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 March 31, 2004

OR

o **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.)

128 Sidney Street, Cambridge, MA 02139
(Address of principal executive offices, including zip code)

(617) 995-2500
(Registrant's telephone number, including area code)

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 **o**

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 under the Exchange Act).

Yes ☒ No **o**

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 – 40,722,806 shares outstanding as of May 10, 2004

IMMUNOGEN, INC.
TABLE OF CONTENTS

IMMUNOGEN, INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2004 AND JUNE 30, 2003
(UNAUDITED)

	March 31, 2004	June 30, 2003
ASSETS		
Cash and cash equivalents	$ 19,852,750	$ 10,132,389
Marketable securities	81,937,638	91,140,757
Accounts receivable	60,991	674,458
Unbilled revenue	4,955,562	105,351
Inventory, net	8,362,718	5,620,713
Prepaid and other current assets	913,032	978,723
Total current assets	116,082,691	108,652,391
Property and equipment, net	9,697,602	9,045,847
Other assets	333,700	333,700
Total assets	$ 126,113,993	$ 118,031,938
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 2,473,991	$ 148,888
Accrued compensation	1,943,632	392,201
Other current accrued liabilities	2,619,965	2,514,824
Current portion of deferred revenue	7,272,509	2,754,799
Total current liabilities	14,310,097	5,810,712
Deferred revenue	14,956,540	9,495,545
Other long term liabilities	226,168	46,551
Total liabilities	29,492,805	15,352,808
Stockholders' equity:		
Common stock, $.01 par value; authorized 75,000,000 shares; issued and outstanding 44,376,370 shares and 44,261,334 shares as of March 31, 2004 and June 30, 2003, respectively	443,763	442,613
Additional paid-in capital	317,283,894	317,077,505
Deferred compensation	(30,215)	(41,574)
Treasury stock	(11,071,417)	(11,071,417)
Accumulated deficit	(210,077,698)	(203,858,754)
Accumulated other comprehensive income	72,861	130,757
Total stockholders' equity	96,621,188	102,679,130
Total liabilities and stockholders' equity	$ 126,113,993	$ 118,031,938

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

IMMUNOGEN, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2004 AND 2003
(UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2004	2003	2004	2003

Revenues:				
Research and development support	$ 4,059,524	$ —	$ 9,153,591	$ —
License fees and milestone payments	2,550,504	785,706	4,247,337	3,745,062
Clinical materials reimbursement	936,405	492,458	3,111,932	2,266,623
Development fees	43,179	178,306	130,655	267,254
Total revenues	7,589,612	1,456,470	16,643,515	6,278,939
Expenses:				
Cost of clinical materials reimbursed	729,050	439,872	2,714,685	2,035,436
Research and development	6,169,830	6,295,903	16,135,967	16,972,002
General and administrative	1,768,550	1,502,253	5,014,979	4,541,601
Total expenses	8,667,430	8,238,028	23,865,631	23,549,039
Loss from operations	(1,077,818)	(6,781,558)	(7,222,116)	(17,270,100)
Interest income, net	321,739	592,466	1,054,416	2,225,687
Net realized (losses) gains on investments	(525)	162,846	(57,940)	533,865
Other income	890	1,409,665	31,483	1,422,357
Loss before income tax expense	(755,714)	(4,616,581)	(6,194,157)	(13,088,191)
Income tax expense	4,207	—	24,787	35,125
Net loss	$ (759,921)	$ (4,616,581)	$ (6,218,944)	$ (13,123,316)
Basic and diluted net loss per common share	$ (0.02)	$ (0.11)	$ (0.15)	$ (0.31)
Basic and diluted weighted average common shares outstanding	40,662,750	41,440,747	40,616,311	42,353,348

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

IMMUNOGEN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2004 AND 2003
(UNAUDITED)

	Nine Months Ended March 31, 2004	2003
Cash flows from operating activities:		
Net loss	$ (6,218,944)	$ (13,123,316)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	910,345	908,970
Loss (gain) on sale of marketable securities	57,940	(533,865)
Compensation for stock options, stock and stock units	177,904	35,986
Changes in operating assets and liabilities:		
Accounts receivable	613,467	958,836
Unbilled revenue	(4,850,211)	321,435
Inventory	(2,742,005)	(2,088,290)
Prepaid and other current assets	65,691	1,010,523
Other assets	—	(290,000)
Accounts payable	2,325,103	2,330,193
Accrued compensation	1,551,431	(1,072,931)
Other current accrued liabilities	105,141	(629,477)
Deferred revenue	9,978,705	(1,910,993)
Net cash provided by (used for) operating activities	1,974,567	(14,082,929)
Cash flows from investing activities:		
Proceeds from maturities or sales of marketable securities	233,464,766	257,793,777
Purchases of marketable securities	(224,377,483)	(238,442,828)
Capital expenditures	(1,562,100)	(3,141,701)
Deposit on construction in progress	—	(100,731)
Net cash provided by investing activities	7,525,183	16,108,517
Cash flows from financing activities:		
Repurchases of common stock	—	(10,829,805)
Proceeds from stock options exercised	220,611	1,970

Net cash provided by (used for) financing activities	220,611	(10,827,835)
Net change in cash and cash equivalents	9,720,361	(8,802,247)
Cash and cash equivalents, beginning balance	10,132,389	16,233,408
Cash and cash equivalents, ending balance	$ 19,852,750	$ 7,431,161
Supplemental disclosure:		
Cash paid for income taxes	$ —	$ 38,100
Non cash activities:		
Repurchases of common stock included in other accrued liabilities	$ —	$ 100,051

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

IMMUNOGEN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004

A. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements at March 31, 2004 and June 30, 2003 and for the three and nine months ended March 31, 2004 and 2003 include the accounts of the Company and its subsidiaries, ImmunoGen Securities Corp. and Apoptosis Technology, Inc. (ATI). Although the consolidated financial statements are unaudited, they 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 United States for interim financial information. 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 period. 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 June 30, 2003.

Revenue Recognition

The Company enters into out-licensing and development agreements with collaborative partners for the development of monoclonal antibody-based cancer therapeutics. The terms of the Company's agreements contain multiple elements which typically include non-refundable license fees, payments based upon the achievement of certain milestones and royalties on product sales. For multiple-element arrangements entered into after July 1, 2003, the Company applies EITF 00-21, *Revenue Arrangements with Multiple Deliverables*. The Company evaluates such arrangements to determine if the deliverables are separable into units of accounting and then applies applicable revenue recognition criteria to each unit of accounting.

At March 31, 2004, the Company has the following three types of collaborative contracts with the counterparties identified below:

- License to a single target antigen (single target license):

  Boehringer Ingelheim International GmbH

  Genentech, Inc.

  Millennium Pharmaceuticals, Inc.

- Broad option agreements to acquire rights to a limited number of targets over a specified time period (broad license):

  Abgenix, Inc.

  Genentech, Inc.

  Millennium Pharmaceuticals, Inc.

- Broad agreement to discover, develop and commercialize antibody-based anticancer products:

  Aventis Pharmaceuticals, Inc.

All of these collaboration agreements provide that the Company will (i) manufacture preclinical and clinical materials for its collaborators, at the collaborator's request and cost, (ii) receive payments upon the collaborators' achievements of certain milestones and (iii) receive royalty payments, generally until the later of the last applicable patent expiration or 12 years after product launch. The Company is required to provide technical training and any process improvements and know-how to its collaborators during the term of the collaboration agreements. Practically, once a collaborator receives U. S. Food and Drug Administration (FDA) approval for any drug and the manufacturing process used to produce the drug, the collaborator will not be able to incorporate any process improvements or know-how into its manufacturing process without additional testing and review by the FDA. Accordingly, the Company believes that it is very unlikely that its collaborators will require the Company's services subsequent to FDA approval.

Generally, upfront payments on single target licenses are deferred over the period of the Company's substantial involvement during development. ImmunoGen employees are available to assist the Company's collaborators during the development of their products. The Company estimates this development phase to begin at the inception of the contract and conclude when the product receives FDA approval. The Company believes this period of involvement is, on average, six years. At each reporting period, the Company analyzes individual product facts and circumstances and reviews the estimated period of its substantial involvement to determine whether a significant change in its estimates has occurred and adjusts the deferral period accordingly to reflect any such change. In the event that a single target license were terminated, the Company would recognize as revenue any portion of the upfront fee that had not previously been recorded as revenue, but was classified as deferred revenue at the date of such termination.

The Company defers upfront payments received from its broad license agreements over the period during which the collaborator may elect to receive a license. These periods are specific to each collaboration agreement, but are between seven and 12 years. If a collaborator selects an option to acquire a license under these agreements, any option fee is deferred and recorded over the life of the option, generally 12 to 18 months. If a collaborator exercises an option and the Company grants a single target license to the collaborator, the Company defers the license fee and accounts for the fee as it would an upfront payment on a single target collaboration agreement, as discussed above. In the event that a broad option agreement were terminated, the Company would recognize as revenue any portion of the upfront fee that had not previously been recorded as revenue, but was classified as deferred revenue at the date of such termination.

The Company's discovery, development and commercialization agreement with Aventis provides for an upfront payment of $12.0 million that Aventis paid to ImmunoGen in August 2003. The Company deferred the upfront payment and will record it ratably over the period of the Company's substantial involvement. The Company estimates this period to be five years, which includes the term of the collaborative research program in addition to two 12-month extensions that Aventis may exercise. The discovery, development and commercialization agreement also provides that ImmunoGen will (i) receive committed research funding over a three-year period; (ii) manufacture preclinical and clinical materials for Aventis, at Aventis' request and cost; (iii) receive payments upon the collaboration's and/or Aventis' achievements of certain milestones; and (iv) receive royalty payments until the last applicable patent expiration or 12 years after product launch. The committed funding is based upon resources that ImmunoGen is required to contribute to the collaboration. The Company records the research funding as it is earned based upon its actual resources utilized in the collaboration.

The Company's shared product license collaboration with Vernalis, the entity created by the merger of British Biotech and Vernalis, provided for an upfront payment to ImmunoGen that was paid upon signing of the agreement. The agreement also stipulated that upon FDA approval, ImmunoGen would pay Vernalis, as successor in interest to British Biotech, a milestone payment. The Company deferred the upfront payment and anticipated recognizing such revenue concurrent with the milestone payment that the Company would have been required to pay to Vernalis if and when the product received such FDA approval. As discussed further in Note B, pursuant to the terms and conditions of the agreement between Vernalis and the Company, in January 2004, Vernalis gave written notice to the Company that it would relinquish its rights to develop and commercialize huN901-DM1, the product subject to the shared product license. As a result of the termination of the collaboration agreement with Vernalis, in the quarter ended March 31, 2004, the Company recognized as revenue the $1.5 million upfront fee that was paid to the Company upon signing the agreement.

When milestone payments are specifically tied to a separate earnings process, revenue is recognized when the milestone is achieved. In addition, when appropriate, the Company recognizes revenue from certain research payments based upon the level of research services performed during the period of the research contract. Deferred revenue represents amounts received under collaborative agreements and not yet earned pursuant to these policies. Where the Company has no continuing involvement, the Company will record non-refundable license fees as revenue upon receipt and will record milestone revenue upon achievement of the milestone by the collaborative partner.

The Company may produce preclinical and clinical materials for its collaborators and, at the collaborators' request, may perform process development work. The Company also produces preclinical material for potential collaborators under material transfer agreements. Generally, the Company is reimbursed for its fully burdened cost of producing these materials or providing these services. The Company recognizes revenue on preclinical and clinical materials when it has shipped the materials, the materials have passed all quality testing required for collaborator acceptance and title has transferred to the collaborator. The Company recognizes revenue on process development services as those services are performed.

Marketable Securities

In accordance with the Company's investment policy, surplus cash is invested in investment-grade corporate and U.S. Government debt securities, asset-backed and United States government agency securities, banknotes and commercial paper, typically with maturity dates of less than two years. The Company designates its marketable securities as available-for-sale securities. The Company classifies all such securities as current assets since the Company has the ability to use such securities to satisfy current liabilities. Marketable securities are carried at their fair value with unrealized gains and losses included in Accumulated Other Comprehensive Income. Realized gains and losses and declines in value judged to be other than temporary, if any, on available-for-sale securities are reported as realized gains or losses on investments. In determining realized gains or losses on the sale of marketable securities, the cost of securities sold is based on the specific identification method.

Unbilled Revenue

The Company's Unbilled Revenue at March 31, 2004, primarily represented committed research funding earned based on actual resources utilized under the Company's discovery, development and commercialization agreement with Aventis. As of June 30, 2003, the majority of the Company's Unbilled Revenue represented clinical materials that passed quality testing, which the Company shipped and title transferred to the collaborator, but the Company had not yet invoiced. Also included in Unbilled Revenue are costs the Company incurred in completing development work on behalf of its collaborators but had not yet invoiced.

Inventory

Inventory costs primarily relate to clinical trial materials being manufactured for the Company's collaborators. Inventory is stated at the lower of cost or market.

Inventory at March 31, 2004 and June 30, 2003 is summarized below:

	March 31, 2004	June 30, 2003
Raw materials, net	$ 2,733,122	$ 3,299,536
Work in process	5,105,521	1,870,598
Finished goods, net	524,075	450,579
Total	$ 8,362,718	$ 5,620,713

Inventory cost is stated net of a valuation allowance of $1.9 million and $1.2 million as of March 31, 2004 and June 30, 2003, respectively. The valuation allowance represents the cost of DM1 that the Company considers to be excess based on current collaborator firm fixed orders and projections.

DM1, the Company's most advanced small molecule effector agent, is the cytotoxic agent used in the TAP product candidates in clinical testing and is the subject of most of its collaborations. One of the primary components required to manufacture DM1 is its precursor, ansamitocin P3. Once manufactured, the ansamitocin P3 is then converted to DM1.

In fiscal 2002, the Company entered into several agreements with two outside vendors to perform large-scale manufacture of DM1 and ansamitocin P3. Under the terms of these agreements, the manufacturers, together with the Company, will improve the fermentation and conversion processes used to generate ansamitocin P3 and DM1, respectively. Pursuant to these agreements, the two outside vendors will also manufacture, under current Good Manufacturing Processes, large-scale batches of ansamitocin P3 and DM1 to be used in the manufacture of both the Company's and its collaborators' products. Once manufactured, the ansamitocin P3 is

delivered from one vendor to the other vendor for conversion to DM1. The current agreements with these vendors expire at various dates through fiscal 2006.

The actual amount of ansamitocin P3 and DM1 that will be produced is highly uncertain. The Company currently anticipates that a significant amount of ansamitocin P3 and DM1 will be manufactured for the Company for the foreseeable future at these or other manufacturers. If the Company's and the manufacturers' process development efforts are successful, the amount of ansamitocin P3 and/or DM1 produced could be higher than expected. The Company anticipates that its investment in ansamitocin P3 and DM1 will be significant.

The Company produces preclinical and clinical materials for its collaborators either in anticipation of or in support of clinical trials or for process development and analytical purposes. Under the terms of supply agreements with two of its collaborators, the Company generally receives rolling six-month firm fixed orders for conjugate that the Company is required to manufacture and rolling 12-month manufacturing projections for the quantity of conjugate the collaborator expects to need in any given 12-month period. The Company's other collaborative agreements do not require that the collaborators provide firm fixed manufacturing orders, although the collaborators provide the Company with their projected conjugate requirements. The amount of clinical material produced is directly related to the number of on-going clinical trials for which the Company is producing clinical material for its collaborators, the speed of enrollment in those trials and the dosage schedule of each clinical trial. As a result, the actual amount of conjugate that the Company manufactures can differ significantly from the collaborators' projections. To the extent that a collaborator has provided the Company with a firm fixed order, the collaborator is contractually required to reimburse the Company the full cost of the conjugate, and any margin thereon, even if the collaborator subsequently cancels the manufacturing run.

The Company accounts for the DM1 and ansamitocin P3 inventory as follows:

a) That portion of the DM1 and/or ansamitocin P3 that the Company intends to use in the production of its own products is expensed as incurred;

b) To the extent that the Company has firm fixed orders or collaborator projections for no more than 12 months, the Company capitalizes the value of DM1 and ansamitocin P3 that will be used in the production of conjugate subject to these firm fixed orders and/or projections;

c) The Company considers more than a 12-month supply of ansamitocin P3 and/or DM1 that is not supported by collaborators' firm fixed orders to be excess. The Company establishes a reserve to record any such excess ansamitocin P3 or DM1 inventory at its net realizable value or expenses as received any such excess ansamitocin P3 or DM1 product received in any period; and

d) The Company considers any other external factors and information of which it becomes aware and assesses the impact of such factors or information on the net realizable value of the DM1 and ansamitocin P3 inventory at each reporting period.

At March 31, 2004, the Company's supply of DM1 and ansamitocin P3 (including $1.8 million of DM1 on-hand and $2.7 million of ansamitocin P3 held at its third party manufacturers) represented more than a 12-month supply based upon current collaborator firm fixed orders and projections. In the nine-month period ended March 31, 2004, the Company recorded as research and development expense $307,000 of ansamitocin P3 and DM1 that the Company has identified as excess based upon the Company's inventory policy as described above. Any changes to the Company's collaborators' projections could result in significant changes in the Company's estimate of the net realizable value of DM1 and ansamitocin P3 inventory. Reductions in collaborators' projections could indicate that the Company has additional excess DM1 and/or ansamitocin P3 inventory and the Company would then evaluate the need to record further valuation allowances, included as charges to research and development, to state the DM1 and/or ansamitocin P3 inventory at its estimated net realizable value.

In April 2003, one of the Company's collaborators informed ImmunoGen that the collaborator may explore alternative sources of ansamitocin P3 and/or DM1. In applying its inventory policy, the Company has included this collaborator's firm fixed orders and 12-month order projections in the determination of the Company's 12-month supply of ansamitocin P3 and DM1. At March 31, 2004, the Company believes that approximately $896,000 of its ansamitocin P3 and/or DM1 inventory will be used to produce conjugate for this collaborator. If the collaborator finds and elects to use an alternative source of ansamitocin

P3 and/or DM1, the Company will evaluate its inventory and, if necessary, will record an inventory valuation allowance to reduce to its net realizable value any ansamitocin P3 or DM1 inventory identified as excess. The Company is unable to determine when, if ever, the collaborator would be able to secure an alternative source of ansamitocin P3 and/or DM1.

Computation of Net Loss Per Common Share

Basic and diluted net loss per common share is calculated based upon the weighted average number of common shares outstanding during the period. Diluted net loss per common share incorporates the dilutive effect of stock options, warrants and other convertible securities. The total number of options, warrants and other securities convertible into ImmunoGen Common Stock and ImmunoGen Common Stock equivalents, as calculated in accordance with the treasury-stock accounting method, are included in the following table:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2004	2003	2004	2003
Options, warrants and other securities convertible into Common Stock	5,128,447	4,813,269	5,128,447	4,813,269
Common Stock equivalents	1,888,818	758,793	1,593,055	856,776

ImmunoGen Common Stock equivalents have not been included in the net loss per common share calculations for the three and nine months ended March 31, 2004 and 2003 because their effect is anti-dilutive due to the Company's net loss position.

Comprehensive Loss

The Company presents comprehensive loss in accordance with Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." For the three and nine months ended March 31, 2004, total comprehensive loss equaled $743,000 and $6.3 million, respectively. For the three and nine months ended March 31, 2003, total comprehensive loss equaled $4.9 million and $13.5 million, respectively. Comprehensive loss was comprised entirely of the Company's net loss and the change in its unrealized gains and losses recognized on available-for-sale marketable securities.

Stock-Based Compensation

In accounting for its stock-based compensation plans, the Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations for all awards granted to employees. Had compensation costs for the Company's stock based employee compensation been determined based on the fair value at the grant dates as calculated in accordance with SFAS No. 123, "Accounting for Stock Based Compensation" (SFAS 123), as amended by SFAS 148 " Accounting for Stock-Based Compensation – Transition and Disclosure," the Company's basic and diluted net loss per common share for the three and nine months ended March 31, 2004 and 2003 would have been adjusted to the pro forma amounts indicated below:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2004	2003	2004	2003
Net loss, as reported	$ (759,921)	$ (4,616,581)	$ (6,218,944)	$ (13,123,316)
Add: Total stock-based compensation expense determined under the intrinsic value method for all employee awards	3,357	—	10,072	—
Deduct: Total stock-based compensation expense determined under the fair value method for all employee awards	(807,378)	(1,414,377)	(3,950,970)	(4,615,810)
Pro forma net loss	$ (1,563,942)	(6,030,958)	(10,159,842)	(17,739,126)
Basic and diluted net loss per common share, as reported	$ (0.02)	$ (0.11)	$ (0.15)	$ (0.31)
Basic and diluted net loss per common share, pro forma	$ (0.04)	$ (0.15)	$ (0.25)	$ (0.42)

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2004	2003	2004	2003
Dividend	None	None	None	None
Volatility	93.22%	97.30%	93.22%	97.30%
Risk-free interest rate	2.94%	2.73%	3.01%	3.04%
Expected life (years)	5.5	5.5	5.5	5.5

Using the Black-Scholes option-pricing model, the weighted average fair value of options granted during the three months ended March 31, 2004 and 2003 was $4.85 and $1.85, respectively, and $4.60 and $2.18 for options granted during the nine months ended March 31, 2004 and 2003, respectively.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models, including the Black-Scholes model, require the use of highly subjective assumptions, such as the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and

because changes in the subjective assumptions can materially affect the fair value estimates, in management's opinion, the Black-Scholes and other existing models do not necessarily provide a reliable single measure of the fair value of its employee stock-based compensation.

Recent Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" ("FIN 46") and in December 2003 issued a revised FIN 46 ("FIN 46R") which addressed the period of adoption of FIN 46 for entities created before January 31, 2003. FIN 46 provides a new consolidation model which determines control and consolidation based on potential variability in gains and losses. The provisions of FIN 46 are effective for enterprises with variable interests in variable interest entities created after January 31, 2003. For interests in variable interest entities created before February 1, 2003, the Company must adopt the provisions of FIN 46 in the third quarter of fiscal 2004 . The adoption of FIN 46 did not have a material impact on the Company's financial position or results of operations.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

B. Agreements

Aventis

In July 2003, the Company and Aventis Pharmaceuticals, Inc. entered into a broad collaboration agreement to discover, develop and commercialize anticancer therapeutics. The agreement provides Aventis with worldwide commercialization rights to new product candidates created through the collaboration as well as worldwide commercialization rights to three product candidates in ImmunoGen's pipeline: a TAP compound for acute myeloid leukemia, anti-IGF-IR antibody and an agent for certain B-cell malignancies. The overall term of the agreement extends to the later of the latest patent to expire or 12 years after the latest launch of any product discovered, developed and/or commercialized under the agreement. The agreement provides that ImmunoGen will receive a minimum of $50.7 million of committed research funding during a three-year research program. Aventis has the option, with 12 months' advance notice, to request that ImmunoGen extend the research program for two additional 12-month periods. If Aventis requests an extension of the research program for one or both periods, the Company and Aventis will negotiate the research funding level for each such extension period at the time such extension is requested. If Aventis and ImmunoGen were to agree to extend the agreement for each of the two 12-month periods and the research funding continued at the same level as in the final year of the original term of the agreement, ImmunoGen would receive an additional $36.4 million of research funding. Aventis paid to ImmunoGen an upfront fee of $12.0 million in August 2003.

The Company has deferred the upfront fee and is recognizing it as revenue over the period of ImmunoGen's substantial involvement. The Company estimates this period to be five years, which includes the term of the collaborative research program in addition to two 12-month extensions that Aventis may exercise. The collaboration agreement also provides for certain other payments based on the achievement of product candidate milestones and royalties on sales of any resulting products, if and when such sales commence. Assuming all benchmarks are met, the Company will receive milestone payments of between $21.5 million and $30.0 million per antigen target.

The agreement provides ImmunoGen an option for certain co-promotion rights in the United States on a product-by-product basis. Aventis will be responsible for product development, manufacturing, and commercialization, and will cover all associated costs for any products created through the collaboration. ImmunoGen will be reimbursed for any preclinical and clinical materials that it makes under the agreement.

The terms of the Company's collaboration agreement with Aventis place certain restrictions upon ImmunoGen. Subject to the Company's obligations under its other collaboration agreements that were in effect at the time the Company signed the collaboration agreement with Aventis, (i) ImmunoGen may only enter into a specified number of additional single target TAP collaboration agreements and (ii) during the term of the collaborative research program and for a specified period thereafter, ImmunoGen is prohibited from entering into any single target license, other than with Aventis, utilizing the Company's TAP technology to bind any taxane effector molecule to any antibody. Additionally, the terms of the collaboration agreement allow Aventis to elect to terminate ImmunoGen's participation in the research program and/or the Company's co-promotion rights upon a change of control of ImmunoGen.

Vernalis

In August 2003, British Biotech completed its acquisition of Vernalis. In connection with the acquisition, the merged company, now called Vernalis plc, announced that it intended to review its merged product candidate portfolio, including its collaboration with ImmunoGen on huN901-DM1. After discussion with Vernalis, in January 2004, the Company announced that ImmunoGen will take over future development of the product, which will include advancement of huN901-DM1 into a clinical trial managed by ImmunoGen. Pursuant to the terms of the termination agreement dated January 7, 2004, Vernalis, which relinquished its right to the product, will, at its own expense, complete the UK Phase I clinical study currently underway and will be responsible for the U.S. Phase I/II clinical study currently underway until June 30, 2004. ImmunoGen will be responsible for further development of huN901- DM1. In connection with the termination of Vernalis' shared product license, ImmunoGen recorded as revenue in the quarter ending March 31, 2004 the $1.5 million upfront fee it received when the original agreement was signed and deferred for accounting purposes.

C. Capital Stock

On May 12, 2004, the Board of Directors of ImmunoGen terminated, effective immediately, the share repurchase program that it originally authorized in August 2002. Between August 2002 and May 2004 the Board of Directors of the Company had authorized the repurchase of up to 4.1 million shares of the Company's common stock. The repurchases were to be made at the discretion of management and as market conditions warranted. Through March 31, 2004, the Company had repurchased 3,675,062 shares of its common stock at a total cost of $11.1 million.

Under the Company's 2001 Non-Employee Director Stock Plan, approved in November 2001, the Company recorded $49,500 in compensation expense related to the issuance of 5,144 stock units and 4,473 shares of stock for directors' services rendered during the nine months ended March 31, 2004.

During the nine months ended March 31, 2004, holders of options issued under the Company's Restated Stock Option Plan exercised their rights to acquire an aggregate of 108,541 shares of common stock at prices ranging from $0.84 to $5.13 per share. The total proceeds from these option exercises was

approximately $220,600.

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

OVERVIEW

Since the Company's inception, we have been principally engaged in the development of antibody-based anticancer therapeutics and novel treatments in the field of oncology. Our proprietary, Tumor-Activated Prodrug, or TAP, technology uses

tumor-targeting antibodies to deliver ImmunoGen-proprietary cytotoxic agents specifically to cancer cells and thus avoid damage to healthy tissue. The cytotoxic agent used in the TAP products in clinical testing is DM1, a chemical derivative of a naturally occurring substance called maytansine. The Company has on-going programs related to further expansion of its TAP technology portfolio, including the development of additional cytotoxic agents for antibody delivery to cancer cells. We also use our expertise in antibodies and cancer to develop other types of therapeutics, such as naked antibody anticancer products.

We have entered into collaborative agreements that allow companies to use our TAP technology to develop commercial products containing their antibodies. We have also used our proprietary TAP technology in conjunction with our in-house antibody expertise to develop our own anticancer products. In July 2003, we announced a discovery, development and commercialization collaboration with Aventis Pharmaceuticals, Inc. Under the terms of the agreement, Aventis gains commercialization rights to three of the most advanced products in our preclinical pipeline and commercialization rights to certain new products developed during the research program portion of the collaboration. This collaboration allows us to access Aventis' cancer targets and their clinical development and commercialization capabilities. The terms of our other collaborative agreements vary, reflecting the value we add to the development of any particular product candidate; however, the agreements generally provide that we receive upfront and milestone payments, royalties on sales of any resulting products and reimbursement of our fully burdened cost to manufacture preclinical and clinical materials. Under certain agreements, we receive our fully burdened cost to manufacture preclinical and clinical materials plus a profit margin. Under the terms of the Aventis agreement, we also are entitled to receive committed research funding of approximately $50.7 million during the three-year term of the research program, which began September 2003. Should Aventis elect to exercise its contractual right to extend the term of the research program, we will receive additional research funding. Currently, our collaborative partners include Abgenix, Inc., Aventis, Boehringer Ingelheim International GmbH, Genentech, Inc., and Millennium Pharmaceuticals, Inc. We expect that substantially all of our revenue for the foreseeable future will result from payments under our collaborative arrangements.

In January 2004, we announced that pursuant to the terms and conditions of the agreement between Vernalis and ourselves, Vernalis relinquished its rights to develop and commercialize huN901-DM1 under the shared product license. As a result, we have regained the rights to develop and commercialize huN901-DM1, thereby terminating the shared product license, and will take over future development of the product. Vernalis will complete the Phase I clinical study currently underway in the United Kingdom and will continue the Phase I/II clinical study being conducted in the United States until June 30, 2004, at its own expense. We plan to initiate an additional clinical trial of huN901-DM1 in the United States in hematologic malignancies.

To date, we have not generated revenues from commercial product sales and we expect to incur significant operating losses over the foreseeable future. As of March 31, 2004, we had approximately $101.8 million in cash and marketable securities. In August 2003, we received $12.0 million from Aventis, representing the non-refundable, upfront payment owed us upon the execution of our collaboration agreement. We anticipate that our current capital resources and future collaboration payments, including the committed research funding under the Aventis agreement, will enable us to meet our current and projected operational expenses and capital expenditures for at least the next three to five fiscal years.

We do not anticipate that we will have a commercially approved product within the foreseeable future. Research and development expenses are expected to increase significantly in the near term as we continue our development efforts. On May 12, 2004, the Board of Directors of ImmunoGen terminated, effective immediately, the share repurchase program that it originally authorized in August 2002. Between August 2002 and May 2004 the Board of Directors of the Company had authorized the open market repurchase of up to 4.1 million shares of ImmunoGen common stock. The repurchases were to be made at the discretion of management and as market conditions warranted. Through May 12, 2004, the Company had repurchased 3,675,062 shares of its common stock at a total cost of $11.1 million.

On January 8, 2004, we announced that we intend to advance our lead product candidates, cantuzumab mertansine and huN901-DM1, into clinical trials ourselves. We plan to conduct a proof of concept trial of huN901-DM1 in hematologic malignancies. We also plan to conduct proof of concept testing of cantuzumab mertansine or an improved version of the compound in clinical trials that we expect to begin in 2005. We expect to incur expenses of $4-6 million over the next 2-3 years related to these clinical trials. Based upon the results of such clinical trials, if and when they are completed, we will evaluate whether to continue clinical development of these compounds and, if so, whether we will seek a collaborative partner or partners to continue the clinical development and commercialization of either or both of these product candidates. Given the uncertainties related to new drug development, we are currently unable to estimate when, if ever, these product candidates will generate revenues and cash flows.

We anticipate that the increase in our total cash expenditures will be partially offset by collaboration-derived proceeds including milestone payments and the committed research funding we will receive pursuant to the Aventis collaboration.

Accordingly, period-to-period operational results may fluctuate dramatically. We believe that our established collaborative agreements, while subject to specified milestone achievements, will provide funding to assist us in meeting obligations under our collaborative agreements while also allowing for the development of our own product candidates and technologies. However, we can give no assurances that such collaborative agreement funding will, in fact, be realized. Should we or our partners not meet some or all of the terms and conditions of our various collaboration agreements, we may be required to pursue additional strategic partners, secure alternative financing arrangements, and/or defer or limit some or all of our research, development and/or clinical projects.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of 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 and inventory. 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 believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We estimate the period of our significant involvement during development for each of our collaborative agreements. We recognize any upfront fees received from our collaborators ratably over this estimated period of significant involvement. We generally believe our period of significant involvement occurs between the date we sign a collaboration agreement and projected FDA approval of our collaborators' product that is the subject of the collaboration agreement. We estimate that this time period is generally six years. The actual period of our involvement could differ significantly based upon the results of our collaborators' preclinical and clinical trials, competitive products that are introduced into the market and the general uncertainties surrounding drug development. Any difference between our estimated period of involvement during development and our actual period of involvement could have a material effect upon our results of operations.

We are recognizing our $12 million upfront fee we received from Aventis ratably over our estimated period of significant involvement of five years. This estimated period includes the term of the collaborative research program and two 12-month extensions that Aventis may exercise. In the event our period of involvement is less than we estimated, the remaining deferred balance of the upfront fee will be recognized over this shorter period.

Inventory

We review our estimates of the net realizable value of our inventory at each reporting period. Our estimate of the net realizable value of our inventory is subject to judgment and estimation. The actual net realizable value of our inventory could vary significantly from our estimates and could have a material effect on our financial condition and results of operations in any reporting period. We consider any DM1 or ansamitocin P3 raw material inventory in excess of 12 months' projected usage that is not supported by collaborators' firm fixed orders to be excess. We record any such raw material identified as excess at its net realizable value. Our estimate of 12 months' usage of DM1 and ansamitocin P3 raw material inventory is based upon our collaborators' estimates of their future clinical material requirements. Our collaborators' estimates of their clinical material requirements are based upon expectations regarding their clinical trials, including the timing, size, dosing schedule and maximum tolerated dose of each product. Our collaborators' actual requirements for clinical materials may vary significantly from their projections. Significant differences between our collaborators' actual manufacturing orders and their projections could result in our actual 12-months-usage of DM1 and ansamitocin P3 varying significantly from our estimated usage at an earlier reporting period. During the nine months ended March 31, 2004, we recorded as research and development expense $307,000 of ansamitocin P3 and DM1 that we have identified as excess based upon our inventory policy.

In April 2003, one of our collaborators informed us that it may explore alternative sources of ansamitocin P3 and/or DM1. In applying our inventory policy, we included this collaborator's 12-months' projected usage in the determination of our 12-month supply of ansamitocin P3 and DM1. At March 31, 2004, we believe that approximately $896,000 of our ansamitocin P3 and/or DM1 inventory will be used to produce conjugate for this collaborator. If the collaborator finds and elects to use an alternative source of ansamitocin P3 and/or DM1, we will evaluate our inventory and, if necessary, will record an inventory valuation allowance to reduce to its net realizable value any ansamitocin P3 or DM1 inventory identified as excess. We are unable to determine when, if ever, the collaborator would be able to secure an alternative source of ansamitocin P3 and/or DM1.

RESULTS OF OPERATIONS

Comparison of Three Months ended March 31, 2004 and 2003

Revenues

Our total revenues for the three months ended March 31, 2004 were $7.6 million compared with $1.5 million for the three months ended March 31, 2003. The $6.1 million increase in revenues in the quarter ended March 31, 2004 compared to the same period in the prior year is primarily attributable to committed research funding earned under our discovery, development and commercialization agreement with Aventis, in addition to higher revenues from license fees and milestone payments and higher clinical materials reimbursement.

Research and development support of $4.1 million in the three months ended March 31, 2004 represents committed research funding earned based on actual resources utilized under our discovery, development and commercialization agreement with Aventis. The agreement provides that we will receive a minimum of $50.7 million of committed research funding during a three-year research program. We entered into the agreement with Aventis in July 2003.

Revenues from license fees and milestone payments for the three months ended March 31, 2004 were $2.6 million compared to $786,000 in the same period in the prior year. Included in license fees and milestone payments for the quarter ended March 31, 2004, is the $1.5 million upfront fee that was received upon signing the original collaboration agreement with Vernalis, which was terminated in January 2004. Additionally, included in license fees and milestone payments for the quarter ended March 31, 2004 is $600,000 of the $12.0 million upfront fee we received from Aventis which is being recognized ratably over our estimated period of significant continuing involvement of five years. Total revenue from license fees and milestone payments recognized from each of our collaborative partners in the quarters ended March 31, 2004 and 2003 is included in the following table:

	Three months ended March 31,	
	2004	2003
Collaborative Partner:		
Vernalis	$ 1,500,000	$ —
Aventis	600,000	—
Genentech	160,700	160,700
Abgenix	137,500	125,000

Millennium	110,600	110,600
Boehringer Ingelheim	41,700	41,700
GlaxoSmithKline	—	347,700
Total	$ 2,550,500	$ 785,700

Clinical materials reimbursement of $936,000 in the three months ended March 31, 2004 represents reimbursement for our manufacture of preclinical and clinical materials for our collaborators. In the same period in 2003, clinical materials reimbursement was $492,000. The cost of clinical materials reimbursed for the quarters ended March 31, 2004 and 2003 was $729,000 and $440,000, respectively. Under certain collaborative agreements, we are reimbursed for our fully burdened cost to produce clinical materials plus a profit margin. The amount of clinical materials reimbursement we earn, and the related cost of clinical materials reimbursed, is directly related to (i) the number of on-going clinical trials for which we are producing clinical material for our collaborators, the speed of enrollment in those trials, the dosage schedule of each clinical trial and the time period, if any, during which patients in the trial receive clinical benefit from the clinical materials, and (ii) our production of clinical grade material on behalf of our collaborators, either in anticipation of clinical trials, or for process development and analytical purposes. As such, the amount of clinical materials reimbursement and the related cost of clinical materials reimbursed may vary from quarter to quarter and annually.

We had development fees of $43,000 in the three months ended March 31, 2004 compared to $178,000 during the same period in 2003. Development fees represent the fully burdened reimbursement of costs incurred in producing research-grade materials in accordance with Good Laboratory Practices and developing antibody-specific conjugation processes on behalf of our collaborators and potential collaborators during the early evaluation and preclinical testing stages of product development. The amount of development fees we earn is directly related to the number of our collaborators or potential collaborators, the stage of development of our collaborators' products and the resources our collaborators allocate to the development effort. As such, the

amount of development fees may vary from quarter to quarter and annually.

Deferred revenue of $22.2 million as of March 31, 2004 represents upfront fees, option fees and accumulated progress payments received from collaborators pursuant to contract revenues not yet earned.

Research and Development Expenses

We report research and development expense net of certain reimbursements we receive from our collaborators. Our net research and development expenses consist of (i) research to identify and evaluate new targets and to develop and evaluate new antibodies and cytotoxic drugs, (ii) preclinical testing and clinical trials of our own and, in certain instances, our collaborators' product candidates, and (iii) development related to improving clinical and commercial manufacturing processes. Our research efforts are primarily focused in the following areas:

- Our contributions to the clinical development of huN901-DM1 and cantuzumab mertansine;
- Process improvements related to clinical and commercial production of the huN901 antibody;
- Process improvements to our TAP technology;
- Preclinical development of our own and Aventis' potential products;
- Process improvement related to the production of DM1 and strain development of its precursor, ansamitocin P3;
- Process development related to the commercial manufacture of huN901-DM1 conjugate;
- Operation, maintenance and expansion of our pilot scale manufacturing plant;
- Identification and evaluation of potential antigen targets;
- Evaluation of internally developed and in-licensed antibodies; and
- Development and evaluation of additional cytotoxic agents.

Aventis Pharmaceuticals, Inc.

As discussed above, we have licensed our three most advanced preclinical product candidates to Aventis under the terms of our discovery, development, and commercialization collaboration. Those three internally-developed product candidates are a TAP compound for acute myeloid leukemia (AML), an anti-IGF-IR antibody and an agent for certain B-cell malignancies. The TAP compound for AML is a humanized monoclonal antibody conjugated to a maytansinoid derivative and is in preclinical development. At March 31, 2004 , we continued to conduct preclinical safety and efficacy studies on the TAP compound for AML. Pending the successful preclinical development of this TAP compound and favorable outcomes of preclinical safety and efficacy studies and any other studies, we expect Aventis to file an Investigational New Drug application (IND) for the TAP compound for AML in 2004. The continued development of the TAP compound and the actual filing of this IND are now controlled by and dependent upon Aventis, as is the responsibility for any and all preclinical studies.

Anti-IGF-IR antibody is a naked antibody directed against a target found on various solid tumors including certain breast, lung and prostate cancers. At March 31, 2004, we have identified a lead antibody product candidate. A third, undisclosed, potential product is directed at certain B-cell malignancies, including non-Hodgkin's lymphoma, and is in the early stages of preclinical development.

Under the terms of our discovery, development and commercialization collaboration with Aventis, they have licensed our three most advanced preclinical product candidates. With the exception of those antibodies or antibody targets that are the subject of our preexisting or future collaboration and license agreements, during the term of our collaborative research program, we are required to propose for inclusion in the collaborative research program

certain antibody or antibody targets that we believe will have utility in oncology. Aventis then has the right to either include or exclude these proposed antibodies and antibody targets in the collaborative research program. If Aventis elects to exclude any antibodies or antibody targets, we may elect to develop the products ourselves. Furthermore, Aventis may only include a certain number of antibody targets in the research program at any one time. Aventis must therefore exclude any proposed antibody or antibody target in excess of this number. The cost to develop new products and advance those products to the IND stage can be significant.

Over the original, three-year term of the research program, which began in September 2003, we will receive a minimum of $50.7 million of committed research funding and will devote a significant amount of our internal research and development resources to advancing the collaborative research program. Under the terms of the agreement, we may advance any TAP or antibody products ourselves that Aventis has elected either not to include initially or to advance in the collaborative research program.

At present, the potential product candidates in our pipeline that are not part of the Aventis collaboration are at an early stage of discovery research and we are unable to accurately estimate which potential products, if any, will eventually move into our internal preclinical research program. We are unable to reliably estimate the costs to develop our potential products as a result of the uncertainties related to discovery research efforts as well as preclinical and clinical testing. Our decision to move a product into the clinical development phase is predicated upon the results of preclinical tests. We cannot accurately predict which, if any, of the discovery research stage product candidates will advance from preclinical testing and move into our internal clinical development program. The costs to take a product through clinical trials is dependent upon, among other things, the medical indications, the timing, size and dosing schedule of each clinical trial, the number of patients enrolled in each trial, and the speed at which patients are enrolled and treated. In many cases, we are unable to determine what, if any, indication a particular product candidate will treat until we have completed extensive preclinical studies. Given the uncertainties related to new drug development, we are currently unable to estimate when, if ever, our research stage product candidates will generate revenues and cash flows.

Vernalis plc

Vernalis is currently conducting Phase I and Phase I/II clinical trials of huN901-DM1. The Phase I/II study is being conducted in the United States and the Phase I study is being conducted in the United Kingdom. Vernalis is the sponsor of these trials and, as such, has control over the clinical trial schedule and progress.

In August 2003, British Biotech completed its acquisition of Vernalis. In connection with the acquisition, the merged company, now called Vernalis plc announced that it intended to review its merged product candidate portfolio, including its collaboration with ImmunoGen on huN901-DM1. After discussion with Vernalis, in January 2004, we announced that we will take over future development of the product, which will include advancement of huN901-DM1 into a clinical trial managed by ImmunoGen. Pursuant to the terms of the termination agreement dated January 7, 2004, Vernalis, which relinquished its right to the product, will, at its own expense, complete the UK Phase I clinical study currently underway and will be responsible for the US Phase I/II clinical study currently underway until June 30, 2004. ImmunoGen will be responsible for further development of huN901- DM1. In connection with the termination of Vernalis' shared product license, ImmunoGen recorded as revenue in the quarter ending March 31, 2004 the $1.5 million upfront fee it received and deferred for accounting purposes when the original agreement was signed.

We are developing various processes related to the commercial manufacture of the huN901-DM1 conjugate. Worldwide antibody manufacturing capacity is currently constrained, and generally, manufacturing capacity must be reserved months in advance of production. We anticipate that we may incur substantial costs to complete clinical and commercial conjugation process development efforts, reserve manufacturing space and manufacture humanized antibody. We also expect that we may continue to devote significant human resources to manufacturing process development efforts over the next five years.

GlaxoSmithKline plc

In January 2003, we announced that we would regain the development and commercialization rights to cantuzumab mertansine from GlaxoSmithKline, thereby terminating our collaborative agreement. In June 2002, GlaxoSmithKline informed us that it would not advance cantuzumab mertansine into Phase II clinical development without renegotiation of the terms of our license agreement. We conducted negotiations with GlaxoSmithKline. However, we determined that it was not in the best interests of ImmunoGen to enter into a revised agreement with GlaxoSmithKline. In January 2004, we announced that we will advance cantuzumab mertansine into a proof of concept Phase II trials and that we will manage this trial.

ImmunoGen Wholly-Owned Product Candidates

On January 8, 2004, we announced that we intend to advance our lead product candidates, cantuzumab mertansine and huN901-DM1, into clinical trials ourselves. We plan to conduct a proof of concept trial of huN901-DM1 in hematologic malignancies. We also plan to conduct proof of concept testing of cantuzumab mertansine or an improved version of the compound in clinical trials that we expect to begin in 2005. We expect to incur expenses of $4-6 million over the next 2-3 years related to these clinical trials. Since January 2004, we have not incurred any significant incremental external costs related to these product candidates.

Our TAP technology involves the attachment of a highly potent cell-killing agent, the effector molecule, to antibodies that target cancer cells to achieve targeted killing of these cells. The effector molecule we currently use in the manufacture of our collaborator's and our own conjugates is made from a precursor compound, ansamitocin P3 produced by fermentation. We have devoted substantial resources to improve the strain of the microorganism that produces ansamitocin P3 to enhance manufacturing yields and expect to continue to devote considerable resources to further improvement of the manufacturing processes for our effector molecules.

We believe that our research and development costs by project are confidential and the disclosure of such costs could have a material negative effect on our ability to negotiate with our suppliers, collaborators and potential collaborators and, accordingly, do not disclose our individual project research and development expenses.

Research and development expenses for the three months ended March 31, 2004 decreased 2% to $6.2 million from $6.3 million for the three months ended March 31, 2003. Included in research and development expense for the three months ended March 31, 2003 is $796,000 of antibody that we purchased in anticipation of potential future clinical trials. We made antibody payments of $198,000 during the quarter ended March 31, 2004. In addition, during the three months ended March 31, 2004, we recorded as research and development expense $287,000 of amounts paid or payable to the manufacturers of ansamitocin P3 and DM1 compared to $823,000 during the same period in the prior year. Based upon current collaborator firm fixed orders and projections, we determined that our on-hand supply of DM1and ansamitocin P3 at March 31, 2004 and 2003 represents more than a twelve-month supply. On-hand quantities in excess of 12 months' usage are therefore considered excess under our inventory policies and are recorded at their net realizable value. We expect future research and development expenses to increase as we continue development of our own and our collaborators' product candidates and technologies.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2004 increased 18% to $1.8 million from $1.5 million for the three months ended March 31, 2003. Included in general and administrative expenses for the three months ended March 31, 2004 was approximately $197,000 of fees paid to recruiting firms in our efforts to fill various open positions within general and administrative functions. There is no similar expense in the three months ended March 31, 2003. Additionally, there was an increase in contract service expense related to our Sarbanes – Oxley compliance efforts of $94,000 during the three-month period ended March 31, 2004. There is no similar expense in the three months ended March 31, 2003.

Interest Income

Interest income for the three months ended March 31, 2004 decreased 46% to $322,000 from $592,000 for the three months ended March 31, 2003. The difference is primarily a result of lower rates of return on investments and lower average cash and investment balances.

Net Realized (Losses) Gains on Investments

Net realized (losses) gains on investments were ($525) and $163,000 for the three months ended March 31, 2004 and 2003, respectively. The difference is attributable to market conditions and the timing of investment sales.

Comparison of Nine Months ended March 31, 2004 and 2003

Revenues

Our total revenues for the nine months ended March 31, 2004 were $16.6 million compared with $6.3 million for the nine months ended March 31, 2003. The $10.4 million increase in revenues in the nine months ended March 31, 2004 compared to the same period in the prior year is primarily attributable to committed research funding earned under our discovery, development and commercialization agreement with Aventis and higher clinical materials reimbursement and higher revenues from license fees and milestone payments.

Research and development support of $9.2 million in the nine months ended March 31, 2004 represents committed research funding earned based on actual resources utilized under our discovery, development and commercialization agreement with Aventis. The agreement provides that we will receive a minimum of $50.7 million of committed research funding during a three-year research program. We entered into the agreement with Aventis in July 2003.

Revenues from license fees and milestone payments for the nine months ended March 31, 2004 increased 13% to $4.2 million compared to $3.7 million in the same period in the prior year. Included in license fees and milestone payments for the nine months ended March 31, 2004, is the $1.5 million upfront fee that was received upon signing the original collaboration agreement

with Vernalis, which was subsequently terminated in January 2004. Additionally, included in license fees and milestone payments for the nine months ended March 31, 2004 is $1.4 million of the $12.0 million upfront fee we received from Aventis which is being recognized ratably over our estimated period of significant involvement of five years. Included in license fees and milestone payments for the nine months ended March 31, 2003 is a $1.0 million milestone payment from Boehringer Ingelheim related to the initiation of clinical trials of bivatuzumab mertansine and a $1.0 million milestone payment from Millennium related to the initiation of clinical trials of MLN2704. We did not earn any similar milestone payments during the nine months ended March 31, 2004. Total revenue from license fees and milestone payments recognized from each of our collaborative partners in the nine months ended March 31, 2004 and 2003 is included in the following table:

	Nine Months Ended March 31,	
	2004	2003
Collaborative Partner:		
Vernalis	$ 1,500,000	$ —
Aventis	1,400,000	—
Genentech	482,000	482,000
Abgenix	408,000	375,000
Millennium	332,000	1,332,000
Boehringer Ingelheim	125,000	1,125,000
GlaxoSmithKline	—	431,000
Total	$ 4,247,000	$ 3,745,000

Clinical materials reimbursement of $3.1 million in the nine months ended March 31, 2004 represents reimbursement for our manufacture of preclinical and clinical materials for our collaborators. In the same period in 2003, clinical materials reimbursement was $2.3 million. The cost of clinical materials reimbursed for the nine months ended March 31, 2004 and 2003 was $2.7 million and $2.0 million, respectively. Under certain collaborative agreements, we are reimbursed for our fully burdened cost to produce clinical materials plus a profit margin. The amount of clinical materials reimbursement we earn, and the related cost of clinical materials reimbursed, is directly related to (i) the number of on-going clinical trials for which we are producing clinical material for our collaborators, the speed of enrollment in those trials, the dosage schedule of each clinical trial and the time period, if any, during which patients in the trial receive clinical benefit from the clinical materials, and (ii) our production of clinical grade material on behalf of our collaborators, either in anticipation of

clinical trials, or for process development and analytical purposes. As such, the amount of clinical materials reimbursement and the related cost of clinical materials reimbursed may vary from quarter to quarter and annually.

Research and Development Expenses

Research and development expenses for the nine months ended March 31, 2004 decreased 5% to $16.1 million from $17.0 million for the nine months ended March 31, 2003. Included in research and development expense for the nine months ended March 31, 2003 is $3.0 million of antibody that we purchased in anticipation of potential future clinical trials. Payments and amounts payable related to ansamitocin P3 fermentation and DM1 conversion were $2.1 million and $2.3 million during the nine months ended March 31, 2004 and 2003, respectively. In addition, during the nine months ended March 31, 2004, we recorded as research and development expense $307,000 of ansamitocin P3 and DM1 compared to $823,000 during the same period in the prior year. Based upon current collaborator firm fixed orders and projections, we determined that our on-hand supply of DM1and ansamitocin P3 at March 31, 2004 and 2003 represents more than a twelve-month supply. On-hand quantities in excess of 12 months' usage are therefore considered excess under our inventory policies and are recorded at their net realizable value. Offsetting the decreases discussed herein were increases in compensation and benefits and facility costs allocated to research and development. Research and development compensation and benefits increased by $1.6 million in the nine months ended March 31, 2004 compared to the nine months ended March 31, 2003. Included in compensation expense for the nine months ended March 31, 2004 were bonuses awarded by the Board of Directors and paid in August 2003. There is no similar expense or accrual in the nine months ended March 31, 2003. The remaining compensation increase is attributable to personnel increases. The number of research and development personnel increased to 107 at March 31, 2004 compared to 90 at March 31, 2003. There was an increase in facility costs allocated to the research and development departments of $1.2 million resulting from an increase in rent at 128 Sidney Street and the costs of the new facility at 148 Sidney Street. We expect future research and development expenses to increase as we continue development of our own and our collaborators' product candidates and technologies.

General and Administrative Expenses

General and administrative expenses for the nine months ended March 31, 2004 increased 10% to $5.0 million from $4.5 million for the nine months ended March 31, 2003. Included in general and administrative salaries and wages for the nine

months ended March 31, 2004 were bonuses awarded by the Board of Directors and paid in August 2003. There is no similar expense or accrual in the nine months ended March 31, 2003. Insurance costs increased by $175,000 in the nine months ended March 31, 2004 compared to the same period in 2003. Included in general and administrative expenses for the nine months ended March 31, 2004 was approximately $206,000 of fees paid to recruiting firms in our efforts to fill various open positions within general and administrative functions as compared to $1,000 of such fees for the nine months ended March 31, 2003. Included in general and administrative expenses for the nine months ended March 31, 2003, is a reserve of $400,000 we established for the estimated settlement of a claim asserted against the Company in July 2002.

Interest Income

Interest income for the nine months ended March 31, 2004 decreased 53% to $1.1 million from $2.2 million for the nine months ended March 31, 2003. The difference is primarily a result of lower rates of return on investments and lower average cash and investment balances.

Net Realized (Losses) Gains on Investments

Net realized (losses) gains on investments were ($58,000) and $534,000 for the nine months ended March 31, 2004 and 2003, respectively. The difference is attributable to market conditions and the timing of investment sales.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2004, we had approximately $19.9 million in cash and cash equivalents and $81.9 million of marketable securities. In November 2000, we completed a public offering of 4.0 million shares of our common stock resulting in net proceeds of $124.8 million. We have used a portion of the net proceeds from the offering for working capital and general corporate purposes, including research and development. Since July 1, 2000, we have financed the net cash used to support operating activities primarily from various collaborative and financing sources. These sources include upfront and milestone payments received under our collaboration agreements with GlaxoSmithKline, Genentech, Abgenix, Millennium, Boehringer Ingelheim, and Aventis, the sale of equity securities to Abgenix, as well as the exercise of stock options and warrants to purchase common stock.

Net cash provided by operations during the nine months ended March 31, 2004 was $2.0 million compared to net cash used for operations of $14.1 million during the nine months ended March 31, 2003. This increase in operational cash in fiscal 2004 is primarily the result of amounts received from Aventis pursuant to the terms of our collaboration including a $12.0 million upfront fee and $5.1 million received for research and development support. These amounts were offset by higher working capital requirements in the nine months ended March 31, 2004 compared to the same period in the prior year.

Net cash provided by investing activities was $7.5 million for the nine months ended March 31, 2004 compared to net cash provided by investing activities of $16.1 million for the nine months ended March 31, 2003. Cash flows from investing activities in the nine months ended March 31, 2004 and 2003 reflects the proceeds of sales and maturities of marketable securities, purchases of marketable securities and capital expenditures. Capital expenditures were $1.6 million and $3.1 million for the nine months ended March 31, 2004 and 2003, respectively, and consisted primarily of costs associated with the renovation of the laboratory and office space we have leased at 148 Sidney Street, the purchase of new equipment and the build-out of our existing Norwood, Massachusetts development and pilot manufacturing facility.

Net cash provided by financing activities was $221,000 for the nine months ended March 31, 2004 compared to net cash used for financing activities of $10.8 million for the nine months ended March 31, 2003. For the nine months ended March 31, 2004, net cash provided by financing activities reflects the proceeds to the Company from the exercise of 108,541 stock options at prices ranging from $0.84 to $5.13 per share. For the nine months ended March 31, 2003, net cash used for financing activities reflects the repurchase of 3,579,602 shares of common stock of the Company.

We anticipate that our current capital resources and future collaborator payments, including committed research funding that we expect to receive from Aventis pursuant to the terms of our collaboration agreement, will enable us to meet our current and projected operational expenses and capital expenditures for at least the next three to five years. We believe that the proceeds from our November 2000 public stock offering in addition to our established

collaborative agreements will provide funding sufficient to allow us to meet our obligations under our collaborative agreements while also allowing us to develop product candidates and technologies not covered by collaborative agreements. However, we cannot provide assurance that such collaborative agreement funding will, in fact, be realized. Should we not meet some or all of the terms and conditions of our various collaboration agreements, we may be required to pursue additional strategic partners, secure alternative financing arrangements, and/or defer or limit some or all of our research, development and/or clinical projects.

On May 12, 2004, the Board of Directors of ImmunoGen terminated, effective immediately, the share repurchase program that it originally authorized in August 2002. Between August 2002 and May 2004 the Board of Directors of the Company had authorized the open market repurchase of up to 4,100,000 shares of ImmunoGen common stock. The repurchases were made at the discretion of management and as market conditions warranted. Through May 12, 2004, the Company had repurchased 3,675,062 shares of its common stock at a total cost of $11.1 million.

Contractual Obligations

There have been no significant changes in our contractual obligations since June 30, 2003.

Risk Factors

THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE THOSE THAT WE CURRENTLY BELIEVE MAY MATERIALLY AFFECT OUR COMPANY. ADDITIONAL RISKS AND UNCERTAINTIES THAT WE ARE UNAWARE OF OR THAT WE CURRENTLY DEEM IMMATERIAL ALSO MAY BECOME IMPORTANT FACTORS THAT AFFECT OUR COMPANY.

If our TAP technology does not produce safe, effective and commercially viable products, our business will be severely harmed.

Our TAP technology is a novel approach to the treatment of cancer. None of our TAP product candidates has obtained regulatory approval and all of them are in early stages of development. Our TAP product candidates may not prove to be safe, effective or commercially viable treatments for cancer and our TAP technology may not result in any meaningful benefits to our current or potential collaborative partners. Furthermore, we are aware of only one antibody-drug conjugate that has obtained FDA approval and is based on technology similar to our TAP technology. If our TAP technology fails to generate product candidates that are safe, effective and commercially viable treatments for cancer, and fails to obtain FDA approval, our business is likely to be severely harmed.

Clinical trials for our product candidates will be lengthy and expensive and their outcome is uncertain.

Before obtaining regulatory approval for the commercial sale of any product candidates, we and/or our collaborative partners must demonstrate through preclinical testing and clinical trials that our product candidates are safe and effective for use in humans. Conducting clinical trials is a time-consuming, expensive and uncertain process and takes years to complete. Our most advanced product candidates are only in the Phase I or Phase I/II stage of clinical trials. Historically, the results from preclinical testing and early clinical trials often have not been predictive of results obtained in later clinical trials. Frequently, drugs that have shown promising results in preclinical or early clinical trials subsequently fail to establish sufficient safety and efficacy data necessary to obtain regulatory approval. At any time during the clinical trials, we, our collaborative partners, or the FDA might delay or halt any clinical trials for our product candidates for various reasons, including:

- ineffectiveness of the product candidate;
- discovery of unacceptable toxicities or side effects;
- development of disease resistance or other physiological factors;
- delays in patient enrollment; or
- other reasons that are internal to the businesses of our collaborative partners, which reasons they may not share with us.

The results of clinical trials may fail to demonstrate the safety or effectiveness of our product candidates to the extent necessary to obtain regulatory approval or that commercialization of our product candidates is worthwhile. Any failure or substantial delay in successfully completing clinical trials and obtaining regulatory approval for our product candidates could severely harm our business.

If our collaborative partners fail to perform their obligations under our agreements, or determine not to continue with clinical trials for particular product candidates, our ability to develop and market potential products could be severely limited.

Our strategy for the development and commercialization of our product candidates depends, in large part, upon the formation of collaborative arrangements. Collaborations allow us to:

- generate cash flow and revenue;
- offset some of the costs associated with our internal research and development, preclinical testing, clinical trials and manufacturing;
- seek and obtain regulatory approvals;
- successfully commercialize existing and future product candidates; and

- develop antibodies for additional product candidates and discover additional cell surface markers for antibody development.

If we fail to secure or maintain successful collaborative arrangements, our development and marketing activities may be delayed or scaled back. In addition, we may be unable to negotiate other collaborative arrangements or, if necessary, modify our existing arrangements on acceptable terms. The development, regulatory approval and commercialization of our product candidates will depend primarily on the efforts of collaborative partners.

We have also entered into collaborations with Genentech, Abgenix, Millennium, Boehringer Ingelheim and Aventis. We cannot control the amount and timing of resources our partners may devote to our products. Our partners may separately pursue competing products, therapeutic approaches or technologies to develop treatments for the diseases targeted by us or our collaborative efforts. Even if our partners continue their contributions to the collaborative arrangements, they may nevertheless decide not to pursue the development or commercialization of any resulting products. Also, our partners may fail to perform their obligations under the collaborative agreements or may be slow in performing their obligations. Our partners can terminate our collaborative agreements under certain conditions. The decision to advance a product that is covered by a collaborative agreement through clinical trials and ultimately to commercialization is in the sole discretion of our collaborative partners. If any collaborative partner were to terminate or breach our agreement with it, or fail to complete its obligations to us in a timely manner, our anticipated revenue from the agreement and development and commercialization of our products could be severely limited. If we are not able to establish additional collaborations or any or all of our existing collaborations are terminated and we are not able to enter into alternative collaborations on acceptable terms, we may be required to undertake product development, manufacture and commercialization of our products ourselves, and we may not have the funds or capability to do this. If our collaborators fail to successfully develop and commercialize TAP products, our business will be severely harmed.

We depend on a small number of collaborators for a substantial portion of our revenue. The loss of or a material reduction in activity by any one of these collaborators could result in a substantial decline in revenue.

We have and will continue to have collaborations with a limited number of companies. As a result, our financial performance depends on the efforts and overall success of these companies. The failure of any one of our collaborative partners to perform its obligations under its agreement with us, including making any royalty, milestone or other payments to us, could have a material adverse effect on our financial condition. Further, any material reduction by any one of our collaborative partners in its level of commitment of resources, funding, personnel, and interest in continued development under its agreement with us could have a material adverse effect on our financial condition. Also, if consolidation trends in the healthcare industry continue, the number of our potential collaborators could decrease, which could have an adverse impact on our development efforts. If a present or future collaborator of ours were to be involved in a business combination, their continued pursuit and emphasis on our product development program could be delayed, diminished or terminated. For example, our collaborative agreement with Vernalis was terminated in January 2004, after British Biotech mergered with Vernalis and Vernalis elected to relinquish its rights to develop and commercialize huN901-DM1, the product subject to the collaborative agreement. In addition, Aventis recently announced an agreement to merge with Sanofi-Synthelabo. We do not know what effect, if any, this will have on our collaboration with Aventis."

If our collaborators' requirements for clinical product that we manufacture for them are significantly lower than we have estimated, our financial results and condition could be significantly harmed.

We procure certain components of finished conjugate including ansamitocin P3, DM1, and linker on behalf of our collaborators. In order to meet our commitments to our collaborators, we are required to enter into agreements with third parties to produce these components well in advance of our production of clinical materials on behalf of our collaborators. If our collaborators do not require as much clinical material as we have contracted to produce, we may not be able to recover our investment in these components and we may suffer significant losses.

In April 2003, one of our collaborators informed us that it may explore alternative sources of ansamitocin P3 and/or DM1. If the collaborator finds and elects to use an alternative source, we may be required to write down excess inventory relating to this collaborator's product.

In addition, we run a pilot manufacturing facility. A significant portion of the cost for salaries of the personnel operating this facility, including the cost of manufacturing personnel, is charged to the cost of producing clinical materials on behalf of our collaborators. If we produce fewer batches of clinical materials for our collaborators, less of the cost of operating the pilot manufacturing facility will be charged to our collaborators and our financial condition could be significantly harmed.

We have a history of operating losses and expect to incur significant additional operating losses.

We have generated operating losses since our inception. As of March 31, 2004, we had an accumulated deficit of $210.1 million. For the nine months ended March 31, 2004 and the fiscal years ended June 30, 2003, 2002 and 2001, we generated losses of $6.2 million, $20.0 million, $14.6 million and $15.3 million, respectively. We may never be profitable. We expect to incur substantial additional operating expenses over the next several years as our research, development, preclinical testing and collaborator support activities increase. We intend to continue to invest significantly in our products and bring more of the product development process in-house, which will be a time-consuming and expensive process. Further, we expect to invest significant resources supporting our existing collaborators as they work to develop, test and commercialize TAP and other antibody products, and we or our collaborators may encounter technological or regulatory difficulties as part of this development and commercialization process that we cannot overcome or remedy. We may also incur substantial marketing and other costs in the future if we decide to establish marketing and sales capabilities to commercialize our products. None of our product candidates has generated any commercial revenue and our only revenues to date have been primarily from upfront and milestone payments and clinical materials reimbursement from our collaborative partners. We do not expect to generate revenues from the commercial sale of our products in the foreseeable future, and we may never generate revenues from the commercial sale of products. Even if we do successfully develop products that can be marketed and sold commercially, we will need to generate significant revenues from those products to achieve and maintain profitability. Even if we do become profitable, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We and our collaborative partners are subject to extensive government regulations and we and our collaborative partners may not be able to obtain regulatory approvals.

We or our collaborative partners may not receive the regulatory approvals necessary to commercialize our product candidates, which could cause our business to be severely harmed. Our product candidates are subject to extensive and rigorous government regulation. The FDA regulates, among other things, the development, testing, manufacture, safety, record-keeping, labeling, storage, approval, advertising, promotion, sale and distribution of pharmaceutical

products. If our potential products are marketed abroad, they will also be subject to extensive regulation by foreign governments. None of our product candidates has been approved for sale in the United States or any foreign market. The regulatory review and approval process, which includes preclinical studies and clinical trials of each product candidate, is lengthy, complex, expensive and uncertain. Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each indication to establish the product candidate's safety and efficacy. Data obtained from preclinical and clinical trials are susceptible to varying interpretation, which may delay, limit or prevent regulatory approval. The approval process may take many years to complete and may involve ongoing requirements for post-marketing studies. In light of the limited regulatory history of monoclonal antibody-based therapeutics, regulatory approvals for our products may not be obtained without lengthy delays, if at all. Any FDA or other regulatory approvals of our product candidates, once obtained, may be withdrawn. The effect of government regulation may be to:

- delay marketing of potential products for a considerable period of time;
- limit the indicated uses for which potential products may be marketed;
- impose costly requirements on our activities; and

- provide competitive advantage to other pharmaceutical and biotechnology companies.

We may encounter delays or rejections in the regulatory approval process because of additional government regulation from future legislation or administrative action or changes in FDA policy during the period of product development, clinical trials and FDA regulatory review. Failure to comply with applicable FDA or other applicable regulatory requirements may result in criminal prosecution, civil penalties, recall or seizure of products, total or partial suspension of production or injunction, as well as other regulatory action against our product candidates or us. Outside the United States, our ability to market a product is contingent upon receiving clearances from the appropriate regulatory authorities. This foreign regulatory approval process includes similar risks to those associated with the FDA approval process. In addition, we are, or may become, subject to various federal, state and local laws, regulations and recommendations relating to safe working conditions, laboratory and manufacturing practices, the experimental use of animals and the use and disposal of hazardous substances, including radioactive compounds and infectious disease agents, used in connection with our research work. If we fail to comply with the laws and regulations pertaining to our business, we may be subject to sanctions, including the temporary or permanent suspension of operations, product recalls, marketing restrictions and civil and criminal penalties.

We may be unable to establish the manufacturing capabilities necessary to develop and commercialize our potential products.

Currently, we only have one in-house pilot scale manufacturing facility for the manufacture of products necessary for clinical testing. We do not have sufficient manufacturing capacity to manufacture all of our product candidates in quantities necessary for commercial sale. In addition, our manufacturing capacity may be insufficient to complete all clinical trials contemplated by us or our collaborators over time. We intend to rely in part on third-party contract manufacturers to produce sufficiently large quantities of drug materials that are and will be needed for clinical trials and commercialization of our potential products. Third-party manufacturers may not be able to meet our needs with respect to timing, quantity or quality of materials. If we are unable to contract for a sufficient supply of needed materials on acceptable terms, or if we should encounter delays or difficulties in our relationships with manufacturers, our clinical trials may be delayed, thereby delaying the submission of product candidates for regulatory approval and the market introduction and subsequent commercialization of our potential products. Any such delays may lower our revenues and potential profitability.

We may develop our manufacturing capacity in part by expanding our current facilities or building new facilities. Either of these activities would require substantial additional funds and we would need to hire and train significant numbers of employees to staff these facilities. We may not be able to develop manufacturing facilities that are sufficient to produce drug materials for clinical trials or commercial use. We and any third-party manufacturers that we may use must continually adhere to Current Good Manufacturing Practices regulations enforced by the FDA through its facilities inspection program. If our facilities or the facilities of third-party manufacturers cannot pass a pre-approval plant inspection, the FDA approval of our product candidates will not be granted. In complying with these regulations and foreign regulatory requirements, we and any of our third-party manufacturers will be obligated to expend time, money and effort on production, record-keeping and quality control to assure that our potential products meet applicable specifications and other requirements. If we or any third-party manufacturer with whom we may contract fail to maintain regulatory compliance, we or the third party may be subject to fines and/or manufacturing operations may be suspended.

We have only one in-house pilot manufacturing facility, and any prolonged and significant disruption at that facility could impair our ability to manufacture products for clinical testing.

Currently, we are contractually obligated to manufacture Phase I and non-pivotal Phase II clinical products for certain of our collaborators. We manufacture this material in a pilot scale manufacturing facility. We only have one such manufacturing facility in which we can manufacture clinical products. Our current manufacturing facility contains highly specialized equipment and utilizes complicated production processes developed over a number of years that would be difficult, time-consuming and costly to duplicate. Any prolonged disruption in the operations of our manufacturing facility would have a significant negative impact on our ability to manufacture products for clinical testing on our own and would cause us to seek additional third-party manufacturing contracts, thereby increasing our development costs. Even though we carry manufacturing interruption insurance policies, we may suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies. Certain events, such as natural disasters, fire, sabotage or business accidents, which could impact our current or future facilities, could have a significant negative impact on our operations by disrupting our product development efforts until such time as we are able to repair our facility or put in place third-party contract manufacturers to assume this manufacturing role.

We rely on single source suppliers to manufacture the primary component for our small molecule effector drug and DM1 itself. Any problems experienced by either supplier could negatively affect our operations.

We rely on third-party suppliers for some of the materials used in the manufacturing of our TAP product candidates and small molecule effector drugs. Our most advanced small molecule effector drug is DM1. DM1 is the cytotoxic agent used in all of our current TAP product candidates and the subject of

most of our collaborations. One of the primary components required to manufacture DM1 is its precursor, ansamitocin P3. Currently, only one vendor manufactures and is able to supply us with this material. Any problems experienced by this vendor could result in a delay or interruption in the supply of ansamitocin P3 to us until this vendor cures the problem or until we locate an alternative source of supply. Any delay or interruption in our supply of ansamitocin P3 would likely lead to a delay or interruption in our manufacturing operations and preclinical and clinical trials of our product candidates, which could negatively affect our business. We also have an agreement with only one vendor to convert ansamitocin P3 to DM1. Any problems experienced by this vendor could result in a delay or interruption in the supply of DM1 to us until this vendor cures the problem or until we locate an alternative source of supply. Any delay or interruption in our supply of DM1 could lead to a delay or interruption in our manufacturing operations and preclinical and clinical trials of our product candidates or our collaborators' product candidates, which could negatively affect our business.

Any inability to license from third parties their proprietary technologies or processes which we use in connection with the development and manufacture of our product candidates may impair our business.

Other companies, universities and research institutions have or may obtain patents that could limit our ability to use, manufacture, market or sell our product candidates or impair our competitive position. As a result, we would have to obtain licenses from other parties before we could continue using, manufacturing, marketing or selling our potential products. Any necessary licenses may not be available on commercially acceptable terms, if at all. If we do not obtain required licenses, we may not be able to market our potential products at all or we may encounter significant delays in product development while we redesign products or methods that could infringe on the patents held by others.

We may be unable to establish sales and marketing capabilities necessary to successfully commercialize our potential products.

We currently have no direct sales or marketing capabilities. We anticipate relying on third parties to market and sell most of our primary product candidates. If we decide to market our potential products through a direct sales force, we would need to either hire a sales force with expertise in pharmaceutical sales or contract with a third party to provide a sales force to meet our needs. We may be unable to establish marketing, sales and distribution capabilities necessary to commercialize and gain market acceptance for our potential products and be competitive. In addition, co-promotion or other marketing arrangements with third parties to commercialize potential products could significantly limit the revenues we derive from these potential products, and these third parties may fail to commercialize our potential products successfully.

If our or our collaborators' product candidates do not gain market acceptance, our business will suffer.

Even if clinical trials demonstrate the safety and efficacy of our product candidates and the necessary regulatory approvals are obtained, our product candidates may not gain market acceptance among physicians, patients, healthcare payors and the medical community. The degree of market acceptance of any product candidates that we develop will depend on a number of factors, including:

- the degree of clinical efficacy and safety;
- cost-effectiveness of our product candidates;
- their advantage over alternative treatment methods;
- reimbursement policies of government and third-party payors; and
- the quality of our or our collaborative partners' marketing and distribution capabilities for our product candidates.

Physicians will not recommend therapies using any of our future products until such time as clinical data or other factors demonstrate the safety and efficacy of those products as compared to conventional drug and other treatments. Even if the clinical safety and efficacy of therapies using our products is established, physicians may elect not to recommend the therapies for any

number of other reasons, including whether the mode of administration of our products is effective for certain conditions, and whether the physicians are already using competing products that satisfy their treatment objectives. Physicians, patients, third-party payors and the medical community may not accept and use any product candidates that we, or our collaborative partners, develop. If our products do not achieve significant market acceptance, we will not be able to recover the significant investment we have made in developing such products and our business would be severely harmed.

We may be unable to compete successfully.

The markets in which we compete are well established and intensely competitive. We may be unable to compete successfully against our current and future competitors. Our failure to compete successfully may result in pricing reductions, reduced gross margins and failure to achieve market acceptance for our potential products. Our competitors include pharmaceutical companies, biotechnology companies, chemical companies, academic and research institutions and government agencies. Many of these organizations have substantially more experience and more capital, research and development, regulatory, manufacturing, sales, marketing, human and other resources than we do. As a result, they may:

- develop products that are safer or more effective than our product candidates;
- obtain FDA and other regulatory approvals or reach the market with their products more rapidly than we can, reducing the potential sales of our product candidates;
- devote greater resources to market or sell their products;
- adapt more quickly to new technologies and scientific advances;
- initiate or withstand substantial price competition more successfully than we can;

- have greater success in recruiting skilled scientific workers from the limited pool of available talent;
- more effectively negotiate third-party licensing and collaboration arrangements; and
- take advantage of acquisition or other opportunities more readily than we can.

A number of pharmaceutical and biotechnology companies are currently developing products targeting the same types of cancer that we target, and some of our competitors' products have entered clinical trials or already are commercially available. In addition, our product candidates, if approved and commercialized, will compete against well-established, existing, therapeutic products that are currently reimbursed by government health administration authorities, private health insurers and health maintenance organizations. We face and will continue to face intense competition from other companies for collaborative arrangements with pharmaceutical and biotechnology companies, for relationships with academic and research institutions, and for licenses to proprietary technology. In addition, we anticipate that we will face increased competition in the future as new companies enter our markets and as scientific developments surrounding antibody-based therapeutics for cancer continue to accelerate. While we will seek to expand our technological capabilities to remain competitive, research and development by others may render our technology or product candidates obsolete or noncompetitive or result in treatments or cures superior to any therapy developed by us.

If we are unable to protect our intellectual property rights adequately, the value of our technology and our product candidates could be diminished.

Our success depends in part on obtaining, maintaining and enforcing our patents and other proprietary rights and our ability to avoid infringing the proprietary rights of others. Patent law relating to the scope of claims in the biotechnology field in which we operate is still evolving, is surrounded by a great deal of uncertainty and involves complex legal, scientific and factual questions. To date, no consistent policy has emerged regarding the breadth of claims allowed in biotechnology patents. Accordingly, our pending patent applications may not result in issued patents. Although we own several patents, the issuance of a patent is not conclusive as to its validity or enforceability. Through litigation, a third party may challenge the validity or enforceability of a patent after its issuance. Also, patents and applications owned or licensed by us may become the subject of interference proceedings in the United States Patent and Trademark Office to determine priority of invention that could result in substantial cost to us. An adverse decision in an interference proceeding may result in our loss of rights under a patent or patent application. It is unclear how much protection, if any, will be given to our patents if we attempt to enforce them and they are challenged in court or in other proceedings. A competitor may successfully challenge our patents or a challenge could result in

limitations of the patents' coverage. In addition, the cost of litigation or interference proceedings to uphold the validity of patents can be substantial. If we are unsuccessful in these proceedings, third parties may be able to use our patented technology without paying us licensing fees or royalties. Moreover, competitors may infringe our patents or successfully avoid them through design innovation. To prevent infringement or unauthorized use, we may need to file infringement claims, which are expensive and time-consuming. In an infringement proceeding a court may decide that a patent of ours is not valid. Even if the validity of our patents were upheld, a court may refuse to stop the other party from using the technology at issue on the ground that its activities are not covered by our patents. Policing unauthorized use of our intellectual property is difficult, and we may not be able to prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States.

In addition to our patent rights, we also rely on unpatented technology, trade secrets, know-how and confidential information. Third parties may independently develop substantially equivalent information and techniques or otherwise gain access to or disclose our technology. We may not be able to effectively protect our rights in unpatented technology, trade secrets, know-how and confidential information. We require each of our employees, consultants and corporate partners to execute a confidentiality agreement at the commencement of an employment, consulting or collaborative relationship with us. However, these agreements may not provide effective protection of our information or, in the event of unauthorized use or disclosure, they may not provide adequate remedies.

If we are forced to litigate or undertake other proceedings in order to enforce our intellectual property rights, we may be subject to substantial costs and liability or be prohibited from commercializing our potential products.

Patent litigation is very common in the biotechnology and pharmaceutical industries. Third parties may assert patent or other intellectual property infringement claims against us with respect to our technologies, products or other matters. Any claims that might be brought against us relating to infringement of patents may cause us to incur significant expenses and, if successfully asserted against us, may cause us to pay substantial damages and limit our ability to use the intellectual property subject to these claims. Even if we were to prevail, any litigation would be costly and time-consuming and could divert the attention of our management and key personnel from our business operations. Furthermore, as a result of a patent infringement suit, we may be forced to stop or delay developing, manufacturing or selling potential products that incorporate the challenged intellectual property unless we enter into royalty or license agreements. There may be third-party patents, patent applications and other intellectual property relevant to our potential products that may block or compete with our products or processes. In addition, we sometimes undertake research and development with respect to potential products even when we are aware of third-party patents that may be relevant to our potential products, on the basis that such patents may be challenged or licensed by us. If our subsequent challenge to such patents were not to prevail, we may not be able to commercialize our potential products after having already incurred significant expenditures unless we are able to license the intellectual property on commercially reasonable terms. We may not be able to obtain royalty or license agreements on terms acceptable to us, if at all. Even if we were able to obtain licenses to such technology, some licenses may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. Ultimately, we may be unable to commercialize some of our potential products or may have to cease some of our business operations, which could severely harm our business.

We use hazardous materials in our business, and any claims relating to improper handling, storage or disposal of these materials could harm our business.

Our research and development activities involve the controlled use of hazardous materials, chemicals, biological materials and radioactive compounds. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and certain waste products. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards prescribed by applicable laws and regulations, we cannot completely eliminate the risk of accidental contamination or injury from these materials. In the event of such an accident, we could be held liable for any resulting damages, and any liability could exceed our resources. We may be required to incur significant costs to comply with these laws in the future. Failure to comply with these laws could result in fines and the revocation of permits, which could prevent us from conducting our business.

We face product liability risks and may not be able to obtain adequate insurance.

The use of our product candidates during testing or after approval entails an inherent risk of adverse effects, which could expose us to product liability claims. Regardless of their merit or eventual outcome, product liability claims may result in:

- decreased demand for our product;

- injury to our reputation and significant media attention;
- withdrawal of clinical trial volunteers;
- costs of litigation;
- distraction of management; and
- substantial monetary awards to plaintiffs.

We may not have sufficient resources to satisfy any liability resulting from these claims. We currently have $5.0 million of product liability insurance for products which are in clinical testing. This coverage may not be adequate in scope to protect us in the event of a successful product liability claim. Further, we may not be able to maintain our current insurance or obtain general product liability insurance on reasonable terms and at an acceptable cost if we or our collaborative partners begin commercial production of our proposed product candidates. This insurance, even if we can obtain and maintain it, may not be sufficient to provide us with adequate coverage against potential liabilities.

We depend on our key personnel and we must continue to attract and retain key employees and consultants.

We depend on our key scientific and management personnel. Our ability to pursue the development of our current and future product candidates depends largely on retaining the services of our existing personnel and hiring additional qualified scientific personnel to perform research and development. We will also need to hire personnel with expertise in clinical testing, government regulation, manufacturing, marketing and finance. Attracting and retaining qualified personnel is and will continue to be critical to our success. We may not be able to attract and retain personnel on acceptable terms given the competition for such personnel among biotechnology, pharmaceutical and healthcare companies, universities and non-profit research institutions. Failure to retain our existing key management and scientific personnel or to attract additional highly qualified personnel could delay the development of our product candidates and harm our business.

If we are unable to obtain additional funding when needed, we may have to delay or scale back some of our programs or grant rights to third parties to develop and market our products.

We will continue to expend substantial resources developing new and existing product candidates, including costs associated with research and development, acquiring new technologies, conducting preclinical and clinical trials, obtaining regulatory approvals and manufacturing products as well as providing certain support to our collaborators in the development of their products. We believe that our current working capital and future payments, if any, from our collaboration arrangements, including committed research funding that we expect to receive from Aventis pursuant to the terms of our collaboration agreement, will be sufficient to meet our current and projected operating and capital requirements for at least the next three to five years. However, we may need additional financing sooner due to a number of factors including:

- if either we or any of our collaborators incur higher than expected costs or experience slower than expected progress in developing product candidates and obtaining regulatory approvals;
- lower revenues than expected under our collaboration agreements; or
- acquisition of technologies and other business opportunities that require financial commitments.

Additional funding may not be available to us on favorable terms, or at all. We may raise additional funds through public or private financings, collaborative arrangements or other arrangements. Debt financing, if available, may involve covenants that could restrict our business activities. If we are unable to raise additional funds through equity or debt financing when needed, we may be required to delay, scale back or eliminate expenditures for some of our development programs or grant rights to develop and market product candidates that we would otherwise prefer to internally develop and market. If we are required to grant such rights, the ultimate value of these product candidates to us may be reduced.

Fluctuations in our quarterly revenue and operating results may cause our stock price to decline.

Our operating results have fluctuated in the past and are likely to continue to do so in the future. Our revenue is unpredictable and may fluctuate due to the timing of non-recurring licensing fees, decisions of our collaborative partners with respect to our agreements with them, reimbursement for manufacturing services, the achievement of milestones and our receipt of

the related milestone payments under new and existing licensing and collaboration agreements. Revenue historically recognized under our prior collaboration agreements may not be an indicator of revenue from any future collaborations. In addition, our expenses are unpredictable and may fluctuate from quarter-to-quarter due to the timing of expenses, which may include obligations to manufacture or supply product or payments owed by us under licensing or collaboration agreements. It is possible that our quarterly operating results will not meet the expectations of securities analysts or investors, causing the

market price of our common stock to decline. We believe that quarter to quarter comparisons of our operating results are not a good indicator of our future performance and should not be relied upon to predict the future performance of our stock price.

We do not intend to pay cash dividends on our common stock.

We have not paid cash dividends since our inception and do not intend to pay cash dividends in the foreseeable future. Therefore, shareholders will have to rely on appreciation in our stock price, if any, in order to achieve a gain on an investment.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

We maintain an investment portfolio in accordance with our Investment Policy. The primary objectives of our Investment Policy are to preserve principal, maintain proper liquidity to meet operating needs and maximize yields. Although our investments are subject to credit risk, our Investment Policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. Our investments are also subject to interest rate risk and will decrease in value if market interest rates increase. However, due to the conservative nature of our investments and relatively short duration, interest rate risk is mitigated. We do not own derivative financial instruments in our investment portfolio.

Accordingly, we do not believe that there is any material market risk exposure with respect to derivative or other financial instruments that would require disclosure under this item.

ITEM 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*

As of the end of the period covered by this report, the Company's principal executive officer and principal financial officer evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have concluded, based on such evaluation, that the design and operation of the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company, including its consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared.

(b) *Changes in Internal Controls*

There were no changes, identified in connection with the evaluation described above, in the Company's internal controls over financial reporting or in other factors that could significantly affect those controls that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. Changes in Securities and Use of Proceeds.

During the nine months ended March 31, 2004, holders of options issued under the Company's Restated Stock Option Plan exercised their rights to acquire an aggregate of 108,541 shares of common stock at prices ranging from $0.84 to $5.13 per share. The total proceeds from these option exercises, approximately $220,600, will be used to fund current operations.

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

10.1	Termination of the Developmental, Commercialization and License Agreement made between Vernalis (R&D) Limited, dated January 2004.*
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.	Certifications of Chief Executive Officer and Principal Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002

(*) The Registrant has filed a confidential treatment request with the commission with respect to this document.

(b) Reports on Form 8-K

None.

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: May 14, 2004

By: /s/ Mitchel Sayare

Mitchel Sayare
President and Chief Executive Officer
(principal executive officer)

Date: May 14, 2004

By: /s/ Virginia A. Lavery

Virginia A. Lavery
Vice President, Finance and Treasurer
(principal financial and accounting officer)

TERMINATION OF THE DEVELOPMENT, COMMERCIALIZATION

AND

LICENSE AGREEMENT

MADE BETWEEN VERNALIS (R&D) LIMITED

Portions of this Exhibit have been omitted and filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

TERMINATION OF THE DEVELOPMENT, COMMERCIALIZATION AND LICENSE AGREEMENT MADE BETWEEN VERNALIS (R&D) LIMITED (THEN BRITISH BIOTECH PHARMACEUTICALS LIMITED) AND IMMUNOGEN INC, ON 4TH MAY 2000.

This Termination Agreement (this "Agreement") is effective as of January 7, 2004 (the Termination Effective Date"), by and between ImmunoGen, Inc. ("ImmunoGen"), a Massachusetts corporation with a principal place of business at 128 Sidney Street, Cambridge, MA 02139, U.S.A and Vernalis (R&D) Limited ("Vernalis"), an English corporation with a principal place of business at Oakdene Court, Winnersh, Berkshire, RG41 5UA, United Kingdom.

WHEREAS, ImmunoGen and Vernalis have previously entered into a Development, Commercialization and License Agreement dated as of May 4, 2000, as supplemented by a letter agreement (the "Letter Agreement") dated as of August 2, 2002 (as so supplemented, the "Existing Agreement"); and

WHEREAS, ImmunoGen and Vernalis wish to terminate the Existing Agreement effective as of the Termination Effective Date, and wish to set forth herein the mutual understanding of the parties as to the consequences of such termination.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby agree as follows:

1. Defined terms in the Existing Agreement shall be deemed to have the same meaning herein.

In addition the following terms shall have the following meanings:

"Contingent Payment" means (a) *****(*****) if ***** patients have been enrolled to the US Study prior to 30th June 2004 and (i) not all of those patients have been completed at 30th June 2004 or (ii) all of those patients have been completed and there is ***** or (b) *****(*****) if enrolment of the first ***** patients to the US Study has not completed by 30th June 2004.

"Compound Supply Batch" means the batch of P009031001 sent to Vernalis by ImmunoGen as described on the invoice attached hereto as Exhibit A and incorporated herein by reference.

"Compound Supply Payment" means *****.

"UK Study" means the ongoing UK phase I daily dosing study (C10/IVB/002)

"US Study" means the ongoing US phase II weekly dosing study (C10/IVB/001)

References to dollars are to US dollars. References to ***** shall be interpreted in accordance with the protocol for US Study. A patient shall be deemed to be enrolled when he/she has received his/her first dose of Licensed Compound.

2. Vernalis and ImmunoGen hereby terminate the Existing Agreement with effect from the Termination Effective Date. Such termination is subject to the terms of this Agreement. In deciding to effect such termination, both parties have taken into account the other provisions of this Agreement. Except as otherwise expressly provided in this Agreement, as of the Termination Effective Date, all rights, obligations, and licenses of the parties under the Existing Agreement shall terminate and be of no further force and effect. In connection therewith, effective as of the Termination Effective Date, each of ImmunoGen and Vernalis hereby releases the other and its respective officers, employees, Affiliates and agents from any and all

---

claims, actions or causes of action by it and arising from or related to the Existing Agreement, the transactions contemplated thereby or the termination thereof; provided, that, this Section 2 shall not be interpreted to release either ImmunoGen or Vernalis from any obligation expressly set forth in this Agreement, including, without limitation, their respective continuing obligations set forth in clause 10 below.

3. Vernalis shall use all reasonable efforts to complete the UK Study no later than ***** and to make a preliminary report on the results to ImmunoGen no later than ***** (*****) ***** after the last patient last visit for the UK Study in accordance with the protocol therefor.

4. Vernalis shall use all reasonable efforts to complete the enrolment to the US Study of the initial ***** patients (as contemplated by the protocol for the US Study) by 30th June 2004. Such reasonable efforts shall consist solely of keeping open all of the sites that are open as at 1st December 2003 and making at least ***** per site between 1st January 2004 and 30th June 2004 and making a preliminary report on the results to ImmunoGen no later than ***** (*****) ***** after the earlier of (a) completion of the last patient last visit for the first ****** patients enrolled to the US Study and (b) 30th June 2004.

5. Vernalis is permitted to sub-contract the performance of any work to be carried out by Vernalis under this Agreement to any third party or third parties of Vernalis' choosing, provided that Vernalis shall remain primarily responsible to ImmunoGen for the performance of any such third party or third parties.

6. Vernalis's final obligations as regards the US Study shall depend on the status of the US Study as at 30th June 2004:

6.1 if ***** patients complete the US Study prior to 30th June 2004 but there are ***** then Vernalis shall terminate the US Study, following which its only obligations shall be to report the results to ImmunoGen as described in clause 4 of this Agreement.

6.2 if (a) ***** patients complete the US Study prior to 30th June 2004 and there is at ***** or (b) enrolment of the first ***** patients to the US Study has completed by 30th June 2004 but not all such patients have been completed at that date (regardless of whether there have been *****), or (c) enrolment of the first ***** patients to the US Study does not complete (regardless of whether there have been *****), Vernalis shall immediately transfer all responsibilities, including the IND and sponsorship of the US Study, to ImmunoGen or its nominee (so that ImmunoGen can then complete the US Study, or terminate it, as it sees fit), and Vernalis shall provide such documentation and execute such documents as may be reasonably necessary to effect such transfer to ImmunoGen and, following this, Vernalis shall have no further obligations in respect of the US Study. Documents shall only qualify as 'reasonably necessary' in this context if ImmunoGen has made a request in writing to Vernalis, no later than *****, that Vernalis supply such documents to ImmunoGen. In addition, upon request from ImmunoGen, the parties shall discuss in good faith the possibility of entering into a consulting agreement containing commercially reasonable terms relating to certain consulting services to be performed by medically qualified persons in connection with ImmunoGen's conduct of the US Study post 30 June 2004. If the parties do not enter into such a consulting agreement, Vernalis shall, if requested by ImmunoGen, suggest to ImmunoGen a third party consultant who ImmunoGen may wish to use for such purposes.

7. ImmunoGen shall supply Vernalis with the Compound Supply Batch in accordance with the Specifications. If Vernalis requires any further supplies of Licensed Compound in order for Vernalis to carry out its obligations under clauses 3 and 4 above then ImmunoGen shall supply the same in accordance with the Letter Agreement. Clauses 22.5 to 22.9, 23, 25.1, 25.2, 26 and 28 of the Existing Agreement shall apply to such supply save that in no circumstances shall Vernalis be obliged to make any payment to ImmunoGen under such clauses and if there

---

is any conflict between the terms of this Agreement and such clauses then this Agreement shall prevail.

8. Vernalis acknowledges and agrees that ImmunoGen has sent Vernalis the invoice for the Compound Supply Payment attached hereto as Exhibit A and incorporated herein by reference. Vernalis shall use all reasonable endeavours to expedite the procedures for the release of the Compound Supply Batch and shall pay ImmunoGen the Compound Supply Payment within ***** (*****) ***** of such release by Vernalis. If release is not ***** then the parties shall meet and discuss in good faith a resolution of such issues. Vernalis shall also pay ImmunoGen the Contingent Payment if (and only if) any of the scenarios set out in clause 6.2 occur. Vernalis shall not make the Contingent Payment if ***** patients complete the US Study by 30 June 2004 and there are not ***** amongst such patients. Vernalis shall make such payment (if applicable) within 30 days of ImmunoGen sending Vernalis an invoice therefore (such invoice to be dated 30th June 2004 or thereafter). In connection therewith (a) Vernalis acknowledges and agrees that ImmunoGen has paid to Vernalis any and all amounts due and payable by ImmunoGen to Vernalis under the Existing Agreement, and (b) ImmunoGen acknowledges and agrees that, other than with respect to the payment of the Compound Supply Payment and (if applicable) the Contingent Payment as described in this clause 8, Vernalis has paid to ImmunoGen any and all amounts due and payable by Vernalis to ImmunoGen under, or in connection with, the Existing Agreement.

9. Neither party shall make any public announcements, either written, oral or in any medium relating to the Existing Agreement, this Agreement, or Licensed Compound without the consent of the other party (such consent not to be unreasonably withheld). Nothing in the foregoing however shall prohibit a party from making disclosures to the extent required under applicable federal or state securities laws or any rule or regulation of any nationally recognised securities exchange, provided same is accurate and complete.

10. Clauses 47.2.1, 47.2.2, 47.2.4 (effect of termination), 53 (other than 53.3) (confidentiality) and 56 (standstill) of the Existing Agreement shall survive termination of the Existing Agreement.

11. This Agreement shall be governed by and construed and interpreted in accordance with the Laws of the State of New York and the parties submit to the jurisdiction of the State or Federal courts located in the City of New York, New York, which courts have exclusive jurisdiction in respect thereof.

This agreement has been executed on the 7thJanuary 2004

Executed by Vernalis (R&D) Limited
acting by /s/ Simon Sturge
Director

Executed by ImmunoGen, Inc
acting by /s/ Mitchel Sayare
Chief Executive Officer

Exhibit A

*****

Portions of this Exhibit have been omitted and filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

EXHIBIT 31.1

CERTIFICATIONS

I, Mitchel Sayare, 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)) 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) 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

c) 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: May 14, 2004

/s/ Mitchel Sayare

Mitchel Sayare

Chairman of the Board of Directors, Chief Executive Officer and President

EXHIBIT 31.2

CERTIFICATIONS

I, Virginia A. Lavery, 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)) 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) 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

c) 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: May 14, 2004

/s/ Virginia A. Lavery

Virginia A. Lavery
Vice President, Finance and Treasurer

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 March 31, 2004 (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:May 14, 2004

/s/ Mitchel Sayare
Mitchel Sayare
Chairman of the Board of Directors, Chief Executive Officer and President

Dated:May 14, 2004

/s/ Virginia A. Lavery
Virginia A. Lavery
Vice President, Finance and Treasurer