UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the year ended

OR

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

For the transition period from July 1, 2016 to December 31, 2016

Commission file number 0-17999

ImmunoGen, Inc.

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

830 Winter Street, Waltham, MA 02451
(Address of principal executive offices, including zip code)
(781) 895-0600
(Registrant's telephone number, including area code)

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

Aggregate market value, based upon the closing sale price of the shares as reported by the NASDAQ Global Select Market, of voting stock held by non- affiliates at December 31, 2016: $176,818,406 (excludes shares held by executive officers and directors). Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of management or policies of the registrant, or that such person is controlled by or under common control with the registrant. Common Stock outstanding at February 16, 2017: 87,354,589 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on June 13, 2017 are incorporated by reference into Part III.

ImmunoGen, Inc.

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Incorporation of certain information by reference

In this Transition Report on Form 10-K, ImmunoGen, Inc. (ImmunoGen, Inc., together with its subsidiaries, is referred to in this document as "we", "our", "us", "ImmunoGen", or the "Company"), incorporates by reference certain information from parts of other documents filed with the Securities and Exchange Commission. The Securities and Exchange Commission allows us to disclose important information by referring to it in that manner. Please refer to all such information when reading this Transition Report on Form 10-K. All information is as of December 31, 2016 unless otherwise indicated. For a description of the risk factors affecting or applicable to our business, see "Risk Factors," below.

Change in fiscal year

As previously reported, we have changed our fiscal year end to December 31 from June 30, effective January 1, 2017. This transition report is for the six-month transition period of July 1, 2016 through December 31, 2016. References in this report to "fiscal year" refer to years ending June 30. References in this report to "transition period" refer to the six month period ending December 31, 2016.

Forward looking statements

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts that are not yet determinable. These statements also relate to our future prospects, developments and business strategies.

These forward-looking statements are identified by their use of terms and phrases, such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" and other similar terms and phrases, including references to assumptions. These statements are contained in the "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections, as well as other sections of this report.

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

PART I

Item 1. *Business*

Company overview

ImmunoGen is a clinical-stage biotechnology company that develops targeted cancer therapeutics using our proprietary antibody-drug conjugate, or ADC, technology. An ADC with our technology comprises an antibody that binds to a target found on tumor cells and is conjugated to one of our potent anti-cancer agents as a "payload" to kill the tumor cell once the ADC has bound to its target. ADCs are an expanding approach to the treatment of cancer, with two approved products and the number of agents in development more than doubling during the last five years.

We have established a leadership position in ADCs. Our technology is deployed in Roche's Kadcyla® (ado-trastuzumab emtansine), the first ADC to demonstrate superiority over standard of care in a randomized pivotal trial, EMILIA, and gain FDA approval. Following Kadcyla are 13 clinical-stage ADCs that integrate our technology: four wholly-owned by us and nine through our partnerships with Amgen, Bayer, Biotest, Lilly, Novartis, and Sanofi.

Our proprietary portfolio is led by mirvetuximab soravtansine, a first-in-class ADC targeting folate-receptor alpha, or FRα. Following meetings with the U.S. Food and Drug Administration, or FDA, and the European Medicines Agency, or EMA, in the third quarter of 2016 to review our protocol, we initiated a Phase 3 registration trial, FORWARD I, with mirvetuximab soravtansine for use as single-agent therapy to treat patients with platinum-resistant ovarian cancer whose tumors express high or medium levels of FRα and who have received up to three prior treatment

regimens. Additionally, we are accruing patients in a companion study, FORWARD II, to evaluate mirvetuximab soravtansine in combination regimens to expand the number of patients with ovarian cancer eligible for treatment with the ADC. FORWARD II consists of cohorts assessing mirvetuximab soravtansine in combination with, in separate doublets, Avastin® (bevacizumab), pegylated liposomal doxorubicin, or PLD, and carboplatin. We have also entered into a collaboration with Merck under which Merck is providing Keytruda® (pembrolizumab) for evaluation in combination with mirvetuximab soravtansine as part of the FORWARD II study. We expect to begin reporting clinical findings from FORWARD II in the second quarter of 2017.

We have built a productive platform that continues to generate innovative and proprietary ADCs, including IMGN779, our CD33-targeting product candidate for acute myeloid leukemia, or AML. IMGN779 integrates one of our new DNA-alkylating IGN payload agents and is progressing through dose escalation in a Phase 1 trial in AML. We also are advancing IMGN632, a preclinical CD123-targeting ADC that uses an even more potent IGN payload agent with a new engineered linker and novel antibody, which we are developing for hematological malignancies including AML. We expect to file an Investigational New Drug application, or IND, for IMGN632 in the third quarter of 2017.

In addition to fueling our organic growth, we also selectively license limited rights to use of our ADC technology to other companies. These licenses can provide us with cash through upfront and milestone payments, research and manufacturing support payments, and royalties on commercial sales, if any, as well as access to complementary technology and capabilities. The most advanced partner program is Roche’s marketed product, Kadcyla.

Our strategy

Our goal is to build a fully-integrated biotechnology company capable of delivering a sustainable pipeline of innovative ADC therapies to cancer patients around the globe. We will attain this goal by focusing on four strategic priorities:

- *Complete development and commercialize mirvetuximab soravtansine.* We are committed to executing on a speed-to-market strategy to complete development and obtain full approval for our lead program in platinum-resistant ovarian cancer. We reviewed with the FDA and the EMA the planned path to registration for mirvetuximab soravtansine and the design of our Phase 3 trial, FORWARD I. We initiated FORWARD I in the fourth quarter of 2016.

- *Accelerate the development of our earlier-stage portfolio.* We have prioritized product candidates with the highest potential for differentiation and, to this end, have emphasized ADCs deploying our new DNA-alkylating payload. With a potentially broad therapeutic index, we believe we can increase the number of cancers addressable by ADC therapies with this technology.

- *Continue to drive innovation in ADCs.* We have generated significant expertise in understanding the factors that drive successful development of ADCs. This understanding has produced a comprehensive set of capabilities for antibody, linker, and payload development and ADC manufacturing. We have paired this platform with an in-house team experienced in developing and commercializing oncology products from the bench to the patient. We believe this depth of know-how, capabilities, and experience has positioned us for sustained leadership in ADCs for oncology.

- *Lever partnerships to extend the impact of innovation.* We will continue to lever our platform to support our existing relationships and pursue new collaborations that expand the reach of our innovation, generate revenue, mitigate expenses, and expand our capabilities to enable more patients to be treated with ADCs deploying our technology.

ADCs and our technology platform

ADCs represent an increasingly important approach to cancer therapy for both solid tumors and hematological malignancies. In addition to two FDA-approved ADCs, the number of ADCs in development has more than doubled during the last five years to over 50 clinical candidates sponsored by more than 20 companies including Bayer, Lilly, Novartis, Pfizer, Roche, and Takeda. Thirteen of these clinical candidates use ImmunoGen’s technology, with additional ADCs in preclinical development.

Our ADC platform technology combines advanced chemistry and biochemistry with innovative approaches to antibody optimization and engineering to generate novel product candidates designed to offer improved efficacy and/or tolerability for an expanding array of malignancies. Our platform-innovation programs focus primarily on increasing the diversity and potency of our payload agents, advancing antibody-payload linkage and release technologies, and integration of novel approaches to antibody engineering.

We have developed tubulin-acting maytansinoid payload agents, which include DM1 and DM4. Our maytansinoid technology is utilized in Kadcyla, mirvetuximab soravtansine, anetumab ravtansine, and all other ADCs in development by us and our partners that entered the clinic prior to 2016. Recent laboratory studies conducted by ImmunoGen and academics indicate that maytansinoid ADCs can promote the maturation and activation of antigen-presenting dendritic cells and help potentiate the effect of immuno-oncology agents. We have entered into a collaboration with Merck and are assessing mirvetuximab soravtansine in combination with Merck's Keytruda in our Phase 1b/2 FORWARD II trial.

We also have developed a new class of DNA-acting payload agents, our indolino-benzodiazepines, which we call IGNs. Our IGNs alkylate DNA without cross-linking it, which we have found to provide a broad therapeutic index between efficacious doses and dose-limiting toxicity in preclinical models. Our IMGN779 and IMGN632 product candidates utilize our IGN payload agents, as does Takeda's new GCC-targeting ADC. IGNs have the potential to markedly expand the opportunity for ADCs by enabling the development of effective, well-tolerated therapies for antigen targets not suitable for tubulin-acting approaches (e.g., due to limited antigen density or insensitivity to the mechanism of action).

Other enabling technologies in our portfolio include our growing array of stable engineered linkers, which direct the release and activation of the payload agent inside the cancer cell, alternative methods of site-specific and non-site-specific attachment of payload to antibody, and alternative antibody assessment, engineering and targeting approaches. Our technology portfolio is designed to enable achievement of the most active, well-tolerated ADC for the target. In addition, we are collaborating with companies such as CytomX to gain access to novel approaches to antibody engineering such as masking technology.

Our product candidates

The following table depicts the current status of our product candidates in or near human clinical development and for which we retain all commercial rights:

ImmunoGen Wholly-Owned Product Candidate	**Target**	**Lead Indication**	**Lead Stage**
Mirvetuximab soravtansine	FRα	Platinum-resistant ovarian cancer	Phase 3 registration testing
IMGN779	CD33	AML	Phase 1
IMGN632	CD123	Hematologic malignancies	Preclinical
IMGN529*	CD37	DLBCL	Phase 1b/2
Coltuximab ravtansine*	CD19	DLBCL	Phase 2

**As part of a strategic review of the Company's operations announced in September 2016 and the prioritization of its IGN programs, ImmunoGen will seek to monetize its non-core B-cell assets - IMGN529 and coltuximab ravtansine - through partnering with interested parties.*

Mirvetuximab soravtansine

Mirvetuximab soravtansine is the first ADC to target FRα, which is highly expressed on many ovarian cancers and some other types of solid tumors, including non-small cell lung, endometrial, and triple negative breast cancer. Mirvetuximab soravtansine comprises an FRα-binding antibody that serves to target the ADC to FRα-positive cancer cells and our potent DM4 payload agent to kill the targeted cells. It is a potential treatment for FRα-positive solid tumors including ovarian cancer and has been granted orphan drug status for ovarian cancer in the U.S. and the European Union, or the EU.

Ovarian cancer – need for new treatment options

There is a significant need for more effective, better tolerated therapies for recurrent ovarian cancer. Each year there are 19,000-24,000 recurrent platinum-resistant ovarian cancer patients who receive second line or later treatment. Ovarian cancer has the most deaths per year among gynecologic cancers, with the majority of patients diagnosed at an advanced stage.

Standard first-line therapy for ovarian cancer in the U.S. is a platinum-based regimen (e.g., carboplatin plus a taxane and potentially additional agents). Once the cancer becomes platinum resistant, a wide array of treatments may be used. Response rates with single-agent therapies (e.g., PLD, paclitaxel, topotecan) are limited – typically around 15% to 20%, with median progression-free survival, or PFS, of 3.5 to 4 months. Side effects with these agents include hair loss, neuropathy and hand foot syndrome.

Mirvetuximab soravtansine initial clinical testing

We initiated Phase 1 testing of mirvetuximab soravtansine to assess, among other factors, its safety, tolerability, and maximum tolerated dose, and to provide initial information on its anti-tumor activity. In the dose-finding stage, evidence of activity was seen in patients with FRα-positive, platinum-resistant ovarian cancer. Based on this experience, we opened an expansion cohort to prospectively evaluate mirvetuximab soravtansine, dosed at 6 mg/kg once every 3 weeks, specifically for the treatment of patients diagnosed with FRα-positive, platinum-resistant ovarian cancer.

To qualify for enrollment, patients needed to have platinum-resistant ovarian cancer treated with up to 5 prior treatment regimens. They also needed to have at least low FRα expression on their tumor cells, defined as:

FRα expression category	Percent of tumor cells with moderate (2+) or high (3+) FRα expression	Percent of patients with ovarian cancer*
High	at least 75%	40%
Medium	50% to 74%	20%
Low	25% to 49%	20%
Very low	Less than 25%	20%

***ImmunoGen estimate based on the pre-screening patients for FRα expression for mirvetuximab soravtansine ovarian cancer trials and on published data.*

Findings in patients with FRα-positive platinum-resistant ovarian cancer

The data from this Phase 1 46 patient expansion cohort were presented at the ASCO annual meeting in June 2016. All of the patients enrolled had previously been treated with a platinum agent and with a taxane therapy; approximately two-thirds of the patients had received prior Avastin. Among the 46 patients, 23 had high, 14 had medium and 9 patients had low expression of FRα on their ovarian cancer. Half of the 46 patients had received 1, 2, or 3 prior regimens and half had received 4 or 5 prior regimens.

The findings reported at ASCO include that, for the full 46-patient cohort, mirvetuximab soravtansine demonstrated favorable single-agent activity, with a confirmed (RECIST 1.1) objective response rate, or ORR, of 26%

and a median PFS of 4.8 months (95% confidence interval, 3.9 to 5.7 months). The greatest activity was seen among the patients who had high or medium expression of the target and had received up to 3 prior regimens.

Patients	ORR Confirmed responses only	Median PFS
All in study (n=46)	26%	4.8 months (95% CI, 3.9-5.7)
Those with high or medium FRα who received up to 3 prior regimens (n=16)	44%	6.7 months (95% CI, 3.9-11.0
Those with low FRα who received 4 or 5 prior regimens (n=30)	17%	4.2 months (95% CI, 2.6-5.6)
Standard single-agent therapies based on product label and other published data	15%-20%	3.5 to 4 months

Mirvetuximab soravtansine was generally well tolerated, with mostly Grade 1 or Grade 2 adverse events. Events reported in more than 20% of patients were diarrhea, fatigue, nausea, vomiting, peripheral neuropathy, increased AST, keratopathy and abdominal pain.

Based on the single-agent activity observed in difficult-to-treat platinum-resistant ovarian cancer, its safety and tolerability in the more than 160 patients treated to date, and our meetings with the regulatory agencies, we have advanced mirvetuximab soravtansine into a Phase 3 registration-enabling study, while also assessing it in combination regimens in a Phase 1b/2 trial to potentially provide greater benefit to more patients.

FORWARD I – single-agent therapy for platinum-resistant disease

Our FORWARD I Phase 3 trial is assessing mirvetuximab soravtansine as single-agent therapy for patients with platinum-resistant ovarian cancer who previously received up to three treatment regimens. To be eligible for enrollment, a patient's ovarian cancer also must also express FRα at medium or high levels as measured by an in vitro diagnostic test developed by Ventana Medical Systems, Inc. that is advancing in conjunction with this trial. We estimate that 12,000 to 14,000 patients per year in the U.S. meet these criteria, with a comparable number in the EU.

The Phase 3 trial design includes: (i) randomization of 333 patients 2:1 to mirvetuximab soravtansine or physician's choice, chosen among PLD, topotecan, and weekly paclitaxel; (ii) PFS as the primary endpoint of the trial; (iii) powering the trial to enable separate assessment of the primary endpoint in the full study population and in the subset with high FRα expression; and (iv) inclusion of an interim analysis for futility.

We began FORWARD I in the fourth quarter of 2016 and dosed the first patient in January 2017. We currently anticipate reporting data on the primary endpoint for this study in 2019.

FORWARD II – combination therapy for expanded patient population

Cancer is often treated with combination regimens to enhance the treatment effect over single agents and to expand the eligible patient populations. Our FORWARD II Phase 1b/2 trial assesses mirvetuximab soravtansine in separate combinations with each of PLD, Avastin, and carboplatin, and Merck's Keytruda. To qualify for enrollment in FORWARD II, patients must have at least low FRα expression on their tumor cells. Patients with platinum-sensitive disease will be eligible for treatment with a combination of mirvetuximab soravtansine and carboplatin.

We expect to begin reporting clinical findings from FORWARD II in the second quarter of 2017.

IMGN779 and IMGN632 – first-in-class ADCs for AML

Our CD33-targeting IMGN779 product candidate for AML is the first ADC to use one of our new IGN payload agents that alkylate DNA without cross-linking it.

In preclinical studies, ImmunoGen scientists found improvements in therapeutic index, the difference between efficacious doses and dose-limiting toxicity, between our DNA-alkylating IGN payloads and matched DNA cross-linking agents, including the avoidance of prolonged toxicity.

We advanced IMGN779 into Phase 1 clinical testing for AML in April 2016 and expect to report the first clinical data with the agent in mid-2017. The IMGN779 Phase 1 trial will assess two schedules (weekly and biweekly administration) in the dose-finding stage and then assess the selected dose and schedule in planned expansion cohorts in patients with AML in first relapse and in patients with relapsed/refractory AML.

The first disclosure of IMGN632, our CD123-targeting ADC, was at the European Hematology Meeting in June 2016. Preclinical data for IMGN632 presented at an oral presentation at the American Society of Hematology meeting in December 2016 showed exceptional activity in AML models, including those resistant to standard of care therapies with a therapeutic index > 100 fold. The data also demonstrated a >50 fold reduction in toxicity to human marrow progenitor cells, compared to a DNA crosslinking payload, while maintaining similar potency on human AML blasts and xenografts. This potential new therapy for AML and certain other hematologic malignancies utilizes a new ImmunoGen IGN payload that alkylates DNA without crosslinking and engineered linker as well as a novel antibody. We expect to submit the IND for IMGN632 in the third quarter of 2017.

IMGN529 and coltuximab ravtansine – novel ADCs for B-cell malignancies

Our CD37-targeting ADC, IMGN529, has demonstrated single-agent activity in relapsed/refractory DLBCL in Phase 1 testing and striking synergy with rituximab in preclinical testing. IMGN529 is now in Phase 1b/2 clinical testing in combination with rituximab. This novel ADC has orphan drug status for DLBCL in the U.S.

Our CD19-targeting ADC, coltuximab ravtansine, has demonstrated single-agent, proof-of-concept activity in Phase 2 clinical testing. We believe this product candidate is best advanced in a combination regimen.

We are currently pursuing opportunities to monetize these B-cell assets through partnering with interested parties.

Out-licenses and Collaborations

We selectively license restricted access to our ADC technology to other companies to expand the use of our technology and to provide us with cash to fund our own product programs. These agreements typically provide the licensee with rights to use our ADC technology with its antibodies or related targeting vehicles to a defined target to develop products. The licensee is generally responsible for the development, clinical testing, manufacturing, registration and commercialization of any resulting product candidate. As part of these agreements, we are generally entitled to receive upfront fees, potential milestone payments, royalties on the sales of any resulting products and research and development funding based on activities performed at our collaborative partner's request. We are also compensated for preclinical and clinical materials that we supply to our partners.

We only receive royalty payments from our out-licenses after a product candidate developed under the license has been approved for marketing and commercialized. Additionally, the largest milestone payments under our existing collaborations usually are on later-stage events, such as commencement of pivotal clinical trials, product approval and achievement of defined annual sales levels. Achievement of product approval requires, at a minimum, favorable completion of preclinical development and evaluation, assessment of early-stage clinical trials, advancement into pivotal Phase II and/or Phase III clinical testing, completion of this later-stage clinical testing with favorable results, and completion of regulatory submissions and a positive regulatory decision. Below is a table setting forth our active partnerships and current status of the most advanced program in the partnership:

Partner	Licensed targets	Status of Most Advanced Program
Roche	HER2, 4 other*	Marketed
Bayer	Mesothelin	Phase 2 designed to support registration
Sanofi	CA6, CEACAM5, LAMP1, 1 other*	Phase 2
Sanofi	CD38**	Phase 3
Biotest	CD138	Phase 2
Novartis	cKit, pCadherin, CDH6, 3 other*	Phase 1
Lilly	FGFR3, 2 other*	Phase 1
Amgen	2*†	Phase 1
CytomX	CD166	Research/Preclinical
Takeda	GCC	Research/Preclinical

**Undisclosed*
***Unconjugated antibody*
† Amgen has sublicensed one of its exclusive single-target licenses to Oxford BioTherapeutics Ltd.

Roche

In 2000, we granted Genentech, now a unit of Roche, an exclusive license to develop and commercialize HER2-targeting ADCs with our maytansinoid technology. Roche's Kadcyla resulted from this license. Kadcyla was approved for marketing in the U.S., EU and Japan in 2013 based on the findings in the EMILIA Phase 3 trial. We received a $2 million upfront payment from Roche upon execution of the agreement. We are entitled to receive up to a total of $44 million in milestone payments, of which we have received $34 million to date, and also tiered royalties on the commercial sales of Kadcyla or any other resulting products as described below.

In 2015, Immunity Royalty Holdings, L.P., or IRH, paid us $200 million to purchase our right to receive 100% of the royalty payments on commercial sales of Kadcyla arising under our development and commercialization license with Genentech, until IRH has received aggregate Kadcyla royalties equal to $235 million or $260 million, depending on when the aggregate Kadcyla royalties received by IRH reach a specified milestone. Once the applicable threshold is met, if ever, we will thereafter receive 85% and IRH will receive 15% of the Kadcyla royalties for the remaining royalty term.

The royalty term is determined on a country-by-country basis, and is initially 10 years from the date of first commercial sale of Kadcyla in the country. If, on such 10th anniversary, Kadcyla is covered by a valid claim under any patents controlled by us (excluding patents jointly owned by us and Genentech), then royalties remain payable on sales of Kadcyla in that country for an additional 2 years.

The royalty rate is based on the calendar-year sales of Kadcyla in two territories: (1) the U.S. and (2) the rest of the world. For each territory, the rate is: 3% of net sales up to $250 million; 3.5% of net sales above $250 million and up to $400 million; 4% of net sales above $400 million and up to $700 million; and 5% of net sales above $700 million in the that territory during the calendar year. Royalties will be reduced to a flat 2% of net sales in any country at any time during the royalty term in which Kadcyla is not covered by a valid claim under any patents controlled by us (excluding patents jointly owned by us and Genentech or solely owned by Genentech) in such country.

The license agreement also provides for certain adjustments to the royalties payable to us if Genentech makes certain third party license payments in order to exploit the ADC technology components of Kadcyla, although such adjustments would in no event reduce the royalties payable for any country below the greater of 50% of the royalties otherwise payable with respect to sales of Kadcyla in such country, or 2% of net sales in such country. As of the date of this report, we are unaware of any facts or circumstances that are reasonably likely to give rise to such an adjustment.

Roche may terminate this agreement for convenience at any time upon 90 days' prior written notice to us. The agreement may also be terminated by either party for a material breach by the other, subject to notice and cure provisions. Unless earlier terminated, the agreement will continue in effect until the expiration of Roche's royalty obligations.

Roche, through its Genentech unit, also has licenses for the exclusive right to use our maytansinoid ADC technology with antibodies to four undisclosed targets, which were granted under the terms of a separate, now expired 2000 right- to-test agreement with Genentech. For each of these licenses, we received a $1 million license fee and are entitled to receive up to a total of $38 million in milestone payments and also royalties on the sales of any resulting products. We have not received any milestone payments from these agreements through December 31, 2016. Roche is responsible for the development, manufacturing, and marketing of any products resulting from these licenses.

Bayer

In 2008, we granted Bayer an exclusive development and commercialization license to use our maytansinoid ADC technology with antibodies or other proteins that target mesothelin. We received a $4 million upfront payment upon execution of the agreement. We are also entitled to receive, for each product developed and marketed by Bayer

under this agreement, up to a total of $170.5 million in milestone payments, plus tiered royalties between 4 - 7% on the commercial sales of any resulting products.

Bayer has developed anetumab ravtansine under this agreement, and in 2016 initiated a Phase 2 trial designed to support marketing registration for which we received a $10 million milestone payment.

Bayer may terminate the agreement for convenience at any time upon prior written notice to us. The agreement may also be terminated by either party for a material breach by the other, subject to notice and cure provisions. We may also terminate the agreement upon the occurrence of specified events. Unless earlier terminated, the agreement will continue in effect until the expiration of Bayer royalty obligations, which are determined on a product-by-product and country-by-country basis. For each product and country, Bayer royalty obligations commence upon first commercial sale of that product in that country, and extend until the later of either the expiration of the last-to-expire ImmunoGen patent covering that product in that country or the expiration for that country of the minimum royalty period specified in the agreement.

Sanofi

Collaboration Agreement

In 2003, we entered into a broad collaboration agreement with Sanofi (formerly Aventis) to discover, develop and commercialize antibody based products. The collaboration agreement provided Sanofi with worldwide development and commercialization rights to new antibody based products directed to targets that were included in the collaboration, including the exclusive right to use our maytansinoid ADC technology in the creation of products developed to these targets. No further targets may be added to this agreement and the product candidates (targets) as of December 31, 2016 in the collaboration include isatuximab (CD38), SAR566658 (CA6), SAR408701 (CEACAM5) and one earlier-stage program that has yet to be disclosed.

The agreement may be terminated by either party for a material breach by the other, subject to notice and cure provisions. Unless earlier terminated, the agreement will continue in effect until the expiration of Sanofi's royalty obligations, which are determined on a product-by-product and country-by-country basis. For each product and country, Sanofi's royalty obligations commence upon first commercial sale of that product in that country, and extend until the later of either the expiration of the last-to-expire ImmunoGen patent covering that product in that country or the expiration for that country of the minimum royalty period specified in the agreement.

The collaboration agreement also provides us an option to certain co-promotion rights in the U.S. on a product-by-product basis. The terms of the collaboration agreement allow Sanofi to terminate our co-promotion rights if there is a change in control of ImmunoGen.

We are entitled to receive milestone payments potentially totaling $21.5 million, per target, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—$7.5 million; and regulatory milestones—$14 million. Through December 31, 2016, we have received and recognized an aggregate of $20.5 million in milestone payments for compounds covered under this agreement now or in the past.

In January 2017, Sanofi enrolled its first patient in a Phase 3 trial for isatuximab for which we received a $3 million milestone payment. As a result of certain adjustments provided in the collaboration agreement, we expect the royalty rate on commercial sales of isatuximab to be in the low single digits and, under certain circumstances, the royalty obligation to cease, because of (1) approval of competitor anti-CD38 antibody products, such as Darzalex® (daratumumab) from Janssen Biotech, and (2) the lack of ImmunoGen patent rights covering isatuximab, since our ADC-related patent rights do not pertain to the compound and our isatuximab-specific patent rights were assigned to Sanofi under the terms of the collaboration agreement.

Right-to-Test Agreement

Under a separate, now expired right-to-test agreement, in 2013, Sanofi took one exclusive development and commercialization license. Under this license, we received an exercise fee of $2 million and are further entitled to receive up to a total of $30 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones for each license are categorized as follows: development milestones—$10 million; and

regulatory milestones—$20 million. Through December 31, 2016, we have received and recognized an aggregate of $2 million in milestone payments for the compound SAR428926 covered under this agreement.

The SAR428926 development and commercialization license may be terminated by either party for a material breach by the other, subject to notice and cure provisions. Unless earlier terminated, the license will continue in effect until the expiration of Sanofi's royalty obligations, which are determined on a product-by-product and country-by-country basis. For each product and country, Sanofi's royalty obligations commence with the first commercial sale of that product in that country, and extend until the later of either the expiration of the last-to-expire ImmunoGen patent covering that product in that country or the expiration for that country of the minimum royalty period specified in the development and commercialization license.

Biotest

In 2006, we granted Biotest an exclusive development and commercialization license to our maytansinoid ADC technology for use with antibodies that target CD138. The product candidate indatuximab ravtansine is in development under this agreement. We received a $1 million upfront payment from Biotest upon execution of the agreement. We are also entitled to receive up to a total of $35.5 million in milestone payments, plus royalties on the commercial sales of any resulting products. Through December 31, 2016, we have received and recognized a total of $500,000 in milestone payments under this agreement.

The agreement also provided us with the right to elect, at specific stages during the clinical evaluation of any compound created under the agreement, to participate in the U.S. development and commercialization of that compound in lieu of receiving the milestone payments not yet earned and royalties on sales in the U.S. Currently, we can exercise this right during an exercise period specified in the agreement by notice and payment to Biotest of an agreed upon opt-in fee of $15 million. Upon exercise of this right, we would share equally with Biotest the associated further costs of product development and commercialization in the U.S. along with the profit, if any, from product sales in the U.S. We would also be entitled to receive royalties, on a reduced basis, on product sales outside the U.S.

Biotest may terminate the agreement for convenience at any time prior to our election to participate in the U.S. development and commercialization of a compound created under this agreement upon prior notice to us. The agreement may also be terminated by either party for a material breach by the other, subject to notice and cure provisions. Unless earlier terminated, the agreement will continue in effect until the expiration of Biotest's royalty obligations, which are determined on a product-by-product and country-by-country basis. For each product and country, Biotest's royalty obligations commence upon first commercial sale of that product in that country, and extend until the later of either the expiration of the last-to-expire ImmunoGen patent covering that product in that country or the expiration for that country of the minimum royalty period specified in the agreement.

Novartis

Novartis took six exclusive development and commercialization licenses under a now-expired right-to-test agreement established in 2010. We received a $45 million upfront payment in connection with the execution of the right-to-test agreement in 2010, and for each development and commercialization license taken for a specific target, we received an exercise fee of $1 million and are entitled to receive up to a total of $199.5 million in milestone payments, plus royalties on the commercial sales of any resulting products. The initial three-year term of the right-to-test agreement was extended by Novartis in 2013 for an additional one-year period by payment of a $5 million fee to us. We also are entitled to receive payments for research and development activities performed on behalf of Novartis. Novartis is responsible for the manufacturing, product development, and marketing of any products resulting from this agreement.

In 2013, we and Novartis amended the right-to-test agreement so that Novartis could take a license to develop and commercialize products directed at two undisclosed, related targets, one target licensed on an exclusive basis and the other target initially licensed on a non-exclusive basis. The target licensed on a non-exclusive basis may no longer be converted to an exclusive target due to the expiration of the right-to-test agreement. We received a $3.5 million fee in connection with the execution of the amendment to the agreement. We may be required to credit this fee against future milestone payments if Novartis discontinues the development of a specified product under certain circumstances.

In connection with the amendment, in 2013, Novartis took the license referenced above under the right-to-test agreement, as amended, enabling it to develop and commercialize products directed at the two targets. Additionally, the execution of this license provides us the opportunity to receive milestone payments totaling $199.5 million or

$238 million, depending on the composition of any resulting products. Also, in 2013, Novartis took its second and third exclusive licenses to single targets, and in 2014, took three remaining exclusive licenses, each with the opportunity to receive milestone payments totaling $199.5 million, as outlined above, plus royalties on the commercial sales of any resulting products. In 2015, Novartis initiated Phase I, first-in-human clinical testing of its cKit-targeting ADC product candidate, LOP628, and P-cadherin-targeting ADC product candidate, PCA062, respectively, triggering a $5 million development milestone payment to us with each event. Novartis later discontinued clinical testing of LOP628. In December 2016, Novartis initiated Phase I, first-in-human clinical testing of its CDH6-targeting ADC product candidate, HKT288, triggering a $5 million development milestone payment which we received in 2017.

Novartis may terminate any development and commercialization license for convenience upon prior notice to us. Each license may also be terminated by either party for a material breach by the other, subject to notice and cure provisions. Unless earlier terminated, each development and commercialization license will continue in effect until the expiration of Novartis' royalty obligations, which are determined on a product-by-product and country-by-country basis. For each product and country, Novartis' royalty obligations commence upon first commercial sale of that product in that country, and extend until the later of either the expiration of the last-to-expire ImmunoGen patent covering that product in that country or the expiration for that country of the minimum royalty period specified in each license.

Lilly

Lilly took three exclusive development and commercialization licenses under a now expired right-to-test agreement established in 2011. We received a $20 million upfront payment in connection with the execution of the right-to-test agreement in 2011. Under the terms of this right-to-test agreement, the first license had no associated exercise fee, and the second and third licenses each had a $2 million exercise fee. The first development and commercialization license was taken in 2013 and the agreement was subsequently amended to provide Lilly with an extension provision and retrospectively include a $2 million exercise fee for the first license in lieu of the fee due for either the second or third license. The second and third licenses were taken in 2014, with one including the $2 million exercise fee and the other not. Under the two licenses with the $2 million exercise fee, we are entitled to receive up to a total of $199 million in milestone payments, plus royalties on the commercial sales of any resulting products. Under the license taken in 2014 without the exercise fee, we are entitled to receive up to a total of $200.5 million in milestone payments, plus royalties on the commercial sales of any resulting products. In 2015, Lilly began Phase I evaluation of one of its ADC product candidates, FGFR3-targeting LY3076226, triggering a $5 million milestone payment to us. We also are entitled to receive payments for delivery of cytotoxic agents to Lilly and research and development activities performed on behalf of Lilly. Lilly is responsible for the manufacturing, product development, and marketing of any products resulting from this collaboration.

Lilly may terminate any development and commercialization license for convenience upon prior notice to us. Each license may also be terminated by either party for a material breach by the other, subject to notice and cure provisions. We may also terminate the agreement upon the occurrence of specified events. Unless earlier terminated, each development and commercialization license will continue in effect until the expiration of Lilly's royalty obligations, which are determined on a product-by-product and country-by-country basis. For each product and country, Lilly's royalty obligations commence upon first commercial sale of that product in that country, and extend until the later of either the expiration of the last-to-expire ImmunoGen patent covering that product in that country or the expiration for that country of the minimum royalty period specified in each license.

Amgen

Amgen took three exclusive development and commercialization licenses under a now-expired right-to-test agreement established in 2000. In 2013, Amgen took one non-exclusive development and commercialization license. Later in 2013, the non-exclusive license was amended and converted to an exclusive license, which Amgen sublicensed to Oxford BioTherapeutics Ltd. In 2015, Amgen advised the Company that it had discontinued development of two product candidates, AMG 595 and AMG 172, that had been covered by two of Amgen's four exclusive licenses, and in 2016, Amgen terminated these two licenses. For each of the two remaining development and commercialization licenses taken, we are entitled to receive up to a total of $34 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones per license are categorized as follows: development milestones—$9 million; regulatory milestones—$20 million; and sales milestones—$5 million. Amgen (or its sublicensee(s)) is responsible for the manufacturing, product development, and marketing of any products resulting from these development and commercialization licenses. In 2015, Amgen's IND under the remaining license not sublicensed to Oxford BioTherapeutics became effective, triggering a $1 million milestone payment to us.

Amgen may terminate each development and commercialization license for convenience upon prior notice to us. Each license may also be terminated by either party for a material breach by the other, subject to notice and cure provisions. Unless earlier terminated, each license will continue in effect until the expiration of Amgen's royalty obligations, which are determined on a product-by-product and country-by-country basis. For each product and country, Amgen's royalty obligations commence with the first commercial sale of that product in that country, and extend until the later of either the expiration of the last-to-expire ImmunoGen patent covering that product in that country or the expiration for that country of the minimum royalty period specified in each development and commercialization license.

CytomX

In 2014, we entered into a reciprocal right-to-test agreement with CytomX. The agreement provides CytomX with the right to test our payload agents and linkers with CytomX antibodies that utilize their proprietary antibody-masking technology, termed Probodies™ for a specified number of targets and to subsequently take an exclusive, worldwide license to use our technology to develop and commercialize Probody-drug conjugates directed to the specified targets on terms agreed upon at the inception of the right-to-test agreement. We received no upfront cash payment in connection with the execution of the right-to-test agreement. Instead, we received reciprocal rights to test our payload agents and linkers with ImmunoGen antibodies masked using CytomX technology to create Probody-drug conjugates directed to a specified number of targets and to subsequently take exclusive, worldwide licenses to develop and commercialize such conjugates directed to the specified targets on terms agreed upon at the inception of the right-to-test agreement. The terms of the right-to-test agreement require us and CytomX to each take its respective development and commercialization licenses by the end of the term of the research license. In addition, both we and CytomX are required to perform specific research activities under the right-to-test agreement on behalf of the other party for no monetary consideration.

In 2016, CytomX took its development and commercialization license for a specified target. An amendment of the agreement executed simultaneously with that license granted CytomX the right, for a specified period of time, to substitute the specified target with another as yet unspecified target. Accordingly, the revenue associated with this license was deferred until the expiration of that substitution right in January 2017, whereupon we recognized $12.7 million of the $13 million of arrangement consideration allocated to the development and commercialization license. With respect to the development and commercialization license taken by CytomX, we are entitled to receive up to a total of $160 million in milestone payments plus royalties on the commercial sales of any resulting product.

With respect to any development and commercialization license that may be taken by us, we will potentially be required to pay up to a total of $80 million in milestone payments per license, plus royalties on the commercial sales of any resulting product.

In addition, each party may be liable to pay annual maintenance fees to the other party if the product candidate covered under a development and commercialization license has not progressed to a specified stage of development within a specified time frame.

Takeda

In 2015, we entered into a right-to-test agreement with Takeda Pharmaceutical Company Limited (Takeda) through its wholly owned subsidiary, Millennium Pharmaceuticals, Inc. The agreement provides Takeda with the right to (a) take exclusive options, with certain restrictions, to individual targets selected by Takeda for specified option periods, (b) test our maytansinoid and IGN ADC technology with Takeda's antibodies directed to the targets optioned under a right-to-test, or research, license, and (c) take exclusive licenses to use our ADC technology to develop and commercialize products to targets optioned for up to two individual targets on terms specified in the right-to-test agreement. Takeda must exercise its options for the development and commercialization licenses by the end of the three-year term of the right-to-test agreement, after which any then outstanding options will lapse. Takeda has the right to extend the three-year right-to-test period for one additional year by payment to us of $4 million. Alternatively, Takeda has the right to expand the scope of the right-to-test agreement by payment to us of $8 million. If Takeda opts to expand the scope of the right-to-test agreement, it will be entitled to take additional exclusive options, one of which may be exercised for an additional development and commercialization license, and the right-to test period will be extended until the fifth anniversary of the effective date of the right-to-test agreement. Takeda is responsible for the manufacturing, product development, and marketing of any products resulting from this collaboration.

We received a $20 million upfront payment in connection with the execution of the right-to-test agreement and, for each development and commercialization license taken, are entitled to receive up to a total of $210 million in milestone payments, plus royalties on the commercial sales of any resulting products. The first exclusive license, for GCC, was taken by Takeda in 2015, and as a result, we recognized $8.6 million of the $25.9 million of arrangement consideration allocated to the development and commercialization licenses. We also are entitled to receive payments for delivery of cytotoxic agents to Takeda and research and development activities performed on behalf of Takeda.

Takeda may terminate any development and commercialization license for convenience upon prior notice to us. Each license may also be terminated by either party for a material breach by the other, subject to notice and cure provisions. Unless earlier terminated, each development and commercialization license will continue in effect until the expiration of Takeda's royalty obligations, which are determined on a product-by-product and country-by-country basis. For each product and country, Takeda's royalty obligations commence upon first commercial sale of that product in that country, and extend until the later of either the expiration of the last-to-expire ImmunoGen patent covering that product in that country or the expiration for that country of the minimum royalty period specified in each license.

Patents, Trademarks and Trade Secrets

ImmunoGen has a substantial and robust intellectual property portfolio comprising more than 908 issued patents and 675 pending patent applications on a worldwide basis. Our intellectual property strategy centers on obtaining high quality patent protection directed to many various embodiments of our proprietary technologies and product candidates. Using this strategy, our ADC technology and our product candidates are protected through a multi layered approach to patent protection. In this regard, we have patents and patent applications covering antibodies and other cell binding agents, linkers, cytotoxic payload agents (e.g., tubulin acting maytansinoids and DNA acting IGNs), conjugation methodologies and complete ADCs, comprising one or more of these components, as well as methods of making and using each of the above. Typically, multiple issued patents and pending patent applications cover various embodiments of each of ImmunoGen's and our licensees' product candidates.

We consider our tubulin-acting maytansinoid and DNA-acting IGN cytotoxic payload agent technologies to be key components of our overall corporate strategy. With regard to our tubulin-acting maytansinoid cytotoxic payload agents, we currently own 19 issued U.S. patents covering various embodiments of our maytansinoid technology including those with claims directed to certain maytansinoids, including DM4, and methods of manufacturing of both DM1 and DM4, as well as methods of using the same. In all cases, we have received or are applying for comparable patents in other major commercial and manufacturing jurisdictions including Europe, Japan, and China. These issued patents remain in force until various times between 2020 and 2033. With regard to our DNA-acting IGN cytotoxic payload agents, we have 11 issued U.S. patents covering various aspects of our DNA acting cytotoxic payload agents, which will expire at various times between 2030 and 2036. In all cases, we have received or are applying for comparable patents in other major commercial and manufacturing jurisdictions, including Europe, Japan, and China. In nearly all cases for both our maytansinoid and IGN patent portfolios, we have additional pending patent applications disclosing and claiming many other related and strategically important embodiments of these technologies which, upon issuance or grant, will extend our patent protection term over these technologies by several additional years.

Our intellectual property strategy also includes pursuing patents directed to linkers, antibodies, conjugation methods, ADC formulations and the use of specific antibodies and ADCs to treat certain diseases. In this regard, we have 18 issued patents related to many of our linker technologies, as well as additional pending patent applications disclosing and claiming many other related and strategically important embodiments of these linker technologies. The issued patents, expiring in 2021 2034, and any patents which may issue from the patent applications, cover the linkers, methods of making the linkers and antibody maytansinoid conjugates comprising these linkers. We also have 13 issued U.S. patents covering methods of assembling ADCs from their constituent antibody, linker, and cytotoxic payload agent moieties. These issued patents will expire in 2022-2037. In nearly all instances for both our linker and conjugation patent portfolios, we have additional pending patent applications disclosing and claiming many other related and strategically important embodiments of these technologies which, upon issuance or grant, will extend our patent protection term over these technologies by several additional years.

We also file, prosecute, and maintain a substantial portfolio of patents and patent applications specifically directed to ImmunoGen's and our licensees' ADC clinical candidates. In this regard, we craft a detailed patent protection strategy for each ADC as it approaches clinical evaluation. Such strategies make use of the patents and patent applications described in the preceding paragraphs, as well as ADC-specific filings, to create a multi-layered and multi-jurisdictional patent protection approach for each ADC as it enters the clinic. These ADC-specific patent strategies are

intended to provide the exclusivity basis for revenue and royalties arising from commercial development of each of ImmunoGen's and our licensees' ADCs.

We expect our continued work in each of these areas will lead to other patent applications. In all such cases, we will either be the assignee or owner of such patents or have an exclusive license to the technology covered by the patents.

The rates at which we are entitled to receive royalties based on sales of Kadcyla in any particular country depend in part on whether the manufacture, use, or sale of Kadcyla is covered by ImmunoGen patent rights in that country. In this regard, we own patents in the U.S. and Europe covering the composition of matter of Kadcyla that expire at the earliest in 2023 and 2024, respectively, and may be eligible for extension of those terms under applicable patent laws in those jurisdictions. We also own patents in the U.S. and Europe that cover various elements of the manufacture of Kadcyla, with expiration dates extending to at least 2027 and 2026, respectively. Notwithstanding these patent terms, the period during which we are entitled to receive royalties based on sales of Kadcyla in any country does not extend beyond the 12th anniversary of the date of the first commercial sale of Kadcyla in such country.

We cannot provide assurance that the patent applications will issue as patents or that any patents, if issued, will provide us with adequate protection against competitors with respect to the covered products, technologies, or processes. Defining the scope and term of patent protection involves complex legal and factual analyses and, at any given time, the result of such analyses may be uncertain. In addition, other parties may challenge our patents in litigation or administrative proceedings resulting in a partial or complete loss of certain patent rights owned or controlled by ImmunoGen. Furthermore, as a patent does not confer any specific freedom to operate, other parties may have patents that may block or otherwise hinder the development and commercialization of our technology.

In addition, many of the processes and much of the know-how that are important to us depend upon the skills, knowledge and experience of our key scientific and technical personnel, which skills, knowledge and experience are not patentable. To protect our rights in these areas, we require that all employees, consultants, advisors, and collaborators enter into confidentiality agreements with us. Further, we require that all employees enter into assignment of invention agreements as a condition of employment. We cannot provide assurance, however, that these agreements will provide adequate or any meaningful protection for our trade secrets, know-how, or other proprietary information in the event of any unauthorized use or disclosure of such trade secrets, know-how, or proprietary information. Further, in the absence of patent protection, we may be exposed to competitors who independently develop substantially equivalent technology or otherwise gain access to our trade secrets, know-how, or other proprietary information.

Competition

We focus on highly competitive areas of product development. Our competitors include major pharmaceutical companies and other biotechnology firms. For example, Pfizer, Seattle Genetics, Roche, Takeda, AbbVie, and Bristol-Myers Squibb have programs to attach a cell-killing small molecule to an antibody for targeted delivery to cancer cells. Pharmaceutical and biotechnology companies, as well as other institutions, also compete with us for promising targets for antibody-based therapeutics and in recruiting highly qualified scientific personnel. Additionally, there are non-ADC therapies available and/or in development for the cancer types we and our partners are targeting. Many competitors and potential competitors have substantially greater scientific, research and product development capabilities, as well as greater financial, marketing and human resources than we do. In addition, many specialized biotechnology firms have formed collaborations with large, established companies to support the research, development and commercialization of products that may be competitive with ours.

In particular, competitive factors within the antibody and cancer therapeutic market include:

- the safety and efficacy of products;
- the timing of regulatory approval and commercial introduction;
- special regulatory designation of products, such as Orphan Drug designation; and
- the effectiveness of marketing, sales, and reimbursement efforts.

Our competitive position depends on our ability to develop effective proprietary products, implement clinical development programs, production plans and marketing plans, including collaborations with other companies with greater marketing resources than ours, and to obtain patent protection and secure sufficient capital resources.

Continuing development of conventional and targeted chemotherapeutics by large pharmaceutical companies and biotechnology companies may result in new compounds that may compete with our product candidates. Antibodies developed by certain of these companies have been approved for use as cancer therapeutics. In the future, new antibodies or other targeted therapies may compete with our product candidates. Other companies have created or have programs to create potent cell-killing agents for attachment to antibodies. These companies may compete with us for technology out-license arrangements.

Regulatory Matters

Government Regulation and Product Approval

Government authorities in the U.S., at the federal, state, and local level, and other countries extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, marketing, and export and import of products such as those we are developing. A new drug must be approved by the FDA through the new drug application, or NDA, process and a new biologic must be approved by the FDA through the biologics license application, or BLA, process before it may be legally marketed in the U.S.

U.S. Drug Development Process

In the U.S., the FDA regulates drugs under the federal Food, Drug, and Cosmetic Act, or FDCA, and in the case of biologics, also under the Public Health Service Act, or PHSA, and implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local, and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include the FDA's refusal to approve pending applications, withdrawal of an approval, a clinical hold, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement, or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on us.

The process required by the FDA before a drug or biologic may be marketed in the U.S. generally involves the following:

- completion of preclinical laboratory tests, animal studies, and formulation studies according to current Good Laboratory Practices, or cGLP, or other applicable regulations;
- submission to the FDA of an IND which must become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials according to current Good Clinical Practices, or cGCP, to establish the safety and efficacy of the proposed drug for its intended use;
- development and approval of a companion diagnostic device if the FDA or the sponsor believes that its use is essential for the safe and effective use of a corresponding product;
- submission to the FDA of an NDA or BLA;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with current Good Manufacturing Practice, or cGMP, to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity; and
- FDA review and approval of the NDA or BLA.

Once a pharmaceutical candidate is identified for development, it enters the preclinical testing stage. Preclinical tests include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies. An IND

sponsor must submit the results of the preclinical tests, together with manufacturing information and analytical data, to the FDA as part of the IND. The sponsor will also include a protocol detailing, among other things, the objectives of the first phase of the clinical trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated, if the first phase lends itself to an efficacy evaluation. Some preclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, places the clinical trial on a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Clinical holds also may be imposed by the FDA at any time before or during clinical trials due to safety concerns about on-going or proposed clinical trials or non-compliance with specific FDA requirements, and the trials may not begin or continue until the FDA notifies the sponsor that the hold has been lifted.

All clinical trials must be conducted under the supervision of one or more qualified investigators in accordance with cGCP regulations. They must be conducted under protocols detailing the objectives of the trial, dosing procedures, subject selection and exclusion criteria, and the safety and effectiveness criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND, and timely safety reports must be submitted to the FDA and the investigators for serious and unexpected adverse events. An institutional review board, or IRB, at each institution participating in the clinical trial must review and approve each protocol before a clinical trial commences at that institution and must also approve the information regarding the trial and the consent form that must be provided to each trial subject or his or her legal representative, monitor the study until completed and otherwise comply with IRB regulations.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- ***Phase I:*** The product candidate is initially introduced into healthy human subjects and tested for safety, dosage tolerance, absorption, metabolism, distribution, and excretion. In the case of some products for severe or life-threatening diseases, such as cancer, especially when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing is often conducted in patients.

- ***Phase II:*** This phase involves clinical trials in a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage.

- ***Phase III:*** These trials are undertaken to further evaluate dosage, clinical efficacy and safety in an expanded patient population at geographically dispersed clinical study sites and to establish the overall risk-benefit ratio of the product candidate and provide, if appropriate, an adequate basis for product labeling.

Post-approval trials, sometimes referred to as Phase IV, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, the FDA may mandate the performance of Phase IV clinical trials as a condition of approval of an NDA or BLA.

The FDA or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the sponsor, known as a data safety monitoring board or committee. Depending on its charter, this group may determine whether a trial may move forward at designated check points based on access to certain data from the trial. Phase I, Phase II, and Phase III testing may not be completed successfully within any specified period, if at all.

During the development of a new drug, sponsors are given opportunities to meet with the FDA at certain points. These points may be prior to submission of an IND, at the end of Phase II, and before an NDA or BLA is submitted. Meetings at other times may be requested. These meetings can provide an opportunity for the sponsor to share information about the data gathered to date, for the FDA to provide advice, and for the sponsor and FDA to reach agreement on the next phase of development. Sponsors typically use the End of Phase II meeting to discuss their Phase II clinical results and present their plans for the pivotal Phase III clinical trial that they believe will support approval of the new drug. If this type of discussion occurs, a sponsor may be able to request a Special Protocol Assessment, or SPA, the

purpose of which is to reach agreement with the FDA on the design of the Phase III clinical trial protocol design and analysis that will form the primary basis of an efficacy claim.

According to FDA guidance for industry on the SPA process, a sponsor that meets the prerequisites may make a specific request for a special protocol assessment and provide information regarding the design and size of the proposed clinical trial. The FDA is required to evaluate the protocol within 45 days of the request to assess whether the proposed trial is adequate, and that evaluation may result in discussions and a request for additional information. A SPA request must be made before the proposed trial begins, and all open issues must be resolved before the trial begins. If a written agreement is reached, it will be documented and made part of the record. The agreement will be binding on the FDA and may not be changed by the sponsor or the FDA after the trial begins except with the written agreement of the sponsor and the FDA or if the FDA determines that a substantial scientific issue essential to determining the safety or efficacy of the drug was identified after the testing began. If the sponsor makes any unilateral changes to the approved protocol, the agreement will be invalidated.

For some of our product candidates, including mirvetuximab soravtansine and potentially others, we plan to work with collaborators to develop or obtain access to *in vitro* companion diagnostic tests to identify appropriate patients for these targeted therapies.

If a sponsor or the FDA believes that a diagnostic test is essential for the safe and effective use of a corresponding therapeutic product, a sponsor will typically work with a collaborator to develop an *in vitro* diagnostic device, or IVD. IVDs are regulated by the FDA as medical devices. The FDA issued a final guidance document in 2014, entitled "*In Vitro* Companion Diagnostic Devices" that is intended to assist companies developing *in vitro* companion diagnostic devices and companies developing therapeutic products that depend on the use of a specific *in vitro* companion diagnostic for the safe and effective use of the product. The FDA defined an IVD companion diagnostic device as a device that provides information that is essential for the safe and effective use of a corresponding therapeutic product.

The FDA also issued a draft guidance on July 15, 2016, entitled, "Principles for Codevelopment of an In Vitro Companion Diagnostic Device with a Therapeutic Product" to serve as a practical guide to assist therapeutic product sponsors and IVD sponsors in developing a therapeutic product and an accompanying IVD companion diagnostic.

The FDA indicated that it will apply a risk-based approach to determine the regulatory pathway for IVD companion diagnostic devices, as it does with all medical devices. This means that the regulatory pathway will depend on the level of risk to patients, based on the intended use of the IVD companion diagnostic device and the controls necessary to provide a reasonable assurance of safety and effectiveness. The two primary types of marketing pathways for medical devices are clearance of a premarket notification under Section 510(k) of the Federal Food, Drug, and Cosmetic Act, or 510(k), and approval of a premarket approval application, or PMA. We expect that any IVD companion diagnostic device developed for use with our drug candidates will utilize the PMA pathway and that a clinical trial performed under an investigational device exemption, or IDE, will have to be completed before the PMA may be submitted.

The FDA expects that the therapeutic sponsor will address the need for an IVD companion diagnostic device in its therapeutic product development plan and that, in most cases, the therapeutic product and its corresponding IVD companion diagnostic device will be developed contemporaneously. If the companion diagnostic test will be used to make critical treatment decisions such as patient selection, treatment assignment, or treatment arm, it will likely be considered a significant risk device for which a clinical trial will be required.

The sponsor of the IVD companion diagnostic device will be required to comply with the FDA's IDE requirements that apply to clinical trials of significant risk devices. If the diagnostic test and the therapeutic drug are studied together to support their respective approvals, the clinical trial must meet both the IDE and IND requirements.

PMAs must be supported by valid scientific evidence, which typically requires extensive data, including technical, preclinical, clinical and manufacturing data, to demonstrate to the FDA's satisfaction the safety and effectiveness of the device. For diagnostic tests, a PMA typically includes data regarding analytical and clinical validation studies. As part of its review of the PMA, the FDA will conduct a pre-approval inspection of the manufacturing facility or facilities to ensure compliance with the Quality System Regulation, or QSR, which requires manufacturers to follow design, testing, control, documentation and other quality assurance procedures. FDA review of an initial PMA may require several years to complete.

If the FDA evaluations of both the PMA and the manufacturing facilities are favorable, the FDA will either issue an approval order or an approvable letter, which usually contains a number of conditions that must be met in order to secure the final approval of the PMA. If the FDA's evaluation of the PMA or manufacturing facilities is not favorable, the FDA will send the applicant a not approvable letter or an order denying approval. A not approvable letter will outline the deficiencies in the application and, where practical, will identify what is necessary to make the PMA approvable. The FDA may also determine that additional clinical trials are necessary, in which case the PMA approval may be delayed for several months or years while the trials are conducted and then the data submitted in an amendment to the PMA. Once granted, PMA approval may be withdrawn by the FDA if compliance with post approval requirements, conditions of approval or other regulatory standards is not maintained or problems are identified following initial marketing.

After approval, the use of an IVD companion diagnostic device with a therapeutic product will be stipulated in the instructions for use in the labeling of both the diagnostic device and the corresponding therapeutic product. In addition, a diagnostic test that was approved through the PMA process or one that was cleared through the 510(k) process and placed on the market will be subject to many of the same regulatory requirements that apply to approved drugs.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug and finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the manufacturer must develop methods for testing the identity, strength, quality and purity of the final drug. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

While the IND is active and before approval, progress reports summarizing the results of the clinical trials and nonclinical studies performed since the last progress report must be submitted at least annually to the FDA, and written IND safety reports must be submitted to the FDA and investigators for serious and unexpected suspected adverse events, findings from other studies suggesting a significant risk to humans exposed to the same or similar drugs, findings from animal or in vitro testing suggesting a significant risk to humans, and any clinically important increased incidence of a serious suspected adverse reaction compared to that listed in the protocol or investigator brochure.

There are also requirements governing the reporting of ongoing clinical trials and completed trial results to public registries. Sponsors of certain clinical trials of FDA-regulated products are required to register and disclose specified clinical trial information, which is publicly available at www.clinicaltrials.gov. Information related to the product, patient population, phase of investigation, trial sites and investigators, and other aspects of the clinical trial is then made public as part of the registration. Sponsors are also obligated to discuss the results of their clinical trials after completion. Disclosure of the results of these trials can be delayed until the new product or new indication being studied has been approved. However, there are evolving rules and increasing requirements for publication of all trial-related information, and it is possible that data and other information from trials involving drugs that never garner approval could require disclosure in the future.

U.S. Review and Approval Processes

The results of product development, preclinical and other non-clinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the chemistry of the drug, proposed labeling, and other relevant information are submitted to the FDA as part of an NDA or BLA requesting approval to market the product. The submission of an NDA or BLA is subject to the payment of user fees; a waiver of such fees may be obtained under certain limited circumstances. The FDA reviews all NDAs and BLAs submitted to ensure that they are sufficiently complete for substantive review before it accepts them for filing. The FDA may request additional information rather than accept an NDA or BLA for filing. In this event, the NDA or BLA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. FDA may refer the NDA or BLA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. The approval process is lengthy and often difficult, and the FDA may refuse to approve an NDA or BLA if the applicable regulatory criteria are not satisfied or may require additional clinical or other data and information. Even if such data and information are submitted, the FDA may ultimately decide that the NDA or BLA does not satisfy the criteria for approval. Data obtained from clinical trials are not always conclusive and the FDA may

interpret data differently than we interpret the same data. The FDA may issue a complete response letter, which may require additional clinical or other data or impose other conditions that must be met in order to secure final approval of the NDA or BLA, or an approved letter following satisfactory completion of all aspects of the review process. The FDA reviews an NDA to determine, among other things, whether a product is safe and effective for its intended use and whether its manufacturing is cGMP-compliant to assure and preserve the product's identity, strength, quality, and purity. The FDA reviews a BLA to determine, among other things whether the product is safe, pure and potent and the facility in which it is manufactured, processed, packed or held meets standards designed to assure the product's continued safety, purity and potency. Before approving an NDA or BLA, the FDA will inspect the facility or facilities where the product is manufactured.

NDAs or BLAs receive either standard or priority review. A drug representing a significant improvement in treatment, prevention or diagnosis of disease may receive priority review. Priority review for an NDA for a new molecular entity and original BLAs will be 6 months from the date that the NDA or BLA is filed. In addition, products studied for their safety and effectiveness in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit over existing treatments may receive accelerated approval and may be approved on the basis of adequate and well-controlled clinical trials establishing that the drug product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit or on the basis of an effect on a clinical endpoint other than survival or irreversible morbidity. As a condition of approval, the FDA may require that a sponsor of a drug receiving accelerated approval perform adequate and well-controlled Phase IV clinical trials. Priority review and accelerated approval do not change the standards for approval, but may expedite the approval process.

After the FDA evaluates an NDA or BLA, it will issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the drug with prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete and the application will not be approved in its present form. A Complete Response Letter usually describes the specific deficiencies in the NDA or BLA identified by the FDA and may require additional clinical data, such as an additional Phase III trial or other significant and time-consuming requirements related to clinical trials, nonclinical studies, or manufacturing. If a Complete Response Letter is issued, the sponsor must resubmit the NDA or BLA, addressing all of the deficiencies identified in the letter, or withdraw the application. Even if such data and information are submitted, the FDA may decide that the NDA or BLA does not satisfy the criteria for approval.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. In addition, the FDA may require a sponsor to conduct Phase IV testing which involves clinical trials designed to further assess a drug's safety and effectiveness after NDA or BLA approval, and may require testing and surveillance programs to monitor the safety of approved products which have been commercialized. The FDA may also place other conditions on approval including the requirement for a risk evaluation and mitigation strategy, or REMS, to assure the safe use of the drug. If the FDA concludes a REMS is needed, the sponsor of the NDA or BLA must submit a proposed REMS. The FDA will not approve the NDA or BLA without an approved REMS, if required. A REMS could include medication guides, physician communication plans, or other elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescription, or dispensing of products. Marketing approval may be withdrawn for non-compliance with regulatory requirements or if problems occur following initial marketing.

The Pediatric Research Equity Act, or PREA, requires a sponsor to conduct pediatric clinical trials for most drugs and biologics, for a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration. Under PREA, original NDAs, BLAs, and supplements thereto, must contain a pediatric assessment unless the sponsor has received a deferral or waiver. The required assessment must evaluate the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The sponsor or FDA may request a deferral of pediatric clinical trials for some or all of the pediatric subpopulations. A deferral may be granted for several reasons, including a finding that the drug or biologic is ready for approval for use in adults before pediatric clinical trials are complete or that additional safety or effectiveness data needs to be collected before the pediatric clinical trials begin. Orphan indications are exempt from PREA. The FDA must send a non-compliance letter to any sponsor that fails to submit the required assessment, keep a deferral current, or fails to submit a request for approval of a pediatric formulation.

Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of FDA approval of our drugs, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND, and the submission date of an NDA or BLA, plus the time between the submission date of an NDA or BLA and the approval of that application. Only one patent applicable to an approved drug is eligible for the extension, and the extension must be applied for prior to expiration of the patent. The U.S. Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we intend to apply for restorations of patent term for some of our currently owned or licensed patents to add patent life beyond their current expiration date, depending on the expected length of clinical trials and other factors involved in the filing of the relevant NDA.

Pediatric exclusivity is a type of marketing exclusivity available in the U.S. Under the Best Pharmaceuticals for Children Act, or BPCA, an additional six months of marketing exclusivity may be available if a sponsor conducts clinical trials in children in response to a written request from the FDA, or a Written Request. If the Written Request does not include clinical trials in neonates, the FDA is required to include its rationale for not requesting those clinical trials. The FDA may request studies on approved or unapproved indications in separate Written Requests. The issuance of a Written Request does not require the sponsor to undertake the described clinical trials. To date, we have not received any Written Requests.

Biologics Price Competition and Innovation Act of 2009

The Patient Protection and Affordable Care Act which included the Biologics Price Competition and Innovation Act of 2009, or BPCIA, amended the PHSA to create an abbreviated approval pathway for two types of "generic" biologics—biosimilars and interchangeable biologic products, and provides for a twelve-year data exclusivity period for the first approved biological product, or reference product, against which a biosimilar or interchangeable application is evaluated; however if pediatric clinical trials are performed and accepted by the FDA, the twelve-year data exclusivity period will be extended for an additional six months. A biosimilar product is defined as one that is highly similar to a reference product notwithstanding minor differences in clinically inactive components and for which there are no clinically meaningful differences between the biological product and the reference product in terms of the safety, purity and potency of the product. An interchangeable product is a biosimilar product that may be substituted for the reference product without the intervention of the health care provider who prescribed the reference product.

The biosimilar applicant must demonstrate that the product is biosimilar based on data from (1) analytical studies showing that the biosimilar product is highly similar to the reference product; (2) animal studies (including toxicity); and (3) one or more clinical trials to demonstrate safety, purity and potency in one or more appropriate conditions of use for which the reference product is approved. In addition, the applicant must show that the biosimilar and reference products have the same mechanism of action for the conditions of use on the label, route of administration, dosage and strength, and the production facility must meet standards designed to assure product safety, purity and potency.

An application for a biosimilar product may not be submitted until four years after the date on which the reference product was first approved. The first approved interchangeable biologic product will be granted an exclusivity period of up to one year after it is first commercially marketed, but the exclusivity period may be shortened under certain circumstances.

The FDA has issued a number of final and draft guidances in order to implement the law. In 2015, the FDA issued the following four final guidances: "Scientific Considerations in Demonstrating Biosimilarity to a Reference Product," "Quality Considerations in Demonstrating Biosimilarity of a Therapeutic Protein Product to a Reference Product," "Biosimilars: Questions and Answers Regarding Implementation of the Biologics Price Competition and Innovation Act of 2009 Guidance for Industry," and "Formal Meetings between the FDA and Biosimilar Biological Product Sponsors or Applicants." On December 28, 2016, it issued the final guidance entitled "Clinical Pharmacology Data to Support a Demonstration of Biosimilarity to a Reference Product." The draft guidances include: "Reference Product Exclusivity for Biological Products Filed Under Section 351(a) of the PHS Act" issued in August 2014,

"Biosimilars: Additional Questions and Answers Regarding Implementation of the Price Competition and Innovation Act of 2009," issued in May 2015, "Labeling for Biosimilar Products" issued in March 2016, and "Considerations in Demonstrating Interchangeability with a Reference Product Guidance for Industry" issued January, 17, 2017. In addition, the FDA issued a final guidance in January 2017 entitled "Nonproprietary Naming of Biological Products."

The guidance documents provide FDA's current thinking on approaches to demonstrating that a proposed biological product is biosimilar to a reference product. The FDA intends to issue additional guidance documents in the future. Nonetheless, the absence of final guidance documents covering all biosimilars issues does not prevent a sponsor from seeking licensure of a biosimilar under the BPCIA, and the FDA recently approved two biosimilar applications in the U.S.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the U.S., or more than 200,000 individuals in the U.S. and for which there is no reasonable expectation that the cost of developing and making available in the U.S. a drug for this type of disease or condition will be recovered from sales in the U.S. for that drug. Orphan drug designation must be requested before submitting an NDA or BLA. After the FDA grants orphan drug designation, the identity of the therapeutic agent and its potential orphan use will be disclosed publicly by the FDA; the posting will also indicate whether a drug is no longer designated as an orphan drug. More than one product candidate may receive an orphan drug designation for the same indication. Orphan drug designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to seven years of orphan product exclusivity, except in very limited circumstances. The FDA issued a final rule, effective August 12, 2013, intended to clarify several regulatory provisions, among which was a clarification of some of those limited circumstances. One of the provisions makes clear that the FDA will not recognize orphan drug exclusive approval if a sponsor fails to demonstrate upon approval that the drug is clinically superior to a previously approved drug, regardless of whether or not the approved drug was designated an orphan drug or had orphan drug exclusivity. Thus orphan drug exclusivity also could block the approval of one of our products for seven years if a competitor obtains approval of the same drug as defined by the FDA and we are not able to show the clinical superiority of our drug or if our product candidate is determined to be contained within the competitor's product for the same indication or disease.

The FDA and the European Union granted Orphan Drug designation to mirvetuximab soravtansine, or IMGN853, when used for the treatment of ovarian cancer. Orphan drug designation provides us with seven years of market exclusivity that begins once mirvetuximab soravtansine receives FDA marketing approval for the use for which the orphan drug status was granted. Orphan medicinal product designation provides ImmunoGen with ten years of market exclusivity that begins once mirvetuximab soravtansine receives European approval for the use for which it was granted. We also have been granted Orphan Drug designation for IMGN529 by the FDA and the European Union for the treatment of diffuse large B cell lymphoma and may pursue these designations for other indications for other product candidates intended for qualifying patient populations.

Expedited Review and Approval

The FDA has various programs, including Fast Track, priority review, and accelerated approval, which are intended to expedite or simplify the process for reviewing drugs, and/or provide for approval on the basis of surrogate endpoints. Even if a drug qualifies for one or more of these programs, the FDA may later decide that the drug no longer meets the conditions for qualification or that the time period for FDA review or approval will not be shortened. Generally, drugs that may be eligible for these programs are those for serious or life-threatening conditions, those with the potential to address unmet medical needs, and those that offer meaningful benefits over existing treatments. For example, Fast Track is a process designed to facilitate the development, and expedite the review, of drugs to treat serious diseases and fill an unmet medical need. The request may be made at the time of IND submission and generally no later than the pre-BLA or pre-NDA meeting. The FDA will respond within 60 calendar days of receipt of the request. Priority review, which is requested at the time of BLA or NDA submission, is designed to give drugs that offer major advances in treatment or provide a treatment where no adequate therapy exists an initial review within six months as compared to a standard review time of ten months. Although Fast Track and priority review do not affect the standards for approval, the FDA will attempt to facilitate early and frequent meetings with a sponsor of a Fast Track designated drug and

expedite review of the application for a drug designated for priority review. Accelerated approval provides an earlier approval of drugs to treat serious diseases, and that fill an unmet medical need based on a surrogate endpoint, which is a laboratory measurement or physical sign used as an indirect or substitute measurement representing a clinically meaningful outcome. Discussions with the FDA about the feasibility of an accelerated approval typically begin early in the development of the drug in order to identify, among other things, an appropriate endpoint. As a condition of approval, the FDA may require that a sponsor of a drug receiving accelerated approval perform post-marketing clinical trials to confirm the appropriateness of the surrogate marker trial.

In the Food and Drug Administration Safety and Improvement Act, or FDASIA, Congress encouraged the FDA to utilize innovative and flexible approaches to the assessment of products under accelerated approval. The law required the FDA to issue related draft guidance within a year after the law's enactment and also promulgate confirming regulatory changes. The FDA published a final guidance on May 30, 2014, entitled "Expedited Programs for Serious Conditions—Drugs and Biologics." One of the expedited programs added by FDASIA is that for Breakthrough Therapy. A Breakthrough Therapy designation is designed to expedite the development and review of drugs that are intended to treat a serious condition where preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over available therapy on a clinically significant endpoint(s). A sponsor may request Breakthrough Therapy designation at the time that the IND is submitted, or no later than at the end-of-Phase II meeting. The FDA will respond to a Breakthrough Therapy designation request within sixty days of receipt of the request. A drug that receives Breakthrough Therapy designation is eligible for all fast track designation features, intensive guidance on an efficient drug development program, beginning as early as Phase I and commitment from the FDA involving senior managers. FDA has already granted this designation to at least 60 new drugs and seven to date have received approval.

Post-Approval Requirements

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market. After approval, some types of changes to the approved product, such as adding new indications, certain manufacturing changes and additional labeling claims, are subject to further FDA review and approval. Drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP and other laws and regulations. We rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of our products. Future inspections by the FDA and other regulatory agencies may identify compliance issues at the facilities of our contract manufacturers that may disrupt production or distribution, or require substantial resources to correct.

Any drug products manufactured or distributed by us or our partners pursuant to FDA approvals are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the drug, providing the FDA with updated safety and efficacy information, drug sampling and distribution requirements, complying with certain electronic records and signature requirements, and complying with FDA promotion and advertising requirements. FDA strictly regulates labeling, advertising, promotion, and other types of information on products that are placed on the market. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label.

From time to time, legislation is drafted, introduced, and passed in Congress that could significantly change the statutory provisions governing the approval, manufacturing, and marketing of products regulated by the FDA. It is impossible to predict whether further legislative changes will be enacted, or FDA regulations, guidance or interpretations changed or what the impact of such changes, if any, may be.

Foreign Regulation

In addition to regulations in the U.S., we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our products. Whether or not we obtain FDA approval for a product, we must obtain approval by the comparable regulatory authorities of foreign countries or economic areas, such as the European Union, before we may commence clinical trials or market products in those countries or areas. The approval process and requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from place to place, and the time may be longer or shorter than that required for FDA approval.

Under European Union regulatory systems, a company may submit marketing authorization applications either under a centralized or decentralized procedure. The centralized procedure, which is compulsory for medicinal products produced by biotechnology or those medicinal products containing new active substances for specific indications such as the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, viral diseases and designated orphan medicines, and optional for other medicines which are highly innovative. Under the centralized procedure, a marketing application is submitted to the European Medicines Agency where it will be evaluated by the Committee for Medicinal Products for Human Use and a favorable opinion typically results in the grant by the European Commission of a single marketing authorization that is valid for all European Union member states within 67 days of receipt of the opinion. The initial marketing authorization is valid for five years, but once renewed is usually valid for an unlimited period. The decentralized procedure provides for approval by one or more "concerned" member states based on an assessment of an application performed by one member state, known as the "reference" member state. Under the decentralized approval procedure, an applicant submits an application, or dossier, and related materials to the reference member state and concerned member states. The reference member state prepares a draft assessment and drafts of the related materials within 120 days after receipt of a valid application. Within 90 days of receiving the reference member state's assessment report, each concerned member state must decide whether to approve the assessment report and related materials. If a member state does not recognize the marketing authorization, the disputed points are eventually referred to the European Commission, whose decision is binding on all member states.

As in the U.S., we may apply for designation of a product as an orphan drug for the treatment of a specific indication in the European Union before the application for marketing authorization is made. Orphan drugs in Europe enjoy economic and marketing benefits, including up to 10 years of market exclusivity for the approved indication unless another applicant can show that its product is safer, more effective, or otherwise clinically superior to the orphan-designated product.

Reimbursement

Sales of pharmaceutical products depend in significant part on the availability of third-party reimbursement. Third-party payors include government healthcare programs such as Medicare, managed care providers, private health insurers, and other organizations. We anticipate third-party payors will provide reimbursement for our products. However, these third-party payors are increasingly challenging the price and examining the cost-effectiveness of medical products and services. In addition, significant uncertainty exists as to the reimbursement status of newly approved healthcare products. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost-effectiveness of our products. Our product candidates may not be considered cost-effective. It is time consuming and expensive for us to seek reimbursement from third-party payors. Reimbursement may not be available or sufficient to allow us to sell our products on a competitive and profitable basis.

Medicare is a federal healthcare program administered by the federal government that covers individuals age 65 and over as well as individuals with certain disabilities. Drugs may be covered under one or more sections of Medicare depending on the nature of the drug and the conditions associated with and site of administration. For example, under Part D, Medicare beneficiaries may enroll in prescription drug plans offered by private entities which provide coverage for outpatient prescription drugs. Part D plans include both stand-alone prescription drug benefit plans and prescription drug coverage as a supplement to Medicare Advantage plans. Unlike Medicare Part A and B, Part D coverage is not standardized. Part D prescription drug plan sponsors are not required to pay for all covered Part D drugs, and each drug plan can develop its own drug formulary that identifies which drugs it will cover and at what tier or level.

Medicare Part B covers most injectable drugs given in an in-patient setting and some drugs administered by a licensed medical provider in hospital outpatient departments and doctors' offices. Medicare Part B is administered by Medicare Administrative Contractors, which generally have the responsibility of making coverage decisions. Subject to certain payment adjustments and limits, Medicare generally pays for a Part B covered drug based on a percentage of manufacturer-reported average sales price which is regularly updated. We believe that most of our drugs, when approved, will be subject to the Medicare Part B rules.

The American Recovery and Reinvestment Act of 2009 provides funding for the federal government to compare the effectiveness of different treatments for the same illness. A plan for this research will be developed by the Department of Health and Human Services, the Agency for Healthcare Research and Quality and the National Institutes for Health, and periodic reports on the status of the research and related expenditures will be made to Congress. Although the results of the comparative effectiveness studies are not intended to mandate coverage policies for public or private payors, it is not clear what effect, if any, the research will have on the sales of our product candidates, if any such

product or the condition that it is intended to treat is the subject of a study. It is also possible that comparative effectiveness research demonstrating benefits in a competitor's product could adversely affect the sales of our product candidates. If third-party payors do not consider our products to be cost- effective compared to other available therapies, they may not cover our products after approval as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow us to sell our products on a profitable basis.

We expect that there will continue to be a number of federal and state proposals to implement governmental pricing controls and limit the growth of healthcare costs, including the cost of prescription drugs. For example, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act of 2010 (collectively, ACA) enacted in March 2010, was expected to have a significant impact on the health care industry. ACA has resulted in expanded coverage for the uninsured and is expected to help contain overall healthcare costs. With regard to pharmaceutical products, among other things, ACA was expected to expand and increase industry rebates for drugs covered under Medicaid programs and make changes to the coverage requirements under the Medicare Part D program. We cannot predict the impact of ACA on pharmaceutical companies as many of the ACA reforms require the promulgation of detailed regulations implementing the statutory provisions which has not yet occurred. In addition, although the U.S. Supreme Court upheld the constitutionality of most of the ACA, some states have stated their intentions to not implement certain sections of ACA and some members of Congress are still working to repeal ACA. These challenges add to the uncertainty of the changes enacted as part of ACA. Moreover, President Trump ran for office on a platform that supported the repeal of the ACA and one of his first actions after his inauguration was to sign an Executive Order commanding federal agencies to try to waive or delay requirements of the ACA that impose economic or regulatory burdens on states, families, the health-care industry and others. The Order also declares that the administration will seek the "prompt repeal" of the law and that the government should prepare to "afford the states more flexibility and control to create a more free and open healthcare market." At this time, the immediate impact of the Order is not clear.

In addition, in some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our products. Historically, products launched in the European Union do not follow price structures of the U.S. and generally tend to be significantly lower.

Research and Development Spending

During the six months ended December 31, 2016 and 2015, and the fiscal years ended June 30, 2016, 2015, and 2014, we spent approximately $66.6 million, $73.3 million, $148.1 million, $111.8 million and $107.0 million, respectively, on research and development activities.

Raw Materials and Manufacturing

We procure certain raw material components of finished conjugate, including antibodies, cytotoxic agents, and linker, for ourselves and on behalf of our collaborators. In order to meet our commitments to our collaborators as well as our own needs, we are required to enter into agreements with third parties to produce these components well in advance of our production needs. Our principal suppliers for these components include Boehringer Ingelheim, Rentschler Biotechnologie GmbH, Catalent Pharma Solutions, LLC, BSP Pharmaceuticals S.r.l., SAFC, Inc., Carbogen Amcis and Società Italiana Corticosteroidi S.r.l.

In addition, we operate a conjugate manufacturing facility. A portion of the cost of operating this facility, including the cost of manufacturing personnel, is incurred to conjugate material on behalf of our collaborators for which we receive payments based on the number of batches of preclinical and clinical materials produced on their behalf.

Employees

As of December 31, 2016, we had 308 full-time employees, of whom 262 were engaged in research and development activities. Of the 262 research and development employees, 137 employees hold post-graduate degrees, of

which 65 hold Ph.D. degrees and nine hold M.D. degrees. We consider our relations with our employees to be good. None of our employees is covered by a collective bargaining agreement.

We have entered into confidentiality agreements with all of our employees, members of our board of directors and consultants. Further, we have entered into assignment of invention agreements with all of our employees.

Third-Party Trademarks

Avastin, Darzalex, Herceptin, Kadcyla, Keytruda and Rituxan are registered trademarks of their respective owners. Probody is a trademark of CytomX Therapeutics, Inc.

Item 1A. *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.

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 December 31, 2016, we had an accumulated deficit of $932.6 million. We may never be profitable. We expect to incur substantial additional operating expenses over the next several years as our research, development, preclinical testing, clinical trials, and collaborator support activities continue. We intend to continue to invest significantly in our product candidates. Further, we expect to invest some of our resources to support our existing collaborators as they work to develop, test, and commercialize ADC compounds. 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 product candidates. Our revenues to date have been primarily from upfront and milestone payments, research and development support and clinical materials reimbursement from our collaborative partners, and from royalties received from the commercial sales of Kadcyla (which we sold the cash rights to for a period of time in April 2015). We do not expect to generate revenues from the commercial sale of our internal product candidates in the near future, and we may never generate revenues from the commercial sale of internal 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.

Under a newly-adopted accounting standard, substantial doubt is deemed to exist concerning our ability to continue as a going concern.

In August 2014, the Financial Accounting Standards Board, or FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. (ASU 2015-14).* Under the new standard, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Generally, to be considered probable of being effectively implemented, the plans must have been approved before the date that the financial statements are issued. This standard was adopted by the Company at December 31, 2016.

The Company has incurred operating losses and negative cash flows from operations since inception, incurred a net loss of approximately $78.9 million during the six months ended December 31, 2016, and has an accumulated deficit

of approximately $932.6 million as of December 31, 2016. The Company has primarily funded these losses through payments received from its collaborations and equity and convertible debt financings. To date, the Company has no product revenue and management expects operating losses to continue for the foreseeable future. At December 31, 2016, the Company had $160 million of cash and cash equivalents on hand. The Company anticipates that its current capital resources and expected future collaborator payments will enable it to meet its operational expenses and capital expenditures (operating plan) into the second quarter of calendar year 2018. Without such collaborator payments, the Company's existing capital resources at December 31, 2016 would not be sufficient to support the current operating plan through March 3, 2018, which is twelve months after the date that the financial statements are issued. Management expects to seek additional funds from collaboration partners through a combination of upfront license payments, milestone payments, royalty payments, research funding, and clinical material reimbursement or from equity or debt financings. No assurance can be given at this time, however, as to whether we will be able to achieve these objectives. In addition, because those plans have not been finalized, receipt of additional funding is not considered probable under the new standard. If the Company does not obtain sufficient funds when needed, the Company expects it would scale back its operating plan by deferring or limiting some or all of its research, development or clinical projects, or initiate further reductions to its workforce. Because such contingency plans have not been finalized (because the specifics would depend on the situation at the time), such actions also are not considered probable for purposes of the new standard. Because, under the new standard, neither receipt of future collaboration payments, nor management's contingency plans to mitigate the risk and extend cash resources through March 3, 2018, are considered probable, substantial doubt is deemed to exist about the Company's ability to continue as a going concern.

As a result of these considerations, the Report of Independent Registered Public Accounting Firm included immediately prior to the Consolidated Financial Statements included elsewhere in this report includes a going concern explanatory paragraph. Our financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

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 product candidates.

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 studies and clinical trials, obtaining regulatory approvals and manufacturing products as well as providing certain support to our collaborators in the development of their products. In addition, we have a recurring interest payment obligation on our Convertible Senior Notes and potentially a repayment obligation on July 1, 2021 unless holders of our debt convert it to shares of our stock. We believe that our current working capital and expected future collaborator payments will be sufficient to meet our current and projected operating and capital requirements into the second quarter of 2018. However, we cannot provide assurance that such collaborative agreement funding will, in fact, be received. Should such future collaborator payments not be earned and paid as currently anticipated, we expect we could seek additional funding from other sources. We may need additional financing sooner due to a number of other factors as well, including:

- if either we incur higher than expected costs or we or any of our collaborators experience slower than expected progress in developing product candidates and obtaining regulatory approvals;

- 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, including restructuring our operations, refinancing or restructuring our debt 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.

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

Our ADC technology yields novel product candidates for the treatment of cancer. To date, only one ADC using our technology, Kadcyla, has obtained marketing approval. Our ADC product candidates and/or our collaborators' ADC product candidates may not prove to be safe, effective, or commercially viable treatments for cancer and our ADC technology may not result in any future meaningful benefits to us or for our current or potential collaborative partners. Furthermore, we are aware of only two other compounds that are a conjugate of an antibody and a cytotoxic small molecule that have obtained marketing approval by the FDA and are based on technology similar to our ADC technology. One of these products was later taken off the market by its owner due to toxicity concerns. If our ADC technology fails to generate product candidates that are safe, effective, and commercially viable treatments for cancer or such product candidates fail to obtain FDA approval, our business will be severely harmed.

Clinical trials for our and our collaborative partners' 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 our collaborative partners must demonstrate through clinical testing that our product candidates are safe and effective for use in humans. Conducting clinical trials is a time-consuming, expensive, and uncertain process and typically requires years to complete. In our industry, the results from preclinical studies and early clinical trials often are not predictive of results obtained in later-stage clinical trials. Some compounds that have shown promising results in preclinical studies 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 or other regulatory authority might delay or halt any clinical trials of our product candidates for various reasons, including:

- occurrence of unacceptable toxicities or side effects;
- ineffectiveness of the product candidate;
- insufficient drug supply;
- negative or inconclusive results from the clinical trials, or results that necessitate additional nonclinical studies or clinical trials;
- delays in obtaining or maintaining required approvals from institutions, review boards or other reviewing entities at clinical sites;
- delays in patient enrollment;
- insufficient funding or a reprioritization of financial or other resources;
- our or our collaborators' inability to develop and obtain approval for any companion *in vitro* diagnostic devices that the FDA or other regulatory authority may conclude must be used with some of our product candidates to ensure their safe use; or
- other reasons that are internal to the businesses of our collaborative partners, which they may not share with us.

Any failure or substantial delay in successfully completing clinical trials and obtaining regulatory approval for our product candidates or our collaborative partners' product candidates could severely harm our business.

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

We and our collaborative partners may not receive the regulatory approvals necessary to commercialize our product candidates, which would cause our business to be severely harmed. Pharmaceutical product candidates, including those in development by us and our collaborative partners, 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 or our collaborators' potential products are marketed abroad, they will also be subject to extensive regulation by foreign governments. The regulatory review and approval process, which includes preclinical studies and clinical trials of each product candidate, is lengthy, complex, expensive and uncertain. Securing regulatory approval requires the submission of extensive preclinical and clinical data and supporting information to the authorities for each indication to establish the product candidate's safety and efficacy. Data obtained from preclinical studies 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. Any FDA or other regulatory approvals of our or our collaborative partners' 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

·place us at a competitive disadvantage 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 regulatory policy during the period of product development, clinical trials, and regulatory review. Failure to comply with 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. 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.

Our and our collaborative partners' product candidates will remain subject to ongoing regulatory review even if they receive marketing approval. If we or our collaborative partners fail to comply with continuing regulations, these approvals could be lost and the sale of our or our collaborative partners' products could be suspended.

Even if we or our collaborative partners receive regulatory approval to market a particular product candidate, the approval could be conditioned on us or our collaborative partners conducting costly post-approval studies or could limit the indicated uses included in product labeling. Moreover, the product may later cause adverse effects that limit or prevent its widespread use, force us or our collaborative partners to withdraw it from the market or impede or delay our or our collaborative partners' ability to obtain regulatory approvals in additional countries. In addition, the manufacturer of the product and its facilities will continue to be subject to regulatory review and periodic inspections to ensure adherence to applicable regulations. After receiving marketing approval, the manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion and record-keeping related to the product remain subject to extensive regulatory requirements. We or our collaborative partners may be slow to adapt, or we or our collaborative partners may never adapt, to changes in existing regulatory requirements or adoption of new regulatory requirements.

If we or our collaborative partners fail to comply with the regulatory requirements of the FDA and other applicable U.S. and foreign regulatory authorities, or if previously unknown problems with our or our partners' products, manufacturers or manufacturing processes are discovered, we could be subject to administrative or judicially imposed sanctions, including:

· restrictions on the products, manufacturers, or manufacturing processes;

· warning letters;

· civil or criminal penalties;

· fines;

- injunctions;
- product seizures or detentions;
- import bans;
- voluntary or mandatory product recalls and publicity requirements;
- suspension or withdrawal of regulatory approvals;
- total or partial suspension of production; and
- refusal to approve pending applications for marketing approval of new drugs or supplements to approved applications.

Any one of these could have a material adverse effect on our business or financial condition.

If our collaborative partners fail to perform their obligations under our agreements with them, or determine not to continue with clinical trials for particular product candidates, our business could be severely affected.

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

- generate cash flow and revenue;
- fund some of the costs associated with our internal research and development, preclinical testing, clinical trials, and manufacturing;
- seek and obtain regulatory approvals faster than we could on our own;
- successfully commercialize existing and future product candidates; and
- secure access to targets which, due to intellectual property restrictions, would otherwise be unavailable to our technology.

If we fail to secure or maintain successful collaborative arrangements, the development and marketing of compounds that use our technology may be delayed, scaled back, or otherwise may not occur. In addition, we may be unable to negotiate other collaborative arrangements or, if necessary, modify our existing arrangements on acceptable terms. We cannot control the amount and timing of resources our collaborative partners may devote to our product candidates. Our collaborative partners may separately pursue competing product candidates, therapeutic approaches or technologies to develop treatments for the diseases targeted by us or our collaborative efforts, or may decide, for reasons not known to us, to discontinue development of product candidates under our agreements with them. Any of our collaborative partners may slow or discontinue the development of a product candidate covered by a collaborative arrangement for reasons that can include, but are not limited to:

- a change in the collaborative partner’s strategic focus as a result of merger, management changes, adverse business events, or other causes;
- a change in the priority of the product candidate relative to other programs in the collaborator’s pipeline;
- a reassessment of the patent situation related to the compound or its target;
- a change in the anticipated competition for the product candidate;
- preclinical studies and clinical trial results; and
- a reduction in the financial resources the collaborator can or is willing to apply to the development of new compounds.

Even if our collaborative partners continue their collaborative arrangements with us, they may nevertheless determine not to actively pursue the development or commercialization of any resulting products. Also, our collaborative partners may fail to perform their obligations under the collaborative agreements or may be slow in performing their obligations. Our collaborative 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 discretion of our collaborative partners. If any collaborative partner were to terminate or breach our agreements, fail to complete its obligations to us in a timely manner, or decide to discontinue its development of a product candidate, our anticipated revenue from the agreement and from the development and commercialization of the products would be severely limited or eliminated. 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, or at all, our continued development, manufacture and commercialization of our product candidates could be delayed or scaled back as we may not have the funds or capability to continue these activities. If our collaborators fail to successfully develop and commercialize ADC compounds, our business prospects could 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 our 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. Also, 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 an 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 an adverse effect on our financial condition. If a present or future collaborator of ours were to be involved in a business combination, the collaborator's continued pursuit and emphasis on our product development program could be delayed, diminished or terminated.

Royalties from commercial sales of Kadcyla will likely fluctuate and will affect our reported royalty revenues and rights to receive future payments from the commercial sale of Kadcyla under our license agreement with Roche and our royalty purchase agreement with Immunity Royalty Holdings, L.P., or IRH.

Roche's Kadcyla is currently the only product with respect to which we are entitled to receive royalties that has received marketing approval. In April 2015, IRH paid us $200 million to purchase our right to receive 100% of the royalty payments on commercial sales of Kadcyla arising under our development and commercialization license with Roche, through its Genentech unit, until IRH has received aggregate Kadcyla royalties equal to $235 million or $260 million, depending on when the aggregate Kadcyla royalties received by IRH reach a specified milestone. Once the applicable threshold is met, if ever, we will thereafter receive 85% and IRH will receive 15% of the Kadcyla royalties for the remaining royalty term. These royalty revenues may fluctuate considerably because they depend upon, among other things, the rate of growth of sales of Kadcyla as well as the mix of U.S.-based sales and ex-U.S.-based sales and our valid patent claims. While the royalty purchase transaction with IRH has mitigated any impact that fluctuations in these royalty revenues may have on our financial condition, negative fluctuations could delay, diminish, or eliminate our right to resume receiving 85% of the royalty in the future, as described above.

Royalty rates under our license agreements with our collaborators may vary over the royalty term depending on our intellectual property rights and the presence of competing products.

Most of our license agreements with our collaborators provide that the royalty rates are subject to downward adjustment in the absence of ImmunoGen patent rights covering various aspects of the manufacture, use or sale of the products developed under such licenses, or in the presence of competition from certain third-party products. For example, we expect the royalty rate for Sanofi's isatuximab anti-CD38 naked antibody compound to be reduced to low single digits, and under certain circumstances, the royalty obligation to cease, because of (1) approval of competitor anti-CD38 antibody products, such as Darzalex (daratumumab) from Janssen Biotech, and (2) the lack of ImmunoGen patent rights covering isatuximab, since our ADC-related patent rights do not pertain to the compound and our isatuximab -specific patent rights were assigned to Sanofi under the terms of the applicable license.

We depend on our collaborative partners for the determination of royalty payments. We may not be able to detect errors and payment calculations may call for retroactive adjustments.

The royalty payments we receive are determined by our collaborative partners based on their reported net sales. Each collaborative partner's calculation of the royalty payments is subject to and dependent upon the adequacy and accuracy of its sales and accounting functions, and errors may occur from time to time in the calculations made by a collaborative partner. Our agreement with Genentech provides us the right to audit the calculations and sales data for the associated royalty payments related to sales of Kadcyla; however, such audits may occur many months following our recognition of the royalty revenue, may require us to adjust our royalty revenues in later periods and generally require audit-related cost on our part.

If our collaborative partners' requirements for clinical materials to be manufactured by us are significantly lower than we have estimated, our financial results and condition could be adversely affected.

We procure certain components of finished conjugate, including DM1, DM4, IGN payload agents, and linker, on behalf of several of our collaborators. In order to meet our commitments to our collaborative partners, 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 collaborative partners. If our collaborative partners do not require as much clinical material as we have contracted to produce and we are unable to use these materials for our own products, we may not be able to recover our investment in these components and we may suffer losses. Collaborators have discontinued development of product candidates in the past and in the periods subsequent to these discontinuations, we had significantly reduced demand for DM1 and DM4 which adversely affected our financial results.

In addition, we operate a conjugate manufacturing facility. A portion of the cost of operating this facility, including the cost of manufacturing personnel, is reimbursed by our collaborators based on the number of batches of preclinical and clinical materials produced on their behalf. If we produce fewer batches of clinical materials for our collaborators, a smaller amount of the cost of operating the conjugate manufacturing facility will be charged to our collaborative partners and our financial condition could be adversely affected.

If our product requirements for clinical trials are significantly higher than we estimated, the inability to procure additional antibody or fill/finish services in a timely manner could impair our ability to initiate or advance our clinical trials.

We rely on third-party suppliers to manufacture antibodies used in our own proprietary compounds. Due to the specific nature of the antibody and availability of production capacity, there is significant lead time required by these suppliers to provide us with the needed materials. If our antibody requirements for clinical materials to be manufactured are significantly higher than we estimated, we may not be able to readily procure additional antibody which would impair our ability to advance our clinical trials currently in process or initiate additional trials. We also rely on third parties to convert the bulk drug substance we manufacture into filled and finished vials of drug product for clinical use. Unanticipated difficulties or delays in the fill/finish process could impair our ability to advance our clinical trials currently in process or initiate additional trials. There can be no assurance that we will not have supply problems that could delay or stop our clinical trials or otherwise could have a material adverse effect on our business.

We currently rely on one third-party manufacturer with commercial production experience to produce our cell-killing agents, DM1 and DM4.

We rely on a third-party supplier to manufacture one of the materials used to make ADC compounds. Our cell-killing agents DM1 and DM4, collectively DMx, are manufactured from a precursor, ansamitocin P3. We currently use a single supplier, Societá Italiana Corticosteroidi S.r.l., that converts ansamitocin P3 to DMx. Any delay or interruption in our supply of DMx could lead to a delay or interruption in our manufacturing operations, preclinical studies, and clinical trials of our product candidates and our collaborators' product candidates, which could negatively affect our business.

We may be delayed or unable to establish the manufacturing capabilities necessary to develop and commercialize our and our collaborative partners' potential products.

Currently, we have one conjugate manufacturing facility that we use to manufacture conjugated compounds for us and several of our collaborative partners for preclinical studies and early-stage clinical testing. Several of our partners have contracted for separate, large-scale manufacturing capacity to make materials to support potential future

commercialization of their ADC compounds. We do not currently have the internal manufacturing capacity needed to make our product candidates for commercial sale. In addition, our manufacturing capacity may be insufficient to complete all clinical trials contemplated by us and our collaborative partners 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 later-stage clinical trials and commercialization of our potential products. We are currently in the process of developing relationships with third-party manufacturers that we believe will be necessary to continue the development of our product candidates. 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 have one conjugate manufacturing facility and any prolonged and significant disruption at that facility could impair our ability to manufacture our and our collaborative partners' product candidates for clinical testing.

Currently, in certain cases, we are contractually obligated to manufacture Phase I and non-pivotal Phase II clinical products for companies licensing our ADC technology. We manufacture this material, as well as material for our own product candidates, in our conjugate manufacturing facility. We have only one such manufacturing facility in which we can manufacture clinical products. Our current manufacturing facility contains highly specialized equipment and utilizes complex 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 business interruption insurance policies, we may suffer losses as a result of business interruptions that exceed the coverage available or any losses which may be excluded under our insurance policies. Certain events, such as natural disasters, fire, political disturbances, sabotage or business accidents, which could affect 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.

Unfavorable pricing regulations, third-party reimbursement practices, or healthcare reform initiatives applicable to our product candidates could limit our potential product revenue.

Regulations governing drug pricing and reimbursement vary widely from country to country. Some countries require approval of the sales price of a drug before it can be marketed. Some countries restrict the physicians that can authorize the use of more expensive medications. Some countries establish treatment guidelines to help limit the use of more expensive therapeutics and the pool of patients that receive them. In some countries, including the U.S., third-party payers frequently seek discounts from list prices and are increasingly challenging the prices charged for medical products. Because our product candidates are in the development stage, we do not know the level of reimbursement, if any, we will receive for any products that we are able to successfully develop. If the reimbursement for any of our product candidates is inadequate in light of our development and other costs, our ability to achieve profitability would be affected.

We believe that the efforts of governments and third-party payors to contain or reduce the cost of healthcare will continue to affect the business and financial condition of pharmaceutical and biopharmaceutical companies. A number of legislative and regulatory proposals to change the healthcare system in the U.S. and other major healthcare markets have been proposed and adopted in recent years. For example, the U.S. Congress enacted a limited prescription drug benefit for Medicare recipients as part of the Medicare Prescription Drug, Improvement and Modernization Act of 2003. While the program established by this statute may increase demand for any products that we are able to successfully develop, if we participate in this program, our prices will be negotiated with drug procurement organizations for Medicare beneficiaries and are likely to be lower than prices we might otherwise obtain. Non-Medicare third-party drug procurement organizations may also base the price they are willing to pay on the rate paid by drug procurement organizations for Medicare beneficiaries. The Patient Protection and Affordable Care Act, or ADA, which became effective in 2010, is a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry, and institute additional health policy reforms. It also requires discounts under the Medicare drug benefit program and increased rebates on drugs covered by Medicaid. In addition, the ACA imposes an annual fee, which will increase annually, on sales by branded

pharmaceutical manufacturers. The financial impact of these discounts, increased rebates and fees, and the other provisions of the ACA on our business is unclear and there can be no assurance that our business will not be materially adversely affected by the ACA. The ACA has been under scrutiny by the U.S. Congress almost since its passage, and its longevity continues to be uncertain. Moreover, President Trump ran for office on a platform that supported the repeal of the ACA and one of his first actions after his inauguration was to sign an Executive Order commanding federal agencies to try to waive or delay requirements of the ACA that impose economic or regulatory burdens on states, families, the health-care industry, and others. The Order also declares that the administration will seek the "prompt repeal" of the law and that the government should prepare to "afford the states more flexibility and control to create a more free and open healthcare market." At this time, the immediate impact of the Order isn't clear. In addition, ongoing initiatives in the U.S. have increased and will continue to increase pressure on drug pricing. The announcement or adoption of any such initiative could have an adverse effect on potential revenues from any product candidate that we may successfully develop.

At the end of 2016, the 21st Century Cures Act was enacted by Congress and signed into law by President Obama. This law is intended to enable the acceleration of the discovery, development and delivery of 21st century cures, among other things. Provisions in that law, such as those applying to precision medicine, technical updates to clinical trial databases and advancing new drug therapies, could apply directly or indirectly to our activities and those of our collaborators. At this point, however, it is not clear how that law will be implemented and what effect it may have on our business.

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 may rely on third parties to market and sell most of our primary product candidates or we may outlicense these products prior to the time when these capabilities are needed. If we decide to market our potential products through a direct sales force, we would need either to hire a sales force with expertise in pharmaceutical sales or to contract with a third party to provide a sales force which meets 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 compounds successfully.

If our product candidates or those of our collaborative partners do not gain market acceptance, our business will suffer.

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

- their level of clinical efficacy and safety;
- their advantage over alternative treatment methods;
- our/the marketer's and our collaborative partners' ability to gain acceptable reimbursement and the reimbursement policies of government and third-party payors; and
- the quality of the distribution capabilities of the party(ies) responsible to market and distribute the product(s).

Physicians may not prescribe 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 drugs and other treatments. Even if the clinical safety and efficacy of therapies using our products are 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

and use, we will not be able to recover the significant investment we have made in developing such products and our business will 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 lower volume sold, pricing reductions, reduced gross margins, and failure to achieve market acceptance for our potential products. Our competitors include research institutions, pharmaceutical companies and biotechnology companies, such as Pfizer, Seattle Genetics, Roche, Takeda, AbbVie and Bristol-Myers Squibb. Many of these organizations have substantially more experience and more capital, research and development, regulatory, manufacturing, 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 acquisitions 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.

Our product candidates, if approved and commercialized, will also compete against well-established, existing, therapeutic products that are currently reimbursed by government healthcare programs, private health insurers and health maintenance organizations. In addition, if our product candidates are approved and commercialized, we may face competition from biosimilars. The ACA, which included the Biologics Price Competition and Innovation Act of 2009, or BPCIA, amended the Public Health Service Act to create an abbreviated approval pathway for two types of "generic" biologics—biosimilars and interchangeable biologic products. The BPCIA establishes a pathway for the FDA approval of follow-on biologics and provides twelve years data exclusivity for reference products and an additional six months exclusivity period if pediatric studies are conducted. In Europe, the European Medicines Agency has issued guidelines for approving products through an abbreviated pathway, and biosimilars have been approved in Europe. If a biosimilar version of one of our potential products were approved in the U.S. or Europe, it could have a negative effect on sales and gross profits of the potential product and our financial condition.

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 or in patent claims as broad as in the original applications. Although we own numerous 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.

Patents and applications owned or licensed by us may become the subject of interference, opposition, nullity, or other proceedings in a court or patent office in the U.S. or in a foreign jurisdiction to determine validity, enforceability or priority of invention, which could result in substantial cost to us. An adverse decision in such a 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 or if they are challenged in court or in other proceedings. A competitor may successfully invalidate 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.

The Leahy-Smith America Invents Act was signed into law on September 16, 2011, and became fully effective in March 2013. In general, the legislation attempts to address issues surrounding the enforceability of patents and the increase in patent litigation by, among other things, moving to a first inventor-to-file system, establishing new procedures for challenging patents and establishing different methods for invalidating patents. Governmental rule-making implementing the new statute is evolving and will continue to introduce new substantive rules and procedures, particularly with regard to post-grant proceedings such as *inter partes* review and post-grant review. In due course, the courts will interpret various aspects of the law and related agency rules in ways that we cannot predict, potentially making it easier for competitors and other interested parties to challenge our patents, which, if successful, could have a material adverse effect on our business and prospects. In addition, the United States Supreme Court has become increasingly active in reviewing U.S. patent law in recent years, and the extent to which their recent decisions will affect our ability to enforce certain types of claims under our U.S. patents or obtain future patents in certain areas is difficult to predict at this time.

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 U.S.

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. Further, we require that all employees enter into assignment of invention agreements as a condition of employment. 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.

Any inability to license proprietary technologies or processes from third parties 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 are found to infringe on the patents held by others.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights held by third parties and we may be unable to protect our rights to, or to commercialize, our product candidates.

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. From time to time, we have received correspondence from third parties alleging that we infringe their intellectual property rights. Any claims that might be brought against us alleging 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 and manufacturing 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.

While we secure waivers from all participants in our clinical trials, 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 negative 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. While we currently have product liability insurance for products which are in clinical testing, our 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.

Failure to comply with the Foreign Corrupt Practices Act, or FCPA, and other similar anti-corruption laws and anti-money laundering laws, as well as export control laws, customs laws, sanctions laws, and other laws governing our operations could subject us to significant penalties and damage our reputation.

We are subject to the FCPA, which generally prohibits U.S. companies and intermediaries acting on their behalf from offering or making corrupt payments to "foreign officials" for the purpose of obtaining or retaining business or securing an improper business advantage. The FCPA also requires companies whose securities are publicly listed in the United States to maintain accurate books and records and to maintain adequate internal accounting controls. We are also subject to other similar anti-corruption laws and anti-money laundering laws, as well as export control laws, customs laws, sanctions laws and other laws that apply to our activities in the countries where we operate. Certain of the jurisdictions in which we conduct or expect to conduct business have heightened risks for public corruption, extortion, bribery, pay-offs, theft and other fraudulent practices. In many countries, health care professionals who serve as investigators in our clinical studies, or may prescribe or purchase any of our product candidates if they are approved, are employed by a government or an entity owned or controlled by a government. Dealings with these investigators, prescribers and purchasers are subject to regulation under the FCPA. Under these laws and regulations, as well as other anti-corruption laws, anti-money-laundering laws, export control laws, customs laws, sanctions laws and other laws governing our operations, various government agencies may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions.

Our employees, independent contractors, principal investigators, contract research organizations, or CROs, consultants and collaborators may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading.

We are exposed to the risk that our employees, independent contractors, principal investigators, CROs, consultants and collaborators may engage in fraudulent conduct or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or unauthorized activities that violate: (1) laws or regulations in jurisdictions where we are performing activities in relation to our product candidates, including those laws requiring the reporting of true, complete and accurate information to such authorities; (2) manufacturing regulations and standards; (3) applicable laws prohibiting the promotion of a medical product for a use that has not been cleared or approved; (4) fraud and abuse, anti-corruption and anti-money laundering laws, as well as similar laws and regulations and other laws; or (5) laws that require the reporting of true and accurate financial information and data. In particular, sales, marketing and business arrangements in the healthcare industry are subject to laws intended to prevent fraud, bias, misconduct, kickbacks, self-dealing and other abusive practices, and these laws may differ substantially from country to country. Misconduct by these parties could also include the improper use of information obtained in the course of clinical trials or performing other services, which could result in investigations, sanctions and serious harm to their or our reputation.

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 will 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.

Our stock price can fluctuate significantly and results announced by us and our collaborators or competitors can cause our stock price to decline.

Our stock price can fluctuate significantly due to business developments announced by us and by our collaborators and competitors, or as a result of market trends and daily trading volume. The business developments that

could affect our stock price include disclosures related to clinical findings with compounds that make use of our ADC technology, new collaborations and clinical advancement or discontinuation of product candidates that make use of our ADC technology or product candidates that compete with our compounds or those of our collaborators. Our stock price can also fluctuate significantly with the level of overall investment interest in small-cap biotechnology stocks.

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, and 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 collaboration. 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 and/or annual 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 and year-to-year comparisons of our operating results are not good indicators of our future performance and should not be relied upon to predict the future performance of our stock price.

The potential sale of additional shares of our common stock (including securities convertible into shares of our common stock) may cause our stock price to decline.

On June 20, 2016, we sold $100 million aggregate principal amount of our 4.50% Convertible Senior Notes due 2021, which are convertible into shares of our common stock at any time prior to the maturity date of the Notes at an initial conversion rate of 238.7775 shares per $1,000 principal amount of Notes, which is equal to an initial conversion price of approximately $4.19 per share. Conversion of all of the Notes at the initial conversion rate will result in the issuance of 23,877,750 shares of our common stock. The potential sale of additional shares of our common stock may be dilutive to our shares outstanding and may cause our stock price to decline.

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 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

We lease approximately 110,000 square feet of laboratory and office space in a building located at 830 Winter Street, Waltham, MA. The term of the 830 Winter Street lease expires on March 31, 2026, with an option for us to extend the lease for two additional five-year terms. We also lease approximately 43,850 square feet of space at 333 Providence Highway, Norwood, MA, which serves as our conjugate manufacturing facility and office space. The 333 Providence Highway lease expires on June 30, 2018, with an option for us to extend the lease for an additional five-year term. Due to space requirements, in April 2013, we entered into a lease agreement for the rental of 7,507 square feet of office space at 100 River Ridge Drive, Norwood, MA. The lease expires in September, 2018, with an option for us to extend the lease for an additional five-year term. We entered into a sublease in December 2014 for this space, effective January 2015 through the remaining initial term of the lease. In February 2016, we entered into a lease agreement for the rental of 10,281 square feet of additional office space at 930 Winter Street, Waltham, MA through August 31, 2021. We are actively seeking to sub-lease this space as well, as our needs have been reduced.

Item 3. *Legal Proceedings*

From time to time we may be a party to various legal proceedings arising in the ordinary course of our business. We are not currently subject to any material legal proceedings.

Item 3.1. ***Executive Officers of the Registrant***

ImmunoGen's executive officers are appointed by the Board of Directors at the first meeting of the Board following the annual meeting of shareholders or at other Board meetings as appropriate, and hold office until the first Board meeting following the next annual meeting of shareholders and until a successor is chosen, subject to prior death, resignation or removal. Information regarding our executive officers is presented below.

Mark J. Enyedy, age 53, joined ImmunoGen in May 2016, and has served as our President and Chief Executive Officer since that date. Prior to joining ImmunoGen, he served in various executive capacities at Shire plc, a pharmaceutical company, from 2013 to May 2016, including as Executive Vice President and Head of Corporate Development from 2014 to May 2016, where he led Shire's strategy, M&A, and corporate planning functions and provided commercial oversight of Shire's pre-Phase 3 portfolio. Prior to joining Shire he served as Chief Executive Officer and a director of Proteostasis Therapeutics, Inc., a biopharmaceutical company, from 2011 to 2013. Prior to joining Proteostasis he served for 15 years at Genzyme Corporation, a biopharmaceutical company, most recently as President of the Transplant, Oncology, and Multiple Sclerosis divisions. Mr. Enyedy holds a JD from Harvard Law School and practiced law prior to joining Genzyme. Mr. Enyedy is also a director of Fate Therapeutics, Inc.

Craig Barrows, age 62, joined ImmunoGen in 2007, and has served as our Executive Vice President, General Counsel and Secretary since December 2016. Prior to that he served as Vice President, General Counsel and Secretary from his date of hire to December 2016.

Richard J. Gregory, PhD, age 59, joined ImmunoGen in 2015, and has served as our Executive Vice President and Chief Scientific Officer since that date. Prior to joining ImmunoGen, he spent 25 years at Genzyme Corporation, a biopharmaceutical company, in roles of increasing responsibility, including Senior Vice President and Head of Research from 2003 until Genzyme's acquisition by Sanofi in 2011, and Head of Research and Development for Genzyme from 2011 through 2014. Dr. Gregory holds a PhD from the University of Massachusetts, Amherst, and completed his post-doctoral work at the Worcester Foundation for Experimental Biology.

David B. Johnston, age 61, joined ImmunoGen in 2013, and has served as our Executive Vice President and Chief Financial Officer since that date. Prior to joining ImmunoGen, Mr. Johnston served as Chief Financial Officer of AVEO Pharmaceuticals, Inc., a biopharmaceutical company, from 2007 to 2013. Prior to that he spent nine years at Genzyme Corporation, a biopharmaceutical company, in roles of increasing responsibility, including Vice President, Finance and Chief Financial Officer of Genzyme Biosurgery from 1999 to 2003, and as Senior Vice President, Finance, Corporate Planning and Analysis from 2003 to 2007. Mr. Johnston holds a Master of Business Administration from the University of Michigan.

In March 2016, the SEC filed a complaint in the U.S. District Court for the District of Massachusetts, asserting civil claims against AVEO Pharmaceuticals, Inc. and several related parties, including our Chief Financial Officer, David Johnston. The complaint alleges that the defendants made false or misleading statements to investors regarding communications with the U.S. Food and Drug Administration about AVEO Pharmaceutical's drug candidate, tivozanib. The SEC asserts claims under Section 17(a) of the Securities Act of 1933, as amended, and Section 10(b) of the Securities Exchange Act or 1934, as amended, and Rules 10b-5 and 13a-14 promulgated thereunder. In the complaint, the SEC seeks a permanent injunction, disgorgement, an officer bar, and civil penalties. In May 2016, Mr. Johnston filed an answer to the SEC's complaint denying the allegations. Mr. Johnston has informed us that he intends to vigorously defend himself at trial, and that AVEO Pharmaceuticals and/or its insurance carrier are bearing the costs of his defense.

Anna Berkenblit, MD, age 47, joined ImmunoGen in 2015, and has served as our Vice President and Chief Medical Officer since that date. Prior to joining ImmunoGen, she served as Senior Vice President and Head of Clinical Research at H3 Biomedicine Inc., a pharmaceutical company, from 2013 to 2015. Prior to that she served as Vice President and Head of Clinical Research at AVEO Pharmaceuticals, Inc., a biopharmaceutical company, from 2011 to 2013. Prior to that she spent five years at the oncology business unit of Pfizer Inc. (and Wyeth, prior to its acquisition by Pfizer) in roles of increasing responsibility related to medical research and clinical development. Dr. Berkenblit holds a Doctor of Medicine degree from Harvard Medical School and a master's degree from the Harvard/MIT Health & Sciences clinical investigator training program.

Peter J. Williams, age 62, joined ImmunoGen in August 2009, and has served as our Vice President, Business Development since that date.

Theresa G. Wingrove, PhD, age 59, joined ImmunoGen in 2011, and has served as our Vice President, Regulatory Affairs and Quality since February 2017. Prior to that she served as Vice President, Regulatory Affairs from her date of hire to January 2017. Prior to joining ImmunoGen, she served as Vice President, Regulatory and Clinical Affairs, at Histogenics, Inc., a medical device company, from 2006 to 2011. Prior to that she served as Senior Director, Regulatory and Clinical Affairs, at MediSpectra, Inc., a medical device company, from 2000 to 2006. Prior to that she served in various regulatory and clinical management capacities at Infusaid Inc., a subsidiary of Pfizer Inc., a pharmaceutical company, from 1988 to 1999. Dr. Wingrove holds a PhD in biochemical toxicology from the University of Rochester School of Medicine and Dentistry, and completed her postdoctoral work at the University of Rochester Medical Center.

Item 4. ***Mine Safety Disclosures***

None.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Price of Our Common Stock and Related Stockholder Matters

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "IMGN." The table below sets forth the high and low closing price per share of our common stock as reported by NASDAQ:

	Transition Period 2016		Fiscal Year 2016		Fiscal Year 2015	
	High	Low	High	Low	High	Low
First Quarter	$ 3.23	$ 2.65	$ 19.39	$ 9.54	$ 12.74	$ 10.28
Second Quarter	$ 2.67	$ 1.56	$ 13.95	$ 10.04	$ 11.00	$ 5.34
Third Quarter			$ 12.85	$ 7.02	$ 9.55	$ 5.85
Fourth Quarter			$ 9.76	$ 2.98	$ 15.88	$ 7.91

As of February 16, 2017, the closing price per share of our common stock was 2.50, as reported by NASDAQ, and we had approximately 352 holders of record of our common stock.

We have not paid any cash dividends on our common stock since our inception and do not intend to pay any cash dividends in the foreseeable future.

Equity Compensation Plan Information (in thousands)

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders[1]	13,679	$ 10.70	5,620
Equity compensation plans not approved by security holders	—	—	—
Total	13,679	$ 10.70	5,620

(1)These plans consist of the Restated Stock Option Plan and the 2006 and 2016 Employee, Director and Consultant Equity Incentive Plans.

Recent Sales of Unregistered Securities; Uses of Proceeds from Registered Securities; Issuer Repurchases of Equity Securities

None.

Item 6. ***Selected Financial Data***

The following table (in thousands, except per share data) sets forth our consolidated financial data for our six-month transition period ended December 31, 2016, the comparative six months ended December 31, 2015 and each of our five fiscal years through our fiscal year ended June 30, 2016. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this report.

	Transition Period Ended Dec. 31 2016	Six Months Ended Dec. 31 2015 (unaudited)	Year Ended June 30, 2016	2015	2014	2013	2012
Consolidated Statement of Operations Data:							
Total revenues	$ 21,506	$ 32,880	$ 60,002	$ 85,541	$ 59,896	$ 35,535	$ 16,357
Total operating expenses	88,992	89,714	184,993	139,996	131,427	108,544	89,614
Non-cash interest expense on liability related to sale of future royalty and convertible senior notes	8,665	10,202	20,130	5,437	—	—	—
Other (expense) income, net	(2,732)	69	304	(847)	167	198	(62)
Net loss	$ (78,883)	$ (66,967)	$ (144,817)	$ (60,739)	$ (71,364)	$ (72,811)	$ (73,319)
Basic and diluted net loss per common share	$ (0.91)	$ (0.77)	$ (1.67)	$ (0.71)	$ (0.83)	$ (0.87)	$ (0.95)
Basic and diluted weighted average common shares outstanding	87,102	86,904	86,976	86,038	85,481	84,063	76,814
Consolidated Balance Sheet Data:							
Cash and cash equivalents	$ 159,964	$ 212,283	$ 245,026	$ 278,109	$ 142,261	$ 194,960	$ 160,938
Total assets	198,864	246,586	287,085	313,823	165,318	213,596	180,308
Long-term convertible notes - net	96,965	—	96,628	—	—	—	—
Shareholders' (deficit) equity	(152,850)	(16,686)	(82,304)	35,104	75,699	121,847	83,890

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

ImmunoGen is a clinical-stage biotechnology company that develops targeted cancer therapeutics using our proprietary antibody-drug conjugate, or ADC, technology. An ADC with our technology comprises an antibody that binds to a target found on tumor cells and is conjugated to one of our potent anti-cancer agents as a "payload" to kill the tumor cell once the ADC has bound to its target. ADCs are an expanding approach to the treatment of cancer, with two approved products and the number of agents in development more than doubling during the last five years.

We have established a leadership position in ADCs. Our proprietary portfolio is led by mirvetuximab soravtansine, a first-in-class ADC targeting folate-receptor alpha, or FRα. Following meetings with the U.S. Food and Drug Administration, or FDA, and the European Medicines Agency, or EMA, in the third quarter of 2016 to review our protocol, we initiated a Phase 3 registration trial, FORWARD I, with mirvetuximab soravtansine for use as single-agent therapy to treat patients with platinum-resistant ovarian cancer whose tumors express high or medium levels of FRα and who have received up to three prior treatment regimens. Additionally, we are accruing patients in a companion study, FORWARD II, to evaluate mirvetuximab soravtansine in combination regimens to expand the number of patients with ovarian cancer eligible for treatment with the ADC. FORWARD II consists of cohorts assessing mirvetuximab soravtansine in combination with, in separate doublets, Avastin® (bevacizumab), pegylated liposomal doxorubicin, or PLD, and carboplatin. We have also entered into a collaboration with Merck under which Merck is providing Keytruda® (pembrolizumab) for evaluation in combination with mirvetuximab soravtansine as part of the FORWARD II study. We expect to begin reporting clinical findings from FORWARD II in the second quarter of 2017.

We have built a productive platform that continues to generate innovative and proprietary ADCs, including IMGN779, our CD33-targeting product candidate for acute myeloid leukemia, or AML. IMGN779 integrates one of our new DNA-alkylating IGN payload agents and is progressing through dose escalation in a Phase 1 trial in AML. We also are advancing IMGN632, a preclinical CD123-targeting ADC that uses an even more potent IGN payload agent with a new engineered linker and novel antibody, which we are developing for hematological malignancies including AML. We expect to file an Investigational New Drug, or IND, application for IMGN632 in the third quarter of 2017.

In addition to fueling our organic growth, we also selectively license limited rights to use of our ADC technology to other companies. These licenses can provide us with cash through upfront and milestone payments, research and manufacturing support payments, and royalties on commercial sales, if any, as well as access to complementary technology and capabilities. The most advanced partner program is Roche's marketed product, Kadcyla (ado-trastuzumab emtansine), the first ADC to demonstrate superiority over standard of care in a randomized pivotal trial, EMILIA, and gain FDA approval. Following Kadcyla are nine clinical-stage ADCs with our technology through our partnerships with Amgen, Bayer, Biotest, Lilly, Novartis, and Sanofi. We also have partnerships with Takeda and CytomX, which are in the preclinical stage. We expect that substantially all of our revenue for the foreseeable future will result from payments under our collaborative arrangements. Details for some of our major and recent collaborative agreements can be found in this Form 10-K under Item 1. Business.

To date, we have not generated revenues from commercial sales of internal products and we expect to incur significant operating losses for the foreseeable future. As of December 31, 2016, we had approximately $160.0 million in cash and cash equivalents compared to $245.0 million as of June 30, 2016.

We anticipate that future cash expenditures will be partially offset by collaboration-derived proceeds, including milestone payments and upfront fees. Accordingly, period-to-period cash balances may fluctuate dramatically based upon the timing of receipt of the proceeds. 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 assisting in providing funding for the development of internal product candidates and technologies. However, we can give no assurances that such collaborative agreement funding will, in fact, be realized in the time frames we expect, or at all. 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 secure alternative financing arrangements, find additional partners and/or defer or limit some or all of our research, development and/or clinical projects. However, we cannot provide assurance that any such opportunities presented by additional partners or alternative financing arrangements will be entirely available to us, if at all.

Change in fiscal year

As previously reported, we have changed our fiscal year end to December 31 from June 30. This transition report is for the six-month period of July 1, 2016 through December 31, 2016, which we refer to as the transition period.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to our collaborative agreements, clinical trial accruals, inventory, and stock-based compensation. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

We believe the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We enter into licensing and development agreements with collaborative partners for the development of ADC therapeutics. The terms of these agreements contain multiple deliverables which may include (i) licenses, or options to obtain licenses, to our ADC technology, (ii) rights to future technological improvements, (iii) research activities to be performed on behalf of the collaborative partner, (iv) delivery of cytotoxic agents, and (v) the manufacture of preclinical or clinical materials for the collaborative partner. Payments to us under these agreements may include upfront fees, option fees, exercise fees, payments for research activities, payments for the manufacture of preclinical or clinical materials, payments based upon the achievement of certain milestones, and royalties on product sales. We follow the provisions of the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 605-25, “Revenue Recognition—Multiple-Element Arrangements,” and ASC Topic 605-28, “Revenue Recognition—Milestone Method,” in accounting for these agreements. In order to account for these agreements, we must identify the deliverables included within the agreement and evaluate which deliverables represent separate units of accounting based on whether certain criteria are met, including whether the delivered element has stand-alone value to the collaborator. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units.

At December 31, 2016, we had two material types of agreements with the parties identified below:

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

  Amgen (two exclusive single-target licenses*)

  Bayer HealthCare (one exclusive single-target license)

  Biotest (one exclusive single-target license)

  Fusion Pharmaceuticals (one exclusive single-target license)

  Lilly (three exclusive single-target licenses)

  Novartis (five exclusive single-target licenses and one license to two related targets: one target on an exclusive basis and the second target on a non-exclusive basis)

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

  Sanofi (one exclusive single-target license and one exclusive license to multiple individual targets)

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

- Research license/option agreement for a defined period of time to secure development and commercialization licenses to use our ADC technology to develop anticancer compounds to specified targets on established terms (referred to herein as right-to-test agreements):

  CytomX

  Takeda, through its wholly owned subsidiary, Millennium Pharmaceuticals, Inc.

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* Amgen has sublicensed one of its exclusive single-target licenses to Oxford BioTherapeutics Ltd.

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

Development and Commercialization Licenses

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

Generally, development and commercialization licenses contain non-refundable terms for payments and, depending on the terms of the agreement, provide that we will (i) at the collaborator's request, provide research services at negotiated prices which are generally consistent with what other third parties would charge, (ii) at the collaborator's request, manufacture and provide to it preclinical and clinical materials or deliver cytotoxic agents at negotiated prices which are generally consistent with what other third parties would charge, (iii) earn payments upon the achievement of certain milestones, and (iv) earn royalty payments, generally until the later of the last applicable patent expiration or 10 to 12 years after product launch. In the case of Kadcyla, however, the minimum royalty term is 10 years and the maximum royalty term is 12 years on a country-by-country basis, regardless of patent protection. Royalty rates may vary over the royalty term depending on our intellectual property rights and/or the presence of comparable competing products. We may provide technical assistance and share any technology improvements with our collaborators during the term of the collaboration agreements. We do not directly control when or whether any collaborator will request research or manufacturing services, achieve milestones, or become liable for royalty payments. As a result, we cannot predict when or if we will recognize revenues in connection with any of the foregoing.

In determining the units of accounting, management evaluates whether the license has stand-alone value from the undelivered elements to the collaborative partner based on the consideration of the relevant facts and circumstances for each arrangement. Factors considered in this determination include the research capabilities of the partner and the availability of ADC technology research expertise in the general marketplace. If we conclude that the license has stand-alone value and therefore will be accounted for as a separate unit of accounting, we then determine the estimated selling prices of the license and all other units of accounting based on market conditions, similar arrangements entered into by third parties, and entity-specific factors such as the terms of our previous collaborative agreements, recent preclinical and clinical testing results of therapeutic products that use our ADC technology, our pricing practices and pricing objectives, the likelihood that technological improvements will be made, and, if made, will be used by our collaborators, and the nature of the research services to be performed on behalf of our collaborators and market rates for similar services.

Upfront payments on development and commercialization licenses may be recognized upon delivery of the license if facts and circumstances dictate that the license has stand-alone value from the undelivered elements, which generally include rights to future technological improvements, research services, delivery of cytotoxic agents, and the manufacture of preclinical and clinical materials.

We recognize revenue related to research services that represent separate units of accounting as they are performed, as long as there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collection of the related receivable is probable. We recognize revenue related to the rights to future technological improvements over the estimated term of the applicable license.

We may also provide cytotoxic agents to our collaborators or produce preclinical and clinical materials for them at negotiated prices which are generally consistent with what other third parties would charge. We recognize revenue on

cytotoxic agents and on preclinical and clinical materials when the materials have passed all quality testing required for collaborator acceptance and title and risk of loss have transferred to the collaborator. Arrangement consideration allocated to the manufacture of preclinical and clinical materials in a multiple-deliverable arrangement is below our full cost, and our full cost is not expected to ever be below our contract selling prices for our existing collaborations. During the six months ended December 31, 2016 and 2015 and the fiscal years ended June 30, 2016, 2015 and 2014, the difference between our full cost to manufacture preclinical and clinical materials on behalf of our collaborators as compared to total amounts received from collaborators for the manufacture of preclinical and clinical materials was $948,000, $5.5 million, $6.9 million, $9.2 million, and $2.3 million, respectively. The majority of our costs to produce these preclinical and clinical materials are fixed and then allocated to each batch based on the number of batches produced during the period. Therefore, our costs to produce these materials are significantly affected by the number of batches produced during the period. The volume of preclinical and clinical materials we produce is directly related to the scale of planned preclinical activities, the number of clinical trials we and our collaborators are preparing for or currently have underway, the speed of enrollment in those trials, the dosage schedule of each clinical trial and the time period such trials last. Accordingly, the volume of preclinical and clinical materials produced, and therefore our per-batch costs to manufacture these preclinical and clinical materials, may vary significantly from period to period.

We may also produce research material for potential collaborators under material transfer agreements. Additionally, we perform research activities, including developing antibody specific conjugation processes, on behalf of our collaborators and potential collaborators during the early evaluation and preclinical testing stages of drug development. We record amounts received for research materials produced or services performed as a component of research and development support revenue. We also develop conjugation processes for materials for later stage testing and commercialization for certain collaborators. We are compensated at negotiated rates and may receive milestone payments for developing these processes which are recorded as a component of research and development support revenue.

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

At the inception of each agreement that includes milestone payments, we evaluate whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) the entity's performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (b) the consideration relates solely to past performance and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. We evaluate factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

Non-refundable development and regulatory milestones that are expected to be achieved as a result of our efforts during the period of substantial involvement are considered substantive and are recognized as revenue upon the achievement of the milestone, assuming all other revenue recognition criteria are met. Milestones that are not considered substantive because we do not contribute effort to the achievement of such milestones are generally achieved after the period of substantial involvement and are recognized as revenue upon achievement of the milestone, as there are no undelivered elements remaining and no continuing performance obligations, assuming all other revenue recognition criteria are met.

Under our development and commercialization license agreements, we receive royalty payments based upon our licensees' net sales of covered products. Generally, under these agreements we are to receive royalty reports and payments from our licensees approximately one quarter in arrears, that is, generally in the second or third month of the quarter after the licensee has sold the royalty bearing product or products. We recognize royalty revenues when we can reliably estimate such amounts and collectability is reasonably assured. As such, we generally recognize royalty revenues in the quarter reported to us by our licensees, or one quarter following the quarter in which sales by our licensees occurred.

Right-to-Test Agreements

Our right-to-test agreements provide collaborators the right to (a) test our ADC technology for a defined period of time through a research, or right-to-test, license, (b) take options, for a defined period of time, to specified targets, and (c) upon exercise of those options, secure or "take" licenses to develop and commercialize products for the specified targets on established terms. Under these agreements, fees may be due to us (i) at the inception of the arrangement (referred to as "upfront" fees or payments), (ii) upon taking an option with respect to a specific target (referred to as option fees or payments earned, if any, when the option is "taken"), (iii) upon the exercise of a previously taken option to acquire a development and commercialization license(s) (referred to as exercise fees or payments earned, if any, when the development and commercialization license is "taken"), or (iv) some combination of all of these fees.

The accounting for right-to-test agreements is dependent on the nature of the option granted to the collaborative partner. Options are considered substantive if, at the inception of a right-to-test agreement, we are at risk as to whether the collaborative partner will choose to exercise the options to secure development and commercialization licenses. Factors that are considered in evaluating whether options are substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the agreement without exercising the options, the cost to exercise the options relative to the total upfront consideration, and the additional financial commitments or economic penalties imposed on the collaborator as a result of exercising the options. None of our right-to-test agreements entered into subsequent to the adoption of Accounting Standards Update, or ASU, No. 2009-13 has been determined to contain substantive options. For right-to-test agreements where the options to secure development and commercialization licenses to our ADC technology are not considered substantive, we consider the development and commercialization license to be a deliverable at the inception of the agreement and apply the multiple-element revenue recognition criteria to determine the appropriate revenue recognition. Subsequent to the adoption of ASU No. 2009-13, we determined that our research licenses lack stand-alone value and are considered for aggregation with the other elements of the arrangement and accounted for as one unit of accounting.

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

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. We consider quantities of raw materials in excess of twelve-month projected usage that are not supported by firm, fixed collaborator orders and projections at the time of the assessment to be excess. During the six-months ended December 31, 2016 and 2015 and fiscal years 2016, 2015 and 2014, we obtained additional quantities of DMx from our supplier which amounted to more material than would be required by our collaborators over the next twelve months and as a result, we recorded $150,000, $966,000, $1.1 million, $1.0 million and $364,000, respectively, of charges to research and development expense related to raw material inventory identified as excess. Our collaborators' estimates of their clinical material requirements are based upon expectations of their clinical trials, including the timing, size, dosing schedule and the maximum tolerated dose likely to be reached for the compound being evaluated. 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 twelve-month usage of raw materials varying significantly from our estimated usage at an earlier reporting period. Such differences and/or reductions in collaborators' projections could indicate that we have excess raw material inventory and we would then evaluate the need to record write-downs, which would be included as charges to research and development expense.

Stock-based Compensation

As of December 31, 2016, we are authorized to grant future awards under one share-based compensation plan, which is the ImmunoGen, Inc. 2016 Employee, Director and Consultant Equity Incentive Plan. The stock-based awards are accounted for under ASC Topic 718, "Compensation—Stock Compensation," pursuant to which the estimated grant date fair value of awards is charged to the statement of operations over the requisite service period, which is the vesting period. Such amounts have been reduced by our estimate of forfeitures for unvested awards.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based exclusively on historical volatility data of our stock. The expected term of stock

options granted is based exclusively on historical data and represents the period of time that stock options granted are expected to be outstanding. The expected term is calculated for and applied to one group of stock options as we do not expect substantially different exercise or post-vesting termination behavior amongst our employee population. The risk-free rate of the stock options is based on the U.S. Treasury rate in effect at the time of grant for the expected term of the stock options. Estimated forfeitures are based on historical data as well as current trends. Stock compensation cost related to stock options and restricted stock incurred during the six-months ended December 31, 2016 and 2015 and the fiscal years ended June 30, 2016, 2015 and 2014 was $8.1 million, $10.2 million, $21.9 million, $15.3 million and $15.6 million, respectively. During fiscal year 2016, we recorded approximately $3.1 million of stock compensation cost related to the modification of certain outstanding common stock options with the former Chief Executive Officer's succession plan. Stock compensation cost related to director deferred share units recorded during the six-month transition period ended December 31, 2016 and 2015 and the fiscal years ended June 30, 2016, 2015 and 2014 was $215,000, $164,000, $380,000, $389,000 and $433,000, respectively.

Future stock-based compensation may significantly differ based on changes in the fair value of our common stock and our estimates of expected volatility and the other relevant assumptions.

Results of Operations

Revenues

Our total revenues for the six months ended December 31, 2016 were $21.5 million compared with $32.9 million for the six months ended December 31, 2015. The $11.4 million decrease in revenues in the six-month transition period is attributable to a decrease in license and milestone fees and clinical materials revenue, partially offset by an increase in non-cash royalty revenue and research and development support revenue. Our total revenues for the year ended June 30, 2016 were $60.0 million compared with $85.5 million and $59.9 million for the years ended June 30, 2015 and 2014, respectively. The $25.5 million decrease in revenues in fiscal year 2016 compared to fiscal 2015 is attributable to a decrease in license and milestone fees, royalty revenue and clinical materials revenue, partially offset by an increase in non-cash royalty revenue and research and development support revenue. The $25.6 million increase in revenues in fiscal year 2015 compared to fiscal 2014 is attributable to an increase in license and milestone fees, royalty revenue, non-cash royalty revenue and clinical materials revenue, partially offset by a decrease in research and development support revenue, all of which are discussed below.

License and milestone fees

The amount of license and milestone fees we earn is directly related to the number of our collaborators, the collaborators' advancement of the product candidates, and the overall success in the clinical trials of the product candidates. As such, the amount of license and milestone fees may vary widely from quarter to quarter and year to year. Total revenue recognized from license and milestone fees from each of our collaborative partners in the six month periods ended December 31, 2016 and 2015 and the fiscal years ended June 30, 2016, 2015 and 2014 is shown in the following table (in thousands):

License and Milestone Fees	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014
		(unaudited)			
Collaborative Partner:					
Amgen	$ 8	$ 1,009	$ 1,017	$ 17	$ 2,351
Bayer HealthCare	—	—	10,000	—	—
Biotest	—	12	12	25	25
Janssen	—	—	—	241	—
Lilly	12	5,011	5,023	15,644	7,830
Novartis	5,090	90	180	35,915	18,353
Roche	—	—	—	—	10,000
Sanofi	—	2,008	2,009	5,973	896
Takeda	42	8,632	8,674	—	—
Total	$ 5,152	$ 16,762	$ 26,915	$ 57,815	$ 39,455

Revenue from license and milestone fees for the six months ended December 31, 2016 decreased $11.6 million to $5.2 million from $16.8 million for the six months ended December 31, 2015. Included in license and milestone fees for the six months ended December 31, 2016 is a $5 million development milestone achieved under a license agreement with Novartis.

License and milestone fees for the year ended June 30, 2016 were $26.9 million compared with $57.8 million and $39.5 million for the years ended June 30, 2015 and 2014, respectively. Included in license and milestone fees for the six months ended December 31, 2015 and fiscal year ended June 30, 2016 is $8.6 million of license revenue earned upon the execution of a development and commercialization license taken by Takeda, a $5 million development milestone achieved under a license agreement with Lilly, a $1 million development milestone achieved under a license agreement with Amgen, and a $2 million development milestone achieved under a license agreement with Sanofi. In addition, a $10 million development milestone achieved under a license agreement with Bayer was also included in license and milestone fees for the year ended June 30, 2016. Included in license and milestone fees for the year ended June 30, 2015 is $15.6 million of license revenue earned upon the execution of two development and commercialization licenses by Lilly, $25.7 million of license revenue earned upon the execution of three development and commercialization licenses by Novartis, two $5 million development milestones achieved under our collaboration agreement with Novartis and $4 million in development milestones achieved under our collaboration agreement with Sanofi. Also, during fiscal 2015, we made a change in estimate to our period of substantial involvement as it relates to an exclusive license with Sanofi which resulted in an increase to license and milestone fees of $1.5 million in fiscal 2015 compared to amounts that would have been recognized pursuant to the Company's previous estimate. Additionally, during fiscal 2015, Janssen Biotech terminated its exclusive development and commercialization license with us, and as a result, we recognized the remaining $241,000 of the $1 million upfront fee received upon execution of the license which had been previously deferred. Included in license and milestone fees for the year ended June 30, 2014 is $7.8 million of license revenue earned upon the execution of a development and commercialization license by Lilly, two $5 million regulatory milestones achieved under our collaboration agreement with Roche, $18.2 million of license revenue earned upon the execution of two development and commercialization licenses and a one-year extension of the original term of the multi-target agreement by Novartis, and $2.2 million of revenue from Amgen related to a modification of an existing arrangement. Deferred revenue of $33.6 million at December 31, 2016 represents payments received from our collaborators pursuant to our license agreements which we have yet to earn pursuant to our revenue recognition policy. Included within this amount is $13 million of non-cash consideration recorded in connection with our arrangement with CytomX during fiscal 2014, $12.7 million of which was subsequently recorded as revenue in January 2017.

In February 2013, the US FDA granted marketing approval to Kadcyla, an ADC product resulting from one of our development and commercialization licenses with Roche, through its Genentech unit. We receive royalty reports and payments related to sales of Kadcyla from Roche one quarter in arrears. In accordance with our revenue recognition policy, $12.9 million of non-cash royalties on net sales of Kadcyla for the six-month period ended September 30, 2016 were recorded and included in royalty revenue for the six-months ended December 31, 2016 and $12.0 million of non-cash royalties on net sales of Kadcyla for the six-month period ended September 30, 2015 were recorded and included in royalty revenue for the six-months ended December 31, 2015. Non-cash royalties on net sales of Kadcyla for the twelve-month period ended March 31, 2016 of $25.3 million were recorded and included in royalty revenue for the year ended June 30, 2016 and $5.5 million of non-cash royalties and $13.9 million of cash royalties on net sales of Kadcyla

for the twelve-month period ended March 31, 2015 is included in royalty revenue for the year ended June 30, 2015. We recorded $10.3 million of cash royalties on net sales of Kadcyla for the twelve-month period ended March 31, 2014 which is included as royalty revenue in the year ended June 30, 2014. Kadcyla sales occurring after January 1, 2015 are covered by a royalty purchase agreement whereby the associated cash is remitted to Immunity Royalty Holdings, L.P. See further details regarding royalty obligation in Note F of the Consolidated Financial Statements. We expect royalty revenue to increase in future periods as the underlying net sales of Kadcyla increase.

Research and development support revenue

The amount of research and development support revenue we earn is directly related to the number of our collaborators and potential collaborators, the stage of development of our collaborators' product candidates and the resources our collaborators allocate to the development effort. As such, the amount of development fees may vary widely from quarter to quarter and year to year. Research and development support revenue was $2.8 million and $1.6 million for the six-months ended December 31, 2016 and 2015, respectively. Research and development support revenue was $4.0 million, $2.8 million, and $7.2 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. Total revenue recognized from research and development support from each of our collaborative partners in the six month periods ended December 31, 2016 and 2015 and the fiscal years ended June 30, 2016, 2015 and 2014 is shown in the following table (in thousands):

	Six Months Ended December 31,		Year Ended June 30,		
Research and Development Support	**2016**	**2015** (unaudited)	**2016**	**2015**	**2014**
Collaborative Partner:					
Amgen	$ —	$ 30	$ 30	$ 105	$ 404
Biotest	49	220	338	645	783
CytomX	905	347	1,673	59	—
Lilly	147	261	479	1,207	2,906
Novartis	43	99	164	512	3,012
Takeda	1,623	661	1,066	264	—
Other	14	2	264	56	82
Total	$ 2,781	$ 1,620	$ 4,014	$ 2,848	$ 7,187

Clinical materials revenue

The amount of clinical materials revenue we earn, and the related cost of clinical materials charged to research and development expense, is directly related to the number of clinical trials our collaborators who use us to manufacture clinical materials are preparing or have underway, 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 the demand our collaborators have for clinical-grade material for process development and analytical purposes. As such, the amount of clinical materials revenue and the related cost of clinical materials charged to research and development expense may vary significantly from quarter to quarter and year to year. Clinical materials revenue decreased by approximately $1.6 million during the six months ended December 31, 2016 to $679,000 compared to $2.3 million during the six months ended December 31, 2015. Clinical materials revenue for the year ended June 30, 2016 was $3.6 million compared with $5.5 million and $2.9 million for the years ended June 30, 2015 and 2014, respectively. During the periods presented, we shipped clinical materials in support of a number of our collaborators' clinical trials, as well as preclinical materials in support of certain collaborators' development efforts and DMx shipments to certain collaborators in support of development and manufacturing efforts. We are compensated at negotiated prices which are generally consistent with what other third-parties would charge.

Research and Development Expenses

Our research and development expenses relate to (i) research to evaluate new targets and to develop and evaluate new antibodies, linkers and cytotoxic agents, (ii) preclinical testing of our own and, in certain instances, our collaborators' product candidates, and the cost of our own clinical trials, (iii) development related to clinical and

commercial manufacturing processes, and (iv) manufacturing operations which also includes raw materials. Our research and development efforts have been primarily focused in the following areas:

- evaluation of potential antigen targets;
- evaluation of internally developed and/or in-licensed product candidates and technologies;
- development and evaluation of additional cytotoxic agents and linkers;
- activities related to the process, preclinical and clinical development of our internal product candidates;
- process improvements to our ADC technology;
- operation and maintenance of our conjugate manufacturing facility, including production of our own and our collaborators' clinical materials;
- production costs for the supply of clinical material for our internal product candidates, including antibody supply, conjugation services and fill/finish services;
- production costs for the supply of payloads for our and our partners' preclinical and clinical activities; and
- non-pivotal and pivotal development activities with contract manufacturers for conjugation, fill/finish services and the antibody component of our internal product candidates, linkers, and payloads

Research and development expense for the six-months ended December 31, 2016 decreased $6.7 million to $66.6 million from $73.3 million for the six-months ended December 31, 2015. The decrease in the 2016 transition period is primarily due to: (i) decreased third-party costs related to timing of activities to support pivotal development of mirvetuximab soravtansine; (ii) a decrease in cost of clinical materials revenue charged to research and development expense due to timing of orders of such clinical materials from our partners; (iii) an increase in costs capitalized into inventory due to a greater number of manufactured batches of conjugated materials on behalf of our collaborators; and (iv) decreased cytotoxic and antibody costs due to timing of supply requirements; partially offset by increased clinical trial costs, particularly related to the companion and Phase 3 mirvetuximab soravtansine studies.

Research and development expense for the year ended June 30, 2016 increased $36.3 million to $148.1 million from $111.8 million for the year ended June 30, 2015. Research and development expense was $107.0 million for the year ended June 30, 2014. The increases in fiscal years 2016 and 2015 are primarily due to: (i) increased clinical trial costs, particularly related to mirvetuximab soravtansine; (ii) greater third-party costs related to internal product program advancement; (iii) increase in facility-related expenses due primarily to additional laboratory and office space occupied since July 2014 and increased depreciation and amortization related to major capital equipment and improvements; and (iv) increased personnel expenses, principally due to hiring at that time and incentive compensation. During the year ended June 30, 2014, we recorded a $12.8 million non-cash charge to research and development expense for technology rights obtained under the collaboration agreement executed with CytomX in January 2014. We had no such charges in the other periods presented. Research and development salaries and related expenses increased by $10.6 million to $63.2 million in the year ended June 30, 2016 compared to the year ended June 30, 2015 and increased by $5 million in the year ended June 30, 2015 compared to the year ended June 30, 2014. The average number of our research personnel increased to 295 for the year ended June 30, 2016 compared to 266 for the year ended June 30, 2015. We had an average of 250 for the year ended June 30, 2014. Included in salaries and related expenses for the year ended June 30, 2016 is $12.2 million of stock compensation costs compared to $9.9 million and $10.3 million of stock compensation costs for fiscal years 2015 and 2014, respectively. The higher stock compensation costs in fiscal year 2016 compared to fiscal years 2015 and 2014 are driven by increases in the number of annual options granted due to increases in personnel, as well as higher stock prices in fiscal 2015.

We are unable to accurately estimate which potential product candidates, if any, will eventually move into our internal preclinical research program. We are unable to reliably estimate the costs to develop these 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 candidate into the clinical development phase is predicated upon the results of preclinical tests. We cannot accurately predict which, if any, of the discovery stage product candidates will advance from preclinical testing and move into our internal clinical development program. The clinical trial and regulatory approval processes for our product

candidates that have advanced or that we intend to advance to clinical testing are lengthy, expensive and uncertain in both timing and outcome. As a result, the pace and timing of the clinical development of our product candidates is highly uncertain and may not ever result in approved products. Completion dates and development costs will vary significantly for each product candidate and are difficult to predict. A variety of factors, many of which are outside our control, could cause or contribute to the prevention or delay of the successful completion of our clinical trials, or delay or prevent our obtaining necessary regulatory approvals. The costs to take a product through clinical trials are dependent upon, among other factors, the clinical indications, the timing, size and design of each clinical trial, the number of patients enrolled in each trial, and the speed at which patients are enrolled and treated. Product candidates may be found to be ineffective or to cause unacceptable side effects during clinical trials, may take longer to progress through clinical trials than anticipated, may fail to receive necessary regulatory approvals or may prove impractical to manufacture in commercial quantities at reasonable cost or with acceptable quality.

The lengthy process of securing FDA approvals for new drugs requires the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, regulatory approvals, would materially adversely affect our product development efforts and our business overall. Accordingly, we cannot currently estimate, with any degree of certainty, the amount of time or money that we will be required to expend in the future on our product candidates prior to their regulatory approval, if such approval is ever granted. As a result of these uncertainties surrounding the timing and outcome of our clinical trials, we are currently unable to estimate when, if ever, our product candidates that have advanced into clinical testing will generate revenues and cash flows.

We do not track our research and development costs by project. Since we use our research and development resources across multiple research and development projects, we manage our research and development expenses within each of the categories listed in the following table and described in more detail below (in thousands):

	Six Months Ended December 31,		Year Ended June 30,		
Research and Development Expense	**2016**	**2015**	**2016**	**2015**	**2014**
		(unaudited)			
Research	$ 11,974	$ 11,903	$ 24,754	$ 20,729	$ 30,793
Preclinical and Clinical Testing	31,152	33,531	68,855	42,546	34,562
Process and Product Development	6,994	5,582	12,535	8,468	8,296
Manufacturing Operations	16,446	22,315	41,933	40,025	33,307
Total Research and Development Expense	$ 66,566	$ 73,331	$ 148,077	$ 111,768	$ 106,958

Research

Research includes expenses associated with activities to evaluate new targets and to develop and evaluate new antibodies, linkers and cytotoxic agents for our products and in support of our collaborators. Such expenses primarily include personnel, fees to in-license certain technology, facilities and lab supplies. Research expenses increased $71,000 to $12.0 million in the six-months ended December 31, 2016 from the six-months ended December 31, 2015. The increase in the 2016 transition period was principally due to an increase in facility-related expenses, partially offset by a decrease in salaries and related expenses and a decrease in lab supplies driven by timing of certain internal and partner activities.

Research expenses increased $4.1 million to $24.8 million in fiscal year 2016 from fiscal year 2015 and decreased $10.1 million to $20.7 million in fiscal year 2015 from fiscal year 2014. The increase in fiscal year 2016 was principally due to increases in salaries and related expenses and facility-related expenses, as well as an increase in lab supplies driven by increased internal and partner activities. The decrease in fiscal year 2015 was principally due to a $12.8 million non-cash charge recorded for technology rights obtained under the collaboration agreement executed with CytomX in January 2014, partially offset by an increase in salaries and related expenses and an increase in facility-related expenses.

Preclinical and Clinical Testing

Preclinical and clinical testing includes expenses related to preclinical testing of our own and, in certain instances, our collaborators' product candidates, regulatory activities, and the cost of our own clinical trials. Such expenses include personnel, patient enrollment at our clinical testing sites, consultant fees, contract services, and facility expenses. Preclinical and clinical testing expenses decreased $2.4 million to $31.2 million in the six-months ended December 31, 2016 from the six-months ended December 31, 2015. The decrease in 2016 transition period was

principally due to a decrease in contract service expense, particularly related to timing of certain activities to support pivotal development of mirvetuximab soravtansine, partially offset by greater clinical trial costs incurred related to the FORWARD I and FORWARD II mirvetuximab soravtansine studies, as well as costs incurred related to the IMGN779 study which initiated in the second half of fiscal 2016, partially offset by lower costs related to the Phase I mirvetuximab soravtansine study that is winding down and lower costs related to the IMGN289 study that was discontinued in fiscal 2015.

Preclinical and clinical testing expenses increased $26.4 million to $68.9 million in fiscal year 2016 from fiscal year 2015 and increased $7.9 million to $42.5 million in fiscal year 2015 from fiscal year 2014. The increase in fiscal year 2016 was principally the result of (i) greater clinical trial costs incurred related to the expanded mirvetuximab soravtansine studies, as well as costs incurred related to the IMGN529 combo study and IMGN779 study which both initiated in the current year, partially offset by lower costs related to the IMGN289 study that was discontinued in fiscal 2015; (ii) increased contract service expense driven by increased activities to advance our internal programs, particularly mirvetuximab soravtansine; and (iii) an increase in salaries and related expenses. The increase in fiscal year 2015 was principally the result of an increase in contract service expense driven primarily by increased study activities related to mirvetuximab soravtansine and IMGN289, and to a lesser extent, higher salaries and related expenses and an increase in facility-related expenses. Partially offsetting these increases, clinical trial costs decreased marginally due primarily to decreased costs incurred related to the IMGN901 007 study, partially offset by increased costs related to the mirvetuximab soravtansine and IMGN529 studies during the current year.

Process and Product Development

Process and product development expenses include costs for development of clinical and commercial manufacturing processes for our own and collaborator compounds. Such expenses include the costs of personnel, contract services and facility expenses. Total development expenses increased $1.4 million to $7.0 million in the six-months ended December 31, 2016 from the six-months ended December 31, 2015. The increase in the 2016 transition period was principally due to increases in salaries and related expenses and facility-related expenses.

Total development expenses increased $4.0 million to $12.5 million in fiscal year 2016 from fiscal year 2015 and expenses increased $172,000 to $8.5 million in fiscal year 2015 from fiscal year 2014. The increase in fiscal year 2016 was primarily the result of an increase in salaries and related expenses, as well as an increase in contract service expense driven primarily by IGN development activities. The increase in fiscal year 2015 was primarily the result of an increase in facility-related expenses.

Manufacturing Operations

Manufacturing operations expense includes costs to manufacture preclinical and clinical materials for our own and our collaborators' product candidates, quality control and quality assurance activities and costs to support the operation and maintenance of our conjugate manufacturing facility. Such expenses include personnel, raw materials for our and our collaborators' preclinical studies and clinical trials, non-pivotal and pivotal development costs with contract manufacturing organizations, manufacturing supplies, and facilities expense. Manufacturing operations expenses decreased $5.9 million to $16.4 million in the six-months ended December 31, 2016 from the six-months ended December 31, 2015. The decrease in the 2016 transition period was principally due to (i) a decrease in cost of clinical materials revenue charged to research and development expense due to timing of orders from our partners and release of such clinical materials; (ii) decrease in cost of cytotoxic agents driven by timing of supply requirements; (iii) increase in costs capitalized into inventory due to a greater number of manufactured batches of conjugated materials on behalf of our collaborators during the period; (iv) a decrease in antibody development and supply expense driven primarily by timing of supply of coltuximab ravtansine; and (v) a decrease in salaries and related expenses.

Manufacturing operations expense increased $1.9 million to $41.9 million in fiscal year 2016 from fiscal year 2015 and increased $6.7 million to $40.0 million in fiscal year 2015 from fiscal year 2014. The increase in fiscal year 2016 was primarily the result of a decrease in costs capitalized into inventory due to a lesser number of manufactured batches of conjugated materials on behalf of our collaborators and an increase in salaries and related expenses. Partially offsetting these increases, costs of clinical materials revenue charged to research and development expense decreased due to timing of orders and release of such clinical materials from our partners and antibody development and supply expense decreased driven primarily by supply required in fiscal 2015 not needed in fiscal 2016 for our discontinued IMGN289 program. The increase in fiscal year 2015 was primarily the result of i) an increase in cost of clinical materials revenue charged to research and development expense due to timing of orders from our partners and release of such

clinical materials; (ii) an increase in contract service expense driven by increased third-party conjugation activities to prepare for commercial-scale and increased cytotoxic agent activities; (iii) an increase in antibody development and supply expense driven primarily by commercial-readiness activities for mirvetuximab soravtansine; and (iv) an increase in salaries and related expenses.

Antibody development and supply expense in anticipation of potential future clinical trials, as well as our ongoing trials, was $4.3 million for the six-months ended December, 31, 2016, $5.2 million for the six-months ended December 31, 2015, $8.6 million in fiscal year 2016, $8.8 million in fiscal year 2015, and $7.2 million in fiscal year 2014. The process of antibody production is lengthy due in part to the lead time to establish a satisfactory production process at a vendor. Accordingly, costs incurred related to antibody production and development have fluctuated from period to period and we expect these cost fluctuations to continue in the future.

General and Administrative Expenses

General and administrative expenses for the six-months ended December 31, 2016 increased $1.6 million to $18.0 million from $16.4 million for the six-months ended December 31, 2015. The increase in the 2016 transition period was primarily due to increased third-party service fees relating to the Company's strategic review and resulting restructuring activities, partially offset by lower salaries and related expenses and lower administrative expenses.

General and administrative expenses for the year ended June 30, 2016 increased $8.7 million to $36.9 million from $28.2 million for the year ended June 30, 2016. General and administrative expenses for the year ended June 30, 2014 were $24.5 million. The increases in fiscal years 2016 and 2015 were primarily due to increases in salaries and related expenses, as well as increases in professional service fees. Contributing to the increase in salaries and related expenses for fiscal 2016 is a $3.1 million non-cash stock compensation charge related to the modification of certain outstanding common stock options with the former Chief Executive Officer's succession plan. No similar charges were recorded in fiscal years 2015 and 2014.

Restructuring Charge

On September 26, 2016, the Board of Directors approved a plan to reengineer the business, resulting in a reduction of the workforce by approximately 17%, or 65 positions, which included the separation of 60 current employees. Communication of the plan to the impacted employees was substantially completed on September 29, 2016. All of the workforce reduction was completed as of December 31, 2016. As a result of the workforce reduction, in the six months ended December 31, 2016, we recorded a restructuring charge totaling $4.4 million related to termination benefits and other related charges, of which $2.8 million was recorded as a one-time termination benefit, and $593,000 recorded as a benefit under an ongoing benefit plan. The related cash payments initiated in October 2016 and will be substantially paid out by June 30, 2017. Additionally, approximately 762,000 stock options forfeited in connection with the workforce reduction, and as a result, we recorded an approximate $837,000 credit to stock compensation expense which is included in research and development expense and general and administrative expense for the 2016 transition period.

In addition to the termination benefits and other related charges, the Company will seek to sub-lease 10,281 square feet of unoccupied office space in Waltham that was leased in February 2016. Based on an estimate of the potential time it will take to find a tenant of approximately nine months, the anticipated sub-lease terms, and consideration of the tenant allowance that was given to us to build out the space, we determined we did not need to record a loss on the sub-lease. We also evaluated the balance of the leasehold improvements for potential impairment as of September 30, 2016. In performing the recoverability test, we concluded that a substantial portion of the leasehold improvements were not recoverable. We recorded an impairment charge of $970,000 related to these assets after comparing the fair value (using probability weighted scenarios with discounted cash flows) to the leasehold improvements' carrying value, leaving a $193,000 remaining cost basis.

In September 2016, the Compensation Committee of the Board of Directors approved cash and stock option retention incentive awards for certain remaining eligible employees who continue employment with the Company in order to execute the Company's strategic priorities. The cash awards will be payable to these employees in either October 2017 or March 2018 based on continued employment and services performed during these periods. Stock option awards covering 847,000 shares were granted and will vest annually in equal installments over three years from the date of grant and are included in the option summary table within the "Stock-Based Compensation" section of Note B to our Consolidated Financial Statements.

Investment Income, net

Investment income for the six-months ended December 31, 2016 and 2015 was $259,000 and $111,000, respectively. The increase in the 2016 transition period is due to a greater average cash balance driven by the proceeds received in the fourth quarter of fiscal year 2016 resulting from the senior convertible notes issuance, which is discussed further in Note E to our Consolidated Financial Statements. Investment income for the fiscal years ended June 30, 2016, 2015 and 2014 was $325,000, $69,000 and $44,000, respectively. The increase in fiscal year 2016 is due to a greater average cash balance during the period driven by the proceeds received in the fourth quarter of fiscal year 2015 resulting from the sale of future royalties, which is further discussed below.

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

In April 2015, Immunity Royalty Holdings, L.P., or IRH, purchased our right to receive 100% of the royalty payments on commercial sales of Kadcyla arising under our development and commercialization license with Genentech, until IRH has received aggregate royalties equal to $235 million or $260 million, depending on when the aggregate royalties received by IRH reach a specified milestone. As described in Note F to our Consolidated Financial Statements, this royalty sale transaction has been recorded as a liability that amortizes over the estimated royalty payment period as Kadcyla royalties are remitted directly to the purchaser. During the six months ended December 31, 2016 and 2015, and the years ended June 30, 2016 and 2015, we recorded $8.5 million, $10.2 million, $20.1 million and $5.4 million, respectively, of non-cash interest expense. The decrease in the six months ended December 31, 2016 is a result of a lower effective interest rate driven by lower projected royalty payments in the near term than previously estimated. We impute interest on the transaction and record interest expense at the effective interest rate, which we currently estimate to be approximately 6.8%. There are a number of factors that could materially affect the estimated interest rate, in particular, the amount and timing of royalty payments from future net sales of Kadcyla, and we assess this estimate on a periodic basis. As a result, future interest rates could differ significantly and any such change in interest rate will be adjusted prospectively.

Interest Expense on Convertible Senior Notes

In June 2016, the Company issued Convertible 4.5% Senior Notes with an aggregate principal amount of $100 million. The Convertible Notes are senior unsecured obligations and bear interest at a rate of 4.5% per year, payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2017. In the 2016 transition period and the fiscal year 2016, we recorded $2.3 million and $138,000, respectively, of interest expense. No similar charges were recorded in fiscal years 2015 and 2014.

Other (Expense) Income, net

Other (expense) income, net for the six-months ended December 31, 2016 and 2015, and the years ended June 30, 2016, 2015 and 2014 was $(742,000), $(42,000), $117,000, $(916,000) and $123,000, respectively. We incurred $(586,000), $(68,000), $96,000, $(910,000), and $120,000 in foreign currency exchange (losses) gains related to obligations with non-U.S. dollar-based suppliers and Euro cash balances maintained to fulfill them during the same periods, respectively.

Liquidity and Capital Resources
(amounts in tables in thousands)

	As of December 31, 2016	As of June 30, 2016	As of June 30, 2015
Cash and cash equivalents	$ 159,964	$ 245,026	$ 278,109
Working capital	120,570	193,341	256,370
Shareholders' (deficit) equity	(152,850)	(82,304)	35,104

	Six Months Ended December 31,		Year Ended June 30,		
	2016	2015 (unaudited)	2016	2015	2014
Cash used for operating activities	$(83,656)	$ (65,490)	$(124,476)	$ (55,291)	$(53,650)
Cash used for investing activities	(1,406)	(5,127)	(10,376)	(7,425)	(8,185)
Cash provided by financing activities	—	4,791	101,769	198,564	9,136

Cash Flows

We require cash to fund our operating expenses, including the advancement of our own clinical programs, and to make capital expenditures. Historically, we have funded our cash requirements primarily through equity financings in public markets and payments from our collaborators, including license fees, milestones, research funding, royalties and more recently, convertible debt. As of December 31, 2016, we had approximately $160 million in cash and cash equivalents. Net cash used for operating activities was $83.7 million, $65.5 million, $124.5 million, $55.3 million and $53.7 million during the six-months ended December 31, 2016 and 2015 and for the years ended June 30, 2016, 2015 and 2014, respectively. The principal use of cash in operating activities for all periods presented was to fund our net loss, adjusted for non-cash items. Cash used for operating activities in fiscal year 2015 benefited from the $20 million upfront payment received from Takeda in March 2015 with the execution of a right-to-test agreement between the companies.

Net cash used for investing activities was $1.4 million, $5.1 million, $10.4 million, $7.4 million and $8.2 million for the six-months ended December 31, 2016 and 2015 and the years ended June 30, 2016, 2015 and 2015, respectively, and represent cash outflows from capital expenditures. Capital expenditures for all periods presented consisted primarily of leasehold improvements to the laboratory and office space at our corporate headquarters and manufacturing facility, laboratory equipment and computer software applications.

Net cash provided by financing activities was $4.8 million, $101.8 million, $198.6 million and $9.1 million for the six-months ended December 31, 2015 and the years ended June 30, 2016, 2015 and 2014, respectively. There was no cash provided by financing activities during the six-months ended December 31, 2016. In June 2016, we issued Convertible 4.5% Senior Notes with an aggregate principal amount of $100 million. We received net proceeds of approximately $96.6 million from the sale of the Convertible Notes after deducting fees and expenses of approximately $3.4 million. See Note E to our Consolidated Financial Statements for further details regarding the terms of the transaction.

As discussed above, in April 2015, Immunity Royalty Holdings, L.P. purchased our right to receive 100% of the royalty payments on commercial sales of Kadcyla. At consummation of the transaction in April 2015, we received gross cash proceeds of $200 million. We recorded these cash proceeds as a deferred royalty obligation liability which is being amortized over the expected royalty recovery period. As part of this transaction, the Company incurred approximately $5.9 million in transaction costs.

Net cash provided by financing activities for the six-months ended December 31, 2015 and the years ended June 30, 2016, 2015 and 2014 include the proceeds from the exercise of approximately 461,000, 555,000, 651,000 and 1.1 million stock options, respectively.

We anticipate that our current capital resources and expected future collaborator payments will enable us to meet our operational expenses and capital expenditures into the second quarter of 2018. However, we cannot provide assurance that such collaborative agreement funding will, in fact, be received. Should we or our partners not meet some or all of the terms and conditions of our various collaboration agreements or if we are not successful in securing future collaboration agreements, we may be required to secure alternative financing arrangements, and/or defer or limit some or all of our research, development and/or clinical projects.

Contractual Obligations

Below is a table that presents our contractual obligations and commercial commitments as of December 31, 2016 (in thousands):

	Payments Due by Period				
	Total	Less than One Year	1-3 Years	4-5 Years	More than 5 Years
Waltham lease obligations[1]	$ 66,385	$ 6,834	$ 14,367	$ 14,390	$ 30,794
Other operating lease obligations[1]	1,716	1,113	603	—	—
Liability related to the sale of future royalties[2]	188,322	15,320	41,124	56,065	75,813
Convertible 4.5% senior notes[3]	100,000	—	—	100,000	—
Total	$ 356,423	$ 23,267	$ 56,094	$ 170,455	$106,607

(1) Lease agreements were signed in July 2007, November 2010 and April 2013, and amended in December 2013 and April 2014. In December 2014, we entered into a sublease for 7,507 square feet of office space at 100 River Ridge Drive, Norwood, MA through July 2018. We will receive approximately $190,000 in minimum rental payments over the remaining term of the sublease, which is not included in the table above.

(2) See Note F to the Consolidated Financial Statements in Item 8 for discussion of this liability.

(3) See Note E to the Consolidated Financial Statements in Item 8 for discussion of the convertible senior notes.

In addition to the above table, we are contractually obligated to make future success-based development, regulatory or sales milestone payments in conjunction with certain collaborative agreements. These payments are contingent upon the occurrence of certain future events and, given the nature of these events, it is unclear when, if ever, we may be required to pay such amounts. Therefore, the timing of any future payment is not reasonably estimable. As a result, these contingent payments have not been included in the table above or recorded in our consolidated financial statements. As of December 31, 2016, the maximum amount that may be payable in the future under our current collaborative agreements is $162 million, $1.4 million of which is reimbursable by a third party under a separate agreement.

In addition, we are party to a license agreement covering the manufacture of the antibodies used in certain of our product candidates which, under certain circumstances, requires periodic payments once the product reaches a specified stage of clinical development, and royalties on commercial sales of the product. We believe that the license agreement, by its terms, does not obligate us to make any further payments thereunder and accordingly, we have not accrued a potential payment of £300,000 for one of our product candidates that has reached this stage.

As of December 31, 2016, we have noncancelable obligations under several agreements related to in-process and future manufacturing of antibody and cytotoxic agents required for clinical supply of our product candidates totaling $7.2 million, all of which will be paid in calendar 2017.

In February 2017, we executed a letter agreement with one of our antibody manufacturers to reserve capacity through calendar 2021. The total commitment over the five-year term of the agreement is €46.2 million, however only €4.2 million euros is noncancelable at the time of execution of the agreement.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-9, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles for recognizing revenue. This update provides a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delayed the effective date of the new standard from January 1, 2017 to January 1, 2018. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations*, which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10,

Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies certain aspects of identifying performance obligations and licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* related to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, non-cash consideration and the presentation of sales and other similar taxes collected from customers. These standards have the same effective date and transition date of January 1, 2018. The new revenue standard allows for either full retrospective or modified retrospective application. We anticipate using the modified retrospective approach to implement this standard. We have begun to analyze our existing revenue agreements to evaluate the impact of adoption. We have less than ten contracts that have remaining performance obligations that will need to be evaluated under the provisions of the new standard as of January 1, 2018. In performing this assessment, we noted that we will be required to recognize royalty income in the same period as the related sales occur on Kadcyla rather than one quarter in arrears, which is the point in which the amount is fixed and determinable. This will require us to make an estimate of the royalties as the information is not provided to us until 90 days after the end of the quarter. Additionally, some partner milestones, depending on the probability of occurring, may be recognized sooner and at different values than they currently would be under the current accounting standards. We are in the process of estimating the impact of adopting the new standard on our consolidated financial statements, however, we expect to record a material adjustment upon adoption, which will be recorded as a cumulative effect of initially applying the standard to opening accumulated deficit as of January 1, 2018. We will continue to provide disclosures under the legacy accounting for the year ended December 31, 2018.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* This new standard gives a company's management the final responsibilities to decide whether there's substantial doubt about the company's ability to continue as a going concern and to provide related footnote disclosures. The standard provides guidance to management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that companies commonly provide in their footnotes. Under the new standard, management must decide whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the company's ability to continue as a going concern within one year after the date that the financial statements are issued, or within one year after the date that the financial statements are available to be issued when applicable. This guidance is effective for annual reporting for periods after December 15, 2016, and interim periods within those annual periods beginning after December 15, 2016, with early adoption permitted. Accordingly, we have adopted this standard as of December 31, 2016. Refer to Note A, Nature of Business and Plan of Operations, of our consolidated financial statements for further discussion.

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* To simplify presentation of debt issuance costs, this new standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this update. This guidance is effective for annual reporting beginning after December 15, 2015, including interim periods within the year of adoption, and calls for retrospective application, with early application permitted. Accordingly, the standard was effective for us on July 1, 2016. We implemented the recommendations of this update, resulting in a reduction of prepaid and other current assets and non-current other assets of approximately $1 million and $6.8 million, respectively, as of June 30, 2016, and $1.2 million and $4.4 million, respectively, as of June 30, 2015, with corresponding reductions of the debt liabilities as shown on the face of the accompanying consolidated balance sheet to the financial statements.

In January 2016, the FASB issued ASU 2016-1, *Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825).* The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. The amendments improve financial reporting by providing relevant information about an entity's equity investments and reducing the number of items that are recognized in other comprehensive income. This guidance is effective for annual reporting beginning after December 15, 2017, including interim periods within the year of adoption, and calls for prospective application, with early application permitted.

Accordingly, the standard is effective for us on January 1, 2018. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-2, *Leases (Topic 842)* that primarily requires lessees to recognize most leases on their balance sheets but record expenses on their income statements in a manner similar to current accounting. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and calls for retrospective application, with early adoption permitted. Accordingly, the standard is effective for us on January 1, 2019. We are currently evaluating the impact of this guidance on our financial statements and the timing of adoption.

In March 2016, the FASB issued ASU 2016-9, *Improvements to Employee Share-Based Payment Accounting (Topic 718)* that changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. Accordingly, the standard is effective for us on January 1, 2017. The adoption of this guidance will not have a material impact on our consolidated financial statements.

Off-Balance Sheet Arrangements

None.

Item 7A. *Quantitative and Qualitative Disclosure 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 and relatively short duration of our investments, interest rate risk is mitigated. We do not currently own derivative financial instruments in our investment portfolio. Accordingly, we do not believe there is any material market risk exposure with respect to derivative or other financial instruments that would require disclosure under this item.

Our foreign currency hedging program uses either forward contracts or a Euro-denominated bank account to manage the foreign currency exposures that exist as part of our ongoing business operations. Our foreign currency risk management strategy is principally designed to mitigate the future potential financial impact of changes in the value of transactions, anticipated transactions and balances denominated in foreign currency, resulting from changes in foreign currency exchange rates. Our market risks associated with changes in foreign currency exchange rates are currently limited to a Euro-denominated bank account as we have no forward contracts at December 31, 2016.

Item 8. ***Financial Statements and Supplementary Data***

IMMUNOGEN, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of ImmunoGen, Inc.

We have audited the accompanying consolidated balance sheets of ImmunoGen, Inc. as of December 31, 2016, June 30, 2016 and June 30, 2015, and the related consolidated statements of operations and comprehensive loss, shareholders' (deficit) equity and cash flows for the six-month transition period ended December 31, 2016 and each of the three years in the period ended June 30, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ImmunoGen, Inc. at December 31, 2016, June 30, 2016 and June 30, 2015, and the consolidated results of its operations and its cash flows for the six-month transition period ended December 31, 2016 and each of the three years in the period ended June 30, 2016, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note A to the consolidated financial statements, the Company has recurring losses from operations and insufficient cash resources that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note A. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ImmunoGen, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 3, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 3, 2017

IMMUNOGEN, INC.

CONSOLIDATED BALANCE SHEETS

In thousands, except per share amounts

	December 31, 2016	June 30, 2016	June 30, 2015
ASSETS			
Cash and cash equivalents	$ 159,964	$ 245,026	$ 278,109
Accounts receivable	2,026	883	5,088
Unbilled revenue	6,778	1,409	714
Inventory	2,192	907	2,935
Prepaid and other current assets	5,386	4,881	4,175
Total current assets	176,346	253,106	291,021
Property and equipment, net of accumulated depreciation	19,498	22,704	16,254
Other assets	3,020	3,430	974
Total assets	$ 198,864	$ 279,240	$ 308,249
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY			
Accounts payable	$ 7,895	$ 11,510	$ 8,138
Accrued compensation	6,946	10,724	8,346
Other accrued liabilities	11,150	9,713	10,441
Current portion of deferred lease incentive	784	772	646
Current portion of liability related to the sale of future royalties, net of deferred financing costs of $850, $1,000 and $1,159, respectively	14,470	14,138	6,747
Current portion of deferred revenue	14,531	13,582	333
Total current liabilities	55,776	60,439	34,651
Deferred lease incentive, net of current portion	5,914	6,236	6,301
Deferred revenue, net of current portion	19,086	19,288	40,855
Convertible 4.5% senior notes, net of deferred financing costs of $3,035 and $3,372, respectively	96,965	96,628	—
Liability related to the sale of future royalties, net of current portion and deferred financing costs of $3,144, $3,473 and $4,415, respectively	169,858	174,761	187,341
Other long-term liabilities	4,115	4,192	3,997
Total liabilities	351,714	361,544	273,145
Commitments and contingencies (Note H)			
Shareholders' deficit:			
Preferred stock, $.01 par value; authorized 5,000 shares; no shares issued and outstanding	—	—	—
Common stock, $0.01 par value; authorized 150,000 shares; issued and outstanding 87,301, 87,209 and 86,579 shares as of December 31, 2016 and June 30, 2016 and 2015 respectively	873	872	866
Additional paid-in capital	778,847	770,511	743,108
Accumulated deficit	(932,570)	(853,687)	(708,870)
Total shareholders' (deficit) equity	(152,850)	(82,304)	35,104
Total liabilities and shareholders' (deficit) equity	$ 198,864	$ 279,240	$ 308,249

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

IMMUNOGEN, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

In thousands, except per share amounts

	Six Months Ended December 31, 2016	Year Ended June 30, 2016	2015	2014
Revenues:				
License and milestone fees	$ 5,152	$ 26,915	$ 57,815	$ 39,455
Royalty revenue	—	195	13,867	10,346
Non-cash royalty revenue related to the sale of future royalties	12,894	25,299	5,484	—
Research and development support	2,781	4,014	2,848	7,187
Clinical materials revenue	679	3,579	5,527	2,908
Total revenues	21,506	60,002	85,541	59,896
Operating Expenses:				
Research and development	66,566	148,077	111,768	106,958
General and administrative	17,995	36,916	28,228	24,469
Restructuring charge	4,431	—	—	—
Total operating expenses	88,992	184,993	139,996	131,427
Loss from operations	(67,486)	(124,991)	(54,455)	(71,531)
Investment income, net	259	325	69	44
Non-cash interest expense on liability related to the sale of future royalties and convertible senior notes	(8,665)	(20,130)	(5,437)	—
Interest expense on convertible senior notes	(2,249)	(138)	—	—
Other (expense) income, net	(742)	117	(916)	123
Net loss	$ (78,883)	$ (144,817)	$ (60,739)	$ (71,364)
Basic and diluted net loss per common share	$ (0.91)	$ (1.67)	$ (0.71)	$ (0.83)
Basic and diluted weighted average common shares outstanding	87,102	86,976	86,038	85,481
Total comprehensive loss	$ (78,883)	$ (144,817)	$ (60,739)	$ (71,364)

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

IMMUNOGEN, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT) EQUITY

In thousands

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' (Deficit) Equity
	Shares	Amount			
Balance at June 30, 2013	84,725	$ 847	$ 697,767	$ (576,767)	$ 121,847
Net loss	—	—	—	(71,364)	(71,364)
Stock options exercised	1,134	11	9,125	—	9,136
Stock option and restricted stock compensation expense	—	—	15,647	—	15,647
Directors' deferred share units converted	44	1	(1)	—	—
Directors' deferred share unit compensation	—	—	433	—	433
Balance at June 30, 2014	85,903	$ 859	$ 722,971	$ (648,131)	$ 75,699
Net loss	—	—	—	(60,739)	(60,739)
Stock options exercised	651	7	4,422	—	4,429
Restricted stock award	25	—	—	—	—
Stock option and restricted stock compensation expense	—	—	15,326	—	15,326
Directors' deferred share unit compensation	—	—	389	—	389
Balance at June 30, 2015	86,579	$ 866	$ 743,108	$ (708,870)	$ 35,104
Net loss	—	—	—	(144,817)	(144,817)
Stock options exercised	555	5	5,156	—	5,161
Restricted stock award	75	1	(1)	—	—
Stock option and restricted stock compensation expense	—	—	21,868	—	21,868
Directors' deferred share unit compensation	—	—	380	—	380
Balance at June 30, 2016	87,209	$ 872	$ 770,511	$ (853,687)	$ (82,304)
Net loss	—	—	—	(78,883)	(78,883)
Restricted stock award - net of forfeitures	92	1	—	—	1
Stock option and restricted stock compensation expense	—	—	8,121	—	8,121
Directors' deferred share unit compensation	—	—	215	—	215
Balance at December 31, 2016	87,301	$ 873	$ 778,847	$ (932,570)	$ (152,850)

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

IMMUNOGEN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands

	Six Months Ended December 31, 2016	Year Ended June 30, 2016	2015	2014
Cash flows from operating activities:				
Net loss	$ (78,883)	$ (144,817)	$ (60,739)	$ (71,364)
Adjustments to reconcile net loss to net cash used for operating activities:				
Non-cash royalty revenue related to sale of future royalties	(12,894)	(25,299)	(5,484)	—
Non-cash interest expense on liability related to sale of future royalties and convertible senior notes	8,665	20,130	5,437	—
Depreciation and amortization	3,074	5,327	5,513	4,598
Loss (gain) on sale/disposal of fixed assets	1,130	(21)	7	20
Gain on forward contracts		—	—	(2)
Non-cash licensing fee		—	—	12,830
Stock and deferred share unit compensation	8,337	22,248	15,715	16,080
Deferred rent	88	161	195	297
Change in operating assets and liabilities:				
Accounts receivable	(1,143)	4,205	(3,192)	(1,896)
Unbilled revenue	(5,369)	(695)	615	792
Inventory	(1,285)	2,028	15	(2,247)
Prepaid and other current assets	(505)	(706)	(1,855)	571
Restricted cash		—	—	2,231
Other assets	405	(2,456)	(761)	4
Accounts payable	(3,247)	2,649	3,319	321
Accrued compensation	(3,778)	2,378	1,481	712
Other accrued liabilities	960	(1,434)	3,248	(394)
Deferred revenue, net of non-cash upfront license payment	747	(8,318)	(20,155)	(16,675)
Proceeds from landlord for tenant improvements	42	144	1,350	472
Net cash used for operating activities	(83,656)	(124,476)	(55,291)	(53,650)
Cash flows from investing activities:				
Purchases of property and equipment	(1,406)	(10,376)	(7,425)	(8,184)
Payments from settlement of forward contracts	—	—	—	(1)
Net cash used for investing activities	(1,406)	(10,376)	(7,425)	(8,185)
Cash flows from financing activities:				
Proceeds from stock options exercised		5,161	4,429	9,136
Proceeds from sale of future royalties, net of $5,865 of transaction costs	—	—	194,135	—
Proceeds from issuance of convertible 4.5% notes, net of $3,392 of transaction costs	—	96,608	—	—
Net cash provided by financing activities	—	101,769	198,564	9,136
Net change in cash and cash equivalents	(85,062)	(33,083)	135,848	(52,699)
Cash and cash equivalents, beginning of period	245,026	278,109	142,261	194,960
Cash and cash equivalents, end of period	$ 159,964	$ 245,026	$ 278,109	$ 142,261

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

IMMUNOGEN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016

A. Nature of Business and Plan of Operations

ImmunoGen, Inc. (the Company) was incorporated in Massachusetts in 1981 and is focused on the development of antibody-drug conjugates, or ADCs, for the treatment of cancer.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. (ASU 2015-14).* Under the new standard, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Generally, to be considered probable of being effectively implemented, the plans must have been approved before the date that the financial statements are issued. This standard was adopted by the Company at December 31, 2016.

The Company has incurred operating losses and negative cash flows from operations since inception, incurred a net loss of approximately $78.9 million during the six months ended December 31, 2016, and has an accumulated deficit of approximately $932.6 million as of December 31, 2016. The Company has primarily funded these losses through payments received from its collaborations and equity and convertible debt financings. To date, the Company has no product revenue and management expects operating losses to continue for the foreseeable future. At December 31, 2016, the Company had $160 million of cash and cash equivalents on hand. The Company anticipates that its current capital resources and expected future collaborator payments will enable it to meet its operational expenses and capital expenditures (operating plan) into the second quarter of calendar year 2018. Without such collaborator payments, the Company's existing capital resources at December 31, 2016 would not be sufficient to support the current operating plan through March 3, 2018, which is twelve months after the date that the financial statements are issued. Management expects to seek additional funds from collaboration partners through a combination of upfront license payments, milestone payments, royalty payments, research funding, and clinical material reimbursement or from equity or debt financings. Because those plans have not been finalized, receipt of additional funding is not considered probable under the new standard. If the Company does not obtain sufficient funds when needed, the Company expects it would scale back its operating plan by deferring or limiting some or all of its research, development or clinical projects, or initiate further reductions to its workforce. Because such contingency plans have not been finalized (because the specifics would depend on the situation at the time), such actions also are not considered probable for purposes of the new standard. Because, under the new standard, neither receipt of future collaboration payments, nor management's contingency plans to mitigate the risk and extend cash resources through March 3, 2018, are considered probable, substantial doubt is deemed to exist about the Company's ability to continue as a going concern.

On June 15, 2016 the company's Board of Directors approved a change in the Company's fiscal year from a fiscal year ending on the last day of June of each year to a calendar fiscal year ending on the last day of December of each year, effective January 1, 2017. Accordingly, these financial statements contain six month transitional financial statements as of and for the period ending December 31, 2016 and will become calendar year financial statements thereafter. Amounts shown as of and for the six months ended December 31, 2015 are unaudited.

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

B. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, ImmunoGen Securities Corp., ImmunoGen Europe Limited and Hurricane, LLC. All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated all events or transactions that occurred after December 31, 2016 up through the date the Company issued these financial statements. In January 2017, Sanofi enrolled its first patient in a Phase III clinical trial for isatuximab which triggered a $3 million milestone payment to the Company. Additionally, in January 2017, CytomX's right to substitute the specified target in its development and commercialization license expired, resulting in the recognition of $12.7 million of the $13 million of arrangement consideration allocated to the development and commercialization license. The Company did not have any other material recognizable or unrecognizable subsequent events.

Related party transaction

In August 2015, the Company entered into a transaction with Sanofi to purchase drug product along with the master and working cell banks for a product that Sanofi previously discontinued and had returned its rights back to the Company. The Company entered into this transaction, at a cost of €1.6 million, in order to continue development of the product, or make it more attractive to re-license the target to another partner. A relationship between an executive from the Company and an executive from Sanofi qualified this transaction as potentially between related parties, and accordingly, the audit committee of the Board of Directors of the Company approved the terms and conditions of the transaction, believing that it was in the best interest of the Company to proceed and that it was done at an arms-length amount. The transaction was completed as of December 31, 2016.

Revenue Recognition

The Company enters into licensing and development agreements with collaborative partners for the development of ADC therapeutics. The terms of these agreements contain multiple deliverables which may include (i) licenses, or options to obtain licenses, to the Company's antibody-drug conjugate, or ADC, technology, (ii) rights to future technological improvements, (iii) research activities to be performed on behalf of the collaborative partner, (iv) delivery of cytotoxic agents and (v) the manufacture of preclinical or clinical materials for the collaborative partner. Payments to the Company under these agreements may include upfront fees, option fees, exercise fees, payments for research activities, payments for the manufacture of preclinical or clinical materials, payments based upon the achievement of certain milestones and royalties on product sales. The Company follows the provisions of the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 605-25, "Revenue Recognition—Multiple-Element Arrangements," and ASC Topic 605-28, "Revenue Recognition—Milestone Method," in accounting for these agreements. In order to account for these agreements, the Company must identify the deliverables included within the agreement and evaluate which deliverables represent separate units of accounting based on whether certain criteria are met, including whether the delivered element has stand-alone value to the collaborator. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units.

At December 31, 2016, the Company had the following two material types of agreements with the parties identified below:

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

  Amgen (two exclusive single-target licenses[1])

  Bayer (one exclusive single-target license)

  Biotest (one exclusive single-target license)

  CytomX (one exclusive single-target license)

  Fusion Pharmaceuticals (one exclusive single-target license)

  Lilly (three exclusive single-target licenses)

  Novartis (five exclusive single-target licenses and one license to two related targets: one target on an exclusive basis and the second target on a non-exclusive basis)

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

  Sanofi (one exclusive single-target license and one exclusive license to multiple individual targets)

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

(1) Amgen has sublicensed one of its exclusive single-target licenses to Oxford BioTherapeutics Ltd.

- Research license/option agreement for a defined period of time to secure development and commercialization licenses to use the Company's ADC technology to develop anticancer compounds to specified targets on established terms (referred to herein as right-to-test agreements):

  CytomX

  Takeda, through its wholly owned subsidiary, Millennium Pharmaceuticals, Inc.

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

Development and Commercialization Licenses

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

Generally, development and commercialization licenses contain non-refundable terms for payments and, depending on the terms of the agreement, provide that the Company will (i) at the collaborator's request, provide research services at negotiated prices which are generally consistent with what other third parties would charge, (ii) at the collaborator's request, manufacture and provide to it preclinical and clinical materials or deliver cytotoxic agents at negotiated prices which are generally consistent with what other third parties would charge, (iii) earn payments upon the achievement of certain milestones and (iv) earn royalty payments, generally until the later of the last applicable patent expiration or 10 to 12 years after product launch. In the case of Kadcyla, however, the minimum royalty term is 10 years and the maximum royalty term is 12 years on a country-by-country basis, regardless of patent protection. Royalty rates may vary over the royalty term depending on the Company's intellectual property rights and/or the presence of comparable competing products. The Company may provide technical assistance and share any technology

improvements with its collaborators during the term of the collaboration agreements. The Company does not directly control when or whether any collaborator will request research or manufacturing services, achieve milestones or become liable for royalty payments. As a result, the Company cannot predict when or if it will recognize revenues in connection with any of the foregoing.

In determining the units of accounting, management evaluates whether the license has stand-alone value from the undelivered elements to the collaborative partner based on the consideration of the relevant facts and circumstances for each arrangement. Factors considered in this determination include the research capabilities of the partner and the availability of ADC technology research expertise in the general marketplace. If the Company concludes that the license has stand-alone value and therefore will be accounted for as a separate unit of accounting, the Company then determines the estimated selling prices of the license and all other units of accounting based on market conditions, similar arrangements entered into by third parties, and entity-specific factors such as the terms of the Company's previous collaborative agreements, recent preclinical and clinical testing results of therapeutic products that use the Company's ADC technology, the Company's pricing practices and pricing objectives, the likelihood that technological improvements will be made, and, if made, will be used by the Company's collaborators and the nature of the research services to be performed on behalf of its collaborators and market rates for similar services.

Upfront payments on development and commercialization licenses may be recognized upon delivery of the license if facts and circumstances dictate that the license has stand-alone value from the undelivered elements, which generally include rights to future technological improvements, research services, delivery of cytotoxic agents and the manufacture of preclinical and clinical materials.

The Company recognizes revenue related to research services that represent separate units of accounting as they are performed, as long as there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collection of the related receivable is probable. The Company recognizes revenue related to the rights to future technological improvements over the estimated term of the applicable license.

The Company may also provide cytotoxic agents to its collaborators or produce preclinical and clinical materials at negotiated prices which are generally consistent with what other third parties would charge. The Company recognizes revenue on cytotoxic agents and on preclinical and clinical materials when the materials have passed all quality testing required for collaborator acceptance and title and risk of loss have transferred to the collaborator. Arrangement consideration allocated to the manufacture of preclinical and clinical materials in a multiple-deliverable arrangement is below the Company's full cost, and the Company's full cost is not expected to ever be below its contract selling prices for its existing collaborations. During the six months ended December 31, 2016 and the fiscal years ended June 30, 2016, 2015 and 2014, the difference between the Company's full cost to manufacture preclinical and clinical materials on behalf of its collaborators as compared to total amounts received from collaborators for the manufacture of preclinical and clinical materials was $948,000, $ 6.9 million, $9.2 million and $2.3 million, respectively. The majority of the Company's costs to produce these preclinical and clinical materials are fixed and then allocated to each batch based on the number of batches produced during the period. Therefore, the Company's costs to produce these materials are significantly impacted by the number of batches produced during the period. The volume of preclinical and clinical materials the Company produces is directly related to the number of clinical trials the Company and its collaborators are preparing for or currently have underway, the speed of enrollment in those trials, the dosage schedule of each clinical trial and the time period such trials last. Accordingly, the volume of preclinical and clinical materials produced, and therefore the Company's per-batch costs to manufacture these preclinical and clinical materials, may vary significantly from period to period.

The Company may also produce research material for potential collaborators under material transfer agreements. Additionally, the Company performs research activities, including developing antibody specific conjugation processes, on behalf of its collaborators and potential collaborators during the early evaluation and preclinical testing stages of drug development. The Company records amounts received for research materials produced or services performed as a component of research and development support revenue. The Company also develops conjugation processes for materials for later stage testing and commercialization for certain collaborators. The Company is compensated at negotiated rates and may receive milestone payments for developing these processes which are recorded as a component of research and development support revenue.

The Company's development and commercialization license agreements have milestone payments which for reporting purposes are aggregated into three categories: (i) development milestones, (ii) regulatory milestones, and (iii) sales milestones. Development milestones are typically payable when a product candidate initiates or advances into

different clinical trial phases. Regulatory milestones are typically payable upon submission for marketing approval with the U.S. Food and Drug Administration, or FDA, or other countries' regulatory authorities or on receipt of actual marketing approvals for the compound or for additional indications. Sales milestones are typically payable when annual sales reach certain levels.

At the inception of each agreement that includes milestone payments, the Company evaluates whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) the entity's performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (b) the consideration relates solely to past performance and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. The Company evaluates factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

Non-refundable development and regulatory milestones that are expected to be achieved as a result of the Company's efforts during the period of substantial involvement are considered substantive and are recognized as revenue upon the achievement of the milestone, assuming all other revenue recognition criteria are met. Milestones that are not considered substantive because we do not contribute effort to the achievement of such milestones are generally achieved after the period of substantial involvement and are recognized as revenue upon achievement of the milestone, as there are no undelivered elements remaining and no continuing performance obligations, assuming all other revenue recognition criteria are met.

Under the Company's development and commercialization license agreements, the Company receives royalty payments based upon its licensees' net sales of covered products. Generally, under these agreements the Company is to receive royalty reports and payments from its licensees approximately one quarter in arrears, that is, generally in the second or third month of the quarter after the licensee has sold the royalty bearing product or products. The Company recognizes royalty revenues when it can reliably estimate such amounts and collectability is reasonably assured. As such, the Company generally recognizes royalty revenues in the quarter reported to the Company by its licensees, or one quarter following the quarter in which sales by the Company's licensees occurred.

Right-to-Test Agreements

The Company's right-to-test agreements provide collaborators the right to (a) test the Company's ADC technology for a defined period of time through a research, or right-to-test, license, (b) take options, for a defined period of time, to specified targets and (c) upon exercise of those options, secure or "take" licenses to develop and commercialize products for the specified targets on established terms. Under these agreements, fees may be due to the Company (i) at the inception of the arrangement (referred to as "upfront" fees or payments), (ii) upon taking an option with respect to a specific target (referred to as option fees or payments earned, if any, when the option is "taken"), (iii) upon the exercise of a previously taken option to acquire a development and commercialization license(s) (referred to as exercise fees or payments earned, if any, when the development and commercialization license is "taken"), or (iv) some combination of all of these fees.

The accounting for right to test agreements is dependent on the nature of the options granted to the collaborative partner. Options are considered substantive if, at the inception of a right to test agreement, the Company is at risk as to whether the collaborative partner will choose to exercise the options to secure development and commercialization licenses. Factors that are considered in evaluating whether options are substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the agreement without exercising the options, the cost to exercise the options relative to the total upfront consideration, and the additional financial commitments or economic penalties imposed on the collaborator as a result of exercising the options. None of the Company's right to test agreements entered into subsequent to the adoption of Accounting Standards Update, or ASU, No. 2009 13, "Revenue Arrangements with Multiple Deliverables" on July 1, 2010 has been determined to contain substantive options. For right to test agreements where the options to secure development and commercialization licenses to the Company's ADC technology are not considered substantive, the Company considers the development and commercialization licenses to be a deliverable at the inception of the agreement and applies the multiple element revenue recognition criteria to determine the appropriate revenue recognition. Subsequent to the adoption of ASU No. 2009-13,

the Company determined that its research licenses lack stand-alone value and are considered for aggregation with the other elements of the arrangement and accounted for as one unit of accounting.

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

Inventory

Inventory costs relate to clinical trial materials being manufactured for sale to the Company's collaborators. Inventory is stated at the lower of cost or market as determined on a first-in, first-out (FIFO) basis.

Inventory at December 31, 2016 and June 30, 2016 and 2015 is summarized below (in thousands):

	December 31,	June 30,	
	2016	2016	2015
Raw materials	$ 357	$ 317	$ 279
Work in process	1,835	590	2,656
Total	$ 2,192	$ 907	$ 2,935

Raw materials inventory consists entirely of proprietary cell-killing agents the Company developed as part of its ADC technology. All raw materials inventory is currently procured from two suppliers.

Work in process inventory consists of conjugate manufactured for sale to the Company's collaborators to be used in preclinical and clinical studies. All conjugate is made to order at the request of the collaborators and subject to the terms and conditions of respective supply agreements. Based on historical reprocessing or reimbursement required for conjugate that did not meet specification and status of current conjugate on hand, no reserve for work in process inventory was determined to be required at December 31, 2016. As discussed above, the Company's costs to manufacture conjugate on behalf of its partners are greater than the supply prices charged to partners, and therefore costs are capitalized into inventory at the supply prices.

Raw materials inventory cost is stated net of write-downs of $1.1 million as of December 31, 2016 and $1.4 million as of June 30, 2016 and June 30, 2015. The write-downs represent the cost of raw materials that the Company considers to be in excess of a twelve-month supply based on firm, fixed orders and projections from its collaborators as of the respective balance sheet date.

Due to yield fluctuations, the actual amount of raw materials that will be produced in future periods under third-party supply agreements is highly uncertain. As such, the amount of raw materials produced could be more than is required to support the development of the Company's collaborators' product candidates. Such excess supply, as determined under the Company's inventory reserve policy, is charged to research and development expense.

The Company produces preclinical and clinical materials for its collaborators either in anticipation of or in support of preclinical studies and clinical trials, or for process development and analytical purposes. Under the terms of supply agreements with its collaborators, the Company generally receives rolling six-month firm, fixed orders for conjugate that the Company is required to manufacture, and rolling twelve-month manufacturing projections for the quantity of conjugate the collaborator expects to need in any given twelve-month period. The amount of clinical material produced is directly related to the number of collaborator anticipated or on-going clinical trials for which the Company is producing clinical material, 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. Because these elements are difficult to estimate over the course of a trial, substantial differences between collaborators' actual manufacturing orders and their projections could result in the Company's usage of raw materials varying significantly from estimated usage at an earlier reporting period. To the extent that a collaborator has provided the Company with a firm, fixed order, the collaborator is required by contract to reimburse the Company the full negotiated price of the conjugate, even if the collaborator subsequently cancels the manufacturing run.

The Company capitalizes raw material as inventory upon receipt and accounts for the raw material inventory as follows:

a) to the extent that the Company has up to twelve months of firm, fixed orders and/or projections from

its collaborators, the Company capitalizes the value of raw materials that will be used in the production of conjugate subject to these firm, fixed orders and/or projections;

b) the Company considers more than a twelve month supply of raw materials that is not supported by firm, fixed orders and/or projections from its collaborators to be excess and establishes a reserve to reduce to zero the value of any such excess raw material inventory with a corresponding charge to research and development expense; and

c) the Company also 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 raw material inventory at each reporting period.

During the six month transition period ended December 31, 2016 and fiscal years 2016, 2015 and 2014, the Company obtained additional amounts of its cell-killing agents DMx from its supplier which yielded more material than would be required by the Company's collaborators over the next twelve months, and as a result, the Company recorded $150,000, $1.1million, $1.0 million and $364,000, respectively, of charges to research and development expense related to raw material inventory identified as excess. Increases in the Company's on-hand supply of raw materials, or a reduction to the Company's collaborators' projections, could result in significant changes in the Company's estimate of the net realizable value of such raw material inventory. Reductions in collaborators' projections could indicate that the Company has excess raw material inventory and the Company would then evaluate the need to record write-downs as charges to research and development expense.

Unbilled Revenue

Included in unbilled revenue at December 31, 2016, is a $5 million partner milestone achieved in December 2016 which was subsequently invoiced in January 2017. The additional balance at December 31, 2016, as well as the balances as of June 30, 2016 and 2015, substantially represent research funding earned based on actual resources utilized under the Company's various collaborator agreements.

Other Accrued Liabilities

Other accrued liabilities consisted of the following at December 31, 2016 and June 30, 2016 and 2015 (in thousands):

	December 31,	June 30,	
	2016	2016	2015
Accrued contract payments	$ 1,980	$ 4,202	$ 5,830
Accrued clinical trial costs	4,700	3,096	1,735
Accrued professional services	865	1,028	788
Accrued employee benefits	676	640	567
Accrued public reporting charges	156	192	192
Accrued interest on convertible senior notes	2,388	138	—
Other current accrued liabilities	385	417	1,329
Total	$ 11,150	$ 9,713	$ 10,441

Research and Development Expenses

The Company's research and development expenses are charged to expense as incurred and relate to (i) research to evaluate new targets and to develop and evaluate new antibodies, linkers and cytotoxic agents, (ii) preclinical testing of its own and, in certain instances, its collaborators' product candidates, and the cost of its own clinical trials, (iii) development related to clinical and commercial manufacturing processes and (iv) manufacturing operations which also include raw materials. Payments made by the Company in advance for research and development services not yet provided and/or materials not yet delivered and accepted are recorded as prepaid expenses and are included in the accompanying Consolidated Balance Sheets as prepaid and other current assets.

Income Taxes

The Company uses the liability method to account for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and income tax basis of assets and liabilities, as well as

net operating loss carry forwards and tax credits and are measured using the enacted tax rates and laws that will be in effect when the differences reverse. A valuation allowance against net deferred tax assets is recorded if, based on the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Financial Instruments and Concentration of Credit Risk

Cash and cash equivalents are primarily maintained with three financial institutions in the U.S. Deposits with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and, therefore, bear minimal risk. The Company's cash equivalents consist of money market funds with underlying investments primarily being U.S. Government- issued securities and high quality, short-term commercial paper. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and marketable securities. The Company held no marketable securities as of December 31, 2016 and June 30, 2016 and 2015. The Company's investment policy, approved by the Board of Directors, limits the amount it may invest in any one type of investment, thereby reducing credit risk concentrations.

Cash and Cash Equivalents

All highly liquid financial instruments with maturities of three months or less when purchased are considered cash equivalents. As of December 31, 2016, June 30, 2016 and June 30, 2015, the Company held $160.0 million, $245.0 million and $278.1 million, respectively, in cash and money market funds consisting principally of U.S. Government-issued securities and high quality, short-term commercial paper which were classified as cash and cash equivalents.

Non-cash Investing Activities

The Company had $356,000 and $804,000 of accrued capital expenditures as of December 31, 2016 and June 30, 2016 which have been treated as a non-cash investing activity and, accordingly, are not reflected in the consolidated statement of cash flows. Accrued capital expenditures as of June 30, 2015 were not material.

Fair Value of Financial Instruments

ASC Topic 820 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. Fair value is defined under ASC Topic 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy to measure fair value which is based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

· Level 1—Quoted prices in active markets for identical assets or liabilities.

·Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

·Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of December 31, 2016, the Company held certain assets that are required to be measured at fair value on a recurring basis. The following table represents the fair value hierarchy for the Company's financial assets measured at fair value on a recurring basis as of December 31, 2016 (in thousands):

	Fair Value Measurements at December 31, 2016 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 144,176	$ 144,176	$ —	$ —

As of June 30, 2016, the Company held certain assets that are required to be measured at fair value on a recurring basis. The following table represents the fair value hierarchy for the Company's financial assets measured at fair value on a recurring basis as of June 30, 2016 (in thousands):

	Fair Value Measurements at June 30, 2016 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 219,918	$ 219,918	$ —	$ —

As of June 30, 2015, the Company held certain assets that are required to be measured at fair value on a recurring basis. The following table represents the fair value hierarchy for the Company's financial assets measured at fair value on a recurring basis as of June 30, 2015 (in thousands):

	Fair Value Measurements at June 30, 2015 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 269,304	$ 269,304	$ —	$ —

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

The carrying amounts reflected in the consolidated balance sheets for accounts receivable, unbilled revenue, prepaid and other current assets, accounts payable, accrued compensation, and other accrued liabilities approximate fair value due to their short-term nature. The face value and estimated fair value of the convertible 4.5% senior notes was $100.0 million and $79.0 million, respectively, as of December 31, 2016 compared to $100.0 million and $91.2 million, respectively, as of June 30, 2016. The fair value of the Convertible Notes is influenced by interest rates, the Company's stock price and stock price volatility and is determined by prices for the Convertible Notes observed in a market which is a Level 2 input for fair value purposes.

Property and Equipment

Property and equipment are stated at cost. The Company provides for depreciation based upon expected useful lives using the straight-line method over the following estimated useful lives:

Machinery and equipment	5 years
Computer hardware and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of remaining lease term or 7 years

Equipment under capital leases is amortized over the lives of the respective leases or the estimated useful lives of the assets, whichever is shorter, and included in depreciation expense.

Maintenance and repairs are charged to expense as incurred. Upon retirement or sale, the cost of disposed assets and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of operations. The Company recorded $(1.1 million), $21,000, $(7,000) and $(20,000) of (losses) gains on the sale/disposal of certain furniture and equipment during the six months ended December 31, 2016 and the years ended June 30, 2016, 2015, and 2014, respectively. The current six-month period includes a $970,000 leasehold impairment charge resulting from the restructuring, the details of which are further discussed in Note I.

Impairment of Long-Lived Assets

In accordance with ASC Topic 360, "Property, Plant, and Equipment," the Company continually evaluates whether events or circumstances have occurred that indicate that the estimated remaining useful life of its long-lived assets may warrant revision or that the carrying value of these assets may be impaired if impairment indicators are present. The Company evaluates the realizability of its long-lived assets based on cash flow expectations for the related asset. Any write-downs to fair value are treated as permanent reductions in the carrying amount of the assets. Based on

this evaluation, the Company believes that, as of each of the balance sheet dates presented, none of the Company's long-lived assets were impaired.

Computation of Net Loss per Common Share

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

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

	Six Months Ended December 31, 2016	June 30,		
		2016	2015	2014
Options outstanding to purchase common stock and unvested restricted stock	13,878	11,919	9,739	8,486
Common stock equivalents under treasury stock method for options	1	735	770	1,820
Shares issuable upon conversion of convertible notes	23,878	23,878	—	—
Common stock equivalents under if-converted method for convertible notes	23,878	718	—	—

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

Stock-based Compensation

As of December 31, 2016, the Company is authorized to grant future awards under one employee share-based compensation plan, which is the ImmunoGen, Inc. 2016 Employee, Director and Consultant Equity Incentive Plan, or the 2016 Plan. At the annual meeting of shareholders on December 9, 2016, the 2016 Plan was approved and provides for the issuance of Stock Grants, the grant of Options and the grant of Stock-Based Awards for up to 5,500,000 shares of the Company's common stock, as well as up to 14,250,000 shares of common stock which represent awards granted under the previous stock option plan, the ImmunoGen, Inc. 2006 Employee, Director and Consultant Equity Incentive Plan, or the 2006 Plan, that forfeit, expire, or cancel without delivery of shares of common stock or which resulted in the forfeiture of shares of common stock back to the Company subsequent to December 9, 2016. Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Options vest at various periods of up to four years and may be exercised within ten years of the date of grant.

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

employee population. The risk-free rate of the stock options is based on the U.S. Treasury rate in effect at the time of grant for the expected term of the stock options.

	Six Months Ended December 31, 2016	Year Ended June 30, 2016	2015	2014
Dividend	None	None	None	None
Volatility	65.63 %	66.34 %	60.86 %	60.40 %
Risk-free interest rate	1.29 %	1.80 %	1.84 %	1.74 %
Expected life (years)	6.3	6.3	6.3	6.3

Using the Black-Scholes option-pricing model, the weighted average grant date fair values of options granted during the six months ended December 31, 2016 and fiscal years 2016, 2015 and 2014 were $1.76, $8.91, $6.04, and $10.50 per share, respectively.

A summary of option activity under the 2006 and 2016 Plans as of June 30, 2016 and December 31, 2016, and changes during the year ended June 30, 2016 and the six month period ended December 31, 2016 is presented below (in thousands, except weighted-average data):

	Number of Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life in Yrs	Aggregate Intrinsic Value
Outstanding at June 30, 2015	9,689	$ 12.49		
Granted	3,340	$ 14.34		
Exercised	(555)	$ 9.30		
Forfeited/Canceled	(661)	$ 14.84		
Outstanding at June 30, 2016	11,813	$ 13.03	6.82	$ —
Outstanding at June 30, 2016—vested or unvested and expected to vest	11,475	$ 13.05	6.76	$ —
Exercisable at June 30, 2016	6,453	$ 12.63	5.30	$ —
Outstanding at June 30, 2016	11,813	$ 13.03		
Granted	3,536	$ 2.90		
Exercised	—	$ —		
Forfeited/Canceled	(1,670)	$ 10.64		
Outstanding at December 31, 2016	13,679	$ 10.70	6.55	$ 23
Outstanding at December 31, 2016—vested or unvested and expected to vest	13,516	$ 10.76	6.52	$ 22
Exercisable at December 31, 2016	7,898	$ 13.15	4.70	$ —

In May 2016, January 2015, and November 2012, the Company granted three officers of the Company 75,000, 25,000 and 50,000 shares of restricted stock, respectively, upon hire. Pursuant to the agreements, the shares vest ratably in annual installments over the subsequent four years. The fair value of the restricted stock was determined by the closing price on the date of grant. In August 2016, the Company granted 117,800 shares of performance based restricted stock to certain officers of the Company. These restrictions will lapse in three equal installments over five years upon the achievement of specified performance goals. The Company determined it is not currently probable that these performance goals will be achieved, and therefore, no expense has been recorded to date.

A summary of restricted stock activity under the 2006 and 2016 Plans as of June 30, 2016 and December 31, 2016, and changes during the year ended June 30, 2016 and the six month period ended December 31, 2016 is presented below (in thousands, except weighted-average data):

	Number of Restricted Stock Shares	Weighted-Average Exercise Price
Unvested at June 30, 2015	50,000	$ 9.23
Awarded	75,000	$ 5.65
Vested	(18,750)	$ 10.13
Unvested at June 30, 2016	106,250	$ 6.54
Awarded	117,800	$ 3.15
Vested	—	$ —
Forfeited	(25,100)	7.52
Unvested at December 31, 2016	198,950	$ 4.41

Stock compensation expense related to stock options and restricted stock awards granted under the 2016 and 2006 Plans was $8.1 million, $21.9 million, $15.3 million and $15.6 million during the six months ended December 31, 2016 and fiscal years ended June 30, 2016, 2015, and 2014, respectively. During fiscal year 2016, the Company recorded approximately $3.1 million of stock compensation cost related to the modification of certain outstanding common stock options with the former Chief Executive Officer's succession plan. No similar charges were recorded in the six month transition period ended December 31, 2016 or fiscal years 2015 and 2014. As of December 31, 2016, the estimated fair value of unvested employee awards was approximately $19.6 million, net of estimated forfeitures. The weighted-average remaining vesting period for these awards is approximately two years. Included in stock compensation expense for the six months ended December 31, 2016 and fiscal years ended June 30, 2016, 2015 and 2014 are $215,000, $380,000, $389,000 and $433,000, respectively, of expense recorded for directors' deferred share units, the details of which are discussed in Note H of the Company's consolidated financial statements.

A summary of option activity for options vested during the six months ended December 31, 2016 and fiscal years ended June 30, 2016, 2015 and 2014 is presented below (in thousands):

	Six Months Ended December 31,	Year Ended June 30,		
	2016	2016	2015	2014
Total fair value of options vested	$ 17,121	$ 15,298	$ 16,145	$ 12,535
Total intrinsic value of options exercised	—	3,142	3,275	9,961
Cash received for exercise of stock options	—	5,161	4,429	9,136

Comprehensive Loss

The Company presents comprehensive loss in accordance with ASC Topic 220, *Comprehensive Income.* Comprehensive loss is comprised of the Company's net loss for all periods presented.

Segment Information

During all periods presented, the Company continued to operate in one reportable business segment under the management approach of ASC Topic 280, *Segment Reporting*, which is the business of the discovery and development of ADCs for the treatment of cancer.

The percentages of revenues recognized from significant customers of the Company in the six months ended December 31, 2016 and the years ended June 30, 2016, 2015 and 2014 are included in the following table:

	Six Months Ended December 31,	Year Ended June 30,		
Collaborative Partner:	2016	2016	2015	2014
Bayer	— %	17 %	— %	— %
Lilly	4 %	11 %	21 %	18 %
Novartis	24 %	1 %	43 %	38 %
Roche	60 %	43 %	23 %	34 %
Takeda	8 %	16 %	— %	— %

There were no other customers of the Company with significant revenues in the periods presented.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-9, *Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09")*, to clarify the principles for recognizing revenue. This update provides a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delayed the effective date of the new standard from January 1, 2017 to January 1, 2018. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations*, which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarifies certain aspects of identifying performance obligations and licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* related to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, non-cash consideration and the presentation of sales and other similar taxes collected from customers. These standards have the same effective date and transition date of January 1, 2018. The new revenue standard allows for either full retrospective or modified retrospective application. The Company anticipates using the modified retrospective approach to implement this standard. The Company has begun to analyze its existing revenue agreements to evaluate the impact of adoption. The Company has less than ten contracts that have remaining performance obligations that will need to be evaluated under the provisions of the new standard as of January 1, 2018. In performing this assessment, the Company noted that we will be required to recognize royalty income in the same period as the related sales occur on Kadcyla rather than one quarter in arrears, which is the point in which the amount is fixed and determinable. This will require the Company to make an estimate of the royalties as the information is not provided to the Company until 90 days after the end of the quarter. Additionally, some partner milestones, depending on the probability of occurring, may be recognized sooner and at different values than they currently would be under the current accounting standards. The Company is in the process of estimating the impact of adopting the new standard on its consolidated financial statements, however, the Company expects to record a material adjustment upon adoption, which will be recorded as a cumulative effect of initially applying the standard to opening accumulated deficit as of January 1, 2018. The Company will continue to provide disclosures under the legacy accounting for the year ended December 31, 2018.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* This new standard gives a company's management the final responsibilities to decide whether there's substantial doubt about the company's ability to continue as a going concern and to provide related footnote disclosures. The standard provides guidance to management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that companies commonly provide in their footnotes. Under the new standard, management must decide whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the company's ability to continue as a going concern within one year after the date that the financial statements are issued, or within one year after the date that the financial statements are available to be issued when applicable. This guidance is effective for annual reporting for periods after December 15, 2016, and interim periods within those annual periods beginning after December 15, 2016, with early adoption permitted. Refer to Note A, Nature of Business and Plan of Operations, of our consolidated financial statements for further discussion.

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* To simplify presentation of debt issuance costs, this new standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this update. This guidance is effective for annual reporting beginning after December 15, 2015, including interim periods within the year of adoption, and calls for retrospective application, with early application permitted. Accordingly, the standard is effective for the Company on July 1, 2016. The Company implemented the recommendations of this update, resulting in a reduction of prepaid and other current assets and non-current other assets of approximately $1 million and $6.8 million, respectively, as of June 30, 2016, and $1.2 million and $4.4 million, respectively, as of June 30, 2015, with corresponding reductions of the debt liabilities as shown on the face of the accompanying consolidated balance sheet to the financial statements.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory (Topic 330).* To simplify the principles for subsequent measurement of inventory, this new standard requires inventory measured using any method other than LIFO or the retail method shall be measured at the lower of cost and net realizable value, rather than lower of cost or market. This guidance is effective for annual reporting beginning after December 15, 2016, including interim periods within the year of adoption, and calls for prospective application, with early application permitted. Accordingly, the standard is effective for the Company on January 1, 2017. The adoption of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

In January 2016, the FASB issued ASU 2016-1, *Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825).* The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. The amendments improve financial reporting by providing relevant information about an entity’s equity investments and reducing the number of items that are recognized in other comprehensive income. This guidance is effective for annual reporting beginning after December 15, 2017, including interim periods within the year of adoption, and calls for prospective application, with early application permitted. Accordingly, the standard is effective for the Company on January 1, 2018. The adoption of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-2, *Leases (Topic 842)* that primarily requires lessees to recognize most leases on their balance sheets but record expenses on their income statements in a manner similar to current accounting. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and calls for retrospective application, with early adoption permitted. Accordingly, the standard is effective for the Company on January 1, 2019. The Company is currently evaluating the impact of this guidance on our financial statements and the timing of adoption.

In March 2016, the FASB issued ASU 2016-9, *Improvements to Employee Share-Based Payment Accounting (Topic 718)* that changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The guidance also allows for the employer to repurchase more of an employee’s shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. Accordingly, the standard is effective for the Company on January 1, 2017. The adoption of this guidance will not have a material impact on the Company’s consolidated financial statements.

C. Agreements

Significant Collaborative Agreements

Roche

In 2000, the Company granted Genentech, now a unit of Roche, an exclusive license to use the Company's maytansinoid ADC technology with antibodies, such as trastuzumab, or other proteins that target HER2. Under the terms of this agreement, Roche has exclusive worldwide rights to develop and commercialize maytansinoid ADC compounds targeting HER2. In 2013, the HER2-targeting ADC compound, Kadcyla, was approved for marketing in the U.S., Japan, and the European Union, or EU. Roche has also received marketing approval in various other countries around the world. Roche is responsible for the manufacturing, product development, and marketing of any products resulting from the agreement. The Company is compensated for any preclinical and clinical materials that the Company manufactures under the agreement. The Company received a $2 million non-refundable upfront payment from Roche upon execution of the agreement. The Company is also entitled to receive up to a total of $44 million in milestone payments, plus royalties on the commercial sales of Kadcyla or any other resulting products. Total milestones are categorized as follows: development milestones—$13.5 million; and regulatory milestones—$30.5 million. Through December 31, 2016, the Company has received and recognized $13.5 million and $20.5 million in development and regulatory milestone payments, respectively, related to Kadcyla. The Company received two $5 million regulatory milestone payments in connection with marketing approval of Kadcyla in Japan and in the EU, which is included in license and milestone fees for the fiscal year ended June 30, 2014. Based on an evaluation of the effort contributed to the achievement of these milestones in fiscal year 2014, the Company determined these milestones were not substantive. In consideration that there were no undelivered elements remaining, no continuing performance obligations and all other revenue recognition criteria had been met, the Company recognized the non-refundable payments as revenue upon achievement of the milestones. The next potential milestone the Company will be entitled to receive will be a $5 million regulatory milestone for marketing approval of Kadcyla for a first extended indication as defined in the agreement. Based on an evaluation of the effort contributed towards the achievement of this future milestone, the Company determined this milestone is not substantive.

The Company receives royalty reports and payments related to sales of Kadcyla from Roche one quarter in arrears. In accordance with the Company's revenue recognition policy, $12.9 million of non-cash royalties on net sales of Kadcyla for the six-month period ended September 30, 2016 were recorded and included in royalty revenue for the six-months ended December 31, 2016, $25.3 million of non-cash royalties on net sales of Kadcyla for the twelve-month period ended March 31, 2016 were recorded and included in royalty revenue for the year ended June 30, 2016 and $5.5 million of non-cash royalties and $13.9 million of cash royalties on net sales of Kadcyla for the twelve-month period ended March 31, 2015 is included in royalty revenue for the year ended June 30, 2015. The Company recorded $10.3 million of cash royalties on net sales of Kadcyla for the twelve-month period ended March 31, 2014 which is included in royalty revenue for the year ended June 30, 2014. Kadcyla sales occurring after January 1, 2015 are covered by a royalty purchase agreement whereby the associated cash is remitted to Immunity Royalty Holdings, L.P, or IRH, as discussed further in Note F.

Roche, through its Genentech unit, also has licenses for the exclusive right to use the Company's maytansinoid ADC technology with antibodies to four undisclosed targets, which were granted under the terms of a separate, now expired 2000 right-to-test agreement with Genentech. For each of these licenses the Company received a $1 million license fee and is entitled to receive up to a total of $38 million in milestone payments and also royalties on the sales of any resulting products. The total milestones are categorized as follows: development milestones—$8 million; regulatory milestones—$20 million; and sales milestones—$10 million. The Company has not received any milestone payments from these agreements through December 31, 2016. Roche is responsible for the development, manufacturing, and marketing of any products resulting from these licenses. The next potential milestone the Company will be entitled to receive under any of these agreements will be a development milestone for filing of an IND application which will result in a $1 million payment being due. At the time of execution of each of these development and commercialization licenses, there was significant uncertainty as to whether this milestone would be achieved. In consideration of this, as well as the Company's past involvement in the research and manufacturing these products, this milestone was deemed substantive. The Company received non-refundable technology access fees totaling $5 million for the eight-year term of the right-to-test agreement. The upfront fees were deferred and recognized ratably over the period during which Genentech could elect to obtain product licenses.

Amgen

Under a now-expired right-to-test agreement established in 2000, Amgen took three exclusive development and commercialization licenses, for which the Company received an exercise fee of $1 million for each license taken. In May 2013, Amgen took one non-exclusive development and commercialization license, for which the Company received an exercise fee of $500,000. In October 2013, the non-exclusive license was amended and converted to an exclusive license, for which Amgen paid an additional $500,000 fee to the Company. Amgen has sublicensed its rights under this license to Oxford BioTherapeutics Ltd. In December 2015, Amgen advised the Company that it had discontinued development of two product candidates, AMG 595 and AMG 172 that had been covered by two of Amgen's four exclusive licenses, and in February 2016, Amgen terminated these two licenses.

For each of the two remaining development and commercialization license taken, the Company is entitled to receive up to a total of $34 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones per license are categorized as follows: development milestones—$9 million; regulatory milestones—$20 million; and sales milestones—$5 million. Amgen (or its sublicensee(s)) is responsible for the manufacturing, product development, and marketing of any products resulting from these development and commercialization licenses. Through December 31, 2016, the Company has received and recognized an aggregate of $3 million in milestone payments for compounds covered under this agreement now or in the past. In September 2015, Amgen's IND under the remaining license not sublicensed to Oxford BioTherapeutics became effective, triggering a $1 million milestone payment to the Company which is included in license and milestone fee revenue for the year ended June 30, 2016. The next potential milestone the Company will be entitled to receive under this license will be a development milestone for the first dosing of a patient in a Phase II clinical trial, which will result in a $3 million payment being due. The next potential milestone the Company will be entitled to receive under the May 2013 license will be a $1 million development milestone for an IND becoming effective. At the time of execution of each of these development and commercialization licenses, there was significant uncertainty as to whether these milestones would be achieved. In consideration of this, as well as the Company's past involvement in the research and manufacturing of these product candidates, these milestones were deemed substantive.

Since a deliverable to the original right-to-test agreement was determined to be materially modified at the time the non-exclusive license was converted to exclusive in October 2013, the Company accounted for the multiple-element agreement in accordance with ACS 605-25 (as amended by ASU No. 2009-13). As a result, all of the deferred revenue recorded on the date of the modification and the new consideration received as part of the modification was allocated to all of the remaining deliverables at the time of amendment of the right-to-test agreement based on the estimated selling price of each element. The remaining amount represents consideration for previously delivered elements and was recognized upon the execution of the modification.

The outstanding licenses, including the exclusive license delivered upon the signing of the amendment, contain the rights to future technological improvements as well as options to purchase materials and research and development services. The Company concluded that additional materials and research and development services would be paid at a contractual price equal to the estimated selling price based estimated prices that would be charged by third parties for similar services. The estimated selling price of the right to technological improvements is the Company's best estimate of selling price and was determined by estimating the probability that technological improvements will be made and the probability that such technological improvements made will be used by Amgen. In estimating these probabilities, we considered factors such as the technology that is the subject of the development and commercialization licenses, our history of making technological improvements, and when such improvements, if any, were likely to occur relative to the stage of development of any product candidates pursuant to the development and commercialization licenses. The Company's estimate of probability considered the likely period of time that any improvements would be utilized, which was estimated to be ten years following delivery of a commercialization and development license. The value of any technological improvements made available after this ten year period was considered to be *de minimis* due to the significant additional costs that would be incurred to incorporate such technology into any existing product candidates. The estimate of probability was multiplied by the estimated selling price of the development and commercialization licenses and the resulting cash flow was discounted at a rate of 13%, representing the Company's estimate of its cost of capital at the time of amendment of the right-to-test agreement.

The $430,000 determined to be the estimated selling price of the future technological improvements is being recognized as revenue ratably over the period the Company is obligated to make available any technological improvements, which is equivalent to the estimated term of the agreement. The Company estimates the term of a development and commercialization license to be approximately 25 years, which reflects management's estimate of the

time necessary to develop and commercialize products pursuant to the license plus the estimated royalty term. The Company reassesses the estimated term at the end of each reporting period.

After accounting for the undelivered elements at the estimated selling price, the Company had $2.2 million of remaining allocable consideration which was determined to represent consideration for the previously delivered elements, including the exclusive license that was delivered upon the execution of the modification. This amount was recorded as revenue and is included in license and milestone fees for the year ended June 30, 2014.

Costs directly attributable to the Amgen collaborative agreement are comprised of compensation and benefits related to employees who provided research and development services on behalf of Amgen as well as costs of clinical materials sold. Indirect costs are not identified to individual collaborators. The costs related to the research and development services amounted to approximately $15,000, $62,000 and $179,000 for the fiscal years 2016, 2015 and 2014, respectively. There were no costs incurred during the six-months ended December 31, 2016 related to research and development services. The costs related to clinical materials sold were approximately $664,000 for fiscal year 2014. There were no similar costs recorded in any period subsequent to that year.

Sanofi

Collaboration Agreement

In 2003, the Company entered into a broad collaboration agreement with Sanofi (formerly Aventis) to discover, develop and commercialize antibody-based products. The collaboration agreement provides Sanofi with worldwide development and commercialization rights to new antibody-based products directed to targets that are included in the collaboration, including the exclusive right to use the Company's maytansinoid ADC technology in the creation of products developed to these targets. The product candidates (targets) as of December 31, 2016 in the collaboration include isatuximab (CD38), SAR566658 (CA6), SAR408701 (CEACAM5) and one earlier-stage program that has yet to be disclosed.

The Company is entitled to receive milestone payments potentially totaling $21.5 million, per target, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—$7.5 million; and regulatory milestones—$14 million. Through December 31, 2016, the Company has received and recognized an aggregate of $20.5 million in milestone payments for compounds covered under this agreement now or in the past, including a $3 million development milestone related to initiation of a Phase IIb clinical trial (as defined in the agreement) for isatuximab and a $1 million development milestone related to initiation of a Phase I clinical trial for SAR408701 which are included in license and milestone fee revenue for the year ended June 30, 2015. In January 2017, Sanofi enrolled its first patient in a Phase III clinical trial for isatuximab which triggered a $3 million milestone payment to the Company. The next potential milestone the Company will be entitled to receive for each of SAR566658 and SAR408701 will be a development milestone for initiation of a Phase IIb clinical trial (as defined in the agreement), which will result in each case in a $3 million payment being due. The next potential milestone the Company will be entitled to receive with respect to isatuximab will be a regulatory milestone for submission of a new drug application to the U.S. Food and Drug Administration, which will result in a $3 million payment being due. The next potential milestone the Company will be entitled to receive for the unidentified target will be a development milestone for commencement of a Phase I clinical trial, which will result in a $1 million payment being due. At the time of execution of this agreement, there was significant uncertainty as to whether these milestones would be achieved. In consideration of this, as well as the Company's past involvement in the research and manufacturing of these product candidates, these milestones were deemed substantive.

Right-to-Test Agreement

Under a separate, now expired right-to-test agreement, in December 2013, Sanofi took one exclusive development and commercialization license. Under this license, the Company received an exercise fee of $2 million and was recognizing this amount as revenue ratably over the Company's estimated period of its substantial involvement. The Company had previously estimated this development period would conclude at the end of non-pivotal Phase II testing. During fiscal 2015, the Company determined it would not be substantially involved in the development and commercialization of the product based on Sanofi's current plans to develop and manufacture the product without the assistance of the Company. As a result of this determination, the Company recognized the balance of the upfront exercise fee during the first quarter of fiscal 2015. This change in estimate resulted in an increase to license and

milestone fees of $1.5 million for the year ended June 30, 2015 compared to amounts that would have been recognized pursuant to the Company's previous estimate.

Under this license, the Company is entitled to receive up to a total of $30 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—$10 million; and regulatory milestones—$20 million. In October 2015, Sanofi initiated Phase I, first-in-human clinical testing of its ADC product candidate, SAR428926 (LAMP1), triggering a $2 million development milestone payment to the Company which is included in license and milestone fee revenue for the year ended June 30, 2016. The next milestone payment the Company could receive would be a $4 million development milestone for commencement of a Phase IIb clinical trial (as defined in the agreement) under this license. At the time of execution of this agreement, there was significant uncertainty as to whether these milestones would be achieved. In consideration of this, as well as the Company's expected involvement in the research and manufacturing of this product candidate, these milestones were deemed substantive. Sanofi is responsible for the manufacturing, product development and marketing of any products resulting from the agreement.

Biotest

In 2006, the Company granted Biotest an exclusive development and commercialization license to our maytansinoid ADC technology for use with antibodies that target CD138. The product candidate indatuximab ravtansine is in development under this agreement. Biotest is responsible for the manufacturing, product development, and marketing of any products resulting from the agreement. The Company received a $1 million upfront payment upon execution of the agreement and could receive up to $35.5 million in milestone payments, as well as royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—$4.5 million; and regulatory milestones —$31 million. The Company receives payments for manufacturing any preclinical and clinical materials made at the request of Biotest. In September 2008, Biotest began Phase I evaluation of indatuximab ravtansine which triggered a $500,000 milestone payment to the Company. The next potential milestone the Company will be entitled to receive will be a development milestone for commencement of a Phase IIb clinical trial (as defined in the agreement) which will result in a $2 million payment being due. At the time of execution of this agreement, there was significant uncertainty as to whether these milestones would be achieved. In consideration of this, as well as the Company's past involvement in the research and manufacturing of this product, these milestones were deemed substantive.

The agreement also provided the Company with the right to elect at specific stages during the clinical evaluation of any compound created under this agreement, to participate in the U.S. development and commercialization of that compound in lieu of receiving the milestone payments not yet earned and royalties on sales in the U.S. Currently, the Company can exercise this right during an exercise period specified in the agreement by notice and payment to Biotest of an agreed upon opt-in fee of $15 million. Upon exercise of this right, the Company would share equally with Biotest the associated further costs of product development and commercialization in the U.S. along with the profit, if any, from product sales in the U.S. The Company would also be entitled to receive royalties, on a reduced basis, on product sales outside the U.S.

Costs directly attributable to the Biotest collaborative agreement are comprised of compensation and benefits related to employees who provided research and development services on behalf of Biotest as well as costs of clinical materials sold. Indirect costs are not identified to individual collaborators. The costs related to the research and development services amounted to approximately $22,000, $160,000, $309,000 and $305,000 for the six-months ended December 31, 2016 and fiscal years 2016, 2015 and 2014, respectively. The costs related to clinical materials sold were approximately $549,000, $1.8 million, $3 million and $670,000 for the six-months ended December 31, 2016 and fiscal years 2016, 2015 and 2014, respectively.

Bayer

In 2008, the Company granted Bayer an exclusive development and commercialization license to the Company's maytansinoid ADC technology for use with antibodies or other proteins that target mesothelin. Bayer HealthCare is responsible for the research, development, manufacturing, and marketing of any products resulting from the license. The Company received a $4 million upfront payment upon execution of the agreement which was recognized as revenue ratably over the Company's estimated period of substantial involvement which concluded in September 2012. For each compound developed and marketed by Bayer under this collaboration the Company is entitled to receive a total of $170.5 million in milestone payments, plus tiered royalties between 4 - 7% on the commercial sales

of any resulting products. The total milestones are categorized as follows: development milestones—$16 million; regulatory milestones—$44.5 million; and sales milestones—$110 million. Through December 31, 2016, the Company has received and recognized an aggregate of $13 million in milestone payments under this agreement. In January 2016, Bayer initiated a Phase II clinical study designed to support registration of its ADC product candidate, anetumab ravtansine, triggering a $10 million development milestone payment to the Company which is included in license and milestone fee revenue for the year ended June 30, 2016. The next potential milestone the Company will be entitled to receive will be either a development milestone for commencement of a pivotal clinical trial for a second indication for anetumab ravtansine which will result in a $2 million payment being due or a regulatory milestone for filing of regulatory approval for its first indication for anetumab ravtansine which will result in a $6 million payment being due. At the time of execution of this agreement, there was significant uncertainty as to whether these milestones would be achieved. In consideration of this, as well as the Company's past involvement in the research and supply of cytotoxic agent for this product candidate, these milestones was deemed substantive.

Novartis

Novartis took six exclusive development and commercialization licenses under a now-expired right-to-test agreement established in 2010. The Company received a $45 million upfront payment in connection with the execution of the right-to-test agreement in 2010, and for each development and commercialization license taken for a specific target, the Company received an exercise fee of $1 million and is entitled to receive up to a total of $199.5 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—$22.5 million; regulatory milestones—$77 million; and sales milestones—$100 million. The initial three-year term of the right-to-test agreement was extended by Novartis in October 2013 for an additional one-year period by payment of a $5 million fee to the Company. The Company also is entitled to receive payments for research and development activities performed on behalf of Novartis. Novartis is responsible for the manufacturing, product development, and marketing of any products resulting from this agreement.

In March 2013, the Company and Novartis amended the right-to-test agreement so that Novartis could take a license to develop and commercialize products directed at two undisclosed, related targets, one target licensed on an exclusive basis and the other target initially licensed on a non-exclusive basis. The target licensed on a non-exclusive basis may no longer be converted to an exclusive target due to the expiration of the right-to-test agreement. The Company received a $3.5 million fee in connection with the execution of the amendment to the agreement. The Company may be required to credit this fee against future milestone payments if Novartis discontinues the development of a specified product under certain circumstances.

In connection with the amendment, in March 2013, Novartis took the license referenced above under the right-to-test agreement, as amended, enabling it to develop and commercialize products directed at the two targets. The Company received a $1 million upfront fee with the execution of this license. Additionally, the execution of this license provides the Company the opportunity to receive milestone payments totaling $199.5 million (development milestones—$22.5 million; regulatory milestones—$77 million; and sales milestones—$100 million) or $238 million (development milestones—$22.5 million; regulatory milestones—$115.5 million; and sales milestones—$100 million), depending on the composition of any resulting products.

In October 2013 and November 2013, Novartis took its second and third exclusive licenses to single targets, and in October 2014, took three remaining exclusive licenses, each triggering a $1 million payment to the Company and the opportunity to receive milestone payments totaling $199.5 million, as outlined above, plus royalties on the commercial sales of any resulting products. In January 2015 and May 2015, Novartis initiated Phase I, first-in-human clinical testing of its cKit-targeting ADC product candidate, LOP628, and P-cadherin-targeting ADC product candidate, PCA062, respectively, triggering a $5 million development milestone payment to the Company with each event, both of which are included in license and milestone fee revenue for the year ended June 30, 2015. Novartis later discontinued clinical testing of LOP628. In December 2016, Novartis initiated Phase I, first-in-human clinical testing of its CDH6-targeting ADC product candidate, HKT288, triggering a $5 million milestone payment which the Company received in 2017. The next payment the Company could receive would be either a $7.5 million development milestone for commencement of a Phase II clinical trial under these three licenses or a $5 million development milestone for commencement of a Phase I clinical trial under any of its other three licenses. At the time of execution of these agreements, there was significant uncertainty as to whether these milestones would be achieved. In consideration of this, as well as the Company's past involvement in the research and manufacturing of these product candidates, these milestones were deemed substantive. Additionally, the Company is entitled to receive royalties on product sales, if any.

In accordance with ACS 605-25 (as amended by ASU No. 2009-13), the Company identified all of the deliverables at the inception of the right-to-test agreement and subsequently when amended. The significant deliverables were determined to be the right-to-test, or research, license, the development and commercialization licenses, rights to future technological improvements, and the research services. The options to obtain development and commercialization licenses in the right-to-test agreement were determined not to be substantive and, as a result, the exclusive development and commercialization licenses were considered deliverables at the inception of the right-to-test agreement. Factors that were considered in determining the options were not substantive included (i) the overall objective of the agreement was for Novartis to obtain development and commercialization licenses, (ii) the size of the exercise fee of $1 million for each development and commercialization license obtained is not significant relative to the $45 million upfront payment that was due at the inception of the right-to-test agreement, (iii) the limited economic benefit that Novartis could obtain from the right-to-test agreement unless it exercised its options to obtain development and commercialization licenses, and (iv) the lack of economic penalties as a result of exercising the options.

The Company has determined that the research license together with the development and commercialization licenses represent one unit of accounting as the research license does not have stand-alone value from the development and commercialization licenses due to the lack of transferability of the research license and the limited economic benefit Novartis would derive if they did not obtain any development and commercialization licenses. The Company has also determined that this unit of accounting does have stand-alone value from the rights to future technological improvements and the research services. The rights to future technological improvements and the research services are considered separate units of accounting as each of these was determined to have stand-alone value. The rights to future technological improvements have stand-alone value as Novartis would be able to use those items for their intended purpose without the undelivered elements. The research services have stand-alone value as similar services are sold separately by other vendors.

The estimated selling prices for the development and commercialization licenses are the Company’s best estimate of selling price and were determined based on market conditions, similar arrangements entered into by third parties, including the Company’s understanding of pricing terms offered by its competitors for single-target development and commercialization licenses that utilize ADC technology, and entity-specific factors such as the pricing terms of the Company’s previous single-target development and commercialization licenses, recent preclinical and clinical testing results of therapeutic products that use the Company’s ADC technology, and the Company’s pricing practices and pricing objectives. The estimated selling price of the right to technological improvements is the Company’s best estimate of selling price and was determined by estimating the probability that technological improvements will be made and the probability that such technological improvements made will be used by Novartis. In estimating these probabilities, we considered factors such as the technology that is the subject of the development and commercialization licenses, our history of making technological improvements, and when such improvements, if any, were likely to occur relative to the stage of development of any product candidates pursuant to the development and commercialization licenses. The Company’s estimate of probability considered the likely period of time that any improvements would be utilized, which was estimated to be ten years following delivery of a commercialization and development license. The value of any technological improvements made available after this ten year period was considered to be *de minimis* due to the significant additional costs that would be incurred to incorporate such technology into any existing product candidates. The estimate of probability was multiplied by the estimated selling price of the development and commercialization licenses and the resulting cash flow was discounted at a rate of 16%, representing the Company’s estimate of its cost of capital at the time. The estimated selling price of the research services was based on third-party evidence given the nature of the research services to be performed for Novartis and market rates for similar services.

Upon payment of the extension fee in October 2013, the total arrangement consideration of $60.2 million (which comprises the $45 million upfront payment, the amendment fee of $3.5 million, the $5 million extension fee, the exercise fee for each license, and the expected fees for the research services to be provided under the remainder of the arrangement) was reallocated to the deliverables based on the relative selling price method as follows: $55 million to the delivered and undelivered development and commercialization licenses; $4.5 million to the rights to future technological improvements; and $710,000 to the research services. The Company recorded $25.7 million of the $55 million of the arrangement consideration outlined above for the three development and commercialization licenses taken in October 2014, which is included in license and milestone fee revenue for the year ended June 30, 2015, $17.2 million for the two development and commercialization licenses taken by Novartis in October 2013 and November 2013, which is included in license and milestone fee revenue for the year ended June 30, 2014, and $11.1 million for the development and commercialization licenses taken in March 2013. The Company also recorded a cumulative catch-up of $1 million for the license delivered in March 2013 and the delivered portion of the license covering future technological improvements, which is included in license and milestone fee revenue for the year ended June 30, 2014.

Since execution of the first development and commercialization license taken in March 2013, the amount of the total arrangement consideration allocated to future technological improvements is being recognized as revenue ratably over the period the Company is obligated to make available any technological improvements, which is equivalent to the estimated term of the agreement. The Company estimates the term of a development and commercialization license to be approximately 25 years, which reflects management's estimate of the time necessary to develop and commercialize products pursuant to the license plus the estimated royalty term. The Company reassesses the estimated term at the end of each reporting period. The Company will recognize research services revenue as the related services are delivered.

Costs directly attributable to the Novartis collaborative agreement are comprised of compensation and benefits related to employees who provided research and development services on behalf of Novartis as well as costs of clinical materials sold. Indirect costs are not identified to individual collaborators. The costs related to the research and development services amounted to $17,000, $67,000, $141,000 and $1.4 million for the six-months ended December 31, 2016 and fiscal years 2016, 2015 and 2014, respectively. The costs related to clinical materials sold were approximately $644,000 and $1.3 million for fiscal years 2015 and 2014, respectively. There were no similar costs recorded after fiscal year 2015.

Lilly

Eli Lilly and Company (Lilly) took three exclusive development and commercialization licenses under a now-expired right-to-test agreement established in 2011. The Company received a $20 million upfront payment in connection with the execution of the right-to-test agreement in 2011. Under the terms of this right-to-test agreement, the first license had no associated exercise fee, and the second and third licenses each had a $2 million exercise fee. The first development and commercialization license was taken in August 2013 and the agreement was amended in December 2013 to provide Lilly with an extension provision and retrospectively include a $2 million exercise fee for the first license in lieu of the fee due for either the second or third license. The second and third licenses were taken in December 2014, with one including the $2 million exercise fee and the other not. Under the two licenses with the $2 million exercise fee, the Company is entitled to receive up to a total of $199 million in milestone payments, plus royalties on the commercial sales of any resulting products. Under the license taken in December 2014 without the exercise fee, the Company is entitled to receive up to a total of $200.5 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—$29 million for the two development and commercialization licenses with the $2 million exercise fee, and $30.5 million for the one development and commercialization license with no exercise fee; regulatory milestones—$70 million in all cases; and sales milestones—$100 million in all cases. In September 2015, Lilly began Phase I evaluation of one of its licensed ADC products which triggered a $5 million milestone payment to the Company which is included in license and milestone fee revenue for the fiscal year ended June 30, 2016. The next payment the Company could receive would be either a $9 million development milestone for commencement of a Phase II clinical trial under this license or a $5 million development milestone payment with the initiation of a Phase I clinical trial under either of its other two development and commercialization licenses taken. At the time of execution of this agreement, there was significant uncertainty as to whether these milestones would be achieved. In consideration of this, as well as the Company's expected involvement in the research and manufacturing of these product candidates, these milestones were deemed substantive. The Company also is entitled to receive payments for delivery of cytotoxic agents to Lilly and research and development activities performed on behalf of Lilly. Lilly is responsible for the manufacturing, product development, and marketing of any products resulting from this collaboration.

In accordance with ASC 605-25 (as amended by ASU No. 2009-13), the Company identified all of the deliverables at the inception of the right- to-test agreement. The significant deliverables were determined to be the right-to-test, or research, license, the exclusive development and commercialization licenses, rights to future technological improvements, delivery of cytotoxic agents and the research services. The options to obtain development and commercialization licenses in the right-to-test agreement were determined not to be substantive and, as a result, the exclusive development and commercialization licenses were considered deliverables at the inception of the right-to-test agreement. Factors that were considered in determining the options were not substantive included (i) the overall objective of the agreement was for Lilly to obtain development and commercialization licenses, (ii) the size of the exercise fees of $2 million for each development and commercialization license taken beyond the first license is not significant relative to the $20 million upfront payment that was due at the inception of the right-to-test agreement, (iii) the limited economic benefit that Lilly could obtain from the right-to-test agreement unless it exercised its options to obtain development and commercialization licenses, and (iv) the lack of economic penalties as a result of exercising the options.

The Company has determined that the research license together with the development and commercialization licenses represent one unit of accounting as the research license does not have stand-alone value from the development and commercialization licenses due to the lack of transferability of the research license and the limited economic benefit Lilly would derive if they did not obtain any development and commercialization licenses. The Company has also determined that this unit of accounting has stand-alone value from the rights to future technological improvements, the delivery of cytotoxic agents and the research services. The rights to future technological improvements, delivery of cytotoxic agents and the research services are considered separate units of accounting as each of these was determined to have stand-alone value. The rights to future technological improvements have stand-alone value as Lilly would be able to use those items for their intended purpose without the undelivered elements. The research services and cytotoxic agents have stand-alone value as similar services and products are sold separately by other vendors.

The estimated selling prices for the development and commercialization licenses are the Company's best estimate of selling price and were determined based on market conditions, similar arrangements entered into by third parties, including pricing terms offered by our competitors for single-target development and commercialization licenses that utilize antibody-drug conjugate technology, and entity-specific factors such as the pricing terms of the Company's previous single-target development and commercialization licenses, recent preclinical and clinical testing results of therapeutic products that use the Company's ADC technology, and the Company's pricing practices and pricing objectives. The estimated selling price of the rights to technological improvements is the Company's best estimate of selling price and was determined by estimating the probability that technological improvements will be made, and the probability that technological improvements made will be used by Lilly. In estimating these probabilities, we considered factors such as the technology that is the subject of the development and commercialization licenses, our history of making technological improvements, and when such improvements, if any, were likely to occur relative to the stage of development of any product candidates pursuant to the development and commercialization licenses. The company's estimate of probability considered the likely period of time that any improvements would be utilized, which was estimated to be ten years following delivery of a commercialization and development license. The value of any technological improvements made available after this ten year period was considered to be *de minimis* due to the significant additional costs that would be incurred to incorporate such technology into any existing product candidates. The estimate of probability was multiplied by the estimated selling price of the development and commercialization licenses and the resulting cash flow was discounted at a rate of 16%, representing the Company's estimate of its cost of capital at the time. The estimated selling price of the cytotoxic agent was based on third-party evidence given market rates for the manufacture of such cytotoxic agents. The estimated selling price of the research services was based on third-party evidence given the nature of the research services to be performed for Lilly and market rates for similar services.

The total arrangement consideration of $28.2 million (which comprises the $20 million upfront payment, the exercise fee, if any, for each license, the expected fees for the research services to be provided and the cytotoxic agent to be delivered under the arrangement) was allocated to the deliverables based on the relative selling price method as follows: $23.5 million to the development and commercialization licenses; $0.6 million to the rights to future technological improvements, $0.8 million to the sale of cytotoxic agent; and $3.3 million to the research services. Upon execution of the development and commercialization license taken by Lilly in August 2013, the Company recorded $7.8 million of the $23.5 million of the arrangement consideration outlined above, which is included in license and milestone fee revenue for the year ended June 30, 2014. With this first development and commercialization license taken, the amount of the total arrangement consideration allocated to future technological improvements will commence to be recognized as revenue ratably over the period the Company is obligated to make available any technological improvements, which is the equivalent to the estimated term of the license. The Company estimates the term of a development and commercialization license to be approximately 25 years, which reflects management's estimate of the time necessary to develop and commercialize therapeutic products pursuant to the license plus the estimated royalty term. The Company will reassess the estimated term at each subsequent reporting period. Upon execution of two development and commercialization licenses taken by Lilly in December 2014, the Company recognized as license revenue the remaining $15.6 million of arrangement consideration allocated to the development and commercialization licenses, which is included in license and milestone fee revenue for the year ended June 30, 2015. The Company will recognize research services revenue and revenue from the delivery of cytotoxic agents as the related services and cytotoxic agents are delivered.

Costs directly attributable to the Lilly collaborative agreement are comprised of compensation and benefits related to employees who provided research and development services on behalf of Lilly as well as costs of clinical materials sold. Indirect costs are not identified to individual collaborators. The costs related to the research and development services amounted to approximately $46,000, $182,000, $499,000 and $1.2 million for the six-months

ended December 31, 2016 and fiscal years 2016, 2015 and 2014 respectively. The costs related to clinical materials sold were approximately $1.1 million, $1.1 million and $26,000 for fiscal years 2016, 2015 and 2014, respectively. There were no similar costs recorded during the six months ended December 31, 2016.

CytomX

In January 2014, the Company entered into a reciprocal right-to-test agreement with CytomX Therapeutics, Inc. (CytomX). The agreement provides CytomX and the Company with the right to test the Company's ADC technology with CytomX masked antibodies, which it calls Probodies™, to create product candidates for a specified number of targets. Each company has defined rights to test the other company's technology with its technology under a right-to-test, or research, license, and to subsequently take an exclusive, worldwide license to use the other company's technology with its technology to develop and commercialize products for the specified targets on terms agreed upon at the inception of the right-to-test agreement. The Company received no upfront cash payment in connection with the execution of the right-to-test agreement. The terms of the right-to-test agreement require the Company and CytomX to each take its respective development and commercialization licenses by the end of the term of the research licenses. In addition, both the Company and CytomX are required to perform specific research activities under the right-to-test agreement on behalf of the other party for no monetary consideration.

In February 2016, CytomX took its development and commercialization license for a specified target. An amendment of the agreement executed simultaneously with that license granted CytomX the right, for a specified period of time, to substitute the specified target with another as yet unspecified target. Accordingly, the revenue associated with this license is being deferred until the expiration of that substitution right. With respect to the development and commercialization license taken by CytomX, the Company is entitled to receive up to a total of $160 million in milestone payments plus royalties on the commercial sales of any resulting product. The total milestones are categorized as follows: development milestones—$10 million; regulatory milestones—$50 million; and sales milestones—$100 million. Assuming no annual maintenance fee is payable as described below, the next payment the Company could receive would be a $1 million development milestone payment with commencement of a Phase I clinical trial. At the time of execution of the right-to-test agreement, there was significant uncertainty as to whether the milestone related to the Phase I clinical trial would be achieved. In consideration of this, as well as the Company's expected involvement in the research and manufacturing of any product candidate, this milestone was deemed substantive. CytomX is responsible for the manufacturing, product development, and marketing of any products resulting from the development and commercialization license taken by CytomX under this collaboration.

With respect to any development and commercialization license that may be taken by the Company, the Company will potentially be required to pay up to a total of $80 million in milestone payments per license, plus royalties on the commercial sales of any resulting product. The total milestones per license are categorized as follows: development milestones—$7 million; regulatory milestones—$23 million; and sales milestones—$50 million. Assuming no annual maintenance fee is payable as described below, the next payment the Company could be required to make is a $1 million development milestone payment with commencement of a Phase I clinical trial. The Company is responsible for the manufacturing, product development and marketing of any products resulting from any development and commercialization license taken by the Company under this collaboration.

In addition, each party may be liable to pay annual maintenance fees to the other party if the licensed product candidate covered under each development and commercialization license has not progressed to a specified stage of development within a specified time frame.

The arrangement was accounted for based on the fair value of the items exchanged. The items to be delivered to CytomX under the arrangement are accounted for under the Company's revenue recognition policy. The items to be received from CytomX are recorded as research and development expenses as incurred.

In accordance with ASC 605-25 (as amended by ASU No. 2009-13), the Company identified all of the deliverables at the inception of the right- to-test agreement. The significant deliverables were determined to be the right-to-test, or research, license, the exclusive development and commercialization license, rights to future technological improvements, and the research services. The research license in the right-to-test agreement was determined not to be substantive and, as a result, the exclusive development and commercialization license was considered a deliverable at the inception of the right-to-test agreement. Factors that were considered in determining the research license was not substantive included (i) the overall objective of the agreement is for CytomX to obtain a development and commercialization license, (ii) there are no exercise fees payable upon taking the development and

commercialization license, (iii) the limited economic benefit that CytomX could obtain from the right-to-test agreement unless CytomX was able to take the development and commercialization license, and (iv) the lack of economic penalties as a result of taking the license.

The Company has determined that the research license from the Company to CytomX together with the development and commercialization license from the Company to CytomX represent one unit of accounting as the research license does not have stand-alone value from the development and commercialization license due to the lack of transferability of the research license and the limited economic benefit CytomX would derive if they did not obtain any development and commercialization license. The Company has also determined that this unit of accounting has stand-alone value from the rights to future technological improvements and the research services. The rights to future technological improvements and the research services are considered separate units of accounting as each of these was determined to have stand-alone value. The rights to future technological improvements have stand-alone value as CytomX would be able to use those items for their intended purpose without the undelivered elements. The research services have stand-alone value as similar services are sold separately by other vendors.

The estimated selling price for the development and commercialization license is the Company's best estimate of selling price and was determined based on market conditions, similar arrangements entered into by third parties, including pricing terms offered by the Company's competitors for single-target development and commercialization licenses that utilize antibody-drug conjugate technology, and entity-specific factors such as the pricing terms of the Company's previous single-target development and commercialization licenses, recent preclinical and clinical testing results of therapeutic products that use the Company's ADC technology, and the Company's pricing practices and pricing objectives. In order to determine the best estimate of selling price, the Company determined the overall value of a license by calculating a risk-adjusted net present value of a recent, comparable transaction the Company entered into with another collaborator. This overall value was then decreased by risk-adjusting the net present value of the contingent consideration (the milestones and royalties) payable by CytomX under the development and commercialization license. This amount represents the value that a third party would be willing to pay as an upfront payment for this license to the Company's technology.

The estimated selling price of the rights to technological improvements is the Company's best estimate of selling price and was determined by estimating the probability that technological improvements will be made, and the probability that technological improvements made will be used by CytomX. In estimating these probabilities, the Company considered factors such as the technology that is the subject of the development and commercialization license, the Company's history of making technological improvements, and when such improvements, if any, were likely to occur relative to the stage of development of the product candidate pursuant to the development and commercialization license. The Company's estimate of probability considered the likely period of time that any improvements would be utilized, which was estimated to be ten years following delivery of the commercialization and development license. The value of any technological improvements made available after this ten year period was considered to be *de minimis* due to the significant additional costs that would be incurred to incorporate such technology into any existing product candidate. The estimate of probability was multiplied by the estimated selling price of the development and commercialization license and the resulting cash flow was discounted at a rate of 13%, representing the Company's estimate of its cost of capital at the time.

The estimated selling price of the research services was based on third-party evidence given the nature of the research services to be performed for CytomX and market rates for similar services.

The total allocable consideration of $13.1 million (which comprises the $13.0 million that a third party would be willing to pay as an upfront payment for this license to the Company's technology plus $140,000 for the fair value of fees for the research services to be provided) was allocated to the deliverables based on the relative selling price method as follows: $12.7 million to the development and commercialization license; $350,000 to the rights to future technological improvements and $140,000 to the research services. The Company will recognize as license revenue the amount of the total allocable consideration allocated to the development and commercialization license when the substitution right under the license expires, as discussed previously above. At that time, the amount of the total allocable consideration allocated to future technological improvements will commence to be recognized as revenue ratably over the period the Company is obligated to make available any technological improvements, which is the equivalent to the estimated term of the license. The Company estimates the term of a development and commercialization license to be approximately 25 years, which reflects management's estimate of the time necessary to develop and commercialize therapeutic products pursuant to the license plus the estimated royalty term. The Company will be required to reassess the estimated term at each subsequent reporting period.

No license fee revenue has been recognized related to this agreement through June 30, 2016 as the research license was not considered to be substantive and a non-substitutable development and commercialization license had not been delivered at this time. The period for CytomX to exercise its substitution right expired in January 2017. Accordingly, the $12.7 million allocated to the development and commercialization license is included in short-term deferred revenue as of December 31, 2016. The Company will recognize research services revenue as the related services are delivered.

The $13.1 million of total allocable consideration to be accounted for as revenue described above is also the amount that was used to account for the expense of the licenses and research services the Company received or will receive from CytomX. Based on an estimate of the research services that CytomX will be providing to the Company for no monetary consideration, $310,000 was allocated to such services and will be expensed over the period the services are provided. The balance of $12.8 million pertains to technology rights received and these amounts have been charged to research and development expense during the year ended June 30, 2014 upon execution of the research agreement.

Costs directly attributable to the CytomX collaborative agreement are comprised of compensation and benefits related to employees who provided research and development services on behalf of CytomX. Indirect costs are not identified to individual collaborators. The costs related to the research and development services amounted to approximately $427,000, $868,000 and $130,000 for the six-months ended December 31, 2016 and for fiscal years 2016 and 2015, respectively. There were no similar costs recorded in fiscal year 2014.

Takeda

In March 2015, the Company entered into a right-to-test agreement with Takeda Pharmaceutical Company Limited (Takeda) through its wholly owned subsidiary, Millennium Pharmaceuticals, Inc. The agreement provides Takeda with the right to (a) take exclusive options, with certain restrictions, to individual targets selected by Takeda for specified option periods, (b) test the Company's ADC technology with Takeda's antibodies directed to the targets optioned under a right-to-test, or research, license, and (c) take exclusive licenses to use the Company's ADC technology to develop and commercialize products to targets optioned for up to two individual targets on terms specified in the right-to-test agreement. Takeda must exercise its options for the development and commercialization licenses by the end of the three-year term of the right-to-test agreement, after which any then outstanding options will lapse. Takeda has the right to extend the three-year right-to-test period for one additional year by payment to the Company of $4 million. Alternatively, Takeda has the right to expand the scope of the right-to-test agreement by payment to the Company of $8 million. If Takeda opts to expand the scope of the right-to-test agreement, it will be entitled to take additional exclusive options, one of which may be exercised for an additional development and commercialization license, and the right-to test period will be extended until the fifth anniversary of the effective date of the right-to-test agreement. Takeda is responsible for the manufacturing, product development, and marketing of any products resulting from this collaboration.

The Company received a $20 million upfront payment in connection with the execution of the right-to-test agreement and, for each development and commercialization license taken, is entitled to receive up to a total of $210 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—$30 million; regulatory milestones—$85 million; and sales milestones—$95 million. The first potential milestone the Company will be entitled to receive will be a $5 million development milestone payment with the initiation of a Phase I clinical trial under the first development and commercialization license taken. At the time of execution of this agreement, there was significant uncertainty as to whether the milestone related to initiation of a Phase I clinical trial under the first development and commercialization license would be achieved. In consideration of this, as well as the Company's expected involvement in the research and manufacturing of these product candidates, this milestone was deemed substantive. The Company also is entitled to receive payments for delivery of cytotoxic agents to Takeda and research and development activities performed on behalf of Takeda.

In accordance with ASC 605-25 (as amended by ASU No. 2009-13), the Company identified all of the deliverables at the inception of the right-to-test agreement. The significant deliverables were determined to be the right-to-test, or research, license, the two exclusive development and commercialization licenses, rights to future technological improvements, the development and commercialization license contained in the option to expand the agreement and the research services. The options to obtain two development and commercialization licenses in the right-to-test agreement were determined not to be substantive and, as a result, the exclusive development and commercialization licenses were considered deliverables at the inception of the right-to-test agreement. Factors that were considered in determining the

options were not substantive included (i) the overall objective of the agreement was for Takeda to obtain development and commercialization licenses, (ii) no additional consideration required for each development and commercialization license taken beyond the $20 million upfront payment that was due at the inception of the right-to-test agreement, (iii) the limited economic benefit that Takeda could obtain from the right-to-test agreement unless it exercised its options to obtain development and commercialization licenses, and (iv) the lack of economic penalties as a result of exercising the options.

The option to expand the scope of the right-to-test agreement and obtain, among other deliverables, a third development and commercialization license was not determined to be substantive and, as a result, the third development and commercialization license was considered a deliverable at the inception of the right-to-test agreement. Factors that were considered in determining this option was not substantive included (i) the overall objective of the agreement was for Takeda to obtain development and commercialization licenses and (ii) the relative size of the $8 million option payment in exchange for this third development and commercialization license and two year extension of the right-to-test period when compared to the $20 million upfront payment in exchange for, among other deliverables, two development and commercialization licenses and the separate ability to extend the right-to-test period for one year in exchange for a $4 million payment.

The Company has determined that the research license together with the development and commercialization licenses represent one unit of accounting as the research license does not have stand-alone value from the development and commercialization licenses due to the lack of transferability of the research license and the limited economic benefit Takeda would derive if they did not obtain any development and commercialization licenses. The Company has also determined that this unit of accounting has stand-alone value from the rights to future technological improvements, the license contained in the option to expand the agreement and the research services. The license contained in the option to expand the agreement has stand-alone value as it would result in an additional license with which Takeda would derive economic benefit. The rights to future technological improvements have stand-alone value as Takeda would be able to use those items for their intended purpose without the undelivered elements. The research services have stand-alone value as similar services are sold separately by other vendors.

The estimated selling prices for the development and commercialization licenses are the Company’s best estimate of selling price and were determined based on market conditions, similar arrangements entered into by third parties, including pricing terms offered by our competitors for single-target development and commercialization licenses that utilize antibody-drug conjugate technology, and entity-specific factors such as the pricing terms of the Company’s previous single-target development and commercialization licenses, recent preclinical and clinical testing results of therapeutic products that use the Company’s ADC technology, and the Company’s pricing practices and pricing objectives. The estimated selling price of the rights to technological improvements is the Company’s best estimate of selling price and was determined by estimating the probability that technological improvements will be made, and the probability that technological improvements made will be used by Takeda. In estimating these probabilities, the Company considered factors such as the technology that is the subject of the development and commercialization licenses, our history of making technological improvements, and when such improvements, if any, were likely to occur relative to the stage of development of any product candidates pursuant to the development and commercialization licenses. The Company’s estimate of probability considered the likely period of time that any improvements would be utilized, which was estimated to be ten years following delivery of a commercialization and development license. The value of any technological improvements made available after this ten year period was considered to be de minimis due to the significant additional costs that would be incurred to incorporate such technology into any existing product candidates. The estimate of probability was multiplied by the estimated selling price of the development and commercialization licenses and the resulting cash flow was discounted at a rate of 13%, representing the Company’s estimate of its cost of capital at the time. The estimated selling price of the research services was based on third-party evidence given the nature of the research services to be performed for Takeda and market rates for similar services.

The total arrangement consideration of $31.4 million (which comprises the $20 million upfront payment, the $8 million payment to expand the agreement and the expected fees for the research services to be provided) was allocated to the deliverables based on the relative selling price method as follows: $25.9 million to the three development and commercialization licenses; $2.1 million to the rights to future technological improvements; and $3.4 million to the research services. The first license was taken by Takeda in December 2015, and as a result, the Company recognized $8.6 million of the $25.9 million of arrangement consideration allocated to the development and commercialization licenses, which is included in license and milestone fee revenue for the year ended June 30, 2016. With this first development and commercialization license taken, the amount of the total arrangement consideration allocated to future technological improvements will commence to be recognized as revenue ratably over the period the Company is

obligated to make available any technological improvements, which is the equivalent to the estimated term of the license. The Company estimates the term of a development and commercialization license to be approximately 25 years, which reflects management's estimate of the time necessary to develop and commercialize therapeutic products pursuant to the license plus the estimated royalty term. The Company will reassess the estimated term at each subsequent reporting period. The Company will recognize as license revenue an equal amount of the total remaining $17.3 million of arrangement consideration allocated to the development and commercialization licenses as each individual license is delivered to Takeda upon Takeda's exercise of its remaining options to such licenses. The Company does not control when Takeda will exercise its options for development and commercialization licenses. As a result, the Company cannot predict when it will recognize the related license revenue except that it will be within the term of the research license. The Company will recognize research services revenue as the related services are delivered.

Costs directly attributable to the Takeda collaborative agreement are comprised of compensation and benefits related to employees who provided research and development services on behalf of Takeda. Indirect costs are not identified to individual collaborators. The costs related to the research and development services amounted to approximately $678,000, $469,000 and $113,000 for the six-months ended December 31, 2016 and for fiscal years 2016 and 2015, respectively. There were no similar costs recorded in fiscal year 2014.

Other Collaborative Agreements

In December 2004, the Company entered into a development and license agreement with a predecessor to Janssen Biotech (formerly known as Centocor), a wholly owned subsidiary of Johnson & Johnson. Under the terms of this agreement, Janssen was granted exclusive worldwide rights to develop and commercialize anticancer therapeutics that consist of the Company's maytansinoid cell- killing agent attached to an αv integrin-targeting antibody that was developed by Janssen. Per notice to the Company, effective July 2014, Janssen relinquished its rights to the target. Accordingly, the Company recognized the remaining $241,000 of the $1 million upfront fee received from Janssen upon execution of the 2004 license agreement and is included in license and milestone fee revenue for the fiscal year ended June 30, 2015.

D. Property and Equipment

Property and equipment consisted of the following at December 31, 2016, and June 30, 2016 and 2015 (in thousands):

	December 31, 2016	June 30, 2016	June 30, 2015
Leasehold improvements	$ 36,584	$ 34,743	$ 32,355
Machinery and equipment	23,535	24,324	18,398
Computer hardware and software	8,395	8,277	6,897
Furniture and fixtures	3,705	3,636	3,290
Assets under construction	124	2,327	2,361
	$ 72,343	$ 73,307	$ 63,301
Less accumulated depreciation	(52,845)	(50,603)	(47,047)
Property and equipment, net	$ 19,498	$ 22,704	$ 16,254

Depreciation expense was approximately $3.1 million for the six months ended December 31, 2016 and $5.3 million, $5.5 million and $4.6 million for each of the years ended June 30, 2016, 2015 and 2014, respectively. Included in the table above, the Company's investment in equipment under capital leases was $583,000, $876,000 and $724,000 net of accumulated amortization of $290,000, $414,000 and $190,000, at December 31, 2016, June 30, 2016 and June 30, 2015, respectively.

E. Convertible 4.5% Senior Notes

In June 2016, the Company issued Convertible 4.5% Senior Notes with an aggregate principal amount of $100 million. The Company received net proceeds of approximately $96.6 million from the sale of the Convertible Notes, after deducting fees and expenses of approximately $3.4 million.

The Convertible Notes are governed by the terms of an indenture between the Company, as issuer, and Wilmington Trust, National Association, as the trustee. The Convertible Notes are senior unsecured obligations and bear

interest at a rate of 4.5% per year, payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2017. The Company recorded approximately $2.3 million and $138,000 of interest expense for the six months ended December 31, 2016 and the year ended June 30, 2016 which is included in other (expense) income, net in the consolidated statements of operations. The Convertible Notes will mature on July 1, 2021, unless earlier repurchased or converted. Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding the stated maturity date. Upon conversion, the Company will deliver for each $1,000 principal amount of converted notes a number of shares equally to the conversion rate, which will initially be 238.7775 shares of common stock, equivalent to an initial conversion price of approximately $4.19. The conversion rate will be subject to adjustment in some circumstances, but will not be adjusted for any accrued and unpaid interest. In addition, if a “make-whole fundamental change” (as defined in the offering memorandum) occurs prior to the stated maturity date, the Company will increase the conversion rate for a holder who elects to convert its notes in connection with such make-whole fundamental change in certain circumstances. If the Company undergoes a fundamental change, subject to certain conditions, holders may require the Company to repurchase for cash all or part of their notes at a purchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change purchase date. In addition, upon an event of default, the holders may require the Company to repurchase for cash all of their notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest. Upon bankruptcy, this becomes an automatic repurchase obligation. Also, if the Company fails to comply with certain reporting requirements as described in the indenture it will constitute an event of default, however the Company may elect to pay additional interest at an annual rate equal to 0.5% of the principal amount for the 90 days following such event as a remedy for the default. Subsequent to the 90 days, if still in default, the principal amount of the notes and accrued interest may become immediately due and payable. If a “restricted event” occurs as described in the indenture that causes the notes not to become freely tradable by holders other than our affiliates after the first anniversary of the original issuance date of the notes, the Company would also become obligated to pay additional interest at an annual rate equal to 0.5% of the principal amount. The combined additional interest rate under these two circumstances, however, cannot exceed 0.5%.

The Company analyzed the terms of the Convertible Notes and determined that under current accounting guidance the notes would be entirely accounted for as debt and none of the terms of the notes require separate accounting. As part of the issuance of the Convertible Notes, the Company incurred $3.4 million of transaction costs, which are netted against the Convertible Notes in the accompanying consolidated balance sheet as and are being amortized to interest expense ratably over the term of the Convertible Notes.

F. Liability Related to Sale of Future Royalties

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

The following table shows the activity within the liability account during the six months ended December 31, 2016 and the period from inception (in thousands):

	Six Months Ended December 31, 2016	Period from inception to December 31, 2016
Liability related to sale of future royalties, net — beginning balance	$ 188,899	$ —
Proceeds from sale of future royalties, net	—	194,135
Non-cash Kadcyla royalty revenue	(12,894)	(43,677)
Non-cash interest expense recognized	8,323	33,870
Liability related to sale of future royalties, net — ending balance	$ 184,328	$ 184,328

As royalties are remitted to IRH, the balance of the Royalty Obligation will be effectively repaid over the life of the agreement. In order to determine the amortization of the Royalty Obligation, the Company is required to estimate the total amount of future royalty payments to be received and remitted to IRH as noted above over the life of the agreement. The sum of these amounts less the $200 million proceeds the Company received will be recorded as interest expense over the life of the Royalty Obligation. Since inception, the Company's estimate of this total interest expense resulted in an effective annual interest rate of approximately 7.7%. The Company periodically assesses the estimated royalty payments to IRH and to the extent such payments are greater or less than its initial estimates, or the timing of such payments is materially different than its original estimates, the Company will prospectively adjust the amortization of the Royalty Obligation. There are a number of factors that could materially affect the amount and timing of royalty payments from Genentech, most of which are not within the Company's control. Such factors include, but are not limited to, changing standards of care, the introduction of competing products, manufacturing or other delays, biosimilar competition, patent protection, adverse events that result in governmental health authority imposed restrictions on the use of the drug products, significant changes in foreign exchange rates as the royalties remitted to IRH are made in U.S. dollars (USD) while significant portions of the underlying sales of Kadcyla are made in currencies other than USD, and other events or circumstances that could result in reduced royalty payments from Kadcyla, all of which would result in a reduction of non-cash royalty revenues and the non-cash interest expense over the life of the Royalty Obligation. Conversely, if sales of Kadcyla are more than expected, the non-cash royalty revenues and the non-cash interest expense recorded by the Company would be greater over the term of the Royalty Obligation.

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

G. Income Taxes

The difference between the Company's expected tax benefit, as computed by applying the U.S. federal corporate tax rate of 34% to loss before the benefit for income taxes, and actual tax is reconciled in the following chart (in thousands):

	Six Months Ended December 31,	Year Ended June 30,		
	2016	2016	2015	2014
Loss before income tax expense	$ (78,883)	$ (144,817)	$ (60,739)	$ (71,364)
Expected tax benefit at 34%	$ (26,820)	$ (49,238)	$ (20,651)	$ (24,264)
Permanent differences	15	345	818	215
Incentive stock options	1,313	2,501	1,948	1,738
State tax benefit net of federal benefit	(4,157)	(7,954)	(3,252)	(4,062)
Increase in valuation allowance, net	32,922	62,505	27,940	26,011
Federal research credit	(1,232)	(4,109)	(1,407)	(1,002)
Federal orphan drug credit	(2,901)	(4,241)	(5,471)	—
Expired loss and credit carryforwards	—	184	75	1,364
Stock option expirations	860	7	—	—
Benefit for income taxes	$ —	$ —	$ —	$ —

At December 31, 2016, the Company has net operating loss, or NOL, carryforwards of approximately $476.4 million available to reduce federal taxable income, if any, that expire in 2028 through 2036 and $308.3 million

available to reduce state taxable income, if any, that expire in fiscal 2033 through fiscal 2036. Included in the federal and state carryforwards is $27.0 million and $23.3 million, respectively, related to deductions from the exercise of stock options and the related tax benefit which will result in an increase in additional paid-in capital if and when realized through a reduction of taxes paid in cash. The Company also has federal and state credit carryforwards of approximately $46.9 million available to offset federal and state income taxes, which expire beginning in 2017. Due to the degree of uncertainty related to the ultimate use of the loss carryforwards and tax credits, the Company has established a valuation allowance to fully reserve these tax benefits.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2016, and June 30, 2016 and 2015 are as follows (in thousands):

	December 31, 2016	June 30, 2016	June 30, 2015
Deferred tax assets:			
Net operating loss carryforwards	$ 167,869	$ 139,791	$ 89,362
Research and development tax credit carryforwards	43,096	36,879	25,131
Property and other intangible assets	2,982	2,395	2,532
Deferred revenue	13,205	12,911	16,179
Stock-based compensation	16,794	16,033	11,379
Deferred lease incentive	4,264	4,356	4,279
Other liabilities	2,107	3,726	3,177
Royalty sale	73,973	75,956	78,427
Total deferred tax assets	$ 324,290	$ 292,047	$ 230,466
Deferred tax liabilities:			
Accounting method change	—	(492)	(983)
Royalty sale transaction costs	(1,569)	(1,757)	(2,190)
Total deferred tax liabilities	$ (1,569)	$ (2,249)	$ (3,173)
Valuation allowance	(322,721)	(289,798)	(227,293)
Net deferred tax assets/(liabilities)	$ —	$ —	$ —

The Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. As required by the provisions of ASC 740, the Company has determined that it is not more-likely-than-not that the tax benefits related to the federal and state deferred tax assets will be realized for financial reporting purposes. Accordingly, the deferred tax assets have been fully reserved at December 31, 2016, and June 30, 2016 and 2015. The valuation allowance increased by $32.9 million during the six months ended December 31, 2016 due primarily to additional net loss incurred during the year and additional research and development tax credits earned during the year, partially offset by the expiration of net operating loss carryforwards.

Utilization of the NOL and credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred previously or that could occur in the future as provided by Section 382 of the Internal Revenue Code of 1986, as well as similar state and foreign provisions. These ownership changes may limit the amount of NOL and credit carry forwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. Since the Company's formation, it has raised capital through the issuance of capital stock on several occasions (both pre and post initial public offering) which, combined with the purchasing shareholders' subsequent disposition of those shares, may have resulted in a change of control, as defined by Section 382, or could result in a change of control in the future upon subsequent disposition. During fiscal year 2015, the Company completed a study to assess whether a change of control has occurred or whether there have been multiple changes of control since its formation and determined no ownership change occurred under Section 382. The study has not been updated beyond fiscal year 2015. Additionally, the Company has not completed a Research and Development Credit Study; accordingly, it is probable that a portion of the tax credit carryforward may not be available to offset future income.

The Company accounts for uncertain tax positions under the recognition and measurement criteria of ASC 740-10. For those tax positions for which it is more likely than not that a tax benefit will be sustained, the Company records the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. If the Company does not believe that it is not more likely than not that a tax benefit will be sustained, no tax benefit is recognized. As of December 31, 2016, June 30, 2016 and 2015, no uncertain tax positions have been recorded. Interest and penalties related to the settlement of uncertain tax positions, if any, will be reflected in income tax expense. The Company did not recognize any interest and penalties associated with unrecognized tax benefits in the accompanying consolidated financial statements. The Company does not expect any material changes to the unrecognized benefits within 12 months of the reporting date. Due to existence of the valuation allowance, future changes in the Company's unrecognized tax benefits will not impact our effective tax rate.

The statute of limitations for assessment by the Internal Revenue Service, or IRS, and state tax authorities is open for tax years ending June 30, 2013, 2014, 2015, 2016, and December 31, 2016, although carryforward attributes that were generated prior to fiscal year 2013 may still be adjusted upon examination by the IRS or state tax authorities if they either have been or will be used in a future period.

H. Capital Stock

Common Stock Reserved

At December 31, 2016, the Company has reserved 19.7 million shares of authorized common stock for the future issuance of shares under the 2006 and 2016 Plans and the 2004 Director Plan. See "Stock-Based Compensation" in Note B for a description of the 2016 Plan and below for a description of the 2004 Director Plan.

Stock Options

As of December 31, 2016, the 2016 Plan was the only employee share-based compensation plan of the Company under which grants can be made. During the six-months ended December 31, 2016, there were no options exercised.

The Company granted options with an exercise price equal to the fair market value of the common stock on the date of such grant. The following options and their respective weighted-average exercise prices per share were exercisable at December 31, 2016 and June 30, 2016, 2015 and 2014:

	Exercisable (in thousands)	Weighted-Average Exercise Price
December 31, 2016	7,898	$ 13.15
June 30, 2016	6,453	$ 12.63
June 30, 2015	5,380	$ 11.89
June 30, 2014	4,637	$ 9.79

2001 Non-Employee Director Stock Plan

In November 2001, the Company's shareholders approved the establishment of the 2001 Non-Employee Director Stock Plan, or the 2001 Director Plan, and 50,000 shares of common stock to be reserved for grant thereunder. The 2001 Director Plan provided for the granting of awards to Non-Employee Directors and, at the election of Non-Employee Directors, to have all or a portion of their awards in the form of cash, stock, or stock units. All stock or stock units are immediately vested. The number of stock or stock units issued was determined by the market value of the Company's common stock on the last date of the Company's fiscal quarter for which the services are rendered. The 2001 Director Plan was administered by the Board of Directors which was authorized to interpret the provisions of the 2001 Director Plan, determine which Non-Employee Directors would be granted awards, and determine the number of shares of stock for which a stock right will be granted. The 2001 Director Plan was replaced in 2004 by the 2004 Non-Employee Director Compensation and Deferred Share Unit Plan.

During the six-months ended December 31, 2016 and the fiscal years ended June 30, 2016, 2015 and 2014, the Company recorded approximately $(7,000), $(72,000), $16,000, and $(30,000) in (expense reduction) compensation expense, respectively, related to approximately 6,000 stock units outstanding under the 2001 Director Plan. The value of

the stock units is adjusted to market value at each reporting period. No stock units have been issued under the 2001 Plan subsequent to June 30, 2004.

2004 Non-Employee Director Compensation and Deferred Share Unit Plan

In June 2004, the Board of Directors approved the establishment of the 2004 Non-Employee Director Compensation and Deferred Share Unit Plan, or the 2004 Director Plan. The 2004 Director Plan provided for the compensation of Non-Employee Directors, awarding their annual retainers in the form of deferred share units, and, at their discretion, to have all or a portion of their other compensation such as meeting fees in the form of cash or deferred share units. The deferred share units for annual retainers vested one-twelfth monthly over the next year after the award; other deferred share units vested immediately upon issuance. The number of deferred share units issued was determined by the market value of the Company's common stock on the last date of the Company's fiscal year prior to the fiscal year for which services were rendered. The deferred share units were to be paid out in cash to each non-employee director based upon the market value of the Company's common stock on the date of such director's retirement from the Board of Directors of the Company. The 2004 Director Plan was administered by the Board of Directors.

The 2004 Director Plan was amended on September 5, 2006. Under the terms of the amended 2004 Director Plan, the redemption amount of deferred share units will be paid in shares of common stock of the Company under the 2006 Plan in lieu of cash. As a result of the change in payout structure, the value of the vested awards was transferred to additional paid-in capital as of the modification date and the total value of the awards, as calculated on the modification date, was expensed over the remainder of the vesting period. Accordingly, the value of the share units is fixed and will no longer be adjusted to market value at each reporting period. In addition, the amended 2004 Director Plan changed the vesting for annual retainers to take place quarterly over the three years after the award and the number of deferred share units awarded for all compensation is now based on the market value of the Company's common stock on the date of the award.

Compensation Policy for Non-Employee Directors

On September 16, 2009, the Board adopted a new Compensation Policy for Non-Employee Directors, which superseded the 2004 Plan and made certain changes to the compensation of its non-employee directors. The policy was amended on November 11, 2009 to provide that, whenever the Board has a non-employee Chairman in lieu of a Lead Director, the cash payment for the non-employee Chairman of the Board shall be the same as the cash compensation that would otherwise have been payable to the Lead Director. Effective November 12, 2009, non-employee directors became entitled to receive annual meeting fees and committee fees under the new policy. The new policy made changes to the equity portion of the non-employee director compensation, but left the cash portion unchanged. Effective November 11, 2009, non-employee directors became entitled to receive deferred stock units under the new policy as follows:

- New non-employee directors will be initially awarded a number of deferred stock units having an aggregate market value of $65,000, based on the closing price of our common stock on the date of their initial election to the Board. These awards will vest quarterly over three years from the date of grant, contingent upon the individual remaining a director of ImmunoGen as of each vesting date.

- On the first anniversary of a non-employee director's initial election to the Board, such non-employee director will be awarded a number of deferred stock units having an aggregate market value of $30,000, based on the closing price of our common stock on such date of grant and pro-rated based on the number of whole months remaining between the first day of the month in which such grant date occurs and the first October 31 following the grant date. These awards will generally vest quarterly over approximately the period from the grant date to the first November 1 following the grant date, contingent upon the individual remaining a director of ImmunoGen as of each vesting date.

- Thereafter, non-employee directors in general will be annually awarded a number of deferred stock units having an aggregate market value of $30,000, based on the closing price of our common stock on the date of our annual meeting of shareholders. These awards will vest quarterly over approximately one year from the date of grant, contingent upon the individual remaining a director of ImmunoGen as of each vesting date.

As with the 2004 Plan, vested deferred stock units are redeemed on the date a director ceases to be a member of the Board, at which time such director's deferred stock units will be settled in shares of our common stock issued under our 2006 Plan at a rate of one share for each vested deferred stock unit then held. Any deferred stock units that remain unvested at that time will be forfeited. The new policy provides that all unvested deferred stock units will automatically vest immediately prior to the occurrence of a change of control, as defined in the 2006 Plan. Pursuant to the

Compensation Policy for Non- Employee Directors, the Company issued retiring directors 53,248 shares of common stock in January 2017 and 43,615 shares of common stock in November 2013 .

In connection with the adoption of the new compensation policy, the Board also amended the 2004 Plan as follows:

- All unvested deferred stock awards (other than any unvested initial awards) were vested in full on September 16, 2009 unless the date such deferred stock units were credited to the non-employee director was less than one year prior to September 16, 2009, in which case such unvested deferred stock units will vest on the first anniversary of the date such deferred stock units were credited to the non-employee director.

- All unvested deferred stock awards will automatically vest immediately prior to the occurrence of a change of control.

On September 22, 2010, the Board revised the Compensation Policy for Non-Employee Directors to provide that, in addition to the compensation they received previously, they would also become entitled to receive stock option awards having a grant date fair value of $30,000, determined using the Black- Scholes option pricing model measured on the date of grant, which would be the date of the annual meeting of shareholders.

On November 12, 2013, the Board amended the Compensation Policy for Non-Employee Directors to make certain changes to the compensation of its non-employee directors, including an increase in the fees paid in cash to the non-employee directors. Under the terms of the amended policy, the redemption amount of deferred share units issued will continue to be paid in shares of common stock of the Company on the date a director ceases to be a member of the Board. Annual retainers vest quarterly over approximately one year from the date of grant, contingent upon the individual remaining a director of ImmunoGen as of each vesting date. The number of deferred share units awarded is now fixed per the plan on the date of the award and is no longer based on the market price of the Company's common stock on the date of the award. All unvested deferred stock awards will automatically vest immediately prior to the occurrence of a change of control.

In addition to the deferred share units, the Non-Employee Directors are now also entitled to receive a fixed number of stock options instead of a fixed grant date fair value of options, determined using the Black-Scholes option pricing model measured on the date of grant, which would be the date of the annual meeting of shareholders. These options vest quarterly over approximately one year from the date of grant. Any new directors will receive a pro-rated award, depending on their date of election to the Board. The directors received a total of 40,000 options in the six months ended December 31, 2016 and 80,000 options in each fiscal year ended 2016, 2015 and 2014, and the related compensation expense is included in the amounts discussed in the "Stock-Based Compensation" section of footnote B above.

On December 9, 2016 the Board amended the Compensation Policy for Non-Employee Directors to create a transition period due to the change in the year-end. Effectively, one-half of the annual compensation awards described above were awarded to the directors on December 9, 2016 and a full-year's compensation will be awarded at the date of the next annual meeting.

Pursuant to the Compensation Policy for Non-Employee Directors, as amended, the Company recorded approximately:

- $215,000 in compensation expense during the six months ended December 31, 2016 related to the grant of 37,000 deferred share units and 12,000 deferred share units previously granted;

- $380,000 in compensation expense during the year ended June 30, 2016 related to the grant of 41,000 deferred share units and 12,000 deferred share units previously granted;

- $389,000 in compensation expense during the year ended June 30, 2015 related to the grant of 31,000 deferred share units and 15,000 deferred share units previously granted; and

- $433,000 in compensation expense during the year ended June 30, 2014 related to the grant of 28,000 deferred share units and 19,000 deferred share units previously granted.

I. Restructuring Charge

On September 26, 2016, the Board of Directors approved a plan to reengineer the business, resulting in a reduction of the workforce by approximately 17%, or 65 positions, which included the separation of 60 current employees. Communication of the plan to the impacted employees was substantially completed on September 29, 2016. All of the workforce reduction was completed as of December 31, 2016. As a result of the workforce reduction, in the six months ended December 31, 2016, the Company recorded a restructuring charge totaling $4.4 million related to termination benefits and other related charges, of which $2.8 million was recorded as a one-time termination benefit, and $593,000 recorded as a benefit under an ongoing benefit plan. The related cash payments initiated in October 2016 and will be substantially paid out by June 30, 2017. Additionally, approximately 762,000 stock options forfeited in connection with the workforce reduction, and as a result, the Company recorded an approximate $837,000 credit to stock compensation expense which is included in research and development expense and general and administrative expense for the six months ended December 31, 2016.

In addition to the termination benefits and other related charges, the Company is seeking to sub-lease 10,281 square feet of unoccupied office space in Waltham that was leased in February 2016. Based on an estimate of the potential time it will take to find a tenant of approximately nine months, the anticipated sub-lease terms, and consideration of the tenant allowance that was given to the Company to build out the space, the Company determined it did not need to record a loss on the sub-lease. The Company also evaluated the balance of the leasehold improvements for potential impairment as of September 30, 2016. In performing the recoverability test, the Company concluded that a substantial portion of the leasehold improvements were not recoverable. The Company recorded an impairment charge of $970,000 related to these assets after comparing the fair value (using probability weighted scenarios with discounted cash flows) to the leasehold improvements' carrying value, leaving a $193,000 remaining cost basis.

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

	Employee Termination Benefit Costs
Initial charge related to employee benefits	$ 3,135
Additional charge in Q2	273
Payments for the period	(1,657)
Balance December 31, 2016	$ 1,751

In September 2016, the Compensation Committee of the Board of Directors approved cash and stock option retention incentive awards for certain remaining eligible employees who continue employment with the Company in order to execute the Company's strategic priorities. The cash awards will be payable to these employees in either October 2017 or March 2018 based on continued employment and services performed during these periods. Stock option awards covering 847,000 shares were granted and will vest annually in equal installments over three years from the date of grant and are included in the option summary table within the "Stock-Based Compensation" section of Note B above.

J. Commitments and Contingencies

Leases

The Company currently has a lease agreement with CRP/King 830 Winter L.L.C. for the rental of approximately 110,000 square feet of laboratory and office space at 830 Winter Street, Waltham, MA through March 2026. The Company uses this space for its corporate headquarters and other operations. The Company may extend the lease for two additional terms of five years. Pursuant to lease amendments executed in December 2013, April 2014, and December 2015 the Company received construction allowances of approximately $746,000, $1.1 million, and $186,000 respectively, to build out office and lab space to the Company's specifications. The Company is required to pay certain operating expenses for the leased premises subject to escalation charges for certain expense increases over a base amount.

In February 2016, the Company entered into a lease agreement with PDM 930 Unit, LLC for the rental of 10,281 square feet of additional office space at 930 Winter Street, Waltham, MA through August 31, 2021. The Company received approximately $617,000 as a construction allowance to build out the office space to the Company's specifications. The Company is required to pay certain operating expenses for the leased premises based on its pro-rata

share of such expenses for the entire rentable space of the building. The Company is actively seeking to sub-lease this space.

The Company also leases 43,850 square feet of manufacturing and office space at 333 Providence Highway, Norwood, MA under an agreement through 2018 with an option to extend the lease for an additional term of five years. The Company is required to pay certain operating expenses for the leased premises subject to escalation charges for certain expense increases over a base amount.

Effective April 2013, the Company entered into a lease agreement with River Ridge Limited Partnership for the rental of 7,507 square feet of additional office space at 100 River Ridge Drive, Norwood, MA. The initial term of the lease was for five years and two months commencing in July 2013 with an option for the Company to extend the lease for an additional term of five years. The Company is required to pay certain operating expenses for the leased premises subject to escalation charges for certain expense increases over a base amount. The Company entered into a sublease in December 2014 for this space, effective January 2015 through the remaining initial term of the lease.

Facilities rent expense, net of sublease income, was approximately $3.5 million, $6.5 million, $6.0 million and $5.4 million during the six months ended December 31, 2016 and fiscal years 2016, 2015 and 2014, respectively.

As of December 31, 2016, the minimum rental commitments, including real estate taxes and other expenses, for the next five fiscal years and thereafter under the non-cancelable operating lease agreements discussed above are as follows (in thousands):

2017	$ 7,946
2018	7,736
2019	7,235
2020	7,283
2021	7,107
Thereafter	30,794
Total minimum lease payments	$ 68,101
Total minimum rental income from subleases	(190)
Total minimum lease payments, net	$ 67,911

There are no obligations under capital leases as of December 31, 2016, as all of the capital leases were single payment obligations which have all been made.

Collaborations and Licenses

The Company is contractually obligated to make potential future success-based regulatory milestone payments in conjunction with certain collaborative agreements. These payments are contingent upon the occurrence of certain future events and, given the nature of these events, it is unclear when, if ever, the Company may be required to pay such amounts. Further, the timing of any future payment is not reasonably estimable. As of December 31, 2016, the maximum amount that may be payable in the future under the Company's current collaborative agreements is $162 million, $1.4 million of which is reimbursable by a third party under a separate agreement.

In addition, the Company is party to a license agreement covering the manufacture of the antibodies used in certain of product candidates which, under certain circumstances, requires periodic payments once the product reaches a specified stage of clinical development, and royalties on commercial sales of the product. The Company believes that the license agreement, by its terms, does not obligate it to make any further payments thereunder and accordingly, has not accrued a potential payment of £300,000 for one of its product candidates that has reached this stage.

Manufacturing Commitments

As of December 31, 2016, the Company has noncancelable obligations under several agreements related to in-process and future manufacturing of antibody and cytotoxic agents required for clinical supply of the Company's product candidates totaling $7.2 million, all of which will be paid in calendar 2017.

In February 2017, the Company executed a letter agreement with one of its antibody manufacturers to reserve capacity through calendar 2021. The total commitment over the five-year term of the agreement is €46.2 million, however only €4.2 million euros is noncancelable at the time of execution of the agreement.

Litigation

The Company is not party to any material litigation.

K. Employee Benefit Plans

The Company has a deferred compensation plan under Section 401(k) of the Internal Revenue Code (the 401(k) Plan). Under the 401(k) Plan, eligible employees are permitted to contribute, subject to certain limitations, up to 100% of their gross salary and the Company's matching contribution is 50% of the first 6% of the eligible employees' contributions. In the six months ended December 31, 2016 and fiscal years 2016, 2015 and 2014, the Company's contributions to the 401(k) Plan totaled approximately $536,000, $1.1 million, $875,000, and $710,000, respectively.

L. Quarterly Financial Information (Unaudited)

	Six Month Transition Period	
	Quarter Ended September 30, 2016	Quarter Ended December 31, 2016
	(In thousands, except per share data)	
Revenues:		
License and milestone fees	$ 76	$ 5,076
Royalty revenue	—	—
Non-cash royalty revenue related to the sale of future royalties	6,184	6,710
Research and development support	1,354	1,427
Clinical materials revenue	46	633
Total revenues	7,660	13,846
Expenses:		
Research and development	32,909	33,657
General and administrative	9,459	8,536
Restructuring charge	4,130	301
Total expenses	46,498	42,494
Loss from operations	(38,838)	(28,648)
Non-cash interest expense on liability related to sale of future royalty and convertible senior notes	(5,018)	(3,647)
Interest expense on senior convertible notes	(1,150)	(1,099)
Other income (expense), net	275	(758)
Net loss	$ (44,731)	$ (34,152)
Basic and diluted net loss per common share	$ (0.51)	$ (0.39)

	Fiscal Year 2016			
	First Quarter Ended September 30, 2015	Second Quarter Ended December 31, 2015	Third Quarter Ended March 31, 2016	Fourth Quarter Ended June 30, 2016
	(In thousands, except per share data)			
Revenues:				
License and milestone fees	$ 6,070	$ 10,692	$ 10,077	$ 76
Royalty revenue	—	195	—	—
Non-cash royalty revenue related to the sale of future royalties	5,684	6,291	7,380	5,944
Research and development support	772	848	1,059	1,335
Clinical materials revenue	2,325	3	1,198	53
Total revenues	14,851	18,029	19,714	7,408
Expenses:				
Research and development	35,132	38,199	36,094	38,652
General and administrative	8,329	8,054	11,235	9,298
Total expenses	43,461	46,253	47,329	47,950
Loss from operations	(28,610)	(28,224)	(27,615)	(40,542)
Non-cash interest expense on liability related to sale of future royalty and convertible senior notes	(5,143)	(5,059)	(4,972)	(4,956)
Other income (expense), net	13	56	659	(424)
Net loss	$ (33,740)	$ (33,227)	$ (31,928)	$ (45,922)
Basic and diluted net loss per common share	$ (0.39)	$ (0.38)	$ (0.37)	$ (0.53)

	Fiscal Year 2015			
	First Quarter Ended September 30, 2014	Second Quarter Ended December 31, 2014	Third Quarter Ended March 31, 2015	Fourth Quarter Ended June 30, 2015
	(In thousands, except per share data)			
Revenues:				
License and milestone fees	$ 6,234	$ 41,417	$ 5,078	$ 5,086
Royalty revenue	4,166	4,625	5,099	(23)
Non-cash royalty revenue related to the sale of future royalties	—	—	—	5,484
Research and development support	776	832	532	708
Clinical materials revenue	2,027	1,426	718	1,356
Total revenues	13,203	48,300	11,427	12,611
Expenses:				
Research and development	28,018	27,647	25,666	30,437
General and administrative	7,095	6,872	7,000	7,261
Total expenses	35,113	34,519	32,666	37,698
(Loss) income from operations	(21,910)	13,781	(21,239)	(25,087)
Non-cash interest expense on liability related to sale of future royalty	—	—	—	(5,437)
Other (expense) income, net	(372)	(146)	(379)	50
Net (loss) income	$ (22,282)	$ 13,635	$ (21,618)	$ (30,474)
Basic and diluted net (loss) income per common share	$ (0.26)	$ 0.16	$ (0.25)	$ (0.35)

M. Stub Period Comparative Data (Unaudited)

The condensed consolidated statement of earnings for the six months ended December 31, 2015 is as follows:

	Six Months Ended December 31, 2015
Revenues:	
License and milestone fees	$ 16,762
Royalty revenue	195
Non-cash royalty revenue related to the sale of future royalties	11,975
Research and development support	1,620
Clinical materials revenue	2,328
Total revenues	32,880
Operating Expenses:	
Research and development	73,331
General and administrative	16,383
Total operating expenses	89,714
Loss from operations	(56,834)
Investment income, net	111
Non-cash interest expense on liability related to the sale of future royalties and convertible senior notes	(10,202)
Interest expense on convertible senior notes	—
Other expense, net	(42)
Net loss	$ (66,967)
Basic and diluted net loss per common share	$ (0.77)

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

1. Disclosure Controls and Procedures

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

2. Internal Control Over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the U.S. and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2016. In making this assessment, management used the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in 2013.

Based on this assessment, management has concluded that, as of December 31, 2016 our internal control over financial reporting is effective.

Ernst & Young LLP, our independent registered public accounting firm, has issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2016. This report appears immediately below.

(b) Attestation Report of the Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of ImmunoGen, Inc.

We have audited ImmunoGen, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)(the COSO criteria). ImmunoGen, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, ImmunoGen, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ImmunoGen, Inc. as of December 31, 2016, June 30, 2016 and June 30, 2015, and the related consolidated statements of operations and comprehensive loss, shareholders' (deficit) equity and cash flows for the six month transition period ended December 31, 2016 and each of the three years in the period ended June 30, 2016 of ImmunoGen, Inc. and our report dated March 3, 2017 expressed an unqualified opinion thereon that included an explanatory paragraph regarding ImmunoGen Inc.'s ability to continue as a going concern.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 3, 2017

(c) Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

3. Limitations on the Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or its internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within an organization have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake.

Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. ***Other Information***

On March 3, 2017, we entered into a Sales Agreement, or the Sales Agreement, with Cowen and Company, LLC, or Cowen, as sales agent, pursuant to which we may offer and sell, from time to time, through Cowen, shares of our common stock having an aggregate offering price of up to $50.0 million.

We are not obligated to sell any shares under the Sales Agreement. Subject to the terms and conditions of the Sales Agreement, Cowen will use commercially reasonable efforts consistent with its normal trading and sales practices, applicable state and federal law, rules and regulations and the rules of The NASDAQ Global Select Market to sell shares from time to time based upon our instructions, including any price, time or size limits specified by us. Under the Sales Agreement, Cowen may sell shares by any method deemed to be an "at the market offering" as defined in Rule 415(a)(4) under the Securities Act of 1933, as amended. Cowen's obligations to sell shares under the Sales Agreement are subject to satisfaction of certain conditions, including the effectiveness of a registration statement on Form S-3 covering the shares of common stock that may be sold by Cowen under the Sales Agreement we expect to file with the Securities and Exchange Commission, or SEC, shortly after the filing of this report. We will pay Cowen a commission of up to 3.0% of the aggregate gross proceeds from each sale of shares and have agreed to provide Cowen with customary indemnification and contribution rights. We have also agreed to reimburse Cowen for the reasonable and documented fees and expenses of its outside legal counsel, not to exceed $50,000 in the aggregate, in connection with entering into the Sales Agreement as well as certain other expenses, including Cowen's FINRA counsel fees in an amount up to $12,500.

The offering of shares of our common stock pursuant to the Sales Agreement will terminate upon the termination of the Sales Agreement as permitted therein. We and Cowen may each terminate the Sales Agreement at any time upon five days' prior notice.

The foregoing summary of the Sales Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Sales Agreement, a copy of which we will file with the registration statement referred to above.

Shares sold under the Sales Agreement will be issued pursuant to the registration statement referred to above and the sales agreement prospectus that will form a part of such registration statement, following such time as the registration statement is declared effective by the SEC. This report shall not constitute an offer to sell or the solicitation of an offer to buy any shares under the Sales Agreement, nor shall there be any sale of such shares in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

PART III

The information called for by Part III of Form 10-K (Item 10—Directors, Executive Officers and Corporate Governance of the Registrant, Item 11—Executive Compensation, Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, Item 13—Certain Relationships and Related Transactions, and Director Independence, and Item 14—Principal Accounting Fees and Services) is incorporated by reference from our proxy statement related to our 2016 transition period meeting of shareholders, which will be filed with the Securities and Exchange Commission not later than April 30, 2017 (120 days after the end of the year covered by this report), except that information required by Item 10 concerning our executive officers appears in Part I, Item 3.1 of this report.

PART IV

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

(a) Financial Statements:

(1) See "Index to Consolidated Financial Statements" at Item 8 of this report. Schedules not included herein are omitted because they are not applicable or the required information appears in the accompanying Consolidated Financial Statements or Notes thereto.

(2) See Exhibit Index following the signature page to this report.

Item 16. Summary Page

None

SIGNATURES

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

Immunogen, Inc.

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

Dated: March 3, 2017

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

Signature	Title	Date
/s/ Mark J. Enyedy Mark J. Enyedy	President, Chief Executive Officer and Director (Principal Executive Officer)	March 3, 2017
/s/ David B. Johnston David B. Johnston	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 3, 2017
/s/ Stephen McCluski Stephen McCluski	Chairman of the Board of Directors	March 3, 2017
/s/ Daniel M. Junius Daniel M. Junius	Director	March 3, 2017
/s/ Mark Goldberg, M.D. Mark Goldberg, M.D.	Director	March 3, 2017
/s/ Dean Mitchell Dean Mitchell	Director	March 3, 2017
/s/ Kristine Peterson Kristine Peterson	Director	March 3, 2017
/s/ Howard Pien Howard Pien	Director	March 3, 2017
/s/ Joseph Villafranca Ph.D. Joseph Villafranca, Ph.D.	Director	March 3, 2017
/s/ Richard Wallace Richard Wallace	Director	March 3, 2017

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC	Exhibit Number
3.1	Restated Articles of Organization, as amended		10-Q	April 30, 2010	3.1
3.1(a)	Articles of Amendment		10-Q	January 30, 2013	3.1
3.2	Amended and Restated By-Laws		8-K	June 20, 2016	3.1
4.1	Article 4 of Restated Articles of Organization, as amended (see Exhibit 3.1)				
4.1(a)	Indenture, dated as of June 20, 2016, by and between the Registrant and Wilmington Trust, National Association, as Trustee		8-K	June 20, 2016	4.1
4.2	Form of Common Stock certificate		S-1	November 15, 1989 (File No. 33-31219)	4.2
4.2(a)	Form of Note representing the Registrant's 4.50% Convertible Senior Notes due 2021 (included as Exhibit A to the Indenture filed as Exhibit 4.1(a))				
10.1	Leases dated as of December 1, 1986 and June 21, 1988 by and between James H. Mitchell, Trustee of New Providence Realty Trust, lessor, and Charles River Biotechnical Services, Inc. ("Lessee"), together with Assignment of Leases dated June 29, 1989 between Lessee and the Registrant		S-1	September 22, 1989 (File No. 33-31219)	10.10
10.1(a)	First Amendment to Lease dated May 9, 1991 by and between James H. Mitchell, Trustee of New Providence Realty Trust, lessor, and the Registrant		S-1	November 6, 1991 (File No. 33-43725)	10.10a
10.1(b)	Confirmatory Second Amendment to Lease dated September 17, 1997 by and between James H. Mitchell, Trustee of New Providence Realty Trust, lessor, and the Registrant		10-K	September 26, 1997	10.10
10.1(c)	Third Amendment and Partial Termination of Lease dated as of August 8, 2000 by and between James H. Mitchell, Trustee of New Providence Realty Trust, lessor, and the Registrant		10-K	September 2, 2008	10.1(c)
10.1(d)	Fourth Amendment to Lease dated as of October 3, 2000 by and between James H. Mitchell, Trustee of New Providence Realty Trust, lessor, and the Registrant		10-K	September 2, 2008	10.1(d)
10.1(e)	Fifth Amendment to Lease dated as of June 7, 2001 by and between James H. Mitchell, Trustee of New Providence Realty Trust, lessor, and the Registrant		10-K	September 2, 2008	10.1(e)
10.1(f)	Sixth Amendment to Lease dated as of April 30, 2002 by and between Bobson 333 L.L.C., lessor, and the Registrant		10-K	September 2, 2008	10.1(f)
10.1(g)	Seventh Amendment to Lease dated as of October 20, 2005 by and between Bobson 333 L.L.C., lessor, and the Registrant		10-K	September 2, 2008	10.1(g)
10.1(h)	Eighth Amendment to Lease dated as of February 21, 2007 by and between Bobson 333 L.L.C., lessor, and the Registrant		10-K	September 2, 2008	10.1(h)

Exhibit Number	Exhibit Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC	Exhibit Number
10.1(i)	Ninth Amendment to Lease dated as of November 17, 2010 by and between Bobson 333 LLC and the Registrant		8-K	November 18, 2010	10.1
10.2	Lease Agreement, dated as of July 27, 2007, by and between Intercontinental Fund III 830 Winter Street LLC, landlord, and the Registrant		10-Q	November 7, 2007	10.2
10.2(a)	First Amendment to Lease Agreement dated as of December 9, 2013, by and between Intercontinental Fund III 830 Winter Street LLC, landlord, and the Registrant		10-Q	February 5, 2014	10.1
10.2(b)	Second Amendment to Lease Agreement dated as of April 28, 2014, by and between Intercontinental Fund III 830 Winter Street LLC, landlord, and the Registrant		10-Q	May 2, 2014	10.1
10.2(c)	Third Amendment to Lease Agreement dated as of December 14, 2015 by and between CRP/King 830 Winter, L.L.C., landlord, and the Registrant		10-Q	February 4, 2016	10.1
10.3*	License Agreement dated effective May 2, 2000 by and between the Registrant and Genentech, Inc.		10-Q	October 31, 2011	10.1
10.3(a)*	Amendment to License Agreement for Anti-HER2 Antibodies, dated as of May 3, 2006, between the Registrant and Genentech, Inc.		10-K	August 28, 2006	10.32
10.3(b)*	Amendment to License Agreements made effective as of March 11, 2009, between the Registrant and Genentech, Inc.		10-Q	May 7, 2009	10.1
10.3(c)	Third Amendment to License Agreement for Anti-HER2 Antibodies, made effective as of December 18, 2012, between the Registrant and Genentech, Inc.		10-Q	January 30, 2013	10.11
10.4*	Collaboration and License Agreement dated as of July 30, 2003 by and between the Registrant and sanofi-aventis U.S. LLC (as successor-in-interest to Aventis Pharmaceuticals Inc.)		10-K	August 28, 2014	10.4
10.4(a)	Amendment No. 1, dated as of August 31, 2006, to the Collaboration and License Agreement between the Registrant and sanofi-aventis U.S. LLC		10-Q	October 30, 2014	10.4
10.4(b)	Amendment No. 2, dated as of December 7, 2007, to the Collaboration and License Agreement between the Registrant and sanofi-aventis U.S. LLC		10-Q	October 30, 2014	10.5
10.4(c)	Amendment No. 3, dated as of August 31, 2008, to the Collaboration and License Agreement between the Registrant and sanofi-aventis U.S. LLC		10-Q	October 30, 2014	10.6
10.5*	Collaborative Development and License Agreement dated as of July 7, 2006 by and between the Registrant and Biotest AG		10-Q	November 4, 2016	10.1
10.5(a)*	Amendment No. 1, dated August 23, 2006, to Collaborative Development and License Agreement by and between the Registrant and Biotest AG		10-Q	November 4, 2016	10.1

Exhibit Number	Exhibit Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC	Exhibit Number
10.5(b)*	Amendment No. 2, dated December 10, 2014, to Collaborative Development and License Agreement by and between the Registrant and Biotest AG		10-Q	February 5, 2015	10.1
10.6*	Development and License Agreement dated as of October 20, 2008 by and between the Registrant and Bayer HealthCare AG		10-Q/A	October 10, 2012	10.1
10.7*	Multi-Target Agreement dated as of October 8, 2010 by and between the Registrant and Novartis Institutes for BioMedical Research, Inc.		10-Q/A	August 19, 2015	10.2
10.7(a)*	First Amendment, effective as of March 29, 2013, to Multi-Target Agreement by and between the Registrant and Novartis Institutes for BioMedical Research, Inc.		10-Q	May 6, 2013	10.1
10.8*	Clinical Supply Agreement effective as of December 12, 2010 by and between the Registrant and Societá Italiana Corticosteroidi S.r.l. (Sicor)		10-Q	February 8, 2011	10.1
10.9*	Multi-Target Agreement dated as of December 19, 2011 by and between the Registrant and Eli Lilly and Company		10-Q/A	August 19, 2015	10.3
10.9(a)*	First Amendment to Agreements dated as of December 9, 2013 by and between the Registrant and Eli Lilly and Company		10-Q	February 5, 2014	10.2
10.10*	Multi-Target Agreement dated as of March 20, 2015 by and between the Registrant and Millennium Pharmaceuticals, Inc.		10-Q	May 8, 2015	10.1
10.11*	Royalty Purchase Agreement dated as of March 24, 2015 by and among the Registrant, Hurricane, LLC and Immunity Royalty Holdings, L.P.		10-Q	May 8, 2015	10.2
10.12†	2006 Employee, Director and Consultant Equity Incentive Plan, as amended and restated through November 11, 2014		8-K	November 13, 2014	10.1
10.12(a)†	Form of Incentive Stock Option Agreement for Executives		S-8	November 15, 2006	99.4
10.12(b)†	Form of Non-Qualified Stock Option Agreement for Executives		S-8	November 15, 2006	99.5
10.12(c)†	Form of Non-Qualified Stock Option Agreement for Directors		10-Q	October 29, 2010	10.1
10.12(d)†	Form of Director Deferred Stock Unit Agreement		10-Q	October 29, 2010	10.1
10.12(e)†	Form of Incentive Stock Option Agreement for all employees (including executives)		10-K	August 29, 2012	10.14(g)
10.12(f)†	Form of Non-Qualified Stock Option Agreement for all employees (including executives)		10-K	August 29, 2012	10.14(h)
10.12(g)†	Form of Non-Qualified Stock Option Agreement for Directors		10-K	August 29, 2012	10.14(i)
10.12(h)†	Form of Restricted Stock Agreement for all employees (including executives)		S-8	November 21, 2012	99.1
10.12(i)†	Form of Incentive Stock Option for all employees (including executives)		8-K	April 26, 2016	10.1
10.12(j)†	Form of Non-Qualified Stock Option Agreement for all employees (including executives)		8-K	April 26, 2016	10.2

Exhibit Number	Exhibit Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC	Exhibit Number
10.12(k)†	Form of Performance Based Restricted Stock Agreement dated August 12, 2016		8-K	August 17, 2016	10.1
10.13†	2016 Employee, Director and Consultant Equity Incentive Plan		10-Q	December 13, 2016	10.1
10.13(a)†	Form of Incentive Stock Option Agreement		10-Q	December 13, 2016	10.2
10.13(b)†	Form of Non-Qualified Stock Option Agreement for employees		10-Q	December 13, 2016	10.3
10.13(c)†	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors		10-Q	December 13, 2016	10.4
10.13(d)†	Form of Deferred Stock Unit Agreement for Non-Employee Directors		10-Q	December 13, 2016	10.5
10.14†	2001 Non-Employee Director Stock Plan		S-8	December 18, 2001	99
10.15†	2004 Non-Employee Director Compensation and Deferred Stock Unit Plan, as amended on September16, 2009		10-Q	November 4, 2009	10.1
10.16†	Form of Proprietary Information, Inventions and Competition Agreement between the Registrant and each of its executive officers		10-Q	February 8, 2007	10.15
10.17†	Change in Control Severance Agreement dated as of November 30, 2012 between the Registrant and Craig Barrows		10-Q	January 30, 2013	10.1
10.18†	Change in Control Severance Agreement dated as of November 30, 2012 between the Registrant and Theresa G. Wingrove		10-Q	January 30, 2013	10.8
10.19†	Compensation Policy for Non-Employee Directors, as amended through September 14, 2016		10-Q	November 4, 2016	10.2
10.20†	Change in Control Severance Agreement dated as of December 30, 2013 between the Registrant and David B. Johnston		10-Q	February 5, 2014	10.6
10.21†	Severance Pay Plan for Vice Presidents and Higher, as amended through September 23, 2016		8-K	September 29, 2016	10.1
10.22†	Change in Control Severance Agreement dated as of September 15, 2014 between the Registrant and Sandra E. Poole		10-Q	October 30, 2014	10.2
10.23†	Summary of Annual Bonus Program		8-K	November 13, 2014	10.2
10.24†	Change in Control Severance Agreement dated as of January 5, 2015 between the Registrant and Richard J. Gregory		10-Q	February 5, 2015	10.3
10.25†	Amendment to Option Agreements between the Registrant and Daniel M. Junius		10-Q	May 4, 2016	10.1
10.26†	Employment offer letter between the Registrant and Mark J. Enyedy		10-K	August 25, 2016	10.30
10.27†	Change in Control Severance Agreement dated as of May 16, 2016 between the Registrant and Mark J. Enyedy		10-K	August 25, 2016	10.31
10.28†	Change in Control Severance Agreement dated as of March 30, 2015 between the Registrant and Anna Berkenblit	X			
21	Subsidiaries of the Registrant		10-K	August 28, 2015	21
23	Consent of Ernst & Young LLP	X			

Exhibit Number	Exhibit Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date with SEC	Exhibit Number
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101.INS	XBRL Instance Document	X			
101.SCH	XBRL Taxonomy Extension Schema	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X			
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X			
101.LAB	XBRL Taxonomy Extension Label Linkbase	X			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X			

* Portions of this Exhibit were omitted, as indicated by [***], and have been filed separately with the Secretary of the Commission pursuant to the Registrant's application requesting confidential treatment.

† Exhibit is a management contract or compensatory plan, contract or arrangement required to be filed as an exhibit to this transition report on Form 10-K.

CHANGE IN CONTROL SEVERANCE AGREEMENT

This Agreement is entered into as of the 30th day of March, 2015 (the "***Effective Date***") by and between ImmunoGen, Inc., a Massachusetts corporation (the "***Company***"), and Anna Berkenblit (the "***Executive***").

WHEREAS, the Company recognizes that the Executive's service to the Company is very important to the future success of the Company;

WHEREAS, the Executive desires to enter into this Agreement to provide the Executive with certain financial protection in the event that his employment terminates under certain conditions following a change in control of the Company; and

WHEREAS the Board of Directors of the Company (the "***Board***") has determined that it is in the best interests of the Company to enter into this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive hereby agree as follows:

1. Definitions.

(a) Cause. For purposes of this Agreement, "***Cause***" shall mean that the Executive has (i) willfully committed an act or omission that materially harms the Company; (ii) been grossly negligent in the performance of the Executive's duties to the Company; (iii) willfully failed or refused to follow the lawful and proper directives of the Board; (iv) been convicted of, or pleaded guilty or *nolo contendere*, to a felony; (v) committed an act involving moral turpitude that is or is reasonably expected to be injurious to the Company or its reputation; (vi) committed an act relating to the Executive's employment or the Company involving, in the good faith judgment of the Board, material fraud or theft; (vii) breached any material provision of this Agreement or any nondisclosure or non-competition agreement between the Executive and the Company, as all of the foregoing may be amended prospectively from time to time; or (viii) breached a material provision of any code of conduct or ethics policy in effect at the Company, as all of the foregoing may be amended prospectively from time to time.

(b) Change in Control. For purposes of this Agreement, a "***Change in Control***" shall mean the occurrence of any of the following events; provided that "Change in Control" shall be interpreted in a manner, and limited to the extent necessary, so that it will not cause adverse tax consequences for either party with respect to Section 409A of the Internal Revenue Code of 1986, as amended (the "***Code***"), and Treasury Regulations 1.409A-3(i)(5), and any successor statute, regulation and guidance thereto:

(i) Ownership. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities (excluding for this purpose any such voting securities held by the Company or its Affiliates (as defined in the Company's 2006 Employee, Director and Consultant Equity Incentive Plan) or by any employee benefit

plan of the Company) pursuant to a transaction or a series of related transactions which the Board does not approve; or

(ii) Merger/Sale of Assets. (A) A merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; or (B) the stockholders of the Company approve an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(iii) Change in Board Composition. A change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of November 11, 2006, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).

(c) Disability. For purposes of this Agreement, "***Disability***" shall mean that the Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under a Company-sponsored group disability plan. Whether the Executive has a Disability will be determined by a majority of the Board based on evidence provided by one or more physicians selected by the Board and approved by the Executive, which approval shall not be unreasonably withheld. In any case, if a disability is determined to trigger the payment of any "deferred compensation" as defined in Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), disability shall be determined in accordance with Section 409A of the Code.

(d) Good Reason. For purposes of this Agreement, "***Good Reason***" shall mean the occurrence of one or more of the following without the Executive's consent: (i) a change in the principal location at which the Executive performs his duties for the Company to a new location that is at least forty (40) miles from the prior location; (ii) a material change in the Executive's authority, functions, duties or responsibilities as an executive of the Company, which would cause his position with the Company to become of less responsibility, importance or scope than his highest position with the Company at any time from the date of this Agreement to immediately prior to the Change in Control, provided, however, that such material change is not in connection with the termination of the Executive's employment by the Company for Cause or death or Disability and further provided that it shall not be considered a material change if the

Company becomes a subsidiary of another entity and the Executive continues to hold a position in the subsidiary that is at least as high (in both title and scope of responsibilities) as the highest position he held with the Company at any time from the date of this Agreement to immediately prior to the Change in Control; (iii) a material reduction in the Executive's annual base salary or (iv) a material reduction in the Executive's target annual bonus as compared to the target annual bonus set for the previous fiscal year.

2. Term of Agreement. The term of this Agreement (the "***Term***") shall commence on the Effective Date and shall continue in effect for two (2) years; provided, however, that commencing on second anniversary of the Effective Date and continuing each anniversary thereafter, the Term shall automatically be extended for one (1) additional year unless, not later than nine (9) months before the conclusion of the Term, the Company or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall have occurred during the Term, the Term shall expire on the last day of the twelfth (12^{th}) month following the month in which such Change in Control occurred. Notice of termination or termination of this Agreement shall not constitute Cause or Good Reason (both terms as defined above).

3. Termination; Notice; Severance Compensation.

(a) In the event that within a period of two (2) months before or twelve (12) months following the consummation of a Change in Control the Company elects to terminate the Executive's employment other than for Cause (but not including termination due to the Executive's Disability), then the Company shall give the Executive no less than sixty (60) days advance notice of such termination (the "Company's Notice Period"); provided that the Company may elect to require the Executive to cease performing work for the Company so long as the Company continues the Executive's full salary and benefits during the Company's Notice Period.

(b) In the event that within a period of two (2) months before or twelve (12) months following the consummation of a Change in Control the Executive elects to terminate his employment for Good Reason, then the Executive shall give the Company no less than thirty (30) days and no more than sixty (60) days advance notice of such termination (the "Executive's Notice Period"); provided that the Company may elect to require the Executive to cease performing work for the Company so long as the Company continues the Executive's full salary and benefits during the Executive's Notice Period. In order to effect a termination for Good Reason pursuant to this Agreement, the Executive must notice his intent to terminate for Good Reason not later than ninety (90) days following the occurrence of the Good Reason.

(c) In the event that within a period of two (2) months before or twelve (12) months following the consummation of a Change in Control the Executive's employment with the Company is terminated by the Company other than for Cause (but not including termination due to the Executive's death or Disability), or by the Executive for Good Reason, then, contingent upon the Executive's execution of a release of claims against the Company in substantially the form attached hereto as Exhibit A (the "***Release***") the Executive shall be entitled to, in addition to any amounts due to the Executive for services rendered prior to the termination date:

(i) a lump sum payment from the Company in an amount equal to one and one-half (1.5) times the sum of the Executive's Annual Salary and the Executive's target annual bonus for the fiscal year in which the termination occurs (without giving effect to any event or circumstance constituting Good Reason) at one hundred percent (100%) of such target annual bonus, which shall be paid on the sixtieth (60^{th}) day following the Executive's termination of employment, provided that the Release is executed and effective by then or the Executive shall forfeit the payment of such amount;

(ii) all outstanding options, restricted stock and other similar rights held by the Executive, which shall become one hundred percent (100%) vested; and

(iii) continuation of medical insurance coverage for the Executive and the Executive's family subject to and in accordance with Section 4980B of the Code ("***COBRA***"), and subject to the Executive's payment of the applicable COBRA coverage premium ("***COBRA Coverage Premium***") during the applicable COBRA coverage period ("***COBRA Period***"); and

(iv) payment to the Executive of a taxable amount on a monthly basis equal to the COBRA Premium for eighteen (18) months from the Separation Date; provided that the Company shall have no obligation to provide such benefit if the Executive fails to elect COBRA benefits in a timely fashion or if the Executive becomes eligible for medical coverage with another employer; and provided that if the COBRA Period is otherwise (*i.e.,* for reasons not described in the immediately preceding proviso) earlier terminated under applicable law during the period that the Executive would otherwise be entitled to receive the benefit under this subsection (v), the Company will continue to pay to the Executive the same taxable amount it paid on a monthly basis during the COBRA Period each month for the remainder of the relevant period.

For purposes of this Agreement, "***Annual Salary***" shall mean the Executive's annual base salary then in effect or, if higher, in effect at the time of the Change in Control, excluding reimbursements and amounts attributable to stock options and other non-cash compensation; and the "***Severance Compensation***" shall mean the compensation set forth in (i), (ii), and (iv) above.

(d) If any of the benefits set forth in this Agreement are deferred compensation as defined in Section 409A of the Code, any termination of employment triggering payment of such benefits must constitute a "separation from service" under Section 409A of the Code before, subject to subsection (e) below, a distribution of such benefits can commence. For purposes of clarification, this paragraph shall not cause any forfeiture of benefits on the part of the Executive, but shall only act as a delay until such time as a "separation from service" occurs. In addition, the Company Notice Period and the Executive Notice Period shall be interpreted and administered in accordance with Section 409A of the Code and the "separation from service" rules thereunder. In particular, if a waiver of the Company Notice Period or the Executive Notice Period triggers a "separation from service," such waiver shall constitute a termination and any amounts due to the Executive over the remaining portion of the applicable notice period shall be deemed additional

severance under Section 3(c)(ii) of this Agreement and paid accordingly. In addition, any applicable notice or release periods and dates of payment shall be adjusted accordingly.

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

(f) If any payment or benefit the Executive would receive under this Agreement, when combined with any other payment or benefit the Executive receives pursuant to a Change in Control ("Payment") would (i) constitute a "parachute payment" within the meaning of Code Section 280G, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment shall be either (x) the full amount of such Payment or (y) such less amount as would result in no portion of the Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state, and local employments taxes, income taxes, and the Excise Tax results in the Executive's receipt, on an after-tax basis, of the greater amount of the Payment, notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. The Company shall, in a manner compliant with Code Section 409A, determine in good faith which payment(s) or benefit(s) to reduce based on what provides the best economic result for the Executive. The Company shall provide the Executive with sufficient information to support its determination and to allow the Executive to file and pay any required taxes.

4. No Duplication of Compensation. The Severance Compensation shall replace, and be provided in lieu of, any severance or similar compensation that may be provided to the Executive under any other agreement or arrangement in relation to termination of employment; provided, however, that this prohibition against duplication shall not be construed to otherwise limit the Executive's rights to payments or benefits provided under any pension plan (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended), deferred compensation, stock, stock option or similar plan sponsored by the Company. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which may have been made by either party.

5. No Mitigation. If the Executive's employment with the Company terminates following a Change in Control, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 3 or Section 15. Except as set forth in Section 4, the amount of any payment or benefit provided for in this Agreement shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

6. Confidentiality, Non-Competition, and Assignment of Inventions. The Company's obligations under this Agreement are contingent upon the Executive's execution of the Company's Proprietary Information, Inventions, and Competition Agreement (the "***Proprietary Information Agreement***"). The parties agree that the obligations set forth in the Proprietary Information Agreement shall survive termination of this Agreement and termination of the Executive's employment, regardless of the reason for such termination.

7. Enforceability. If any provision of this Agreement shall be deemed invalid or unenforceable as written, this Agreement shall be construed, to the greatest extent possible, or modified, to the extent allowable by law, in a manner which shall render it valid and enforceable. No invalidity or unenforceability of any provision contained herein shall affect any other portion of this Agreement.

8. Notices. Except as otherwise specifically provided herein, any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (i) by personal delivery when delivered personally; (ii) by overnight courier upon written verification of receipt; (iii) by telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (iv) by certified or registered mail, return receipt requested, upon verification of receipt. Notices to the Executive shall be sent to the last known address in the Company's records or such other address as the Executive may specify in writing. Notices to the Company shall be sent to the Company's Chairman of the Board (or if the Chairman of the Board is also the CEO, to the Company's Lead Director), or to such other Company representative as the Company may specify in writing.

9. Claims for Benefits. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that the Executive's claim has been denied. In no event shall the Board's claims or appeals determination be given any deference or weight in any subsequent legal proceeding.

10. Modifications and Amendments. The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the Company and the Executive. The Company and the Executive agree that they will jointly execute an amendment to modify this Agreement to the extent necessary to comply with or be exempt from the requirements of Code Section 409A, or any successor statute, regulation and guidance thereto; provided that no such amendment shall increase the total financial obligation of the Company under this Agreement.

11. Waivers and Consents. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by a written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the

specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

12. Binding Effect; Assignment. The Agreement will be binding upon and inure to the benefit of (a) the heirs, executors and legal representatives of the Executive upon the Executive's death and (b) any successor of the Company. Any such successor of the Company will be deemed substituted for the Company under the terms of the Agreement for all purposes. For this purpose, "successor" means any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. None of the rights of the Executive to receive any form of compensation payable pursuant to the Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance or other disposition of the Executive's right to compensation or other benefits will be null and void.

13. Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the Commonwealth of Massachusetts, without giving effect to the conflict of law principles thereof.

14. Jurisdiction and Service of Process. Any legal action or proceeding with respect to this Agreement shall be brought in the courts of the Commonwealth of Massachusetts or of the United States of America for the District of Massachusetts. By execution and delivery of this Agreement, each of the parties hereto accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts.

15. Attorneys' Fees. The Company shall pay to the Executive all legal fees and expenses incurred by the Executive in disputing in good faith any issue hereunder relating to the termination of the Executive's employment, in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

16. Withholding. The Company is authorized to withhold, or to cause to be withheld, from any payment or benefit under the Agreement the full amount of any applicable withholding taxes.

17. Tax Consequences. The Company does not guarantee the tax treatment or tax consequences associated with any payment or benefit arising under this Agreement.

18. Acknowledgment. The Executive acknowledges that he has had the opportunity to discuss this matter with and obtain advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of the Agreement, and is knowingly and voluntarily entering into the Agreement.

19. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

20. Section 409A. The parties hereto intend that the payments and benefits provided by this Agreement shall comply with or be exempt from the requirements of Code Section 409A and related regulations and Treasury pronouncements, and this Agreement shall be interpreted accordingly. Each separately identified payment or benefit hereunder shall be deemed to be a separately determinable payment for purposes of Code Section 409A, and each payment to be made in installments shall be deemed a series of separate payments. If any provision provided herein could result in the imposition of an additional tax under the provisions of Code Section 409A, the Executive and the Company agree that such provision will be reformed to avoid imposition of any such additional tax in the manner that the Executive and the Company mutually agree is appropriate to comply with or be exempt from Code Section 409A.

21. Reimbursements. To the extent there are any reimbursements of expenses under this Agreement including, without limitation, under Section 15 hereof, payments with respect to such reimbursements shall be made no later than on or before the last day of the calendar year following the calendar year in which the relevant expense is incurred. The amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year and any such reimbursements may not be exchanged or liquidated for any other benefit or payment.

IN WITNESS WHEREOF, the parties have executed and delivered this Change in Control Severance Agreement as of the day and year first above written.

COMPANY:

IMMUNOGEN, INC.

/s/ Daniel M. Junius
Name: Daniel M. Junius
Title: President and Chief Executive Officer

EXECUTIVE:

/s/ Anna Berkenblit
Name: Anna Berkenblit

Exhibit A

GENERAL RELEASE

1. General Release. In consideration of the payments and benefits to be made under that certain Change in Control Severance Agreement, dated _____, 20__, (the "***Agreement***"), Anna Berkenblit (the "***Executive***"), with the intention of binding the Executive and the Executive's heirs, executors, administrators and assigns, does hereby release, remise, acquit and forever discharge ImmunoGen, Inc. (the "***Company***") and each of its subsidiaries and affiliates (the "***Company Affiliated Group***"), their present and former officers, directors, executives, agents, attorneys, employees and employee benefits plans (and the fiduciaries thereof), and the successors, predecessors and assigns of each of the foregoing (collectively, the "***Company Released Parties***"), of and from any and all claims, actions, causes of action, complaints, charges, demands, rights, damages, debts, sums of money, accounts, financial obligations, suits, expenses, attorneys' fees and liabilities of whatever kind or nature in law, equity or otherwise, whether accrued, absolute, contingent, unliquidated or otherwise and whether now known or unknown, suspected or unsuspected which the Executive, individually or as a member of a class, now has, owns or holds, or has at any time heretofore had, owned or held, against any Company Released Party in any capacity, including, without limitation, any and all claims (i) arising out of or in any way connected with the Executive's service to any member of the Company Affiliated Group (or the predecessors thereof) in any capacity, or the termination of such service in any such capacity, (ii) for severance or vacation benefits, unpaid wages, salary or incentive payments, (iii) for breach of contract, wrongful discharge, impairment of economic opportunity, defamation, intentional infliction of emotional harm or other tort and (iv) for any violation of applicable state and local labor and employment laws (including, without limitation, all laws concerning unlawful and unfair labor and employment practices), any and all claims based on the Employee Retirement Income Security Act of 1974 ("***ERISA***"), any and all claims arising under the civil rights laws of any federal, state or local jurisdiction, including, without limitation, Title VII of the Civil Rights Act of 1964 ("***Title VII***"), the Age Discrimination in Employment Act ("***ADEA***"), the Americans with Disabilities Act ("***ADA***"), Sections 503 and 504 of the Rehabilitation Act the Family and Medical Leave Act, the Massachusetts Fair Employment Practices Act, and any and all claims under any whistleblower laws or whistleblower provisions of other laws.

2. No Admissions. The Executive acknowledges and agrees that this General Release is not to be construed in any way as an admission of any liability whatsoever by any Company Released Party, any such liability being expressly denied.

3. Application to all Forms of Relief. This General Release applies to any relief no matter how called, including, without limitation, wages, back pay, front pay, compensatory damages, liquidated damages, punitive damages for pain or suffering, costs and attorney's fees and expenses.

4. Specific Waiver. The Executive specifically acknowledges that his acceptance of the terms of this General Release is, among other things, a specific waiver of his rights, claims and causes of action under Title VII, ADEA, ADA, the Massachusetts Fair Employment

Practices Act and any state or local law or regulation in respect of discrimination of any kind; provided, however, that nothing herein shall be deemed, nor does anything herein purport, to be a waiver of any right or claim or cause of action which by law the Executive is not permitted to waive.

5. No Complaints or Other Claims. The Executive acknowledges and agrees that he has not, with respect to any transaction or state of facts existing prior to the date hereof, filed any complaints, charges or lawsuits against any Company Released Party with any governmental agency, court or tribunal. This General Release does not: (i) prohibit or restrict Executive from communicating, providing relevant information to or otherwise cooperating with the U.S. Equal Employment Opportunity Commission or any other governmental authority with responsibility for the administration of fair employment practices laws regarding a possible violation of such laws or responding to any inquiry from such authority, including an inquiry about the existence of this General Release or its underlying facts, or (ii) require Executive to notify the Company of such communications or inquiry.

6. Conditions of General Release.

(a) Terms and Conditions. From and after the date of termination of employment, the Executive shall abide by all the terms and conditions of this General Release and the terms and any conditions set forth in any employment or confidentiality agreements signed by the Executive, which is incorporated herein by reference.

(b) Confidentiality. The Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or any legal process, or as is necessary in connection with any adversarial proceeding against any member of the Company Affiliated Group (in which case the Executive shall cooperate with the Company in obtaining a protective order at the Company's expense against disclosure by a court of competent jurisdiction), communicate, to anyone other than the Company and those designated by the Company or on behalf of the Company in the furtherance of its business, any trade secrets, confidential information, knowledge or data relating to any member of the Company Affiliated Group, obtained by the Executive during the Executive's employment by the Company that is not generally available public knowledge (other than acts by the Executive in violation of this General Release). This confidentiality obligation is in addition to, and not in lieu of, any other contractual, statutory and common law confidentiality obligation of the Executive to the Company.

(c) Return of Company Material. The Executive represents that he has returned to the Company all Company Material (as defined below). For purposes of this Section 6(c), "***Company Material***" means any documents, files and other property and information of any kind belonging or relating to (i) any member of the Company Affiliated Group, (ii) the current and former suppliers, creditors, directors, officers, employees, agents and customers of any of them or (iii) the businesses, products, services and operations (including without limitation, business, financial and accounting practices) of any of them, in each case whether tangible or intangible (including, without limitation, credit cards, building and office access cards, keys, computer equipment, cellular telephones, pagers, electronic devices, hardware, manuals, files, documents,

records, software, customer data, research, financial data and information, memoranda, surveys, correspondence, statistics and payroll and other employee data, and any copies, compilations, extracts, excerpts, summaries and other notes thereof or relating thereto), excluding only information (x) that is generally available public knowledge or (y) that relates to the Executive's compensation or Executive benefits.

(d) Cooperation. Following the date of termination of employment, the Executive shall reasonably cooperate with the Company upon reasonable request of the Board of Directors and be reasonably available to the Company with respect to matters arising out of the Executive's services to the Company Affiliated Group.

(e) Nondisparagement. The Executive acknowledges and agrees that he shall not make any statements that are professionally or personally disparaging about or adverse to the interests of the Company or any Company Released Party, including, but not limited to, any statements that disparage in any way whatsoever the Company's products, services, businesses, finances, financial condition, capabilities or other characteristics.

(f) Ownership of Inventions, Non-Disclosure, Non-Competition and Non-Solicitation. The Executive expressly acknowledges and agrees that the Proprietary Information, Inventions, and Competition Agreement executed by him is incorporated herein by reference, and shall survive the execution of this General Release in full force and effect pursuant to its terms.

(g) No Representation. The Executive acknowledges that, other than as set forth in this General Release and the Agreement, (i) no promises have been made to him and (ii) in signing this General Release the Executive is not relying upon any statement or representation made by or on behalf of any Company Released Party and each or any of them concerning the merits of any claims or the nature, amount, extent or duration of any damages relating to any claims or the amount of any money, benefits, or compensation due the Executive or claimed by the Executive, or concerning the General Release or concerning any other thing or matter.

(h) Injunctive Relief. In the event of a breach or threatened breach by the Executive of this Section 6, the Executive agrees that the Company shall be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, the Executive acknowledging that damages would be inadequate or insufficient.

7. Voluntariness. The Executive agrees that he is relying solely upon his own judgment; that the Executive is over eighteen years of age and is legally competent to sign this General Release; that the Executive is signing this General Release of his own free will; that the Executive has read and understood the General Release before signing it; and that the Executive is signing this General Release in exchange for consideration that he believes is satisfactory and adequate.

8. Legal Counsel. The Executive acknowledges that he has been informed of the right to consult with legal counsel and has been encouraged to do so.

9. Complete Agreement/Severability. Other than the agreements and/or obligations specifically referenced as surviving herein, this General Release constitutes the complete and final agreement between the parties and supersedes and replaces all prior or contemporaneous agreements, negotiations, or discussions relating to the subject matter of this General Release. All provisions and portions of this General Release are severable. If any provision or portion of this General Release or the application of any provision or portion of the General Release shall be determined to be invalid or unenforceable to any extent or for any reason, all other provisions and portions of this General Release shall remain in full force and shall continue to be enforceable to the fullest and greatest extent permitted by law.

10. Acceptance. The Executive acknowledges that he has been given a period of twenty-one (21) days within which to consider this General Release, unless applicable law requires a longer period, in which case the Executive shall be advised of such longer period and such longer period shall apply. The Executive may accept this General Release at any time within this period of time by signing the General Release and returning it to the Company.

11. Revocability. This General Release shall not become effective or enforceable until seven (7) calendar days after the Executive signs it. The Executive may revoke his acceptance of this General Release at any time within that seven (7) calendar day period by sending written notice to the Company. Such notice must be received by the Company within the seven (7) calendar day period in order to be effective and, if so received, would void this General Release for all purposes.

12. Governing Law. Except for issues or matters as to which federal law is applicable, this General Release shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Massachusetts without giving effect to the conflicts of law principles thereof.

IN WITNESS WHEREOF, the Executive has executed this General Release as of the date last set forth below.

EXECUTIVE

_____ Date: _____

Name: Anna Berkenblit

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements (Form S-8 No. 333-75374, 333-138713, 333-147738, 333-155540, 333-170788, 333-185086, 333-200432 and 333-215196) of ImmunoGen Inc. of our reports dated March 3, 2017, with respect to the consolidated financial statements of ImmunoGen Inc. and the effectiveness of internal control over financial reporting of ImmunoGen Inc. included in this Transition Report (Form 10-KT) of ImmunoGen Inc. for the six-month period ended December 31, 2016.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 3, 2017

EXHIBIT 31.1

CERTIFICATIONS UNDER SECTION 302

I, Mark J. Enyedy, certify that:

1. I have reviewed this Transition Report on Form 10-K of ImmunoGen, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

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

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

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

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

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

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

Date: March 3, 2017

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

EXHIBIT 31.2

CERTIFICATIONS UNDER SECTION 302

I, David B. Johnston, certify that:

1. I have reviewed this Transition Report on Form 10-K of ImmunoGen, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

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

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

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

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

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

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

Date: March 3, 2017

/s/ David B. Johnston
David B. Johnston
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32

CERTIFICATIONS UNDER SECTION 906

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 Transition Report for the six months ended December 31, 2016 (the "Form 10- K") 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 3, 2017

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

Dated: March 3, 2017

/s/ David B. Johnston
David B. Johnston
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.