

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 2

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

For the quarterly period ended December 31, 1996

OR

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

For the transition period from _____ to _____

Commission file number 0-17999

ImmunoGen, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts

04-2726691

State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

333 Providence Highway
Norwood, MA 02062

(Address of principal executive offices, including zip code)

(617) 769-4242

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last
report.)

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

Yes No
--- ---

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

At February 11, 1997 there were 18,390,984 shares of common stock, par
value \$.01 per share, of the registrant outstanding.

At February 11, 1997 there were 5,500 shares of convertible preferred
stock, par value \$.01 per share, of the registrant outstanding.

IMMUNOGEN, INC.

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ITEM 1. FINANCIAL STATEMENTS

IMMUNOGEN, INC.
 CONSOLIDATED BALANCE SHEETS
 As of June 30, 1996 and December 31, 1996

	June 30, ----- 1996	December 31, ----- 1996

ASSETS		
Cash and cash equivalents	\$ 2,796,636	\$ 1,828,987
Prepays and other current assets	163,280	422,299
	-----	-----
Total current assets	2,959,916	2,251,286
	-----	-----
Property and equipment, net of accumulated depreciation	4,163,416	3,547,561
Note receivable	1,338,929	1,067,633
Other assets	43,700	43,700
	-----	-----
Total assets	\$ 8,505,961	\$ 6,910,180
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	733,446	985,585
Accrued compensation	233,515	250,181
Other accrued liabilities	832,573	763,534
Current portion of capital lease obligations	141,533	109,157
Current portion of deferred lease	--	152,088
	-----	-----
Total current liabilities	1,941,067	2,260,545
	-----	-----
Capital lease obligations	37,068	--
Deferred lease	--	25,355
Convertible debentures	5,750,443	--
Commitments		
Stockholders' equity :		
Preferred stock; \$.01 par value; authorized 5,000,000 as of September 30, 1996:		
Convertible preferred stock, Series A, \$.01 par value; issued and outstanding 2,500 shares at October 3, 1996 (liquidation preference - stated value plus accrued but unpaid dividends per share; excludes interest)	--	25
Convertible preferred stock, Series B, \$.01 par value; issued and outstanding 3,000 shares at October 16, 1996 (liquidation preference - stated value plus accrued but unpaid dividends per share; excludes interest)	--	30
Common stock, \$.01 par value; authorized 30,000,000 as of June 30, 1996 and December 31, 1996, respectively; Issued and outstanding 16,599,855 and 16,963,161 as of June 30, 1996 and December 31, 1996, respectively	165,999	169,632
Additional paid-in capital	128,525,884	138,322,823
	-----	-----
Accumulated deficit	128,691,883 (127,914,500)	138,492,510 (133,868,230)
	-----	-----
Total stockholders' equity	777,383	4,624,280
	-----	-----
Total liabilities and stockholders' equity	\$ 8,505,961	\$ 6,910,180
	=====	=====

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

IMMUNOGEN, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 For the three months and six months ended December 31, 1995 and 1996

	Three Months Ended December 31,		Six Months Ended December 31,	
	1995	1996	1995	1996
Revenues:				
Development fees	\$ 86,834	\$ 71,076	\$ 223,162	\$ 153,232
Interest	22,281	15,219	56,614	36,599
Licensing	7,500	929	7,500	6,572
Other	13,929	29,667	27,857	58,704
Total revenues	130,544	116,891	315,133	255,107
Expenses:				
Research and development	2,721,238	2,031,389	5,645,838	3,977,622
General and administrative	507,693	548,330	961,264	986,249
Interest	228,166	5,862	592,272	72,724
Loss on disposal of assets	1,652,014	--	1,652,014	--
Total expenses	5,109,111	2,585,580	8,851,388	5,036,595
Loss before income taxes	(4,978,567)	(2,468,689)	(8,536,255)	(4,781,488)
Income tax expense	294	200	747	483
Net loss	(4,978,861)	(2,468,889)	(8,537,002)	(4,781,971)
Dividends on convertible preferred stock	--	1,171,759	--	1,171,759
Net loss to common shareholders	\$ (4,978,861)	\$ (3,640,648)	\$ (8,537,002)	\$ (5,953,730)
Loss per common share	\$ (0.36)	\$ (0.21)	\$ (0.65)	(0.35)
Shares used in computing loss per share amounts	13,757,414	16,960,993	13,169,662	16,939,002

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

IMMUNOGEN, INC.
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 For the year ended June 30, 1996 and for
 the six months ended December 31, 1996

	Common Stock		
	Shares	Amount	Additional Paid-in Capital
Balance at June 30, 1995	12,578,606	\$125,786	\$118,988,736
Stock options exercised	168,500	1,685	120,900
Conversion of convertible debentures	3,852,749	38,528	6,722,763
Issuance of common stock warrants	--	--	2,693,485
Net loss	--	--	--
Balance at June 30, 1996	16,599,855	165,999	128,525,884
Stock options exercised	11,644	116	27,290
Conversion of convertible debentures into common stock	351,662	3,517	1,315,217
Exchange of convertible debentures for series A preferred stock	--	--	--
Issuance of series B convertible preferred stock	--	--	--
Dividends payable	--	--	--
Net loss for the six months ended December 31, 1996	--	--	--
Balance at December 31, 1996	16,963,161	\$169,632	\$129,868,391

	Preferred Stock				Total Stockholders' Equity
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	
Balance at June 30, 1995		\$	\$	\$(108,991,363)	\$ 10,123,159
Stock options exercised	--	--	--	--	122,585
Conversion of convertible debentures	--	--	--	--	6,761,291
Issuance of common stock warrants	--	--	--	--	2,693,485
Net loss	--	--	--	(18,923,137)	(18,923,137)
Balance at June 30, 1996	--	--	--	(127,914,500)	777,383
Stock options exercised	--	--	--	--	27,406
Conversion of convertible debentures into common stock	--	--	--	--	1,318,734
Exchange of convertible debentures for series A preferred stock	2,500	25	4,749,586	--	4,749,611
Issuance of series B convertible preferred stock	3,000	30	3,398,107	--	3,398,137
Compensation for put right	--	--	306,739	--	306,739
Dividends payable	--	--	--	(1,171,759)	(1,171,759)
Net loss for the six months ended December 31, 1996	--	--	--	(4,781,971)	(4,781,971)
Balance at December 31, 1996	5,500	\$55	\$8,454,432	\$(133,868,230)	\$ 4,624,280

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

IMMUNOGEN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended December 31, 1995 and 1996

	December 31,	
	----- 1995 -----	----- 1996 -----
Cash flows from operating activities:		
Net loss	\$(8,537,002)	\$(5,953,730)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	1,590,150	817,661
Loss on disposal of facility	1,652,014	--
Other	34,199	--
Loss on sale of property and equipment	--	2,934
Accretion of interest on note receivable	--	(58,704)
Dividends payable	--	1,171,759
Amortization of deferred lease	--	(38,022)
Changes in operating assets and liabilities:		
Other current assets	77,370	70,981
Accounts payable	(230,611)	252,139
Accrued compensation	115,838	16,666
Other non-current liabilities	(35,659)	--
Other accrued liabilities	(27,856)	(208,020)
	-----	-----
Net cash used for operating activities	(5,361,557)	(3,926,336)
	-----	-----
Cash flows from investing activities:		
Proceeds from sale of property and equipment	--	15,183
Purchase of property and equipment	(18,251)	(4,458)
	-----	-----
Net cash (used for) provided by investing activities	(18,251)	10,725
	-----	-----
Cash flows from financing activities:		
Proceeds from convertible debentures	3,600,000	--
Proceeds from convertible preferred stock	--	2,990,000
Stock issuances, net	7,151	27,406
Principal payments on capital lease obligations	(397,173)	(69,444)
	-----	-----
Net cash provided by (used for) financing activities	3,209,978	2,947,962
	-----	-----
Net change in cash and cash equivalents	(2,169,830)	(967,649)
	-----	-----
Cash and cash equivalents, beginning balance	3,047,236	2,796,636
	-----	-----
Cash and cash equivalents, ending balance	\$ 877,406	\$ 1,828,987
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 592,272	\$ 8,582
	=====	=====
Cash paid (refunded) for income taxes	\$ 5,000	\$ 1,197
	=====	=====
Supplemental disclosure of noncash financing activities:		
Conversion of convertible debentures including accrued interest	\$ --	\$ 1,318,734
	=====	=====
Conversion of convertible debentures to preferred stock	\$ --	\$ 4,437,500
	=====	=====
Deferred lease of leasehold improvements	\$ --	\$ 215,465
	=====	=====

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

IMMUNOGEN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. In the opinion of management, the accompanying financial statements include all adjustments, consisting of only normal recurring accruals, necessary to present fairly the consolidated financial position, results of operations and cash flows of ImmunoGen, Inc. (the "Company"), which include those of its wholly-owned subsidiary, ImmunoGen Securities Corp., and its 72%-owned subsidiary, Apoptosis Technology, Inc. ("ATI"). The financial disclosures herein should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 1996.

The Company has been unprofitable since inception and expects to incur net losses over the next several years, assuming it is able to raise sufficient working capital to continue operations. The Company's cash resources at December 31, 1996 were \$1.8 million. Subsequent to December 31, 1996, an additional \$3.0 million was received pursuant to a private placement of convertible preferred stock. An additional \$6.0 million is available to the Company under this agreement over the period ending December 31, 1997, if certain conditions are met. The Company continues actively to seek additional capital by pursuing one or more financing transactions and/or strategic partnering arrangements. While the Company remains hopeful that it will be able to consummate an additional financing transaction in the near term, no assurance can be given that such financing will be available to the Company on acceptable terms, if at all. If the Company is unable to obtain financing on acceptable terms in order to maintain operations, it could be forced to curtail further or discontinue operations.

B. In October 1996, the Company's \$2.5 million debenture issued in June 1996 was converted into 2,500 shares of the Company's Series A Convertible Preferred Stock, with a stated value of \$1,000 per share (the "Series A Stock"). Holders of the Series A Stock are entitled to receive, when and as declared by the Board of Directors, cumulative dividends at a rate per share equal to 9% per annum in cash or, at the Company's option, in shares of the Company's Common Stock in arrears on the conversion date. The 2,500 shares of Series A Stock are convertible into the same number of shares of Common Stock as the \$2.5 million debenture. Each share of Series A Stock is convertible into a number of shares of Common Stock determined by dividing the \$1,000 stated value per share by the lesser of (i) 85% of the average of the closing bid prices for the Common Stock for the five consecutive trading days prior to the conversion date, and (ii) \$2.50 (subject to certain adjustments).

C. On November 12, 1996 the shareholders of the Company approved the issuance of 12,000 shares of the Company's Convertible Preferred Stock (the "Preferred Stock") and related common stock purchase warrants (the "Warrants") pursuant to a financing agreement entered into in October 1996 (the "October 1996 Financing Agreement"), with the effect that, upon conversion of shares of Preferred Stock and exercise of Warrants, the holders of the Preferred Stock could own in excess of 20% of the number of shares of the Company's Common Stock outstanding on the date of issuance of the Preferred Stock.

D. The Company sold 3,000 shares of its Series B Convertible Preferred Stock (the "Series B Stock") for \$3.0 million in October 1996 and 3,000 shares of its Series C Convertible Preferred Stock (the "Series C Stock") for \$3.0 million in January 1997 to an institutional investor pursuant to the October 1996 Financing Agreement. Pursuant to this agreement, the Company has the right to require the investor to purchase up to \$12.0 million of convertible preferred stock from the Company in a series of private placements. The Company may require the investor to make additional investments of up to \$3.0 million during each of the quarters commencing on April 1, 1997 and July 1, 1997, respectively. If the aggregate investment as of September 30, 1997 is less than \$12.0 million, the Company may require the investor to make an additional investment of up to \$3.0 million in the quarter commencing on October 1, 1997 in an amount which would bring the total investment to \$12.0 million.

Holders of the Series B Stock and Series C Stock are entitled to receive, when and as declared by the Board of Directors, cumulative dividends at a rate per share equal to an annual rate of 9% of the stated value in cash, or at the Company's option, shares of Common Stock, in arrears on the conversion date. Each share of Series B Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the \$1,000 stated value per share by the lesser of (i) \$3.60 (the average closing bid price of the Company's Common Stock on the NASDAQ National Market for the five consecutive trading days prior to the October 16, 1996 original issuance date of the Preferred Stock), and (ii) 85% of the average closing bid price for the Common Stock for the five consecutive trading days prior to the conversion date. Each share of Series C Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the \$1,000 stated value per share by the lesser of (i) \$2.61 (the average closing bid price of the Company's Common Stock on the NASDAQ National Market for the five consecutive trading days prior to the January 24, 1997 original issuance date of the Series C Preferred Stock), and (ii) the Applicable Percentage (defined below) of the average closing bid price of the Company's Common Stock for the five consecutive trading days prior to the conversion date (subject to certain adjustments). The Applicable Percentage will be (i) 100%, if the conversion date is on or before March 4, 1997, (ii) 90%, if the conversion date is after March 4, 1997 but on or before April 13, 1997, and (iii) 85%, if the conversion date is after April 13, 1997.

As of January 27, 1997, 1,950 shares of the Series B Stock plus accrued dividends thereon had been converted into 927,167 shares of the Company's Common Stock.

Pursuant to the October 1996 Financing Agreement, the Company has issued warrants to the investor to purchase 187,500 shares of the Company's Common Stock. Warrants to purchase 62,500 shares of the Company's Common Stock were also issued to a third party pursuant to an arrangement between the investor and that party. These warrants have an exercise price of \$5.49 and expire in October 2001. Additionally, because conversion of the Series B Stock into shares of the Company's Common Stock did not occur until after the eightieth day following issuance of the Series B Stock, warrants to acquire an additional 250,000 shares of the Company's Common

Stock were issued to the investor in January 1997 with an exercise price of \$3.68 per share and an expiration date in January 2002. Similarly, if conversion of the preferred stock issued in any subsequent investment, including the Series C Stock, occurs after the eightieth day following its respective issue date, warrants to purchase a number of shares of the Company's Common Stock equal to 50% of the number of shares issuable upon conversion of such preferred stock will also be issued, with an exercise price equal to 150% of the closing sale price of the Common Stock on the date of issuance of the warrants.

E. In September 1995, the Company subleased approximately 82% of one of its Cambridge, Massachusetts facilities for a term which initially was to expire in February 1998. In July 1996, the Company signed an amendment to this sublease agreement, increasing the subleased space from 82% to 100% of the facility and extending the term of the sublease to February 1999 with options to further extend the sublease term to February 2000. This amendment became effective in late September 1996. In connection with the amendment, the sublessor agreed to fund certain construction costs at the Company's Norwood, Massachusetts facility, totaling approximately \$215,500. At December 31, 1996, this amount is reflected in the Company's consolidated balance sheets as a Deferred Lease and is being credited against rental expenses over the remaining term of the current sublease period.

F. In March 1997, the Securities and Exchange Commission issued a new interpretation for the accounting for convertible preferred stock and convertible debt instruments issued with provisions providing for conversion into common stock at a discount from the market price of the common stock.

The new interpretation provides that assured incremental yield embedded in the conversion terms' discount from fair market value should be accounted for as an additional interest expense in the case of convertible debt and as a dividend to preferred shareholders in the case of convertible preferred stock. In addition, in May 1997, the Company valued warrants in connection with the October 1996 issuance of preferred stock, using an established valuation model derived principally from the published market value of the underlying common stock of the Company and charged that value as a dividend to preferred shareholders. Accordingly, the Company has restated its financial statements for the quarter ended December 31, 1996.

At December 31, 1996, compliance with this new ruling, together with the value of warrants to be issued to the preferred shareholders, resulted in non-cash dividends to preferred shareholders of approximately \$1,059,850, and accounted for a \$.06 per share increase in the Company's loss per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Since inception, ImmunoGen has been primarily engaged in research and development of immunoconjugate products which the Company believes have significant commercial potential as human therapeutics. The major sources of the Company's working capital have been the proceeds of equity and convertible debt financings, license fees and income earned on investment of those funds. The Company expects no revenues to be derived from product sales for the foreseeable future.

Since December 1994, the Company has aggressively pursued a cost cutting and control program, beginning with a restructuring plan which included halting operations at two of its facilities, reducing or eliminating certain areas of research and focusing its clinical efforts on its lead products. In addition, the Company assigned the facility and equipment leases related to two facilities in Canton and Cambridge, Massachusetts to other biotechnology companies, and pursues an overall strategy of minimizing costs.

The Company has been unprofitable since inception and expects to incur net losses over the next several years. The Company's cash resources at December 31, 1996 were approximately \$1.8 million, and the Company received an additional \$3.0 million in January 1997 pursuant to a private placement of convertible preferred stock issued pursuant to a financing agreement entered into in October 1996 (the "October 1996 Financing Agreement"). An additional \$6.0 million is available to the Company under this agreement over a period ending December 31, 1997, if certain conditions are met. The Company continues actively to seek additional capital by pursuing one or more financing transactions and/or strategic partnering arrangements.

RESULTS OF OPERATIONS

Three Months Ended December 31, 1995 and 1996

The Company's revenues decreased approximately 10% from approximately \$131,000 for the three months ended December 31, 1995 to approximately \$117,000 for the three months ended December 31, 1996. Interest income totalled approximately \$22,000, or 17% of revenues, for the three months ended December 31, 1995, decreasing approximately 32% to approximately \$15,000, or 13% of revenues, for the three months ended December 31, 1996, reflecting the decrease in cash balances available for investment in the 1996 period. Revenues for the three months ended December 31, 1995 and 1996 include approximately \$87,000 and \$71,000, respectively, of development revenue, which represents revenue earned under the Small Business

Innovation Research Program of the U.S. National Science Foundation. Other income for the three months ended December 31, 1995 represents a gain on the sale of assets which were sold and leased back subject to a capital lease agreement entered into in fiscal 1994 which had been deferred and recorded as other income through December 1995. Other income for the three months ended December 31, 1996 represents accretion of interest on a note receivable related to the assignment of the Company's leases on its Canton facility and equipment.

The Company's total expenses decreased approximately 49% from approximately \$5.1 million for the three months ended December 31, 1995 to approximately \$2.6 million in the same period in 1996, primarily as a result of the Company's cost reduction efforts as described above (see "Overview").

Research and development costs constituted the primary component of the Company's total ongoing expenses (79% in each of the three month periods ended December 31, 1995 and 1996), decreasing from approximately \$2.7 million for the three months ended December 31, 1995 to approximately \$2.0 million for the three months ended December 31, 1996. This 25% decrease is principally the result of the savings associated with the Company's restructuring and other cost reduction efforts begun in fiscal 1995.

General and administrative expenses increased approximately 8% from approximately \$508,000 for the three months ended December 31, 1995 to approximately \$548,000 for the three months ended December 31, 1996. This increase represents costs associated with the Company's financing efforts.

Interest expense decreased from approximately \$228,000 for the three months ended December 31, 1995 to approximately \$6,000 for the three months ended December 31, 1996. The fiscal 1996 costs are primarily due to the interest costs associated with two of the Company's debenture financings entered into in the first quarter of fiscal 1996, and both periods include interest costs on the remaining principal balances of the Company's capital lease agreements. In October 1996, the Company converted a \$2.5 million convertible debenture issued in June 1996 into 2,500 shares of the Company's Series A Convertible Preferred Stock (the "Series A Stock"). Also in October 1996, the Company issued 3,000 shares of its Series B Convertible Preferred Stock (the "Series B Stock") pursuant to the October 1996 Financing Agreement. See "Liquidity and Capital Resources" for descriptions of both series. Holders of both series of stock are entitled to receive cumulative dividends at a rate per share equal to 9% per annum in arrears on the conversion date. The Securities and Exchange Commission Staff issued an interpretation in March 1997 relating to the accounting for convertible preferred stock and convertible debt instruments issued with provisions providing for conversion into common stock at a discount from the market price of the common stock. In addition, in May 1997, the Company valued warrants in connection with the October 1996 issuance of preferred stock, using an established valuation model derived principally from the published market value of the underlying common stock of the Company and charged that value as a dividend to preferred shareholders. Accordingly, the Company has restated its financial statements for the quarter ended December 31, 1996. This interpretation, together with the value of these warrants, resulted in additional, non-cash dividends to preferred shareholders of \$1,059,850. The 100% increase in dividends on convertible preferred stock represents all dividends accumulated on both series of convertible preferred stock through December 31, 1996.

The loss on sale of assets in the three months ended December 31, 1995 represents a net loss on the Company's equipment lease at its Canton, Massachusetts facility recognized in connection with the assignment of that facility and related equipment lease to another biotechnology company.

Six Months Ended December 31, 1995 and 1996

The Company's revenues decreased 19% from approximately \$315,000 for the six months ended December 31, 1995 to approximately \$255,000 for the six months ended December 31, 1996. The major component of revenues in both years is development revenue earned under the Small Business Innovation Research Program of the U.S. National Science Foundation. This decrease in revenue was primarily caused by a decrease in interest income of approximately 35% from approximately \$57,000 for the six months ended December 31, 1995 to approximately \$37,000 for the six months ended December 31, 1996. This decrease is attributable to the decline in cash balances available for investment between these two periods. As in the three months ended December 31, 1995 and 1996, other income for the six months ended December 31, 1995 represents a gain on sale of assets sold and leased back subject to a capital lease agreement, and other income for the six months ended December 31, 1996 represents accretion of interest on a note receivable related to the assignment of the Company's leases on its Canton facility and equipment.

Total expenses decreased approximately 43% from approximately \$8.9 million for the six months ended December 31, 1995 to approximately \$5.0 million for the six months ended December 31, 1996. Significant components of this decrease include a charge in the six months ended December 31, 1995 for disposal of the Canton facility and equipment amounting to approximately \$1.7 million, as well as a charge of approximately \$600,000 of interest, financing and warrant costs charged to interest in connection with the Company's debenture financings.

For the six months ended December 31, 1995 and 1996, research and development costs constituted the primary component of the Company's total ongoing expenses (78% and 79%, respectively), decreasing 30% from approximately \$5.6 million for the 1995 period to approximately \$4.0 million for the 1996 period. As in the three months ended December 31, 1996, this decrease is principally the result of the savings associated with the Company's restructuring and other cost reduction efforts begun in fiscal 1995.

General and administrative expenses increased approximately 3% from the six months ended December 31, 1995 to the same period in fiscal 1996 and was approximately \$1.0 million in both periods. This small increase is attributable to the Company's ongoing financing efforts.

Interest expense decreased approximately 89% from approximately \$600,000 for the six months ended December 31, 1995 to approximately \$70,000 for the six months ended December 31, 1996. As in three months ended December 31, 1996, the costs in the earlier period are primarily due to interest, financing costs and warrant costs charged to interest on the Company's debenture financings, and both periods include interest costs on the remaining principal balances of the Company's capital lease agreements. Additionally, in October 1996, the Company converted a \$2.5 million convertible debenture issued in June 1996 into 2,500 shares of the Company's Series A Stock. Also in October 1996, the Company issued 3,000 shares of its Series

B Stock. See "Liquidity and Capital Resources" for descriptions of both series. Holders of both series of stock are entitled to receive cumulative dividends at a rate per share equal to 9% per annum in arrears on the conversion date. The Securities and Exchange Commission Staff issued an interpretation in March 1997 relating to the accounting for convertible preferred stock and convertible debt instruments issued with provisions providing for conversion into common stock at a discount from the market price of the common stock. In addition, in May 1997, the Company valued warrants in connection with the October 1996 issuance of preferred stock, using an established valuation model derived principally from the published market value of the underlying common stock of the Company and charged that value as a dividend to preferred shareholders. Accordingly, the Company has restated its financial statements for the quarter ended December 31, 1996. This interpretation, together with the value of these warrants to be issued to the preferred shareholders, resulted in additional, non-cash dividends to preferred shareholders of \$1,059,850. The 100% increase in dividends on convertible preferred stock represents dividends on both series of convertible preferred stock for the six months ended December 31, 1996.

LIQUIDITY AND CAPITAL RESOURCES

Since July 1, 1994 the Company has financed its operating deficit of approximately \$41.3 million from various sources, including issuances in fiscal 1996 of convertible debentures and in fiscal 1997 of convertible preferred stock, proceeds from the assignment of leases in fiscal year 1996 and from the exercise of stock options. Since July 1, 1994 the Company has earned approximately \$0.6 million of interest income. At December 31, 1996 approximately \$1.8 million of cash and cash equivalents remained available, and an additional \$3.0 million was received in January 1997 pursuant to the October 1996 Financing Agreement.

In October 1996, the Company's \$2.5 million debenture issued in June 1996 was converted into 2,500 shares of the Company's Series A Stock, with a stated value of \$1,000 per share. Holders of the Series A Stock are entitled to receive, when and as declared by the Board of Directors, cumulative dividends at a rate per share equal to 9% per annum in cash or, at the Company's option, in shares of the Company's Common Stock, in arrears on the conversion date. The 2,500 shares of Series A Stock are convertible into the same number of shares of Common Stock as the \$2.5 million debenture. Each share of Series A Stock is convertible into a number of shares of Common Stock determined by dividing the \$1,000 stated value per share plus accrued dividends by the lesser of (i) 85% of the average of the closing bid prices for the Common Stock for the five consecutive trading days prior to the conversion date, and (ii) \$2.50 (subject to certain adjustments).

The Company sold 3,000 shares of its Series B Convertible Preferred Stock (the "Series B Stock") for \$3.0 million in October 1996 and 3,000 shares of its Series C Convertible Preferred Stock (the "Series C Stock") for \$3.0 million in January 1997 to an institutional investor as part of an agreement which grants the Company the right to require the investor to purchase up to \$12.0 million of convertible preferred stock from the Company in a series of private placements. If certain conditions are met, the Company may require the investor to make additional investments of up to \$3.0 million during each of the quarters commencing on April 1, 1997 and July 1, 1997, respectively, and, if the aggregate investment as of September 30, 1997 is less than \$12.0 million, the Company may require the investor to make an additional investment of up to \$3.0 million in the quarter commencing on October 1, 1997 in an amount which would bring the total investment to \$12.0 million.

Holders of the Series B Stock and Series C Stock are entitled to receive, when and as declared by the Board of Directors, cumulative dividends at a rate per share equal to an annual rate of 9% of the stated value in cash, or at the Company's option, shares of Common Stock, in arrears on the conversion date. Each share of the Series B Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the \$1,000 stated value per share by the lesser of (i) \$3.60 (the average closing bid price of the Company's Common Stock on the NASDAQ National Market for the five consecutive trading days prior to the October 16, 1996 original issuance date of the Series B Stock), and (ii) 85% of the average closing bid price of the Company's Common Stock for the five consecutive trading days prior to the conversion date (subject to certain adjustments). Each share of Series C Stock is convertible into a number of shares of the Company's Common Stock determined by dividing the \$1,000 stated value per share by the lesser of (i) \$2.61 (the average closing bid price of the Company's Common Stock on the NASDAQ National Market for the five consecutive trading days prior to the January 24, 1997 original issue date of the Series C Stock), and (ii) the Applicable Percentage (defined below) of the average closing bid price of the Company's Common Stock for the five consecutive trading days prior to the conversion date (subject to certain adjustments). The Applicable Percentage will be (i) 100%, if the conversion date is on or before March 4, 1997, (ii) 90%, if the conversion date is after March 4, 1997 but on or before April 13, 1997, and (iii) 85%, if the conversion date is after April 13, 1997. At the Company's option, accrued dividends payable on shares of Series B Stock or Series C Stock being converted may be paid in Common Stock in lieu of cash.

As of January 27, 1997, 1,950 shares of the Series B Stock plus accrued dividends thereon had been converted into 927,167 shares of the Company's Common Stock.

In connection with the October 1996 Financing Agreement, the Company has issued warrants to the investor to purchase 187,500 shares of the Company's Common Stock. Warrants to purchase 62,500 shares of the Company's Common Stock were also issued to a third party pursuant to an arrangement between the investor and that party. The warrants have an exercise price of \$5.49 and expire in October 2001. Additionally, because conversion of the Series B Stock into shares of the Company's Common Stock occurred after the eightieth day following issuance of the Series B Stock, warrants to acquire an additional 250,000 shares of the Company's Common Stock were issued to the investor with an exercise price of \$3.68 per share and an expiration date in January 2002. Similarly, if conversion of the preferred stock issued in any subsequent investment, including the Series C Stock, occurs after the eightieth day following its respective issue date, warrants to purchase a number of shares of the Company's Common Stock equal to 50% of the number of shares issuable upon conversion of such preferred stock will also be issued, with an exercise price equal to 150% of the closing sale price of the Common Stock on the date of issuance of the warrants.

In the period since July 1, 1994 approximately \$0.7 million was expended on property and equipment. Of this amount, approximately \$0.2 million was reimbursed to the Company by a sublessee as part of an amendment to a sublease agreement which became effective in fiscal 1997. No significant amounts are expected to be expended on property and equipment throughout the remainder of fiscal 1997.

ImmunoGen was committed under its agreements with ATI to provide ATI with \$3.0 million in research and development services and \$2.0 million in cash equity contributions over a three-year period. At June 30, 1995 these obligations had been fulfilled by the Company. ImmunoGen has also agreed to obtain or furnish an additional \$3.0 million in equity for ATI on such terms and conditions as may be mutually agreed to by ATI and the providers of such equity. As of December 31, 1996 amounts owed by ATI to ImmunoGen approximated \$12.0 million. The Company intends to convert a majority of this amount into equity of ATI, thereby satisfying the agreement to provide an additional \$3.0 million in equity.

The Company anticipates that its capital resources existing at December 31, 1996 plus the additional \$3.0 million received from its January 1997 sale of Series C Stock will enable it to maintain its current and planned operations through approximately June 1997. Receipt of the remaining \$6.0 million available to the Company under the October 1996 Financing Agreement would enable the Company to extend its operations through approximately February 1998. However, because the Company must satisfy certain conditions, including maintaining certain price and volume levels in trading of its Common Stock, there can be no assurance that the Company will receive any or all of the remaining \$6.0 million available under this financing arrangement. Because of its continuing losses from operations and working capital deficit, the Company will be required to obtain additional capital to satisfy its ongoing capital needs and to continue its operations. Although management continues to pursue additional funding arrangements, no assurance can be given that such financing will in fact be available on acceptable terms to the Company, if at all. If the Company is unable to obtain financing on acceptable terms in order to maintain operations, it could be forced to curtail further or discontinue its operations.

CERTAIN FACTS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

This report contains certain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the following: the uncertainties associated with clinical trials; the early stage of the Company's initial product development and lack of product revenues; the Company's history of operating losses and accumulated deficit; the Company's limited financial resources and uncertainty as to the availability of additional capital to fund its development on acceptable terms, if at all; the Company's lack of commercial manufacturing experience and commercial sales, distribution and marketing capabilities; reliance on suppliers of ricin and antibodies necessary for production of the products and technologies; the potential development by competitors of competing products and technologies; the Company's dependence on potential collaborative partners, and the lack of assurance that the Company will receive any funding under such relationships to develop and maintain strategic alliances; the lack of assurance regarding patent and other protection for the

Company's proprietary technology; governmental regulation of the Company's activities, facilities, products and personnel; the dependence on key personnel; uncertainties as to the extent of reimbursement for the costs of the Company's potential products and related treatment by government and private health insurers and other organizations; the potential adverse impact of government-directed health care reform; the risk of product liability claims; and general economic conditions. As a result, the Company's future development efforts involve a high degree of risk.

SIGNATURES

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

IMMUNOGEN, INC.

Date: June 4, 1997

By: /s/ Mitchel Sayare

Mitchel Sayare
Chief Executive Officer
(principal executive officer)

Date: June 4, 1997

By: /s/ Kathleen A. Carroll

Kathleen A. Carroll
Vice President, Finance and
Administration
(principal financial officer)