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

FORM 10-Q

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

For the quarterly period ended March 31, 2005

OR

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

For the transition period from to

Commission file number 0-17999

ImmunoGen, Inc.

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No **o**

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

Yes ☒ No **o**

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

Shares of common stock, par value $.01 per share 41,009,036 shares outstanding as of May 5, 2005

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IMMUNOGEN, INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2005 AND JUNE 30, 2004
(UNAUDITED)

	March 31, 2005	June 30, 2004
ASSETS		
Cash and cash equivalents	$ 7,697,106	$ 6,768,055
Marketable securities	83,872,941	87,841,505
Accounts receivable	3,369,388	4,865,522
Unbilled revenue	6,171,548	5,649,877
Inventory, net	1,823,532	6,638,066
Prepaid and other current assets	567,170	824,012
Total current assets	103,501,685	112,587,037
Property and equipment, net	9,950,389	9,709,627
Other assets	312,946	333,700
Total assets	$ 113,765,020	$ 122,630,364
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 3,278,550	$ 2,145,805
Accrued compensation	2,584,289	572,051
Other current accrued liabilities	1,192,060	1,364,203
Current portion of deferred revenue	4,279,077	7,203,225
Total current liabilities	11,333,976	11,285,284
Deferred revenue	12,723,967	13,943,535
Other long term liabilities	301,375	264,664
Total liabilities	24,359,318	25,493,483
Commitments and Contingencies (Note D)		
Stockholders' equity:		
Common stock, $.01 par value; authorized 75,000,000 shares; issued 44,680,946 shares and 44,462,221 shares as of March 31, 2005 and June 30, 2004, respectively	446,809	444,622
Additional paid-in capital	318,255,236	317,704,432
Deferred compensation	(39,178)	(63,498)
Treasury stock	(11,071,417)	(11,071,417)
Accumulated deficit	(218,006,355)	(209,775,495)
Accumulated other comprehensive loss	(179,393)	(101,763)
Total stockholders' equity	89,405,702	97,136,881
Total liabilities and stockholders' equity	$ 113,765,020	$ 122,630,364

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

IMMUNOGEN, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2005 AND 2004
(UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2005	2004	2005	2004
Revenues:				
Research and development support	$ 4,572,792	$ 4,059,524	$ 12,727,755	$ 9,153,591

License and milestone fees	3,039,394	2,550,504	5,615,405	4,247,337
Clinical materials reimbursement	2,415,158	936,405	8,917,840	3,111,932
Development fees	203,149	43,179	1,023,237	130,655
Total revenues	10,230,493	7,589,612	28,284,237	16,643,515
Expenses:				
Cost of clinical materials reimbursed	2,285,841	729,050	7,822,199	2,714,685
Research and development	9,819,540	6,169,830	24,291,381	16,135,967
General and administrative	2,161,167	1,768,550	5,688,142	5,014,979
Total expenses	14,266,548	8,667,430	37,801,722	23,865,631
Loss from operations	(4,036,055)	(1,077,818)	(9,517,485)	(7,222,116)
Interest income, net	544,655	321,739	1,365,778	1,054,416
Net realized losses on investments	(55,074)	(525)	(59,185)	(57,940)
Other income	447	890	7,481	31,483
Loss before income tax expense	(3,546,027)	(755,714)	(8,203,411)	(6,194,157)
Income tax expense	4,949	4,207	27,449	24,787
Net loss	$ (3,550,976)	$ (759,921)	$ (8,230,860)	$ (6,218,944)
Basic and diluted net loss per common share	$ (0.09)	$ (0.02)	$ (0.20)	$ (0.15)
Basic and diluted weighted average common shares outstanding	40,870,768	40,662,750	40,819,687	40,616,311

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

IMMUNOGEN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2005 AND 2004
(UNAUDITED)

	Nine months ended March 31,	
	2005	2004
Cash flows from operating activities:		
Net loss	$ (8,230,860)	$ (6,218,944)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,624,856	910,345
Loss on sale of marketable securities	59,185	57,940
Compensation for stock options, stock and stock units	130,258	177,904
Deferred rent	3,607	3,607
Changes in operating assets and liabilities:		
Accounts receivable	1,496,134	613,467
Unbilled revenue	(521,671)	(4,850,211)
Inventory	4,814,524	(2,742,005)
Prepaid and other current assets	259,041	65,691
Accounts payable	1,132,745	2,325,103
Accrued compensation	2,012,238	1,551,431
Other current accrued liabilities	(172,143)	101,534
Deferred revenue	(4,143,716)	9,978,705
Net cash (used in) provided by operating activities	(1,535,792)	1,974,567
Cash flows from investing activities:		
Proceeds from maturities or sales of marketable securities	783,401,538	233,464,766
Purchases of marketable securities	(779,569,789)	(224,377,483)
Capital expenditures	(1,865,618)	(1,562,100)
Other assets	18,555	—
Net cash provided by investing activities	1,984,686	7,525,183
Cash flows from financing activities:		
Proceeds from stock options exercised	480,157	220,611
Net cash provided by financing activities	480,157	220,611
Net change in cash and cash equivalents	929,051	9,720,361
Cash and cash equivalents, beginning balance	6,768,055	10,132,389

Cash and cash equivalents, ending balance	$ 7,697,106	$ 19,852,750
Supplemental disclosure:		
Cash paid for income taxes	$ 15,559	$ —

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

IMMUNOGEN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005

A. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements at March 31, 2005 and June 30, 2004 and for three and nine months ended March 31, 2005 and 2004 include the accounts of ImmunoGen, Inc. (the "Company") and its wholly-owned subsidiary, ImmunoGen Securities Corp. Although the consolidated financial statements are unaudited, they include all of the adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of the Company's financial position in accordance with accounting principles generally accepted in the United States for interim financial information. Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. The preparation of interim financial statements requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenditures during the reported period. The results of the interim periods are not necessarily indicative of the results for the entire year. Accordingly, the interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2004.

Revenue Recognition

The Company enters into out-licensing and development agreements with collaborative partners for the development of monoclonal antibody-based cancer therapeutics. The Company follows the provisions of the Securities and Exchange Commission's Staff Accounting Bulletin No. 104 (SAB No. 104), *Revenue Recognition*, and EITF 00-21 *Accounting for Revenue Arrangements with Multiple Elements*. In accordance with SAB No. 104 and EITF 00-21, the Company recognizes revenue related to research activities 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 terms of the Company's agreements contain multiple elements which typically include non-refundable license fees, payments based upon the achievement of certain milestones and royalties on product sales. The Company evaluates such arrangements to determine if the deliverables are separable into units of accounting and then applies applicable revenue recognition criteria to each unit of accounting.

At March 31, 2005, the Company has the following three types of collaborative contracts with the counterparties identified below:

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

  Biogen Idec, Inc.

  Boehringer Ingelheim International GmbH

  Centocor, Inc., a wholly-owned subsidiary of Johnson & Johnson

  Genentech, Inc.

  Millennium Pharmaceuticals, Inc.

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

  Abgenix, Inc.

  Genentech, Inc.

  Millennium Pharmaceuticals, Inc.

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

  the sanofi-aventis Group

All of these collaboration agreements provide that the Company will (i) manufacture preclinical and clinical materials for its collaborators, at the collaborator's request and cost, or, in some cases, cost plus a margin, (ii) receive payments upon the collaborators' achievements of certain milestones and (iii) receive royalty payments, generally until the later of the last applicable patent expiration or 12 years after product launch. The Company is required to

provide technical training and any process improvements and know-how to its collaborators during the term of the collaboration agreements. Practically, once a collaborator receives U. S. Food and Drug Administration (FDA) approval for any drug and the manufacturing process used to produce the drug, the collaborator will not be able to incorporate any process improvements or know-how into its manufacturing process without additional testing and review by the FDA. Accordingly, the Company believes that it is very unlikely that its collaborators will require the Company's services subsequent to FDA approval.

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

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

The Company's discovery, development and commercialization agreement with sanofi-aventis provided for an upfront payment of $12.0 million that sanofi-aventis paid to ImmunoGen in August 2003. The Company deferred the upfront payment and recognizes it as revenue ratably over the period of the Company's substantial involvement. The Company estimates this period to be five years, which includes the term of the collaborative research program of three years and two 12-month extensions that sanofi-aventis may exercise. The discovery, development and commercialization agreement also provides that ImmunoGen will receive committed research funding over a three-year period. The committed funding is based upon resources that ImmunoGen is required to contribute to the collaboration. The Company records the research funding as it is earned based upon its actual resources utilized in the collaboration.

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

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

Marketable Securities

In accordance with the Company's investment policy, surplus cash is invested in investment-grade corporate and U.S. Government debt securities, asset-backed and United States government agency securities, banknotes and commercial paper,

typically with maturity dates of less than two years. The Company designates its marketable securities as available-for-sale securities. The Company classifies all such securities as current assets since the Company has the ability to use such securities to satisfy current liabilities. Marketable securities are carried at their fair value with unrealized gains and losses included in Accumulated Other Comprehensive (Loss) Income. Realized gains and losses and declines in value judged to be other than temporary, if any, on available-for-sale securities are reported as realized gains or losses on investments. In determining realized gains or losses on the sale of marketable securities, the cost of securities sold is based on the specific identification method.

Unbilled Revenue

The majority of the Company's Unbilled Revenue at March 31, 2005 represents (i) committed research funding earned based on actual resources utilized under the Company's discovery, development and commercialization agreement with sanofi-aventis; (ii) reimbursable expenses incurred under the Company's discovery, development and commercialization agreement with sanofi-aventis that the Company has not yet invoiced; (iii) research funding earned based on actual resources utilized under the Company's development and license agreements with Biogen Idec and Centocor; and (iv) clinical materials that have passed quality testing, that the Company has shipped and title has transferred to the collaborator, but the Company has not yet invoiced.

Inventory

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

Inventory at March 31, 2005 and June 30, 2004 is summarized below:

	March 31, 2005	June 30, 2004
Raw materials, net	$ 981,636	$ 2,801,431
Work in process	802,335	3,702,515
Finished goods, net	39,561	134,120
Total	$ 1,823,532	$ 6,638,066

Inventory cost is stated net of a valuation allowance of $3.7 million and $1.6 million as of March 31, 2005 and June 30, 2004, respectively. The valuation allowance represents the cost of DM1 and DM4 (collectively DMx) that the Company considers to be excess based on current collaborator firm fixed orders and projections.

DM1 and DM4, the Company's two most advanced small molecule effector agents, are the cytotoxic agents used in TAP product candidates in preclinical and clinical testing, and are the subject of its collaborations. One of the primary components required to manufacture both DM1 and DM4 is their precursor, ansamitocin P3. Once manufactured, the ansamitocin P3 may then be converted to DM1 or DM4.

In fiscal 2002, the Company entered into several agreements with two outside vendors to perform large-scale manufacture of DMx and ansamitocin P3. Under the terms of these agreements, these two vendors, together with the Company, would improve the fermentation and conversion processes used to generate ansamitocin P3 and DMx, respectively. Pursuant to these agreements, the two outside vendors also manufacture, under current Good Manufacturing Processes, large-scale batches of ansamitocin P3 and DMx to be used in the manufacture of both the Company's and its collaborators' products. Once manufactured, the ansamitocin P3 is either delivered from one vendor to the other vendor for conversion to DMx or to the Company's Norwood facility.

The actual amount of ansamitocin P3 and DMx that will be produced in future periods under these agreements is highly uncertain. The Company currently anticipates that a significant amount of ansamitocin P3 and DMx will be manufactured for the Company for the foreseeable future at these or other manufacturers. If the Company's and the manufacturers' process development efforts are successful, the amount of ansamitocin P3 and/or DMx produced could be higher than expected and more than is required to support the development of the Company's and its collaborators' products. Such excess product would be charged to research and development expense. The Company anticipates that its investment in ansamitocin P3 and DMx will continue to be significant.

The Company produces preclinical and clinical materials for its collaborators either in anticipation of or in support of clinical trials, or for process development and analytical purposes. Under the terms of supply agreements with four of its collaborators, the Company generally receives rolling six-month firm fixed orders for conjugate that the Company is required to manufacture, and rolling 12-month manufacturing projections for the quantity of conjugate the collaborator expects to need in any given 12-month

period. The Company's other collaborative agreements do not require that the collaborators provide advance firm fixed manufacturing orders, although the collaborators provide the Company with their projected conjugate requirements. The amount of clinical material produced is directly related to the number of on-going clinical trials for which the Company is producing clinical material for its collaborators, the speed of enrollment in those trials and the dosage schedule of each clinical trial. As a result, the actual amount of conjugate that the Company manufactures can differ significantly from the collaborators' projections. To the extent that a collaborator has provided the Company with a firm fixed order, the collaborator is contractually required to reimburse the Company the full cost of the conjugate, and any margin thereon, even if the collaborator subsequently cancels the manufacturing run.

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

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

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

c) The Company considers more than a 12-month supply of ansamitocin P3 and/or DMx that is not supported by collaborators' firm fixed orders to be excess. The Company establishes a reserve to reduce to zero the value of any such excess ansamitocin P3 or DMx inventory with a corresponding charge to research and development expense; and

d) 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 DMx and ansamitocin P3 inventory at each reporting period.

At March 31, 2005, the Company's supply of DMx and ansamitocin P3 (including $3.2 million of DMx on-hand and $1.8 million of ansamitocin P3 held at its third party manufacturers) represented more than a 12-month supply based upon current collaborator firm fixed orders and projections. In the three-month and nine-month period ended March 31, 2005, the Company recorded as research and development expense $1.3 million and $2.3 million, respectively of ansamitocin P3 and DMx that the Company has identified as excess based upon the Company's inventory policy. Additionally, in the nine-month period ended March 31, 2005, the Company recorded $186,000 as research and development expense to write down certain batches of ansamitocin P3 and DMx to their net realizable value. Any changes to the Company's collaborators' projections could result in significant changes in the Company's estimate of the net realizable value of DMx and ansamitocin P3 inventory. Reductions in collaborators' projections could indicate that the Company has additional excess DMx and/or ansamitocin P3 inventory and the Company would then evaluate the need to record further valuation allowances, included as charges to research and development expense, to reduce the DMx and/or ansamitocin P3 inventory to its estimated net realizable value.

Computation of Net Loss Per Common Share

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2005	2004	2005	2004
Options and warrants convertible into Common Stock	5,443,254	5,128,447	5,443,254	5,128,447
Common Stock equivalents	1,723,343	1,888,818	1,621,566	1,593,055

ImmunoGen Common Stock equivalents have not been included in the calculations of dilutive net loss per common share calculations for the three and nine months ended March 31, 2005 and 2004 because their effect is anti-dilutive due to the Company's net loss position.

Comprehensive Loss

The Company presents comprehensive income (loss) in accordance with Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." For the three and nine months ended March 31, 2005, total comprehensive loss equaled $3.6 million and $8.3 million, respectively. For the three and nine months ended March 31, 2004, total comprehensive loss equaled $743,000 and $6.3 million, respectively. Comprehensive loss was comprised entirely of the Company's net loss and the change in its unrealized gains and losses on its available-for-sale marketable securities for all periods presented.

Stock-Based Compensation

In accounting for its stock-based compensation plans, the Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations for all awards granted to employees. Under APB 25, when the exercise price of options granted to employees under these plans equals the market price of the common stock on the date of grant, no compensation expense is recorded. When the exercise price of options granted to employees under these plans is less than the market price of the common stock on the date of grant, compensation expense is recognized over the vesting period. For stock options granted to non-employees, the Company recognizes compensation expense in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock Based Compensation" (SFAS 123). SFAS 123 requires that companies recognize compensation expense based on the estimated fair value of options granted to non-employees over their vesting period, which is generally the period during which services are rendered by such non-employees.

Had compensation costs for the Company's stock based employee compensation been determined based on the fair value at the grant dates as calculated in accordance with SFAS 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure," the Company's basic and diluted net loss per common share for the three and nine months ended March 31, 2005 and 2004 would have been adjusted to the pro forma amounts indicated below:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2005	2004	2005	2004
Net loss, as reported	$ (3,550,976)	$ (759,921)	$ (8,230,860)	$ (6,218,944)
Add: Total stock-based compensation expense determined under the intrinsic value method for all employee awards	22,124	3,357	83,400	10,072
Deduct: Total stock-based compensation expense determined under the fair value method for all employee awards	(693,927)	(807,378)	(2,149,579)	(3,950,970)
Pro forma net loss	$ (4,222,779)	$ (1,563,942)	$ (10,297,039)	$ (10,159,842)
Basic and diluted net loss per common share, as reported	$ (0.09)	$ (0.02)	$ (0.20)	$ (0.15)
Basic and diluted net loss per common share, pro forma	$ (0.10)	$ (0.04)	$ (0.25)	$ (0.25)

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2005	2004	2005	2004
Dividend	None	None	None	None
Volatility.	87.30	93.22%	87.30	93.22%
Risk-free interest rate	3.74%	2.94%	3.33%	3.01%
Expected life (years)	5.5	5.5	5.5	5.5

Using the Black-Scholes option-pricing model, the weighted average grant date fair value of options granted during the three months ended March 31, 2005 and 2004 was $4.97 and $4.85, respectively, and $4.09 and $4.60 for options granted during the nine months ended March 31, 2005 and 2004, respectively.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models, including the Black-Scholes model, require the use of highly subjective assumptions, such as the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective assumptions can materially affect the fair value estimates, in management's opinion, the Black-Scholes and other existing models do not necessarily provide a reliable single measure of the fair value of its employee stock-based compensation.

Reclassifications

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

Segment Information

During the three and nine months ended March 31, 2005, the Company continued to operate in one reportable business segment under the management approach of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which is the business of discovery of monoclonal antibody-based cancer therapeutics.

Revenues from sanofi-aventis accounted for approximately 70% and 61% of revenues for the three months ended March 31, 2005 and 2004, respectively, and 62% and 63% for the nine months ended March 31, 2005 and 2004, respectively. Revenues from Boehringer Ingelheim accounted for approximately 8% and 1% of revenues for the three months ended March 31, 2005 and 2004, respectively, and 16% and 8% for the nine months ended March 31, 2005 and 2004, respectively. Revenues from Millennium accounted for 10% and 14% of revenues for the three months ended March 31, 2005 and 2004, respectively, and 13% and 12% for the nine months ended March 31, 2005 and 2004, respectively. Revenues from Vernalis accounted for 1% and 20% of revenues for the three months ended March 31, 2005 and 2004, respectively, and 1% and 10% for the nine months ended March 31, 2005 and 2004, respectively. There were no other significant customers in the three and nine months ended March 31, 2005 and 2004.

Recent Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of Statement of FASB Statement No. 123, *Accounting for Stock-Based Compensation*. Statement 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No. 95, *Statement of Cash Flows*. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) *requires* all share-based payments to employees, including grants of employee stock options, to be expensed based on their fair values. Pro forma disclosure is no longer an alternative. Statement 123(R) must be adopted in the first or annual period beginning after June 15, 2005, irrespective of the entity's fiscal year. The Company must adopt Statement 123(R) on July 1, 2005.

Statement 123(R) permits public companies to adopt its requirements using one of two methods: a "modified prospective method" in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date or a "modified retrospective" method, which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption. The Company is evaluating which method of adoption it will apply for Statement 123(R).

As permitted by Statement 123, the Company currently accounts for share-based payments to employees using Opinion 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of Statement 123(R)'s fair value method will have a significant impact on our result of operations, although it will have no impact on our overall financial position. The impact of adoption of Statement 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact of Statement 123 as described in the disclosure of pro forma net loss per share in this note to our consolidated financial statements.

B. Agreements

sanofi-aventis.

In August 2004, Aventis completed its merger with Sanofi-Synthelabo; the combined entity is now known as sanofi-aventis. To date, this merger has had an inconsequential effect on our collaboration. The Company does not know yet the effect, if any, that this merger will have on its collaboration with sanofi-aventis in the future. In September 2004, sanofi-aventis confirmed that one of the product candidates under its agreement with the Company had achieved a certain milestone. The achievement of this milestone, under the terms of the sanofi-aventis agreement, triggered a payment of $500,000 from sanofi-aventis to ImmunoGen. Additionally, in March 2005, sanofi-aventis informed us that it initiated clinical testing of one of the product candidates (the anti CD33 TAP compound AVE9633) under its agreement with the Company which triggered the recognition of $2 million related to the achievement of this milestone. These milestone amounts are included in license and milestone fees for the nine months ended March 31, 2005.

Biogen Idec, Inc.

On October 1, 2004, the Company entered into a development and license agreement with Biogen Idec, Inc. Under the terms of this agreement, Biogen Idec will receive exclusive rights to develop and commercialize anticancer therapeutics that comprise an antibody developed by Biogen Idec that binds to an undisclosed tumor cell target and a maytansinoid cell-killing agent developed by ImmunoGen. Biogen Idec will be responsible for the research, development, manufacturing, and marketing of any products resulting from the license. Under the terms of the agreement, the Company received an upfront payment of $1.0 million upon execution of the agreement. This upfront amount is subject to credit, as defined, if Biogen Idec does not submit certain regulatory filings by June 30, 2008. As a result, the Company will defer the entire upfront payment until this deadline lapses or upon the occurrence of an IND filing. Thereafter, the Company will recognize the fee over the estimated remaining period of substantial involvement. In addition to royalties on future product sales, when and if such sales commence, the terms of the agreement include certain other payments upon Biogen Idec's achievement of milestones. Assuming all benchmarks are met, ImmunoGen will receive approximately $42.0 million of milestone payments under this agreement.

Boehringer Ingelheim

On February 7, 2005, Boehringer Ingelheim notified the Company that development of bivatuzumab mertansine had been discontinued. Bivatuzumab mertansine consists of a Boehringer Ingelheim anti-CD44v6 antibody and ImmunoGen's DM1. In 2001, Boehringer Ingelheim licensed the right to use ImmunoGen's DM1 Tumor-Activated Prodrug (TAP) technology with antibodies that target CD44. Under the 2001 agreement, Boehringer Ingelheim can use ImmunoGen's DM1 to create an anticancer compound to a different antigen target in the event that Boehringer Ingelheim chooses to discontinue development of an antiCD44 TAP compound at an early stage. Boehringer Ingelheim has retained its right to use ImmunoGen's DM1 TAP technology to create an anticancer compound to a different antigen target.

Centocor, Inc.

On December 23, 2004, the Company entered into a development and license agreement with Centocor, Inc., a wholly-owned subsidiary of Johnson & Johnson. Under the terms of this agreement, Centocor will receive exclusive worldwide rights to develop and commercialize anticancer therapeutics that comprise an antibody developed by Centocor that binds to an undisclosed cancer

target and a maytansinoid cell-killing agent developed by ImmunoGen. Centocor will be responsible for the research, development, manufacturing, and marketing of any products resulting from the license. Under the terms of the agreement, the Company received a non-refundable upfront payment of $1 million upon execution of the agreement. The Company has deferred the upfront payment and will recognize this amount as revenue over the period of the Company's substantial involvement, which is estimated to be six years. In addition to royalties on future product sales, when and if such sales commence, the terms of the agreement include certain other payments upon Centocor's achievement of milestones. Assuming all benchmarks are met, ImmunoGen will receive approximately $42.5 million of milestone payments under this agreement.

The Company has agreements with other companies with respect to its compounds, as described elsewhere in this Quarterly Report and in its Annual Report on Form 10-K.

C. Capital Stock

The Company recorded approximately $(66,500) and $7,000 in compensation (credit) expense during the three and nine months ended March 31, 2005 related to stock units issued under the Company's 2001 Non-Employee Director Stock Plan.

Under the Company's 2004 Non-Employee Director Compensation and Deferred Share Unit Plan, approved in June 2004, the Company recorded approximately $(5,100) and $39,900 in compensation (credit) expense related to the issuance of 10,169 stock units for director services rendered during the three and nine months ended March 31, 2005.

During the three and nine months ended March 31, 2005, the Company recorded approximately $19,000 and $74,000 of compensation expense related to the modification of certain outstanding common stock options.

During the nine months ended March 31, 2005, holders of options issued under the Company's Restated Stock Option Plan exercised their rights to acquire an aggregate of 217,315 shares of common stock at prices ranging from $0.84 to $6.78 per share. The total proceeds from these option exercises were approximately $480,200.

D. Commitments and Contingencies

On September 15, 2004, the Company entered into an agreement to sublease 6,864 square feet of space at 64 Sidney Street, Cambridge, Massachusetts for general and administrative purposes. Under the terms of the agreement, the annual rent is $152,000 and the Company is required to pay its allocable share of operating and tax expenses related to the premises. The sublease expires on March 31, 2008.

Minimum rental commitments, including real estate taxes and other expenses, under all non-cancelable operating lease agreements are the following for the next five fiscal years ended June 30,

2005 (remaining three months)	$ 841,057
2006	3,364,228
2007	3,394,228
2008	2,868,073
2009	698,700
Thereafter	931,600
Total minimum lease payments	$ 12,097,886

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

OVERVIEW

Since the Company's inception, we have been principally engaged in the development of antibody-based anticancer therapeutics and novel treatments in the field of oncology. The combination of our expertise in antibodies and cancer has resulted in the generation of both proprietary product candidates and technologies. Our tumor-activated prodrug, or TAP, technology combines extremely potent, small molecule cytotoxic agents with monoclonal antibodies that recognize and bind specifically to tumor cells. Our technology uses the antibody to deliver the cytotoxic agent specifically to cancer cells, and the cytotoxic agent is used to kill the cancer cell. Currently, the cytotoxic agent used in each TAP in preclinical or clinical testing is either DM1 or DM4 (collectively DMx), derivatives of a naturally occurring substance called maytansine. We also use our expertise in antibodies and cancer to develop other types of therapeutics, such as naked antibody anticancer products.

We have entered into collaborative agreements that allow companies to use our TAP technology to develop commercial products containing their antibodies and our cytotoxic agents. We have also used our TAP technology in conjunction with our in-house antibody expertise to develop our own anticancer product candidates. Under the terms of our collaborative agreements, we are entitled to upfront fees, milestone payments, and royalties on the commercial sales of any resultant product. In July 2003, we announced a discovery, development and commercialization collaboration with Aventis Pharmaceuticals, Inc. Under the terms of the agreement, Aventis gained commercialization rights to three compounds that were in our preclinical pipeline and commercialization rights to certain new products developed during the research program portion of the collaboration. This collaboration allows us to access

Aventis' cancer targets and their clinical development and commercialization capabilities. Under the terms of the Aventis agreement, we also are entitled to receive committed research funding of approximately $50.7 million during the three-year research program. Should Aventis elect to exercise its contractual right to extend the term of the research program, we will receive additional research funding. In August 2004, Aventis completed its merger with Sanofi-Synthelabo; it is now sanofi-aventis. To date this merger has had an inconsequential effect on our collaboration. We do not know yet what effect, if any, the merger will have on our collaboration with sanofi-aventis in the future.

Under certain collaborative agreements, we receive our fully burdened cost to manufacture preclinical and clinical materials plus a profit margin. Currently, our collaborative partners include Abgenix, Inc., Biogen Idec, Boehringer Ingelheim International GmbH, Centocor, Inc., Genentech, Inc., and Millennium Pharmaceuticals, Inc., and sanofi-aventis. We expect that substantially all of our revenue for the foreseeable future will result from payments under our collaborative arrangements.

To date, we have not generated revenues from commercial product sales and we expect to continue to incur significant operating losses over the foreseeable future. As of March 31, 2005, we had approximately $91.6 million in cash and marketable securities. We anticipate that our current capital resources and future collaboration payments, including the committed research funding due to us under the sanofi-aventis agreement over the remainder of the three-year research program, will enable us to meet our operational and capital expenditures for at least the next three to five fiscal years.

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

Critical Accounting Policies

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

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

Revenue Recognition

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

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

Inventory

We review our estimates of the net realizable value of our inventory at each reporting period. Our estimate of the net realizable value of our inventory is subject to judgment and estimation. The actual net realizable value of our inventory could vary significantly from our estimates and could have a material effect on our financial condition and results of operations in any reporting period. We consider quantities of DM1 and DM4, or related maytansinoid effector molecules, collectively referred to as DMx, or ansamitocin P3 in excess of 12 months' projected usage that is not supported by collaborators' firm fixed orders to be excess. We fully reserve any such material identified as excess with a corresponding charge to research and development expense. Our estimate of 12 months' usage of DMx and ansamitocin P3 material inventory is based upon our collaborators' estimates of their future clinical material requirements. Our collaborators' estimates of their clinical material requirements are based upon expectations of their clinical trials, including the timing, size, dosing schedule and maximum tolerated dose of each clinical trial. Our collaborators' actual requirements for clinical materials may vary significantly from their projections. Significant differences between our collaborators' actual manufacturing orders and their projections could result in our actual 12-months usage of DMx and ansamitocin P3 varying significantly from our estimated usage at an earlier reporting period. During the nine months ended March 31, 2005, we recorded as research and development expense $2.3 million of ansamitocin P3 and DMx that we have identified as excess based upon our inventory policy, and $186,000 to write down certain P3 and DMx batches to their net realizable value.

RESULTS OF OPERATIONS

Comparison of Three Months ended March 31, 2005 and 2004

Revenues

Our total revenues for the three months ended March 31, 2005 were $10.2 million compared with $7.6 million for the three months ended March 31, 2004. The $2.6 million increase in revenues in the quarter ended March 31, 2005 compared to the same period in the prior year is primarily attributable to

higher clinical materials reimbursement, as well as increases in research and development support revenue, license fee and milestone payments, and development fees.

Research and development support revenue was $4.6 million and $4.1 million in the three months ended March 31, 2005 and 2004, respectively. These amounts primarily represent committed research funding earned based on actual resources utilized under our discovery, development and commercialization agreement with sanofi-aventis. During the three months ended March 31, 2005, this revenue also includes amounts earned for actual resources utilized under our development and license agreements with Biogen Idec and Centocor. The sanofi-aventis agreement provides that we will receive a minimum of $50.7 million of committed research funding during a three-year research program. We entered into the agreement with sanofi-aventis in July 2003; initiation of the committed research funding began September 1, 2003.

Revenues from license and milestone fees for the three months ended March 31, 2005 increased $489,000 to $3.0 million from $2.6 million in the same period ended March 31, 2004. Included in license fees and milestone payments for the quarter ended March 31, 2005, is $2.0 million for the achievement of a milestone under the sanofi-aventis agreement related to the initiation of clinical testing of AVE9633 (huMy9-6-DM4), the anti-CD33 TAP compound. In January 2004, the collaboration agreement with Vernalis was terminated. As a result of the termination, we recognized the $1.5 million upfront fee that was received upon signing the original agreement and previously deferred. Total revenue from license and milestone fees recognized from each of our collaborative partners in the three-month periods ended March 31, 2005 and 2004 is included in the following table:

	Three months ended March 31,	
	2005	2004
Collaborative Partner:		
sanofi-aventis	$ 2,600,000	$ 600,000
Genentech	160,704	160,704
Abgenix	112,500	137,500
Millennium	110,634	110,633
Boehringer Ingelheim	13,889	41,667
Centocor	41,667	—
Vernalis	—	1,500,000
Total	$ 3,039,394	$ 2,550,504

Deferred revenue of $17.0 million as of March 31, 2005 represents payments received from our collaborators pursuant to our license and supply agreements which we have yet to earn pursuant to our revenue recognition policy.

Clinical materials reimbursement increased $1.5 million to $2.4 million in the three months ended March 31, 2005, compared to $936,000 in the three months ended March 31, 2004. During the three months ended March 31, 2005, we shipped clinical materials in support of bivatuzumab mertansine, MLN2704 and huN901-DM1 clinical trials being conducted by partners, as well as preclinical materials in support of the development efforts of our collaborators. During the same period in 2004, we released and shipped two MLN2704 batches to Millennium and one AVE9633 batch to Aventis. The cost of clinical materials reimbursed for the three months ended March 31, 2005 and 2004 was $2.3 million and $729,000, respectively. Under certain collaborative agreements, we are reimbursed for our fully burdened cost to produce clinical materials plus a profit margin. The amount of clinical materials reimbursement we earn, and the related cost of clinical materials reimbursed, is directly related to (i) the number of on-going clinical trials for which we are producing clinical material for our collaborators, the speed of enrollment in those trials, the dosage schedule of each clinical trial and the time period, if any, during which patients in the trial receive clinical benefit from the clinical materials, and (ii) our production of clinical grade material on behalf of our collaborators, either in anticipation of clinical trials, or for process development and analytical purposes. As such, the amount of clinical materials reimbursement and the related cost of clinical materials reimbursed may vary from quarter to quarter and annually.

We had development fees of $203,000 in the three months ended March 31, 2005 compared to $43,000 during the same period in 2004. Development fees represent the fully burdened reimbursement of costs incurred in producing research-grade materials and developing antibody-specific conjugation processes on behalf of our collaborators during the early evaluation and preclinical testing stages of product development. The amount of development fees we earn is directly related to the number of our collaborators or potential collaborators, the stage of development of our collaborators' products and the resources our collaborators allocate to the development effort. As such, the amount of development fees may vary from quarter to quarter and year to year.

Research and Development Expenses

We report research and development expense net of certain reimbursements we receive from our collaborators that do not qualify as revenue under the guidelines of EITF 99-19, Reporting Revenue Gross as Principal versus Net as Agent. Our net research and development expenses consist of (i) research to identify and evaluate new targets and to develop and evaluate new antibodies and cytotoxic drugs, (ii) preclinical testing and clinical trials of our own and, in certain instances, preclinical testing of our collaborators' product candidates, and (iii) development related to improving clinical and commercial manufacturing processes. Our research efforts are primarily focused in the following areas:

- Our activities pursuant to our discovery, development and commercialization agreement with sanofi-aventis;
- Our contributions to the preclinical and clinical development of huN901-DM1 and huC242-DM4;
- Process improvements related to clinical and commercial production of the huN901 antibody and huN901-DM1 conjugate;
- Process improvements related to clinical and commercial production of the huC242 antibody and huC242-DM4 conjugate;
- Process improvements related to the production of DM1, DM4 and related maytansinoid cytotoxic agents and strain development of their precursor, ansamitocin P3;
- Operation, maintenance and expansion of our pilot scale manufacturing plant;
- Process improvements to our TAP technology;

- Identification and evaluation of potential antigen targets;

- Evaluation of internally-developed and in-licensed antibodies; and

- Development and evaluation of additional cytotoxic agents.

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

On January 8, 2004, we announced that pursuant to the terms and conditions of the termination agreement between Vernalis and ourselves, Vernalis relinquished its rights to develop and commercialize huN901-DM1. As a result, we regained the rights to develop and commercialize huN901-DM1 that we had licensed to Vernalis' predecessor, British Biotech. Vernalis agreed to complete the Study 002 Phase I study that was initiated in the United Kingdom by British Biotech. Effective July 1, 2004, we assumed responsibility for the weekly-dosing Phase I/II clinical study, Study 001. We are taking steps to expedite the patient enrollment in Study 001. Additionally, we currently plan to initiate a clinical trial of huN901-DM1 in a relevant hematological malignancy, specifically CD-56 positive multiple myeloma. We expect to incur external expenses of approximately $140,000 related to clinical development of this product during the remainder of the current fiscal year. During the nine months ended March 31, 2005, we have incurred approximately $500,000 of external costs related to this product candidate. We intend to evaluate whether to out license all or part of the development and commercial rights to this compound after we have additional clinical data on this compound.

In January 2004, we announced our intention to advance cantuzumab mertansine, or a modified version of the compound, into a clinical trial that we plan to manage. In October 2004 we decided to move forward with a modified version of cantuzumab mertansine called huC242-DM4. We currently expect that a Phase I clinical trial will be initiated with huC242-DM4 in the calendar year 2005. We estimate that we will incur external expenses of approximately $210,000 during the remainder of the current fiscal year related to clinical development of this product candidate. During the nine months ended March 31, 2005, we have incurred approximately $1.4 million in external costs related to this product candidate. We intend to evaluate whether to out license all or part of the development and commercial rights to this compound after the clinical trial is completed.

We licensed our three most advanced preclinical product candidates to sanofi-aventis in 2003 under the terms of our discovery, development, and commercialization collaboration. These three product candidates are AVE9633, an anti-CD33 TAP compound for acute myeloid leukemia, an anti-IGF-1R antibody and a TAP compound for certain B-cell malignancies. During the quarter ended December 31, 2004, sanofi-aventis filed an Investigational New Drug Application (IND) for the anti-CD33 TAP compound AVE9633. In the current quarter, sanofi-aventis initiated clinical testing of this compound.

The anti-IGF-1R antibody is a naked antibody directed against a target found on various solid tumors including certain breast, lung and prostate cancers, as well as some hematological malignancies. The third potential product candidate is directed at certain B-cell malignancies, including non-Hodgkin's lymphoma.

The cost to develop new products to the IND stage can be significant. Under the terms of our discovery, development and commercialization collaboration with sanofi-aventis, they licensed three of our most advanced preclinical product candidates. With the exception of those antibodies or antibody targets that are the subject of our preexisting or future collaboration and license agreements, during the term of our collaborative research program, we are required to propose for inclusion in the collaborative research program certain antibody or antibody targets that we believe will have utility in oncology. Sanofi-aventis then has the right to either include in or exclude from the collaborative research program these proposed antibodies and antibody targets. Sanofi-aventis may only include a certain number of antibody targets in the research program at any one time. Sanofi-aventis must therefore exclude any proposed antibody or antibody target in excess of this number. Over the original, three-year term of the research program, we will receive a minimum of $50.7 million of committed research funding and will devote a significant amount of our internal research and development resources to advancing the collaborative research program. Under the terms of the agreement, we may advance any TAP compound, antibody or antibody target that sanofi-aventis has elected not to either initially include or later advance in the research program.

At present, the potential product candidates, except for huN901-DM1 and huC242-DM4, in our pipeline that are not part of the sanofi-aventis collaboration are in an early stage of discovery research and we are unable to accurately estimate which potential products, if any, will eventually move into our internal preclinical research program. We are unable to reliably estimate the costs to develop our potential products as a result of the uncertainties related to discovery research efforts as well as preclinical and clinical testing. Our decision to move a product candidate into the clinical development phase is predicated upon the results of preclinical tests. We cannot accurately predict which, if any, of the discovery research stage product candidates will advance from

preclinical testing and move into our internal clinical development program. The costs to take a product through clinical trials is dependent upon, among other things, the medical indications, the timing, size and dosing schedule of each clinical trial, the number of patients enrolled in each trial, and the speed at which patients are enrolled and treated. In many cases, we are unable to determine what, if any, indication a particular product candidate will treat until we have completed extensive preclinical studies. Given the uncertainties related to new drug development, we are currently unable to estimate when, if ever, our research stage product candidates will generate revenues and cash flows.

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

Research and development expenses for the three months ended March 31, 2005 increased $3.6 million to $9.8 million from $6.2 million for the three months ended March 31, 2004. Research and development compensation and benefits increased by $944,000 in the three months ended March 31, 2005

compared to the three months ended March 31, 2004 as a result of hiring additional staff for our research and development programs. The number of research and development personnel increased to 134 at March 31, 2005 compared to 107 at March 31, 2004. We also recorded as research and development expense $1.3 million of ansamitocin P3 and DMx that we have identified as excess based upon our inventory policy during the three months ended March 31, 2005. During the same period in the prior year, we recorded only $287,000 in similar expenses. Additionally, during the three months ended March 31, 2005, we incurred approximately $912,000 of C242 antibody costs and $120,000 of clinical trial costs for huN901-DM1. No similar expenses were incurred during the three months ended March 31, 2004. Contributing to the increase in research and development expense was a $301,000 increase in facility allocation and depreciation expense. The increase primarily relates to the addition of two manufacturing suites that were placed into service in September and October 2004 and the renovation of certain other laboratory and office space.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2005 increased $393,000 to $2.2 million from $1.8 million for the three months ended March 31, 2004. General and administrative compensation and benefits expense increased by $271,000 in the three months ended March 31, 2005 compared to the three months ended March 31, 2004. The number of general and administrative personnel increased to 24 at March 31, 2005 compared to 20 at March 31, 2004 as a result of hiring additional staff. In addition, professional fees increased $117,000 during the three months ended March 31, 2005 due to consulting work performed related to Sarbanes-Oxley Section 404 implementation and compliance.

Interest Income

Interest income for the three months ended March 31, 2005 increased $223,000 to $545,000 from $322,000 for the three months ended March 31, 2004. The difference is due to higher rates of return resulting from improved market conditions.

Net Realized Losses on Investments

Net realized losses on investments were $55,000 and $1,000 for the three months ended March 31, 2005 and 2004, respectively. The difference is attributable to market conditions and the timing of investment sales.

Comparison of Nine Months ended March 31, 2005 and 2004

Revenues

Our total revenues for the nine months ended March 31, 2005 were $28.3 million compared with $16.6 million for the nine months ended March 31, 2004. The $11.6 million increase in revenues in the nine months ended March 31, 2005 compared to the same period in the prior year is primarily attributable to an increase in committed research funding earned under our discovery, development and commercialization agreement with sanofi-aventis, and increased clinical materials reimbursement revenue.

Research and development support revenue was $12.7 million and $9.2 million in the nine months ended March 31, 2005 and 2004, respectively. These amounts primarily represent committed research funding earned based on actual resources utilized under our discovery, development and commercialization agreement with sanofi-aventis. During the nine months ended March 31, 2005, this revenue also includes amounts earned for actual resources utilized under our development and license agreements with Biogen Idec and Centocor. The sanofi-aventis agreement provides that we will receive a minimum of $50.7 million of committed research

funding during a three-year research program. We entered into the agreement with sanofi-aventis in July 2003; initiation of the committed research funding began September 1, 2003.

Revenues from license and milestone fees for the nine months ended March 31, 2005 increased $1.4 million to $5.6 million in the nine-month period ended March 31, 2005 compared to $4.2 million in the nine-month period ended March 31, 2004. Total revenue from license and milestone fees recognized from each of our collaborative partners in the nine month periods ended March 31, 2005 and 2004 is included in the following table:

	Nine months ended March 31,	
	2005	2004
Collaborative Partner:		
Aventis	$ 4,300,000	$ 1,400,000
Genentech	482,112	482,112
Abgenix	362,500	408,334
Millennium	331,899	331,890
Boehringer Ingelheim	97,227	125,001
Centocor	41,667	—
Vernalis	—	1,500,000
Total	$ 5,615,405	$ 4,247,337

Clinical materials reimbursement increased $5.8 million to $8.9 million in the nine months ended March 31, 2005, compared to $3.1 million in the nine months ended March 31, 2004. During the nine months ended March 31, 2005, we shipped clinical materials in support of bivatuzumab mertansine, AVE9633, huN901-DM1 and MLN2704 clinical trials as well as preclinical materials in support of the development efforts of our collaborators. The increase in clinical materials reimbursement in the nine months ended March 31, 2005 as compared to the nine months ended March 31, 2004 is primarily related to the advancement of the clinical trials of bivatuzumab mertansine and MLN2704. In February 2005, Boehringer Ingelheim notified the Company that development of bivatuzumab mertansine had been discontinued. As a result, we expect a decrease in clinical materials reimbursement revenue in the near future. The cost of clinical materials reimbursed for the nine months ended March 31, 2005 and 2004 was $7.8 million and $2.7 million, respectively. Under certain collaborative agreements, we are reimbursed for our fully burdened cost to produce clinical materials plus a profit margin. The amount of clinical materials reimbursement we earn, and the related cost of clinical materials reimbursed, is directly related to (i) the number of on-going clinical trials for which we are producing clinical material for our collaborators, the speed of enrollment in those trials, the dosage schedule of each clinical trial and the time period, if any, during which patients in the trial receive clinical benefit from the clinical materials, and (ii) our production of clinical grade material on behalf

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

We had development fees of $1.0 million in the nine months ended March 31, 2005 compared to $131,000 during the same period in 2004. Development fees represent the fully burdened reimbursement of costs incurred in producing research-grade materials and developing antibody-specific conjugation processes on behalf of our collaborators and potential collaborators during the early evaluation and preclinical testing stages of product development. The amount of development fees we earn is directly related to the number of our collaborators or potential collaborators, the stage of development of our collaborators' products and the resources our collaborators allocate to the development effort. As such, the amount of development fees may vary from quarter to quarter and annually.

Research and Development Expenses

Research and development expenses for the nine months ended March 31, 2005 increased $8.2 million to $24.3 million from $16.1 million for the nine months ended March 31, 2004. The increase in research and development expense is primarily the result of hiring additional staff for our research and development programs as well as costs associated with the manufacture of P3 and DMx and the write-off of amounts determined to be excess based on our inventory policy. The number of research and development personnel increased to 134 at March 31, 2005 compared to 107 at March 31, 2004. As a result, research and development compensation and benefits increased by $2.8 million in the nine months ended March 31, 2005 compared to the nine months ended March 31, 2004. During the nine months ended March 31, 2005, we recorded research and development expense of $2.3 million for ansamitocin P3 and DMx that we have identified as excess based upon our inventory policy. During the same period in the prior year, we recorded only $307,000 in similar expenses. Contributing to the increase in research and development expense was a $1.3 million increase in contract service expense and an $893,000 increase in facility allocation and depreciation

expense. The increase in contract service expense primarily relates to $1.0 million of huC242 antibody costs along with $223,000 of huN901-DM1 clinical trial costs incurred during the nine months ended March 31, 2005. The increase in depreciation expense is primarily due to the addition of two manufacturing suites that were placed into service in September and October 2004 at our Norwood facility and the renovation of the laboratory and office space we have leased at 148 Sidney Street. In addition, research supplies and patent costs increased $329,000 and $257,000, respectively.

General and Administrative Expenses

General and administrative expenses for the nine months ended March 31, 2005 increased $673,000 to $5.7 million from $5.0 million for the nine months ended March 31, 2004. General and administrative compensation and benefits expense increased by $590,000 in the nine months ended March 31, 2005 compared to the nine months ended March 31, 2004 as a result of hiring additional staff. The number of general and administrative personnel increased to 24 at March 31, 2005 compared to 20 at March 31, 2004.

Interest Income

Interest income for the nine months ended March 31, 2005 increased $311,000 to $1.4 million from $1.1 million for the nine months ended March 31, 2004. The difference is due to higher rates of return resulting from improved market conditions.

Net Realized Losses on Investments

Net realized losses on investments were $59,000 and $58,000 for the nine months ended March 31, 2005 and 2004, respectively.

LIQUIDITY AND CAPITAL RESOURCES

We require cash to fund our operating expenses, including the conduct of our 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 equity investments, license fees, milestone payments and research funding. As of March 31, 2005, we had approximately $91.6 million in cash and marketable securities. Net cash used for operations during the nine months ended March 31, 2005 was $1.5 million compared to net cash provided by operations of $2.0 million during the nine months ended March 31, 2004. This decrease in operational cash in fiscal 2005 as compared to fiscal 2004 is due to the receipt of a $12.0 million upfront fee from sanofi-aventis in fiscal 2004. A similar amount was not received in fiscal 2005. This $12.0 million cash inflow was offset by higher working capital requirements in the nine months ended March 31, 2004 compared to the same period in the current year.

Net cash provided by investing activities during the nine months ended March 31, 2005 was $2.0 million compared to net cash provided by investing activities of $7.5 million during the nine months ended March 31, 2004. Cash flows from investing activities in the nine months ended March 31, 2005 and 2004 primarily reflects the proceeds of sales and maturities of marketable securities, purchases of marketable securities and capital expenditures. In the nine months ended March 31, 2004, purchases of marketable securities include the investment of the sanofi-aventis upfront payment in marketable securities. Capital expenditures were $1.9 million and $1.6 million for the nine-month periods ended March 31, 2005 and 2004, respectively. Capital expenditures for the nine months ended March 31, 2005 consisted primarily of machinery and equipment for the build-out of our existing Norwood, Massachusetts pilot manufacturing facility, while capital expenditures for the nine months ended March 31, 2004 consisted primarily of costs associated with the renovation of certain other laboratory and office space as well as the purchase of new equipment.

Net cash provided by financing activities was $480,000 for the nine months ended March 31, 2005 compared to net cash provided by financing activities of $221,000 for the nine months ended March 31, 2004. For the nine months ended March 31, 2005, net cash provided by financing activities reflects the proceeds to the Company from the exercise of 217,315 stock options at prices ranging from $0.84 to $6.78 per share. For the nine months ended March 31, 2004, net cash provided by financing activities reflects the proceeds to the Company from the exercise of 108,541 stock options at prices ranging from $0.84 to $5.13 per share.

We currently anticipate that our existing capital resources and future payments from our collaborators, including committed research funding that we expect to receive from sanofi-aventis pursuant to the terms of our collaboration agreement, will enable us to meet our current and projected operational expenses and capital expenditures for at least the next three to five fiscal years. We currently believe that our existing capital resources in addition to our established collaborative agreements will provide funding sufficient to allow us to meet our obligations under all collaborative agreements while also

allowing us to develop product candidates and technologies not covered by collaborative agreements. However, we cannot provide assurance that such collaborative agreement funding will, in fact, be realized. Should we not meet some or all of the terms and conditions of our

various collaboration agreements, we may be required to pursue additional strategic partners, secure alternative financing arrangements, and/or defer or limit some or all of our research, development and/or clinical projects.

Contractual Obligations

On September 15, 2004, the Company entered into an agreement to sublease 6,864 square feet of space at 64 Sidney Street, Cambridge, Massachusetts for general and administrative purposes. Under the terms of the agreement, the annual rent is $152,000 and the Company is required to pay its allocable share of operating and tax expenses related to the premises. The sublease expires on March 31, 2008. There have been no other significant changes in our contractual obligations since June 30, 2004.

Minimum rental commitments, including real estate taxes and other expenses, under all non-cancelable operating lease agreements are the following for the next five fiscal years ended June 30,

2005 (remaining three months)	$	841,057
2006		3,364,228
2007		3,394,228
2008		2,868,073
2009		698,700
Thereafter		931,600
Total minimum lease payments	$	12,097,886

Risk Factors

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

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

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

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

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

- ineffectiveness of the product candidate;
- discovery of unacceptable toxicities or side effects;
- development of disease resistance or other physiological factors;
- delays in patient enrollment;

- lack of adequate drug supply; or
- other reasons that are internal to the businesses of our collaborative partners, which reasons they may not share with us.

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

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

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

- generate cash flow and revenue;
- offset some of the costs associated with our internal research and development, preclinical testing, clinical trials and manufacturing;
- seek and obtain regulatory approvals faster than we could on our own;
- successfully commercialize existing and future product candidates; and
- develop antibodies for additional product candidates, and discover additional cell surface markers for antibody development.

If we fail to secure or maintain successful collaborative arrangements, our development and marketing activities may be delayed or scaled back. In addition, we may be unable to negotiate other collaborative arrangements or, if necessary, modify our existing arrangements on acceptable terms.

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

We depend on a small number of collaborators for a substantial portion of our revenue. The loss of, or a material reduction in activity by, any one of these collaborators could result in a substantial decline in 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. The failure of any one of our collaborative partners to perform its obligations under its agreement with us, including making any royalty, milestone or other payments to us, could have a material adverse effect on our financial condition. Further, any material reduction by any one of our collaborative partners in its level of commitment of resources, funding, personnel, and interest in continued development under its agreement with us could have a material adverse effect on our financial condition. Also, if consolidation trends in the healthcare industry continue, the number of

our potential collaborators could decrease, which could have an adverse impact on our development efforts. If a present or future collaborator of ours were to be involved in a business combination, their continued pursuit and emphasis on our product development program could be delayed, diminished or terminated. For example, our collaborative agreement with Vernalis was terminated in January 2004, after British Biotech merged with Vernalis. Vernalis elected to relinquish its rights to develop and commercialize huN901-DM1, the product candidate subject to the collaborative agreement. In addition, in August 2004, Aventis completed its merger with Sanofi-Synthelabo; the combined entity is now sanofi-aventis. To date this merger has had an inconsequential effect on our collaboration. We do not know yet what effect, if any, the merger will have on our collaboration with sanofi-aventis in the future. In addition, in February 2005, Boehringer Ingelheim discontinued development of bivatuzamab mertansine. Under the 2001 agreement, Boehringer Ingelheim has retained its right, under the 2001 agreement, to use ImmunoGen's DM1 TAP technology to create an anticancer compound to a different antigen target. We do not know when or if Beohringer Ingelheim will exercise this right.

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

We procure certain components of finished conjugate including ansamitocin P3, DM1, DM4, related small molecule effector drugs, and linker on behalf of our collaborators. In order to meet our commitments to our collaborators, we are required to enter into agreements with third parties to produce these components well in advance of our production of clinical materials on behalf of our collaborators. If our collaborators do not require as much clinical material as we have contracted to produce, we may not be able to recover our investment in these components and we may be required to write down the value of excess inventory or suffer significant losses.

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

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

We have generated operating losses since our inception. As of March 31, 2005, we had an accumulated deficit of $218.0 million. For the nine months ended March 31, 2005 and the fiscal years ended June 30, 2004, 2003 and 2002, we generated losses of $8.2 million, $5.9 million, $20.0 million and $14.6 million, respectively. We may never be profitable. We expect to incur substantial additional operating expenses over the next several years as our research, development, preclinical testing, clinical studies and collaborator support activities increase. We intend to continue to invest significantly in our product

candidates and bring more of the product development process in-house, which will be a time-consuming and expensive process. Further, we expect to invest significant resources supporting our existing collaborators as they work to develop, test and commercialize TAP and other antibody compounds, and we or our collaborators may encounter technological or regulatory difficulties as part of this development and commercialization process that we cannot overcome or remedy. We may also incur substantial marketing and other costs in the future if we decide to establish marketing and sales capabilities to commercialize our product candidates. None of our product candidates has generated any commercial revenue and our only revenues to date have been primarily from upfront and milestone payments, research and development support and clinical materials reimbursement from our collaborative partners. We do not expect to generate revenues from the commercial sale of our product candidates in the foreseeable future, and we may never generate revenues from the commercial sale of products. Even if we do successfully develop products that can be marketed and sold commercially, we will need to generate significant revenues from those products to achieve and maintain profitability. Even if we do become profitable, we may not be able to sustain or increase profitability on a quarterly or annual basis.

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

We or our collaborative partners may not receive the regulatory approvals necessary to commercialize our product candidates, which could cause our business to be severely harmed. Our product candidates are subject to extensive and rigorous government regulation. The FDA regulates, among other things, the development, testing, manufacture, safety, record-keeping, labeling, storage, approval, advertising, promotion, sale and distribution of pharmaceutical products. If our potential products are marketed abroad, they will also be subject to extensive regulation by foreign governments. None of our product candidates has been approved for sale in the United States or any foreign market. The regulatory review and approval process, which includes preclinical studies and clinical trials of each product candidate, is lengthy, complex, expensive and uncertain. Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each indication to establish the product candidate's safety and efficacy. Data obtained from preclinical and clinical trials are susceptible

to varying interpretation, which may delay, limit or prevent regulatory approval. The approval process may take many years to complete and may involve ongoing requirements for post-marketing studies. In light of the limited regulatory history of monoclonal antibody-based therapeutics, regulatory approvals for our products may not be obtained without lengthy delays, if at all. Any FDA or other regulatory approvals of our product candidates, once obtained, may be withdrawn. The effect of government regulation may be to:

- delay marketing of potential products for a considerable period of time;
- limit the indicated uses for which potential products may be marketed;
- impose costly requirements on our activities; and
- provide competitive advantage to other pharmaceutical and biotechnology companies.

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

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

Even if we receive regulatory approval to market a particular product candidate, the approval could be conditioned on us conducting additional costly post-approval studies or could limit the indicated uses included in our labeling. Moreover, the product may later cause adverse effects that limit or prevent its widespread use, force us to withdraw it from the market or impede or delay our ability to obtain regulatory approvals in additional countries. In addition, the manufacturer of the product and its facilities will continue to be subject to FDA 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 will remain subject to extensive regulatory requirements. We may be slow to adapt, or we may never adapt, to changes in existing regulatory requirements or adoption of new regulatory requirements.

If we fail to comply with the regulatory requirements of the FDA and other applicable U.S. and foreign regulatory authorities or previously unknown problems with our 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.

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

The regulations governing drug pricing and reimbursement vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed and, in many of these countries, the pricing review period begins only after approval is granted. In some countries, prescription drug pricing remains subject to continuing governmental control even after initial approval is granted. Although we monitor these regulations, our product candidates are currently in the development stage and we will not be able to assess the impact of price regulations for at least several years. As a result, we may obtain regulatory approval for a product in a particular country, but then be subject to price regulations that delay the commercial launch of the product and may negatively impact the revenues we are able to derive from sales in that country.

Successful commercialization of our products will also depend in part on the extent to which coverage and adequate payment for our products will be available from government health administration authorities, private health insurers and other third-party payors. If we succeed in bringing a product candidate to the market, it may not be considered cost-effective and reimbursement to the patient may not be available or sufficient to allow us to sell it at a satisfactory price. Because our product candidates are in the development stage, we are unable at this time to determine their cost-effectiveness. We may need to conduct expensive studies in order to demonstrate cost-effectiveness. Moreover, third-party payors frequently require that drug companies provide them with predetermined 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 could 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 United States 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. In addition, ongoing initiatives in the United States have 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.

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

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

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

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

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

We rely on single source suppliers to manufacture the primary component for our DM1 and DM4 and other maytansinoid cytotoxic agents. Any problems experienced by either supplier could negatively affect our operations.

We rely on third-party suppliers for some of the materials used in the manufacturing of TAP product candidates and cytotoxic agents. Our small molecule effector agents include DM1 and DM4 (collectively DMx). DM1 and DM4 are used in our TAP product candidates in preclinical and clinical testing and are the subject of most of our collaborations. One of the primary components required to manufacture DM1 and DM4 is their precursor, ansamitocin P3. Currently, only one vendor manufactures and is able to supply us with this material. Any problems experienced by this vendor could result in a delay or interruption in the supply of ansamitocin P3 to us until this vendor cures the problem or until we locate an alternative source of supply. Any delay or interruption in our supply of ansamitocin P3 would likely lead to a delay or interruption in our manufacturing operations and preclinical and clinical trials of our product candidates, which could negatively affect our business. We also have an agreement with only one vendor to convert ansamitocin P3 to DMx. Any problems experienced by this vendor could result in a delay or interruption in the supply of DMx to us until this vendor cures the problem or until we locate an alternative source of supply. Any delay or interruption in our supply of DMx could lead to a delay or interruption in our manufacturing operations and preclinical and clinical trials of our product candidates or our collaborators' product candidates, which could negatively affect our business.

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

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

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

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

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

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

- the degree of clinical efficacy and safety;

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

Physicians will not recommend therapies using any of our future products until such time as clinical data or other factors demonstrate the safety and efficacy of those products as compared to conventional drug and other treatments. Even if the clinical safety and efficacy of therapies using our products is established, physicians may elect not to recommend the therapies for any number of other reasons, including whether the mode of administration of our products is effective for certain conditions, and whether the physicians are already using competing products that satisfy their treatment objectives. Physicians, patients, third-party payors and the medical community may not accept and use any product candidates that we, or our collaborative partners, develop. If our products do not achieve significant market acceptance, we will not be able to recover the significant investment we have made in developing such products and our business would be severely harmed.

We may be unable to compete successfully.

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

- develop products that are safer or more effective than our product candidates;
- obtain FDA and other regulatory approvals or reach the market with their products more rapidly than we can, reducing the potential sales of our product candidates;
- devote greater resources to market or sell their products;

- adapt more quickly to new technologies and scientific advances;
- initiate or withstand substantial price competition more successfully than we can;
- have greater success in recruiting skilled scientific workers from the limited pool of available talent;
- more effectively negotiate third-party licensing and collaboration arrangements; and
- take advantage of acquisition or other opportunities more readily than we can.

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

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

Our success depends in part on obtaining, maintaining and enforcing our patents and other proprietary rights and our ability to avoid infringing the proprietary rights of others. Patent law relating to the scope of claims in the biotechnology field in which we operate is still evolving, is surrounded by a great deal of uncertainty and involves complex legal, scientific and factual questions. To date, no consistent policy has emerged regarding the breadth of claims allowed in biotechnology patents. Accordingly, our pending patent applications may not result in issued patents. Although we own several patents, the issuance of a patent is not conclusive as to its validity or enforceability. Through litigation, a third party may challenge the validity or enforceability of a patent after its issuance. Also, patents and applications owned or licensed by us may become the subject of interference proceedings in the United States Patent and Trademark Office to determine priority of invention that could result in substantial cost to us. An adverse decision in an interference proceeding may result in our loss of rights under a patent or patent application. It is unclear how much protection, if any, will be given to our patents if we attempt to enforce them and they are challenged in court or in other proceedings. A competitor may successfully challenge our patents or a challenge could result in limitations of the patents' coverage. In addition, the cost of litigation or interference proceedings to uphold the validity of patents can be substantial. If we are unsuccessful in these proceedings, third parties may be able to use our patented technology without paying us licensing fees or royalties. Moreover, competitors may infringe our patents or successfully avoid them through design innovation. To prevent infringement or unauthorized use, we may need to file infringement claims, which are expensive and time-consuming. In an infringement proceeding a court may decide that a patent of ours is not valid. Even if the validity of our patents were upheld, a court may refuse to stop the other party from using the technology at issue on the ground that its activities are not covered by our patents. Policing unauthorized use of our intellectual property is difficult, and we may not be able to prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States.

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

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

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

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

Our research and development activities involve the controlled use of hazardous materials, chemicals, biological materials and radioactive compounds. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and certain waste products. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards prescribed by

applicable laws and regulations, we cannot completely eliminate the risk of accidental contamination or injury from these materials. In the event of such an accident, we could be held liable for any resulting damages, and any liability could exceed our resources. We may be required to incur significant costs to

comply with these laws in the future. Failure to comply with these laws could result in fines and the revocation of permits, which could prevent us from conducting our business.

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

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

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

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

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

We depend on our key scientific and management personnel. Our ability to pursue the development of our current and future product candidates depends largely on retaining the services of our existing personnel and hiring additional qualified scientific personnel to perform research and development. We will also need to hire personnel with expertise in clinical testing, government regulation, manufacturing, marketing and finance. Attracting and retaining qualified personnel 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.

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

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

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

Additional funding may not be available to us on favorable terms, or at all. We may raise additional funds through public or private financings, collaborative arrangements or other arrangements. Debt financing, if available, may involve covenants that

could restrict our business activities. If we are unable to raise additional funds through equity or debt financing when needed, we may be required to delay, scale back or eliminate expenditures for some of our development programs or grant rights to develop and market product candidates that we would otherwise prefer to internally develop and market. If we are required to grant such rights, the ultimate value of these product candidates to us may be reduced.

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

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

services, the achievement of milestones and our receipt of the related milestone payments under new and existing licensing and collaboration agreements. Revenue historically recognized under our prior collaboration agreements may not be an indicator of revenue from any future collaborations. In addition, our expenses are unpredictable and may fluctuate from quarter-to-quarter due to the timing of expenses, which may include obligations to manufacture or supply product or payments owed by us under licensing or collaboration agreements. It is possible that our quarterly operating results will not meet the expectations of securities analysts or investors, causing the market price of our common stock to decline. We believe that quarter-to-quarter comparisons of our operating results are not a good indicator of our future performance and should not be relied upon to predict the future performance of our stock price.

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

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

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

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

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

ITEM 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*

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

(b) *Changes in Internal Controls*

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

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

None.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the nine months ended March 31, 2005, holders of options issued under the Company's Restated Stock Option Plan exercised their rights to acquire an aggregate of 217,315 shares of common stock at prices ranging from $0.84 to $6.78 per share. The total proceeds from these option exercises, approximately $480,000, will be used to fund current operations.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Submission of Matters to a Vote of Security Holders.

None.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

(a) Exhibits

10.1	Separation agreement with Christopher Missling, Ph.D. dated January 5, 2005.
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.

32. Certifications of Chief Executive Officer and Principal Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

ImmunoGen, Inc.

Date: May 6, 2005

By: /s/ Mitchel Sayare
Mitchel Sayare
President and Chief Executive Officer
(principal executive officer)

Date: May 6, 2005

By: /s/ Karleen M. Oberton
Karleen M. Oberton
Senior Corporate Controller
(principal financial and accounting officer)

EXHIBIT 31.1

CERTIFICATIONS

I, Mitchel Sayare, certify that:

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

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

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

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

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

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

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

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

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

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

Date: May 6, 2005

/s/ Mitchel Sayare

Mitchel Sayare

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

EXHIBIT 31.2

CERTIFICATIONS

I, Karleen M. Oberton, certify that:

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

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

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

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

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

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

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

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

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

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

Date: May 6, 2005

/s/ Karleen M. Oberton

Karleen M. Oberton

Senior Corporate Controller
(principal accounting and financial officer)

EXHIBIT 32

Certification

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

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

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

The Quarterly Report for the period ended March 31, 2005 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2005

/s/ Mitchel Sayare

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

Dated: May 6, 2005

/s/ Karleen M. Oberton

Karleen M. Oberton
Senior Corporate Controller
(principal accounting and financial officer)

Exhibit 99.1

January 5, 2005

Christopher U. Missling, Ph.D.
125 Beacon Street
Boston, MA 02116

Dear Christopher:

The purpose of this letter agreement (the "Agreement") is to confirm the terms regarding your separation of employment with ImmunoGen, Inc. (the "Company"). As more fully set forth below, the Company desires to provide you with severance pay and benefits in exchange for certain agreements by you.

1. Separation of Employment. You acknowledge that your employment with the Company terminated effective January 5, 2005 (the "Separation Date"). You acknowledge that from and after the Separation Date, you shall not have any authority and shall not represent yourself as an employee or agent of the Company.

2. Severance Pay. In exchange for the mutual covenants set forth in this letter, as soon as practicable following the Company's receipt of a signed original counterpart to this Agreement (the "Effective Date"), the Company agrees to provide you with the following severance pay and benefits (the "Severance Pay and Benefits"):

(i) Severance pay in an amount equal to 12 weeks of your gross weekly base salary of $ 4,615.36, less all applicable federal, state, local and other employment-related deductions. Such payments shall be made in approximately equal installments on the Company's regularly scheduled paydays beginning on the first such payday which is at least one (1) day after the Effective Date of this Agreement; and

(ii) The Company will also, should you properly elect coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), pay your COBRA premiums for a period of 12 weeks commencing on the Effective Date of this Agreement. For purposes of obtaining coverage, the COBRA qualifying event shall be deemed to have occurred on the Separation Date. Please note that your right to elect COBRA coverage is not contingent on your acceptance of this Agreement. If you do not accept this Agreement, however, you will be solely responsible for all COBRA premiums. Additionally, should you elect to convert your life insurance to an individual policy, subject to the provisions of the policy, the Company will pay any associated premium(s) for a period of 12 weeks commencing on the Effective Date of this Agreement; and

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(iii) Immediate vesting of 5,770 Incentive Stock Options that in the normal course of employment would have vested during the first 12 weeks of your employment at the Company, which options shall be exercisable at a price of $5.15 per share as provided in the Company's Restated Stock Option Plan, as amended. You will have 90 days from your termination date to exercise the above Incentive Stock Options. The remaining Incentive Stock Options and Non-Qualified Options that have been granted to you will be terminated in its entirety. You shall have no rights whatsoever to any additional stock options under any Company stock option plan, of whatever name or kind.

You acknowledge and agree that the Severance Pay and Benefits provided in this Agreement are not otherwise due or owing to you under any Company employment agreement (oral or written) or Company policy or practice, and that the Severance Pay and Benefits to be provided to you are not intended to, and shall not constitute, a severance plan, and shall confer no benefit on anyone other than the parties hereto. You further acknowledge that except for the specific financial consideration set forth in this Agreement, you are not and shall not in the future be entitled to any other compensation including, without limitation, other wages, commissions, bonuses, vacation pay, holiday pay or any other form of compensation or benefit.

3. Covenants by You. You expressly acknowledge and agree to the following:

(i) that you have returned to the Company all Company documents (and any copies thereof, whether in paper, electronic or other form) and property, and that you shall abide by any and all common law and/or statutory obligations relating to protection and non-disclosure of the Company's trade secrets and/or confidential and proprietary documents and information; and

(ii) that all information relating in any way to the negotiation of this Agreement, including the terms and amount of financial consideration provided for in this Agreement, shall be held confidential by you and shall not be publicized or disclosed to any person (other than an immediate family member, legal counsel or financial advisor, provided that any such individual to whom disclosure is made agrees to be bound by these confidentiality obligations), business entity or government agency (except as mandated by state or federal law); and

(iii) that you shall abide by the provisions of the Proprietary Information and Inventions Agreement previously signed by you, dated October 25, 2004, and that you shall abide by all common law and/or statutory obligations relating to protection and non-disclosure of the Company's trade secrets and confidential and proprietary information; and

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(iv) that the breach of any of the foregoing covenants by you shall constitute a material breach of this Agreement and shall relieve the Company of any further obligations hereunder and, in addition to any other legal or equitable remedy available to the Company, shall entitle the Company to recover any Severance Pay and Benefits already paid to you pursuant to Section 2 of this letter.

4. Unemployment Benefits. The Company will not contest any claim made by you or on your behalf with the Massachusetts Division of Employment and Training or like agency regarding unemployment benefits, provided, however, that the Company shall not be required to falsify information.

5. Non-Disparagement. You expressly acknowledge and agree that you will not make any statements that are professionally or personally disparaging about, or adverse to, the interests of the Company (including its officers, directors and employees) including, but not limited to, any statements that disparage any person, product, service, finances, financial condition, capability or any other aspect of the business of the Company, and that you will not engage in any

conduct which is intended to harm professionally or personally the reputation of the Company (including its officers, directors and employees). The Company expressly agrees that the Company's Officers, Directors and Human Resources personnel, unless required by law or legal process, to enforce the terms of this Agreement, or to defend against or assert rights against you or others with respect to claims asserted by any person or entity not a party to this Agreement and except for disclosures to your attorneys, will not make any statements that are professionally or personally disparaging about, or adverse to, your interests, nor will they engage in any conduct that is intended to or has the result of inflicting harm upon your professional or personal reputation.

6. **References**. If any employer or prospective employer makes an inquiry or seeks a reference with respect to you, all such requests directed to management of the Company will be referred to Linda Buono who will inform the employer or prospective employer that it is the Company's policy to provide only dates of employment and position held for former employees, and who will provide only such information in regard to you.

7. **Release of Claims.** You hereby agree and acknowledge that by signing this letter and accepting the Severance Pay and Benefits to be provided to you, and other good and valuable consideration provided for in this Agreement, you are waiving and releasing your right to assert any form of legal claim against the Company(1) whatsoever for any alleged action, inaction or circumstance existing or arising from the beginning of time through the Separation Date. Your waiver and release herein is intended to bar any form of legal claim, charge, complaint or any other form of action (jointly referred to as "Claims") against the Company seeking any form of relief including, without limitation, equitable relief (whether declaratory, injunctive or

(1) For the purposes of this section, the parties agree that the term "Company" shall include ImmunoGen, Inc., its divisions, affiliates, parents and subsidiaries, and its respective officers, directors, employees, agents and assigns.

otherwise), the recovery of any damages or any other form of monetary recovery whatsoever (including, without limitation, back pay, front pay, compensatory damages, emotional distress damages, punitive damages, attorneys fees and any other costs) against the Company, for any alleged action, inaction or circumstance existing or arising through the Separation Date.

Without limiting the foregoing general waiver and release, you specifically waive and release the Company from any Claim arising from or related to your employment relationship with the Company or the termination thereof, including, without limitation:

(i) Claims under any state or federal discrimination, fair employment practices or other employment related statute, regulation or executive order (as they may have been amended through the Separation Date) prohibiting discrimination or harassment based upon any protected status including, without limitation, race, national origin, age, gender, marital status, disability, veteran status or sexual orientation. Without limitation, specifically included in this paragraph are any Claims arising under the federal Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Civil Rights Acts of 1866 and 1871, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Equal Pay Act, the Americans With Disabilities Act and any similar Massachusetts or other state statute.

(ii) Claims under any other state or federal employment related statute, regulation or executive order (as they may have been amended through the Separation Date) relating to wages, hours or any other terms and conditions of employment. Without limitation, specifically included in this paragraph are any Claims arising under the Fair Labor Standards Act, the Family and Medical Leave Act of 1993, the National Labor Relations Act, the Employee Retirement Income Security Act of 1974, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and any similar Massachusetts, New York or other state statute.

(iii) Claims under any state or federal common law theory including, without limitation, wrongful discharge, breach of express or implied contract, promissory estoppel, unjust enrichment, breach of a covenant of good faith and fair dealing, violation of public policy, defamation, interference with contractual relations, intentional or negligent infliction of emotional distress, invasion of privacy, misrepresentation, deceit, fraud or negligence.

(iv) Any other Claim arising under local, state or federal law.

Notwithstanding the foregoing, this section does not release the Company from any obligation expressly set forth in this Agreement. You acknowledge and agree that, but for providing this waiver and release, you would not be receiving the Severance Pay being provided to you under the terms of this Agreement.

8. **Entire Agreement/Choice of Law/Enforceability.** You acknowledge and agree that, with the exception of your Proprietary Information and Inventions Agreement referenced in Section 3 and your agreement to adhere to the Company's Insider Trading policy both of which shall survive indefinitely the execution of this Agreement, this Agreement supersedes any and all prior and contemporaneous oral and/or written agreements between you and the Company, and sets forth the entire agreement between you and the Company. No variations or modifications hereof shall be deemed valid unless reduced to writing and signed by the parties hereto. This Agreement shall be deemed to have been made in the Commonwealth of Massachusetts, shall take effect as a document under seal in Massachusetts, and shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without giving effect to conflict of law principles. You agree that any action, demand, claim or counterclaim relating to the terms and provisions of this Agreement, or to its breach, shall be commenced in Massachusetts in a court of competent jurisdiction, and you further acknowledge that venue for such actions shall lie exclusively in Massachusetts and that material witnesses and documents would be located in Massachusetts. The provisions of this letter are severable, and if for any reason any part hereof shall be found to be unenforceable, the remaining provisions shall be enforced in full.

9. **Notice.** All notices under this Agreement shall be in writing and be delivered by hand, sent via reputable nationwide overnight courier service, transmitted via facsimile with original copy via U.S. mail or mailed by first class certified or registered mail, return receipt requested, postage prepaid:

(i) If to Christopher U. Missling, Ph.D., 125 Beacon Street, Boston, MA 02116;

(ii) If to the Company, ImmunoGen, Inc, Attention Mitchel Sayare, 128 Sidney Street, Cambridge, MA 02139.

Notices under this Agreement shall be deemed delivered upon personal delivery, one day after being sent via a reputable nationwide overnight courier service or two days after deposit in the mail and on the next business day following transmittal via facsimile.

By executing this Agreement, you are acknowledging that you have been afforded sufficient time to understand the terms and effects of this letter, that your agreements and obligations hereunder are made voluntarily, knowingly and without duress, and that neither the Company nor its agents or representatives have made any representations inconsistent with the provisions of this letter. If the foregoing correctly sets forth our understanding, please sign, date and return the enclosed copy of this letter to Mitchel Sayare at Immunogen, Inc. within seven (7) calendar days.

Very truly yours,

IMMUNOGEN, INC.

By: /s/ Mitchell Sayare, Ph.D.

Title: Chairman of the Board and Chief Executive Officer

Dated: January 5, 2005

Confirmed and Agreed:

/s/ Christopher U. Missling, Ph.D.
Christopher U. Missling, Ph.D.

Dated: January 5, 2005