent rights that we obtain may be circumvented, challenged or invalidated by our competitors. We rely on third-party payment services for the payment of foreign patent annuities and other fees. Non-payment or delay in payment of such fees, whether intentional or unintentional, may result in loss of patents or patent rights important to our business. Many countries, including certain countries in Europe, have compulsory licenses laws under which a patent owner may be compelled to grant licenses to third parties. For example, compulsory licenses may be required in cases where the patent owner has filed to work the invention in that country, or the third-party has patented improvements. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which would materially diminish the value of the patent. Moreover, the legal systems of certain countries, particularly in certain developing countries, do not favor the aggressive enforcement of patent and other intellectual property protection which makes it difficult to stop infringement. Our patents may be the subject of other challenges by our competitors in Europe, the United States and elsewhere.

Additionally, because it is not possible to predict with certainty what patent claims may issue from pending applications and because patent prosecution can proceed in secret prior to issuance of a patent, third parties may obtain patents with claims of unknown scope relating to our product candidates which they could attempt to assert against us. Further, as we develop our products, we may infringe the current patents of third parties or patents that may issue in the future.

Although we believe that our product candidates, production methods and other activities do not currently infringe the valid and enforceable intellectual property rights of any third parties, we cannot be certain that a third party will not challenge our position in the future. From time to time we receive correspondence inviting us to license patents from

third parties. There has been, and we believe that there will continue to be, significant litigation in the biopharmaceutical and pharmaceutical industries regarding patent and other intellectual property rights. As noted above, we believe that our pre-commercialization activities fall within the scope of 35 U.S.C. § 271(e). We also believe that our subsequent manufacture of Canvaxin will also not require the license of any patents known to us.

Nevertheless, third parties could bring legal actions against us claiming we infringe their patents or proprietary rights, and seek monetary damages and seeking to enjoin clinical testing, manufacturing and marketing of the affected product or products. If we become involved in any litigation, it could consume a substantial portion of our resources, regardless of the outcome of the litigation. If any of these actions are successful, in addition to any

Table of Contents

potential liability for damages, we could be required to obtain a license to continue to manufacture or market the affected product, in which case we may be required to pay substantial royalties or grant cross-licenses to our patents. However, there can be no assurance that any such license will be available on acceptable terms or at all. Ultimately, we could be prevented from commercializing a product, or forced to cease some aspect of our business operations, as a result of claims of patent infringement or violation of other intellectual property rights, which could harm our business.

Additionally, to enforce patents issued to us or to determine the scope and validity of other parties proprietary rights, we may also become involved in litigation or in interference proceedings declared by the United States Patent and Trademark Office, which could result in substantial costs to us or an adverse decision as to the priority of our inventions. We may be involved in interference and/or opposition proceedings in the future.

We are party to several license agreements that give us rights to use technologies in our research and development, including intellectual property for technology related to Canvaxin from Cancer Diagnostics Laboratories, Inc. and JWCI, to our product candidates that target the EGF receptor signaling pathway from CIMAB, to our angiogenesis and anti-angiogenesis technology from USC, Scripps, NYU and AME, and to certain human antibody technology from M-Tech Therapeutics. These parties have been responsible for filing various patent applications, including patents and patent applications containing composition claims that encompass the three cancer cell lines used for Canvaxin, patent applications directed towards the product candidates that target the EGF receptor signaling pathway and patent applications directed to our angiogenesis technology. We may be unable to maintain our licenses and may be unable to secure additional licenses in the future. Therefore, we may be forced to abandon certain product areas or develop alternative methods for operating in those areas.

We also rely on trade secrets and proprietary know-how, especially when we do not believe that patent protection is appropriate or can be obtained. However, trade secrets are difficult to protect. Our policy is to require each of our employees, consultants and advisors to execute a confidentiality and inventions agreement before beginning their employment, consulting or advisory relationship with us obligating them not to disclose our confidential information. We cannot guarantee that these agreements will provide meaningful protection, that these agreements will not be breached, that we will have an adequate remedy for any such breach, or that our trade secrets will not otherwise become known or independently developed by a third party. Our trade secrets, and those of our present or future collaborators that we utilize by agreement, may become known or may be independently discovered by others, which could adversely affect the competitive position of our product candidates.

Competition

We face competition from a number of companies that are evaluating various technologies and approaches to the treatment of cancer.

For example, a number of companies are currently developing products in the field of anti-angiogenesis for the treatment of tumors. These products use a number of substances designed to inhibit angiogenesis, such as vascular endothelial growth factor, or VEGF, VEGF receptor, platelet-derived growth factor, or PDGF, receptor, integrins, collagen, and matrix metalloprotienases. Genentech s Avastin® (bevacizumab) is an anti-angiogenic monoclonal antibody targeting the VEGF growth factor. It has been approved by FDA for the treatment of patients with metastatic colorectal cancer. Pfizer s Sutent® (sunitinib malate) was recently approved by the FDA for the treatment of patients with a specific type of stomach cancer and kidney cancer, and Bayer and Onyx Pharmaceutical s Nexavar® (sorafenib tosylate) was approved by the FDA for the treatment of patients with gastric cancer. A proposed mechanism of action for both Nexavar and Sutent is inhibition of the VEGF receptor. A number of other VEGF growth factor and VEGF receptor antagonists are also under development, as well as a number of agents targeting other potential anti-angiogenic mechanisms. We are unaware of any products in development that specifically target the same

denatured collagen as our D93 product candidate. We expect that competition among anti-angiogenic products approved for sale will be based on various factors, including product efficacy, safety, reliability, availability, price and patent position. As a result, any product candidates that we may develop may be rendered obsolete and noncompetitive.

Additionally, several products that target the EGFR signaling pathway in the treatment of cancer have recently been approved by the FDA or are in the late phases of clinical development. The approved products are AstraZeneca

Table of Contents

Pharmaceutical LP s Iressa™ (gefitinib), an EGFR-targeted tyrosine kinase inhibitor for refractory Stage IV NSCLC, ImClone Systems, Inc. s Erbitux™ (cetuximab), an EGFR monoclonal antibody for Stage IV refractory colorectal cancer, and Genentech, Inc. and OSI Pharmaceuticals, Inc. s EGFR-targeted tyrosine kinase inhibitor, Tarceva™ (erlotinib HCl), for the treatment of patients with locally advanced or metastatic NSCLC after failure of at least one prior chemotherapy regimen, as well as in combination with Eli Lilly & Company s Gemzar® (gemcitabine) for the treatment of patients with locally advanced pancreatic cancer. Two other products that are currently being evaluated in Phase 3 clinical trials are GlaxoSmithKline s lapatinib (GW572016), a tyrosine kinase dual inhibitor of EGFR and HER-2, which is being studied in patients with advanced metastatic breast cancer whose disease progressed on Herceptin® (trastuzumab) therapy, and Abgenix, Inc. s and Amgen, Inc. s panitumumab (ABX-EGF), a fully human monoclonal antibody targeting the EGFR, which is being studied in patients with advanced colorectal and renal cell cancer. Several other monoclonal antibodies and tyrosine kinase inhibitors targeting the EGFR signaling pathway are in the early stages of development. If we receive approval to market and sell any of our product candidates that target the EGFR signaling pathway, we may compete with certain of these companies and their products as well as other product candidates that are currently in varying stages of development. In addition, researchers are continually learning more about the treatment of NSCLC and other forms of cancer, and new discoveries may lead to new technologies for treatment.

Additionally, we may encounter competition from pharmaceutical and biotechnology companies, academic institutions, governmental agencies and private research organizations in recruiting and retaining highly qualified scientific personnel and consultants and in the development and acquisition of technologies. Moreover, technology controlled by third parties that may be advantageous to our business may be acquired or licensed by our competitors, thereby preventing us from obtaining technology on commercially reasonable terms, if at all. Because part of our strategy is to target markets outside of the United States through collaborations with third parties, we will compete for the services of third parties that may have already developed or acquired internal biotechnology capabilities or made commercial arrangements with other biopharmaceutical companies to target the diseases on which we have focused.

Government Regulation and Product Approval

General

Governmental authorities in the United States and other countries extensively regulate the preclinical and clinical testing, manufacturing, labeling, storage, record-keeping, advertising, promotion, export, marketing and distribution, among other things, of biologic products. In the United States, the FDA under the Federal Food, Drug, and Cosmetic Act, the Public Health Service Act and other federal statutes and regulations subjects pharmaceutical and biologic products to rigorous review. If we do not comply with applicable requirements, we may be fined, the government may refuse to approve our marketing applications or allow us to manufacture or market our product candidates and products, and we may be criminally prosecuted. The FDA also has the authority to revoke previously granted marketing authorizations if we fail to comply with regulatory standards or if we encounter problems following initial marketing.

FDA Approval Process

To obtain approval of a new product from the FDA, we must, among other requirements, submit data supporting safety and efficacy as well as detailed information on the manufacture and composition of the product candidate. In most cases, this entails extensive laboratory tests and preclinical and clinical trials. This testing and the preparation of necessary applications and processing of those applications by the FDA are expensive and typically take many years to complete. The FDA may not act quickly or favorably in reviewing these applications, and we may encounter significant difficulties or costs in our efforts to obtain FDA approvals that could delay or preclude us from marketing any products we may develop. The FDA also may require post-marketing testing and surveillance to monitor the

safety and efficacy of approved products or place conditions on any approvals that could restrict the commercial applications of these products. Regulatory authorities may withdraw product approvals if we fail to comply with regulatory standards or if we encounter problems at any time following initial marketing. With respect to patented products or technologies, delays imposed by the governmental approval process may materially reduce the period during which we will have the exclusive right to exploit the products or technologies.

Table of Contents

The process required by the FDA before a new drug or biologic may be marketed in the United States generally involves the following: completion of preclinical laboratory and animal testing; submission of an IND, which must become effective before human clinical trials may begin; performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the proposed drug or biologic for its intended use; and submission and approval of a New Drug Application, or NDA, for a drug, or a Biologics License Application, or BLA, for a biologic. The sponsor typically conducts human clinical trials in three sequential phases, but the phases may overlap. In Phase 1 clinical trials, the product is tested in a small number of patients or healthy volunteers, primarily for safety at one or more doses. In Phase 2, in addition to safety, the sponsor evaluates the efficacy of the product in targeted indications, and identifies possible adverse effects and safety risks, in a patient population that is usually larger than Phase 1 clinical trials. Phase 3 clinical trials typically involve additional testing for safety and clinical efficacy in an expanded patient population at geographically-dispersed clinical trial sites. Clinical trials must be conducted in accordance with the FDA s Good Clinical Practices requirements. Prior to commencement of each clinical trial, the sponsor must submit to the FDA a clinical plan, or protocol, accompanied by the approval of the committee responsible for overseeing clinical trials at one of the clinical trial sites. The FDA may order the temporary or permanent discontinuation of a clinical trial at any time if it believes that the clinical trial is not being conducted in accordance with FDA requirements or presents an unacceptable risk to the clinical trial patients. The ethics committee at each clinical site may also require the clinical trial at that site to be halted, either temporarily or permanently, for the same reasons.

The sponsor must submit to the FDA the results of the preclinical and clinical trials, together with, among other things, detailed information on the manufacture and composition of the product, in the form of a new drug application, or NDA, or, in the case of a biologic, a BLA. Our monoclonal antibody product candidates will be regulated as drugs. In a process that may take from several months to several years, the FDA reviews these applications and, when and if it decides that adequate data are available to show that the new compound is both safe and effective and that other applicable requirements have been met, approves the drug or biologic for marketing. The amount of time taken for this approval process is a function of a number of variables, including whether the product has received a fast track designation, the quality of the submission and studies presented, the potential contribution that the compound will make in improving the treatment of the disease in question, and the workload at the FDA. It is possible that our product candidates will not successfully proceed through this approval process or that the FDA will not approve them in any specific period of time, or at all.

The FDA may, during its review of a NDA or BLA, ask for additional test data. If the FDA does ultimately approve the product, it may require post-marketing testing, including potentially expensive Phase 4 studies, to monitor the safety and effectiveness of the product. In addition, the FDA may in some circumstances impose restrictions on the use of the product, which may be difficult and expensive to administer and may require prior approval of promotional materials.

We will also be subject to a variety of regulations governing clinical trials and sales of our products outside the United States. Whether or not FDA approval has been obtained, approval of a product by the comparable regulatory authorities of foreign countries and regions must be obtained prior to the commencement of marketing the product in those countries. The approval process varies from one regulatory authority to another and the time may be longer or shorter than that required for FDA approval. In the European Union, Canada, and Australia, regulatory requirements and approval processes are similar, in principle, to those in the United States.

Ongoing Regulatory Requirements

Before approving an NDA or BLA, the FDA will inspect the facilities at which the product is manufactured and will not approve the product unless the manufacturing facilities are in compliance with FDA s good manufacturing practices, or GMP, regulations which govern the manufacture, holding and distribution of a product. Manufacturers of

biologics also must comply with FDA s general biological product standards. Following approval, the FDA periodically inspects drug and biologic manufacturing facilities to ensure continued compliance with the good manufacturing practices regulations. Manufacturers must continue to expend time, money and effort in the areas of production and quality control and record keeping and reporting to ensure full compliance with those requirements. Failure to comply with these requirements subjects the manufacturer to possible legal or regulatory action, such as suspension of manufacturing or recall or seizure of product. Adverse experiences with the product must be reported

to the FDA and could result in the imposition of marketing restrictions through labeling changes or market removal. Product approvals may be withdrawn if compliance with regulatory requirements is not maintained or if problems concerning safety or efficacy of the product occur following approval.

The labeling, advertising, promotion, marketing and distribution of a drug or biologic product also must be in compliance with FDA and Federal Trade Commission, or FTC, requirements which include, among others, standards and regulations for off-label promotion, industry sponsored scientific and educational activities, promotional activities involving the internet, and direct-to-consumer advertising. The FDA and FTC have very broad enforcement authority, and failure to abide by these regulations can result in penalties, including the issuance of a Warning Letter directing the company to correct deviations from regulatory standards and enforcement actions that can include seizures, injunctions and criminal prosecution.

Manufacturers are also subject to various laws and regulations governing laboratory practices, the experimental use of animals, and the use and disposal of hazardous or potentially hazardous substances in connection with their research. In each of these areas, as above, the FDA has broad regulatory and enforcement powers, including the ability to levy fines and civil penalties, suspend or delay issuance of product approvals, seize or recall products, and deny or withdraw approvals.

Employees

As of December 31, 2005, we employed 52 full-time employees, of whom approximately 28 were engaged in research, clinical development and regulatory affairs, 2 in manufacturing and quality assurance, and 22 in administration, finance, management information systems, corporate development, marketing and human resources. Nine of our employees hold a Ph.D., M.D. or Pharm.D. degree and are engaged in activities relating to research and development, manufacturing, quality assurance and business development.

Facilities

Our corporate headquarters and research and development facility of approximately 60,000 square feet located in Carlsbad, California is leased under a ten-year operating lease that commenced in July 2002. Our biologics manufacturing facility consists of approximately 51,000 square feet of space located in the Los Angeles, California, area. JWCI entered into an original operating lease for 25,600 square feet of space in July 1999, with a commencement date in August 1999, which was subsequently assigned to us. We entered into an amendment to our lease to add 25,150 square feet of space at the same address on October 1, 2001. Our lease is scheduled to expire on August 14, 2011. In August 2004, we signed a seven-year operating lease for a 42,681 square foot warehouse, laboratory and office facility located in the Los Angeles, California area, near our biologics manufacturing facility.

Subsequent to the decision to discontinue the Phase 3 clinical trials of Canvaxin^{tm}, we have closed our biologics manufacturing facility and our warehouse, laboratory and office facility in Los Angeles, and have engaged real estate brokers in an effort to assign or sublease our principal offices and other facilities.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CANCERVAX

The following discussion contains forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth above under the caption Risk Factors. The financial statements and this Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this proxy statement/prospectus.

Overview

We are a biotechnology company focused on the research, development and commercialization of novel biological products for the treatment and control of cancer.

On October 3, 2005, we and Serono Technologies, S.A., our Canvaxin collaboration partner, announced the discontinuation of our Phase 3 clinical trial of our leading product candidate, Canvaxin, in patients with Stage III melanoma, based on the recommendation of the independent Data and Safety Monitoring Board, or DSMB, which completed its planned, third, interim analysis of data from this study on September 30, 2005. In April 2005, we announced the discontinuation of our Phase 3 clinical trial of Canvaxin in patients with Stage IV melanoma based upon a similar recommendation of the independent DSMB. The DSMB concluded, based on its planned, interim analysis of the data from these studies, that the data were unlikely to provide significant evidence of a survival benefit for Canvaxin-treated patients versus those receiving placebo. There were no significant safety issues identified with either of the Phase 3 clinical trials of Canvaxin, and the recommendations to close the studies were not made because of any potential safety concerns.

As a result of the discontinuation of the Canvaxin Phase 3 clinical trials, in October 2005 we and Serono announced the discontinuation of all further development and manufacturing activities with respect to Canvaxin. As a result, we recorded a non-cash charge for the impairment of long-lived assets of $22.8 million in the third quarter of 2005 to write-down the carrying value of the Canvaxin asset group to its estimated fair value. Additionally, in October 2005, we announced that our Board of Directors had approved a restructuring plan designed to realign resources in light of the decision to discontinue our Phase 3 clinical trial of Canvaxin in patients with Stage III melanoma, as well as all further development of Canvaxin and manufacturing activities at our Canvaxin manufacturing facilities. This restructuring plan reduced our workforce from 183 to 52 employees at December 31, 2005. In connection with this workforce reduction, we incurred approximately $3.8 million of severance and related costs, the substantial majority of which were cash expenditures that were paid in the fourth quarter of 2005. We anticipate that we will incur additional costs as a result of the restructuring plan, including additional employee severance costs and costs associated with the closure of our manufacturing facilities and contract terminations. We may also incur additional charges from the impairment of long-lived assets. At this time, we are unable to reasonably estimate the expected amount of additional costs that will result from the restructuring plan or the timing of the related cash expenditures, although the additional restructuring costs may have a significant impact on our results of operations.

We have other product candidates in research and preclinical development, including three product candidates targeting the epidermal growth factor receptor, or EGFR, signaling pathway for the treatment of cancer, and four humanized, anti-angiogenic monoclonal antibodies and several peptides that potentially target various solid tumors. Our efforts to identify, develop and commercialize these product candidates are in an early stage and, therefore, these efforts are subject to a high risk of failure.

In early 2006, we plan to file an Investigational New Drug Application, or IND, to initiate a Phase 1 clinical trial for D93, our leading humanized, anti-angiogenic monoclonal antibody, in patients with solid tumors. We recently announced our intention to sub-license our rights to SAI-EGF and our other two product candidates that target the EGFR signaling pathway.

We are actively considering strategic transactions and alternatives with the goal of maximizing shareholder value. These potential transactions may include a variety of difference business arrangements, including

Table of Contents

acquisitions, strategic partnerships, joint ventures, restructurings, divestitures, business combinations and investments. We cannot assure you that any such transactions would be consummated on favorable terms or at all, would in fact enhance stockholder value, or would not adversely affect our business or the trading price of our stock. Any such transactions may require us to incur non-recurring or other charges and may pose significant integration challenges and/or management and business disruptions, any of which could materially and adversely affect our business and financial results. As described in this joint proxy statement/prospectus, on January 6, 2006, CancerVax entered into a merger agreement with Micromet. The merger is subject to a number of conditions, as described in The Merger Agreement Conditions to the Merger, and is expected to close in the second quarter of 2006.

We were incorporated in Delaware in June 1998 and have incurred net losses since inception. As of September 30, 2005, our accumulated deficit was approximately $208.6 million. We expect to incur substantial and increasing losses for the next several years as we:

- advance our preclinical anti-angiogenesis product candidates into clinical development;
- expand our research and development programs; and
- in-license technology and acquire or invest in businesses, products or technologies that are complementary to our own.

We have a limited history of operations. To date, we have funded our operations primarily through sales of equity securities as well as bank financing to fund certain equipment and leasehold improvement expenditures.

Our business is subject to significant risks, including the risks inherent in our ongoing clinical trials and the regulatory approval process, the results of our research and development efforts, our ability to manufacture our product candidates, competition from other products, uncertainties associated with obtaining and enforcing patent rights, with maintaining our licenses related to our product candidates, obtaining the capital necessary to fund our ongoing operations and establishing and maintaining strategic collaborations to fund our product development efforts.

Research and Development

Through September 30, 2005, our research and development expenses have consisted primarily of costs associated with the clinical development of Canvaxin, including costs associated with the Phase 3 clinical trials of Canvaxin, production of Canvaxin for use in these clinical trials and manufacturing process, quality systems and analytical development for Canvaxin, including compensation and other personnel expenses, supplies and materials, costs for consultants and related contract research, facility costs, license fees and depreciation. We charge all research and development expenses to operations as they are incurred. From our inception through September 30, 2005, we incurred costs of approximately $131.2 million associated with the research and development of Canvaxin, representing over 91% of our total research and development expenses.

Under our collaboration agreement with Serono, we were entitled to receive up to $230.0 million in potential milestone payments upon the achievement of certain development, regulatory and sales based objectives related to Canvaxin. As a result of the discontinuation of all further development and manufacturing activities with respect to Canvaxin, we do not anticipate receiving any of these milestone payments, but we will continue to share equally with Serono certain costs associated with the discontinuation of the Canvaxin development program and manufacturing operations, as contemplated under the collaboration agreement. Serono may terminate the collaboration agreement for convenience upon 180 days prior notice. Either party may terminate the agreement for the material breach or bankruptcy of the other party. In the event of a termination of the agreement, rights to Canvaxin will revert to us.

Following the discontinuation of all further Canvaxin development and manufacturing activities, our research and development activities will primarily be focused on the development of product candidates based on our proprietary anti-angiogenesis technology.

We are unable to estimate with any certainty the costs we will incur in the continued development of our other product candidates. However, we expect our research and development costs associated with these product

Table of Contents

candidates to increase as we continue to develop new indications and move these product candidates through preclinical and clinical trials.

Clinical development timelines, likelihood of success and total costs vary widely. We anticipate that we will make determinations as to which research and development projects to pursue and how much funding to direct to each project on an on-going basis in response to the scientific and clinical success of each product candidate.

The costs and timing for developing and obtaining regulatory approvals of our product candidates vary significantly for each product candidate and are difficult to estimate. The expenditure of substantial resources will be required for the lengthy process of clinical development and obtaining regulatory approvals as well as to comply with applicable regulations. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could cause our research and development expenditures to increase and, in turn, have a material adverse effect on our results of operations.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of the consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. We review our estimates on an on-going basis, including those related to revenue recognition and the valuation of goodwill, intangibles and other long-lived assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the bases for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Our accounting policies are described in more detail in Note 1 to our audited consolidated financial statements included elsewhere in this Form S-4. We have identified the following as the most critical accounting policies and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenue in accordance with the provisions of Securities and Exchange Commission Staff Accounting Bulletin, or SAB, No. 104, *Revenue Recognition in Financial Statements*, and Emerging Issues Task Force, or EITF, Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables.* Accordingly, revenue is recognized once all of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery of the products and/or services has occurred; (iii) the selling price is fixed or determinable; and (iv) collectibility is reasonably assured. Any amounts received prior to satisfying these revenue recognition criteria are recorded as deferred revenue in our consolidated balance sheets.

Collaborative research and development revenues, representing the portion of our pre-commercialization expenses incurred under collaboration agreements that are shared with our partners, are recognized as revenue in the period in which the related expenses are incurred, assuming that collectibility is reasonably assured and the amount is reasonably estimable.

Nonrefundable up-front license fees where we have continuing involvement in research and development and/or other performance obligations are initially deferred and recognized as license fee revenue over the estimated period until completion of our performance obligations.

Our estimates of the period over which we recognize revenue are based on the contractual terms of the underlying arrangement, the level of effort required for us to fulfill our obligations and the anticipated timing of the fulfillment of our obligations. As our product candidates move through the clinical development and regulatory approval process,

our estimates of the period over which we recognize revenue from nonrefundable up-front license fees and milestone payments, if any, may change. The effect of changes in our estimates of the revenue recognition period will be recognized prospectively over the remaining estimated period. We regularly review our estimates of the period over which we have ongoing performance obligations.

Table of Contents

Goodwill

In accordance with Statement of Financial Accounting Standards, or SFAS No. 142, *Goodwill and Other Intangible Assets*, we do not amortize goodwill. Instead, we review goodwill for impairment at least annually and whenever events or changes in circumstances indicate a reduction in the fair value of the reporting unit to which the goodwill has been assigned. Conditions that would necessitate a goodwill impairment assessment include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, or the presence of other indicators that would indicate a reduction in the fair value of the reporting unit to which the goodwill has been assigned. SFAS No. 142 prescribes a two-step process for impairment testing of goodwill. The first step of the impairment test is used to identify potential impairment by comparing the fair value of the reporting unit to which the goodwill has been assigned to its carrying amount, including the goodwill. Such a valuation requires significant estimates and assumptions including but not limited to: determining the timing and expected costs to complete in-process projects, projecting regulatory approvals, estimating future cash inflows from product sales and other sources, and developing appropriate discount rates and probability rates by project. If the carrying value of the reporting unit exceeds the fair value, the second step of the impairment test is performed in order to measure the impairment loss.

Our goodwill had a carrying value of $5.4 million at September 30, 2005 and December 31, 2004 and resulted from our acquisition of Cell-Matrix, Inc. in January 2002. We have assigned the goodwill to our Cell-Matrix reporting unit. In the fourth quarter of 2004, we performed our annual goodwill impairment test for fiscal year 2004 in accordance with SFAS No. 142 and determined that the carrying amount of goodwill was recoverable. In determining the fair value of the Cell-Matrix reporting unit, we considered internal risk-adjusted cash flow projections which utilize several key assumptions, including estimated timing and costs to complete development of the anti-angiogenesis technology and estimated future cash inflows from anticipated future collaborations and projected product sales. Additionally, we reviewed the implied market capitalization of the Cell-Matrix reporting unit, based on the number of shares issued by us in the acquisition, and third party revenue projections for other products and product candidates utilizing similar technology. Our analysis of the fair value of the Cell-Matrix reporting unit assumes the timely and successful completion of development of the anti-angiogenesis technology. The major risks and uncertainties associated with the timely and successful completion of development of the anti-angiogenesis technology include the risk that we will not be able to confirm the safety and efficacy of the technology with data from clinical trials and the risk that we will not be able to obtain necessary regulatory approvals. No assurance can be given that the underlying assumptions used to forecast the cash flows or the timely and successful completion of development will materialize as estimated. We cannot assure you that our future reviews of goodwill impairment will not result in a material charge.

Impairment of Long-Lived Assets and Restructuring Costs

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets to be held and used, including property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the market price of an asset or asset group, a significant adverse change in the extent or manner in which an asset or asset group is being used, a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, or the presence of other indicators that would indicate that the carrying amount of an asset or asset group is not recoverable. Determination of recoverability is based on the undiscounted future cash flows resulting from the use of the asset or asset group and its eventual disposition. The determination of the undiscounted cash flows requires significant estimates and assumptions including but not limited to: determining the timing and expected costs to complete in-process projects, projecting regulatory approvals and estimating future cash inflows from product sales and other sources. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the asset or asset group, the carrying amount of the asset is written down to its estimated fair

value.

As a result of the discontinuation of all further Canvaxin development and manufacturing activities, we performed a recoverability test of the long-lived assets included in our Canvaxin asset group in accordance with SFAS No. 144. The recoverability test was based on the estimated undiscounted future cash flows expected to result

Table of Contents

from the disposition of the Canvaxin asset group, including the estimated future cash inflows from anticipated sales and returns of assets and the estimated asset disposition costs. Based on the recoverability analysis performed, management does not believe that the estimated undiscounted future cash flows expected to result from the disposition of the Canvaxin asset group are sufficient to recover the carrying value of these assets. Accordingly, we recorded a non-cash charge for the impairment of long-lived assets of $22.8 million in the third quarter of 2005 to write-down the carrying value of the Canvaxin asset group to its estimated fair value. No assurance can be given that the underlying assumptions used to estimate the fair value of the assets will materialize as estimated. Differences between our estimate of the fair value of the assets and the actual cash flows and asset dispositions may result in an adjustment to the impairment charge. We cannot assure you that our future reviews of the impairment of our assets will not result in additional charges.

The restructuring plan approved by our Board of Directors in October 2005 reduced our workforce from 183 to approximately 50 employees at December 31, 2005. In connection with this workforce reduction, we incurred approximately $3.8 million of severance and related costs, the substantial majority of which were cash expenditures that were paid in the fourth quarter of 2005. We anticipate that we will incur additional costs as a result of the restructuring plan, including costs associated with the closure of our manufacturing facilities and contract terminations. At this time, we are unable to reasonably estimate the expected amount of additional costs that will result from the restructuring plan or the timing of the related cash expenditures, although the additional restructuring costs may have a significant impact on our results of operations. The timing and amounts of these restructuring costs will be based on, among other things, the anticipated exit strategy for our facilities and the estimated termination dates of our employees, facility leases and other contracts. No assurance can be given that the underlying assumptions used to estimate the amounts of these restructuring costs will materialize as estimated. Differences between our estimates and the actual timing and amounts paid for employee, lease and contract terminations may result in additional restructuring costs.

Results of Operations

Comparison of the three and nine months ended September 30, 2005 and 2004

Revenues. Total revenues were $26.0 million and $38.9 million for the three and nine months ended September 30, 2005, respectively, compared to no revenues for the comparable periods in 2004. Revenues for the three and nine months ended September 30, 2005 consisted of $21.2 million and $24.7 million, respectively, of license fee revenues and $4.8 million and $14.2 million, respectively, of collaborative research and development revenues from our collaboration agreement with Serono. License fee revenues represent the portion of the $25.0 million up-front license fee received from Serono in January 2005 recognized as revenue. As a result of the discontinuation of Canvaxin development and manufacturing activities, we have no further substantive performance obligations to Serono under the collaboration agreement related to the ongoing development and commercialization of Canvaxin. Accordingly, we recognized the remaining deferred up-front license fee of $19.7 million as revenue in the third quarter of 2005. Collaborative research and development revenues represent Serono s 50% share of our Canvaxin pre-commercialization expenses under the agreement.

Research and Development Expenses. Research and development expenses were $10.6 million and $31.2 million for the three and nine months ended September 30, 2005, respectively, compared to $12.4 million and $31.6 million for the comparable periods in 2004. The decrease in research and development expenses for the three and nine months ended September 30, 2005 was due to decreased clinical trial expenses due to the discontinuation of the Phase 3 clinical trial of Canvaxin in patients with Stage IV melanoma in April 2005 and the completion of patient enrollment in our Phase 3 clinical trial of Canvaxin in patients with Stage III melanoma in the second half of 2004 and $2.6 million of technology access and transfer fees under our agreements with CIMAB, S.A. and YM BioSciences, Inc., which were recognized as research and development expenses in the third quarter of 2004. Also included in

research and development expenses for the nine months ended September 30, 2004 were one-time payments totaling $0.8 million made under our sublicense agreement with SemaCo, Inc. The decrease in research and development expenses was offset by increased production of Canvaxin for use in our Phase 3 clinical trial, manufacturing process validation expenses associated with the expansion of the production capacity of our biologics manufacturing facility, facilities expenses associated with our warehouse and laboratory facility leased in August 2004, contract manufacturing and laboratory services expenses associated with our leading humanized,

anti-angiogenic monoclonal antibody and our 50% share of Canvaxin pre-commercialization expenses incurred by Serono under the collaboration agreement.

Non-cash employee stock-based compensation of $0.2 million and $0.6 million for the three and nine months ended September 30, 2005, respectively, compared to $0.1 million and $0.4 million for the comparable periods in 2004, was excluded from research and development expenses and reported under a separate caption.

General and Administrative Expenses. General and administrative expenses were $2.7 million and $8.9 million for the three and nine months ended September 30, 2005, respectively, compared to $3.0 million and $8.4 million for comparable periods in 2004. The decrease in general and administrative expenses for the three months ended September 30, 2005 was primarily due to decreased personnel expenses and decreased expenses associated with marketing activities, offset by our 50% share of Canvaxin pre-commercialization expenses incurred by Serono under the collaboration agreement. The increase in general and administrative expenses for the nine months ended September 30, 2005 was primarily due to increased expenses associated with marketing activities, increased fees associated with financial statement, income tax and internal control compliance and our 50% share of Canvaxin pre-commercialization expenses incurred by Serono under the collaboration agreement, offset by decreased outside legal fees.

Non-cash employee stock-based compensation of $0.1 million and $0.3 million for the three and nine months ended September 30, 2005, respectively, compared to $0.3 million and $1.1 million for the comparable periods in 2004, was excluded from general and administrative expenses and reported under a separate caption.

Amortization of Employee Stock-based Compensation. Employee stock-based compensation results from stock options granted to our employees and directors prior to our initial public offering with exercise prices that were deemed to be below the estimated fair value of the underlying common stock on the option grant date as well as stock awards with performance-based vesting provisions granted to employees in 2005. We recorded the spread between the exercise price of the stock option or purchase price of the restricted stock and the fair value of the underlying common stock as deferred employee stock-based compensation. We amortize the deferred employee stock-based compensation as a non-cash charge to operations on an accelerated basis over the vesting period of the award. Amortization of deferred employee stock-based compensation was $0.3 million and $0.9 million for the three and nine months ended September 30, 2005, respectively, compared to $0.4 million and $1.5 million for the comparable periods in 2004.

Impairment of Long-lived Assets. As a result of the discontinuation of all further Canvaxin development and manufacturing activities, we recorded a non-cash charge for the impairment of long-lived assets of $22.8 million in the third quarter of 2005 to write-down the carrying value of the Canvaxin asset group to its estimated fair value in accordance with SFAS No. 144.

Interest Income, Net. Interest income, net was $0.4 million and $1.2 million for the three and nine months ended September 30, 2005, respectively, compared to $0.1 million and $0.3 million for the comparable periods in 2004. The increase was primarily attributable to an increase in interest income due to higher rates of interest on invested balances in 2005.

Comparison of the Years Ended December 31, 2004 and 2003

The following compare actual results for the applicable periods and do not reflect any pro forma adjustments for our acquisition of Cell-Matrix in January 2002.

Revenues. Total revenues were $1.5 million for the year ended December 31, 2004, compared to no revenues for the year ended December 31, 2003. Revenues for the year ended December 31, 2004 consist of $0.3 million of license fee

revenues and $1.2 million of collaborative agreement revenues from our agreement with Serono. The $25.0 million up-front license fee received from Serono is being recognized as license fee revenue on a straight-line basis over approximately 3.3 years, which primarily represents the estimated period until regulatory approval and commercialization of Canvaxin in patients with Stage IV melanoma in the United States. Collaborative agreement revenues represent Serono s share of Canvaxin pre-commercialization expenses under the agreement, which were incurred by us after the effective date of the collaboration agreement.

Table of Contents

Research and Development Expenses. Research and development expenses were $43.1 million for the year ended December 31, 2004, compared to $27.7 million for the year ended December 31, 2003. The $15.4 million increase in research and development expenses primarily reflects additional investment in personnel in the manufacturing, quality and research and development departments, increased clinical trial expenses associated with increased patient enrollment in our Phase 3 clinical trials of our lead product candidate, Canvaxin, including costs associated with the production of Canvaxin for use in these clinical trials, $4.3 million of technology access and transfer fees under our agreements with CIMAB and YM BioSciences, which were recognized as research and development expenses in 2004, and payments totaling $1.3 million made under our sublicense agreement with SemaCo, Inc., which were recognized as research and development expenses.

Non-cash employee stock-based compensation of $0.5 million and $0.8 million for the years ended December 31, 2004 and 2003, respectively, was excluded from research and development expenses and reported under a separate caption.

General and Administrative Expenses. General and administrative expenses were $12.3 million for the year ended December 31, 2004, compared to $6.8 million for the year ended December 31, 2003. The $5.5 million increase in general and administrative expenses primarily reflects additional investment in personnel in the finance and marketing and business development departments, increased directors and officers insurance premiums and other expenses associated with our becoming a publicly-traded company, increased legal fees and other expenses related to business development activities and increased expenses associated with marketing activities.

Non-cash employee stock-based compensation of $1.3 million and $1.8 million for the years ended December 31, 2004 and 2003, respectively, was excluded from general and administrative expenses and reported under a separate caption.

Amortization of Employee Stock-based Compensation. During the initial public offering process, we re-evaluated the historical estimated fair value of our common stock considering the anticipated initial public offering price. As a result, the exercise price of certain stock options that were previously granted to our employees and directors was deemed to be below the revised estimated fair value of the underlying common stock on the option grant date. We recorded this spread between the exercise price and the revised estimated fair value as deferred employee stock-based compensation. We amortize the deferred employee stock-based compensation as a non-cash charge to operations on an accelerated basis over the vesting period of the options. Amortization of deferred employee stock-based compensation was $1.9 million and $2.6 million for the years ended December 31, 2004 and 2003, respectively.

Interest Income. Interest income for the year ended December 31, 2004 was $0.9 million, compared to $0.6 million for the year ended December 31, 2003. The $0.3 million increase in interest income was primarily due to higher average invested balances in 2004 resulting from the proceeds from the sale of our Series C preferred stock and our initial public offering of common stock in the second half of 2003.

Interest Expense. Interest expense for the year ended December 31, 2004 was $0.8 million, compared to $0.9 million for the year ended December 31, 2003. The $0.1 million decrease was primarily due to lower long-term debt balances in 2004 due to the full repayment in January 2004 of the notes payable that were assumed in the January 2002 acquisition of Cell-Matrix, offset by the interest expense associated with the prepayment in full of certain equipment and tenant improvement loans in December 2004.

Comparison of the Years Ended December 31, 2003 and 2002

Research and Development Expenses. Research and development expenses were $27.7 million for the year ended December 31, 2003, compared to $24.5 million for the year ended December 31, 2002. The $3.2 million increase in

research and development expenses primarily reflects additional investment in personnel in the clinical affairs, manufacturing, quality and research and development departments, higher manufacturing expenses for our lead product candidate, Canvaxin, due to the resumption of patient enrollment in our Phase 3 clinical trials and the full year effect of an increase in facility expenses due to the need for a larger facility to support our growth and the expansion of our research, analytical and clinical development capabilities.

Table of Contents

Non-cash employee stock-based compensation of $0.8 million and $0.4 million for the years ended December 31, 2003 and 2002, respectively, was excluded from research and development expenses and reported under a separate caption.

General and Administrative Expenses. General and administrative expenses were $6.8 million for the year ended December 31, 2003 compared to $6.5 million for the year ended December 31, 2002. The $0.3 million increase in general and administrative expenses was primarily due to a general increase in compensation costs.

Non-cash employee stock-based compensation of $1.8 million and $1.0 million for the years ended December 31, 2003 and 2002, respectively, was excluded from general and administrative expenses and reported under a separate caption.

Amortization of Employee Stock-based Compensation. During the initial public offering process, we re-evaluated the historical estimated fair value of our common stock considering the anticipated initial public offering price. As a result, the exercise price of certain stock options that were previously granted to our employees and directors was deemed to be below the revised estimated fair value of the underlying common stock on the option grant date. We recorded this spread between the exercise price and the revised estimated fair value as deferred employee stock-based compensation. We amortize the deferred employee stock-based compensation as a non-cash charge to operations on an accelerated basis over the vesting period of the options. For the years ended December 31, 2003 and 2002, amortization of deferred employee stock-based compensation totaled $2.6 million and $1.4 million, respectively.

Purchased In-Process Research and Development. In January 2002, we completed the acquisition of Cell-Matrix, Inc. in a transaction accounted for as a purchase. Upon completion of the acquisition, we recognized a $2.8 million charge for the write-off of the fair value of the acquired in-process research and development. The amount of the charge represents the estimated fair value of acquired in-process research and development programs that had not reached technological feasibility and had no alternative future use. The principal technology acquired related to anti-angiogenic monoclonal antibodies and peptides that were in preclinical research and development. The fair value of the in-process research and development technology was based on a cost approach that attempts to estimate the cost of replicating the technology, including outside contracted services, the level of full-time employees and lab supplies that would be required in the development effort, net of tax. As of December 31, 2004, due to the inherent uncertainty and lengthy development life of the underlying monoclonal antibodies, we cannot estimate with any certainty the costs that will be incurred, or the anticipated completion dates, in the continued development of these monoclonal antibodies.

Interest Income. Interest income for the year ended December 31, 2003 was $0.6 million, compared to $0.7 million for the year ended December 31, 2002. The $0.1 million decrease in interest income was primarily due to lower prevailing interest rates during 2003, partially offset by higher average invested balances in 2003 due to the proceeds from the sale of our Series C preferred stock and our initial public offering of common stock in the second half of 2003.

Interest Expense. Interest expense for the year ended December 31, 2003 was $0.9 million, compared to $0.6 million for the year ended December 31, 2002. The $0.3 million increase in interest expense was primarily due to higher debt balances in 2003 related to the financing of equipment and leasehold improvements in the second half of 2002.

Liquidity and Capital Resources

As of September 30, 2005, we had $60.3 million in cash, cash equivalents and securities available-for-sale as compared to $65.1 million as of December 31, 2004. This decrease was primarily due to the use of cash to fund ongoing operations and $13.7 million of purchases of property and equipment, offset by payments aggregating

$35.2 million received from Serono under the collaboration agreement and $11.8 million of proceeds from long-term debt.

Net cash used in operating activities was $2.0 million during the nine months ended September 30, 2005, compared with $34.3 million during the comparable period in 2004. The increase in cash flows from operating

activities was primarily due to payments aggregating $35.2 million received from Serono under the collaboration agreement, including the $25.0 million up-front license fee received from Serono in January 2005.

Net cash used in investing activities was $4.4 million during the nine months ended September 30, 2005, compared with $34.6 million during the comparable period in 2004. Significant components of cash flows from investing activities for the nine months ended September 30, 2005 included a $9.6 million net decrease in our securities available-for-sale portfolio and $13.7 million of purchases of property and equipment. Significant components of cash flows from investing activities for the nine months ended September 30, 2004 included a $32.4 million net increase in our securities available-for-sale portfolio, a $0.7 million decrease in restricted cash and $2.8 million of purchases of property and equipment.

Net cash provided by financing activities was $11.4 million during the nine months ended September 30, 2005, compared with net cash used in financing activities of $5.1 million during the comparable period in 2004. Cash flows from financing activities for the nine months ended September 30, 2005 primarily consisted of proceeds from borrowings on our $18.0 million bank credit facility. Cash flows from financing activities for the nine months ended September 30, 2004 primarily consisted of payments on long-term debt, including the full repayment in January 2004 of the notes payable that were assumed in our January 2002 acquisition of Cell-Matrix.

Our future capital uses and requirements depend on numerous forward-looking factors. These factors include but are not limited to the following:

- our ability to rapidly and cost-effectively complete the closure activities associated with our clinical trials and development and manufacturing activities for Canvaxin, and to sublease the manufacturing, warehouse and laboratory facilities associated with Canvaxin on satisfactory terms;
- our ability to sublease our corporate headquarters;
- the costs involved in the research and preclinical and clinical development of D93 and our other anti-angiogenesis product candidates;
- the costs involved in obtaining and maintaining regulatory approvals for our product candidates;
- the scope, prioritization and number of programs we pursue;
- the costs involved in preparing, filing, prosecuting, maintaining, enforcing and defending patent and other intellectual property claims;
- the manufacturing costs associated with our product candidates;
- our ability to enter into corporate collaborations and the terms and success of these collaborations;
- our acquisition and development of new technologies and product candidates;
- the risk of product liability claims inherent in the manufacturing, testing and marketing of therapies for treating people with cancer or other diseases; and
- competing technological and market developments.

On October 3, 2005, we announced that our Board of Directors had approved a restructuring plan designed to realign resources in light of the decision to discontinue our Phase 3 clinical trial of Canvaxin in patients with Stage III melanoma, as well as all further development of Canvaxin and manufacturing activities at our Canvaxin manufacturing facilities. This restructuring plan reduced our workforce from 183 to 52 employees at December 31, 2005. In connection with this workforce reduction, we incurred approximately $3.8 million of severance and related costs, the substantial majority of which were cash expenditures that were paid in the fourth quarter of 2005. We anticipate that we will incur additional costs as a result of the restructuring plan, including additional employee severance costs and costs associated with the closure of our manufacturing facilities and contract terminations. We may also incur additional charges from the impairment of long-lived assets. At this time, we are unable to reasonably estimate the expected amount of additional costs that will result from the restructuring plan or the timing of the related cash expenditures, although the additional restructuring costs may have a significant impact on our results of operations.

Table of Contents

In December 2004, we entered into an $18.0 million loan and security agreement with a financial institution. All borrowings under the credit facility must be paid in full by December 31, 2009. Borrowings under the credit facility will initially bear interest at either a fixed or variable rate at our option. The fixed interest rate is equal to the greater of the 4-year U.S. Treasury note rate plus 2.86% or 6.00%. The variable interest rate is equal to the greater of the bank s prime rate or 4.75%. However, we have the option to fix the interest rate on any variable rate borrowings at a rate equal to the greater of the bank s prime rate plus 1.25% or 6.00% prior to December 31, 2005. At our option, we may make interest-only payments on variable rate borrowings until January 31, 2006, at which time principal and interest payments are due in 48 equal monthly installments. Fixed rate borrowings are payable in 48 equal monthly installments of principal and interest from the date of the borrowing. As of September 30, 2005, we have borrowed the full $18.0 million available under this credit facility, of which $1.3 million was used to repay the remaining unpaid borrowings under a credit facility secured in 2002. The remaining $16.7 million was primarily used to finance certain capital expenditures associated with the expansion of our biologics manufacturing facility. The existing borrowings under this credit facility as of September 30, 2005 bear interest at the greater of the bank s prime rate or 4.75% (6.75% at September 30, 2005) with interest-only payments due through December 31, 2005.

We have granted the bank a first priority security interest in substantially all of our assets, excluding our intellectual property. In addition to various customary affirmative and negative covenants, the loan and security agreement requires us to maintain, as of the last day of each calendar quarter, aggregate cash, cash equivalents and securities available-for-sale in an amount at least equal to the greater of (i) our quarterly cash burn multiplied by 2 or (ii) the then outstanding principal amount of the obligations under such agreement multiplied by 1.5. In the event that we breach this financial covenant, we are obligated to pledge and deliver to the bank a certificate of deposit in an amount equal to the then-outstanding borrowings under the credit facility. We were in compliance with our debt covenants as of September 30, 2005.

The loan and security agreement contains certain customary events of default, including, among other things, non-payment of principal and interest, violation of covenants, the occurrence of a material adverse change in our ability to satisfy our obligations under the loan agreement or with respect to the lender s security interest in our assets and in the event we are involved in certain insolvency proceedings. Upon the occurrence of an event of default, the lender may be entitled to, among other things, accelerate all of our obligations and sell our assets to satisfy our obligations under the loan agreement. In addition, in an event of default, our outstanding obligations may be subject to increased rates of interest. We do not believe that the restructuring announced in October 2005 constitutes an event of default under the loan agreement, nor has the lender indicated that it views the restructuring as such. We can provide no assurance, however, that the lender will not at some time in the future seek to declare us in default of the loan as a result of the restructuring. The loan agreement also requires that the proceeds we receive from the sale or return of assets that are collateralized under the loan agreement, if any, must be used to repay our obligations under the credit facility. There can be no assurance that such proceeds, if any, will be sufficient to satisfy our obligations under the credit facility. The terms of the loan and security agreement also require that it be repaid in full upon the occurrence of a change in control event, such as the consummation of our proposed merger with Micromet AG.

To date, we have funded our operations primarily through the sale of equity securities as well as through equipment and leasehold improvement financing. Through September 30, 2005, we have received aggregate net proceeds of approximately $208.6 million from the sale of equity securities. In addition, through September 30, 2005, we have borrowed an aggregate of approximately $27.3 million under certain credit facilities primarily to finance the purchase of equipment and leasehold improvements. Our remaining obligation under these credit facilities as of September 30, 2005 consists solely of borrowings under our $18.0 million bank credit facility.

We expect that operating losses and negative cash flows from operations will continue for at least the next several years. Absent our proposed merger with Micromet AG, we believe that our existing cash, cash equivalents and securities available-for-sale as of September 30, 2005 and the remaining cost-sharing payments from Serono

associated with the costs of the discontinuation of the Canvaxin development program and manufacturing operations will be sufficient to meet our projected operating requirements until September 30, 2007.

We will need to raise additional funds to meet future working capital and capital expenditure needs. We have filed an S-3 shelf registration statement, declared effective by the Securities and Exchange Commission on

Table of Contents

December 9, 2004, under which we may raise up to $80 million through the sale of our common stock. We may also raise additional funds through additional debt financing or through additional strategic collaboration agreements. We do not know whether additional financing will be available when needed, or whether it will be available on favorable terms, or at all. If we were to raise additional funds through the issuance of common stock under our S-3 shelf registration statement or otherwise, substantial dilution to our existing stockholders would likely result. If we were to raise additional funds through additional debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to operate our business. Having insufficient funds may require us to delay, scale back or eliminate some or all of our research or development programs or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose. Failure to obtain adequate financing may adversely affect our ability to operate as a going concern.

Contractual Obligations

The following summarizes our long-term contractual obligations as of December 31, 2004 (in thousands):

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 3 Years**	**4 to 5 Years**	**After 5 Years**
Operating leases	$ 21,140	$ 2,697	$ 5,601	$ 5,989	$ 6,853
Contractual payments under licensing and research and development agreements	4,600	2,980	1,110	110	400
Equipment and tenant improvement loans	6,630	400	2,952	3,278	
Installment obligation due to JWCI	250	125	125		
	$ 32,620	$ 6,202	$ 9,788	$ 9,377	$ 7,253

We have entered into three irrevocable standby letters of credit in connection with the operating leases for our three primary facilities. The amount of the letter of credit related to the operating lease for our corporate headquarters and research and development facility is $0.4 million, varying up to a maximum of $1.9 million based on our cash position. The amount of the letter of credit related to the operating lease for our manufacturing facility is $0.6 million, decreasing through the end of the lease term. The amount of the letter of credit related to the operating lease for our warehouse, laboratory and office facility is $0.3 million. At December 31, 2004 and 2003, the amounts of the letters of credit totaled $1.3 million and $2.0 million, respectively. To secure the letters of credit, we pledged twelve-month certificates of deposit for similar amounts as of December 31, 2004 and 2003 which have been classified as restricted cash in our consolidated balance sheets.

We have entered into licensing and research and development agreements with various universities, research organizations and other third parties under which we have received licenses to certain intellectual property, scientific know-how and technology. In consideration for the licenses received, we are required to pay license and research support fees, milestone payments upon the achievement of certain success-based objectives and/or royalties on future sales of commercialized products, if any. We may also be required to pay minimum annual royalties and the costs associated with the prosecution and maintenance of the patents covering the licensed technology. If all potential product candidates under these agreements were successfully developed and commercialized, the aggregate amount of milestone payments we would be required to pay is at least $56 million over the terms of the related agreements as

well as royalties on net sales of each commercialized product.

Related Party Transactions

For a description of our related party transactions, see Note 4 to our audited consolidated financial statements as of and for each of the years in the three-year period ended December 31, 2004 included elsewhere in this proxy statement/prospectus.

Table of Contents

Off-Balance Sheet Arrangements

Through December 31, 2004, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships. We do not have relationships or transactions with persons or entities that derive benefits from their non-independent relationship with us or our related parties other than what is disclosed in Note 4 to our audited consolidated financial statements as of and for each of the years in the three-year period ended December 31, 2004 included elsewhere in this proxy statement/prospectus.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board, or FASB, issued SFAS No. 123 (revised 2004), *Share-Based Payment*, or SFAS No. 123R. SFAS No. 123R requires that employee stock-based compensation is measured based on its fair-value on the grant date and is treated as an expense that is reflected in the financial statements over the related service period. SFAS No. 123R applies to all employee equity awards granted after adoption and to the unvested portion of equity awards outstanding as of adoption. In April 2005, the Securities and Exchange Commission adopted an amendment to Rule 4-01(a) of Regulation S-X that delays the implementation of SFAS No. 123R until the first interim or annual period of the registrant s first fiscal year beginning on or after June 15, 2005. As a result, we currently anticipate adopting SFAS No. 123R using the modified-prospective method effective January 1, 2006. While we are currently evaluating the impact on our consolidated financial statements of the adoption of SFAS No. 123R, we anticipate that our adoption of SFAS No. 123R will have a significant impact on our results of operations for 2006 and future periods although our overall financial position will not be effected.

Table of Contents

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments consisted principally of cash, cash equivalents and securities available-for-sale. These financial instruments, principally comprised of corporate obligations and U.S. government obligations, are subject to interest rate risk and will decline in value if interest rates increase. Because of the relatively short maturities of our investments, we do not expect interest rate fluctuations to materially affect the aggregate value of our financial instruments. We have not used derivative financial instruments in our investment portfolio. Additionally, we do not invest in foreign currencies or other foreign investments.

Borrowings under our $18.0 million bank credit facility will initially bear interest at either a fixed or variable rate at our election. The fixed interest rate is equal to the greater of the 4-year U.S. Treasury note rate plus 2.86% or 6.00%. The variable interest rate is equal to the greater of the bank s prime rate or 4.75%. However, we have the option to fix the interest rate on any variable rate borrowings at a rate equal to the greater of the bank s prime rate plus 1.25% or 6.00% prior to December 31, 2005. Our remaining debt bears interest at fixed rates. Therefore, we do not have significant market risk exposure with respect to our debt obligations.

Table of Contents

INFORMATION REGARDING MICROMET S BUSINESS

Overview

We are a biotechnology company focused on the research, and development of novel biological products for the treatment and control of cancer, and inflammatory and autoimmune diseases. We were founded in 1993 as spin-off from the Institute for Immunology at Munich University. As of January 2006, our product pipeline consists of two clinical product candidates, adecatumumab (MT201) and MT103, and five preclinical product candidates, MT110, MT203, MT204, BITE^{tm}-I and BITE^{tm}-II. We also have a strong proprietary technology platform for the development of additional antibody-based product candidates.

Adecatumumab (MT201) is a recombinant human monoclonal antibody that we currently are evaluating in one Phase 2 clinical trial in patients with metastatic breast cancer and in one Phase 2 clinical trial in patients with prostate cancer. In addition, we are testing a combination of adecatumumab (MT201) with taxotere in a Phase 1 clinical trial for the treatment of patients with metastatic breast cancer. Adecatumumab (MT201) targets the epithelial cell adhesion molecule, or Ep-CAM, which is over-expressed on most types of solid tumors, including prostate, breast, colon, gastric, ovarian, pancreatic and lung cancer.

MT103, a product candidate in Phase 1 clinical development, is the first member of a new class of therapeutic bispecific single-chain antibodies, called BiTE^{tm} molecules, aimed at using the most efficient immune effector cells cytotoxic T cells to repeatedly eliminate tumor cells. MT103 binds to CD19, a cell surface antigen found on normal and malignant B cells, and to the CD3 complex found on all T cells. Similar to monoclonal antibodies, MT103 must be maintained in the body at a certain concentration for several weeks to be effective. Due to its relatively short half-life in the body, we are currently administering MT103 in our clinical trials over a period of 4-8 weeks using portable intravenous infusion pumps.

MT110 is a BiTE^{tm} molecule that combines binding specificities for Ep-CAM and for the CD3 complex and that may be useful for the treatment of various solid tumors. We are currently conducting preclinical development activities for MT110 and expect to initiate a Phase 1 clinical trial in 2007.

MT203 is a human antibody that neutralizes granulocyte/macrophage colony stimulating factor, or GM-CSF, a cytokine controlling innate immunity aberrantly expressed in numerous human pro-inflammatory diseases. MT203 has the potential to treat a wide variety of acute and chronic inflammatory diseases including rheumatoid arthritis, asthma, psoriasis and multiple sclerosis.

MT204 is a humanized antibody that neutralizes interleukin-2, or IL-2, a cytokine that controls activation of T cells and natural killer cells. MT204 is at an early stage of pre-clinical development.

BITE^{tm}-I and BITE^{tm}-II are BITE^{tm} molecules that are being developed with MedImmune, Inc.

Our goal is to commercialize products for the treatment of cancer and inflammatory and autoimmune diseases that have significant unmet medical needs. We believe that our novel technologies, product candidates and product development expertise in these fields will continue to enable us to identify and develop promising new product opportunities for these critical markets.

Industry Background

The World Health Organization estimated that more than 10 million people were diagnosed with cancer worldwide in the year 2000 and that this number will increase to 15 million by 2020. In addition, the World Health Organization estimated that 6 million people died from the disease in 2000. The American Cancer Society estimated that over 1.3 million people in the United States were diagnosed with cancer in 2005 and over 500,000 people died from the disease. One in every four deaths in the United States is due to cancer. Cancer is the second leading cause of death in the United States, and has become the leading cause of death in people over age 85.

The increasing number of people diagnosed with cancer and the approval of new cancer treatments are factors that are expected to continue to fuel the growth of the world-wide cancer market. The U.S. National Health Information Business Intelligence Reports states that, on a world-wide basis, the revenues for cancer drugs are expected to grow from $35.5 billion in 2003 to $53.1 billion in 2009.

Table of Contents

Immunotherapy for the Treatment of Cancer

The body s immune system is a natural defense mechanism tasked with recognizing and combating cancer cells, viruses, bacteria and other disease-causing factors. This defense is carried out by the white blood cells of the immune system and through a set of cytolytic enzymes that assemble on specific antibodies bound to the cell surface of target cells. Specific types of white blood cells, known as T and B cells, are responsible for carrying out two types of immune responses in the body, the cell-mediated immune response, and the humoral or antibody-based immune response, respectively.

Cancer cells produce molecules known as tumor-associated antigens, which are present in normal cells but are over-produced or modified in cancer cells. The T and B cells have receptors on their surfaces that enable them to recognize the tumor-associated antigens. For instance, once a B cell recognizes a tumor-associated antigen, it triggers the production of diffusible antibodies that reach and kill the tumor cells. T cells play more diverse roles, including the identification and destruction of tumor cells by direct cell-to-cell contact.

While cancer cells naturally trigger a T-cell-based immune response during the initial appearance of the disease, the immune system response may not be sufficiently robust to eradicate the cancer. The human body has developed numerous immune suppression mechanisms to prevent the immune system from destroying the body s normal tissues. Cancer cells have been shown to utilize these mechanisms to suppress the body s natural immune response against cancer cells. Even with an activated immune system, the number and size of tumors can overwhelm the immune system.

Our product candidates are designed to enhance the patient s immune response to tumor cells through the use of either specific recombinant antibodies for the eradication of cancer cells, such as adecatumumab (MT201), or BiTE^{tm} molecules, which mark cancer cells for elimination by the patient s T cells.

Breast Cancer

Overview

Breast cancer is the second most common cancer in women and the second most common cause of malignancy-related death worldwide. Although the incidence of breast cancer is rising in many developed countries, primarily because of the growing number of elderly women, more women are surviving the disease and those who are not cured are living longer. These achievements result from improved screening methods allowing earlier diagnosis, targeted surgery, post-surgical use of adjuvant treatments, and the use of successive hormonal and cytotoxic treatments for patients with metastatic disease.

Current Therapies for Breast Cancer

Although there is a consensus with regards to the approach to the diagnosis and treatment of patients with breast cancer, medical practice varies most in the treatment of low risk, early-stage patients. As a consequence of wide-spread mammography screening, more than 80% of all invasive breast tumors are diagnosed in stage I or II. In these stages, the primary treatment is surgery, often combined with radiation. The additional treatment regime is dependent on several factors, including whether the cancer has infiltrated the patient s lymph nodes. More aggressive therapy, often including first line chemotherapy, is used to treat patients with a high risk of relapse or who have lymph node metastases.

Research has determined that the over-expression of the HER-2 gene contributes to the uncontrolled growth of tumor cells. It is estimated that approximately one in five patients with metastatic breast cancer is HER-2 positive, and that

these patients are likely to have a more aggressive form of cancer. As a result, patients with breast cancer are routinely tested for over-expression of HER-2, and those who test positive are typically offered treatment with Genentech, Inc. s monoclonal antibody, Herceptin®, or trastuzumab.

Patients diagnosed with stage III breast cancer often receive pre-operative chemotherapy to reduce tumor size, followed by surgery and radiotherapy. After surgery, patients undergo adjuvant chemotherapy to decrease the risk of a recurrence.

Table of Contents

Treatment for patients with metastatic, or stage IV, breast cancer is generally intended to prolong life and improve quality of life. Within this group, prognosis and therapy depend on the presence of hormone receptors for estrogen and progesterone (ER^+/PR^+). Patients with a positive hormone receptor status normally receive hormone therapy or aromatase inhibitors. They have a lower risk of progression than patients lacking hormone receptors on their tumor. Depending on the velocity of progression, they either undergo second and third line hormone therapy or they switch to chemotherapy. Patients with a higher risk of progression or hormone receptor negative status (ER^-/PR^-) will typically receive chemotherapy. Radiation therapy may be warranted in specific cases with symptomatic metastases. Herceptin® has been licensed since 1998 in the U.S. and since 2000 in the EU for the treatment of patients with HER-2 positive metastatic breast cancer either in combination with paclitaxel after anthracyclin pre-treatment, or as monotherapy in patients with second or third-line metastatic breast cancer.

Unmet Medical Needs

Despite recent advances, current breast cancer treatments do not adequately address patients needs. In particular, the following therapies are still needed:

- More effective therapies for patients with stage IV disease, whose cancer has metastasized to another area of the body;
- Less toxic, more convenient secondary therapies to reduce the risk of a relapse; and
- Therapies that increase the overall survival of patients with stage II/III disease.

Our Approach

We believe that, if approved, our product candidate adecatumumab (MT201), which is a recombinant human monoclonal antibody that targets Ep-CAM, may offer a unique approach in treating patients with metastatic breast cancer. Over-expression of Ep-CAM has been shown to reduce the time and rate of survival of patients with node-positive breast cancer with a high level of statistical significance ($p<0.0001$), and has also been shown to promote the proliferation, migration and invasiveness of breast cancer cells. A high level of Ep-CAM expression has been found in approximately 42% of patients with primary breast cancer. These patients may be likely to respond to treatment with adecatumumab (MT201). By elimination of tumor cells overexpressing Ep-CAM, treatment with adecatumumab (MT201) as monotherapy may result in an increased time to disease progression, and if added to standard chemotherapy, such as taxanes, in increased response rates and/or time to progression.

Prostate Cancer

Prostate cancer is the second most frequent cancer among men, with approximately 350,000 new cases diagnosed in 2003 worldwide. Established therapies include surgery, hormonal treatment and chemotherapy. Still, approximately 70,000 men worldwide die every year due to prostate cancer, indicating that there remains a large unmet medical need for effective treatment.

In general, prostate cancer first appears as a small, well-differentiated lesion, which doubles in size every two to four years. If the tumor has a size of 4-5 cm upon diagnosis, it most likely has spread to other areas in the body. As with most other solid tumors, prostate cancer is classified by stages and is divided into four main categories, as follows:

Table 1: Stages of Prostate Cancer

Stage	Description
I	Very small tumor, no infiltration of lymph nodes, no metastases
II	Small tumor, no infiltration of lymph nodes, no metastases
III	Locally advanced tumor
IV	Locally advanced tumor; infiltration of lymph nodes and/or distant metastases

Early patient classification is based on tumor localization and disease progression. Stage I and II comprise patients with tumors confined to the prostate gland. Patients with Stage III disease have locally advanced cancer,

Table of Contents

with a primary tumor less restricted to the prostate and often residual tumor cells that have spread to other areas of the body.

Current Therapies for Prostate Cancer

After initial diagnosis of prostate cancer within stages I-III, patients typically undergo either radiation therapy or surgical removal of the prostate and tumor tissue. Local therapy of patients with stage I and II disease can be curative; median survival is likely to exceed five years. The relapse rate of treated patients with stage I/II disease is approximately 40%. Patients with stage III and IV prostate cancer are usually not curable; the median survival time for such patients ranges from five to seven years. Late-stage patients have three treatment options; (i) watch and wait, which applies mostly for elderly men above 70 years of age, followed by hormone treatment after symptoms appear; (ii) hormone therapy; and (iii) radiation therapy followed by hormone treatment.

While initially effective against late-stage prostate cancer, standard hormone therapy loses its effectiveness over time as the tumor becomes resistant to the treatment. After failure of first line hormone therapy, patients may receive second and third line hormone treatment or chemotherapy. Prostate cancer that no longer responds to hormone therapy is known as hormone refractory prostate cancer (HRPC). Once the patient becomes refractory to hormone treatment, chemotherapy is the last option for treatment. The median survival time for patients with HRPC is approximately one year.

The first major breakthrough for patients with HRPC has been achieved with the approval of Sanofi Aventis Taxotere® (or docetaxel), for this indication. This drug increased the overall survival time of patients with HRPC from 16.5 to 18.9 months. Docetaxel is the standard of care for the treatment of patients with HRPC, however, additional therapies are needed.

Unmet Medical Needs

The most significant unmet medical needs with respect to the treatment of patients with HRPC include:

Treatments that improve upon the standard of care for patients with HRPC; and

Treatments that delay the progression of or prevent HRPC.

Our Approach

Approximately 87% of prostate cancer patients overexpress Ep-CAM, the target for our adecatumumab (MT201) product candidate, to a high level on their primary tumors and on metastases. A number of studies have shown a positive correlation between the level of Ep-CAM expression and the grade, stage and rate of progression of prostate cancer. Based on the high intensity and homogeneity of Ep-CAM expression on cells of tumors, adecatumumab (MT201) may have potential for the treatment of patients with prostate cancer.

Non-Hodgkin s Lymphoma

Non-Hodgkin s lymphoma, or NHL, is a condition whose incidence is among the fastest growing of all cancers. A number of studies have shown Ep-CAM expression in patients with prostate cancer is independent of disease stage, grade and Gleasonscore.

Indolent NHL tumors grow slowly and are divided into several subtypes, of which follicular lymphomas are the most common. Approximately 10% of patients with indolent lymphoma are diagnosed at stage I or localized stage II, and

are potentially curable with radiotherapy. Patients diagnosed with stage II, III, or IV disease are often asymptomatic and remain under periodic observation. Treatment is generally initiated when they become symptomatic or when biological evidence of increasingly active disease such as rapidly enlarging lymph nodes occurs, although studies are being conducted to evaluate the treatment of asymptomatic patients. First line treatment for patients with indolent NHL is usually chemotherapy, although recent data indicate that Genentech s, Biogen-Idec and Roche s Rituxan®, or rituximab, plus chemotherapy may also provide benefit. Rituxan® is a monoclonal antibody that targets CD20, an antigen widely expressed on B-cells. Patients often cycle between remission and relapse, and may survive for as long as eight to ten years following initial diagnosis. Upon relapse, patients may

Table of Contents

receive chemotherapy plus Rituxan®, Rituxan® alone, or chemotherapy. Refractory patients may receive radio-labeled monoclonal antibodies targeting CD20 (radioimmunotherapy). A transformation from indolent to aggressive lymphoma is also observed in some patients.

Aggressive NHL tumors are rapidly growing tumors and are divided into many subtypes, with diffuse, large, B-cell lymphomas comprising the largest subtype. First-line treatment for aggressive NHL is a chemotherapy regimen plus Rituxan®, and results in a cure for approximately 50% of patients treated. The overall survival of patients who do not respond to first-line therapy is limited to a few years. Young patients and those with good clinical status may benefit from bone marrow transplantation, but most are treated with combinations of chemotherapy and Rituxan® or radioimmunotherapy.

Our Approach

MT103 is a recombinant, lymphoma-directed bispecific single-chain antibody construct that targets CD19, which is highly expressed on B-cells. Preliminary preclinical and clinical data have demonstrated that MT103 may induce responses to both indolent and aggressive NHL. Micromet has selected the CD19 target for MT103 for a number of reasons. First, the CD19 marker is used in the clinic to distinguish lymphoma derived from B cells from those derived from T cells. Hence, by definition, every B cell lymphoma will be positive for CD19 expression. CD19 serves as a co-receptor of the B cell receptor and is highly specific for the B cell lineage. Second, by not binding CD20, which is the target for a number of antibody-based therapies (Rituxan®, Bexxar®, Zevalin®), it is possible to combine MT103 with anti-CD20 therapies, as there will be no competition between the therapeutic agents to bind to the same target antigen. Third, certain human B cell lymphomas express CD19 but not CD20, such as those derived from early stages of B cell development. In addition to the treatment of CD20-positive lymphomas, MT103 will provide an opportunity to treat lymphomas that lack CD20, that have a low level of CD20 expression, or that have lost CD20 expression during treatment with anti-CD20 antibody therapies, we believe that our MT103 product candidate, if approved, may offer patients additional benefit in the treatment of NHL.

Our Product Pipeline

Our current product pipeline consists of two clinical product candidates, adecatumumab (MT201) and MT103, and five preclinical product candidates, MT110, MT203, MT204, BITE™-I and BITE™-II. The following table summarizes the current status of our product candidates in clinical and preclinical development.

Product Candidate	Primary Indication	Collaborator	Status
Adecatumumab (MT201)	Metastatic Breast Cancer Prostate Cancer	Serono	Clinical Phase 2
MT103	Indolent Non-Hodgkin s Lymphoma	MedImmune	Clinical Phase 1
MT110	Advanced adenocarcinoma		Pre-clinical
MT203	Inflammatory diseases		Pre-clinical
MT204	Inflammatory diseases		Pre-clinical
BITE™-I		MedImmune	Pre-clinical
BITE™-II		MedImmune	Pre-clinical

Adecatumumab (MT201)

Our product candidate adecatumumab (MT201) is a recombinant human monoclonal antibody of the IgG1 subclass with a binding specificity to Ep-CAM. Ep-CAM is a cell surface protein that is over-expressed on most solid tumor types, including prostate, breast, colon, gastric, ovarian, pancreatic and lung cancer. Overexpression of Ep-CAM has been shown to promote the proliferation, migration and invasiveness of breast cancer cells. Moreover, highly tumorigenic human breast cancer stem cells are characterized by expression of Ep-CAM. In addition,

Table of Contents

expression of Ep-CAM has been shown to be associated with decreased survival in a number of cancer indications, including breast, gall bladder, bile duct, ovarian and ampullary pancreatic cancer.

Adecatumumab (MT201) is administered intravenously. The anticipated treatment regimen consists of intravenous application over a 60-120 minute period every 2-3 weeks, either as a monotherapy or in combination with standard chemotherapy. Adecatumumab (MT201) will bind to Ep-CAM on tumor tissue and recruit complement, natural killer cells and other immune cells to the tumor. Complement-dependent and antibody-dependent cellular cytotoxicity are believed to be the key modes of action of adecatumumab (MT201) that trigger tumor cell destruction.

As discussed further under Collaborations below, adecatumumab (MT201) is the subject of an exclusive worldwide collaboration with Ares Trading S.A., a wholly-owned subsidiary of Serono International, S.A., a Swiss corporation (Serono). We entered into the collaboration with Serono in December 2004.

Clinical Trials

The following table describes the status of the clinical trials for adecatumumab (MT201):

Phase of Clinical Trial	Indication	Status	Number of Subjects
Phase 2 (adecatumumab (MT201) as a single agent)	Metastatic breast cancer	Ongoing, recruitment completed	112
Phase 2 (adecatumumab (MT201) as a single agent)	Prostate cancer	Ongoing, treatment completed	84
Phase 1 (adecatumumab (MT201) + Docetaxel)	Metastatic breast cancer	Ongoing	Up to 12
Phase 1 (adecatumumab (MT201) as a single agent)	Hormone Refractory Prostate Cancer	Completed	20

Phase 2 Clinical Trial Patients with Metastatic Breast Cancer (adecatumumab (MT201) as a Single Agent)

Adecatumumab (MT201) is currently being evaluated in an ongoing Phase 2 clinical trial in patients with metastatic breast cancer. We initiated enrollment in this clinical trial in February 2004, and completed enrollment in October 2005, with a total of 112 patients from 26 sites in five European countries. This clinical trial is a randomized, open-label, multi-center, parallel group study designed to provide preliminary information regarding the efficacy and safety of adecatumumab (MT201) when administered up to 24 weeks to patients who test positive for expression of the adecatumumab (MT201) target antigen Ep-CAM.

The patients in this clinical trial were stratified into two groups (high and low) according to their level of Ep-CAM expression. Of the 112 patients, 71 were grouped in the high Ep-CAM expression group, while 38 were in the low Ep-CAM expression group. Three patients were Ep-CAM negative. Patients in each expression group were then randomly divided into two equal dosage groups, either the low dose treatment group (2 mg/kg body weight) or the high dose treatment group (6 mg/kg body weight).

Treatment Groups	Ep-CAM Expression	MT201 Dosing
Group I		

	Moderate Ep-CAM Expression on Primary Tumor	2 mg/kg adecatumumab (MT201) i.v., every two weeks
Group II	Moderate Ep-CAM Expression on Primary Tumor	6 mg/kg adecatumumab (MT201) i.v., every two weeks
Group III	High Ep-CAM Expression on Primary Tumor	2 mg/kg adecatumumab (MT201) i.v., every two weeks
Group IV	High Ep-CAM Expression on Primary Tumor	6 mg/kg adecatumumab (MT201) i.v., every two weeks

The protocol calls for each patient to receive a total of up to 14 infusions of adecatumumab (MT201) over 24 weeks of therapy unless disease progression or treatment-limiting toxicity occurs. Patients with at least stable

disease after 24 weeks (to be confirmed by an Independent Review Board) may continue treatment with adecatumumab (MT201) in a follow-up study.

The primary endpoint of the study evaluates the clinical benefit rate, which comprises the percentage of patients whose disease has been stabilized over 24 weeks of therapy or whose tumors have demonstrated a partial response or a complete response, each as defined using standard Response Evaluation Criteria in Solid Tumors, or RECIST. Efficacy evaluations occur every six weeks after the first administration of adecatumumab (MT201) until week 24, and then every eight weeks thereafter. These evaluations include a thoracic CT scan or chest X-rays, an abdominal CT scan or MRI, and bone scintigraphy for patients with bone metastasis. Responses are assessed using RECIST, and responses must be confirmed at a follow-up evaluation at least four weeks later.

In December 2005, our staff performed a preliminary analysis of data from the first 70 patients who were Ep-CAM positive. Of this group, 67 patients received at least one infusion, and had at least one tumor assessment after start of therapy. Tumor assessment revealed 16 cases of stable disease at week 12. Of these, at least 7 patients showed stable disease for at least 24 weeks.

While no centrally confirmed decrease in tumor size was detected at this early analysis, the overall group of 67 patients showed a statistically significant ($p=0.0348$) increase in median time to disease progression in those patients who received a high dose of adecatumumab (MT201) as compared to patients who received a low dose. The greatest increase in median time to disease progression was observed in patients with high Ep-CAM expression who received a high dose of adecatumumab (MT201) when compared to all other patients ($p=0.0238$). Disease stabilization for at least 24 weeks was shown in 7 of the 11 patients who had completed at least 24 weeks of treatment, with a number of patients still receiving treatment.

The database used to perform this preliminary analysis has not been locked or subjected to a formal data cleaning process. Additionally, the radiographs from the patients in this clinical trial will be subjected to the assessment of an independent review board, as some centralized radiology assessments differ from the radiology assessments performed at the local clinical trial sites. A final assessment of the study data will not be possible until the study is completed, all data discrepancies are resolved and the database is locked, which is currently anticipated to occur in the second half of 2006.

Phase 2 Clinical Trial Patients with Prostate Cancer (adecatumumab (MT201) as a Single Agent)

In May 2005, we completed enrolment for this study in 84 patients at 20 sites in four European countries. The last patient received his last treatment in October 2005. This trial is a double-blind, randomized, placebo-controlled, multi-center study to investigate the efficacy and safety of two different dose regimens of adecatumumab (MT201) in patients with increasing serum PSA after radical prostatectomy for prostate cancer. The study is designed to evaluate the anti-tumor activity of adecatumumab (MT201) by delaying biochemical disease progression in patients with increasing serum PSA after radical prostatectomy for treatment of prostate cancer.

Each patient had a total of 12 visits, including one screening visit, seven visits during the treatment period, and four follow-up visits. PSA was measured at the screening visit, during treatment at day 1, 29 and 57 and during follow-up at week 13, 15, 20 and 24. Bone scintigraphy, chest X-ray and pelvic CT scanning were performed at the screening and at any time during the study in case of confirmed biological progression, if PSA was ≥ 20 ng/ml, or in case of clinical disease progression.

Preliminary results from this study indicate that the primary endpoint, PSA change at week 24, which is defined as the mean change in total serum PSA from baseline compared to placebo control, was not reached. It is difficult to assess the significance of this finding, as the high level of variability of individual PSA values at the baseline PSA reading

may have unduly complicated the analysis. We are planning to schedule an expert review of the results of this clinical trial by mid-2006 in order to reach a final interpretation of the data.

Phase 1 Clinical Trial Patients with Metastatic Breast Cancer (adecatumumab (MT201) in Combination with Docetaxel)

The ongoing Phase 1 clinical trial in patients with metastatic breast cancer is an open-label, multi-center study to investigate the safety and tolerability of intravenous infusions of a combination of increasing doses of

Table of Contents

adecatumumab (MT201) and a standard dose of Docetaxel in patients with Ep-CAM-positive relapsed or primary refractory advanced-stage breast cancer. The first patient was enrolled in this study in April 2005. We are conducting this clinical trial in four locations, two each in Germany and Austria. Results from this study are expected in 2007.

Phase 1 Clinical Trial Patients with Hormone Refractory Prostate Cancer (adecatumumab (MT201) as a Single Agent)

In 2003, we completed a Phase 1/2 open label dose escalation clinical trial of adecatumumab (MT201) in patients with HRPC. Patients were treated with two intravenous infusions of adecatumumab (MT201) at doses up to 262 mg/m^2 body surface (corresponding to approximately 6 mg/kg). No dose-limiting toxicity was reported at any of the doses investigated, and the maximum tolerated dose was not reached. Most of the adverse events were mild or moderate. Severe adverse events were reported in four patients, three of whose adverse events were considered not related to study drug. The adverse event observed in the fourth patient was a fever <39ºC (<102.2ºF) and was classified as a severe adverse event due to prolonged hospitalization of the patient resulting from the fever.

Upon repetitive administration, adecatumumab (MT201) had a serum half-life in humans of 15 days and showed linear pharmacokinetics. The highest doses of adecatumumab (MT201) induced transient and robust increases of TNF-alpha, and all antibody doses led to a transient redistribution of peripheral natural killer cells. Both of these results indicate immune cell activation by the antibody.

Twenty patients had baseline assessments and 19 had follow-up assessments of tumor lesions by CT scans. Of these, nine patients had measurable target lesions at baseline and, of these nine patients, one patient had a non-confirmed partial response, five patients had stable disease, two patients had progressive disease, and one patient was lost to follow-up.

Regulatory Pathway

In August 2001, we filed a clinical trials notification with the Paul-Ehrlich-Institute, the relevant regulatory agency in Germany, and commenced the first clinical trial of adecatumumab (MT201) in patients with HRPC in September 2001. We initiated Phase 2 clinical trials in February 2004 in patients with prostate cancer and in March 2004 in patients with metastatic breast cancer, with all the necessary regulatory approvals in the relevant European countries where the studies were conducted. In November 2004, we received approval for an IND application from the United States FDA to conduct a Phase 2 clinical trial in patients with metastatic breast cancer. If the ongoing Phase 2 clinical trials of adecatumumab (MT201) as a single-agent are successfully completed, we will evaluate the clinical program and consider conducting further exploratory and, potentially, pivotal clinical trials in the relevant indications. The pivotal clinical trials of adecatumumab (MT201) will be designed to meet the requirements for a Biologics License Application to the FDA and the corresponding application for marketing authorization to the European Medicines Agency, or EMEA.

MT103

MT103 is a recombinant, lymphoma-directed, bispecific single-chain antibody that was generated using Micromet s BiTE^{tm} technology. MT103 consists of four immunoglobulin variable domains assembled into a single polypeptide chain. Two of the variable domains form the binding site for CD19, a cell surface antigen expressed on most B cells and B tumor cells. The other two variable domains form the binding site for the CD3 complex on T cells. The resulting recombinant molecule is produced by fermentation with eukaryotic cells.

Mechanism of Action

BiTE[tm] molecules are designed to direct the body s cytotoxic, or cell-destroying, T cells against tumor cells, and represent a new therapeutic approach to cancer therapy. MT103 has shown cytotoxic efficacy against CD19-positive lymphoma cells in preclinical tests using cell culture and mouse models at very low concentrations and at low ratios of T, or effector, cells to tumor target cells. Lymphoma-directed cytotoxicity has also been achieved in preclinical tests with unstimulated human T cells and in the absence of additional T cell stimuli.

Table of Contents

BiTE[tm] molecules have been shown to induce an immunological synapse between a T cell and a tumor cell in the same manner as observed in physiological T cell attacks. These cytolytic synapses mediate the delivery of cytotoxic proteins called perforin and granzymes from T cells into tumor cells, ultimately inducing a self-destruction process in the tumor cell referred to as apoptosis, or programmed cell death. In the presence of BiTE[tm] molecules, T cells have been demonstrated to serially eliminate tumor cells, which explains the activity of BiTE[tm] molecules at very low concentrations and even at very low ratios of T cells to target cells. Through the killing process, T cells start to proliferate, which leads to an increased number of T cells at the site of attack. It is believed that this effect may have the potential to improve the function of a patient s immune system.

As discussed further under Collaborations below, in June 2003, we announced an agreement to jointly develop MT103 with MedImmune, Inc. of Gaithersburg, MD.

Clinical Trials

Clinical Trial MT103 I/01-2001 (Relapsed B Cell Malignancies); Clinical Trial MT103 I/01-2002 (Relapsed Non-Hodgkin s Lymphoma); Clinical Trial MT103 I/01-2003 (Chronic Lymphocytic Leukemia)

From 2002 to 2004, we have conducted three Phase 1 clinical trials, in which MT103 was given as repeated short-term infusions.

We initiated clinical trial MT103 I/01-2001 in January 2002 as an open-label, multi-center, inter-patient dose escalation study in which each patient was scheduled to receive six infusions of MT103 over two or four hours on study days 0, 2, 4, 14, 16 and 18. A total of 15 patients were treated in doses up to 3.0 g/m^2. We terminated this trial in May 2003 due to evidence that the dose level and dosing regimen had to be refined.

In November 2002 and November 2003, we initiated intra-patient dose escalation Phase 1 trials MT103 I/01-2002 and MT103 I/01-2003 to investigate the safety profile of an intra-patient dose escalation scheme of short-term infusions. Four patients completed the MT103 treatment phase. Three patients in the twice-weekly treatment group were permanently discontinued from study treatment; two patients after the second (2 g/m^2) and one patient after the third (4 g/m^2) infusion of MT103, respectively. We terminated both trials in January 2004.

Although some decrease in peripheral B cell counts were occasionally seen, we could not observe objective clinical tumor responses in any of the 22 patients treated with short-term infusions of MT103. Based on initial findings on an estimated half-life of MT103 of about two hours, we concluded that this treatment regimen may not lead to sufficiently high plasma levels over time (i.e., AUC and through levels) as is required for sustained T cell activation, and that a different dosing regimen may, therefore, be needed.

Clinical Trial MT103 104 (Relapsed NHL)

Based on the findings made in the three Phase 1 clinical trials mentioned above, we initiated a new Phase 1 dose finding study in April 2004 designed to evaluate the safety and tolerability of a continuous intravenous infusion of MT103 over 4-8 weeks at different dose levels in patients with relapsed NHL. The study, which is set up as an open-label, multi-center, dose escalation study, is being conducted in Germany. Patients are being enrolled sequentially into five dose cohorts. A maximally tolerated dose has not yet been reached. In cohorts one to three no dose limiting toxicities were observed, and evaluation of cohort four is ongoing. Of 17 patients who have received at least 2 weeks of treatment and who have passed the first control CT scan, three patients have shown a partial tumor response at week 4, based on reference radiology assessment according to standardized Cheson-criteria for tumor response assessment of NHL. All three patients with a partial response were in cohort 4, the highest dose level reached thus far.

Side Effect Profile of MT103 as Observed in Clinical Trials

The most frequent clinical adverse events observed so far were related to the release of cytokines by the patients immune cells. Cytokines are small proteins that allow communication between cells of the immune system and between immune cells and other types of cells in the organism. Cytokines are typically produced by activated immune cells, e.g. T cells, and thus were expected in connection with the treatment of patients with MT103. Cytokine release was transient and reduced after multiple administrations of MT103. Clinically, the adverse events

Table of Contents

consisted of fever, rigor, fatigue, vomiting, rapid heartbeat, hypertension, headache and back pain. Most of these events were of mild or moderate severity. The most frequent laboratory abnormalities were seen in various hematological parameters, coagulation parameters, and blood chemistry, and were mostly mild to moderate in nature and clinical significance. About 80% of all clinical adverse events and laboratory abnormalities occurred on the day of the first infusion, with a decreasing incidence during the subsequent infusions. This is known as a first-dose cytokine release syndrome.

In the first three Phase 1 clinical trials of MT103, serious adverse events included infections, dyspnoea, hypersensitivity and various symptoms of the central nervous system, or CNS, including tremor, speech disorder, somnolence, disorientation, confusion, fatigue, urinary incontinence and vertigo. CNS effects led to termination of the treatment in a total of six patients in the short-term infusion trials. With one exception, all these events were fully reversible within hours to days. One patient suffered seizures and a myocardial ischemia. The patient died 49 days after last dosing due to a refractory pneumonia. The autopsy found that this patient suffered from terminal-stage, chronic lymphatic leukemia, with massive tumor cell infiltration of the lung. Based on adverse events and the lack of tumor responses in patients treated with the short-term infusion regimen, we terminated those studies, and developed a new dosing regimen continuous infusion designed to reduce side effects and to obtain tumor responses in NHL patients.

Based on patients in cohorts one to three, the frequency of adverse events in the ongoing continuous infusion trial was lower compared to the previous short-term infusion regimens, despite the fact that MT103 was present for 4-8 weeks in patients in the continuous infusion study while it was only present for a few hours in the patients in the short-term infusion studies. We did not observe the CNS-related side effects in cohorts one to three that were seen in the short term infusion trials, and no dose limiting toxicity was observed. One out of six patients of cohort four has shown fully reversible CNS side effects. The safety evaluation of cohort number four is ongoing.

Regulatory Pathway

MT103 is under clinical development in Europe. In addition, we and MedImmune currently anticipate filing an IND to commence clinical testing of MT103 in the United States in 2006. If the ongoing Phase 1 clinical trial of MT103 is successfully completed, we will evaluate the clinical program and consider further exploratory and, potentially, Phase 2 clinical trials in the relevant indications.

We have received orphan drug designation from the EMEA, for the use of MT103 as a treatment for mantle cell lymphoma, or MCL, and chronic lymphatic lymphoma, or CLL. Orphan drug designation is designed to encourage manufacturers to develop drugs intended for rare diseases or conditions affecting fewer than 5 in 10,000 individuals in the European Union. Orphan drug designation also qualifies the applicant for tax credits and marketing exclusivity for seven years following the date of the drug s marketing approval by the EMEA.

MT110

MT110 is a BiTE^{tm} molecule that combines binding specificities for Ep-CAM and for the CD3 complex on T cells. Ep-CAM is a cell surface antigen that is over-expressed by many types of solid tumors.

Mechanism of Action and Preclinical Activities

BiTE^{tm} molecules are designed to direct the body s cytotoxic T cells against tumor cells, and represent a new therapeutic approach to cancer therapy. MT110 has shown cytotoxic efficacy against Ep-CAM-positive tumor cells, at very low concentrations and at low ratios of T cells to tumor target cells in preclinical tests using cell culture and mouse models. Of note, MT110 and other Ep-CAM-specific BiTE^{tm} molecules were capable of inducing durable

elimination of established tumors in mouse models. Likewise, human metastatic tissue from ovarian cancer patients implanted under the skin of mice was eliminated by low doses of intravenously administered MT110. This suggested that MT110 penetrated the human tumor and re-directed human tumor-infiltrating T cells for lysis of tumor cells.

MT110 has been shown to induce an immunological synapse between a T cell and a tumor cell, in the same manner as observed in physiological T cell attacks. These cytolytic synapses mediate the delivery of cytotoxic

Table of Contents

proteins called perforin and granzymes from T cells into tumor cells, ultimately inducing apoptosis, or programmed cell death. In the presence of BiTE™ molecules, T cells have been demonstrated to serially eliminate tumor cells, which explains the activity of BiTE™ molecules even at very low ratios of T cells to target cells. Through the killing process, T cells start to proliferate which leads to an increased number of T cells at the site of attack. It is believed that this effect may have the potential to improve the function of a patient s immune system.

Regulatory Pathway

We plan to file an IND with the FDA, or an investigational medicinal product dossier, or IMPD, with the EMEA, for MT110 in 2007.

MT203

MT203 is a human antibody that we believe has the potential to treat a variety of acute and chronic inflammatory diseases, including rheumatoid arthritis, asthma, psoriasis and multiple sclerosis. It neutralizes granulocyte/macrophage colony stimulating factor, or GM-CSF, a pro-inflammatory cytokine controlling the innate arm of the immune system. GM-CSF primarily acts in chronic phases of numerous human diseases, including rheumatoid arthritis, asthma, psoriasis and multiple sclerosis. Using an antibody to neutralize GM-CSF has been shown to prevent or even cure symptoms in numerous animal models mimicking the respective human diseases. We generated MT203 using phage display guided selection.

Mechanism of Action

Like marketed antibody drugs Humira®, Avastin® and Remicade®, MT203 acts by neutralizing a soluble protein ligand, thereby preventing it from binding to its high-affinity cell surface receptor. This therapeutic principle is well validated. MT203 is the first human antibody designed to neutralize the biological activity of human and non-human primate GM-CSF.

Preclinical Activities

The binding characteristics of MT203 to GM-CSF have been characterized in detail, and this product candidate has shown biological activity in numerous cell-based assays. We have used a surrogate antibody neutralizing mouse GM-CSF to demonstrate that inhibition of GM-CSF is highly potent in preventing rheumatoid arthritis in a mouse model in which TNF neutralization is largely ineffective. This surrogate antibody has comparable binding characteristics to MT203.

Regulatory Pathway

We plan to file an IND with the FDA, or an IMPD with the EMEA, for MT203 in 2007.

MT204

MT204 is a humanized antibody that we believe has the potential to treat a variety of acute and chronic inflammatory diseases, including rheumatoid arthritis, psoriasis and multiple sclerosis. We designed MT204 to neutralize interleukin-2, or IL-2, an inflammation-causing cytokine controlling activation of T cells and natural killer cells. Intereference with IL-2 signaling is a well validated anti-inflammatory therapeutic approach as exemplified by small molecule drugs, such as cyclosporine or tacrolimus, and by antibodies blocking the high-affinity IL-2 receptor (Simulect® and Zenapax®). MT204 is the first humanized antibody targeting soluble human and non-human primate IL-2 and has been shown to have properties superior to those of receptor-blocking antibodies.

Mechanism of Action

Like marketed antibody drugs Humira®, Avastin® and Remicade®, MT204 acts by neutralizing a soluble protein ligand, which is a well established therapeutic approach. MT204 does not only prevent binding of IL-2 to its intermediate-affinity receptor on natural killer cells, but could inactivate the high-affinity receptor with bound IL-2. This is a novel mode of antibody action, which could cause MT204 to have potent anti-inflammatory activity.

Table of Contents

Preclinical Activities

The binding characteristics of MT204 to IL-2 and IL-2 receptors have been characterized in detail using various assay systems. While the mechanism of action of MT204 is understood, the antibody is still in an early stage of development.

Our Strategy

Our objective is to establish a position as a leader in the research, development and commercialization of highly active, antibody-based drugs for the treatment of patients with cancer and inflammatory and autoimmune diseases. Key aspects of our corporate strategy include the following:

Co-develop Compounds with Established Pharmaceutical and Biopharmaceutical Companies. We are working with Serono and MedImmune to complete ongoing clinical studies and enter into the next stage of clinical development for two of our current product candidates. If the data from our Phase 2 clinical trials for these product candidates are positive, we will prepare for Phase 3 or additional Phase 2 clinical trials for the treatment of patients with breast cancer and prostate cancer. If the data from our Phase 1 trial in patients with NHL are positive, we expect to move into Phase 2 clinical trials.

Maintain Commercialization Opportunities in Collaborations. We have retained the right to co-promote adecatumumab (MT201) in Europe and the USA, and have full commercialization rights for MT103 outside of North America. We will continue to pursue this partnering and investment strategy in future collaborations.

Advance the Development of Our Clinical-Stage Product Candidates Adecatumumab (MT201) and MT103. We plan to actively participate in additional studies for adecatumumab (MT201) and we plan to initiate a Phase 1/2 clinical trial with MT103 upon the availability of data from the current dose-finding clinical trial.

Advance the Development of Our Preclinical Product Candidates. We plan to initiate the production of clinical trial-grade material for MT110 in 2006, and to commence clinical trials upon the availability of such material in 2007.

Pursue Additional Collaborations for Our Product Candidates. We will continue to seek development partners for some or all of the product candidates in our product portfolio.

Leverage Our Internal Pipeline Generating Capabilities. Our current pipeline of human IgG1 antibodies, as well as our BiTE^{tm} molecules, have all been generated internally. We will continue to leverage that capability for early-stage development collaborations, as well as for generating additional product candidates for our own pipeline.

Intellectual Property

Our success will depend in large part on our ability to:

1. maintain and obtain patent and other proprietary protection for cell lines, antigens, antibodies and delivery systems;

2. defend patents;

3. preserve trade secrets; and

4. operate without infringing the patents and proprietary rights of third parties.

We actively seek appropriate patent protection for our proprietary technologies by filing patent applications in the United States and selected other countries. Our policy is to seek patent protection for the inventions that we consider important to the development of our business.

As of December 31, 2005, we owned or licensed approximately 69 U.S. patents, 42 U.S. patent applications, 93 foreign patents, and 106 foreign and international patent applications related to our technologies, compounds, and their use for the treatment of human disease. The number of licensed patents does not include various divisionals,

continuations and continuations-in-part of the licensed patents and patent applications which are also licensed to us. Our issued patents in the United States expire during 2008 and 2018, and our issued patents in Europe and Australia expire in 2019. We intend to continue using our scientific expertise to pursue and file patent applications on new developments with respect to products, uses, methods and compositions to enhance our intellectual property position in the field of treatment of human diseases.

Although we believe that our portfolio of patents and patent applications provides a competitive advantage, the patent positions of pharmaceutical and biotechnology companies are highly uncertain and involve complex legal and factual questions. We face the risk that we may not be able to develop further patentable products or processes, and may not be able to obtain patents from pending applications. Even if patent claims are allowed, the claims may not issue, or in the event of issuance, the scope of the claims may not be sufficient to protect the technology owned by or licensed to us. In addition, any patents or patent rights we obtained may be circumvented, challenged or invalidated by competitors. Any efforts defend the patents and to oppose such actions by our competitors may be costly and time-consuming and would, in any event, divert the attention of our management and key personnel from business operations.

Additionally, because it is not possible to predict with certainty what patent claims may issue from pending applications, and because patent prosecution can proceed in secret prior to issuance of a patent, third parties may obtain patents with claims of unknown scope relating to our product candidates and assert those patents against us. As we continue developing its product candidates, we may infringe the current patents of third parties or patents that may issue in the future.

Although we believe that our product candidates, production methods and other activities do not currently infringe the valid and enforceable intellectual property rights of any third parties, we cannot be certain that a third party will not challenge our position in the future. From time to time, we receive correspondence inviting us to license patents from third parties. There has been, and we believe that there will continue to be, significant litigation in the biopharmaceutical and pharmaceutical industries regarding patent and other intellectual property rights. Third parties could bring legal actions against us claiming infringement of their patents or proprietary rights, seeking monetary damages or injunctions against clinical testing, manufacturing and marketing of the affected product or products. If we become involved in any such litigation, it could consume a substantial portion of our resources, regardless of the outcome of the litigation. If any of these actions are successful, in addition to any potential liability for damages, we could be required to obtain a license to continue to manufacture or market the affected product, in which case we may be required to pay substantial royalties or grant cross-licenses to our patents. However, there can be no assurance that any such license will be available on acceptable terms or at all. Ultimately, we could be prevented from commercializing a product, or forced to cease some aspect of our business operations, as a result of claims of patent infringement or violation of other intellectual property rights, which could harm our business.

We may become involved in litigation or in interference proceedings declared by the United States Patent and Trademark Office relating to the scope and validity of patents or patent applications belonging to us or to other parties. Such proceedings can involve complex factual and legal questions, and their outcome is uncertain. Such proceedings could result in substantial costs to us, as well as in significant limitations on the scope of exclusivity afforded by our patents and patent applications.

We also rely on trade secrets and proprietary know-how, especially when we do not believe that patent protection is appropriate or can be obtained. However, trade secrets are difficult to protect. Our policy requires each employee, consultant and advisor to execute a confidentiality agreement before beginning his or her relationship with us. Under this agreement, the individual is obligated not to disclose Micromet confidential information. We cannot guarantee that these agreements will provide meaningful protection, that these agreements will not be breached, that we will have an adequate remedy for any such breach, or that our trade secrets will not otherwise become known or

independently developed by a third party. Our trade secrets, and those of our present or future collaborators that we utilize by agreement, may become known or may be independently discovered by others, which could adversely affect the competitive position of our product candidates.

Many of our employees were previously employed by other pharmaceutical or biotechnology companies, including our competitors or potential competitors. We may be subject to claims that these employees have used or

Table of Contents

disclosed proprietary information or trade secrets of their former employers, whether inadvertently or otherwise. Litigation may be necessary to resolve such claims. Even if we are successful in defending such claims, the defense may result in substantial costs and may disrupt our normal business operations. If we fail in defending such claims, in addition to paying money damages, we may lose access to valuable proprietary technology or personnel.

License Agreements and Collaborations

We have entered into several contractual agreements with third parties for the licensing of certain technologies or products. These agreements provide for the payment by us of license fees, milestones and royalties upon future net sales. We entered into the following significant license agreements:

Isogenis Inc. (formerly Biohybrid, Inc).

In October 1999, we and entered into an agreement with Biohybrid, Inc. (now called Isogenis, Inc.) granting us a worldwide, exclusive license under U.S. Patent No. 5,078,998, entitled Hybrid ligand directed to activation of cytotoxic effector lymphocytes and associated target antigens, as well as certain related technologies. Under this agreement, we have certain diligence obligations with respect to the development of licensed products; these obligations may be satisfied by using reasonable efforts to develop at least one licensed product. If we fail to satisfy our diligence obligations, Isogenis has the option of making the license non-exclusive. We are obligated to pay a low single-digit royalty on net sales of licensed products in the United States. If we sublicense our rights under this agreement, Isogenis is entitled to a portion of the fees received by us from the sublicensee. The agreement also provides for a minimum annual royalty. Finally, we are obligated to pay a success milestone upon receipt of the first marketing approval of each licensed product in the United States. Our BiTE^{tm} product candidates may be subject to the payment obligations in this agreement.

The term of this agreement continues until expiration of the last valid claim in the licensed patents. Either party may terminate the agreement for the other party s uncured material breach. In addition, Isogenis may terminate the agreement in the case of our bankruptcy, insolvency, or cessation of business. We may terminate the agreement if our license becomes non-exclusive as described above, or if any claims of the licensed patent are declared invalid. The agreement does not provide for termination at will by us.

Dyax Corporation

In October 2000, we entered into a non-exclusive license agreement with Dyax Corporation for the use of certain patented technology (including certain phage display techniques) for screening and research of antibody products binding to Ep-CAM, including adecatumumab (MT201). We have paid an initial license fee and a success-based milestone payment under this agreement. Additional such payments will become due upon achievement of various clinical and regulatory milestones. No royalties are due under this agreement.

The term of this agreement continues until expiration of the last valid claim in the licensed patents. Either party may terminate the agreement for the other party s uncured material breach. In addition, we may terminate the agreement at will.

Curis, Inc.

In June 2001, we entered into an agreement with Curis, Inc. to purchase certain single-chain antigen binding molecule patents and license rights from Curis. In exchange for these patent and license rights, we paid to Curis an initial license fee, issued to Curis shares of our common stock, and provided a convertible note in the amount of 4,068,348. In addition, we are obligated to pay royalties on net sales of products based on the acquired technology. We are also

required to pay to Curis 20% of all supplemental revenues in excess of $8,000,000 in the aggregate. Supplemental Revenues includes both (i) proceeds received by us as damages or settlements for infringement of the purchased technology, and (ii) amounts received by us from licensing or sublicensing the purchased technology. In October 2004, we exchanged the convertible note issued to Curis for an interest-free loan in the amount of 4,500,000.

Table of Contents

Cambridge Antibody Technology Limited

We have entered into the following agreements with Cambridge Antibody Technology Ltd. (CAT):

Non-exclusive Product License Agreement Regarding Ep-CAM Target. On September 3, 2003, we signed a product license agreement with CAT granting us a non-exclusive, worldwide license to develop and commercialize antibodies binding to the Ep-CAM target using certain patented technology and know-how controlled by CAT in the field of phage display technology. Phage display is a useful research technology that allows proteins to be displayed on the surface of a virus. We paid an initial license fee upon signing of this agreement and will pay development milestones and royalties upon sale of licensed products.

Non-exclusive Product License Agreement Regarding GM-CSF Target. On September 3, 2003, we signed a non-exclusive worldwide product license agreement with CAT with reference to the GM-CSF target. The agreement grants to us the right, in the course of our joint research activities with Enzon (as described below), to use CAT s patented technology to develop products that are directed at the GM-CSF target. We paid to CAT an initial license fee on the effective date and will pay milestones and royalties upon sale of licensed products.

Cross-License with CAT and Enzon Pharmaceuticals, Inc. (Enzon). On September 3, 2003, Micromet, Enzon and CAT entered into a cross-license agreement to enable each party to access to the other parties proprietary technology. This agreement superseded an existing cross-license arrangement among the parties. Pursuant to the current agreement, each contractual partner licenses the others under patents and know-how relating to the field of single-chain antibodies (in the case of licenses granted by Enzon and Micromet) or phage display technology (in the case of licenses granted by CAT). This technology may be used by the parties for the research and development of antibody products in certain defined fields. CAT paid an initial license fee under this agreement. Additionally, CAT is obligated to pay to us and Enzon: (i) annual license maintenance fees and fees for sublicenses granted by CAT, and (ii) annual sublicense maintenance fees until the termination of such sublicense or the expiration of all licensed patents included in such sublicense, whichever occurs first. We and Enzon are obligated to pay corresponding maintenance and sublicense fees based on the use of the licensed phage display technology by our respective sublicensees.

Enzon Pharmaceuticals, Inc.

In April 2002, we entered into a cross-license agreement with Enzon, Inc. (now Enzon Pharmaceuticals, Inc.) relating to each party s portfolio of patents relating to single-chain antibodies and their use in the treatment of disease. This agreement was amended and restated by mutual agreement of the parties in June 2004. Under the cross-license agreement, we receive a non-exclusive, royalty-bearing license under Enzon s single-chain antibody patent portfolio to exploit licensed products other than BiTE™ products, as well as an exclusive, royalty-free license under such portfolio to exploit BiTE™ products. We also granted to Enzon a non-exclusive, royalty-bearing license under our single-chain antibody patent portfolio to exploit licensed products; however, Enzon s right to use BiTE™ molecules is limited to non-commercial research applications. Each party s license is subject to certain narrow exclusions that correspond to exclusive rights previously granted to third parties.

The cross-license agreement provides for payment by each party to the other party of fixed success fees upon the achievement of certain clinical and regulatory milestones. In addition, each party is obligated to pay a low single-digit royalty on net sales of products that are covered by any patents within the consolidated patent portfolio, irrespective of which party owns the relevant patent(s). The royalty is tiered based on aggregate, worldwide net sales levels of the applicable licensed product. As noted above, we do not owe a royalty under this agreement on net sales of BiTE™ products.

The term of the cross-license agreement continues until expiration of the last valid claim in the consolidated patent portfolio. Either party may terminate the agreement upon determination by a court of competent jurisdiction that the other party has committed a material breach of the agreement. Neither party has the right to unilaterally terminate the agreement without cause.

Table of Contents

Collaborations

We engage in collaborations with private industry and academic institutions in the course of conducting our research and clinical studies, including the following.

Serono International, S.A.

In December 2004, we entered into a collaboration agreement with Ares Trading S.A., a wholly-owned subsidiary of Serono International S.A., a leading Swiss biotechnology firm (Serono). Pursuant to the agreement, we granted Serono a worldwide license under our relevant patents and know-how to develop, manufacture, commercialize and use adecatumumab (MT201) for the prevention and treatment of any human disease. Serono paid an initial license fee of $10,000,000. Under the terms of the agreement, Serono bears all costs of product development and manufacturing subject to our participation right as described below.

Upon receipt of either of the final study reports for the ongoing Phase 2 trials in breast cancer and prostate cancer, which are expected in the second half of 2006, Serono will decide whether to continue development of adecatumumab (MT201). Should Serono elect to continue developing adecatumumab (MT201) after receipt of the second final study report, it must make an agreed upon milestone payment. Overall, the agreement provides for Serono to pay up to $138 million in milestone fees if adecatumumab (MT201) successfully developed and registered worldwide in at least three indications.

Upon completion of the currently ongoing phase 2 clinical trials, we may elect to participate in the costs and expenses of developing and selling adecatumumab (MT201) in the United States and/or Europe. If we participate, then we will share up to 50% of the development costs, as well as certain other expenses, depending on the territory for which we have exercised our co-development option. The parties will co-promote and share the profits from sales of adecatumumab (MT201) in the territories for which the parties shared the development costs. In the other territories, Serono will pay a royalty on net sales of adecatumumab (MT201).

In addition to its right to terminate the agreement following receipt by Serono of the final study report for either of the ongoing Phase 2 trials, Serono may terminate the agreement for convenience upon 180 days prior notice. Either party may terminate for the material breach or bankruptcy of the other. In the event of a termination of the agreement, all product rights will revert to us.

MedImmune, Inc.

MT103 Collaboration and License Agreement. On June 6, 2003, we signed an agreement with MedImmune to jointly develop MT103. Under the terms of the collaboration and license agreement, MedImmune receives Micromet s product rights to MT103 in North America and will assume responsibility for clinical development, registration and commercialization of the product in that region. As part of the agreement, MedImmune will develop the commercial manufacturing process and supply clinical trial material as well as commercial products for all markets. We retain rights to MT103 outside of North America. We will receive milestone payments based on the successful development, filing, registration and sale of MT103, as well as royalties on MedImmune s North American sales of the product. In addition, MedImmune will cover certain development costs incurred by us necessary to support Investigational New Drug (IND) application filing for MT103. After filing of the IND, the parties will share development costs of jointly conducted clinical trials.

BiTE™ Research Agreement. Concurrently with the MT103 collaboration agreement, the parties also executed an agreement for the creation and development of up to six new products based on the BiTE™ platform. We are entitled to receive milestones and royalties on sales of all resulting BiTE™ products. Furthermore, we have the option to

obtain (i) exclusive rights to develop and sell BiTE™ compounds in Europe, provided that such compounds are not based on MedImmune s proprietary targets, and (ii) the right to co-promote in Europe BiTE™ compounds that are based on MedImmune s proprietary targets. For each new BiTE™ molecule, MedImmune is obligated to reimburse our full development costs, up to and including Phase 1 clinical trials.

Table of Contents

Enzon Pharmaceuticals, Inc.

Research Collaboration. In April 2002, we entered into a multi-year strategic collaboration with Enzon to identify and develop the next generation of antibody-based therapeutics. After executing this agreement, the partners established a research and development unit at our facility and generated several new single-chain antibody compounds and monoclonal antibodies against targets in the field of inflammatory and autoimmune diseases. In June 2004, we amended and restated this collaboration with Enzon to advance novel SCA therapeutics toward clinical development.

In November 2005, the parties agreed to end the companies collaboration on mutually agreeable terms. The termination of the research and development collaboration does not affect the companies other agreements, including the Cross-License Agreement and the Exclusive IP Marketing Agreement.

Exclusive IP Marketing Agreement. In April 2002, we entered with Enzon into an Exclusive IP Marketing Agreement, which was amended and restated by the parties in June 2004. Under this agreement, we serve as the exclusive marketing partner for both parties consolidated portfolio of patents relating to single-chain antibody technology. Licensing revenues are shared equally with Enzon, as are associated marketing and legal costs.

The term of the IP marketing agreement continues until expiration of the last valid claim in the consolidated patent portfolio. Either party may terminate the agreement upon determination by a court of competent jurisdiction that the other party has committed a material breach of the agreement. In addition, the marketing agreement terminates automatically upon termination of the cross-license agreement between us and Enzon. Neither party has the right to unilaterally terminate the agreement without cause prior to September 30, 2007; after such date, either party may terminate it at will.

Novuspharma SpA, now Cell Therapeutics, Inc.

In August 2002, we entered into a collaboration agreement with Novuspharma SpA. Under this agreement Novuspharma would have collaborated with us on the development of adecatumumab (MT201) on a world-wide basis, co-promoted the product upon certain conditions and shared profits generated by the sale or licensing of the product worldwide. On February 10, 2004, following the acquisition of Novuspharma by Cell Therapeutics (CTI), this agreement was terminated on the basis of CTI s failure to meet its contractual payment obligations. The related legal proceedings are described under Legal Proceedings below. As a result of such termination, CTI has no remaining rights to adecatumumab (MT201).

Manufacturing and Supply

Adecatumumab (MT201)

In December 2003, we entered into a process development agreement with Boehringer Ingelheim Pharma GmbH & Co. KG (Boehringer Ingelheim). Under the agreement, Boehringer Ingelheim will develop a commercial scale process for adecatumumab (MT201) by using its proprietary high expression cell line and state-of-the-art manufacturing technology. Boehringer Ingelheim will supply us with material for clinical trials.

If we do not enter into a commercial supply agreement with Boehringer Ingelheim, or if we intend to establish a second source of supply, we will have the right to manufacture adecatumumab (MT201) under a license to Boehringer Ingelheim s high expression technology and the process developed for the adecatumumab (MT201) antibody. Such license would carry an obligation for us to pay milestones and royalties on future net sales of adecatumumab (MT201).

MT103

The production process for MT103 has been established at MedImmune, which has taken the responsibility to expand the production process to market scale and produce material for U.S. and non-U.S. markets.

Table of Contents

Preclinical Programs

Non-GMP production agreements have been established with various manufacturers for our pre-clinical compounds.

Government Regulation and Product Approval

General

Governmental authorities in the United States and other countries extensively regulate the preclinical and clinical testing, manufacturing, labeling, storage, record-keeping, advertising, promotion, export, marketing and distribution of biologic products. In the United States, the FDA under the Federal Food, Drug, and Cosmetic Act, the Public Health Service Act and other federal statutes and regulations subjects pharmaceutical and biologic products to rigorous review. Parties that fail to comply with applicable requirements may be fined, may have their marketing applications rejected, and may be criminally prosecuted. The FDA also has the authority to revoke previously granted marketing authorizations upon failure to comply with regulatory standards or in the event of serious adverse events following initial marketing.

FDA Approval Process

The process required by the FDA before a new drug or biologic may be marketed in the United States generally involves the following: completion of preclinical laboratory and animal testing; submission of an IND, which must become effective before human clinical trials may begin; performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the proposed drug or biologic for its intended use; and submission and approval of a New Drug Application, or NDA, for a drug, or a Biologics License Application, or BLA, for a biologic. The sponsor typically conducts human clinical trials in three sequential phases, but the phases may overlap. In Phase 1 clinical trials, the product is tested in a small number of patients or healthy volunteers, primarily for safety at one or more doses. In Phase 2, in addition to safety, the sponsor evaluates the efficacy of the product in targeted indications, and identifies possible adverse effects and safety risks, in a patient population that is usually larger than Phase 1 clinical trials. Phase 3 clinical trials typically involve additional testing for safety and clinical efficacy in an expanded patient population at geographically-dispersed clinical trial sites. Clinical trials must be conducted in accordance with the FDA s Good Clinical Practices requirements. Prior to commencement of each clinical trial, the sponsor must submit to the FDA a clinical plan, or protocol, accompanied by the approval of the ethics committee responsible for overseeing clinical trione of the clinical trial sites. The FDA may order the temporary or permanent discontinuation of a clinical trial at any time if it believes that the clinical trial is not being conducted in accordance with FDA requirements or presents an unacceptable risk to the clinical trial patients. The ethics committee at each clinical site may also require the clinical trial at that site to be halted, either temporarily or permanently, for the same reasons.

The sponsor must submit to the FDA the results of the preclinical and clinical trials, together with, among other things, detailed information on the manufacture and composition of the product, in the form of an NDA, or, in the case of a biologic, a BLA. In a process that may take from several months to several years, the FDA reviews these applications and, when and if it decides that adequate data are available to show that the new compound is both safe and effective and that other applicable requirements have been met, approves the drug or biologic for sale. The amount of time taken for this approval process is a function of a number of variables, including whether the product has received a fast track designation, the quality of the submission and studies presented, the potential contribution that the compound will make in improving the treatment of the disease in question, and the workload at the FDA. It is possible that our product candidates will not successfully proceed through this approval process or that the FDA will not approve them in any specific period of time, or at all.

The FDA may, during its review of a NDA or BLA, ask for additional test data. If the FDA does ultimately approve the product, it may require additional testing, including potentially expensive Phase 4 studies, to monitor the safety and effectiveness of the product. In addition, the FDA may in some circumstances impose restrictions on the use of the product, which may be difficult and expensive to administer and may require prior approval of promotional materials.

Table of Contents

We will also be subject to a variety of regulations governing clinical trials and sales of our products outside the United States. Whether or not FDA approval has been obtained, approval of a product by the comparable regulatory authorities of foreign countries and regions must be obtained prior to the commencement of selling the product in those countries. The approval process varies from one regulatory authority to another and the time may be longer or shorter than that required for FDA approval. In the European Union, Canada, and Australia, regulatory requirements and approval processes are similar, in principle, to those in the United States.

Ongoing Regulatory Requirements

Before approving an NDA or BLA, the FDA will inspect the facilities at which the product is manufactured and will not approve the product unless the manufacturing facilities are in compliance with FDA s Good Manufacturing Practices, or GMP, regulations which govern the manufacture, storage and distribution of a product. Manufacturers of biologics also must comply with FDA s general biological product standards. Following approval, the FDA periodically inspects drug and biologic manufacturing facilities to ensure continued compliance with the GMP regulations. Manufacturers must continue to expend time, money and effort in the areas of production, quality control, record keeping and reporting to ensure full compliance with those requirements. Failure to comply with GMP regulations subjects the manufacturer to possible legal or regulatory action, such as suspension of manufacturing or recall or seizure of product. Adverse experiences with the product must be reported to the FDA and could result in the imposition of marketing restrictions through labeling changes or market removal. Product approvals may be withdrawn if compliance with regulatory requirements is not maintained or if problems concerning safety or efficacy of the product occur following approval.

The labeling, advertising, promotion, marketing and distribution of a drug or biologic product also must be in compliance with FDA and Federal Trade Commission, or FTC, requirements which include, among others, standards and regulations for off-label promotion, industry sponsored scientific and educational activities, promotional activities involving the internet, and direct-to-consumer advertising. The FDA and FTC have very broad enforcement authority, and failure to abide by these regulations can result in penalties, including the issuance of a warning letter directing the company to correct deviations from regulatory standards and enforcement actions that can include seizures, injunctions and criminal prosecution.

Manufacturers are also subject to various laws and regulations governing laboratory practices, the experimental use of animals, and the use and disposal of hazardous or potentially hazardous substances in connection with their research. In each of these areas, as above, the FDA has broad regulatory and enforcement powers, including the ability to levy fines and civil penalties, suspend or delay issuance of product approvals, seize or recall products, and deny or withdraw approvals.

Competition

We face competition from a number of companies that are marketing products or evaluating various product candidates, technologies and approaches for the treatment of cancer and inflammatory diseases. Specifically, we face competition from a number of companies working in the fields of antibody-derived therapies for the treatment of solid tumors and B cell lymphomas. We expect that competition among products approved for sale will be based on various factors, including product efficacy, safety, reliability, convenience, availability, pricing and patent position. Some of these products use therapeutic approaches that may compete directly with our product candidates, and the companies developing these competing technologies may have significantly more resources than we do, and may succeed in obtaining approvals from the FDA and foreign regulatory authorities for their products sooner than we do for ours.

Hormone Refractory Prostate Cancer

Established Therapies

The main treatment modalities for prostate cancer include:

watchful waiting ;

local therapy (prostatectomy or radiotherapy, either external beam radiation therapy or brachytherapy);

Table of Contents

hormonal therapy; and

chemotherapy.

Watchful waiting is generally reserved for elderly men, who, because of short life expectancy or slowly progressing disease, are more likely to die from reasons other than prostate cancer. Clinicians believe local therapies alone can cure patients diagnosed with early-stage (I or II) prostate-confined disease. Hormonal therapy is used primarily to delay disease progression when local therapies have failed. Chemotherapy is generally reserved for hormone-refractory disease to mitigate symptoms.

A growing trend in prostate cancer treatment is the use of intermittent therapy. Hormonal therapies are often administered for three years or more as adjuvant therapy. Although their side-effect profile is mild compared with that of many chemotherapy agents, they do have several undesirable effects (e.g., hot flashes, sexual dysfunction, gynecomastia (excessive development of mammary glands)). To reduce these side effects and improve their quality of life, patients are increasingly requesting suspensions of treatment.

In May 2004, the FDA approved the regimen of docetaxel (Sanofi-Aventis s Taxotere®)/prednisone (Merck s Decortin®) for the treatment of hormone-refractory prostate cancer. This regimen s apparent efficacy is prompting further research into the use of docetaxel in combination with other chemotherapy agents in the hope of improving overall survival for this indication. In November 2004, docetaxel was approved in Europe for the treatment of metastatic, hormone-refractory prostate cancer. Mitoxantrone (Serono/Wyeth Lederle s Novantrone®, Baxter s Onkotrone®) is marketed for the treatment of hormone-refractory metastatic prostate cancer in combination with prednisone.

Emerging Therapies

There are numerous cytotoxic agents in development, whose fundamental aim is to exert selective toxicity toward cancer cells. Examples in clinical development include:

Ixabepilone (Bristol-Myers Squibb s BMS-247550) is an epothilone tubulin inhibitor in Phase 1 trials;

Patupilone (Novartis s EPO-906) is an intravenously administered formulation of epothilone B in Phase 2 trials;

Satraplatin (GPC Biotech s JM-216) is a third-generation oral platinum agent in Phase 3 clinical trials; and

Irofulven (MGI Pharma s MGI-114) is an acylfulvene in Phase 2 clinical trials;

amonafide dihydrochloride (ChemGenex Therapeutics Quinamed®) in Phase 2 clinical trials;

amonafide malate (Xanthus s Xanafide®) in Phase 2 clinical trials;

Cell Therapeutic s BBR-3576, an aza-anthrapyrazole in Phase 2 clinical trials; and

Kyowa Hakko Kogyo s KW-2170, a pyrazoloacridone alkylating agent and topoisomerase II inhibitor in Phase 2 clinical trials.

Endothelin-receptor antagonists represent a new generation of oral, targeted, cytostatic agents. Examples in clinical development include:

Atrasentan (Abbott Laboratories Xinlay®), an oral, small-molecule, selective ET-A-receptor antagonist in Phase 2 trials; and

AstraZeneca s ZD-4054, a second ET-A-receptor antagonist in Phase 2 trials.

Angiogenesis inhibitors in development for prostate cancer span a wide range of classes, including monoclonal antibodies, selective metalloproteinase inhibitors, and thalidomide and its derivatives. Examples include:

Bevacizumab (Genentech/Roche s Avastin®), a recombinant humanized Monoclonal antibody to VEGF, which has been approved for colorectal cancer, is being studied in Phase 3 clinical trials;

Table of Contents

Thalidomide (Celgene s Thalidomid), approved for the acute treatment of erythema nodosum leprosum, is being studied in multiple Phase 2 and Phase 3 clinical trials; and

CC-4047 (Celgene s Actimid®), the lead compound in a series of thalidomide derivatives, recently completed Phase 2 clinical trials.

The development of vaccines is one of the most active areas of prostate cancer research. Examples in clinical development include:

Dendreon s Provenge®, a dendritic cell-based vaccine in Phase 3 trials; and

Cell Genesys s GVAX, consisting of tumor cells that have been irradiated and genetically modified administered by intradermal injection, in Phase 3 trials.

Immunoconjugation is a means of delivering cytotoxic molecules to tumor cells. The effector molecules are attached to monoclonal antibodies, which target the agent to specific antigens expressed on the tumor cell. As an example, Millennium Pharmaceuticals MLN-591 RL, a radiolabeled version of MLN-591, a PSMA-specific Monoclonal antibody, is in Phase 1/2 clinical trials.

Breast Cancer

Established Therapies

The treatment of breast cancer employs a multimodal approach**,** using hormone therapy, chemotherapy, biological agents, radiotherapy, and surgery. Treatment selection is tied primarily to disease stage, estrogen and progesterone receptor status, performance status, and, increasingly, HER2 expression. Hormone therapy and**/**or chemotherapy are given in the following circumstances:

Neoadjuvant therapy (prior to surgery) to reduce tumor size and facilitate surgery;

Adjuvant therapy (postsurgery) to prevent recurrence (both local and distant); and

Palliative treatment of metastatic disease, where it might also be used to prolong survival. At this time, metastatic breast cancer is not considered to be curable, although treatment and survival can be long-term in a minority of patients.

Treatment choice reflects the specific patient and tumor characteristics and the likelihood of relapse. Relevant factors include the patient s age, menopausal status, performance status, estrogen-receptor/progesterone receptor status, tumor histology, level of HER2 expression, lymph node involvement, and presence of metastatic disease. A large number of drugs given alone, in combination, or in sequence have demonstrated clinical benefit in breast cancer patients and have been adopted into clinical practice. Generally, neoadjuvant and adjuvant chemotherapy uses combinations of drugs each with a different mechanism of action and complementary toxicity profile to maximize efficacy while minimizing toxicity.

More recently, taxanes have been introduced into neoadjuvant and adjuvant chemotherapy treatment regimens, primarily for high-risk (typically node-positive) patients. To date, mature data are available from three large trials in which patients were randomized to receive either a taxane-containing regimen or a non-taxane-containing regimen.

Studies show that both combination and sequential therapy (sequential lines of various single-agent chemotherapies) have their place in the treatment of metastatic breast cancer. Given the heterogeneity of breast cancer, physicians must be flexible in their approach to treating the disease. Thus, treatment of patients with metastatic disease tends to be very individualized; optimal treatment regimens have yet to be determined. Sequential therapy may be particularly appropriate for older patients or those with reduced performance status because it enables the optimal delivery and management of single-drug therapy and potentially reduces the risk of toxicity without reducing the quality of life.

Newer drug combinations show survival advantages over single-agent therapy in metastatic breast cancer and have manageable side-effect profiles. Such combination treatments may be preferable to sequential therapy in patients who require immediate reduction in their tumor burden, and many clinicians now favor combination

Table of Contents

regimens for first-line treatment of metastatic disease, particularly for patients with rapidly progressing disease in need of rapid control. Examples include:

trastuzumab/paclitaxel (Roche/Genentech/Chugai s Herceptin®; Bristol-Myers Squibb s Taxol®, generics); and

Docetaxel/Prostate Capecitabine (Sanofi-Aventis s Taxotere®; Roche/Chugai s Xeloda®).

Emerging Therapies

Epothilones may in the future challenge the place of taxanes in neoadjuvant and adjuvant therapy and in the treatment of metastatic disease. Bristol-Myers Squibb s ixabepilone is the leading agent in this class for breast cancer treatment and is being studied in multiple Phase 2 trials. Another epothilone, epothilone D (KOS-862), is undergoing clinical investigation for breast cancer by Roche and Kosan in Phase 3 trials.

In addition, Eli Lilly is developing a multitargeted antifolate/antimetabolite compound called pemetrexed (Alimta). Pemetrexed was approved initially for malignant pleural mesothelioma in the United States in February 2004 and has since been approved in the United States and Europe as a second-line therapy for non-small-cell lung cancer (NSCLC). Pemetrexed is in Phase 2 trials for breast cancer in the United States and Europe.

Moreover, Wyeth is developing temsirolimus, which is an ester analogue of rapamycin with improved aqueous solubility and pharmacokinetic properties. Temsirolimus selectively inhibits the mammalian target of rapamycin (known as mTOR), an enzyme required to control a cell s life cycle, preventing cell division into new cells.

Angiogenesis, the formation of new blood vessels, plays a major role in many normal physiological processes and in several pathological conditions, including solid tumor growth and metastasis. Numerous companies are developing compounds that inhibit angiogenesis. Agents within this class in early-phase development for breast cancer include:

AstraZeneca s ZD-6474;

EntreMed s 2-methoxyestradiol (2-ME2); and

Bayer/Onyx s sorafenib (BAY-43-9006).

Bevacizumab (Genentech s/Roche/Chugai s Avastin®), a humanized monoclonal antibody designed to inhibit angiogenesis, is approved for marketing in the United States and the European Union for colorectal cancer, and is under development for numerous other cancers. Phase 3 trials are ongoing in non-small-cell lung, renal cell, ovarian, pancreatic, prostate, and breast cancer.

GlaxoSmithKline s lapatinib is an orally administered EGFR tyrosine kinase inhibitor that has the added benefit of blocking ErbB-2/HER2 tyrosine kinase. Genentech/Roche/Chugai s next-generation HER2 directed monoclonal antibody, pertuzumab (Omnitarg), inhibits HER2 dimerization and is currently in clinical trials for a range of solid cancers, including breast cancer. Erlotinib (OSI-774/CP-358774/Tarceva), another EGFR tyrosine kinase inhibitor, is under development by OSI Pharmaceuticals in alliance with Genentech and Roche.

Alternative approaches include gene therapy and antisense approaches to treat cancer, an example of which is Introgen s Advexin, an adenoviral *p53* gene therapy for the treatment of multiple tumors.

Indolent Non-Hodgkin Lymphoma

There are numerous agents in development to treat indolent non-Hodgkin Lymphoma. Chlorambucil (GlaxoSmithKline s Leukeran®) and cyclophosphamide (Bristol-Myers Squibb s Cytoxan®; others) both show single-agent activity against symptomatic advanced-stage indolent NHL. Fludarabine (Berlex s Fludara®) is approved in all major markets for the treatment of chronic lymphocytic leukemia (CLL). Pentostatin (SuperGen s Nipent®) is marketed in Japan for the treatment of T-cell lymphoma.

Rituximab (Genentech/Idec/Zenyaku Kogyo s Rituxan®; Roche s MabThera®) is a chimeric human-mouse monoclonal antibody active against the CD20 antigen. The FDA has approved its use for follicular NHL. In

Table of Contents

aggressive NHL, rituximab is usually given with each cycle of chemotherapy (i.e., R-CHOP). Rituxan® has become the standard of care for 2nd line follicular NHL patients in the United States and the European Union.

In addition, radiolabeled antibodies to CD20 have been developed, including:

Idec Pharmaceuticals Ibritumomab tiuxetan (Zevalin®), a murine labelled with yttrium-90 (murine CD20 antibody);

GlaxoSmithkline s tositumomab (Bexxar®), labeled with iodine-131(murine CD20 antibody);

Zevalin® is marketed for the radioimmunotherapy of low-grade (indolent) CD20-positive NHL;

rituximab is marked for refractory low-grade NHL, and CD20-positive transformed NHL; and

Bexxar® is marketed for the treatment of low-grade (indolent) NHL.

Moreover, the anti-CD22 monoclonal antibody epratuzumab (Immunomedics LymphoCide) is under clinical investigation in its naked (unlabeled) and radiolabeled (^{90}Y) forms.

Legal Proceedings

Litigation with Cell Therapeutics, Inc. (CTI)

In the summer of 2003, it was announced that our collaborator Novuspharma SpA was to be acquired by CTI. After approval at the shareholders meetings of both companies, the merger was effected on January 2, 2004. Although our management attempted to enter into dialogue with the new collaborator at an early stage, the first meeting did not take place until the acquisition had been concluded. At this meeting on January 7, 2004, the management of CTI announced that it was no longer prepared to make any payments related to outstanding invoices and future obligations as contractually agreed.

As a reaction to the refusal to pay, we initiated a full review of the financial impact on our future operational activities. The results of this review included that a significant reduction of project-related and personnel expenses was required in order to offset the loss of income resulting from CTI s refusal to honor its contractual payment obligations. After approval was obtained from the supervisory board, our company was restructured at the end of January 2004, including the reduction of our workforce from 135 full-time employees to 90.

On February 10, 2004, the agreement with CTI was terminated on the basis of CTI s failure to meet its contractual payment obligations. As a result of such termination, CTI has no remaining rights to adecatumumab (MT201). On the same date, we initiated legal proceedings against CTI for breach of contract.

On February 23, 2004, CTI filed a counterclaim against us. Based on assessment of the contract, management believes that it is more likely than not that CTI will not prevail in its countersuit, and therefore no reserves have been set aside for this counterclaim.

Expenses related to the litigation activities were recorded at approximately 826,000 in 2004.

Patent Opposition in Europe

Micromet s patent EP1071752B1 was opposed under Articles 99 and 100 of the European Patent Convention, or EPC, by Affimed Therapeutics AG in March 2004. The opponent alleged that the patent does not fulfill the requirements of the EPC. On January 19, 2006, the Opposition Division of the European Patent Office (EPO) revoked the opposition in oral proceedings according to Article 116 of the EPC and maintained the patent as granted. The opponent can appeal the decision and request a hearing in front of the Board of Appeal of the EPO.

Facilities

Our corporate headquarters and research and development facility of approximately 81,161 square feet located in Munich, Germany is leased under a ten-year operating lease that commenced in July 2002. We have options to renew this lease for additional periods of five years. We believe that this facility will suffice for our anticipated

Table of Contents

future corporate headquarters and research and development requirements through 2007. We have no other facilities.

Employees

As of December 31, 2005, we employed 87 full-time employees, of whom approximately 57 were engaged in research, clinical development and regulatory affairs, 16 in manufacturing and quality assurance, and 14 in administration, finance, management information systems, corporate development, marketing and human resources. Thirty-seven of our employees hold a Ph.D. or M.D. degree and are engaged in activities relating to research and development, manufacturing, quality assurance and business development.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF MICROMET

The following discussion and analysis of financial condition and results of operations should be read together with Selected Financial Data, and Micromet s financial statements and accompanying notes appearing elsewhere in this proxy statement/prospectus. This discussion contains forward-looking statements, based on current expectations and related to future events and Micromet s future financial performance, that involve risks and uncertainties. Micromet s actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth above under Risk Factors Risks Relating to Micromet and elsewhere in this proxy statement/prospectus. Unless otherwise stated, all financial data are presented in euros ( ).

Overview

Micromet is a biotechnology company focused on the research, development and commercialization of novel biological products for the treatment and control of cancer and inflammatory and autoimmune diseases in potentially large drug markets with significant unmet medical needs. Micromet s product pipeline consists of two clinical product candidates, adecatumumab (MT201) and MT103, and five preclinical product candidates, MT110, MT203, MT204, BiTE^{tm}-I and BiTE^{tm}-II.

Micromet started its clinical program for its lead product candidate (adecatumumab) with a Phase 1 clinical trial in patients with hormone-refractory prostate cancer in September 2001 in Germany. Phase 2 clinical trials were started in February 2004 in patients with prostate cancer and in March 2004 in patients with metastatic breast cancer. Adecatumumab (MT201) is being evaluated as monotherapy in these two clinical trials. In addition, adecatumumab (MT201) is being evaluated in a Phase 1 clinical trial in combination with docetaxel in patients with metastatic breast cancer. An Investigational New Drug Application, or IND was approved by the Food and Drug Administration, or FDA, in November 2004 for a Phase 2 study in patients with metastatic breast cancer.

A second clinical program, MT103, a BiTE compound, is in a Phase 1 dose escalation clinical trial study in patients with indolent non-Hodgkin s Lymphoma.

In addition, Micromet has product candidates in pre-clinical development including therapeutic human antibodies and BiTE molecules that may be used to treat patients with inflammatory diseases and cancer.

Micromet believes that its novel technologies, product candidates and clinical development experience in these fields will continue to enable it to identify and develop promising new product opportunities in these critical markets.

Each of Micromet s programs will require many years and significant costs to advance through development. Typically it takes many years from the initial identification of a lead compound to the completion of pre-clinical and clinical trials, before applying for possible marketing approval from the FDA or equivalent international regulatory agencies. The risk that a program has to be terminated in part or in full for safety reasons, or lack of adequate efficacy is very high. In particular, Micromet can neither predict which if any potential product candidates can be successfully developed and for which marketing approval may be obtained, nor can Micromet predict the time and cost to complete development.

As Micromet obtains results from pre-clinical or clinical trials, it may elect to discontinue clinical trials for certain product candidates for safety and /or efficacy reasons. It may also elect to discontinue development of one or more product candidates in order to focus its resources on more promising product candidates. Micromet s business strategy

includes entering into collaborative agreements with third parties for the development and commercialization of its products. Depending on the structure of such collaborative agreements, a third party may take over the clinical trial process for one of Micromet s product candidates. In such a situation, the third party, rather than Micromet, may in fact control development and commercialization decisions for the respective product candidate. Consistent with its business model, Micromet may enter into additional collaboration agreements in the future. Micromet cannot predict the terms of such agreements or their potential impact on Micromet s capital requirements. Micromet s inability to complete its research and development projects in a timely manner, or its failure to enter into

Table of Contents

new collaborative agreements, when appropriate, could significantly increase capital requirements and affect Micromet s liquidity.

Since Micromet s inception, it has financed its operations through private placements of preferred stock, government grants for research, research-contribution revenues from its collaborations with pharmaceutical companies, and debt financing. To date, Micromet has incurred significant expenses and has not achieved any product revenues from sales of its products.

From inception through September 30, 2005, Micromet incurred research and development expenses of 114,091,000. Micromet expects to incur substantial additional research and development expenses that may increase from historical levels as it moves its compounds into more advanced stages of clinical development and increases its pre-clinical efforts for its human antibodies and BiTE molecules in anti-inflammatory and autoimmune diseases and cancer. Micromet believes that it has adequate resources to fund its operations into the third quarter of 2006 and if Micromet s existing shareholders invest an additional 4,000,000, as is currently expected under an investment agreement with such shareholders, then into the fourth quarter of 2006.

Currently, Micromet has strategic collaborations with Serono and MedImmune to develop therapeutic antibodies in cancer. Micromet also has an exclusive marketing agreement with Enzon to market and license to third parties the companies respective single-chain antibody patent estates.

Micromet s strategic collaborations and license agreements generally provide for Micromet s research, development and commercialization programs to be partly or wholly funded by its collaborators and provide Micromet with the opportunity to receive additional payments if specified development or commercialization milestones are achieved, as well as royalty payments upon the successful commercialization of any products based upon the collaborations.

Under the adecatumumab (MT201) collaboration agreement with Ares Trading, S.A., a wholly-owned subsidiary of Serono International, S.A. (Serono), Micromet received a $10,000,000 up-front payment from Serono and the agreement provides for potential future clinical development milestone payments of up to an additional $138,000,000. The collaboration agreement for MT103 with MedImmune provides for potential future milestone payments and royalty payments based on net sales from MT103. A second agreement with MedImmune for the development of new BiTE molecules provides for potential future milestone payments and royalty payments based on future sales of the BiTE product candidates currently under development. The potential milestone payments are subject to successful completion of development and obtaining marketing approval in one or more indications and one or more national markets.

Micromet intends to pursue additional collaborations to provide resources for further development of its product candidates and expects to continue to grant technology access licenses. However, Micromet cannot forecast with any degree of certainty whether it will be able to enter into collaborative agreements, and if it does, on what terms it might do so. Micromet may also seek funding through public or private financings. If Micromet is successful in raising additional funds through the issuance of equity securities, stockholders may experience substantial dilution, or the equity securities may have rights, preferences or privileges senior to existing stockholders. If Micromet is successful in raising additional funds through debt financings, these financings may involve significant cash payment obligations and covenants that restrict Micromet s ability to operate its business. There can be no assurance that Micromet will be successful in raising additional capital on acceptable terms, or at all.

Critical Accounting Policies and the Use of Estimates

Micromet s financial statements are prepared in conformity with accounting principles generally accepted in the United States. Such statements require management to make estimates and assumptions that affect the amounts

reported in Micromet s financial statements and accompanying notes. Actual results could differ materially from

Table of Contents

those estimates. The significant policies in Micromet s financial statements requiring significant estimates and judgments are as follows:

Revenue Recognition

Micromet currently recognizes revenue resulting from the licensing and use of its technology and from services it performs in connection with the licensed technology. These revenues are typically derived from Micromet s proprietary patent portfolio.

Micromet enters into patent licenses and research and development agreements that may contain multiple elements, such as upfront license fees, reimbursement of research and development expenses, milestones related to the achievement of particular stages in product development and royalties. As a result, significant judgment is required to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes, and if so, how the aggregate contract value should be allocated among the deliverable elements and when to recognize revenue for each element. Micromet recognizes revenue for delivered elements only when the fair values of undelivered elements are known, when the associated earnings process is complete, and when payment is reasonably assured. Changes in the allocation of the contract value between deliverable elements might impact the timing of revenue recognition, but would not change the total revenue recognized on the contract.

Long-Lived and Intangible Assets

The evaluation for impairment of long-lived and intangible assets requires significant management estimates and judgment. Subsequent to the initial recording of long-lived and intangible assets, Micromet must test such assets for impairment. When Micromet conducts its impairment tests, factors that are important in determining whether impairment might exist include assumptions regarding its underlying business and product candidates and other factors specific to each asset being evaluated. Any changes in key assumptions about the business and its prospects, or changes in market conditions or other external factors, could result in an impairment. Such impairment charge, if any, could have a material adverse effect on Micromet s results of operations.

Fair Value of Equity and Debt Instruments

As part of entering into the merger agreement with CancerVax, Micromet has reassessed its estimate of the fair value for financial reporting purposes of its ordinary and preference shares for the nine months ended September 30, 2005 and the years ended 2004, 2003, and 2002. Micromet did not obtain contemporaneous valuations from an independent valuation specialist. Micromet obtained retrospective valuations as of December 31, 2004 and June 30, 2003 from an independent valuation specialist. The valuations as of other points in time were performed retrospectively by management. Valuations performed by the independent valuation specialists were based on an income approach (discounted cash flows) and corroborated by a market approach (analysis of comparable companies and transactions). Valuations performed by management was based on a market approach (analysis of fluctuations in stock price of comparable companies) taking into consideration the price Micromet received in November 2001 for its preference shares of 11.97, since this was an arms-length transaction. Starting at the beginning of 2002, the biotechnology industry experienced a significant decline in market capitalization. Accordingly, Micromet decreased the estimated fair value of its preference and ordinary shares to approximately 6 to 8 per preference and ordinary share in 2002 and approximately 2 to 4 per preference and ordinary share in the first half of 2003. This was corroborated by an estimated fair value range of 1 to 2 per ordinary share as of June 30, 2003 per the independent valuation specialist. Micromet calculated an estimated fair value of its ordinary shares of 3 per ordinary share as of June 2004. This was corroborated by an estimated fair value range of 3 to 4 per ordinary share as of December 31, 2004 per the independent valuation specialist.

In the determination of the fair value of the debt and equity instruments granted, Micromet used an interest rate of 2.5% to 5% based on the risk-free interest rate of German government bond issuances and a volatility of approximately 95%. For Micromet s stock-based compensation issued to its employees and supervisory board members, Micromet calculated the minimum value using a near-zero volatility.

Table of Contents

Micromet s reassessment of estimated fair value for the nine months ended September 30, 2005 and the years ended 2004, 2003, and 2002 did not result in a change in fair value of stock options granted to employees and supervisory board members or in warrants granted to third parties. In addition, Micromet s reassessment of fair value of ordinary and preference shares did not result in any beneficial conversion features in its convertible debt agreements.

Financial Operations Overview

General. Micromet s future operating results will depend largely on the magnitude of payments from current and potential future corporate collaborators and the progress of other product candidates currently in its research and development pipeline. The results of its operations will vary significantly from year to year and quarter to quarter and depend on, among other factors, the timing of its entry into new collaborations, the timing of the receipt of payments from collaborators and the cost and outcome of clinical trials. Micromet believes that its existing capital resources at September 30, 2005 should enable it to maintain current and planned operations into the third quarter of 2006, including expected spending related to its co-development of MT103, its product candidate for the treatment of patients with non-Hodgkin s Lymphoma, which is under development with MedImmune, and increased spending for pre-clinical compound MT110. Micromet s ability to continue funding planned operations beyond the third quarter of 2006 is dependent upon the success of its collaborations, ability to maintain or reduce its cash burn rate and ability to raise additional funds through equity, debt or other sources of financing. A discussion of certain risks and uncertainties that could affect Micromet s liquidity, capital requirements and ability to raise additional funds is set forth above under the heading Risk Factors Risks Relating To Micromet.

Micromet does not expect to generate any revenue from the sale of products for several years, if ever. Substantially all of Micromet s revenue to date has been derived from license fees, research and development payments, and other amounts such as milestone payments or down-payments received from strategic collaborators and licensees, including Serono, MedImmune and Enzon. In the future, Micromet will seek to generate revenue from a combination of license fees, research and development funding and milestone payments in connection with strategic licenses and collaborations, and royalties resulting from the sale of products which incorporate its intellectual property and from sales of any products it successfully develops and commercializes, either alone or in collaboration with third parties. Micromet expects that any revenue generated will fluctuate from quarter to quarter as a result of the timing and amount of payments received under strategic collaborations, and the amount and timing of payments it receives upon the sale of products, to the extent that any are successfully commercialized.

The following table summarizes our primary research and development programs, including the current development status of each program. The term preclinical means Micromet is seeking to obtain demonstrations of therapeutic efficacy in preclinical models of human disease and relevant toxicology and safety data required for an IND filing with the FDA or equivalent international institutions, that will be required prior to commencing a Phase 1 clinical trial to assess safety in humans.

Product Candidate	Primary Indication	Collaborator	Status
Adecatumumab (MT201)(1)	Metastatic Breast Cancer Prostate Cancer	Serono	Clinical Phase 2
MT103(2)	Indolent non-Hodgkin s Lymphoma	MedImmune	Clinical Phase 1
MT110	Solid tumors		Pre-clinical
MT203(3)	Inflammatory diseases		Pre-clinical
MT204	Inflammatory diseases		Pre-clinical
BiTE[tm]I		MedImmune	Pre-clinical

BiTE[tm]II	MedImmune	Pre-clinical

(1) This product candidate has been licensed to Serono. Under the license arrangement, Serono has acquired global rights to the product candidate. Serono has an obligation to fully fund all ongoing clinical studies. Serono has a right to terminate the contract upon availability of Phase 2 data, and such data is expected in the second half of 2006. Upon availability of such data, Serono will be required to make a decision as to whether to continue the program. Serono will make certain milestone payments up to approximately $138,000,000 if the

product is successfully developed and registered worldwide in three or more indications. In addition, Micromet will receive royalties based on future net sales of the product (as defined in the agreement). Under certain terms and conditions, Micromet may elect to share in the development and commercialization of the product in the US and the European Union in exchange for a share of profits and in lieu of royalties.

(2) Micromet has established a collaboration agreement with MedImmune. Under the terms of the agreement, MedImmune has licensed the product rights for North America. Micromet has retained all rights for the rest of the world. Under the agreement, each party bears the costs of development in its respective region. In case of programs that are conducted jointly, Micromet bears 40% and MedImmune bears 60% of development costs.

(3) This program, which was formerly licensed to Enzon, has been terminated as described below.

Revenue-Generating Research and Development Collaborations

Serono International, S.A.

In December 2004, Micromet entered into a collaboration agreement with a wholly-owned subsidiary of Serono International S.A., a leading Swiss biotechnology firm (Serono). Pursuant to the agreement, Micromet granted Serono a worldwide license under its relevant patents and know-how to develop, manufacture, commercialize and use adecatumumab (MT201) for the prevention and treatment of any human disease. Serono paid an initial license fee of $10,000,000. Under the terms of the agreement, Serono bears all costs of product development and manufacturing subject to Micromet s participation right as described below.

Upon receipt of either of the final study reports for the ongoing Phase 2 trials in breast cancer and prostate cancer, which are expected in the second half of 2006, Serono may either elect to terminate the agreement (in which case all rights to adecatumumab (MT201) return to Micromet) or to continue the development of adecatumumab (MT201) at its own expense. Should Serono elect to continue developing adecatumumab (MT201) after receipt of the second final study report, it must make an agreed upon milestone payment. Overall, the agreement provides for Serono to pay up to $138 million in milestone fees if adecatumumab (MT201) is successfully developed and registered worldwide in at least three indications.

Upon completion of the currently ongoing phase 2 clinical trials, Micromet may elect to participate in the costs and expenses of developing and selling adecatumumab (MT201) in the United States and/or Europe. If Micromet participates, then Micromet will share up to 50% of the development costs, as well as certain other expenses, depending on the territory for which Micromet has exercised our co-development option. The parties will co-promote and share the profits from sales of adecatumumab (MT201) in the territories for which the parties shared the development costs. In the other territories, Serono will pay a royalty on net sales of adecatumumab (MT201).

Enzon, Inc. (now Enzon Pharmaceuticals, Inc.)

In April 2002, Micromet entered into a multi-year strategic collaboration with Enzon to identify and develop the next generation of antibody- based therapeutics. In June 2004, the parties amended and restated the collaboration agreement to advance Single-Chain Antibody (SCA) therapeutics toward clinical development.

In November 2005, the parties entered into an agreement to end the collaboration to identify and develop antibody-based therapeutics for the treatment of inflammatory and autoimmune diseases. The termination was jointly agreed by the parties as a consequence of Enzon s efforts to redirect its investments to projects strategically aligned with its near- and long-term business objectives, including an increased focus on cancer. Under the termination agreement, Enzon made a final payment of 1,180,000 in November 2005 to Micromet in satisfaction of its obligations

under the collaboration. In addition, Micromet receives rights to the lead compound (MT203) generated within the scope of the collaboration, and Enzon will receive royalties on any future sales of MT203 products.

The termination of the research and development collaboration does not affect the companies other agreements, including a cross-license agreement between the parties and a marketing agreement under which Micromet is the exclusive marketing party for the two companies combined intellectual property estate in the field of SCA technology. Under the marketing agreement, the two companies share equally in any revenues resulting from Micromet s marketing and related licensing activities.

Table of Contents

MedImmune, Inc.

MT103 Collaboration and License Agreement. On June 6, 2003, Micromet entered into an agreement with MedImmune to jointly develop its B cell tumor drug, MT103, the most-advanced product candidate of its BiTE platform. Under the terms of the collaboration and license agreement, MedImmune receives Micromet s product rights to MT103 in North America and will assume responsibility for clinical development, registration and commercialization of the product in that region. As part of the agreement, MedImmune will develop the commercial manufacturing process and supply clinical trial material as well as commercial products for all markets. Micromet retains rights to MT103 outside of North America. Micromet will receive milestone payments based on the successful development, filing, registration and marketing of MT103, as well as royalties on MedImmune s North American sales of the product, if any. In addition, MedImmune will cover certain development costs incurred by Micromet that are necessary to support the filing of an IND application with the FDA for MT103. After filing of the IND, the parties will share development costs of jointly conducted clinical trials in accordance with the specifications of the agreement.

BiTE Research Agreement. In addition to the MT103 co-development agreement, the parties have agreed to collaborate to create and develop up to six new products based on the BiTE platform. Micromet is entitled to receive milestones and royalties on future product sales of all resulting BiTE products. Furthermore, Micromet has the option to obtain exclusive European rights for BiTE compounds based on targets non-proprietary to MedImmune and the option to receive co-promotion rights in Europe for BiTE compounds based on MedImmune s proprietary targets. For each new BiTE molecule, MedImmune will cover full development costs up to Phase 1. Micromet will be responsible for the generation of the new BiTE molecules.

Novuspharma S.p.A., now Cell Therapeutics, Inc.

In August 2002, Micromet entered into a collaboration agreement with Novuspharma SpA (now Cell Therapeutics, Inc. (CTI)). Under this agreement Novuspharma agreed to collaborate with Micromet on the development of adecatumumab (MT201) on a world-wide basis and co-promote the product upon certain conditions, and Novuspharma acquired the right to share profits generated by the sale or licensing of the product worldwide. Novuspharma was required to make certain milestone payments and pay 40% to 50% of the development expenses. In consideration of the payments, Micromet was required to pay Novuspharma 40% of any profits generated in the future by the product.

During 2003, Novuspharma announced that it was to be acquired by CTI. The acquisition was completed on January 2, 2004. Subsequently, CTI management announced that it would not make any payments to Micromet for outstanding invoices and contractually agreed obligations. On February 10, 2004 the cooperation agreement with CTI was terminated on the basis of the failure of CTI to meet its contractual payment obligations. On the same date, Micromet commenced legal proceedings against CTI for breach of contract. On February 23, 2004, CTI filed a counterclaim against Micromet. Based on its assessment of the contract and advice of counsel, management believes that it is likely that Micromet will prevail against CTI in its countersuit and therefore no provisions have been made in the financial statements.

Restructuring Plan

A budget deficit arose due to the termination of the Novuspharma/CTI collaboration of approximately 14,000,000 in 2004. In order to ensure adequate liquidity and to continue the clinical programs, extensive restructuring measures were initiated.

The restructuring measures included reduction of Micromet s workforce from 135 full-time employees to 90. This was initiated in January 2004 and completed at the end of March 2004. As part of this restructuring, Micromet paid

termination benefits of approximately 297,000 (of which 264,000 and 33,000 were included in research and development and general and administrative expense during the year ended December 31, 2004, respectively).

In December 2004, Micromet vacated portions of its leased building. The fair value of the liability at the cease-use date was determined based on the remaining lease rentals, reduced by estimated sublease rentals that could be

Table of Contents

reasonably obtained and discounted using Micromet s interest rate of 17%. Accordingly, Micromet recorded an accrual of 840,000 as of December 31, 2004.

Comparison of Results of Operations for the Nine Months Ended September 30, 2005 to the Nine Months Ended September 30, 2004

Revenues

During the nine months ended September 30, 2005 revenue increased approximately 27% to 13,484,000 from 10,580,000 for the nine months ended September 30, 2004. Revenues fluctuate from period to period as a result of the timing and amount of payments received under strategic collaborations. In 2005, 3,362,000 related to research contribution for MT103 and the MedImmune BiTE molecules, 671,000 related to the MT203 collaboration and 7,428,000 related to a newly established collaboration with Serono in December 2004. In the nine months ended September 30, 2004, 3,670,000 related to research contributions for MT103 and the MedImmune BiTE molecules and 1,988,000 related to MT203.

Operating Expenses

Operating expenses for the nine months ended September 30, 2005 and 2004 were as follows:

	Nine Months Ended September 30,	
Operating expenses	**2005**	**2004**
	(in thousands)	
Research and development	17,171	18,327
General and administrative	3,399	3,348
Total operating expenses	20,570	21,675

Research and Development Expenses. Research and development expense consists of costs incurred to discover, research and develop product candidates. These expenses consist primarily of salaries and related expenses for personnel, outside service costs including production of clinical material, fees for services in the context of clinical trials, medicinal chemistry, consulting and sponsored research collaborations, and occupancy and depreciation charges. Micromet expenses research and development costs as incurred.

Any failure to complete the development of its product candidates in a timely manner could have a material adverse effect on Micromet s operations, financial position and liquidity. A discussion of risks and uncertainties associated with completing projects on schedule, or at all, and some consequences of failing to do so, are set forth above in Risk Factors Risks Relating to Micromet.

Research and development expenses for the nine months ended September 30, 2005 and 2004 were as follows:

	Nine Months Ended September 30,	
Research & Development Expenses	**2005**	**2004**

	(in thousands)	
Adecatumumab (MT201)	5,194	6,106
MT103	1,718	2,196
MT110	2,545	267
MT203	1,735	3,784
MedImmune BiTEs	1,296	1,086
Licensing and intellectual property	1,865	2,114
Other research and development	1,179	1,086
Depreciation	1,639	1,688
Total Research and Development Expenses	17,171	18,327

Table of Contents

Total research and development expenses decreased by 6.3% to 17,171,000 during the nine months ended September 30, 2005, as compared to 18,327,000 for the nine months ended September 30, 2004. Spending on adecatumumab(MT201) decreased by 912,000 in the nine months ended September 30, 2005, as a result of reduced spending on clinical material production and process development, compared to the nine months ended September 30, 2004. During the nine months ended September 30, 2005, pre-clinical development expenditure increased primarily due to the MT110 program, which began formal pre-clinical development in 2005. Research and development expenses related to MT203 declined by approximately 54% in the nine months ended September 30, 2005, compared to the prior year, due to reduced activities for pre-clinical and process development. Spending on other research and development has increased by 8.5%, primarily as a result of increased BiTE-generating activities.

General and Administrative Expenses. General and administrative expense consists primarily of salaries and other related costs for personnel in executive, finance, accounting, legal, information technology, corporate communications and human resource functions. Other costs include facility costs not otherwise included in research and development expense, insurance, and professional fees for legal and accounting services.

General and administrative expenses for the nine months ended September 30, 2005 and 2004 were as follows:

General & Administrative Expenses	**Nine Months Ended September 30,**	
	2005	**2004**
	(in thousands)	
Personnel/Travel	1,794	1,789
Facility	252	303
Finance	313	199
Other Operating Expenses	708	676
Depreciation	333	380
Total general and administrative expenses	3,399	3,348

General and administrative expenses overall increased by 1.5% to 3,399,000 for the nine months ended September 30, 2005, compared to 3,348,000 for the nine months ended September 30, 2004. In the nine month period ended September 30, 2005, Micromet incurred a significant increase in activities, which was partially offset by savings from restructuring.

Other income/expense

Interest and other income, interest expense and other expenses for the nine months ended September 30, 2005 and 2004 were as follows:

	Nine Months Ended September 30,	
	2005	**2004**
	(In thousands)	
Interest expense	(3,184)	(1,710)

Interest income	194	132
Other income/(expense)	318	42
Total other income/(expense)	(2,672)	(1,536)

Interest expense related to the 4.5% interest bearing convertible note issued in 2003 to MedImmune, notes issued to eight silent partnerships bearing interest at annual interest rates between 6% and 9% and accruals for the same partnerships for final payments payable upon the respective due dates, a 24% interest bearing bridge loan from current investors issued in November 2004, and a 3% interest bearing convertible notes from Enzon. Interest expense increased from 1,710,000 to 3,184,000, primarily as a result of the 24% interest bearing notes from shareholders obtained in the fourth quarter of 2004. Other expenses in 2005 result from exchange rate fluctuations

Table of Contents

related to receivables as of December 2004 from the Serono license agreement, which was subsequently paid in January.

Comparison of Results of Operations for the Years Ended December 31, 2004, 2003 and 2002

Revenue

Revenues for the years ended December 31, 2004, 2003 and 2002 were as follows:

	Years Ended December 31,		
	2004	2003	2002
	(In thousands)		
Revenues			
Collaboration agreements	11,681	13,112	3,735
License fees	1,691	50	
Other	87	27	6
Total revenues	13,459	13,189	3,741

Revenues relate primarily to collaboration agreements for the further development of Micromet s product pipeline. In 2004, revenues under such arrangements included research and development contributions from MedImmune of approximately 5,523,000, Enzon of approximately 2,668,000, Novuspharma of approximately 2,583,000 and Serono of approximately 911,000. In 2003, revenues included research and development contributions from Novuspharma of approximately 8,028,000, Enzon of approximately 2,832,000, and MedImmune of approximately 2,249,000. In 2002, revenues derived mainly from newly established collaborations with Novuspharma for adecatumumab (MT201) and Enzon for development of single chain antibodies.

Operating Expenses

Operating expenses for the years ended December 31, 2004, 2003 and 2002 were as follows:

	Years Ended December 31		
	2004	2003	2002
	(In thousands)		
Operating Expenses			
Research and development	26,598	26,173	22,428
General and administrative	4,493	3,916	2,566
Total operating expenses	31,091	30,089	24,994

Research and Development Expenses. Research and development expenses paid to third parties for the years ended December 31, 2004, 2003 and 2002 were as follows:

	Years Ended December 31		
	2004	2003	2002
	(In thousands)		
Third party R&D expenses			
Process Development	6,416	7,623	6,549
Preclinical Development	483	715	1,408
Clinical Development	2,071	1,102	810
Total third party R&D expenses	8,970	9,440	8,767

Process development expenses were mainly incurred for production of good manufacturing practice, or GMP grade clinical trial material, as well as fermentation, purification and formulation development. In 2004, 6,416,000 was spent, of which 6,100,000 was spent on clinical trial material for adecatumumab (MT201), in 2003 7,623,000 was spent, of which 6,275,000 was spent for development and production of adecatumumab

Table of Contents

(MT201) and 1,274,000 was spent on development and production of MT103. In 2002, 6,549,000 was spent, of which 3,227,000 was spent on adecatumumab (MT201) and 1,962,000 was spent on MT103.

Preclinical development expenses cover pharmacological in vitro and in vivo experiments as well as development of analytical testing procedures. Spending decreased in 2004 to 483,000 from 715,000 in 2003 and 1,408,000 in 2002 mainly due to a change in test protocols.

Spending on clinical trials increased to 2,071,000 in 2004 from 1,102,000 in 2003 and 810,000 in 2002. The increase is mainly due to an increased clinical spending for adecatumumab (MT201) Phase 2 clinical trials, which was 1,334,000 in 2004 and 600,000 in 2003.

As a consequence of the restructuring of operations during 2004, Micromet reorganized its operations in order to vacate space that could be offered for subleases. Micromet recorded 840,000 for losses on sublease for the remaining lease period as of December 31, 2004. Micromet recorded an impairment charge of 315,000 related to leasehold improvements that will no longer be utilized. The losses on the sublease and the impairment charge are included in research and development expense in 2004.

General and administrative expenses

General and administrative expenses were 4,493,000, 3,916,000 and 2,566,000 for the years ended December 31, 2004, 2003 and 2002, respectively. In 2003, general and administrative expenses increased by approximately 52.6% over 2002. This increase is primarily due to the increase in the average number of full time equivalent employees from 12 in 2002 to 19 in 2003. In 2004, general and administrative expenses increased by approximately 14.7% over 2003. This increase is primarily due to expenses incurred in connection with Micromet s restructuring in 2004. As a result of the restructuring, the average number of employees in general administration decreased to 15 during 2004.

Other income/expense

Interest and other income, interest expense and other expenses for the years ended December 31, 2004, 2003 and 2002 were as follows:

	Years ended December 31,		
	2004	2003	2002
	(in thousands)		
Interest expense	(2,367)	(2,072)	(1,206)
Interest income	212	583	1,029
Other income/(expense)	(367)	(565)	(131)
Total other income (expense)	(2,522)	(2,054)	(308)

Interest expense increased to 2,367,000 in 2004 from 2,072,000 in 2003 and 1,206,000 in 2002 due to the addition of interest bearing facilities during the years.

Interest expense in 2004 related to borrowings from eight silent partnerships bearing interest at annual rates between 6% and 9% and accrued interest for the same partnerships for final payments payable upon the due date, a 7% interest bearing convertible note from Curis, which was modified to a non-interest bearing note in December 2004, a 3%

interest bearing convertible note from Enzon, which was modified to a non-interest bearing note in June 2004, a 4.5% interest bearing convertible note issued in 2003 to MedImmune and a 24% interest bearing bridge loan from current investors issued in November 2004.

Interest expense in 2003 related to borrowings from eight silent partnerships bearing interest at annual rates between 6% and 9% and accruals for the same partnerships for final payments payable upon the due date, a 7% interest bearing convertible note from Curis, a 3% interest bearing convertible note from Enzon and to a 4.5% interest bearing convertible note issued in 2003 to MedImmune.

Table of Contents

Interest expense in 2002 related to borrowings from eight silent partnerships bearing interest at annual rates between 6% and 9% and accruals for the same partnerships for final payments payable upon the due date, a 7% interest bearing convertible note from Curis and to 3% interest bearing convertible note from Enzon.

Interest income decreased to 212,000 in 2004 from 583,000 in 2003 and 1,029,000 in 2002 due to a reduction in interest bearing investment activity.

Micromet has reserved accruals for contingent liabilities. These liabilities relate to the deduction and reimbursement of input VAT incurred on expenses derived from the increase of the stated capital and to withholding tax duty on royalty payments affecting foreign recipients. The revenue authorities have denied the deduction and Micromet has filed an appeal against the respective assessment. The appeal is pending and depends on the outcome of a model case pending with the supreme fiscal court in a similar matter.

Liquidity and Capital Resources

The accompanying financial statements have been prepared assuming that Micromet will continue as a going concern. This basis of accounting contemplates the recovery of Micromet s assets and the satisfaction of its liabilities in the normal course of business. Through September 30, 2005 Micromet had an accumulated deficit of approximately 96,370,000 and expects to continue to incur substantial, and possibly increasing, operating losses for the next several years. Micromet has financed its operations through private placements of shares, grant and research contribution revenues, collaborator revenues, and debt financing.

As of December 31, 2004, Micromet had cash, cash equivalents and short-term investments of 9,788,000, a decrease from 15,065,000 as of December 31, 2003. Short-term investments are highly liquid investments with a maturity of three months or less at date of purchase and consist of time deposits and investments in money market funds with commercial banks and financial institutions, short-term commercial paper, and government obligations. During 2004, Micromet was actively engaged in partnering and fundraising efforts and closed a 10,000,000 convertible note with current investors due December 31, 2006. In addition, Micromet entered into a collaboration agreement with Serono in December 2004 that provided for an upfront license fee of $10,000,000, paid in January 2005, and full reimbursement for the adecatumumab (MT201) development costs going forward. As of September 30, 2005, Micromet had cash, cash equivalents and short-term investments of approximately 9,043,000. On October 11, 2005, Micromet raised an additional 4,018,000 in equity from existing shareholders. Micromet believes that it has adequate resources to fund operations into the third quarter of 2006, and if Micromet s existing shareholders invest an additional 4,000,000, as currently contemplated by an investment agreement with such shareholders then into the fourth quarter of 2006.

The cash flows used in operations primarily consists of salaries and wages for employees, fees paid in connection with conducting clinical trials, expenses for clinical material production, facility and facility-related costs for its office and laboratories, fees paid in connection with preclinical studies, laboratory supplies, consulting fees, and legal fees. To date, the source of revenue from operations has been payments received from collaborators and to a lesser extent royalties on licensing of patents. Micromet s primary source of cash flows from operations for the foreseeable future will be up-front license payments, payments for the achievement of milestones, and funded research and development that it may receive under collaboration agreements. The timing of any new collaboration agreements and any payments under collaboration agreements cannot be easily predicted and may vary significantly from quarter to quarter.

Net cash provided by operating activities was 207,000 for nine months ended September 30, 2005, as compared to 9,164,000 used for nine months ended September 30, 2004. Cash used in operating activities during the nine months ended September 30, 2005 was primarily to fund Micromet s net loss of 9,758,000, partially offset by non-cash

charges, including depreciation and amortization, accrued interest expense on notes payable and amortization of intangible assets. In addition, Micromet received a $10,000,000 up-front license fee payment under the licensing agreement with Serono. Cash used in operating activities during the nine months ended September 30, 2004 was primarily to fund Micromet s net loss of 12,632,000, partially offset by non-cash charges, including stock-based compensation expense, depreciation and amortization, accrued interest expense on notes payable and amortization of intangible assets.

Table of Contents

Net cash used in operating activities was 12,780,000, 15,697,000 and 15,622,000 for the years 2004, 2003 and 2002, respectively. Cash used in operations could increase if Micromet progresses its pre-clinical product candidate to clinical trials and as it advances our products through advanced stages of clinical development. Micromet expects that the increase in cash used will be partially offset by anticipated payments received under collaboration agreements with MedImmune and Serono, assuming these collaborations continue in accordance with their terms. Depreciation and amortization increased to 2,797,000 from 2,775,000 in 2003 and 2,378,000 in 2002. The increase in depreciation and amortization charges in 2003 compared to 2002 is due to equipment purchases of 5,519,000 made in mid-2002 for which 2003 carried the first full year depreciation charge. Accounts receivable have increased by 8,678,000 to 11,613,000 in 2004 from 2,935,000 in 2003 due to a receivable up-front license fee from Serono in relation to a collaboration agreement signed in December 2004. Deferred revenues have increased by 6,959,000 in 2004 over 2003 due to deferred revenue recognition under the Serono collaboration. Accounts payable and accrued expenses increased by 3,790,000 in 2004 over 2003 due to unpaid invoices for material production.

Net cash used in investing activities was 2,322,000 during the nine months ended September 30, 2005 as compared to 9,352,000 in cash provided by investing activities for the nine months ended September 30, 2004. Significant components of cash flow from investing activities for the nine months ended September 30, 2005 included a 2,291,000 net increase in short term investments and 31,000 in purchases of property and equipment.

Net cash provided by (used in) investing activities was 11,321,000, 1,300,000 and (3,080,000) for the years 2004, 2003, and 2002, respectively. In 2004 and 2003 net cash provided by investing activities was primarily from the sales of short term investments. In 2002, significant components of cash flows from investing activities included 5,519,000 of purchases of property and equipment and net proceeds of 2,385,000 from the sale of short term investments.

Net cash used in financing activities was 932,000 for the nine months ended September 30, 2005, compared to 741,000 for the nine months ended September 30, 2004. Cash flows used in financing activities for the nine months ended September 30, 2005 and September 30, 2004, respectively, primarily consisted of payments made on long term debt obligations.

Net cash provided by financing activities in 2004 was 7,485,000, as compared to 10,419,000 in 2003 and 12,197,000 in 2002. Significant components of cash flows from financing activities in 2004 included the proceeds of 10,000,000 received upon the issuance of convertible notes to Micromet s existing investors and net payments of long term debt of 2,494,000. Significant components of cash flows from financing activities in 2003 included proceeds of 10,000,000 received upon the issuance of a convertible note to MedImmune, proceeds from long term financings of 1,386,000 and net payments of long term debt of 927,000. Significant components of cash flows from financing activities in 2002 were net proceeds of 9,302,000 upon the issuance of a convertible note to Enzon, proceeds from long term debt financing of 2,047,000 and proceeds from stock subscription receivables of 1,000,000.

Micromet plans to continue to evaluate the potential of pursuing strategic collaborations to provide resources for further development of its product candidates. Micromet cannot forecast with any degree of certainty whether it will be able to enter into a collaborative agreement on favorable terms or at all. Micromet may also seek funding through public or private financings. If Micromet is successful in raising additional funds through the issuance of equity securities, stockholders will experience substantial dilution, or the equity securities may have rights, preferences or privileges senior to existing shareholders. If Micromet is successful in raising additional funds through debt financings, these financings may involve significant cash payment obligations and covenants that restrict Micromet s ability to operate its business and make distributions to its shareholders. There can be no assurance that Micromet will be successful in seeking additional capital on acceptable terms, or at all.

Table of Contents

Contractual obligations. Micromet has contractual obligations related to its facility lease, research agreements and financing agreements. The following table sets forth Micromet s significant contractual obligations as of December 31, 2004:

Contractual obligations (in thousands)	Total	<1 year	1-3 years	4-5 years	>5 years
ETV loans(1)	1,041	942	99		
Operating leases(2)	15,940	2,169	4,304	4,232	5,235
Convertible note obligations(3)	29,490		19,490		10,000
Silent Partnership obligations(4)	7,059	29	2,649	4,381	
Curis loan(5)	3,658	3,658			
Total contractual obligations	57,188	6,798	26,542	8,613	15,235

(1) Equipment purchases were financed under loan agreements with ETV bearing interest at annual rates between 11% and 13%.

(2) Operating leases were entered into for our premises at Staffelseestrasse 2, 81477 Munich in June 2002. The leases expire in June 2012.

(3) Convertible notes relate to:

(i) A MedImmune convertible note for 10,000,000 due in June 2010, bearing interest at an annual rate of 4.5% initially. In October 2005, the conversion elements of this note were adjusted to reflect a capital restructuring of Micromet that included a 1-for-35.5 reverse stock split, a consolidation of all existing series of preferred shares into a preference shares Series (A new) and the creation of new preference shares series (B new). As result, the MedImmune note is now convertible into preference shares series (A new). In addition, the conversion features of the note were also changed such that the note may be converted in full upon a an initial public offering or merger in which the valuation of Micromet is equal or higher than 120,000,000, with the convertibility of the note reduced on a linear basis at lower valuations. A call feature has been added to the note, allowing MedImmune to call the note in full if, after the merger is completed, the combined entity has cash or cash equivalents in excess of 60,000,000. If, at the time of closing of the merger, cash and cash equivalents are lower than 30,000,000, no portion of the note can be called. If cash and cash equivalents are between 30,000,000 and 60,000,000 following the completion of the merger, the callable share of the note is adjusted pro rata on a linear basis;

(ii) An Enzon note for 9,302,000 due in March 2007, bearing interest at an annual rate of 3% (which was convertible into ordinary shares). As described above, the collaboration with Enzon has been terminated and, in connection with this termination, the Enzon note was converted into 16,836 ordinary shares; and

(iii) A convertible bridge note from current investors for 10,000,000 due on December 31, 2006, bearing interest at an annual rate of 24%. On October 11, 2005 the note was converted into 18,704 preference shares series (B new).

(4) Micromet has entered into eight different loan agreements between 1996 and 2000 with silent partnerships. Each of these agreements carries an annual interest rate between 6% and 7% payable quarterly. In addition, beginning

with the sixth year of each contract, each note has an additional annual interest rate of 6-7% and a one-time payment of 30-35%, payable when the principal amount is due. In January 2006, the parties agreed to modify the payment schedule for certain of the loan contracts. Upon consummation of the merge with CancerVax, Micromet s obligations under agreements 1, 2, 4 and 6 will be repaid in full for an aggregate payment of 2,000,000, including accrued interest and success fees. Obligations from agreements 3 and 5 will remain payable as set forth in the table below. The due dates for contracts 7 and 8 will remain as set forth in the table below following the merge with CancerVax. If Micromet engages in any equity financing prior to the due date under these agreements, up to a maximum of 20% of the proceeds from such financing will be used to

Table of Contents

repay any unpaid obligations under agreements 7 and 8. Application of proceeds from such financings will be applied first to agreement 7, followed by agreement 8.

Date	Principal	Interest	One Time Payment	Due Date
1) October 25, 1996	716,064	257,783	214,819	December 31, 2006
2) October 25, 1996	177,009	63,723	53,103	December 31, 2006
3) February 3, 1999	760,151	266,053	266,053	December 31, 2008
4) February 3, 1999	476,349	142,905	142,905	December 31, 2008
5) February 3, 1999	262,433	91,851	91,851	December 31, 2008
6) February 3, 1999	164,453	49,336	49,336	December 31, 2008
7) January 1, 1997	893,073	401,883	312,575	December 31, 2006
8) January 1, 2000	1,661,699	598,212	581,595	December 31, 2008

(5) In October 2004, Micromet exchanged a convertible note issued to Curis, Inc. for a non-interest bearing loan in the amount of 4,500,000. Two payments of 1,250,000 each were made in November 2004 and October 2005. Of the remaining 2,000,000 balance, 533,333 is due and payable in October 2006. However, upon an exit event (defined as (i) the listing of Micromet shares on an exchange; (ii) a sale of 50% or more of Micromet shares; (iii) a sale of all Micromet assets; or (iv) a merger in which Micromet shareholders hold less than 50% of the combined stock of the surviving entity), the remaining balance becomes payable within 30 days. As such, the entire 3,658,000, including the deferred gain of 408,000 from debt restructuring, is included as a current contractual obligation as of December 31, 2004.

Table of Contents

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Micromet s primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of interest rates, particularly because the majority of its investments are in short-term marketable securities. Micromet is also subject to exchange rate sensitivity, particularly the euro/U.S. dollar exchange rate as a result of the fact that its functional currency is the euro and certain of its revenues and expenses are denominated in U.S. dollars. Micromet believes that it is not subject to significant interest expense risk due to the fixed interest rates on the majority of its outstanding debt. It was subject to exchange rate sensitivity for its convertible note to Enzon, which was to be repaid in U.S. dollars. However, this note was converted in December 2005, eliminating any market risk related to the note. Due to the nature of its short-term investments and the limited denomination of its revenues and expenses in currencies other than the euro, Micromet believes that it is not subject to any material market risk exposure.

LEGAL MATTERS

The validity of the CancerVax common stock to be issued in the merger has been passed upon for CancerVax by Latham & Watkins LLP. Certain tax consequences of the merger have been passed upon for Micromet by Cooley Godward LLP. Certain attorneys of Latham & Watkins LLP beneficially own 4,104 shares of CancerVax common stock.

EXPERTS

The financial statements of CancerVax Corporation at December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, included in this proxy statement/prospectus and registration statement, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report, appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of Micromet at December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, included in this proxy statement/prospectus and registration statement, have been audited by Ernst & Young AG, independent auditors, as set forth in their report (which contains an explanatory paragraph describing conditions that raise substantial doubt about Micromet s ability to continue as a going concern, as described in Note 2 to the financial statements), appearing elsewhere herein, and are included in reliance upon such report given on the authority of said firm as experts in accounting and auditing.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are CancerVax stockholders will be householding our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and

would prefer to receive a separate proxy statement and annual report, please notify your broker or direct your written request to our Secretary, care of CancerVax Corporation, 2110 Rutherford Road, Carlsbad, California 92008 or contact our Secretary at (760) 494-4200. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request householding of their communications should contact their broker.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

CancerVax has filed annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that CancerVax files at the SEC s public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. CancerVax s public filings are also available to the public from commercial document retrieval services and at the Internet web site maintained by the SEC at http://www.sec.gov. Reports, proxy statements and other information concerning CancerVax also may be inspected at the offices of the National Association of Securities Dealers, Inc., Listing Section, 1735 K Street, Washington, D.C. 20006.

CancerVax has filed a Form S-4 registration statement to register with the SEC the offer and sale of the shares of CancerVax common stock to be issued to Micromet Parent stockholders in connection with the merger. This proxy statement/prospectus is a part of that registration statement and constitutes a prospectus and proxy statement of CancerVax.

CancerVax has supplied all information contained in this proxy statement/prospectus relating to CancerVax and Merger Sub, and Micromet has supplied all information relating to Micromet and Micromet Parent.

You should rely only on the information contained in this proxy statement/prospectus to vote your shares at the special meeting. We have not authorized anyone to provide you with information that differs from that contained in this proxy statement/prospectus. This proxy statement/prospectus is dated [_____], 2006. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than that date, and neither the mailing of this proxy statement/prospectus to stockholders nor the issuance of shares of CancerVax common stock in the merger shall create any implication to the contrary.

CancerVax, the CancerVax logos and all other CancerVax product and service names are registered trademarks or trademarks of CancerVax Corporation in the United States and in other select countries. Micromet, the Micromet logos and all other Micromet product and service names are registered trademarks or trademarks of Micromet AG in the United States and in other select countries. and indicate U.S. registration and U.S. trademark, respectively. Other third-party logos and product/trade names are registered trademarks or trade names of their respective companies.

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

CANCERVAX CORPORATION

MICROMET AG

Table of Contents

CANCERVAX CORPORATION

AUDITED FINANCIAL STATEMENTS

Audited Financial Statements for the years ended December 31, 2004, 2003 and 2002

F-2

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
CancerVax Corporation:

We have audited the accompanying consolidated balance sheets of CancerVax Corporation (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders equity (deficit) and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CancerVax Corporation at December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of CancerVax Corporation s internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 4, 2005 expressed an unqualified opinion thereon.

/s/ Ernst & Young llp

San Diego, California
March 4, 2005

Table of Contents

CANCERVAX CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except par value amounts)

	December 31, 2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 40,588	$ 101,681
Securities available-for-sale	24,485	5,411
Restricted cash		1,000
Receivables under collaborative agreement	26,210	
Other current assets	1,573	917