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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2019

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 0-17999

ImmunoGen, Inc.

Massachusetts	**04-2726691**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

830 Winter Street, Waltham, MA 02451
(Address of principal executive offices, including zip code)

(781) 895-0600
(Registrant's telephone number, including area code)

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

Title of Each Class	**Trading Symbol**	**Name of Each Exchange on Which Registered**
Common Stock, $.01 par value	IMGN	NASDAQ Global Select Market

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12-b2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Shares of common stock, par value $.01 per share: 149,884,816 shares outstanding as of July 31, 2019.

IMMUNOGEN, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2019
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Forward looking statements

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts that are not yet determinable. These statements also relate to our future prospects, developments, and business strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will," and other similar terms and phrases, including references to assumptions. These statements are contained in the "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections, as well as other sections of this report.

These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to be materially different from those contemplated by our forward-looking statements. These known and unknown risks, uncertainties, and other factors are described in detail in the "Risk Factors" section and in other sections of this report and our Annual Report on Form 10-K for the year ended December 31, 2018. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

ITEM 1. ***Financial Statements***

IMMUNOGEN, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
In thousands, except per share amounts

	June 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 239,825	$ 262,252
Accounts receivable	—	1,701
Unbilled revenue/reimbursement	2,474	617
Contract asset	—	500
Non-cash royalty receivable	10,430	9,249
Prepaid and other current assets	6,649	4,462
Total current assets	259,378	278,781
Property and equipment, net of accumulated depreciation	10,052	12,891
Operating lease right-of-use assets	16,389	—
Other assets	1,850	3,709
Total assets	$ 287,669	$ 295,381
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
Accounts payable	$ 7,809	$ 11,365
Accrued compensation	19,564	11,796
Other accrued liabilities	14,681	20,465
Current portion of deferred lease incentive	—	837
Current portion of liability related to the sale of future royalties, net of deferred financing costs of $715 and $753, respectively	29,484	25,880
Current portion of operating lease liability	2,761	—
Current portion of deferred revenue	317	317
Total current liabilities	74,616	70,660
Deferred lease incentive, net of current portion	—	4,675
Deferred revenue, net of current portion	145,614	80,485
Operating lease liability - net of current portion	23,334	—
Convertible 4.5% senior notes, net of deferred financing costs of $29 and $36, respectively	2,071	2,064
Liability related to the sale of future royalties, net of current portion and deferred financing costs of $1,175 and $1,536, respectively	108,265	122,345
Other long-term liabilities	1,943	4,180
Total liabilities	355,843	284,409
Commitments and contingencies (Note I)		
Shareholders' deficit:		
Preferred stock, $.01 par value; authorized 5,000 shares; no shares issued and outstanding	—	—
Common stock, $0.01 par value; authorized 200,000 shares; issued and outstanding 149,885 and 149,400 shares as of June 30, 2019 and December 31, 2018, respectively	1,498	1,494
Additional paid-in capital	1,200,860	1,192,813
Accumulated deficit	(1,270,532)	(1,183,335)
Total shareholders' (deficit) equity	(68,174)	10,972
Total liabilities and shareholders' (deficit) equity	$ 287,669	$ 295,381

The accompanying notes are an integral part of the consolidated financial statements.

IMMUNOGEN, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)
In thousands, except per share amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
License and milestone fees	$ 5,079	$ 1,321	$ 5,158	$ 12,861
Non-cash royalty revenue related to the sale of future royalties	10,412	7,242	18,900	14,432
Research and development support	51	388	68	771
Clinical materials revenue	—	336	—	1,038
Total revenues	15,542	9,287	24,126	29,102
Operating expenses:				
Research and development	28,559	38,701	67,452	83,532
General and administrative	8,700	8,652	19,478	18,647
Restructuring charge	19,342	686	19,901	2,417
Total operating expenses	56,601	48,039	106,831	104,596
Loss from operations	(41,059)	(38,752)	(82,705)	(75,494)
Investment income, net	1,287	814	2,709	1,476
Non-cash interest expense on liability related to the sale of future royalties and convertible senior notes	(3,818)	(2,611)	(7,250)	(5,657)
Interest expense on convertible senior notes	(23)	(23)	(47)	(47)
Other income (expense), net	167	(1,052)	96	(515)
Net loss	$ (43,446)	$ (41,624)	$ (87,197)	$ (80,237)
Basic and diluted net loss per common share	$ (0.29)	$ (0.31)	$ (0.59)	$ (0.61)
Basic and diluted weighted average common shares outstanding	148,129	134,384	147,972	132,512
Total comprehensive loss	$ (43,446)	$ (41,624)	$ (87,197)	$ (80,237)

The accompanying notes are an integral part of the consolidated financial statements.

IMMUNOGEN, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT) EQUITY
(UNAUDITED)
In thousands

	Common Stock		Additional Paid-In	Accumulated	Total Shareholders'
	Shares	Amount	Capital	Deficit	(Deficit) Equity
Balance at December 31, 2017	**132,526**	**$ 1,325**	**$ 1,009,362**	**$ (1,028,582)**	**$ (17,895)**
Transition adjustment for ASC 606	—	—	—	14,090	14,090
Net loss	—	—	—	(38,613)	(38,613)
Issuance of common stock pursuant to the exercise of stock options	421	4	2,255	—	2,259
Stock option and restricted stock compensation expense	—	—	3,746	—	3,746
Directors' deferred share units converted	77	1	(1)	—	—
Directors' deferred share unit compensation	—	—	102	—	102
Balance at March 31, 2018	133,024	$ 1,330	$ 1,015,464	$ (1,053,105)	$ (36,311)
Net loss	—	—	—	(41,624)	(41,624)
Issuance of common stock pursuant to the exercise of stock options	146	1	558	—	559
Issuance of common stock	15,755	158	162,382	—	162,540
Stock option and restricted stock compensation expense	—	—	3,971	—	3,971
Directors' deferred share units converted	96	1	—	—	1
Directors' deferred share unit compensation	—	—	54	—	54
Balance at June 30, 2018	149,021	$ 1,490	$ 1,182,429	$ (1,094,729)	$ 89,190
Net loss	—	—	—	(46,807)	(46,807)
Issuance of common stock pursuant to the exercise of stock options	28	—	124	—	124
Issuance of common stock	—	—	(28)	—	(28)
Stock option and restricted stock compensation expense	—	—	4,308	—	4,308
Directors' deferred share unit compensation	—	—	102	—	102
Balance at September 30, 2018	149,049	$ 1,490	$ 1,186,935	$ (1,141,536)	$ 46,889
Net loss	—	—	—	(41,799)	(41,799)
Issuance of common stock pursuant to the exercise of stock options and employee stock purchase plan	351	4	1,355	—	1,359
Stock option and restricted stock compensation expense	—	—	4,420	—	4,420
Directors' deferred share unit compensation	—	—	103	—	103
Balance at December 31, 2018	**149,400**	**$ 1,494**	**$ 1,192,813**	**$ (1,183,335)**	**$ 10,972**
Net loss	—	—	—	(43,751)	(43,751)
Issuance of common stock pursuant to the exercise of stock options and employee stock purchase plan	25	—	68	—	68
Stock option and restricted stock compensation expense	—	—	5,007	—	5,007
Directors' deferred share unit compensation	—	—	100	—	100
Balance at March 31, 2019	149,425	$ 1,494	$ 1,197,988	$ (1,227,086)	$ (27,604)
Net loss	—	—	—	(43,446)	(43,446)
Issuance of common stock pursuant to the exercise of stock options and employee stock purchase plan	354	3	667	—	670
Restricted stock award	106	1	(1)	—	—
Stock option and restricted stock compensation expense	—	—	2,106	—	2,106
Directors' deferred share unit compensation	—	—	100	—	100
Balance at June 30, 2019	**149,885**	**$ 1,498**	**$ 1,200,860**	**$ (1,270,532)**	**$ (68,174)**

The accompanying notes are an integral part of the consolidated financial statements.

IMMUNOGEN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
In thousands

	Six Months Ended June 30, 2019	2018
Cash flows from operating activities:		
Net loss	$ (87,197)	$ (80,237)
Adjustments to reconcile net loss to net cash used for operating activities:		
Non-cash royalty revenue related to sale of future royalties	(18,900)	(14,432)
Non-cash interest expense on liability related to sale of future royalties and convertible senior notes	7,250	5,657
Depreciation and amortization	2,438	5,056
Loss (gain) on sale/disposal of fixed assets and impairment charges	2,404	(30)
Operating lease right-of-use asset impairment	559	—
Stock and deferred share unit compensation	7,313	7,872
Deferred rent	—	(59)
Change in operating assets and liabilities:		
Accounts receivable	1,701	2,630
Unbilled revenue/reimbursement	(1,857)	2,058
Inventory	—	(852)
Contract asset	500	—
Prepaid and other current assets	(2,187)	(6,926)
Operating lease right-of-use assets	664	—
Other assets	1,859	(640)
Accounts payable	(3,199)	3,871
Accrued compensation	9,238	(2,949)
Other accrued liabilities	(5,346)	1,896
Deferred revenue	65,129	(8,196)
Operating lease liability	(1,179)	—
Net cash used for operating activities	(20,810)	(85,281)
Cash flows from investing activities:		
Purchases of property and equipment	(2,355)	(2,127)
Net cash used for investing activities	(2,355)	(2,127)
Cash flows from financing activities:		
Proceeds from issuance of common stock under stock plans	738	2,819
Proceeds from common stock issuance, net of $367 of transaction costs	—	162,540
Net cash provided by financing activities	738	165,359
Net change in cash and cash equivalents	(22,427)	77,951
Cash and cash equivalents, beginning of period	262,252	267,107
Cash and cash equivalents, end of period	$ 239,825	$ 345,058

The accompanying notes are an integral part of the consolidated financial statements.

IMMUNOGEN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

A. Nature of Business and Plan of Operations

ImmunoGen, Inc. (the Company) was incorporated in Massachusetts in 1981 and is focused on the development of antibody-drug conjugates, or ADC, therapeutics. The Company has generally incurred operating losses and negative cash flows from operations since inception, incurred a net loss of $87.2 million during the six months ended June 30, 2019, and has an accumulated deficit of approximately $1.3 billion as of June 30, 2019. The Company has primarily funded these losses through payments received from its collaborations and equity and convertible debt financings. To date, the Company has no product revenue and management expects operating losses to continue for the foreseeable future.

At June 30, 2019, the Company had $239.8 million of cash and cash equivalents on hand. On June 26, 2019, the Board of Directors approved a plan to restructure the business to focus resources on continued development of mirvetuximab soravtansine and a select portfolio of three earlier-stage product candidates, resulting in a reduction of workforce by approximately 220 positions. The Company anticipates that its current capital resources and expense reductions resulting from these operational changes will enable it to meet its operational expenses and capital expenditures for more than twelve months after the date these financial statements are issued. The Company may raise additional funds through equity or debt financings or generate revenues from collaborators through a combination of upfront license payments, milestone payments, royalty payments, and research funding. There can be no assurance that the Company will be able to obtain additional debt or equity financing or generate revenues from collaborators on terms acceptable to the Company or at all. The failure of the Company to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the Company's business, results of operations, and financial condition and require the Company to defer or limit some or all of its research, development, and/or clinical projects.

The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, the development by its competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, manufacturing and marketing limitations, complexities associated with managing collaboration arrangements, third-party reimbursements, and compliance with governmental regulations.

B. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, ImmunoGen Securities Corp., ImmunoGen Europe Limited, ImmunoGen (Bermuda) Ltd., ImmunoGen BioPharma (Ireland) Limited, and Hurricane, LLC. All intercompany transactions and balances have been eliminated. The consolidated financial statements include all of the adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of the Company's financial position in accordance with accounting principles generally accepted in the U.S. for interim financial information. The December 31, 2018, condensed consolidated balance sheet data presented for comparative purposes were derived from the Company's audited financial statements, but certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. The preparation of interim financial statements requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenditures during the reported periods. The results of the interim periods are not necessarily indicative of the results for the entire year. Accordingly, the interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Subsequent Events

The Company has evaluated all events or transactions that occurred after June 30, 2019, up through the date the Company issued these financial statements. The Company did not have any material recognizable or unrecognizable subsequent events during this period.

Revenue Recognition

The Company enters into licensing and development agreements with collaborators for the development of ADCs. The terms of these agreements contain multiple deliverables/performance obligations which may include (i) licenses, or options to obtain licenses, to the Company's ADC technology, (ii) rights to future technological improvements, (iii) research activities to be performed on behalf of the collaborative partner, (iv) delivery of cytotoxic agents, and (v) prior to the decommission of the Company's Norwood facility in 2018, the manufacture of preclinical or clinical materials for the collaborative partner. Payments to the Company under these agreements may include upfront fees, option fees, exercise fees, payments for research activities, payments for the manufacture of preclinical or clinical materials, payments based upon the achievement of certain milestones, and royalties on product sales. The Company follows the provisions of Accounting Standards Codification Topic 606 - *Revenue from Contracts with Customers* (ASC 606) in accounting for these agreements.

Revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under the agreements, the Company performs the following five steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when or as the Company satisfies each performance obligation.

The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration to which it is entitled in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied.

As part of the accounting for the arrangement, the Company must develop assumptions that require judgment to determine the selling price for each performance obligation that was identified in the contract, which is discussed in further detail below.

At June 30, 2019, the Company had the following material types of agreements with the parties identified below:

- Development and commercialization licenses, which provide the party with the right to use the Company's ADC technology and/or certain other intellectual property to develop and commercialize anticancer compounds to a specified antigen target:

  Bayer (one exclusive single-target license)

  Biotest (one exclusive single-target license)

  CytomX (one exclusive single-target license)

  Debiopharm (one exclusive single-compound license)

  Fusion Pharmaceuticals (one exclusive single-compound license)

  Novartis (five exclusive single-target licenses)

  Oxford BioTherapeutics/Menarini (one exclusive single target license sublicensed from Amgen)

  Roche, through its Genentech unit (five exclusive single-target licenses)

  Sanofi (five fully-paid, exclusive single-target licenses)

  Takeda, through its wholly owned subsidiary, Millennium Pharmaceuticals, Inc. (one exclusive single-target license)

- Collaboration and option agreement for a defined period of time to secure development and commercialization licenses to develop and commercialize specified anticancer compounds on established terms:

  Jazz Pharmaceuticals

- Collaboration and license agreement to co-develop and co-commercialize a specified anticancer compound on established terms:

  MacroGenics

There are no performance, cancellation, termination, or refund provisions in any of the arrangements that contain material financial consequences to the Company.

Development and Commercialization Licenses

The obligations under a development and commercialization license agreement generally include the license to the Company's ADC technology with respect to a specified antigen target, and may also include obligations related to rights to future technological improvements, research activities to be performed on behalf of the collaborative partner and, previously, the manufacture of preclinical or clinical materials for the collaborative partner.

Generally, development and commercialization licenses contain non-refundable terms for payments and, depending on the terms of the agreement, provide that the Company will (i) prior to the Company's restructuring of the business in June 2019, at the collaborator's request, provide research services at negotiated prices which are generally consistent with what other third parties would charge, (ii) prior to the decommissioning of the Company's Norwood facility in 2018, at the collaborator's request, manufacture and provide preclinical and clinical materials or deliver cytotoxic agents at negotiated prices which are generally consistent with what other third parties would charge, (iii) earn payments upon the achievement of certain milestones, and (iv) earn royalty payments, generally until the later of the last applicable patent expiration or 10 to 12 years after product launch. Royalty rates may vary over the royalty term depending on the Company's intellectual property rights and/or the presence of comparable competing products. In the case of Sanofi, its licenses are fully-paid and no further milestones or royalties will be received. In the case of Debiopharm, no royalties will be received. The Company may provide technical assistance and share any technology improvements with its collaborators during the term of the collaboration agreements. The Company does not directly control when or whether any collaborator will request research, achieve milestones, or become liable for royalty payments.

In determining the performance obligations, management evaluates whether the license is distinct, and has significant standalone functionality, from the undelivered elements to the collaborative partner based on the consideration of the relevant facts and circumstances for each arrangement. Factors considered in this determination include the research capabilities of the partner and the availability of ADC technology research expertise in the general marketplace and whether technological improvements are required for the continued functionality of the license. If the license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenues from non-refundable, up-front fees allocated to the license when the license is transferred to the customer and the customer is able to use and benefit from the license.

The Company estimates the selling prices of the license and all other performance obligations based on market conditions, similar arrangements entered into by third parties, and entity-specific factors such as the terms of the Company's previous collaborative agreements, recent preclinical and clinical testing results of therapeutic products that use the Company's ADC technology, the Company's pricing practices and pricing objectives, the likelihood that technological improvements will be made, and, if made, will be used by the Company's collaborators, and the nature of the research services to be performed on behalf of its collaborators and market rates for similar services.

The Company recognizes revenue related to research services as the services are performed. The Company has also produced research material for potential collaborators under material transfer agreements. The Company is compensated at negotiated rates that are consistent with what other third parties would charge. The Company records amounts received for research materials produced or services performed as a component of research and development support revenue.

Prior to 2019, the Company also provided cytotoxic agents to its collaborators and produced preclinical and clinical materials (drug substance) at negotiated prices generally consistent with what other third parties would charge. The Company recognized revenue on cytotoxic agents and on preclinical and clinical materials when the materials passed all quality testing required for collaborator acceptance and control had transferred to the collaborator. The majority of the Company's costs to produce these preclinical and clinical materials were fixed and then allocated to each batch based on the number of batches produced during the period.

The Company recognizes revenue related to the rights to future technological improvements over the estimated term of the applicable license.

The Company's development and commercialization license agreements have milestone payments which for reporting purposes are aggregated into three categories: (i) development milestones, (ii) regulatory milestones, and (iii) sales milestones. Development milestones are typically payable when a product candidate initiates or advances into different clinical trial phases. Regulatory milestones are typically payable upon submission for marketing approval with the U.S. Food and Drug Administration, or FDA, or other countries' regulatory authorities or on receipt of actual marketing approvals for the compound or for additional indications. Sales milestones are typically payable when annual sales reach certain levels.

At the inception of each arrangement that includes developmental and regulatory milestone payments, the Company evaluates whether the achievement of each milestone specifically relates to the Company's efforts to satisfy a performance obligation or transfer a distinct good or service within a performance obligation. If the achievement of a milestone is considered a direct result of the Company's efforts to satisfy a performance obligation or transfer a distinct good or service and the receipt of the payment is based upon the achievement of the milestone, the associated milestone value is allocated to that distinct good or service. If the milestone payment is not specifically related to the Company's effort to satisfy a performance obligation or transfer a distinct good or service, the amount is allocated to all performance obligations using the relative standalone selling price method. In addition, the Company evaluates the milestone to determine whether the milestone is considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price to be allocated; otherwise, such amounts are considered constrained and excluded from the transaction price. At the end of each subsequent reporting period, the Company re-evaluates the probability of achievement of such development or regulatory milestones and any related constraint, and if necessary, adjusts its estimate of the transaction price. Any such adjustments to the transaction price are allocated to the performance obligations on the same basis as at contract inception. Amounts allocated to a satisfied performance obligation shall be recognized as revenue, or as a reduction of revenue, in the period in which the transaction price changes.

For development and commercialization license agreements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied) in accordance with the royalty recognition constraint. Under the Company's development and commercialization license agreements, except for the Sanofi and Debiopharm licenses, the Company receives royalty payments based upon its licensees' net sales of covered products. Generally, under the development and commercialization agreements, the Company receives royalty reports and payments from its licensees approximately one quarter in arrears. The Company estimates the amount of royalty revenue to be recognized based on historical and forecasted sales and/or sales information from its licensees if available.

Collaboration and Option Agreements/Right-to-Test Agreements

The Company's right-to-test agreements provide collaborators the right to test the Company's ADC technology for a defined period of time through a research, or right-to-test, license. Under both right-to-test agreements and collaboration and option agreements, collaborators may (a) take options, for a defined period of time, to specified targets and (b) upon exercise of those options, secure or "take" licenses to develop and commercialize products for the specified targets on established terms. Under these agreements, fees may be due to the Company (i) at the inception of the arrangement (referred to as "upfront" fees or payments), (ii) upon the opt-in to acquire a development and commercialization license(s) (referred to as exercise fees or payments earned, if any, when the development and commercialization license is "taken"), (iii) at the collaborator's request, after providing research services at negotiated

prices, which are generally consistent with what other third parties would charge, or (iv) some combination of all of these fees.

The accounting for collaboration and option agreements and right-to-test agreements is dependent on the nature of the options granted to the collaborative partner. Options are considered distinct performance obligations if they provide a collaborator with a material right. Factors that are considered in evaluating whether options convey a material right include the overall objective of the arrangement, the benefit the collaborator might obtain from the agreement without exercising the options, the cost to exercise the options relative to the fair value of the licenses, and the additional financial commitments or economic penalties imposed on the collaborator as a result of exercising the options. As of June 30, 2019, all right-to-test agreements have expired.

If the Company concludes that an option provides the customer a material right, and therefore is a separate performance obligation, the Company then determines the estimated selling prices of the option and all other units of accounting using the following inputs: a) estimated fair value of each program, b) the amount the partner would pay to exercise the option to obtain the license, and c) probability of exercise.

The Company does not control when or if any collaborator will exercise its options for development and commercialization licenses. As a result, the Company cannot predict when or if it will recognize revenues in connection with any of the foregoing.

Upfront payments on development and commercialization licenses may be recognized upon delivery of the license if facts and circumstances dictate that the license has stand-alone functionality and is distinct from the undelivered elements.

In determining whether a collaboration and option agreement is within the scope of ASC 808, *Collaborative Arrangements*, management evaluates the level of involvement of both companies in the development and commercialization of the products to determine if both parties are active participants and if both parties are exposed to risks and rewards dependent on the commercial success of the licensed products. If the agreement is determined to be within the scope of ASC 808, the Company will segregate the research and development activities and the related cost sharing arrangement. Payments made by the Company for such activities will be recorded as research and development expense and reimbursements received from its partner will be recognized as an offset to research and development expense.

Transaction Price Allocated to Future Performance Obligations

Remaining performance obligations represent the transaction price of contracts for which work has not been performed (or has been partially performed) and includes unexercised contract options that are considered material rights. As of June 30, 2019, the aggregate amount of the transaction price allocated to remaining performance obligations comprising deferred revenue was $145.9 million. The Company expects to recognize revenue on approximately 24% and 76% of the remaining performance obligations over the next 13 to 60 months, and 61 to 120 months, respectively; however, it does not control when or if any collaborator will exercise its options for, or terminate existing development and commercialization licenses.

Contract Balances from Contracts with Customers

The following table presents changes in the Company's contract assets and contract liabilities during the six months ended June 30, 2019 and 2018 (in thousands):

Six months ended June 30, 2019	Balance at December 31, 2018	Additions	Deductions	Balance at End of Period
Contract asset	$ 500	$ —	$ (500)	$ —
Contract liabilities	$ 80,802	$ 65,287	$ (158)	$ 145,931

Six months ended June 30, 2018	Balance at January 1, 2018 (ASC 606 adoption)	Additions	Deductions	Impact of Netting	Balance at End of Period
Contract asset	$ —	$ —	$ (5,000)	$ 5,000	$ —
Contract liabilities	$ 89,967	$ —	$ (13,196)	$ 5,000	$ 81,771

The Company recognized the following revenues as a result of changes in contract asset and contract liability balances in the respective periods (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue recognized in the period from:				
Amounts included in contract liabilities at the beginning of the period	$ 79	$ 1,321	$ 158	$ 13,196
Performance obligations satisfied in previous periods	$ 5,000	$ —	$ 5,000	$ —

In accordance with ASC 606, a contract asset of $500,000 was recorded for a probable milestone in 2018 pursuant to a license agreement with Fusion Pharmaceuticals, which was subsequently paid during the six months ended June 30, 2019. During the three and six months ended June 30, 2019, the Company received a $5 million regulatory milestone payment earned under its license agreement with Genentech, a member of the Roche Group. The full amount of the milestone was recognized as revenue in the period as the amount allocated to future rights to technological improvements was not material. Also during the six months ended June 30, 2019, $65.2 million was recorded as deferred revenue as a result of a sale of the Company's residual rights to receive royalty payments on commercial sales of Kadcyla® (ado-trastuzumab emtansine) as discussed in Note E, and $158,000 of amortization of deferred revenue was recorded related to numerous collaborators' rights to technological improvements.

During the six months ended June 30, 2018, a contract asset of $5 million was recorded for a probable milestone under the Company's license agreement with Takeda, which was netted against an approximate $1 million contract liability specifically related to the agreement. It was subsequently earned and paid during the six months ended June 30, 2018. Also during the prior year period, as a result of Takeda not executing a second license it had available, or extending or expanding its right-to-test agreement, the Company recognized $10.9 million of revenue previously deferred, with a net reduction in deferred revenue of $5.9 million due to contract asset and contract liability netting. In addition, $750,000 of the deferred revenue balance at December 31, 2017 was recognized as revenue during the six months ended June 30, 2018 upon completion of certain performance obligations under license agreements with Debiopharm and Fusion, $1.2 million of amortization of deferred revenue was recorded related to numerous collaborators' rights to technological improvements, and $335,000 of revenue was recognized upon shipment of clinical materials to a partner.

The timing of revenue recognition, billings, and cash collections results in billed receivables, contract assets, and contract liabilities on the consolidated balance sheets. When consideration is received, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of a contract, a contract liability is recorded. Contract liabilities are recognized as revenue after control of the products or services is transferred to the customer and all revenue recognition criteria have been met.

Financial Instruments and Concentration of Credit Risk

Cash and cash equivalents are primarily maintained with three financial institutions in the U.S. Deposits with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and, therefore, bear minimal risk. The Company's cash equivalents consist of money market funds with underlying investments primarily being U.S. Government issued securities and high quality, short term commercial paper. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, and marketable securities. The Company held no marketable securities as of June 30, 2019 and December 31, 2018. The Company's investment policy, approved by the Board of Directors, limits the amount it may invest in any one type of investment, thereby reducing credit risk concentrations.

Cash and Cash Equivalents

All highly liquid financial instruments with maturities of three months or less when purchased are considered cash equivalents. As of June 30, 2019 and December 31, 2018, the Company held $239.8 million and $262.3 million, respectively, in cash and money market funds consisting principally of U.S. Government-issued securities and high quality, short-term commercial paper, which were classified as cash and cash equivalents.

Non-cash Investing and Financing Activities

The Company had $30,000 and $715,000 of accrued capital expenditures as of June 30, 2019 and December 31, 2018, respectively, which have been treated as a non-cash investing activity and, accordingly, are not reflected in the consolidated statement of cash flows.

Fair Value of Financial Instruments

Fair value is defined under ASC Topic 820, "Fair Value Measurements and Disclosures," as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a hierarchy to measure fair value which is based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of June 30, 2019, the Company held certain assets that are required to be measured at fair value on a recurring basis. The following table represents the fair value hierarchy for the Company's financial assets measured at fair value on a recurring basis as of June 30, 2019 (in thousands):

	Fair Value Measurements at June 30, 2019 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 220,555	$ 220,555	$ —	$ —

As of December 31, 2018, the Company held certain assets that are required to be measured at fair value on a recurring basis. The following table represents the fair value hierarchy for the Company's financial assets measured at fair value on a recurring basis as of December 31, 2018 (in thousands):

	Fair Value Measurements at December 31, 2018 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 242,604	$ 242,604	$ —	$ —

The fair value of the Company's cash equivalents is based on quoted prices from active markets.

The carrying amounts reflected in the consolidated balance sheets for accounts receivable, unbilled revenue, prepaid and other current assets, accounts payable, accrued compensation, and other accrued liabilities approximate fair value due to their short-term nature. The estimated fair value of the convertible 4.5% senior notes (the "Convertible Notes") approximates the gross carrying value of $2.1 million as of June 30, 2019. The estimated fair value and gross carrying amount was $2.8 million and $2.1 million, respectively, as of December 31, 2018. The fair value of the Convertible Notes is influenced by interest rates, the Company's stock price and stock price volatility and is determined by prices for the Convertible Notes observed in a market which is a Level 2 input for fair value purposes due to the low frequency of trades. There have been no trades since January 2018, so the fair value as of June 30, 2019 uses Level 3 inputs.

Unbilled Revenue/Reimbursement

Unbilled revenue/reimbursement substantially represents research funding earned based on actual resources utilized and external expenses incurred under certain of the Company's collaboration agreements.

Clinical Trial Accruals

Clinical trial expenses are a significant component of research and development expenses, and the Company outsources a significant portion of these costs to third parties. Third party clinical trial expenses include investigator fees, site costs (patient costs), clinical research organization costs, and costs for central laboratory testing and data management. The accrual for site and patient costs includes inputs such as estimates of patient enrollment, patient cycles incurred, clinical site activations, and other pass-through costs. These inputs are required to be estimated due to a lag in receiving the actual clinical information from third parties. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected on the consolidated balance sheets as prepaid asset or accrued clinical trial cost. These third party agreements are generally cancelable, and related costs are recorded as research and development expenses as incurred. Non-refundable advance clinical payments for goods or services that will be used or rendered for future R&D activities are recorded as a prepaid asset and recognized as expense as the related goods are delivered or the related services are performed. The Company also records accruals for estimated ongoing clinical research and development costs. When evaluating the adequacy of the accrued liabilities, the Company analyzes progress of the studies, including the phase or completion of events, invoices received, and contracted costs. Significant judgments and estimates may be made in determining the accrued balances at the end of any reporting period. Actual results could differ from the estimates made by the Company. The historical clinical accrual estimates made by the Company have not been materially different from the actual costs.

Leases

Effective January 1, 2019, the Company adopted ASU 2016-2, *Leases (Topic 842)*, the details of which are further discussed in Note H. The Company determines if an arrangement is a lease at inception. Operating leases include right-of-use ("ROU") assets and operating lease liabilities (current and non-current), which are recorded in the Company's consolidated balance sheets. Single payment capital leases for equipment that are considered finance leases are included in property and equipment in the Company's consolidated balance sheets. As these single payment obligations have all been made, there is no related liability recorded.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when readily determinable. As a number of the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate applicable to the Company based on the information available at the commencement date in determining the present value of lease payments. As the Company has no existing or proposed collateralized borrowing arrangements, to determine a reasonable incremental borrowing rate, the Company considers collateral assumptions, the lease term, the Company's current credit risk profile and rates for existing borrowing arrangements for comparable peer companies. The operating lease ROU assets are netted against any lease incentive and straight-line lease liabilities that have been recorded. The Company accounts for the lease and fixed non-lease components as a single lease component. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Computation of Net Loss per Common Share

Basic and diluted net loss per share is calculated based upon the weighted average number of common shares outstanding during the period. During periods of income, participating securities are allocated a proportional share of income determined by dividing total weighted average participating securities by the sum of the total weighted average common shares and participating securities (the "two-class method"). Shares of the Company's restricted stock participate in any dividends that may be declared by the Company and are therefore considered to be participating securities. Participating securities have the effect of diluting both basic and diluted earnings per share during periods of income. During periods of loss, no loss is allocated to participating securities since they have no contractual obligation to share in the losses of the Company. Diluted (loss) income per share is computed after giving consideration to the dilutive effect of stock options, convertible notes and restricted stock that are outstanding during the period, except where such non-participating securities would be anti-dilutive.

The Company's common stock equivalents, as calculated in accordance with the treasury-stock method for the options and unvested restricted stock and the if-converted method for the Convertible Notes, are shown in the following table (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Options outstanding to purchase common stock, shares issuable under the employee stock purchase plan, and unvested restricted stock/units at end of period	20,223	17,776	20,223	17,776
Common stock equivalents under treasury stock method for options, shares issuable under the employee stock purchase plan, and unvested restricted stock	432	3,451	1,005	3,484
Shares issuable upon conversion of convertible notes at end of period	501	501	501	501
Common stock equivalents under if-converted method for convertible notes	501	501	501	501

The Company's common stock equivalents have not been included in the net loss per share calculation because their effect is anti-dilutive due to the Company's net loss position.

Stock-Based Compensation

As of June 30, 2019, the Company is authorized to grant future awards under an employee share-based compensation plan, which is the ImmunoGen, Inc. 2018 Employee, Director and Consultant Equity Incentive Plan, or the 2018 Plan. The 2018 Plan provides for the issuance of stock grants, the grant of options and the grant of stock-based Awards for up to 7,500,000 shares of the Company's common stock, as well as up to 19,500,000 shares of common stock, which represent awards granted under the two previous stock option plans, the ImmunoGen, Inc. 2006 or 2016 Employee, Director and Consultant Equity Incentive Plans, that forfeit, expire, or cancel without delivery of shares of common stock or which result in the forfeiture of shares of common stock back to the Company on or subsequent to June 20, 2018. Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Options vest at various periods of up to four years and may be exercised within ten years of the date of grant.

The stock-based awards are accounted for under ASC Topic 718, "Compensation-Stock Compensation." Pursuant to Topic 718, the estimated grant date fair value of awards is charged to the statement of operations and comprehensive loss over the requisite service period, which is the vesting period. Such amounts have been reduced by an estimate of forfeitures of all unvested awards. The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model with the weighted average assumptions noted in the following table. As the Company has not paid dividends since inception, nor does it expect to pay any dividends for the foreseeable future, the expected dividend yield assumption is zero. Expected volatility is based exclusively on historical volatility of the Company's stock. The expected term of stock options granted is based exclusively on historical data and represents the period of time that stock options granted are expected to be outstanding. The expected term is calculated for and applied to one group of stock options as the Company does not expect substantially different exercise or post-vesting termination behavior among its option recipients. The risk-free rate of the stock options is based on the U.S. Treasury rate in effect at the time of grant for the expected term of the stock options.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Dividend	None	None	None	None
Volatility	80.3%	71.6%	73.8%	70.9%
Risk-free interest rate	2.04%	2.84%	2.46%	2.71%
Expected life (years)	6.0	6.0	6.0	6.0

Using the Black-Scholes option-pricing model, the weighted average grant date fair values of options granted during the three months ended June 30, 2019 and 2018 were $1.63 and $6.82 per share, respectively, and $3.39 and $6.80 for options granted during the six months ended June 30, 2019 and 2018, respectively.

A summary of option activity under the Company's equity plans as of June 30, 2019, and changes during the six month period then ended is presented below (in thousands, except weighted-average data):

	Number of Stock Options	Weighted-Average Exercise Price
Outstanding at December 31, 2018	15,564	$ 10.20
Granted	5,036	5.13
Exercised	(56)	2.58
Forfeited/Canceled	(2,230)	11.85
Outstanding at June 30, 2019	18,314	$ 8.63

Included in the outstanding options in the table above are approximately 3.7 million stock options that are expected to forfeit in the second half of 2019 in connection with the workforce reduction related to the restructuring event in the current period, the details of which are discussed further in Note G. Accordingly, the Company recorded an approximate $2.8 million credit to stock compensation expense in the current period as a result of the change in the forfeiture estimate.

In 2018, the Company granted 295,200 performance stock options to certain employees that will vest in two equal installments upon the achievement of specified performance goals within the next five years. The Company determined it is not currently probable that these performance goals will be achieved, and, therefore, no expense has been recorded to date. The fair value of the performance-based options that could be expensed in future periods, net of estimated forfeitures (inclusive of the impact of the recent restructuring event), is $762,000.

A summary of restricted stock and restricted stock unit activity under the Company's equity plans as of June 30, 2019 and changes during the six-month period ended June 30, 2019 is presented below (in thousands):

	Number of Restricted Stock Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2018	1,816	$ 2.87
Awarded	631	2.55
Vested	(504)	2.64
Forfeited	(34)	2.64
Unvested at June 30, 2019	1,909	$ 2.83

In August 2016, February 2017, June 2017, and April 2019, the Company granted 117,800, 529,830, 239,000 and 106,000 shares of performance-based restricted common stock with grant date fair values of $3.15, $2.47, $4.71 and $2.82, respectively, to certain employees of the Company, which are reflected in the table above. Of these awarded shares, 71,380 have subsequently been forfeited. These restrictions will lapse in three equal installments upon the achievement of specified performance goals by August 12, 2021. The Company determined it is not currently probable that these performance goals will be achieved, and, therefore, no expense has been recorded to date. The fair value of the performance-based shares that could be expensed in future periods, net of estimated forfeitures (inclusive of the impact of the recent restructuring event), is $1.6 million.

During the six months ended June 30, 2019, holders of options issued under the Company's equity plans exercised their rights to acquire an aggregate of approximately 56,000 shares of common stock at prices ranging from $1.84 to $3.05 per share. The total proceeds to the Company from these option exercises were $144,000.

In June 2018, the Company's Board of Directors, with shareholder approval, adopted the Employee Stock Purchase Plan, or ESPP. An aggregate of 2,000,000 shares of common stock have been reserved for issuance under the ESPP. On June 30, 2019, approximately 323,000 shares were issued to participating employees at a fair value of approximately $1.63 per share. The fair value of each ESPP award is estimated on the first day of the offering period using the Black-Scholes option-pricing model. The expected volatility used in the fair value calculation was 67.3%, the expected life was .5 years, the expected dividend yield was zero, and the risk-free rate was 2.51%. The Company recognizes share-based compensation expense equal to the fair value of the ESPP awards on a straight-line basis over the offering period.

Stock compensation expense related to stock options and restricted stock awards granted under the stock plans was $2.1 million and $7.1 million during the three and six months ended June 30, 2019, respectively, compared to stock compensation expense of $4.0 million and $7.7 million for the three and six months ended June 30, 2018, respectively. The decrease in expense is primarily due to the impact of a change in the forfeiture estimate recorded in the current period as discussed above. Stock compensation expense related to the ESPP was $292,000 for the six months ended June 30, 2019. As of June 30, 2019, the estimated fair value of unvested employee awards, exclusive of performance awards, was $17.9 million, net of estimated forfeitures. The weighted-average remaining vesting period for these awards is approximately two years. Also included in stock and deferred stock unit compensation expense in the consolidated statements of cash flows for the six months ended June 30, 2019 and 2018, is expense recorded for directors' deferred share units, the details of which are discussed in Note F.

Segment Information

During the six months ended June 30, 2019, the Company continued to operate in one operating segment, which is the business of discovery of monoclonal antibody-based anticancer therapeutics.

The percentages of revenues recognized from significant customers of the Company in the three and six months ended June 30, 2019 and 2018 are included in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
Collaborative Partner:	**2019**	**2018**	**2019**	**2018**
Roche	99%	78%	99%	50%
Takeda	-	1%	-	39%
Novartis	-	11%	-	4%

There were no other customers of the Company with significant revenues in the three or six months ended June 30, 2019 and 2018.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-2, Leases (Topic 842) in order to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

In accordance with the transition method provided by ASC Update No. 2018-11, *Leases (Topic 842): Targeted Improvements*, the Company adopted and initially applied the new leasing rules on January 1, 2019, rather than at the earliest comparative period presented in the financial statements. Prior periods presented are in accordance with the previous lease guidance (ASC 840). See Note H for further discussion and impact of adoption.

The Company elected several of the available practical expedients, which are also outlined in Note H. The standard had a material impact to the Company's consolidated balance sheets, but did not have an impact to the consolidated statement of operations. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases, which consist entirely of single payment obligations made for equipment, remained substantially unchanged.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606. The Company adopted the standard on January 1, 2019, and it did not have a material effect on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements, not yet Adopted

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*, which clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC 606 when the counterparty is a customer. In addition, ASU 2018-18 adds unit-of-account guidance to ASC Topic 808, *Collaborative Arrangements*, in order to align this guidance with ASC 606 and also precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. This guidance will be effective for annual reporting periods beginning after December 15, 2019, including interim periods within those annual reporting periods, and early adoption is permitted. The Company is currently evaluating the potential impact that ASU 2018-18 may have on the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, to require financial assets carried at amortized cost to be presented at the net amount expected to be collected based on historical experience, current conditions, and forecasts. The ASU is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. Adoption of the ASU is on a modified retrospective basis. The Company does not expect this guidance to have a material impact on its financial statements.

No other recently issued or effective ASUs had, or are expected to have, a material effect on the Company's results of operations, financial condition, or liquidity.

C. Agreements

Significant Collaborative Agreements

Roche

In May 2000, the Company granted Genentech, now a member of the Roche Group, an exclusive license to use the Company’s maytansinoid ADC technology. Pursuant to this agreement, Roche developed and received marketing approval for its HER2-targeting ADC compound, Kadcyla, in the U.S., Europe, Japan and numerous other countries. The Company receives royalty reports and payments related to sales of Kadcyla from Roche one quarter in arrears. In accordance with the Company’s revenue recognition policy, $18.9 million and $14.4 million of non-cash royalties on net sales of Kadcyla were recorded and included in non-cash royalty revenue for the six months ended June 30, 2019 and 2018. Kadcyla sales occurring after January 1, 2015 were covered by a royalty purchase agreement whereby the associated cash, except for a residual tail, was remitted to Immunity Royalty Holdings, L.P, or IRH. In January 2019, the Company sold its residual tail to OMERS, the defined benefit pension plan for municipal employees in the Province of Ontario, Canada, for a net payment of $65.2 million, as discussed further in Note E. Simultaneously, OMERS purchased IRH’s right to the royalties the Company previously sold as described above, therefore obtaining the rights to 100% of the royalties received from that date on.

On May 3, 2019, Roche notified the Company that the U.S. Food and Drug Administration approved Kadcyla for adjuvant (after surgery) treatment of people with HER2-positive early breast cancer who have residual invasive disease after neoadjuvant (before surgery) taxane and Herceptin® (trastuzumab)-based treatment, resulting in a $5 million regulatory milestone payment to the Company for a first extended indication, which is included in license and milestone fees for the three and six months ended June 30, 2019. The next potential milestone the Company will be entitled to receive will be a $5 million regulatory milestone for marketing approval of Kadcyla for a second extended indication as defined in the license.

Novartis

The Company granted Novartis exclusive development and commercialization licenses to the Company’s maytansinoid and IGN ADC technology for use with antibodies to six specified targets under a now-expired right-to-test agreement established in 2010. The Company received a $45 million upfront payment in connection with the execution of the right-to-test agreement in 2010, and for each development and commercialization license taken for a specific target, the Company received an exercise fee of $1 million and is entitled to receive up to a total of $199.5 million in milestone payments, plus royalties on the commercial sales of any resulting products. In May 2018, Novartis terminated one of its six development and commercialization licenses. As a result, the Company recorded the remaining $978,000 balance of the upfront payment that had been allocated to future performance obligations under this license as revenue, which is included in license and milestone fees for the three and six months ended June 30, 2018.

Takeda

In March 2015, the Company entered into a three-year right-to-test agreement with Takeda through its wholly owned subsidiary, Millennium Pharmaceuticals, Inc. The agreement provided Takeda with the right to (a) take exclusive options, with certain restrictions, to individual targets selected by Takeda for specified option periods, (b) test the Company's ADC technology with Takeda's antibodies directed to the targets optioned under a right-to-test, or research, license, and (c) take exclusive licenses to use the Company's ADC technology to develop and commercialize products to targets optioned for up to two individual targets on terms specified in the right-to-test agreement. The first license was granted to Takeda in December 2015. In March 2018, the right-to-test agreement expired without Takeda exercising its option to a second license or extending or expanding the agreement as it had the right to do for a third license. Accordingly, the remaining $10.9 million of revenue that had been deferred for such performance obligations was recognized as revenue and is included in license and milestone fees for the six months ended June 30, 2018. In May 2018, Takeda enrolled its first patient in a Phase I clinical trial, triggering a $5 million milestone payment to the Company. Due to the likelihood of this milestone being attained, this milestone was recognized as a contract asset as part of the cumulative adjustment to transition to ASC 606. It had been previously allocated to the delivered license and the right to technological improvements. The next potential milestone payment the Company will be entitled to receive will be a $10 million development milestone payment with the initiation of a Phase II clinical trial. Takeda is responsible for the manufacturing, product development, and marketing of any products resulting from the remaining license.

Debiopharm

In May 2017, Debiopharm acquired the Company's IMGN529 program, a clinical-stage anti-CD37 ADC for the treatment of patients with B-cell malignancies. Under the terms of the Exclusive License and Asset Purchase agreement, the Company received a $25 million upfront payment for specified assets related to IMGN529 and a paid-up license to the Company's ADC technology. Upon substantial completion of the transfer of the Company's technologies related to the program (technology transfer) in the fourth quarter of 2017, the Company achieved a $5 million milestone, $4.5 million of which was received in December 2017 and the balance in January 2018 upon delivery of the final materials related to the transfer. Accordingly, $500,000 was recorded as license and milestone fee revenue in the six months ended June 30, 2018. In addition, the Company is eligible for a second success-based milestone payment of $25 million upon IMGN529 entering a Phase 3 clinical trial. The milestone payment will be significantly reduced if a Phase 3 trial using the Company's technology but not the IMGN529 antibody commences prior to IMGN529 entering a Phase 3 trial. The Company does not believe this scenario is likely to occur.

For additional information related to these agreements, as well as the Company's other significant collaborative agreements, please read Note C, *Agreements*, to the consolidated financial statements included within the Company's 2018 Annual Report on Form 10-K.

D. Convertible 4.5% Senior Notes

In 2016, the Company issued Convertible Notes with an aggregate principal amount of $100 million. The Company received net proceeds of $96.6 million from the sale of the Convertible Notes, after deducting fees and expenses of $3.4 million.

During the second half of calendar 2017, the Company entered into privately negotiated exchange agreements with a number of holders of the Company's outstanding Convertible Notes, pursuant to which the Company agreed to exchange, in a private placement, $97.9 million in aggregate principal amount of Convertible Notes held by the holders for 26,160,187 newly issued shares of common stock, equivalent to the number of shares based on the original conversion terms, plus an additional number of newly issued shares of common stock determined based on the volume-weighted average trading price of the common stock over certain trading days. As a result of the agreements, 2,784,870 additional shares were issued.

The remaining $2.1 million of Convertible Notes are governed by the terms of an indenture between the Company, as issuer, and Wilmington Trust, National Association, as the trustee. The Convertible Notes are senior unsecured obligations and bear interest at a rate of 4.5% per year, payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2017. The Company recorded $47,000 of interest expense in each of the six months ended June 30, 2019 and 2018, respectively. The Convertible Notes will mature on July 1, 2021, unless earlier repurchased or converted. Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding the stated maturity date. Upon conversion, the Company will deliver for each $1,000

principal amount of converted notes a number of shares equal to the conversion rate, which will initially be 238.7775 shares of common stock, equivalent to an initial conversion price of approximately $4.19. The conversion rate will be subject to adjustment in some circumstances, but will not be adjusted for any accrued and unpaid interest.

E. Liability Related to Sale of Future Royalties

In 2015, IRH purchased the right to receive 100% of the royalty payments on commercial sales of Kadcyla subsequent to December 31, 2014, arising under the Company's development and commercialization license with Genentech, until IRH had received aggregate royalties equal to $235 million or $260 million, depending on when the aggregate royalties received by IRH reach a specified milestone. Once the applicable threshold was met, if ever, the Company would thereafter have received 85% and IRH would have received 15% of the Kadcyla royalties for the remaining royalty term. At consummation of the transaction, the Company received cash proceeds of $200 million. As part of this sale, the Company incurred $5.9 million of transaction costs, which are presented net of the liability in the accompanying consolidated balance sheet and will be amortized to interest expense over the estimated life of the royalty purchase agreement. Although the Company sold its rights to receive royalties from the sales of Kadcyla, as a result of its then ongoing involvement in the cash flows related to these royalties at the time, the Company will continue to account for these royalties as revenue and recorded the $200 million in proceeds from this transaction as a liability related to sale of future royalties (Royalty Obligation) that will be amortized using the interest method over the estimated life of the royalty purchase agreement.

In January 2019, the Company sold its residual rights to receive royalty payments on commercial sales of Kadcyla to OMERS, the defined benefit pension plan for municipal employees in the Province of Ontario, Canada, for a net payment of $65.2 million (amount is net of $1.5 million in contingent broker fees). Simultaneously, OMERS purchased IRH's right to the royalties the Company previously sold as described above, therefore obtaining the rights to 100% of the royalties received from that date on. Because the Company will not be involved with the cash flows related to the residual royalties, the $65.2 million of net proceeds received from the sale of its residual rights to receive royalty payments was recorded as long-term deferred revenue and will be amortized as the cash related to the residual rights is received using the units of revenue approach. During the six months ended June 30, 2019, the Company did not receive any royalties related to the residual rights, therefore, no revenue was recognized. Additionally, the purchase of IRH's interest by OMERS did not result in an extinguishment or modification of the original instrument and, accordingly, the Company will continue to account for the remaining obligation as a liability as outlined above.

The following table shows the activity within the liability account during the six-month period ended June 30, 2019 (in thousands):

	Six Months Ended June 30, 2019
Liability related to sale of future royalties, net — beginning balance	$ 148,225
Kadcyla royalty payments received and paid	(17,718)
Non-cash interest expense recognized	7,242
Liability related to sale of future royalties, net — ending balance	$ 137,749

As royalties are remitted to OMERS, the balance of the Royalty Obligation will be effectively repaid over the life of the agreement. In order to determine the amortization of the Royalty Obligation, the Company is required to estimate the total amount of future royalty payments to be received and remitted as noted above over the life of the underlying license agreement with Genentech covering Kadcyla. The sum of these amounts less the $200 million proceeds the Company received will be recorded as interest expense over the life of the Royalty Obligation. Since inception, the Company's estimate of this total interest expense results in an effective annual interest rate of 8.6%, and a current effective interest rate of 10.0% as of June 30, 2019. The Company periodically assesses the estimated royalty payments to OMERS and to the extent such payments are greater or less than its initial estimates, or the timing of such payments is materially different than its original estimates, the Company will prospectively adjust the amortization of the Royalty Obligation. There are a number of factors that could materially affect the amount and timing of royalty payments from Genentech, most of which are not within the Company's control. Such factors include, but are not limited to, changing standards of care, the introduction of competing products, manufacturing or other delays, biosimilar competition, patent protection, adverse events that result in governmental health authority imposed restrictions on the use of the drug products, significant changes in foreign exchange rates as the royalties are paid in U.S. dollars (USD) while significant portions of the underlying sales of Kadcyla are made in currencies other than USD, and other events or circumstances that

could result in reduced royalty payments from Kadcyla, all of which would result in a reduction of non-cash royalty revenues and the non-cash interest expense over the life of the Royalty Obligation. Conversely, if sales of Kadcyla are more than expected, the non-cash royalty revenues and the non-cash interest expense recorded by the Company would be greater over the term of the Royalty Obligation.

In addition, the royalty purchase agreement grants OMERS the right to receive certain reports and other information relating to the royalties and contains other representations and warranties, covenants, and indemnification obligations that are customary for a transaction of this nature.

F. Capital Stock

2001 Non-Employee Director Stock Plan

During the three and six months ended June 30, 2018, the Company recorded $4,000 and $31,000 in expense related to stock units outstanding under the Company's 2001 Non-Employee Director Stock Plan, or the 2001 Plan. A market value of $72,000 for the stock units was paid to a retiring director in June 2018, effectively terminating the plan.

Compensation Policy for Non-Employee Directors

During the three and six months ended June 30, 2019, the Company recorded $100,000 and $200,000 in compensation expense, respectively, related to deferred share units issued and outstanding under the Company's Compensation Policy for Non-Employee Directors, compared to $54,000 and $156,000 in compensation expense recorded during the three and six months ended June 30, 2018, respectively.

Pursuant to the Compensation Policy for Non-Employee Directors, the redemption amount of deferred share units issued will be paid in shares of common stock of the Company on the date a director ceases to be a member of the Board. In February 2018 and June 2018, the Company issued retiring directors 77,012 and 95,497 shares of common stock of the Company to settle outstanding deferred share units. Annual retainers vest quarterly over approximately one year from the date of grant, contingent upon the individual remaining a director of ImmunoGen as of each vesting date. The number of deferred share units awarded is fixed per the plan on the date of the award. All unvested deferred stock awards will automatically vest immediately prior to the occurrence of a change of control.

In addition to the deferred share units, the Non-Employee Directors are also entitled to receive a fixed number of stock options on the date of the annual meeting of shareholders. These options vest quarterly over approximately one year from the date of grant. Any new directors will receive a pro-rated award, depending on their date of election to the Board. The directors received a total of 108,000 and 128,000 options in June 2019 and 2018, respectively, and the related compensation expense for the six months ended June 30, 2019 and 2018 is included in the amounts discussed in the "Stock-Based Compensation" section of Note B above.

G. Restructuring Charges

2019 Corporate Restructuring

On June 26, 2019, the Board of Directors approved a plan to restructure the business to focus resources on continued development of mirvetuximab soravtansine and a select portfolio of three earlier-stage product candidates, resulting in a reduction of our workforce by approximately 220 positions, with a majority of these employees separating from the business by mid-July 2019 and the remaining affected employees transitioning over varying periods of time of up to 12 months. Communication of the plan to the affected employees was substantially completed on June 27, 2019.

As a result of the workforce reduction, during the three months ended June 30, 2019, the Company recorded a $16.0 million charge for severance related to a pre-existing plan in accordance with ASC 712, *Compensation-Nonretirement Postemployment Benefits*, as such amounts are probable and reasonably estimable. The related cash payments will be substantially paid out by June 30, 2020. In addition, an anticipated charge of $3.7 million is expected to be incurred for incremental retention benefits over the same time period, of which approximately $400,000 was recorded during the three and six months ended June 30, 2019. No payments were made during the three and six months ended June 30, 2019 with respect to this action.

In addition to the termination benefits and other related charges, the Company will seek to sub-lease the majority of the laboratory and office space at 830 Winter Street in Waltham, Massachusetts. The financial impact of these efforts is dependent on the length of time it takes to find a tenant and the terms of the sub-lease. The decision to vacate part of its

corporate office resulted in a change in asset groupings and also represented an impairment indicator. The Company determined that the right-of-use asset and leasehold improvements were recoverable based on expected sub-lease income, and therefore, no impairment was recorded.

In addition, the Company also decided to liquidate excess laboratory equipment and expects the proceeds to be less than the carrying value. As a result, the Company recorded an impairment charge of $2.5 million to write down the equipment to fair value based on current market re-sale estimates obtained.

2018 Manufacturing Restructuring

In February 2018, following an in-depth review of manufacturing and quality operations, the Board of Directors authorized management to implement a new operating model that will rely on external manufacturing and quality testing for drug substance and drug product for the Company's development programs. The implementation of this new operating model led to the ramp-down of manufacturing and quality activities at the Norwood, Massachusetts facility by the end of 2018, and a full decommissioning of the facility in February 2019. Implementation of the new operating model resulted in the separation of 22 employees. Communication of the plan to the affected employees was substantially completed on February 8, 2018.

In connection with the implementation of the new operating model, the Company recorded a one-time charge of $1.2 million for severance related to a pre-existing plan in the first quarter of 2018 in accordance with ASC 712, *Compensation-Nonretirement Postemployment Benefits*, as such amounts were probable and reasonably estimable. Additional expense was recorded for incremental retention benefits over the remaining service period of the related employees, which totaled $1.1 million for the six months ended June 30, 2018, all of which was paid out by the end of 2018. Additionally, certain options held by the employees to be separated were modified to extend the exercise period, resulting in a stock compensation charge of $157,000 in the first quarter of 2018. Cash payments related to severance were substantially paid out by June 30, 2019.

A summary of activity against the manufacturing restructuring charge related to the employee terminations in 2018 is as follows:

	Employee Termination Benefits Costs
Balance at December 31, 2018	$ 841
Payments during the period	(816)
Balance at June 30, 2019	$ 25

2016 Corporate Restructuring

As a result of a workforce reduction in September 2016, the Company began seeking to sub-lease 10,281 square feet of unoccupied office space in Waltham that was leased in 2016. During the six months ended June 30, 2019, the Company recorded a $559,000 impairment charge related to this lease, which represents the remaining balance of the right to use asset as the likelihood of finding a sub-lessor has diminished significantly as the lease approaches termination. No such charges were recorded in the prior year period.

H. Leases

The Company currently has the following two real estate leases: (i) an agreement with CRP/King 830 Winter L.L.C. for the rental of approximately 120,000 square feet of laboratory and office space at 830 Winter Street, Waltham, MA through March 2026. The Company uses this space for its corporate headquarters and other operations. The Company may extend the lease for two additional terms of five years. The Company is required to pay certain operating expenses for the leased premises subject to escalation charges for certain expense increases over a base amount; and (ii) an agreement with PDM 930 Unit, LLC for the rental of 10,281 square feet of additional office space at 930 Winter Street, Waltham, MA through August 31, 2021. The Company is required to pay certain operating expenses for the leased premises based on its pro-rata share of such expenses for the entire rentable space of the building. The Company is actively seeking to sub-lease the 930 Winter Street space, and as a result of the 2019 corporate restructuring plan announced in June 2019, will begin to seek to sublease a significant portion of the space at 830 Winter Street. The Company ended its lease and vacated its manufacturing and office space at 333 Providence Highway, Norwood, MA in February 2019 pursuant to the manufacturing restructuring plan described previously.

In addition to the two real estate leases noted above, the Company currently has a lease agreement through November 2023 for the rental of copier equipment.

During the first quarter of 2019, the Company adopted the new lease standard by recognizing and measuring leases existing at, or entered into after, January 1, 2019. In accordance with the transition method provided by ASC Update No. 2018-11, *Leases (Topic 842): Targeted Improvements*, the Company adopted and initially applied the new leasing rules on January 1, 2019, rather than at the earliest comparative period presented in the financial statements. Therefore, prior periods presented are in accordance with the previous lease guidance (ASC 840). As permitted by the new lease standard, the Company elected to apply the following practical expedients to the entire lease portfolio: (i) not to reassess whether any expired or existing contracts are or contain leases or the classification of any expired or existing leases; (ii) not to apply the recognition requirements to short-term leases; and, (iii) not to separate fixed nonlease components from associated lease components for the underlying assets.

Upon adoption, a ROU asset of $17.6 million and a lease liability of $27.3 million were recorded and are identified separately in the Company's consolidated balance sheets for the existing operating leases. There was no impact to the consolidated statements of operations. Upon adoption, the amount of the ROU assets recorded was offset by the applicable unamortized lease incentive and straight-line lease liability balances of $9.7 million, therefore, there was no impact to accumulated deficit. There were no initial direct costs related to the leases to consider. The Company's operating lease liabilities related to its real estate lease agreements were calculated using a collateralized incremental borrowing rate. The Company's operating lease liability related to its equipment lease was calculated using an implicit rate provided in the lease. The weighted average discount rate for the operating lease liability is approximately 11%. A 100 basis point change in the incremental borrowing rate would result in less than a $1 million impact to the ROU assets and liabilities recorded. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term, which for the six months ended June 30, 2019 and 2018 was $2.3 million and $2.8 million, respectively, and is included in operating expenses in the consolidated income statements. Cash paid against operating lease liabilities during the six months ended June 30, 2019 was $2.6 million. As of June 30, 2019, the Company's ROU assets and lease liabilities for operating leases totaled $16.4 million and $26.1 million, respectively, and the weighted average remaining term of the operating leases is approximately seven years.

The Company's finance leases consist entirely of single payment obligations that have been made for equipment. The related asset balances, net of accumulated amortization, of $1.4 million and $595,000 as of June 30, 2019 and December 31, 2018, respectively, are included in property and equipment in the consolidated balance sheets. Amortization expense of $159,000 and $93,000 for the six months ended June 30, 2019 and 2018, respectively, is included in operating expenses in the consolidated income statements. There are no obligations under finance leases as of June 30, 2019, as all of the finance leases were single payment obligations which have all been made.

The maturities of operating lease liabilities discussed above are as follows (in thousands):

2019 (six months remaining)	$	2,698
2020		5,485
2021		5,324
2022		5,389
2023		5,510
Thereafter		12,336
Total lease payments		36,742
Less imputed interest		(10,647)
Total lease liabilities	$	26,095

In addition to the amounts in the table above, the Company is also responsible for variable operating costs and real estate taxes approximating $3.0 million per year through March 2026.

I. Commitments and Contingencies

Collaborations

The Company is contractually obligated to make potential future success-based development, regulatory, or sales milestone payments in conjunction with certain collaborative agreements. These payments are contingent upon the occurrence of certain future events and, given the nature of these events, it is unclear when, if ever, the Company may be

required to pay such amounts. Further, the timing of any future payment is not reasonably estimable. As of June 30, 2019, the maximum amount that may be payable in the future under the Company's current collaborative agreements is $80.0 million.

Manufacturing Commitments

As of June 30, 2019, the Company has noncancelable obligations under agreements related to in-process and future manufacturing of cytotoxic agents required for clinical supply of the Company's product candidates totaling $1.5 million, all of which will be paid in 2019.

Additionally, in 2018, the Company executed a commercial agreement with one of its manufacturers for future production of antibody through calendar 2025. In May 2019, the agreement was amended to reduce the number of committed antibody batches for an agreed-upon exit fee, which was recorded as research and development expense in the first quarter of 2019. As of June 30, 2019, the Company's noncancelable commitment ranges from €2.3 to €15.1 million pursuant to contingent terms of the agreement, including the manufacturer's ability to fill the Company's unused capacity with production for other customers.

ITEM 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

OVERVIEW

We are a clinical-stage biotechnology company focused on developing the next generation of antibody-drug conjugates, or ADCs, to improve outcomes for cancer patients. By generating targeted therapies with enhanced anti-tumor activity and favorable tolerability profiles, we aim to disrupt the progression of cancer and offer patients more good days. We call this our commitment to "target a better now."

An ADC with our proprietary technology comprises an antibody that binds to a target found on tumor cells and is conjugated to one of our potent anti-cancer agents as a "payload" to kill the tumor cell once the ADC has bound to its target. ADCs are an expanding approach to the treatment of cancer, with five approved products and the number of agents in development growing significantly in recent years.

We have established a leadership position in ADCs with a portfolio of differentiated product candidates addressing both solid tumors and hematological malignancies. Our lead program is mirvetuximab soravtansine, a first-in-class ADC targeting folate-receptor alpha, or FRα. In March of 2019, we announced that FORWARD I, our Phase 3 clinical trial evaluating mirvetuximab compared to chemotherapy in women with FRα-positive, platinum-resistant ovarian cancer, did not meet the primary endpoint. Data from FORWARD I did, however, demonstrate a consistent efficacy signal across a range of parameters in the pre-specified subset of patients with high FRα expression. Following consultation with the U.S. Food and Drug Administration (FDA), we will pursue a new Phase 3 study in this patient population and, pending regulatory review, plan to begin enrolling patients in this study by the end of the year.

In light of these developments, we have undertaken a review of our operations with the goals of prioritizing our portfolio and reducing our cost base to ensure that our cash resources will be sufficient to advance these programs through the next stages of development. Based on the outcomes of this operational review, we have established three strategic priorities for the business: secure initial approval and pursue label expansion for mirvetuximab in ovarian cancer; advance a select portfolio of three earlier-stage product candidates; and further strengthen our balance sheet through partnering. Consistent with these priorities, we have focused our operations on the following activities:

- Initiate the registration study for mirvetuximab as a monotherapy for women with FRα-high, platinum-resistant ovarian cancer by the end of this year;
- Complete enrollment and continue follow up in the ongoing FORWARD II mirvetuximab combination cohorts;
- Continue IMGN632 development in patients with relapsed acute myeloid leukemia (AML), blastic plasmacytoid dendritic cell neoplasm (BPDCN), and other CD123-positive hematologic malignancies in collaboration with Jazz Pharmaceuticals (Jazz);
- Advance two additional assets that demonstrate our continued innovation in ADCs: IMGC936, which is in co-development for solid tumors with MacroGenics, Inc. (MacroGenics); and our next generation anti-FRα ADC, which is expected to enter development in mid-2020; and
- Monetize our remaining portfolio and platform technologies through out-licensing transactions or asset sales.

Correspondingly, we have reduced ongoing expenses through the following portfolio prioritization and restructuring initiatives:

- Discontinuation of the development of IMGN779 in adults with relapsed/refractory CD33-positive AML;
- Suspension of all other research activities; and
- Reduction of our workforce.

Mirvetuximab. For mirvetuximab monotherapy, we will present full data from FORWARD I in an oral presentation at the European Society for Medical Oncology (ESMO) Congress in late September. In parallel, we will meet with the FDA and European Medicines Agency (EMA) in the second half of this year to review the design of the next Phase 3 study to support registration of mirvetuximab as a monotherapy for women with FRα-high, platinum-resistant ovarian cancer. Pending the outcome of these regulatory discussions, we expect to initiate this study by the end of this year.

Mirvetuximab is also being assessed in multiple combinations in FORWARD II, a Phase 1b/2 study, designed to expand the market opportunity into earlier lines of ovarian cancer. To date, we have presented combination data from more than 100 patients in cohorts combining mirvetuximab with Keytruda® (pembrolizumab), Avastin® (bevacizumab), and carboplatin. Most recently, we presented mature data from the doublet cohort of mirvetuximab in combination with bevacizumab at the American Society of Clinical Oncology (ASCO) 2019 annual meeting, which demonstrated significant anti-tumor activity with durable responses and a favorable tolerability profile, particularly among the subset of patients who have received up to two prior lines of therapy and have medium or high levels of FRα expression. Based upon these data as well as previously reported outcomes with a carboplatin doublet, we have moved forward with a cohort assessing a triplet combination of mirvetuximab plus carboplatin and bevacizumab in patients with recurrent platinum-sensitive ovarian cancer. We completed enrollment of the triplet in late 2018 and will report initial data from this cohort at ESMO in September. Finally, to address evolving market conditions, we are enrolling a second mirvetuximab plus bevacizumab cohort in patients with recurrent ovarian cancer, regardless of platinum status, which we expect to complete in the third quarter of this year.

IMGN632. We have made significant progress with IMGN632, our CD123-targeting product candidate in clinical trials for patients with AML and BPDCN. Initial data from the Phase 1 study of IMGN632 in patients with relapsed or refractory adult AML and BPDCN were presented at the American Society of Hematology (ASH) Annual Meeting in December 2018. These data showed that IMGN632 demonstrated anti-leukemic activity across all dose levels tested and a tolerable safety profile at doses up to 0.3 mg/kg.

In the second quarter of this year, we determined the recommended Phase 2 dose and schedule for IMGN632 and have filed a new protocol to move forward with combination studies in relapsed refractory AML as well as monotherapy in front-line patients with minimal residual disease following induction therapy. In addition, we continue to enroll relapsed refractory BPDCN patients under our existing protocol. We will share data for both AML and BPDCN patients at ASH in December.

Preclinical Programs. We continue to advance select preclinical programs, led by IMGC936. IMGC936 is a first-in-class ADC targeting ADAM9, an enzyme overexpressed in a range of solid tumors and implicated in tumor progression and metastasis. This ADC incorporates a number of innovations, including antibody engineering to extend half-life, site-specific conjugation with a fixed drug-antibody ratio to enable higher dosing, and a next-generation linker for improved stability and bystander activity. We reported encouraging preclinical safety and activity data from this program at the American Association of Cancer Research (AACR) meeting and expect the IND for IMGC936 to be filed in the first half of 2020. Finally, we expect our next generation anti-folate receptor alpha candidate to move into preclinical development next year.

Collaborating on ADC development with other companies allows us to generate revenue, mitigate expenses, enhance our capabilities, and extend the reach of our proprietary platform. The most advanced partner program is Roche's marketed product, Kadcyla® (ado-trastuzumab emtansine), the first ADC to demonstrate superiority over standard of care in a randomized pivotal trial, EMILIA, and gain FDA approval. Our ADC technology is also used in candidates in clinical development with a number of partners. We have evolved our partnering approach to pursue relationships where we can gain access to technology and complementary capabilities, such as our technology swap with CytomX, as well as co-development and co-commercialization opportunities, such as our relationships with Jazz and MacroGenics. We expect that substantially all of our revenue for the foreseeable future will result from payments under our collaborative arrangements. For more information concerning these relationships, including their ongoing financial and accounting impact on our business, please read Note C, "Significant Collaborative Agreements," to our consolidated financial statements included in this report.

To date, we have not generated revenues from commercial sales of internal products and we expect to incur significant operating losses for the foreseeable future. As of June 30, 2019, we had $239.8 million in cash and cash equivalents compared to $262.3 million as of December 31, 2018.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported

amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to our collaborative agreements, clinical trial accruals, and stock-based compensation. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

We adopted ASC 842 using the transition method provided by ASC Update No. 2018-11, *Leases (Topic 842): Targeted Improvements*. Under this method, we initially applied the new leasing rules on January 1, 2019, rather than at the earliest comparative period presented in the financial statements. Prior periods presented will be in accordance with previous guidance issued under ASC 840. The adoption of ASC 842 represents a change in accounting principle that will increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet, including those previously classified as operating leases under ASC 840, and disclosing key information about leasing arrangements. Refer to Note B to the consolidated financial statements for further discussion on this change. There were no other significant changes to our critical accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

RESULTS OF OPERATIONS

Comparison of Three Months ended June 30, 2019 and 2018

Revenues

Our total revenues for the three months ended June 30, 2019 and 2018 were $15.5 million and $9.3 million, respectively. The $6.2 million increase in revenues in the three months ended June 30, 2019 from the same period in the prior year is primarily attributable to increases in license and milestone fees and royalty revenue, which is discussed further below.

License and milestone fees

The amount of license and milestone fees we earn is directly related to the number of our collaborators, the advancement of product candidates covered by the agreements with our collaborators, and the overall success in the clinical trials of these product candidates. As such, the amount of license and milestone fees may vary significantly from quarter to quarter and year to year. License and milestone fee revenue was $5.1 million and $1.3 million for the three months ended June 30, 2019 and 2018, respectively. Included in license and milestone fees for the three months ended June 30, 2019 is a $5 million regulatory milestone achieved under our license agreement with Genentech, a member of the Roche Group. In May 2018, Novartis terminated one of its six development and commercialization licenses. As a result, we recorded the remaining $978,000 balance of the upfront payment that had been allocated to future performance obligations under this license as revenue, which is included in license and milestone fees for the three months ended June 30, 2018.

Deferred revenue of $145.9 million as of June 30, 2019 includes a $75 million upfront payment related to the license options granted to Jazz in August 2017 and $65.2 million related to the sale of our residual rights to receive royalty payments on commercial sales of Kadcyla, with the remainder of the balance primarily representing consideration received from our collaborators pursuant to our license agreements which we have yet to earn pursuant to our revenue recognition policy.

Royalty revenue

Kadcyla is an ADC marketed product resulting from one of our development and commercialization licenses with Roche, through its Genentech unit. We receive royalty reports and payments related to sales of Kadcyla from Roche one quarter in arrears. In accordance with ASC 606, however, we record an estimate of the amount of royalties earned on Kadcyla sales within the period. Consistent with this policy, we recorded $10.4 million and $7.2 million of non-cash royalties on net sales of Kadcyla for the three-month periods ended June 30, 2019 and 2018, respectively. Kadcyla sales occurring after January 1, 2015 are covered by a royalty purchase agreement whereby the associated cash was remitted to Immunity Royalty Holdings, L.P., subject to a residual cap. In January 2019, we sold our residual rights to receive royalty payments on commercial sales of Kadcyla to OMERS, the defined benefit pension plan for municipal employees in the Province of Ontario, Canada, for a net payment of $65.2 million (amount is net of $1.5 million of contingent broker fees). Simultaneously, OMERS purchased IRH’s right to the royalties the Company previously sold as described above, thereby obtaining the rights to 100% of the royalties received from that date on. See further details regarding the royalty obligation in Note E of the Consolidated Financial Statements.

Research and development support revenue

The amount of research and development support revenue we earn is directly related to requests we receive from collaborators for research and development work under our agreements with them. As such, the amount of these fees may vary widely from quarter to quarter and year to year. Research and development support revenue was $51,000 for the three months ended June 30, 2019 compared with $388,000 for the three months ended June 30, 2018.

Clinical materials revenue

Clinical materials revenue was $336,000 for the three months ended June 30, 2018. We decommissioned our manufacturing facility in 2018 and no longer produce preclinical and clinical materials on behalf of our collaborators.

Research and Development Expenses

Our research and development expenses relate to (i) research to evaluate new targets and to develop and evaluate new antibodies, linkers, and cytotoxic agents, (ii) preclinical testing of our own and, in certain instances, our collaborators' product candidates, and the cost of our own clinical trials, (iii) development related to clinical and commercial manufacturing processes, and (iv) external manufacturing operations, and prior to 2019, internal manufacturing operations, which also included raw materials.

Research and development expense for the three months ended June 30, 2019 decreased $10.1 million to $28.6 million from $38.7 million for the three months ended June 30, 2018, due primarily to decreased personnel expenses driven by adjustments made in the current period to bonus and stock compensation expense as a result of the restructuring of the business, decreased clinical trial costs primarily related to the FORWARD I Phase 3 study, and lower external manufacturing costs. We do not track our research and development costs by project. Since we use our research and development resources across multiple research and development projects, we manage our research and development expenses within each of the categories listed in the following table and described in more detail below (in thousands):

	Three Months Ended June 30,	
Research and Development Expense	**2019**	**2018**
Research	$ 4,162	$ 5,814
Preclinical and Clinical Testing	18,391	22,065
Process and Product Development	2,386	2,906
Manufacturing Operations	3,620	7,916
Total Research and Development Expense	$ 28,559	$ 38,701

Research

Research includes expenses primarily associated with activities to identify and evaluate new targets and to develop and evaluate new antibodies, linkers, and cytotoxic agents for our products and in support of our collaborators. Such expenses primarily include personnel, contract services, facility expenses, and lab supplies. Research expenses for the three months ended June 30, 2019 decreased $1.7 million compared to the three months ended June 30, 2018, principally due to a decrease in personnel expenses driven by adjustments made in the current period to bonus and stock compensation expense as a result of the restructuring of the business.

Preclinical and Clinical Testing

Preclinical and clinical testing includes expenses related to preclinical testing of our own and, in certain instances, our collaborators' product candidates, regulatory activities, and the cost of our own clinical trials. Such expenses include personnel, patient enrollment at our clinical testing sites, consultant fees, contract services, and facility expenses. Preclinical and clinical testing expenses for the three months ended June 30, 2019 decreased $3.7 million to $18.4 million compared to $22.1 million for the three months ended June 30, 2018. This decrease is primarily the result of lower clinical trial costs principally driven by greater FORWARD I activity in the prior period and lower personnel expenses driven by adjustments made in the current period to bonus and stock compensation expense as a result of the restructuring of the business. Partially offsetting these decreases, contract services increased due to greater activity related to our mirvetuximab soravtansine program in the current period.

Process and Product Development

Process and product development expenses include costs for development of clinical and commercial manufacturing processes for our own and collaborator compounds. Such expenses include the costs of personnel, contract services, and facility expenses. For the three months ended June 30, 2019, total process and product development expenses decreased $520,000 compared to the three months ended June 30, 2018. This decrease is principally due to a higher credit recorded against IMGN779 and IMGN632 FTE development costs in the current period compared to the prior period resulting from cost-sharing with Jazz and lower facility expenses.

Manufacturing Operations

Manufacturing operations expense includes costs to manufacture or have manufactured preclinical and clinical materials for our own and our collaborator's product candidates, quality control and quality assurance activities, and costs to support the operation and maintenance of our drug substance manufacturing facility, which we ramped-down in 2018 and decommissioned in February 2019. Such expenses include personnel, raw materials for our and our collaborators' preclinical studies and clinical trials, development costs with contract manufacturing organizations, manufacturing supplies, and facilities expense. For the three months ended June 30, 2019, manufacturing operations expense decreased $4.3 million to $3.6 million compared to $7.9 million in the same period last year. This decrease is principally the result of lower personnel and facility-related expenses, including amortization of leasehold improvements, resulting from the shut-down of our manufacturing facility in late 2018.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2019 increased $48,000 compared to the same period last year.

Restructuring Charges

On June 26, 2019, the Board of Directors approved a plan to restructure the business to focus resources on continued development of mirvetuximab soravtansine and a select portfolio of three earlier-stage product candidates, resulting in a reduction of our workforce by approximately 220 positions, with a majority of these employees separating from the business by mid-July 2019 and the remaining affected employees transitioning over varying periods of time of up to 12 months. Communication of the plan to the affected employees was substantially completed on June 27, 2019.

As a result of the workforce reduction, we recorded a charge of $16.0 million for severance related to a pre-existing plan in the three months ended June 30, 2019. The related cash payments will be substantially paid out by June 30, 2020. In addition, a charge of $3.7 million is expected to be recorded for incremental retention benefits in the same time period, of which approximately $400,000 was recorded during the three months ended June 30, 2019.

In addition to the termination benefits and other related charges, we will seek to sub-lease the majority of the laboratory and office space at 830 Winter Street in Waltham, Massachusetts and dispose of excess equipment. In performing the impairment test, we recorded a charge of $2.5 million to write down the equipment to fair value, however, we determined the right-to-use asset related to the lease was recoverable, therefore no impairment was recorded.

In February 2018, following an in-depth review of manufacturing and quality operations, the Board of Directors authorized management to implement a new operating model that will rely on external manufacturing and quality testing for drug substance and drug product for our development programs. The implementation of this new operating model led to the ramp-down of manufacturing and quality activities at the Norwood, Massachusetts facility by the end of 2018, with a full decommissioning of the facility in February 2019. Implementation of the new operating model resulted in the separation of 22 employees. Communication of the plan to the affected employees was substantially completed on February 8, 2018.

In connection with the implementation of the new operating model, we recorded a charge of $1.2 million for severance related to a pre-existing plan in the first quarter of 2018. Additional expense was recorded for incremental retention benefits over the remaining service period of the related employees, which totaled $686,000 for the three months ended June 30, 2018, all of which was paid out by the end of 2018. Cash payments related to severance were substantially paid out by the end of the second quarter of 2019.

Investment Income, net

Investment income for the three months ended June 30, 2019 and 2018 was $1.3 million and $814,000, respectively. The increase in the current period is due to a greater average cash balance driven largely by $162.5 million of net proceeds generated from a public offering of common stock in June 2018 and $65.2 million of net proceeds generated from the sale of our residual rights to Kadcyla royalty payments in January 2019.

Non-Cash Interest Expense on Liability Related to Sale of Future Royalty

In 2015, IRH purchased our right to receive 100% of the royalty payments on commercial sales of Kadcyla arising under our development and commercialization license with Genentech, until IRH has received aggregate royalties equal to $235 million or $260 million, depending on when the aggregate royalties received by IRH reach a specified milestone. Once the applicable threshold was met, if ever, the Company would thereafter have received 85% and IRH would have received 15% of the Kadcyla royalties for the remaining royalty term. In January 2019, OMERS purchased IRH's right to the royalties the Company previously sold as described above. As described in Note E to our Consolidated Financial Statements, this royalty sale transaction has been recorded as a liability that amortizes over the estimated royalty payment period as Kadcyla royalties are remitted directly to the purchaser. During the three months ended June 30, 2019 and 2018, we recorded $3.8 million and $2.6 million, respectively, of non-cash interest expense which includes amortization of deferred financing costs. We impute interest on the transaction and record interest expense at the effective interest rate, which we currently estimate to be 10.0%. There are a number of factors that could materially affect the estimated interest rate, in particular, the amount and timing of royalty payments from future net sales of Kadcyla, and we will assess this estimate on a periodic basis. As a result, future interest rates could differ significantly and any such change in interest rate will be adjusted prospectively.

Other Income (Expense), net

Other income (expense), net for the three months ended June 30, 2019 and 2018 was $167,000 and ($1.1) million, respectively. These amounts were foreign currency exchange gains and losses related to obligations with non-U.S. dollar-based suppliers and Euro cash balances maintained to fulfill those obligations during the respective periods.

Comparison of Six Months ended June 30, 2019 and 2018

Revenues

Our total revenues for the six months ended June 30, 2019 and 2018 were $24.1 million and $29.1 million, respectively. The $5.0 million decrease in revenues in the six months ended June 30, 2019 from the same period in the prior year is attributable to a decrease in license and milestone fees, research and development support revenue and clinical materials revenue, partially offset by an increase in royalty revenue, which is discussed further below.

License and milestone fees

The amount of license and milestone fees we earn is directly related to the number of our collaborators, the advancement of product candidates covered by the agreements with our collaborators, and the overall success in the clinical trials of these product candidates. As such, the amount of license and milestone fees may vary significantly from quarter to quarter and year to year. License and milestone fee revenue was $5.2 million and $12.9 million for the six months ended June 30, 2019 and 2018, respectively. Included in license and milestone fees for the six months ended June 30, 2019 is a $5 million regulatory milestone achieved under our license agreement with Genentech, a member of the Roche Group. Included in license and milestone fees for the prior period is $10.9 million of previously deferred license revenue earned upon the expiration of the right to execute a license or extend the research term specified under the right-to-test agreement with Takeda and a $500,000 payment received in January 2018 related to the completed technology transfer of IMGN529 to Debiopharm. In May 2018, Novartis terminated one of its six development and commercialization licenses. As a result, we recorded the remaining $978,000 balance of the upfront payment that had been allocated to future performance obligations under this license as revenue, which is included in license and milestone fees for the six months ended June 30, 2018.

Royalty revenue

Kadcyla is an ADC marketed product resulting from one of our development and commercialization licenses with Roche, through its Genentech unit. We receive royalty reports and payments related to sales of Kadcyla from Roche one quarter in arrears. In accordance with ASC 606, however, we record an estimate of the amount of royalties earned on

Kadcyla sales within the period. Consistent with this policy, we recorded $18.9 million and $14.4 million of non-cash royalties on net sales of Kadcyla for the six-month periods ended June 30, 2019 and 2018, respectively. Kadcyla sales occurring after January 1, 2015 are covered by a royalty purchase agreement whereby the associated cash was remitted to Immunity Royalty Holdings, L.P., subject to a residual cap. In January 2019, we sold our residual rights to receive royalty payments on commercial sales of Kadcyla to OMERS, the defined benefit pension plan for municipal employees in the Province of Ontario, Canada, for a net payment of $65.2 million (amount is net of $1.5 million of contingent broker fees). Simultaneously, OMERS purchased IRH's right to the royalties the Company previously sold as described above, thereby obtaining the rights to 100% of the royalties received from that date on. See further details regarding the royalty obligation in Note E of the Consolidated Financial Statements.

Research and development support revenue

The amount of research and development support revenue we earn is directly related to requests we receive from collaborators for research and development work under our agreements with them. As such, the amount of these fees may vary widely from quarter to quarter and year to year. Research and development support revenue was $68,000 for the six months ended June 30, 2019 compared with $771,000 for the six months ended June 30, 2018.

Clinical materials revenue

Clinical materials revenue was $1.0 million for the six months ended June 30, 2018. We decommissioned our manufacturing facility in 2018 and no longer produce preclinical and clinical materials on behalf of our collaborators.

Research and Development Expenses

Our research and development expenses relate to (i) research to evaluate new targets and to develop and evaluate new antibodies, linkers, and cytotoxic agents, (ii) preclinical testing of our own and, in certain instances, our collaborators' product candidates, and the cost of our own clinical trials, (iii) development related to clinical and commercial manufacturing processes, and (iv) external manufacturing operations, and prior to 2019, internal manufacturing operations, which also included raw materials.

Research and development expense for the six months ended June 30, 2019 decreased $16.0 million to $67.5 million from $83.5 million for the six months ended June 30, 2018, due primarily to: (i) decreased clinical trial costs primarily related to the FORWARD I Phase 3 study; (ii) lower facility-related costs, including depreciation expense, and personnel expenses related to the shut-down of our Norwood facility in 2018; (iii) decreased bonus and stock compensation expense as a result of the recent restructuring of the business; and (iv) a higher credit recorded against IMGN779, IMGN632, and IMGC936 development costs in the current period compared to the prior period resulting from cost-sharing with Jazz and MacroGenics pursuant to our respective collaboration agreements. We do not track our research and development costs by project. Since we use our research and development resources across multiple research and development projects, we manage our research and development expenses within each of the categories listed in the following table and described in more detail below (in thousands):

	Six Months Ended June 30,	
Research and Development Expense	**2019**	**2018**
Research	$ 10,500	$ 11,877
Preclinical and Clinical Testing	39,490	46,865
Process and Product Development	5,312	5,665
Manufacturing Operations	12,150	19,125
Total Research and Development Expense	$ 67,452	$ 83,532

Research

Research includes expenses primarily associated with activities to identify and evaluate new targets and to develop and evaluate new antibodies, linkers, and cytotoxic agents for our products and in support of our collaborators. Such expenses primarily include personnel, contract services, facility expenses, and lab supplies. Research expenses for the six months ended June 30, 2019 decreased $1.4 million compared to the six months ended June 30, 2018. This decrease is principally due to a decrease in personnel expenses driven by adjustments made in the current period to bonus and stock compensation expense as a result of the restructuring of the business in June 2019.

Preclinical and Clinical Testing

Preclinical and clinical testing includes expenses related to preclinical testing of our own and, in certain instances, our collaborators' product candidates, regulatory activities, and the cost of our own clinical trials. Such expenses include personnel, patient enrollment at our clinical testing sites, consultant fees, contract services, and facility expenses. Preclinical and clinical testing expenses for the six months ended June 30, 2019 decreased $7.4 million to $39.5 million compared to $46.9 million for the six months ended June 30, 2018. This decrease is primarily the result of lower clinical trial costs principally driven by greater FORWARD I activity in the prior period, and a higher credit recorded against IMGN779, IMGN632, and IMGC936 development costs in the current period compared to the prior period resulting from cost-sharing with Jazz and MacroGenics. Partially offsetting these decreases, contract services increased due to substantially greater activity related to our mirvetuximab soravtansine and IMGC936 programs in the current period.

Process and Product Development

Process and product development expenses include costs for development of clinical and commercial manufacturing processes for our own and collaborator compounds. Such expenses include the costs of personnel, contract services, and facility expenses. For the six months ended June 30, 2019, total process and product development expenses decreased $353,000 compared to the six months ended June 30, 2018. This decrease is principally due to a higher credit recorded against IMGN779, IMGN632, and IMGC936 development costs in the current period compared to the prior period resulting from cost-sharing with Jazz and MacroGenics.

Manufacturing Operations

Manufacturing operations expense includes costs to manufacture preclinical and clinical materials for our own and our collaborator's product candidates, quality control and quality assurance activities, and costs to support the operation and maintenance of our drug substance manufacturing facility, which we ramped-down in 2018 and decommissioned in February 2019. Such expenses include personnel, raw materials for our and our collaborators' preclinical studies and clinical trials, development costs with contract manufacturing organizations, manufacturing supplies, and facilities expense. For the six months ended June 30, 2019, manufacturing operations expense decreased $7.0 million to $12.1 million compared to $19.1 million in the same period last year. This decrease is principally the result of lower personnel and facility-related expenses, including amortization of leasehold improvements, resulting from the shut-down of our manufacturing facility in late 2018.

General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2019 increased $831,000 compared to the same period last year. This increase is principally due to an increase in personnel expenses driven by increased headcount and greater stock compensation expense, partially offset by lower bonus expense resulting from adjustments made related to the restructuring of the business.

Restructuring Charges

On June 26, 2019, the Board of Directors approved a plan to restructure the business to focus resources on continued development of mirvetuximab soravtansine and a select portfolio of three earlier-stage product candidates, resulting in a reduction of our workforce by approximately 220 positions, with a majority of these employees separating from the business by mid-July 2019 and the remaining affected employees transitioning over varying periods of time of up to 12 months. Communication of the plan to the affected employees was substantially completed on June 27, 2019.

As a result of the workforce reduction, we recorded a charge of $16.0 million for severance related to a pre-existing plan in the six months ended June 30, 2019. The related cash payments will be substantially paid out by June 30, 2020. In addition, a charge of $3.7 million is expected to be recorded for incremental retention benefits in the same time period, of which approximately $400,000 was recorded during the six months ended June 30, 2019.

In addition to the termination benefits and other related charges, we will seek to sub-lease the majority of the laboratory and office space at 830 Winter Street in Waltham, Massachusetts and dispose of excess equipment. In performing the impairment test, we recorded a charge of $2.5 million to write down the equipment to fair value, however, we determined the right-to-use asset related to the lease was recoverable, therefore, no impairment was recorded.

As a result of a workforce reduction in September 2016, the Company began seeking to sub-lease 10,281 square feet of unoccupied office space at 930 Winter Street in Waltham, Massachusetts that was leased in 2016. During the six months ended June 30, 2019, the Company recorded $559,000 of impairment charges related to this lease, which represents the remaining balance of the right to use asset as the likelihood of finding a sub-lessor has diminished significantly as the lease approaches termination.

In February 2018, following an in-depth review of manufacturing and quality operations, the Board of Directors authorized management to implement a new operating model that will rely on external manufacturing and quality testing for drug substance and drug product for our development programs. The implementation of this new operating model led to the ramp-down of manufacturing and quality activities at the Norwood, Massachusetts facility by the end of 2018, with a full decommissioning of the facility in February 2019. Implementation of the new operating model resulted in the separation of 22 employees. Communication of the plan to the affected employees was substantially completed on February 8, 2018.

In connection with the implementation of the new operating model, we recorded a charge of $1.2 million for severance related to a pre-existing plan in the first quarter of 2018. Additional expense was recorded for incremental retention benefits over the remaining service period of the related employees, which totaled $1.1 million for the six months ended June 30, 2018, all of which was paid out by the end of 2018. Additionally, certain options held by the employees to be separated were modified to extend the exercise period, resulting in a stock compensation charge of $157,000 in the first quarter of 2018. Cash payments related to severance were substantially paid out by the end of the second quarter of 2019.

Investment Income, net

Investment income for the six months ended June 30, 2019 and 2018 was $2.7 million and $1.5 million, respectively. The increase in the current period is due to a greater average cash balance driven largely by $162.5 million of net proceeds generated from a public offering of common stock in June 2018 and $65.2 million of net proceeds generated from the sale of our residual rights to Kadcyla royalty payments in January 2019.

Non-Cash Interest Expense on Liability Related to Sale of Future Royalty

In 2015, IRH purchased our right to receive 100% of the royalty payments on commercial sales of Kadcyla arising under our development and commercialization license with Genentech, until IRH has received aggregate royalties equal to $235 million or $260 million, depending on when the aggregate royalties received by IRH reach a specified milestone. Once the applicable threshold was met, if ever, the Company would thereafter have received 85% and IRH would have received 15% of the Kadcyla royalties for the remaining royalty term. In January 2019, OMERS purchased IRH's right to the royalties the Company previously sold as described above. As described in Note E to our Consolidated Financial Statements, this royalty sale transaction has been recorded as a liability that amortizes over the estimated royalty payment period as Kadcyla royalties are remitted directly to the purchaser. During the six months ended June 30, 2019 and 2018, we recorded $7.2 million and $5.7 million, respectively, of non-cash interest expense which includes amortization of deferred financing costs. We impute interest on the transaction and record interest expense at the effective interest rate, which we currently estimate to be 10.0%. There are a number of factors that could materially affect the estimated interest rate, in particular, the amount and timing of royalty payments from future net sales of Kadcyla, and we will assess this estimate on a periodic basis. As a result, future interest rates could differ significantly and any such change in interest rate will be adjusted prospectively.

Other Income (Expense), net

Other income (expense), net for the six months ended June 30, 2019 and 2018 was $96,000 and ($515,000), respectively. These amounts primarily consisted of gains on sale of assets and foreign currency exchange gains and losses related to obligations with non-U.S. dollar-based suppliers and Euro cash balances maintained to fulfill those obligations during the respective periods.

LIQUIDITY AND CAPITAL RESOURCES
(amounts in tables in thousands)

	As of	
	June 30, 2019	December 31, 2018
Cash and cash equivalents	$ 239,825	$ 262,252
Working capital	184,762	208,121
Shareholders' (deficit) equity	(68,174)	10,972

	Six Months Ended June 30,	
	2019	2018
Cash used for operating activities	$ (20,810)	$ (85,281)
Cash used for investing activities	(2,355)	(2,127)
Cash provided by financing activities	738	165,359

Cash Flows

We require cash to fund our operating expenses, including the advancement of our own clinical programs, and to make capital expenditures. Historically, we have funded our cash requirements primarily through equity and convertible debt financings in public markets and payments from our collaborators, including license fees, milestones, research funding, and royalties. We have also monetized our rights to receive royalties on Kadcyla for up-front consideration. As of June 30, 2019, we had $239.8 million in cash and cash equivalents. Net cash used for operations was $20.8 million and $85.3 million for the six months ended June 30, 2019 and 2018, respectively. The principal use of cash for operating activities for both periods presented was to fund our net loss, with the current period benefiting from $65.2 million of net proceeds from the sale of our residual rights to royalty payments on net sales of Kadcyla.

Net cash used for investing activities was $2.4 million and $2.1 million for the six months ended June 30, 2019 and 2018, respectively, and represents cash outflows for capital expenditures, primarily for the purchase of new equipment.

Net cash provided by financing activities was $738,000 and $165.4 million for the six months ended June 30, 2019 and 2018, respectively. In June 2018, pursuant to a public offering, we issued and sold 15.8 million shares of our common stock resulting in net proceeds of $162.5 million. Also included in the six months ended June 30, 2019 and 2018 is $738,000 and $2.8 million, respectively, of proceeds generated from the exercise of approximately 379,000 and 568,000 stock options, respectively.

On June 26, 2019, the Board of Directors approved a plan to restructure the business to focus resources on continued development of mirvetuximab soravtansine and a select portfolio of three earlier-stage product candidates, resulting in a reduction of workforce by approximately 220 positions. We anticipate that our current capital resources and expense reductions resulting from these operational changes will enable us to meet our operational expenses and capital expenditures for more than twelve months after the date of this report. We may raise additional funds through equity and debt financings or generate revenues from collaborators through a combination of upfront license payments, milestone payments, royalty payments, and research funding. We cannot provide assurance that such collaborative agreement funding will, in fact, be received. Should we or our partners not meet some or all of the terms and conditions of our various collaboration agreements or if we are not successful in securing future collaboration agreements, we may elect or be required to secure alternative financing arrangements, and/or defer or limit some or all of our research, development and/or clinical projects.

Contractual Obligations

In 2018, the Company executed a commercial agreement with one of its manufacturers for future production of antibody through calendar 2025. In May 2019, the agreement was amended to reduce the number of committed antibody batches for an agreed-upon exit fee, which was determined probable and recorded as research and development expense in the first quarter of 2019. As of June 30, 2019, the Company's noncancelable commitment ranges from €2.3 to €15.1 million pursuant to contingent terms of the agreement, including the manufacturer's ability to fill the Company's unused capacity with production for other customers.

There have been no other material changes to our contractual obligations during the current period from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

Recent Accounting Pronouncements

The information set forth under Note B to the consolidated financial statements under the caption "Summary of Significant Accounting Policies" is incorporated herein by reference.

Third-Party Trademarks

Avastin, Herceptin, Kadcyla, and Keytruda are registered trademarks of their respective owners.

OFF-BALANCE SHEET ARRANGEMENTS

None.

ITEM 3. *Quantitative and Qualitative Disclosure about Market Risk*

Our market risks, and the ways we manage them, are summarized in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of our Annual Report on Form 10-K for the year ended December 31, 2018. Since then there have been no material changes to our market risks or to our management of such risks.

ITEM 4. *Controls and Procedures*

(a) *Disclosure Controls and Procedures*

Our management, with the participation of our principal executive and financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive and financial officer has concluded that, as of the end of such period, our disclosure controls and procedures were adequate and effective.

(b) *Changes in Internal Controls*

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than an upgrade to our enterprise resource planning system.

PART II. OTHER INFORMATION

ITEM 1A. *Risk Factors*

You should carefully review and consider the information regarding certain factors that could materially affect our business, financial condition, or future results set forth under Item 1A. (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes from the factors disclosed in our 2018 Annual Report on Form 10-K, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the Securities and Exchange Commission.

ITEM 5. *Other Information*

None

ITEM 6. ***Exhibits***

Exhibit No.	Description
10.1	Severance Pay Plan for Vice Presidents and Higher, as amended through June 20, 2019
31.1	Certification of the principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32 †	Certification of the principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Financial statements from the quarterly report on Form 10-Q of ImmunoGen, Inc. for the quarter ended June 30, 2019 formatted in inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations and Comprehensive Loss; (iii) the Consolidated Statements of Shareholder's (Deficit) Equity; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to Consolidated Financial Statements
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† *Furnished, not filed.*

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ImmunoGen, Inc.

Date: August 7, 2019

By: /s/ Mark J. Enyedy
Mark J. Enyedy
President and Chief Executive Officer (Principal Executive Officer and Principal Financial Officer)

IMMUNOGEN INC.

SEVERANCE PAY PLAN

AND

SUMMARY PLAN DESCRIPTION

FOR VICE PRESIDENTS AND HIGHER

As amended through June 20, 2019

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IMMUNOGEN INC.

SEVERANCE PAY PLAN

AND

SUMMARY PLAN DESCRIPTION

FOR VICE PRESIDENTS AND HIGHER

(As amended through June 20, 2019)

I. Purpose

The purpose of the ImmunoGen, Inc. Severance Pay Plan for Vice Presidents and Higher (the "Plan") is to provide, in the sole discretion of ImmunoGen, Inc. (the "Company"), a period of continued income and benefits ("Severance Benefits") to eligible employees who serve in certain positions as designated by the Company, and whose employment with the Company is involuntarily terminated without Cause (as defined herein).

The Plan is designed to be an unfunded "employee welfare benefit plan," as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and, accordingly, the Plan is governed by ERISA. This document constitutes both the Plan document and the summary plan description required under ERISA.

II. Eligibility

A. For purposes of this Plan, the term "Eligible Employee" means an employee of the Company:

1) who holds the position of Vice President and higher; and

2) whose employment with the Company is terminated by the Company without Cause.

B. For the avoidance of doubt, unless the Company provides otherwise in writing, Severance Benefits will **NOT** be paid to an employee:

1) terminating employment voluntarily;

2) on a leave of absence, whether approved or unapproved;

3) terminated by the Company for Cause. For purposes of this Plan, "Cause" means that the employee has, as determined by the Company in its sole discretion: (i) willfully committed an act or omission that materially harms the Company; (ii) been grossly negligent in the performance of the

employee's duties to the Company; (iii) willfully failed or refused to follow the lawful and proper directives of the Chief Executive Officer or the Board of Directors of the Company (the "Board"); (iv) been convicted of, or pleaded guilty or *nolo contendere*, to a felony; (v) committed an act involving moral turpitude that is or is reasonably expected to be injurious to the Company or its reputation; (vi) committed an act relating to the employee's employment or the Company involving in the good faith judgment of the Board, material fraud or theft; (vii) breached any material provision of any agreement between the employee and the Company or any nondisclosure or non-competition agreement between the employee and the Company, as all of the foregoing may be amended prospectively from time to time; or (viii) breached a material provision of any code of conduct or ethics policy in effect at the Company, as all of the foregoing may be amended prospectively from time to time (each of the foregoing hereinafter referred to as a "Violation"); provided, however, that if a Violation described in clauses (ii), (vii) or (viii) is susceptible of cure, the employee will be afforded a reasonable period (not to exceed twenty (20) business days) after receiving the initial written notice from the Company of such Violation to substantially cure such Violation prior to the Company taking any action to terminate the employee's employment for Cause;

4) if the employee has been offered another reasonably comparable position with the Company, whether or not the employee accepts such offer; or

5) if the employee is entitled to receive severance compensation under the terms of any separate written agreement, including, without limitation, any change in control severance agreement or employment agreement, between the Company and the employee in connection with the termination of the employee's employment following a change in control of the Company or otherwise.

For purposes of clause (4) above, whether an offer is "reasonably comparable" will be determined by the Company in its sole reasonable discretion. The Company shall, but is not necessarily limited to, consider the following factors in making such determination: (a) the change in commute; (b) a comparison of the offered annual base salary against the employee's then current annual base salary; and (c) whether the employee is reasonably capable of performing the responsibilities of the position by training or experience.

C. Notwithstanding any provisions of this Plan to the contrary, the Company shall not be obligated to pay the employee and the employee shall not be eligible to receive any Severance Benefits set forth in Section III unless the employee executes, delivers, and does not revoke a "separation agreement" within the time period set forth in the separation agreement. The separation agreement generally will include:

- a release of claims;
- a non-disparagement agreement;

- a non-competition agreement;
- a non-solicitation agreement; and
- such other provisions that the Company may require.

III. Severance Benefits

Provided that an Eligible Employee satisfies all conditions for receipt in accordance with the terms of this Plan, an Eligible Employee shall be entitled to the following Severance Benefits:

A. Severance Pay

An Eligible Employee will receive Severance Pay in accordance with the following schedule:

Chief Executive Officer	18 months
Executive Officer (as designated by the Board)	12 months
Vice President (other than Executive Officer)	Two (2) weeks of salary for each year of service, subject to a minimum Severance Pay level of 26 weeks and a maximum Severance Pay level of 52 weeks

Severance Pay will be calculated on the basis of the Eligible Employee's highest annualized base salary in the 12 months preceding the date of termination of employment with the Company (the "Termination Date").

For these purposes, an Eligible Employee who is a Vice President (other than an Executive Officer) is entitled to credit for a year of service for each 12 month period of continuous service commencing on the Eligible Employee's date of hire (or in the case of an Eligible Employee who has more than one period of service with the Company, the most recent date of hire); provided however, that credit for a full year of service will be given if the Termination Date is six (6) months or more from the most recent anniversary date of the Eligible Employee's date of hire (or most recent date of hire as noted above).

Severance Pay will be paid by means of salary continuation payments commensurate with the Company's normal payroll cycles, for the duration of the period described above (the "Severance Period"), to commence as soon as practicable following the effective date of the separation agreement, but no later than sixty (60) days following the Termination Date, subject to the provisions of Section II(C) and Section IV. In case of the death of an Eligible Employee before the completion of all Severance Payments, any remaining Severance Payments will be paid in a lump sum to the beneficiary or beneficiaries as set forth in the Eligible

Employee's beneficiary designation under the Company's group life insurance program as in effect on the Eligible Employee's Termination Date, as soon as administratively feasible, but in no event later than sixty (60) days following the Company's receipt of notice of the Eligible Employee's death. If no such beneficiary designation is in effect on the Termination Date, or if no such designated beneficiary(ies) survive the Eligible Employee, the remaining Severance Payments will be paid to Eligible Employee's estate.

B. Annual Bonus

1) If not already paid on or prior to the Termination Date, an Eligible Employee will be entitled to receive a payment equal to his or her annual bonus related to the most recently completed calendar year, determined in accordance with the terms of the Company's annual bonus program, if, as and when bonuses are paid to employees who were similarly situated officers of the Company as of the end of the most recently completed fiscal year.

2) For the calendar year in which the Eligible Employee's termination occurs, the Eligible Employee will be entitled to receive his or her annual bonus related to such year, determined in accordance with the Company's annual bonus program, if, as and when bonuses are paid to employees who were similarly situated officers of the Company as of end of such year, provided that such bonus will be pro-rated to reflect the actual number of days the Eligible Employee was employed during the applicable calendar year.

Any annual bonus amounts due to the Eligible Employee will be paid to the Eligible Employee at the same time bonuses are paid to other participants in the Company's annual bonus program. In case of the death of an Eligible Employee before payment of the annual bonus amounts due to the Eligible Employee, such bonus amounts will be paid to the beneficiary or beneficiaries as set forth in the Eligible Employee's beneficiary designation under the Company's group life insurance program as in effect on the Eligible Employee's Termination Date. If no such beneficiary designation is in effect on the Termination Date, or if no such designated beneficiary(ies) survive the Eligible Employee, the bonus amounts will be paid to the Eligible Employee's estate.

C. COBRA Premium

If an Eligible Employee timely elects to continue medical and dental coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), the Company will subsidize such Eligible Employee's COBRA premium at the same rate the Company subsidizes coverage for similarly situated active employees, as such subsidy may be modified from time-to-time. In the event that the Company determines that the COBRA premium subsidy is taxable income to Eligible Employees, the income will be reported on Form W-2 as imputed income. The COBRA premium subsidy will continue for the duration of the

Eligible Employee's Severance Period, or until COBRA ends, if earlier. Upon the cessation of the COBRA premium subsidy, the Eligible Employee will be entitled to continue his or her medical and/or dental coverage for the duration of the COBRA continuation period, if any, at the Eligible Employee's own cost.

D. Outplacement Services

Outplacement services lasting not less than 6 months will be provided at a level to be determined by the Company in its sole discretion. If an Eligible Employee fails to commence utilization of the outplacement services provided by the Company within 60 days of his or her Termination Date, the outplacement services shall be forfeited. In no event will an Eligible Employee be entitled to the cash value of the outplacement services in lieu of the outplacement services.

IV. Conditions Governing Payment

A. In addition to the satisfaction of any conditions set forth above, an Eligible Employee will only receive such Severance Benefits if the Company determines that the Eligible Employee has satisfied the following:

1) the Eligible Employee must continue to be actively at work to the satisfaction of the Company through the last day of work designated and as determined by the Company, in its sole discretion, unless the Eligible Employee's absence is covered by the Company's paid time off policy, or if the Company, in its sole discretion, has agreed in writing to adjust the Eligible Employee's last day of work to an earlier date than previously scheduled; and

2) the Eligible Employee must have returned all Company property and settled satisfactorily all expenses owed to the Company.

B. Any Severance Benefits to which the Eligible Employee may be entitled will be offset, in the sole discretion of the Company, by any amounts the Eligible Employee may owe the Company, such as pay for time under the Company's paid time off policy the Eligible Employee may have been advanced but was not earned at the time of termination, unauthorized or un-reconciled business expenses, and the value of any Company equipment in the Eligible Employee's possession which the Eligible Employee has not returned to the Company.

C. Any Severance Benefits for which the Eligible Employee may be eligible will be reduced by the amount of paid administrative leave provided to the Eligible Employee during any notice period required by the Worker Adjustment and Retraining Notification (WARN) Act. Alternatively, if the WARN Act applies and the Company provides the Eligible Employee less than 60 days' notice, the Company may choose to pay out pay and benefits owed instead of providing the Eligible Employee paid administrative leave. In that event, any Severance Benefits

for which the Eligible Employee may be eligible will be reduced by the amount of pay and benefits provided in lieu of notice.

D. Any Severance Benefits to which an Eligible Employee may be entitled shall immediately cease upon the determination by the Company that such Eligible Employee violated the terms of the separation agreement or the Proprietary Information, Inventions and Competition Agreement between the Company and the Eligible Employee.

V. Reemployment

If rehired by the Company, any Severance Benefits to which an Eligible Employee may be entitled shall cease with the payment for the period ending the day immediately preceding the date of rehire.

VI. Plan Continuance

The Company expects to continue this Plan indefinitely, but reserves the right to amend or terminate the Plan, or any portion of the Plan, at any time in its sole discretion by action of the Board. Further, the Company, by action of the Board, reserves the right to modify the benefits set forth in this Plan, or to pay such other benefits as it may, in its sole discretion, deem appropriate, in addition to or in lieu of the benefits set forth in this Plan. Notwithstanding the above, any amendment or modification to the Plan that decreases benefits available under the Plan will apply only to those employees who have a Termination Date after the effective date of such modification or amendment.

VII. Administration of the Plan

The Company, acting through the Head of Human Resources ("HHR"), shall be the Plan Administrator. The Plan Administrator shall have sole authority and discretion to administer and construe the terms of this Plan, subject to applicable requirements of law. Without limiting the generality of the foregoing, the Plan Administrator shall have complete discretionary authority to carry out the following powers and duties:

1) to make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

2) to interpret and construe the Plan, its interpretations and constructions thereof to be final and conclusive on all persons claiming Severance Benefits under the Plan;

3) to decide all questions, including without limitation, issues of fact, concerning the Plan, including the eligibility of any person to participate in, and receive Severance Benefits under the Plan; and

4) to appoint such agents, counsel, accountants, consultants and other persons as may be required to assist in the administration of the Plan.

VIII. Claim and Claim Appeal Procedures

Employees who are eligible for Severance Payments under this Plan will be notified by the Company. If you believe that you did not receive the Severance Benefits to which you were entitled, you need to make a claim with the Director, Human Resources Business Partner (the "HR Business Partner"). The HR Business Partner will review and make a decision with respect to your claim within 90 days of receipt of your claim, unless the HR Business Partner determines that special circumstances require an extension of time for processing the claim, in which case you will receive a written notice of the extension before termination of the initial 90-day period. The extension notice will indicate the special circumstances requiring the extension and the date by which the HR Business Partner expects to render the benefit determination.

If any claim is denied in whole or in part, you or your beneficiary will receive written notification within 90 days, including the reasons for the denial; reference to the specific Plan provisions on which the denial was based; information about additional material needed to pursue the claim, if any, and why such material is needed; and an explanation of the claim appeal procedure including a statement of your right to bring a civil action under § 502(a) of ERISA following an adverse benefit determination on appeal. Within 60 days, you or your beneficiary may submit a written request for reconsideration of the claim to the HHR.

You or your representative may submit written comments, documents, records, and other information relating to the claim for Severance Benefits. Upon request and free of charge, you or your representative may have reasonable access to, and copies of, all documents, records, and other information relevant to your claim for Severance Benefits.

The review by the HHR will take into account all comments, documents, records, and other information you submit relating to the claim, without regard to whether such information was submitted or considered in the initial Severance Benefits determination.

The HHR will make a decision on your appeal within 60 days after the receipt of the appeal. If the HHR determines that special circumstances require an extension of time for processing the appeal, you will receive a written notice of the extension before the end of the initial 60-day period. The extension notice shall indicate the special circumstances requiring the extension and the date by which the Plan expects to render the determination on appeal.

If your appeal is denied in whole or in part, you will receive a written notification including the reasons for the denial; reference to the specific Plan provisions on which the denial was based; a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for Severance Benefits; and a statement describing any voluntary appeal procedures offered by the Plan and your right to obtain information about such procedures, as well as a statement of your right to bring a civil action under § 502(a) of ERISA.

The HHR will decide whether a hearing will be held on the claim and will notify you at least 14 days before the hearing, if one is to be held.

To the extent permitted by law, decisions reached under the claims procedures set forth in this Section VIII shall be final and binding on all parties. No action (whether at law, in equity or otherwise) shall be brought by or on behalf of any participant or Beneficiary for or with respect to benefits due under this Plan unless the person bringing such action has timely exhausted the Plan's claim review procedure. In any such legal action, the claimant may only present evidence and theories which the claimant presented during the claims procedure. Any claims which the claimant does not in good faith pursue through the review stage of the procedure shall be treated as having been irrevocably waived. Judicial review of a claimant's denied claim shall be limited to a determination of whether the denial was an abuse of discretion based on the evidence and theories the claimant presented during the claims procedure.

Any action (whether at law, in equity or otherwise) must be commenced within one (1) year and must be brought in a court of competent jurisdiction sitting in Waltham, Massachusetts. This one (1) year period shall be computed from the earlier of: (a) the date a final determination denying such benefit, in whole or in part, is issued under the Plan's claim review procedure; and (b) the date such individual's cause of action first accrued (as determined under the laws of the Commonwealth of Massachusetts without regard to principles of choice of laws).

IX. Your Rights Under ERISA

As a participant in the Plan you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants shall be entitled to:

A. Receive Information About Your Plan and Benefits

1) Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

2) Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

B. Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in your interest and that of other Plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

C. Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

D. Assistance with Your Questions

If you have questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

X. Tax Information

It is intended that this Plan: (i) be exempt from the requirements of Section 409A of the Internal Revenue Code (the "Code") of 1986 ("Section 409A") to the maximum extent possible (under the short-term deferral rules of Treasury Regulation Section 1.409A-1(b)(4)(i) and/or the exemption for involuntary terminations under the separation pay plan rules of Treasury Regulation Section 1.409A-1(b)(9)(iii)).

If this Plan is not exempt from the requirements of Section 409A of the Code, or to the extent the Plan is not so exempt, it is intended that the Plan comply with the requirements of Section 409A of the Code and the Plan shall be interpreted, operated and administered accordingly, including:

(i) The phrase termination of employment, or any derivation thereof, shall mean a "separation from service" within the meaning of Code Section 409A.

(ii) To the extent that this Plan requires that a payment shall be made following the execution of a waiver and release agreement, such payment or payments will only be made if the waiver and release agreement is executed prior to the 60th day following the Termination Date; provided, that if this 60 day period commences in one tax year and ends in the next tax year, no payment which is the subject of such waiver and release agreement may be made or commence (in the case of a series of payments), until the second of the tax years. The Employee may not designate the year of such payment.

(iii) To the extent that this Plan provides for the reimbursement of specified expenses incurred by an Eligible Employee, such reimbursement shall be made in accordance with the provisions of this Plan, but in no event later than the last day of the Eligible Employee's taxable year following the taxable year in which the expense was incurred. The amount of expenses eligible for reimbursement in any taxable year of the Eligible Employee shall not affect the amount of expenses to be reimbursed or provided in any other year (except in the case of maximum benefits to be provided under a medical reimbursement arrangement, if applicable).

(iv) Payments in respect of an Eligible Employee's termination of employment under this Plan are designated as separate payments for purposes of the short-term deferral rules under Treasury Regulation Section 1.409A-1(b)(4)(i)(F) and the exemption for involuntary terminations under separation pay plans under Treasury Regulation Section 1.409A-1(b)(9)(iii). As a result, (a) any payments that become vested as a result of the Eligible Employee's termination of employment under this Plan that are made on or before the 15th day of the third month of the later of the calendar year or Company fiscal year following the calendar or fiscal year of the Eligible Employee's termination of employment, and (b) any additional payments that are made on or before the last day of the second calendar year following the year of the Eligible Employee's termination of employment and do not exceed the lesser of two times base salary or two times the limit under Code Section 401(a)(17) then in effect, and (c) the payment of medical expenses within the applicable COBRA period, are exempt from the requirements of Code Section 409A.

(v) Notwithstanding any other provision with respect to the timing of payments under Section III, if, at the time of Eligible Employee's termination, Eligible Employee is deemed to be a "specified employee" (within the meaning of Section 409A, and any successor statute, regulation and guidance thereto) of the Company, then solely to the extent necessary to comply with the requirements of Section 409A, any payments to which Eligible Employee may become entitled under Section III which are subject to Section 409A (and not otherwise exempt from its application) will be withheld until the first (1st) business day of the seventh (7th) month following the Termination Date, at which time Eligible Employee shall be paid an aggregate amount equal to the accumulated, but unpaid, payments otherwise due to Eligible Employee under the terms of Section III.

Notwithstanding anything in this Plan to the contrary, the Company does not guarantee the tax treatment of any Severance Benefits under this Plan, including without limitation pursuant to the Code, federal, state or local tax laws or regulations.

XI. Severability

In the case any provision of the Plan is determined to be illegal or invalid for any reason, such illegality or invalidity will not affect the remaining parts of the Plan, but the Plan will be construed and enforced as if such illegal or invalid provision never existed.

XII. General Information

Plan Name:	ImmunoGen, Inc. Severance Pay Plan for Vice Presidents and Higher
Type of Plan:	Severance Pay Plan - Welfare Plan
Name of Plan Sponsor:	ImmunoGen, Inc. 830 Winter Street Waltham, MA 02451 (781) 895-0600
Employer I.D. Number:	04-2726691
Plan Number:	5 0 2
Plan Administrator:	ImmunoGen, Inc. c/o Chief Human Resources Officer 830 Winter Street Waltham, MA 02451
Plan Agent for Service of Legal Process:	ImmunoGen, Inc. c/o General Counsel 830 Winter Street Waltham, MA 02451 Service of legal process also may be made on the Plan Administrator
Plan Year:	January 1 through December 31

Amended effective as of June 20, 2019.

IMMUNOGEN INC.

By: /s/ Mark J. Enyedy

Title: President and Chief Executive Officer

Date: June 20, 2019

EXHIBIT 31.1

CERTIFICATIONS

I, Mark Enyedy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ImmunoGen, Inc.;

2. Based on my knowledge, this report 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 such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Mark J. Enyedy
Mark J. Enyedy
President, Chief Executive Officer (Principal Executive Officer and Principal Financial Officer)

EXHIBIT 32

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of ImmunoGen, Inc., a Massachusetts corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the period ended June 30, 2019 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2019

/s/MARK J. ENYEDY
Mark J. Enyedy
President, Chief Executive Officer
(Principal Executive Officer and
Principal Financial Officer)