

MICROMET, INC.  
Form 10-K/A  
May 11, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
Form 10-K/A  
Amendment No. 1  
FOR ANNUAL AND TRANSITION REPORTS  
PURSUANT TO SECTIONS 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the year ended December 31, 2006

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 0-50440

Micromet, Inc.

(Exact name of registrant as specified in its charter)

Delaware

52-2243564

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

6707 Democracy Boulevard, Suite 505, Bethesda,  
MD

20817

(Address of principal executive offices)

(Zip Code)

(760) 494-4200

(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, par value \$0.00004 per share

Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Note- checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

As of June 30, 2006, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$77.5 million, based on the closing price of the registrant's common stock on that date as reported by the NASDAQ Global Market.

The number of outstanding shares of the registrant's common stock, par value \$0.00004 per share, as of March 5, 2007 was 31,502,128 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement filed with the Securities and Exchange Commission on April 30, 2007 are incorporated by reference into Part III of this report.

**MICROMET, INC.**  
**AMENDMENT NO. 1 TO THE**  
**ANNUAL REPORT ON FORM 10-K**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Explanatory Note**

This Amendment No. 1 to Form 10-K for the year ended December 31, 2006 (the Form 10-K/A ) is being filed solely for the purpose of amending and restating Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2006 as filed with the Securities and Exchange Commission on March 16, 2007 (the Form 10-K ) to correct an inadvertent typographical error that was contained in the Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting in the Form 10-K. There are no changes to the Company's reported financial results or any other item of the Form 10-K. Unless otherwise indicated, all information in this Form 10-K/A is as of December 31, 2006 and does not reflect any subsequent information or events.

**Table of Contents**

**PART II**

Item 9A. Controls and Procedures	2
----------------------------------	---

**PART IV**

Item 15. Exhibits and Financial Statement Schedules	6
---	---

Signatures	7
------------	---

2

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## PART II

### Item 9A. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we are required to apply our judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Prior to the merger with CancerVax Corporation in May 2006, Micromet AG was a private company based in Germany and was not required to, nor did it, maintain disclosure controls and procedures or internal control over financial reporting that would be deemed appropriate for a U.S. public company filing reports with the Securities and Exchange Commission. We have undergone significant changes in our corporate and financial reporting structure in 2006 as a result of the merger. As a result of the merger, we are now a trans-Atlantic company with a multi-tier reporting and consolidation process with related currency translations. Following the merger, we have expended significant resources on financial reporting activities and integration of operations, including expansion of our disclosure controls and procedures and internal control systems.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of December 31, 2006, the end of the period covered by this report. Based on their evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of the evaluation date.

During this evaluation, we noted deficiencies relating to monitoring and oversight of the work performed by our accounting personnel, which did not provide adequate review of transactions by accounting personnel with sufficient technical accounting expertise. We also noted a lack of sufficiently skilled personnel within our accounting and financial reporting functions to ensure that all transactions are accounted for in accordance with U.S. generally accepted accounting principles.

Notwithstanding the deficiencies cited above that existed as of December 31, 2006, there have been no changes to reported financial results as a result of these identified material weaknesses, and our management believes that (i) this Annual Report on Form 10-K does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading with respect to the periods covered by this report and (ii) the financial statements, and other financial information included in this report, fairly present in all material respects our financial condition, results of operations and cash flows as of, and for, the dates and periods presented in this report.

#### Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies

and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on our consolidated financial statements. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, effectiveness of internal control over financial reporting may vary over time.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects a company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of a company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. An internal control material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

We have completed our evaluation and testing of our internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002 and Item 308(a) of Regulation S-K (Internal Control Report). Our management assessed the effectiveness of our internal control over financial reporting for the year ended December 31, 2006. In making this assessment, we used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on our assessment of internal controls over financial reporting, our management has concluded that, as of December 31, 2006, our internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The evaluation was based on the following material weaknesses which were identified:

*Inadequate Procedures Around Estimation and Accruals.* As a result of errors identified in estimates around accrued liability accounts, we have concluded that controls over our estimation and analyses processes were not effective and are indicative of a material weakness. We over-accrued certain research and development costs and we under-accrued travel, legal and certain research and development costs. The effect of these accrual errors required an audit adjustment to accruals that was material to the consolidated financial statements.

*Invoicing Error in Licensee Milestone.* A milestone invoice to one of our single-chain antibody licensees was prepared by our accounting staff in the wrong currency, approved and mailed to the licensee. As a result, we have concluded that the controls over the analysis and recording of revenue transactions with unusual terms were not effective, and are indicative of a material weakness in revenue accounting controls.

*Inadequate Management Review.* As a result of errors identified by our independent registered public accounting firm in our financial close process and disclosures and amounts in our annual report on Form 10-K subsequent to our financial statement review process but prior to filing of our Form 10-K, we have concluded that controls over our financial statement close and reporting process are not effective, and are indicative of a material weakness.

There were no changes to any reported financial results that have been released by us as a result of these identified weaknesses. Ernst & Young AG has audited and reported on our consolidated financial statements, management's assessment of the effectiveness of our internal control over financial reporting and the effectiveness of our internal control over financial reporting. The reports of the independent registered public accounting firm are contained in this annual report.



**Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting**

The Board of Directors and Stockholders of  
Micromet, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Micromet, Inc. (the Company) did not maintain effective internal control over financial reporting as of December 31, 2006, because of the effect of the three material weaknesses identified in management's assessment, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Micromet, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following three material weaknesses have been identified and included in management's assessment:

Controls over the Company's estimation and analyses processes for accruals were not effective and are indicative of a material weakness. The effect of these accrual errors required an audit adjustment to accruals that was material to the financial statements.

Controls over the analysis and recording of revenue transactions with unusual terms were not effective and are indicative of a material weakness.

Controls over the Company's financial statement close and reporting process are not effective, and are indicative of a material weakness.

These material weaknesses resulted in adjustments to revenue, accounts receivable and accrued liabilities. These adjustments were recorded in the 2006 financial statements of the Company as reported, and no previously reported financial statements were restated. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the December 31, 2006 financial statements, and this report does not affect our report dated March 15, 2007 on those financial statements.

In our opinion, management's assessment that Micromet, Inc. did not maintain effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO control criteria. Also, in our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, Micromet, Inc. has not maintained effective internal control over financial reporting as of December 31, 2006, based on the COSO control criteria.

Ernst & Young AG WPG

Munich, Germany

March 15, 2007

### **Management's Remediation Plan**

Based on our findings that our disclosure controls and procedures were not effective and that we had several material weaknesses in internal controls over financial reporting, we have been and continue to be engaged in efforts to improve our internal controls and procedures and we expect that these efforts in 2007 will address the weaknesses.

Following the merger in May 2006, we have taken a number of steps to strengthen our internal control over our financial reporting. However, material weaknesses in our internal control over financial reporting process continue to exist. We intend to take the remaining actions required to remediate our existing weaknesses as part of our ongoing efforts to upgrade our control environment following the merger and integration of operations. As discussed below, we have been and continue to be engaged in efforts to improve our internal control over financial reporting. Measures we have taken or are taking to remediate our identified material weaknesses include:

- hiring a chief financial officer with significant U.S. public company experience in October 2006;

- implementing additional preparation, review and approval procedures over estimations and accruals;

- improving our procedures for verifying and documenting contract terms and implementing of a company-wide contract management system to facilitate the flow of information amongst various functional departments;

- formalizing process and documentation related to financial statement closing and consolidation review, including more frequent interaction across all members of our financial staff involved in preparation of financial statements and a review of those financial statements by the entire staff as a group;

- formalizing and enhancing documentation, oversight and review procedures related to accounting records of Micromet AG to ensure compliance with U.S. generally accepted accounting principles;

- reviewing and making appropriate staffing adjustments at all company locations to enhance accounting expertise;

- supplementing our accounting staff to improve the breadth and depth of experience;

- engaging qualified accounting and tax consultants to aid us in the implementation of procedures and policies; and

- improving training for, and integration and communication among, accounting staff.

While management believes that the foregoing actions have had a positive effect on our internal control over financial reporting, the changes necessary to remediate the material weakness in our internal control over financial reporting were not in place by year-end 2006. We have communicated to the Audit Committee the material weaknesses identified in our internal control over financial reporting. Management, with the oversight of the Audit Committee, is committed to effective remediation of known material weakness and other control deficiencies as quickly as possible.

### **Changes in Internal Control over Financial Reporting**

Our principal executive officer and principal financial officer also evaluated whether any change in our internal control over financial reporting, as such term is defined under Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, occurred during our most recent fiscal quarter covered by this report that has materially affected, or is likely to materially affect, our internal control over financial reporting. Except for the ongoing progress related to the remediation measures discussed above, there were no changes in our internal control over financial reporting during the quarter ended December 31, 2006 that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

**(a) (3) Exhibits**

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of principal executive officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
31.2	Certification of principal financial officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
32**	Certifications of principal executive officer and principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\*\* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MICROMET, INC.

By: /s/ CHRISTIAN ITIN  
 Christian Itin  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

By: /s/ CHRISTOPHER P. SCHNITTKER  
 Christopher P. Schnittker  
*Senior Vice President and Chief*  
*Financial Officer*  
*(Principal Financial and Accounting*  
*Officer)*

Dated: May 10, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Name</b>	<b>Title</b>	<b>Date</b>
/s/ CHRISTIAN ITIN  Christian Itin	President, Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	May 10, 2007
/s/ CHRISTOPHER P. SCHNITTKER  Christopher P. Schnittker	Senior Vice President and Chief Financial Officer <i>(Principal Financial</i> <i>and Accounting Officer)</i>	May 10, 2007
*  David F. Hale	Director <i>Chairman of the Board of</i> <i>Directors</i>	May 10, 2007
*  Jerry C. Benjamin	Director	May 10, 2007
*  John E. Berriman	Director	May 10, 2007
*  Michael G. Carter	Director	May 10, 2007

\* Director May 10, 2007

Peter Johann

\* Director May 10, 2007

Barclay A. Phillips

\* Director May 10, 2007

Phillip M. Schneider

\* Director May 10, 2007

Otello Stampacchia

\* By /s/ CHRISTOPHER P. SCHNITTKER May 10, 2007

Attorney-in-Fact

**Exhibit List**

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