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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Fiscal Year Ended June 30, 2004**

**or**

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____**

**Commission file number 0-17999**

# ImmunoGen, Inc.

(Exact name of registrant as specified in its charter)

| **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)

**Securities registered pursuant to Section 12(b) of the Act:**
None

**Securities registered pursuant to Section 12(g) of the Act:**
**Common Stock, $.01 par value**
(Title of class)

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

Aggregate market value, based upon the closing sale price of the shares as reported by the Nasdaq National Market, of voting stock held by non-affiliates at December 31, 2003: $182,533,563 (excludes shares held by executive officers, directors, and beneficial owners of more than 10% of the Company's Common Stock). Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of management or policies of the registrant, or that such person is controlled by or under common control with the registrant. Common Stock outstanding at August 18, 2004: 40,789,369 shares.

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

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

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Definitive Proxy Statement for its 2004 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

**Item 1.** ***Description of Business***

In this Annual Report on Form 10-K, ImmunoGen, Inc. (together with its subsidiaries, we, us, or the Company), incorporates by reference certain information from parts of other documents filed with the Securities and Exchange Commission. The SEC allows us to disclose important information by referring to it in that manner. Please refer to all such information when reading this Annual Report on Form 10-K. All information is as of June 30, 2004 unless otherwise indicated.

**The Company**

We are a leader in the discovery and development of therapeutic monoclonal antibodies and novel treatments in the field of oncology. Our expertise in antibodies and cancer has permitted us to generate both proprietary product candidates and technologies. Our lead technology, which we refer to as tumor-activated prodrug, or TAP, technology, uses antibodies to deliver potent cell-killing agents specifically to cancer cells. Our TAP technology combines extremely potent, small molecule cytotoxic agents with monoclonal antibodies that recognize and bind specifically to tumor cells. This targeted delivery technology increases the anticancer activity of these antibodies and enables us and our partners to develop product candidates that kill cancer cells with the potential to cause only modest damage to healthy tissue.

We believe that our expertise in antibodies and our TAP technology will enable us to become a leader in the development of innovative biopharmaceutical treatments for cancer and other serious unmet medical needs. We plan to achieve this goal by carrying out a business model that exploits our proprietary methods of discovering and developing antibodies as well as our broad scientific capabilities and drug development expertise in oncology. In addition to the use of our proprietary TAP technology in conjunction with our in-house antibody expertise to develop our own anticancer compounds, we also out-license our TAP technology to other companies for use with their antibodies. We currently have technology out-license agreements with Abgenix, Inc., Boehringer Ingelheim International GmbH, Genentech, Inc., and Millennium Pharmaceuticals, Inc. that provide these companies certain rights to use our TAP technology with their antibodies to develop their own TAP compounds. We have also entered into a collaboration and out-license agreement with Aventis Pharmaceuticals, Inc. to discover, develop, and commercialize novel antibody-based anticancer products. The collaboration focuses on the development of three licensed product candidates and the discovery of additional targets and product candidates. Aventis has announced an agreement to merge with Sanofi-Synthelabo, as further discussed on page 18 within Risk Factors. Our technology out-licenses and product license agreements provide cash inflow to ImmunoGen through upfront and milestone payments, as well as royalties on any resulting product sales. These cash inflows partially finance the development of our internal product candidates and the continued development of our TAP technology.

Our two lead product candidates, huN901-DM1 and cantuzumab mertansine, have advanced into clinical testing and we intend to conduct additional clinical trials ourselves. HuN901-DM1 consists of the humanized N901 antibody, which we developed and humanized, linked to our cytotoxic agent, DM1. HuN901-DM1 is currently in two clinical trials in relapsed small-cell lung cancer (SCLC) that were initiated by our former partner, Vernalis: a Phase I/II study (Study 001) underway in the United States and a Phase I study (Study 002) underway in the United Kingdom. Vernalis will complete Study 002 and was responsible for Study 001 through June 30, 2004. We assumed responsibility for Study 001 on July 1, 2004. On January 8, 2004, we announced that, pursuant to the terms and conditions of a termination agreement between Vernalis and ourselves, Vernalis relinquished its rights to develop and commercialize huN901-DM1. As a result the rights to develop and commercialize huN901-DM1 have reverted back to us. We plan to take steps to expedite the completion of Study 001. Additionally, we plan to initiate a Phase I clinical trial to establish clinical utility of huN901-DM1 in a CD56-positive hematological malignancy in the United States in 2005.

Our second clinical TAP product candidate, cantuzumab mertansine, consists of the humanized C242 monoclonal antibody linked to our cytotoxic agent, DM1. Cantuzumab mertansine was found to be well tolerated in Phase I clinical trials. We licensed rights to cantuzumab mertansine to then SmithKline Beecham in 1999. In February 2003, GlaxoSmithKline terminated our license agreement and we regained the development and commercialization rights to cantuzumab mertansine from GlaxoSmithKline. As previously announced, we plan to initiate clinical testing of cantuzumab mertansine, or an improved version of the compound, in 2005 to establish clinical utility in a certain indication or indications.

In addition to our own product candidates, two collaborators that licensed our TAP technology have also commenced clinical trials. Millennium licensed our maytansinoid technology, including DM1, for the development of TAP compounds for cancers expressing prostate-specific membrane antigen (PSMA). On November 19, 2002, Millennium informed ImmunoGen that clinical testing of MLN2704 had been initiated. On October 9, 2003, Millennium announced that it had initiated a second trial with the compound, a multi-dose Phase I/II study. This compound has been granted Fast Track status by the United States Food and Drug Administration (FDA) and has been selected by the FDA as the oncology product candidate for the FDA's Continuous Marketing Application (CMA) Pilot 2 Program. Boehringer Ingelheim licensed our maytansinoid TAP technology for use with antibodies that target CD44, such as their anti-CD44v6 antibody. On October 8, 2002, Boehringer Ingelheim confirmed to ImmunoGen that clinical testing of the novel anticancer agent, bivatuzumab mertansine, composed of DM1 and Boehringer Ingelheim's anti-CD44v6 antibody, had been initiated on or about September 24, 2002.

For a description of the risk factors affecting or applicable to our business, see "Risk Factors," below.

ImmunoGen was organized as a Massachusetts corporation in March 1981. Our principal executive offices are located at 128 Sidney Street, Cambridge, Massachusetts 02139, and our telephone number is (617) 995-2500. We maintain a web site at *www.immunogen.com.* ImmunoGen's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge through the "Investor Relations" section of our website as soon as reasonably practicable after those materials have been electronically filed with, or furnished to, the Securities and Exchange Commission. We have adopted a code of corporate conduct that applies to all our directors, officers and employees and a code of ethics that applies to our senior officers and financial personnel. Our code of corporate conduct and code of ethics are available free of charge by contacting Investor Relations at (617) 995-2500 or at *info@immunogen.com*.

**Our Market Opportunity**

According to the American Cancer Society, cancer is a leading cause of death worldwide and the second leading cause of death in the United States with approximately 1.4 million new cases and nearly 564,000 deaths expected in 2004. Because cancer is a progressive disease, the total number of people living with cancer significantly exceeds the number of patients diagnosed with cancer in a given year. The National Cancer Institute estimates that there are approximately 9.6 million people currently residing in the United States who have been diagnosed with cancer at some point during their lifetime. Surgery, radiation therapy and chemotherapy are all widely used in the treatment of cancer, but frequently prove to be incomplete or ineffective and are often toxic to patients. We have developed our TAP technology to address this unmet therapeutic need.

Monoclonal antibodies have been widely tested and used as potential cancer therapeutics. The rapid discovery and validation of antibody targets combined with advances in the technologies for developing and producing antibody products have led to growing interest in the commercial development of antibodies as therapeutic products. Antibodies such as Herceptin® (trastuzumab) and Rituxan® (rituximab) collectively have generated nearly $3.0 billion in sales in 2003 and, we believe, validate the use of antibodies in the treatment of cancer. Using our antibody discovery and development expertise, we can rapidly generate highly specific antibodies against validated targets. However, while certain antibodies demonstrate anti-tumor activity as a single agent, others are not potent enough to kill cancer cells. Using our TAP technology, we believe that we can significantly improve the potency of a monoclonal antibody by attaching a cytotoxic payload to it. When engineered properly, an antibody acts as a delivery vehicle carrying our powerful small molecule drugs specifically to cancer cells with the potential to cause only modest damage to healthy tissue.

Herceptin® is a registered trademark of Genentech and Rituxan® is a registered trademark of Biogen Idec.

**Our Tumor-Activated Prodrug Technology**

Our tumor-activated prodrug, or TAP, technology consists of an antibody that is chemically linked, or conjugated, to a small molecule cytotoxic agent that serves as an effector molecule. The antibodies we use target and bind specifically to antigen targets that are primarily found on the surface of certain types of cancer cells. Once bound to the cell surface, the TAP compound is internalized and the effector molecules are released and can kill the cancer cell.

Because TAP compounds are inactive until the drug component is released from the antibody component inside the target cell, each TAP compound is a prodrug. This means that the effector molecule remains inactive while circulating in the body and is only activated once inside the target cell. We believe our targeted delivery approach has the potential to cause only modest damage to healthy tissue. This prodrug design allows us to deliver significantly more effector molecule to the tumor than would be the case if the effector molecule was administered detached from the antibody.

The effector molecule we currently use in all of our TAP product candidates in clinical testing is the maytansinoid DM1, which is a semisynthetic derivative of a naturally occurring substance called maytansine. Maytansinoid agents, such as our DM1, are potent inhibitors of cell division and can kill cancer cells at exceedingly low concentrations.

In addition to DM1, we have tested other maytansinoids as well as other potent effector molecules belonging to other classes of small molecule drugs. Laboratory and preclinical tests lead us to believe that some of these small molecule drugs offer great promise for use as effector molecules with our TAP compounds.

We believe that our TAP compounds will offer advantages over other types of cancer treatments because we design these products to have the following attributes:

- HIGH SPECIFICITY. We develop our TAP compounds with antibodies that bind to specific markers primarily expressed on certain types of cancer cells to target the compound to the cancer cells.

- HIGH POTENCY. We use highly potent small molecule effector molecules that are at least 100 to 10,000 times more cytotoxic than traditional chemotherapeutics.

- STABLE LINKAGE AND RELEASE. We design our TAP compounds with a highly stable link between the antibody and the effector molecule so the effector molecule is released and active only after the TAP compound is inside the cancer cell.

- REDUCED TOXICITY. We believe our TAP compounds have the potential to improve the quality of life for patients due to reduced toxicity and more tolerable side effects.

- NON-IMMUNOGENIC. We use humanized antibodies and non-protein-based effector molecules in our TAP compounds. This reduces the risk that, with repeat administration, our TAP compounds will elicit an attack by the body's immune system that could render them ineffective for repeat use.

**Additional Cancer Therapeutics**

We also apply our antibody and cancer expertise to the discovery and development of novel therapeutic antibodies that are effective in non-conjugated, or "naked," form. These antibodies operate either by directly sending a cell-killing signal through the membrane of the cancer cell or by the recruitment of an immune response that leads to cell death. We have extensive experience and know-how that facilitate the efficient generation of highly specific antibody product candidates. Using our proprietary antibody resurfacing technology for antibody humanization, these antibodies are engineered to resemble human antibodies and thereby avoid an unwanted response by the patient's immune system. We believe that, as product candidates, our antibodies have several potential clinical and commercial advantages over traditional chemotherapeutics. These advantages include a faster product development cycle and fewer unwanted side effects as a result of high specificity for the disease target.

**Business Goals and Strategy**

Our goal is to become a leader in the development of therapeutic antibodies and targeted biopharmaceutical treatments for cancer. We plan to achieve this goal by carrying out a business model that is designed to leverage our proprietary TAP technology as well as our scientific and technological capabilities in oncology and the generation and development of antibody therapeutics. Specifically, we license our TAP technology to third parties to generate cash flow to ImmunoGen through upfront, milestone, and royalty payments on any resulting product sales. These cash inflows partially finance the cost of developing our internal product candidates and the continued development of our TAP technology. Our broad range of product-focused partnerships that leverage our antibody and TAP expertise provides a risk-reduced path to commercialization and supports the aggressive advancement of our technology and clinical pipeline. We intend to build long-term value by exploiting our TAP technology platform and broad expertise in target discovery and validation, antibody development and humanization by resurfacing through out-license agreements, as well as the development of our own products, to create novel therapeutics that address significant unmet medical needs.

We have entered into technology out-license collaborations with leading biotechnology and pharmaceutical companies, including Abgenix, Aventis, Boehringer Ingelheim, Genentech, and Millennium. These arrangements are structured to provide us with upfront fees, milestone payments and royalties if our collaborators are successful in developing and commercializing products. Under each of these arrangements, we work cooperatively with the other party to foster the development of commercially viable products. Specifically, we support our collaborators by working with each company to identify and refine processes for developing, testing and manufacturing their TAP or antibody product candidates. We also manufacture Phase I and non-pivotal Phase II clinical material on a fully burdened cost and, in some collaborations, a cost plus reimbursement basis.

We apply the cash flows from our out-license deals to the development of our own product candidates and the continued development of our TAP technology. With respect to our product candidates, we feed our pipeline with a combination of both internally-developed and acquired targets. We also acquire drug discovery technology through in-license agreements or other strategic arrangements with third parties. We conduct our own discovery and development efforts. To date, our internal development efforts have been responsible for our cantuzumab mertansine and huN901-DM1 product candidates, as well as for several research and development stage therapeutic candidates,

including a TAP compound for acute myeloid leukemia, an anti-IGF-IR antibody and several others that have been licensed to Aventis.

We believe that the key initiatives to successfully carry out our business model include the following:

- DEVELOP AND ADVANCE OUR PROPRIETARY PRODUCT PIPELINE. We currently have two TAP product candidates, huN901-DM1 and cantuzumab mertansine, for which we own the development and commercialization rights. We intend to advance these lead compounds through clinical trials that can establish their clinical utility in certain indications. We also intend to capitalize on our technological expertise in antibodies and our preclinical and clinical development expertise in oncology to broaden our proprietary pipeline by acquiring promising product candidates from third parties as well as developing additional novel product candidates internally. We also intend to exploit this pipeline by selectively out-licensing certain compounds for development by third parties.

- BROADEN OUR TECHNOLOGY BASE. We will continue to enhance our TAP technology platform by identifying and developing potential target candidates and effector molecules using the latest technological advances. Our target identification and product development activities take advantage of our own internal development capabilities as well as those we have acquired from third parties. We recognize the value of antibodies and small molecules as complementary tools for the treatment of cancer and believe they both have important roles to play in our continued development. Finally, we are pursuing, both internally and with third parties, innovative methods of manufacturing and process development.

- SUPPORT OUR CURRENT COLLABORATORS. We have successfully out-licensed our TAP technology to third party collaborators. We anticipate that these arrangements will continue to generate cash flow through upfront fees, milestone payments and royalties on the sales of any resulting products. Currently, two products from these collaborations, MLN2704 and bivatuzumab mertansine, are in Phase I/II and Phase I clinical trials, respectively. We also out-licensed certain product candidates and technologies to Aventis to expedite their development. Our strong base of established strategic alliances with major pharmaceutical and biotechnology companies has the potential to provide us with substantial cash flow, furnish us with access to important technology and capabilities, broaden our product development pipeline and reduce our product development risks. These alliances also enhance our ability to bring products to market because of our collaborators' substantial resources and expertise in research, preclinical and clinical development, regulatory issues, manufacturing and marketing.

- ESTABLISH AND EXPAND STRATEGIC ALLIANCES. We intend to continue to out-license our TAP technology to third party collaborators. We already have a strong base of established strategic alliances with major pharmaceutical and biotechnology companies and, in the future, we intend to enter into additional collaborations that may provide us with cash flow, furnish us with access to important technology and capabilities, broaden our product development pipeline and reduce our product development risks.

**Product Candidates**

Three TAP product candidates are currently in human clinical trials. In addition, we have several other product candidates, our own as well as those that are being developed in conjunction with our collaborators, in preclinical and research stages of development.

The following table summarizes the antigen target, cancer(s) with the target, development stage and collaborative partner for our product candidates. This table is qualified in its entirety by reference to the more detailed descriptions of these product candidates appearing elsewhere in this Report on Form 10-K. The results from preclinical testing and early clinical trials may not be predictive of results

obtained in subsequent clinical trials and there can be no assurance that our or our collaborators' clinical trials will demonstrate the level of safety and efficacy of any product candidates that would be necessary to obtain regulatory approval.

| Compound | Antigen Target | Cancer(s) with the Target | Stage(1) | Developer/Partner |
|---|---|---|---|---|
| HuN901-DM1 | CD56 | Small-cell lung cancer; other neuroendocrine cancers; certain hematological malignancies | Phase I/II | ImmunoGen |
| Cantuzumab mertansine | CanAg | Abdominal cancers, including colorectal, pancreatic, and gastric cancers; many non-small-cell lung cancers | Phase I completed | ImmunoGen |
| MLN2704 | Prostate-Specific Membrane Antigen (PSMA) | Prostate cancer | Phase I/II | Millennium |
| Bivatuzumab mertansine | CD44v6 | Certain squamous cell carcinomas, such as head and neck cancers, breast cancers, and certain hematological malignancies | Phase I | Boehringer Ingelheim |
| Anti-CD33 TAP | CD33 | Acute myeloid leukemia | Preclinical | ImmunoGen/Aventis |
| Anti-IGF-IR antibody | IGF-IR | Solid tumors, including lung, breast, prostate; certain hematological malignancies | Preclinical | ImmunoGen/Aventis |
| Trastuzumab-DM1 | HER2 | HER2-positive cancers | Preclinical | Genentech |
| Others | | | Research/ Preclinical | ImmunoGen, Partners |

(1) See "Regulatory Matters," below, for the definition of a Phase I and a Phase I/II clinical trial. Preclinical status indicates that we, or our partners, are conducting formulation, efficacy, pharmacology and/or toxicology testing of a compound in preclinical models or biochemical assays. Research status indicates that we, or our partners, are conducting research studies to determine each product candidate's viability as a potential therapeutic.

***HuN901-DM1***

We are developing the TAP product candidate huN901-DM1 for the treatment of small-cell lung cancer (SCLC) as well as hematological and other CD56-positive malignancies. Our huN901-DM1 TAP product was created by conjugating our cytotoxic agent, DM1, with the humanized monoclonal antibody, huN901, which binds to CD56, a protein present on the surface of SCLC cells, certain neuroendocrine cancers and certain hematological malignancies. In preclinical studies, huN901-DM1 eradicated SCLC tumors in mice and CD56-positive multiple myeloma cells.

SCLC is a serious and rapidly progressive form of lung cancer, currently accounting for approximately 15% of all lung cancer cases according to the American Cancer Society. Existing treatments for SCLC include chemotherapy and radiotherapy, and although initial responses to therapy are often seen, patients commonly relapse and most die from their disease. Median survival for such patients is less than a year. The overall 5-year survival rate is estimated to be less than five percent.

In May 2001, Vernalis (formerly British Biotech) initiated a Phase I/II trial (Study 001) for this compound in the United States. This study marked the first use of huN901-DM1 in cancer patients.

Patients receive a weekly, intravenous dose of huN901-DM1 for four consecutive weeks followed by two weeks off therapy, which is defined as one cycle of treatment. Patients may be eligible to receive repeat cycles. The study is being conducted by Frank V. Fossella, M.D. at the University of Texas M. D. Anderson Cancer Center in Houston, Anthony W. Tolcher, M.D. at the Institute for Drug Development of the Cancer Therapy and Research Center (CTRC) in San Antonio and John McCann, M.D. at the Division of Hematology—Oncology, Bay State Medical Center in Springfield, MA.

In August 2002, Vernalis initiated a second Phase I trial (Study 002) for this compound in the United Kingdom. This study assesses daily dosing of the product and complements the weekly dosing study, Study 001, which has been underway since May 2001. The compound is administered daily for three consecutive days followed by an 18-day rest period. The study is being conducted at the Christie Hospital in Manchester under the direction of Dr. Paul Lorigan and Dr. Malcolm Ranson of the Department of Medical Oncology, at the Royal Marsden Hospital under the direction of Dr. Mary O'Brien and at the Weston Park Hospital under the direction of Dr. Penella Woll.

Both of these studies are open label studies designed to assess the safety, tolerability, and pharmacokinetics of increasing doses of huN901-DM1. Clinical activity also will be evaluated. The eligible patients in Study 001 have relapsed SCLC. The eligible patients in the U.K. study have SCLC or other tumors that express the CD56 antigen targeted by the compound's antibody component. Through June 30, 2004 Vernalis was responsible for conducting both trials and, as such, was responsible for the clinical trial schedule and progress.

On January 8, 2004, we announced that, pursuant to the terms and conditions of a termination agreement between Vernalis and ourselves, Vernalis relinquished its rights to develop and commercialize huN901-DM1. As a result, the rights to develop and commercialize huN901-DM1 reverted back to us. As part of the termination agreement, Vernalis agreed to complete Study 002. As of July 1, 2004, we assumed responsibility for Study 001. We plan to take steps to expedite the completion of Study 001. We also intend to initiate a Phase I clinical trial of huN901-DM1 in the United States in a CD56-positive hematological malignancy to assess the clinical utility of huN901-DM1 in this indication.

***Cantuzumab Mertansine***

Our TAP product candidate, cantuzumab mertansine, consists of the humanized C242 monoclonal antibody linked to our small drug effector molecule DM1. The CanAg receptor targeted by huC242 is present in gastrointestinal cancers, including colorectal, pancreatic and gastric cancers, and certain non-small-cell lung cancers and is minimally expressed on normal human tissues. In Phase I clinical trials conducted by GlaxoSmithKline, cantuzumab mertansine has been found to be well tolerated and evidence of anticancer activity has been reported. We plan to initiate clinical testing of cantuzumab mertansine, or an improved version of the compound, in 2005 to establish its clinical utility in a certain indication or indications. We intend to evaluate whether to out-license all or part of the development and commercial rights to this compound after completion of such testing.

***MLN2704***

Millennium licensed our maytansinoid technology, including DM1, for the development of TAP compounds for cancers expressing prostate-specific membrane antigen (PSMA). MLN2704 combines Millennium's monoclonal antibody MLN591 with DM1. On November 19, 2002, Millennium informed ImmunoGen that clinical testing of MLN2704 had been initiated. The achievement of this milestone triggered a milestone payment of $1.0 million from Millennium to ImmunoGen. On October 9, 2003, Millennium announced it had initiated a second trial with the compound, a multi-dose Phase I/II study. This compound has been granted Fast Track status by the US FDA. On March 17, 2004, Millennium announced that MLN2704 had been selected to participate in the Continuous Marketing Application (CMA) Pilot 2 program being conducted by the FDA. According to the FDA, the CMA Pilot 2

program is an innovative program designed to facilitate scientific exchange between the sponsor and FDA during the Investigational New Drug phase of new drug development of Fast Track product candidates.

***Bivatuzumab Mertansine***

Boehringer Ingelheim licensed our maytansinoid DM1 TAP technology for use with antibodies that target CD44, such as their anti-CD44v6 antibody. On October 8, 2002, Boehringer Ingelheim confirmed to ImmunoGen that clinical testing of the novel anticancer agent, bivatuzumab mertansine, composed of ImmunoGen's DM1 effector molecule and Boehringer Ingelheim's anti-CD44v6 antibody had been initiated on or about September 24, 2002. The achievement of this milestone triggered a milestone payment of $1.0 million from Boehringer Ingelheim to ImmunoGen.

***Anti-CD33 TAP***

Aventis has licensed the worldwide commercialization rights to our anti-CD33 TAP. This TAP compound is being developed for the treatment of acute myeloid leukemia. This product candidate is currently in the preclinical stage of development. While Aventis is responsible for the clinical development of this product candidate, we believe the anti-CD33 TAP compound is currently on track to enter clinical testing in early 2005.

***Anti-IGF-IR Antibody***

Aventis has licensed the worldwide commercialization rights to our anti-IGF-IR antibody. This product candidate is a non-conjugated "naked" antibody being developed for the treatment of solid tumors, including lung, breast, prostate cancers and certain hematological malignancies. This product candidate is currently in the preclinical stage of development.

***Compound for Certain B-Cell Malignancies***

Aventis has licensed from us the worldwide commercialization rights to a third compound. This compound targets certain B-cell malignancies, including non-Hodgkin's lymphoma.

***Trastuzumab-DM1***

We have licensed our maytansinoid technology, including DM1, to Genentech for the development of TAP compounds for cancers expressing the HER2 antigen. Trastuzumab-DM1 combines DM1 with Genentech's monoclonal antibody trastuzumab (Herceptin®). As a naked antibody, Herceptin® is currently approved for use in patients with metastatic breast cancer who have tumors that over-express the HER2 protein as first-line therapy in combination with Taxol® and as a single agent in second- and third-line therapy.

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Herceptin® is a registered trademark of Genentech and Taxol® is a registered trademark of Bristol Myers Squibb.

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***Other Potential Products***

In addition to trastuzumab-DM1, we have also licensed our maytansinoid technology, including DM1, to Genentech for certain research uses directed toward the development of TAP compounds that combine DM1 with antibodies owned by Genentech. We have licensed our maytansinoid technology to Abgenix for use with a large number of its fully-human antibodies to develop a succession of TAP compounds. Finally, we have a collaboration agreement with Millennium that provides them access to our TAP technology for use with a limited number of Millennium's proprietary antibodies.

We also have two collaboration agreements with MorphoSys. Pursuant to the terms of the first agreement, MorphoSys has identified a fully-human antibody against one of our cell surface targets that we may develop as an anticancer therapeutic. Under the second agreement, we have licensed MorphoSys' HuCAL®, or Human Combinatorial Antibody Library, technology for the generation of research antibodies. We believe that access to the HuCAL® technology will facilitate and accelerate our internal research efforts.

**Out-Licenses and Collaborations**

As part of our business strategy and effort to develop and commercialize TAP compounds, we enter into license agreements with third parties where we grant a third party the right to use our TAP technology with its proprietary antibodies. In some cases, we out-license certain rights to our TAP compounds to companies with product development and commercialization capabilities that we wish to access. In exchange, we are entitled to receive upfront fees, potential milestone payments and royalties on any product sales. Our principal out-licenses and collaborative agreements are listed below.

***Aventis Pharmaceuticals, Inc.***

In July 2003, we entered into a broad collaboration agreement with Aventis to discover, develop and commercialize anticancer therapeutics. The agreement provides Aventis with worldwide commercialization rights to new product candidates created through the collaboration as well as worldwide commercialization rights to three product candidates from our preclinical pipeline: our anti-CD33 TAP compound for acute myeloid leukemia, an anti-IGF-IR antibody and a TAP compound for certain B-cell malignancies. The overall term of the agreement extends to the later of the latest patent to expire or 12 years after the latest launch of any product discovered, developed and/or commercialized under the agreement. The agreement provides that we will receive a minimum of $50.7 million of committed research funding during a three-year research program that began September 1, 2003. Aventis has the option, with 12 months' advance notice, to request that we extend the research program for two additional 12-month periods. If Aventis requests an extension of the research program for one or both periods, we will negotiate with Aventis the research funding level for each such extension period at the time such extension is requested. Aventis paid to us an upfront fee of $12.0 million in August 2003. The collaboration agreement also provides for certain other payments based on the achievement of product candidate milestones and royalties on sales of any resulting products, if and when such sales commence. Assuming all benchmarks are met, we will receive milestone payments of between $21.5 million and $30.0 million per antigen target.

The Aventis collaboration agreement provides us an option to certain co-promotion rights in the United States on a product-by-product basis. Aventis will be responsible for the cost of the development, manufacturing and marketing of any products created through the collaboration. We will be reimbursed for any preclinical and clinical materials that we make under the agreement.

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

***Boehringer Ingelheim International GmbH***

In November 2001, we entered into a collaboration agreement with Boehringer Ingelheim that enables Boehringer Ingelheim to develop TAP compounds that combine our maytansinoid technology with a Boehringer Ingelheim antibody. Under the terms of the agreement, we received an upfront payment upon commencement of the agreement and could receive, based upon the exchange rate on November 27, 2001, the effective date of the agreement, approximately $41.5 million in potential payments upon Boehringer Ingelheim's achievement of certain milestones in addition to royalty

payments on future product sales, if and when such sales commence. In October 2002, Boehringer Ingelheim confirmed to us that clinical testing of the novel anticancer agent, bivatuzumab mertansine, composed of ImmunoGen's DM1 effector molecule and Boehringer Ingelheim's anti-CD44v6 antibody, had commenced on or about September 24, 2002. The achievement of this milestone triggered a milestone payment of $1.0 million from Boehringer Ingelheim to ImmunoGen. Boehringer Ingelheim is responsible for the manufacturing, product development and marketing of any product candidates resulting from the collaboration. Either party can terminate the agreement for any material breach by the other party that remains uncured for a certain period of time.

***Millennium Pharmaceuticals, Inc.***

In March 2001, we entered into a five-year collaboration agreement with Millennium upon which we received a non-refundable upfront fee of $2.0 million. Millennium acquired a license to utilize our TAP technology in its antibody product research efforts and an option to obtain product licenses for a restricted number of antigen targets during the collaboration. Pursuant to this agreement, in February 2002, Millennium signed an exclusive product license to use our maytansinoid technology with Millennium's antibody MLN591. MLN591 is directed toward the extracellular domain of PSMA. In March 2002, we received a license fee from Millennium pursuant to this license agreement. In November 2002, Millennium informed ImmunoGen that clinical testing of MLN2704, composed of our cytotoxic agent DM1 and Millennium's MLN591 antibody, had been initiated. The achievement of this milestone triggered a payment of $1.0 million from Millennium to ImmunoGen. The collaboration agreement also provides for certain other payments based on Millennium's achievement of milestones and royalties on sales of any resulting products, if and when such sales commence. Assuming all benchmarks are met, we will receive license and milestone payments of approximately $41.0 million per antigen target.

Millennium will be responsible for product development, manufacturing and marketing of any products developed through the collaboration. We will be reimbursed for any preclinical and clinical materials that we make under the agreement. The agreement can be renewed for one subsequent three-year period for an additional technology access fee. Either party can terminate the agreement for any material breach by the other party that remains uncured for a certain period of time.

***Abgenix, Inc.***

In September 2000, we entered into a collaboration agreement with Abgenix. The agreement provides Abgenix with access to our maytansinoid technology for use with Abgenix's antibodies along with the ability to acquire both exclusive and nonexclusive options to obtain product licenses for antigen targets. Each option has a specified option period during which Abgenix may obtain a product license. Under this agreement Abgenix has the right to extend each option period by a specified amount of time in exchange for an extension fee. We received a total of $5.0 million in technology access fee payments from Abgenix and are entitled to potential milestone payments and royalties on net sales of resulting products, if and when such sales commence. In addition, on September 7, 2000, Abgenix purchased $15.0 million of our common stock in accordance with the agreement. In June 2002, Abgenix exercised a nonexclusive option to acquire a license to a TAP product in exchange for a nominal option fee. Our agreement with Abgenix will terminate upon expiration of a 10-year term during which we have given Abgenix access to our technology. Either party can terminate the agreement for any material breach by the other party that remains uncured for a certain period of time.

***Vernalis (formerly British Biotech plc)***

In August 2003, British Biotech completed its acquisition of Vernalis. In connection with this acquisition, the merged company, called Vernalis plc, announced that it intended to review its merged

product candidate portfolio, including its collaboration with ImmunoGen on huN901-DM1. After discussion with Vernalis, in January 2004, we announced that we would take over further development of the product candidate, which will include the advancement of huN901-DM1 into our own clinical trial. Pursuant to the terms of a termination agreement executed on January 7, 2004, Vernalis, which relinquished its rights to the product, will, at its own expense, complete Study 002 and was responsible for Study 001 through June 30, 2004. We are responsible for the further development of huN901-DM1.

***Genentech, Inc.***

In May 2000, we entered into two separate licensing agreements with Genentech. The first agreement grants Genentech an exclusive license to our maytansinoid technology for use with antibodies that target the HER2 antigen. Under the terms of this agreement, Genentech will receive exclusive worldwide rights to commercialize TAP compounds for cancers expressing the HER2 antigen. Genentech will be responsible for manufacturing, product development and marketing of any products resulting from the agreement; we will be reimbursed for any preclinical and clinical materials that we manufacture under the agreement. We received a $2.0 million non-refundable payment upon execution of the agreement. In addition to royalties on net sales, if and when they occur, the terms of the agreement include other payments based upon Genentech's achievement of milestones. Assuming all benchmarks are met, we will receive approximately $39.5 million in upfront and milestone payments under this agreement.

In addition to the agreement described above, we entered into an additional agreement with Genentech. This second collaboration provides Genentech with broad access to our maytansinoid technology for use with other of Genentech's proprietary antibodies. This agreement provides Genentech with a license to utilize our maytansinoid technology in its antibody product research efforts and an option to obtain product licenses for a limited number of antigen targets over the agreement's five-year term. Genentech will be responsible for manufacturing, product development and marketing of any products developed through this collaboration; we will be reimbursed for any preclinical and clinical materials that we manufacture under the agreement. Under this agreement, we received a non-refundable technology access fee of $3.0 million in May 2000. This agreement also provides for other payments for each antigen target based on Genentech's achievement of milestones and royalties on net sales of resulting products, if and when such sales commence. Assuming all milestones are met, we will receive approximately $39.0 million in upfront and milestone payments per antigen target under this agreement. Genentech can renew the agreement for one subsequent three-year period for an additional technology access fee.

***GlaxoSmithKline plc***

In February 1999, we entered into an exclusive license agreement with SmithKline Beecham plc, London and SmithKline Beecham, Philadelphia, now wholly-owned subsidiaries of GlaxoSmithKline, to develop and commercialize our TAP product cantuzumab mertansine. In January 2003, we announced that pursuant to the terms and conditions of the agreement between GlaxoSmithKline and ImmunoGen, GlaxoSmithKline gave written notice to us that GlaxoSmithKline would relinquish its rights to develop and commercialize cantuzumab mertansine under the license agreement. In February 2003, we regained the development and commercialization rights to cantuzumab mertansine from GlaxoSmithKline, thereby terminating the product license. Under the terms of the original agreement, we could have received payments totaling $41.5 million, subject to the achievement of certain development milestones. Between the signing of the agreement and its termination, we had received one upfront and four milestone payments totaling $11.5 million under the GlaxoSmithKline license agreement. The agreement also provided that, at our option and subject to certain conditions, GlaxoSmithKline would purchase up to $5.0 million of our common stock. Between the signing of the agreement and January 2003, GlaxoSmithKline had purchased, pursuant to our put option, $2.5 million

of our common stock. Since the agreement has terminated, no further payments or purchases of stock will occur under this agreement.

**In-Licenses**

In conjunction with our internal efforts to develop both TAP and naked antibody products and related technologies, we in-license certain rights to targets or technologies and, in exchange, we are obligated to pay upfront fees, potential milestone payments and royalties on any product sales. Our principal in-licenses are listed below.

***MorphoSys AG***

In September 2000, we entered into a collaboration agreement with MorphoSys. Pursuant to this agreement, MorphoSys has produced fully human antibodies against a specific cell surface marker that we identified through our apoptosis research. This cell marker is associated with a number of forms of cancer. We are currently evaluating one of the antibodies produced under this collaboration. In September 2000, we paid MorphoSys an $825,000 technology access payment and will pay development- related milestone payments and royalties on net sales of resulting products, if and when such sales commence. We reimbursed MorphoSys for its research and development efforts related to identifying these antibodies during the fiscal years ended June 30, 2002 and 2001. Our commitment to reimburse certain of MorphoSys' research and development efforts concluded during the year ended June 30, 2002. We can terminate this agreement unilaterally at any time and either party can terminate the agreement for any material breach by the other party that remains uncured for a certain period of time.

In June 2001, we entered into a second collaboration agreement with MorphoSys. Under this second agreement, we license MorphoSys' HuCAL® technology for the generation of research antibodies. We believe that access to the HuCAL® technology will facilitate and accelerate our internal research efforts. Under this second agreement, we will pay MorphoSys technology access, license and annual subscription fees during a four-year term. We can terminate this agreement unilaterally at any time and either party can terminate the agreement for any material breach by the other party that remains uncured for a certain period of time.

**Other Licenses**

We also have licenses with third parties, including other companies and academic institutions, to gain access to techniques and materials for drug discovery and product development and the rights to use those techniques and materials to make our products. These licenses include rights to certain antibodies, software used in antibody development and apoptosis-related proteins.

***BioInvent International AB***

In June 2001, ImmunoGen and BioInvent International AB entered into a monoclonal antibody supply agreement. Under the terms of the agreement, BioInvent will perform process qualification and manufacture one of our monoclonal antibodies pursuant to current Good Manufacturing Practices. Under the terms of the agreement, we pay a stated price per gram of antibody, adjustable based upon production volumes.

In December 2002, ImmunoGen and BioInvent International AB entered into an additional supply agreement to produce a second monoclonal antibody. The monoclonal antibody that is the subject of the second agreement is a component of one of the product candidates we licensed to Aventis. As further discussed in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operation*, Aventis has agreed to reimburse us $1.3 million, the full cost of the monoclonal antibody

produced under this agreement. The full $1.3 million is included in Other Income for the quarter and year ended June 30, 2004.

***Laureate Pharma, L.P.***

In April 2004, ImmunoGen and Laureate Pharma, L.P. (Laureate) entered into a monoclonal antibody supply agreement. Under the terms of the agreement, Laureate will perform process qualification and manufacture one of our monoclonal antibodies pursuant to current Good Manufacturing Practices. Under the terms of the agreement, we pay a stated price per manufactured batch of antibody, adjustable under certain circumstances defined in the agreement.

**Patents, Trademarks and Trade Secrets**

We seek patent protection for our proprietary technologies and product candidates in the United States, Europe, Japan and elsewhere. Patents we have received in the United States include the following: claiming a process for the preparation of certain maytansinoids; methods of preparation of conjugates composed of maytansinoids and cell-binding agents; composition and use of novel taxanes and conjugates composed of taxanes and cell-binding agents.

We have also submitted additional patent applications in the United States, Europe, Japan, and elsewhere covering proprietary small drug derivatives, TAP compounds, apoptosis technology and use of some of these product candidates and inventions for certain diseases. We expect that our work will also lead to other patent applications. In all such cases, we will either be the assignee or owner of such patents or have an exclusive license to the technology covered by the patents. We cannot provide assurance, however, that the patent applications will issue as patents or that any patents, if issued, will provide us with adequate protection against competitors with respect to the covered products, technologies or processes.

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

**Competition**

We focus on highly competitive areas of product development. Our competitors include:

- major pharmaceutical and chemical companies;
- specialized biotechnology firms; and
- universities and research institutions.

Many of these companies and institutions also compete with us in recruiting and retaining highly qualified scientific personnel. Many competitors and potential competitors have substantially greater scientific, research and product development capabilities, as well as greater financial, marketing and human resources than we do. In addition, many specialized biotechnology firms have formed collaborations with large, established companies to support the research, development and commercialization of products that may be competitive with ours.

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

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

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

Continuing development of conventional and targeted chemotherapeutics by large pharmaceutical companies and biotechnology companies may result in the identification of new compounds that may compete with our product candidates. In addition, monoclonal antibodies developed by certain of these companies have been approved for use as cancer therapeutics. In the future, additional monoclonal antibodies may compete with our product candidates.

Because of the prevalence of combination therapy in cancer and the variety of genes and targets implicated in cancer incidence and progression, we believe that products resulting from applications of new technologies may be complementary to our own.

Such new technologies include, but are not limited to:

- the use of genomics technology to identify new gene-based targets for the development of anticancer drugs;
- the use of high-throughput screening to identify and optimize lead compounds;
- the use of gene therapy to deliver genes to regulate gene function; and
- the use of therapeutic vaccines.

**Regulatory Matters**

Our products candidates are regulated in the United States by the Food and Drug Administration, or FDA, in accordance with the United States Federal Food, Drug, and Cosmetic Act, as well as the Public Health Service Act. We expect that cantuzumab mertansine, huN901-DM1 and other of our TAP compounds will be reviewed by the FDA's Center for Drug Evaluation and Research, or CDER. In addition, each drug manufacturer in the United States must be registered with the FDA.

The steps required before a new drug may be marketed in the U.S. include:

(1) Performance of preclinical laboratory, animal, and formulation studies;

(2) The submission to the FDA of an Investigational New Drug Application, which must become effective before clinical trials may commence;

(3) The completion of adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug;

(4) The submission of a New Drug Application to and its acceptance by the FDA; and

(5) FDA approval of the New Drug Application, including approval of all product labeling and advertising.

Even if we, or our partners, obtain regulatory approvals for our product candidates, the Company, our products, and the facilities in which our products are manufactured are subject to continual review

and periodic inspection. The FDA will require post-marketing reporting to monitor the safety of our products. Manufacturing establishments are subject to periodic inspections by the FDA and must comply with the FDA's current Good Manufacturing Practices, or cGMP. In complying with cGMP, manufacturers must expend funds, time and effort in the areas of production, quality control and record keeping to ensure full technical compliance. The FDA stringently applies regulatory standards for manufacturing.

The regulatory issues that have potential impact on the future marketing of our products are summarized below.

*Clinical Trials Process*

Before a new drug may be sold in the United States and other countries, clinical trials of the product must be conducted and the results submitted to the appropriate regulatory agencies for approval.

In the United States, these clinical trial programs generally involve a three-phase process. Typically, Phase I trials are conducted in healthy volunteers to determine the early side-effect profile and the pattern of drug distribution and metabolism. In Phase II, trials are conducted in groups of patients afflicted with the target disease to determine preliminary efficacy and optimal dosages and to expand the safety profile. In Phase III, large-scale comparative trials are conducted in patients with the target disease to provide sufficient data for the proof of efficacy and safety required by federal regulatory agencies. In the case of drugs for cancer and other life-threatening diseases, Phase I human testing usually is performed in patients with advanced disease rather than in healthy volunteers. Because these patients are afflicted with the target disease, it is possible to design such clinical studies to provide results traditionally obtained in Phase II trials and they are often referred to as Phase I/II studies.

We intend to conduct clinical trials not only in accordance with FDA regulations, but also within guidelines established by other applicable agencies and committees. Whether or not FDA approval has been obtained, approval of a product by the comparable regulatory authorities of foreign countries must be obtained prior to the commencement of marketing of the product in those countries. Regulatory approval in other countries is obtained through the various regulatory bodies governing pharmaceutical sales in those individual countries. We intend to rely on foreign licensees to obtain regulatory approvals to market our products in foreign countries.

Regulatory approval often takes a number of years and involves the expenditure of substantial resources. Approval times also depend on a number of factors including, but not limited to, the severity of the disease in question, the availability of alternative treatments and the risks and benefits demonstrated in clinical trials.

*Orphan Drug Designation*

The Orphan Drug Act of 1983 generally provides incentives to biotechnology and pharmaceutical companies to undertake development and marketing of products to treat relatively rare diseases or diseases affecting fewer than 200,000 persons in the United States at the time of application for Orphan Drug designation.

We may pursue this designation with respect to products intended for qualifying patient populations. A drug that receives Orphan Drug designation and is the first product of its kind to receive FDA marketing approval for its product claim is entitled to a seven-year exclusive marketing period in the United States for that product claim.

*New Drugs for Serious or Life-Threatening Illnesses*

The FDA Modernization Act allows the designation of "Fast Track" status to expedite development of new drugs, including review and approvals, and is intended to speed the availability of new therapies to desperately ill patients. "Fast Track" procedures permit early consultation and commitment from the FDA regarding preclinical and clinical studies necessary to gain marketing approval. We may seek "Fast Track" status for some, or all, of our products.

"Fast Track" status also incorporates initiatives announced by the President of the United States and the FDA Commissioner in March 1996 intended to provide cancer patients with faster access to new cancer therapies. One of these initiatives states that the initial basis for approval of anticancer agents to treat refractory, hard-to-treat cancer may be objective evidence of response, rather than statistically improved disease-free and/or overall survival, as had been common practice. The sponsor of a product approved under this accelerated mechanism is required to follow up with further studies on clinical safety and effectiveness in larger groups of patients.

**Research and Development Spending**

During each of the three years ended June 30, 2004, 2003 and 2002, we spent approximately $22.2 million, $23.4 million and $17.7 million, respectively, on research and development activities. During the year ended June 30, 2004, 60% of our full time equivalent research and development personnel were dedicated to our Aventis collaboration. During each of the years ended June 30, 2003 and 2002, most of our expenditures were for Company-sponsored research and development.

**Employees**

As of June 30, 2004, we had 146 full-time employees, of whom 116 were engaged in research and development activities. Sixty-six employees hold post-graduate degrees, of which 43 hold Ph.D. degrees. We consider our relations with our employees to be good. None of our employees is covered by a collective bargaining agreement.

We have entered into confidentiality agreements with all of our employees, members of the Board of Directors and other consultants.

**Risk Factors**

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

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

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

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

Before obtaining regulatory approval for the commercial sale of any product candidates, we and 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 have often not been predictive of results obtained in later clinical trials. Frequently, drugs that have shown promising results in preclinical or early clinical trials subsequently fail to establish sufficient safety and efficacy data necessary to obtain regulatory approval. At any time during the clinical trials, we, our collaborative partners or the FDA might delay or halt any clinical trials for our product candidates for various reasons, including:

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

The results of the clinical trials may fail to demonstrate the safety or effectiveness of our product candidates to the extent necessary to obtain regulatory approval or such 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. The development, regulatory approval and commercialization of our product candidates depend primarily on the efforts of collaborative partners.

We have entered into collaborations with Abgenix, Aventis, Boehringer Ingelheim, Genentech, and Millennium. 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 collaboration 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 development and commercialization of our products could be severely limited. If we are not able to establish additional collaborations or any or all of our existing collaborations are terminated and we are not able to enter into alternative collaborations on acceptable terms, we may be required to undertake product development, manufacture and commercialization of our products ourselves, and we may not have the funds or capability to do this. If our collaborators fail to successfully develop and commercialize TAP 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, Aventis has announced an agreement to merge with Sanofi-Synthelabo. We do not know what effect, if any, this will have on our collaboration with Aventis.

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

We procure certain components of finished conjugate including ansamitocin P3, DM1, 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 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 June 30, 2004, we had an accumulated deficit of $209.8 million. For the years ended June 30, 2004, 2003, and 2002, we generated losses of $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 pharmaceutical 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 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 small molecule effector drug, DM1 itself 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 our TAP product candidates and cytotoxic agents. Our most advanced cytotoxic agent is DM1. DM1 is used in all of our current TAP product candidates in clinical testing and the subject of most of our collaborations. One of the primary components required to manufacture DM1 and related maytansinoid effector molecules, collectively referred to as DMx, is its precursor, ansamitocin P3. Currently, only one vendor manufactures and is able to supply us with this material. Any problems experienced by this vendor could result in a delay or interruption in the supply of ansamitocin P3 to us until this vendor cures the problem or until we locate an alternative source of supply. Any delay or interruption in our supply of ansamitocin P3 would likely lead to a delay or interruption in our manufacturing operations and preclinical and clinical trials of our product candidates, which could

negatively affect our business. We also have an agreement with only one vendor to convert ansamitocin P3 to 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 their 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 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 the products that we manufacture on behalf of our collaborative partners and 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 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 fiscal 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 their investment.

**Item 2.** ***Properties***

We lease approximately 37,700 square feet of laboratory and office space in a building located at 128 Sidney Street, Cambridge, Massachusetts. The 128 Sidney Street lease expires on March 31, 2008; however, we have the option, subject to our landlord's approval, to extend the lease for an additional five-year term pursuant to an amendment dated August 29, 2001. We sublease approximately 15,000 square feet of laboratory and office space in a building located at 148 Sidney Street, Cambridge, Massachusetts. The 148 Sidney Street lease expires on October 31, 2010. We also lease approximately 35,450 square feet of space in Norwood, Massachusetts, which serves as the Company's pilot scale manufacturing facility and office space. The Norwood lease expires on June 30, 2008, but we have the option to extend the lease for an additional five-year term pursuant to an amendment dated April 30, 2002. We believe that the manufacturing portion of the Norwood facility complies with all applicable FDA current Good Manufacturing Practice regulations.

**Item 3.** ***Legal Proceedings***

We are not a party to any material legal proceedings.

**Item 4.** ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of our security holders through solicitation of proxies or otherwise during the last quarter of the fiscal year ended June 30, 2004.

## PART II

**Item 5.** ***Market for Registrant's Common Equity and Related Stockholder Matters***

ImmunoGen's Common Stock is quoted on The Nasdaq National Market under the symbol IMGN. The table below sets forth the high and low bid prices on the Nasdaq National Market for our Common Stock for each of the quarters indicated.

| | Fiscal Year 2004 | | Fiscal Year 2003 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | $ 6.040 | $ 3.500 | $ 3.880 | $ 2.020 |
| Second Quarter | 5.550 | 4.250 | 4.200 | 2.710 |
| Third Quarter | 7.290 | 5.000 | 3.490 | 2.070 |
| Fourth Quarter | 12.400 | 5.670 | 4.550 | 2.300 |

As of August 18, 2004, there were approximately 645 holders of record of the Company's Common Stock and, according to the Company's estimates, approximately 20,000 beneficial owners of the Company's Common Stock.

The Company has not paid any cash dividends on its Common Stock since its inception and does not intend to pay any cash dividends in the foreseeable future.

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

The following table sets forth consolidated financial data with respect to the Company for each of the five years in the period ended June 30, 2004. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this report on Form 10-K.

| | Year ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2003 | 2004 |
| | In thousands, except per share data and shares outstanding | | | | |
| ***Statement of Operations Data:*** | | | | | |
| Total revenues | $ 11,181 | $ 4,479 | $ 5,883 | $ 7,628 | $ 25,956 |
| Total expenses | 11,924 | 20,291 | 26,438 | 32,221 | 34,514 |
| Other income, net | 430 | 6,339 | 6,053 | 4,645 | 2,687 |
| Income tax expense | — | 83 | 128 | 35 | 45 |
| Minority interest | 76 | — | — | — | — |
| Loss before cumulative effect of a change in accounting principle | (238) | (9,556) | (14,630) | (19,982) | (5,917) |
| Cumulative effect of a change in accounting principle | — | (5,734) | — | — | — |
| Net loss | $ (238) | $ (15,291) | $ (14,630) | $ (19,982) | $ (5,917) |
| Basic and diluted net loss per common share | $ (0.01) | $ (0.42) | $ (0.37) | $ (0.48) | $ (0.15) |
| Basic and diluted weighted average common shares outstanding | 29,520,576 | 36,675,324 | 39,623,948 | 41,912,167 | 40,645,752 |
| ***Pro Forma Amounts Assuming SAB 101 Followed Since Inception:*** | | | | | |
| Total revenues | $ 6,320 | $ 4,479 | | | |
| Net loss | $ (5,098) | $ (9,556) | | | |
| Basic and diluted net loss per common share | $ (0.17) | $ (0.26) | | | |
| ***Consolidated Balance Sheet Data:*** | | | | | |
| Total assets | $ 19,344 | $ 159,161 | $ 152,156 | $ 118,032 | $ 122,630 |
| Long-term debt and capital lease obligations, less current portion | 8 | — | — | — | — |
| Stockholders' equity | 10,508 | 142,447 | 134,215 | 102,679 | 97,137 |

**Item 7.** ***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 cancer 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 lead, proprietary, 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 targeted delivery technology increases the potency of these cancer-specific antibodies, which allow our drugs to kill cancer cells with the potential to cause only modest damage to healthy tissue. The cytotoxic agent we currently use in our TAP compounds involved in clinical testing is the maytansinoid DM1, a chemical derivative 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 product candidates containing their antibodies. We have also used our proprietary 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 any commercial product sales. In July 2003, we announced a discovery, development and commercialization collaboration with Aventis Pharmaceuticals, Inc. Under the terms of the agreement, Aventis gains commercialization rights to three of the most advanced product candidates in our preclinical pipeline and the commercialization rights to certain new product candidates 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.

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., Aventis, Boehringer Ingelheim International GmbH, Genentech, Inc. and Millennium Pharmaceuticals, Inc. We expect that substantially all of our revenue for the foreseeable future will result from payments under our collaborative arrangements.

In August 2003, British Biotech completed its acquisition of Vernalis. In connection with the acquisition, the merged company, called Vernalis plc, announced that it intended to review its merged product candidate portfolio, including its collaboration with ImmunoGen on huN901-DM1. After discussion with Vernalis, in January 2004, the Company announced that ImmunoGen would take over future development of the product, which will include advancement of huN901-DM1 into a Phase I trial designed to assess its clinical utility in a hematological malignancy, in a study managed by ImmunoGen. Pursuant to the terms of the termination agreement dated January 7, 2004, Vernalis, which relinquished its right to the product candidate, will, at its own expense, complete the Phase I clinical study currently underway. ImmunoGen will be responsible for completion of the U.S. Phase I/II study in the United States and further development of huN901-DM1.

On January 8, 2004, we announced that we intend to advance our lead product candidates, cantuzumab mertansine and huN901-DM1, into clinical trials to assess the clinical utility of the compounds in certain indications. In addition to continuation of the Phase I/II study of huN901-DM1 for SCLC underway in the United States, we plan to initiate a clinical trial of huN901-DM1 in a CD56-positive hematological malignancy in the United States in 2005. We also plan to advance cantuzumab mertansine, or an improved version of the compound, in clinical trials that we expect to

begin in 2005. We expect to incur expenses of $4-6 million over the next 2-3 years related to these clinical trials. Based upon the results of such clinical trials, if and when they are completed, we will evaluate whether to continue clinical development of these compounds, and, if so, whether we will seek a collaborative partner or partners to continue the clinical development and commercialization of either or both of these compounds.

To date, we have not generated revenues from commercial product sales and we expect to incur significant operating losses over the foreseeable future. We do not anticipate that we will have a commercially approved product within the foreseeable future. Research and development expenses are expected to increase significantly in the near term as we continue our development efforts. As of June 30, 2004, we had approximately $94.6 million in cash and marketable securities. We anticipate that our current capital resources and future collaboration payments, including the committed research funding due us under the Aventis agreement over the three-year research program, will enable us to meet our operational expenses and capital expenditures for at least the next three to five fiscal years.

We anticipate that the increase in total cash expenditures will be partially offset by collaboration-derived proceeds, including milestone payments and the committed research funding we will receive pursuant to the Aventis collaboration. Accordingly, period-to-period operational results may fluctuate dramatically. We believe that our established collaborative agreements, while subject to specified milestone achievements, will provide funding to assist us in meeting obligations under our collaborative agreements while also allowing for the development of internal 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.

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

*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 collaborator's 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 $12.0 million upfront fee we received from Aventis ratably over our estimated period of significant involvement of five years. This estimated period includes the term of the collaborative research program and two 12-month extensions that Aventis may exercise. In the event our period of involvement is less than we estimated, the remaining deferred balance of the upfront fee will be recognized over this shorter period.

In January 2004, our shared product license with Vernalis plc terminated. As a result we recognized $1.5 million of revenue during the year ended June 30, 2004, related to the upfront fee that we received upon signing the original collaboration agreement with Vernalis, which was deferred for accounting purposes.

In February 2003, our full product license with GlaxoSmithKline terminated. During the year ended June 30, 2003, we recognized $348,000 of revenue related to the GlaxoSmithKline upfront fee that remained in deferred revenue as of the termination date.

*Inventory*

We review our estimates of the net realizable value of our inventory at each reporting period. Our estimate of the net realizable value of our inventory is subject to judgment and estimation. The actual net realizable value of our inventory could vary significantly from our estimates and could have a material effect on our financial condition and results of operations in any reporting period. We consider any raw material inventory of DM1, 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 record any such raw material identified as excess at its net realizable value. Our estimate of 12 months' usage of DMx and ansamitocin P3 raw material inventory is based upon our collaborators' estimates of their future clinical material requirements. Our collaborators' estimates of their clinical material requirements are based upon expectations 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 year ended June 30, 2004, we recorded as research and development expense $307,000 of ansamitocin P3 and DMx material that we have identified as excess based upon our inventory policy.

**Results of Operations**

*Revenues*

Our total revenues for the year ended June 30, 2004 were $26.0 million compared with $7.6 million and $5.9 million for the years ended June 30, 2003 and 2002, respectively. The $18.3 million increase in revenues from 2003 to 2004 is primarily attributable to committed research funding earned under our discovery, development and commercialization agreement with Aventis, in addition to higher revenues from license fees and higher clinical materials reimbursement, as discussed below. The $1.7 million increase in revenues from 2002 to 2003 is primarily attributable to higher license fee and milestone payments received in 2003 as compared to 2002.

Research and development support of $13.6 million for the year ended June 30, 2004 represents committed research funding earned based on actual resources utilized under our discovery, development and commercialization agreement with Aventis. The agreement provides that we will receive a minimum of $50.7 million of committed research funding during a three-year research program.

Revenue from license fees and milestone payments for the year ended June 30, 2004 increased $1.4 million to $5.5 million from $4.2 million in the year ended June 30, 2003. Revenue from license fees and milestone payments for the year ended June 30, 2002 was $1.7 million. The increase in license fees and milestone payments from 2003 to 2004 is primarily attributable to the recognition of $2.0 million related to the amortization of the $12.0 million upfront fee received from Aventis. We recognize this upfront payment over our estimated period of significant involvement of 5 years. Also included in license fees and milestone payments for the year ended June 30, 2004, was $1.75 million of revenue related to our termination agreement with Vernalis which was executed in January 2004. Revenue of $1.5 million is related to the upfront fee that we received upon signing the original collaboration agreement with Vernalis, which was deferred for accounting purposes. The remaining $250,000 was recognized in June 2004 pursuant to our termination agreement with Vernalis.

Included in license fees and milestone payments for the year ended June 30, 2003 is a $1.0 million milestone payment from Boehringer Ingelheim related to the initiation of clinical testing of the novel anticancer agent bivatuzumab mertansine and a $1.0 million milestone from Millennium related to the initiation of clinical testing of MLN2704. In addition, during the year ended June 30, 2003, we recognized collaboration revenue of $348,000 from GlaxoSmithKline that represents the portion of the upfront payment GlaxoSmithKline had previously paid to ImmunoGen that had not been recognized as revenue at the date of termination of the license agreement. We did not earn any similar milestone payments during the year ended June 30, 2002. Total revenue recognized from license fees and milestone payments from each of our collaborative partners in the years ended June 30, 2004, 2003 and 2002 is included in the following table:

| | Year ended June 30, | | |
|---|---|---|---|
| | 2004 | 2003 | 2002 |
| Collaborative Partner: | | | |
| Abgenix | $ 545,829 | $ 500,000 | $ 433,318 |
| Aventis | 2,000,000 | — | — |
| Boehringer Ingelheim | 166,667 | 1,166,667 | 83,334 |
| Genentech | 642,816 | 642,816 | 691,954 |
| GlaxoSmithKline | — | 431,026 | 176,684 |
| Millennium | 442,529 | 1,442,529 | 331,420 |
| Vernalis | 1,750,000 | — | — |
| Total | $ 5,547,841 | $ 4,183,038 | $ 1,716,710 |

Deferred revenue of $21.1 million at June 30, 2004 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 $3.4 million to $6.6 million in the year ended June 30, 2004 compared to $3.2 million in the year ended June 30, 2003. We earned clinical materials reimbursement of $3.5 million during the year ended June 30, 2002. During the years ended June 30, 2004 and 2003, we shipped clinical materials in support of the huN901-DM1, bivatuzumab mertansine, and MLN2704 clinical trials, as well as preclinical materials, in support of the development efforts of certain other collaborators. The increase in clinical materials reimbursement in 2004 as compared to 2003 and 2002 is primarily related to the advancement of the clinical trials of bivatuzumab mertansine

and MLN2704. Millennium initiated a second clinical trial, a multi-dose Phase I/II study, with its compound MLN2704 during the year ended June 30, 2004. 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 significantly from quarter to quarter and annually.

Development fees decreased $2,000 from $275,000 for the year ended June 30, 2003 to $274,000 for the year ended June 30, 2004. Development fees were $654,000 in the year ended June 30, 2002. To date, our development fees represent the fully burdened reimbursement of costs incurred in producing research-grade materials in accordance with Good Laboratory Practices and developing antibody-specific conjugation processes on behalf of our collaborators and potential collaborators during the early evaluation and preclinical testing stages of drug development. Development fees decreased in 2004 and 2003 compared to 2002, primarily as a result of the advancement into clinical trials of bivatuzumab mertansine and MLN2704, the products that are the subject of our collaborations with Boehringer Ingelheim and Millennium, respectively. The amount of development fees we earn is directly related to the number of our collaborators and 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 widely from quarter to quarter and annually.

*Research and Development Expenses*

We report research and development expense net of certain reimbursements we receive from our collaborators. Our net research and development expenses consist of (i) research to identify and evaluate new targets and to develop and evaluate new antibodies and cytotoxic drugs, (ii) preclinical testing and clinical trials of our own, and in certain instances, our collaborators' product candidates, and (iii) development related to improving clinical and commercial manufacturing processes. During the three fiscal years ended June 30, 2004, our research efforts have been primarily focused in the following areas:

- Our activities pursuant to our discovery, development and commercialization agreement with Aventis;
- Our contributions to the clinical development of huN901-DM1 and cantuzumab mertansine;
- 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 cantuzumab mertansine;
- Process improvements to our TAP technology;
- Preclinical development of our own potential products;
- Process improvement related to the production of DM1 and related maytansinoid effector molecules and strain development of their precursor, ansamitocin P3;
- Operation, maintenance and expansion of our pilot scale manufacturing plant;

- Identification and evaluation of potential antigen targets;
- Evaluation of internally developed and in-licensed antibodies; and
- Development and evaluation of additional cytotoxic agents.

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 have regained the rights to develop and commercialize huN901-DM1. Vernalis will complete the Phase I study currently underway. Effective July 1, 2004, we assumed responsibility for the weekly-dosing Phase I/II clinical study, Study 001. We expect to take steps to expedite the completion of Study 001. Additionally, we plan to initiate a clinical trial of huN901-DM1 in the United States for a CD56-positive hematological malignancy. We expect to incur expenses of approximately $800,000 related to clinical development of this product candidate during fiscal year 2005.

In January 2003, we announced that we would regain the development and commercialization rights to cantuzumab mertansine from GlaxoSmithKline, thereby terminating our collaborative agreement. In January 2004, we announced that we plan to advance cantuzumab mertansine, or an improved version of the compound, into a clinical trial that we will manage. We expect that the clinical trial will be initiated in 2005. We estimate that we will incur expenses of approximately $2.1 million during fiscal year 2005 related to clinical development of this product candidate. We intend to evaluate whether to outlicense all or part of the development and commercial rights to this compound after the clinical trial is completed.

As discussed above, we have licensed three of the most advanced product candidates in our preclinical pipeline to Aventis under the terms of our discovery, development and commercialization collaboration. Those three product candidates are a TAP compound for acute myeloid leukemia, an anti-IGF-IR antibody and a TAP compound for certain B-cell malignancies. The TAP compound for acute myeloid leukemia is in preclinical development. We believe that Aventis is on track to file an Investigational New Drug Application (IND) for this TAP compound in the first half of our fiscal year 2005. However, the continued development of the TAP compound for acute myeloid leukemia and the actual filing of this IND is subject to the development and clinical strategy established by Aventis, as well as the results of any and all preclinical studies. As a result, the timing of the filing of this IND, if it occurs at all, may vary from our estimates.

Anti-IGF-IR antibody is a naked antibody directed against a target found on various solid tumors including certain breast, lung and prostate cancers. At June 30, 2004, pursuant to our collaboration research program with Aventis, we continued to perform preclinical experiments to evaluate candidate antibodies and identified a lead antibody product candidate and several alternate product candidates. The third, potential product candidate is directed at certain B-cell malignancies, including non-Hodgkin's lymphoma, and is in the early stages of preclinical development.

The cost to develop new products and advance those products to the IND stage can be significant. Under the terms of our discovery, development and research collaboration with Aventis, they have 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 antibodies or antibody targets that we believe will have utility in oncology. Aventis then has the right to either include in or exclude from the collaborative research program these proposed antibodies and antibody targets. Furthermore, Aventis may only include a certain number of antibody targets in the research program at any one time. Aventis must therefore exclude any proposed antibody or antibody target in excess of this number. 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 research program. Under the terms of the agreement, we may develop any TAP compound, antibody or antibody target that Aventis has elected not to either initially include or later advance in the research program. At present, the potential product candidates in our pipeline that are not part of the 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.

DM1 is the cytotoxic agent that we currently use in the manufacture of all of our TAP product candidates in clinical testing. We have also investigated the viability of other maytansinoid effector molecules, which, collectively with DM1, we refer to as DMx. In order to make commercial manufacture of DMx conjugates viable, we have devoted substantial resources to improve the strain of the microorganism that produces ansamitocin P3, the precursor to DMx, to enhance manufacturing yields. We also continue to devote considerable resources to improve other DMx manufacturing processes.

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

Research and development expense for the year ended June 30, 2004 decreased $1.2 million to $22.2 million from $23.4 million for the year ended June 30, 2003. Research and development expense for the year ended June 30, 2002 was $17.7 million. Included in research and development expense for the year ended June 30, 2004 is $1.2 million of antibody that we purchased in anticipation of potential future clinical trials. Approximately $818,000 of the antibody payments made during fiscal 2004 related to the GMP production of antibody received from BioInvent for which we expect to receive reimbursement from Aventis, as discussed below in other income. Included in research and development expense for the year ended June 30, 2003 is $3.4 million of antibody that we purchased in anticipation of future clinical trials. Also included in research development expense for the year ended June 30, 2004 is $307,000 of ansamitocin P3 and DMx inventory that we have identified as excess based upon the Company's inventory policy. We also recorded a charge of $104,000, included as research and development expense in 2004, to record a certain batch of DM1 inventory at its net realizable value at June 30, 2004. During the same period in 2003, we recorded research and development expense of $1.7 million related to ansamitocin P3 and DM1 inventory that we had identified as excess. In 2002, we recorded charges of $1.5 million and $753,000 to reduce the value of cantuzumab mertansine inventory and huN901 prepaid assets and inventory, respectively, to their net realizable value.

In fiscal 2002, we entered into several agreements with outside vendors to perform ansamitocin P3 and DMx process development. Included in the year ended June 30, 2004, 2003 and 2002 were $2.3 million, $3.0 million, and $1.1 million, respectively, of expenses related to ansamitocin P3 and DMx process development. Also included in research and development expense for the year ended

June 30, 2002 was $2.5 million related to agreements with Morphosys AG, Genzyme Transgenics Corporation, Avalon Pharmaceuticals, Inc. and Raven Biotechnologies, Inc. supporting our internal research and development efforts. During the same period in 2003, we recorded $92,000 related to these agreements. No similar expense was recorded in fiscal year 2004.

The number of research and development personnel increased to 116 at June 30, 2004 compared to 94 at June 30, 2003. We had 78 research and development personnel at June 30, 2002. Research and development salaries and related expenses increased by $1.8 million in the year ended June 30, 2004 compared to the year ended June 30, 2003 and increased by $2.0 million in the year ended June 30, 2003 compared to the year ended June 30, 2002. Included in salaries and related expenses for the year ended June 30, 2004 was $680,000 of bonuses awarded by the Board of Directors as compared to $320,000 of bonuses awarded by the Board of Directors in the same period in the prior year. Facilities expense also increased by $1.4 million during the year ended June 30, 2004 as compared to the same period in 2003 and increased $827,000 in the year ended June 30, 2003 compared to the year ended June 30, 2002 due to an increase in rent for the 128 Sidney Street lease and expenses related to our new location at 148 Sidney Street, Cambridge, Massachusetts. We expect future research and development expenses to increase as we continue development of our product candidates and technologies.

*General and Administrative Expenses*

General and administrative expense for the year ended June 30, 2004 increased $674,000 to $6.6 million from $6.0 million for the year ended June 30, 2003. General and administrative expenses for the year ended June 30, 2002 were $5.4 million. There was an increase of approximately $412,000 in salary and related expenses in 2004 compared to 2003. This increase in salaries and related expenses was substantially related to $477,000 of bonuses awarded by the Board of Directors as compared to $64,000 in bonuses awarded by the Board of Directors in the same period in the prior year. Insurance costs increased by $163,000 in 2004 as a result of increased premiums. Recruiting fees of approximately $260,000 were incurred during the year ended June 30, 2004 related to our efforts to appoint a new director to our Board and to fill various open positions within the general and administrative functions as compared to $1,000 of similar fees in the year ended June 30, 2003. Offsetting these increases was a payment of $400,000 for the settlement of a legal claim asserted against the Company that was included in the general and administrative expense for the year ended June 30, 2003. The 10% increase in general and administrative expense from 2002 to 2003 was primarily due to this legal settlement payment made during 2003. In addition, facilities expense increased by $302,000 due to an increase in rent for the 128 Sidney Street lease and expenses related to our new location at 148 Sidney Street, Cambridge, Massachusetts. Included in general and administrative expense during the year ended June 30, 2002 is $209,000 related to a valuation allowance established to record cantuzumab mertansine inventory at its net realizable value.

*Interest Income*

Interest income for the year ended June 30, 2004 decreased $1.3 million to $1.4 million from $2.7 million for the year ended June 30, 2003. Interest income for the year ended June 30, 2002 was $5.1 million. The decline in interest income from 2003 to 2004 and from 2002 to 2003 is, in each case, attributable to a lower average cash and investments balance combined with lower rates of return.

*Net Realized (Losses) Gains on Investments*

Net realized (losses) gains on investments were $(58,000), $540,000, and $945,000 for the years ended June 30, 2004, 2003, and 2002, respectively. The decrease in net realized gains is attributable to the timing of investment sales.

*Other Income*

Other income for the year ended June 30, 2004 decreased $42,000, as compared to the year ended June 30, 2003. During the year ended June 30, 2004, we recorded as other income reimbursement of approximately $1.3 million from Aventis for the GMP production of antibody manufactured by BioInvent pursuant to its agreement with ImmunoGen and delivered during May 2004. Included in other income during the year ended June 30, 2003 is $1.4 million, which represents the net gain on the final financial settlement of the GlaxoSmithKline collaboration. Other income for the year ended June 30, 2002 was $53,000.

**Liquidity and Capital Resources**

| | June 30, | |
|---|---|---|
| | 2004 | 2003 |
| Cash and short-term investments | $ 94,610 | $ 101,273 |
| Working capital | 101,302 | 102,956 |
| Stockholders' equity | 97,137 | 102,679 |

*Cash Flows*

We require cash to fund our operating expenses, including advancement 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 June 30, 2004, we had approximately $94.6 million in cash and short-term investments. Net cash used in operations during the year ended June 30, 2004 was $5.0 million compared to net cash used in operations of $21.9 million in the year ended June 30, 2003. The principal use of cash in operating activities for all periods presented was to fund our net loss. The decrease in operational cash use from 2003 to 2004 is substantially due to amounts received from Aventis, including the $12.0 million upfront fee received in August 2003 and $9.4 million of the $13.6 million of committed research funding we earned during the year ended June 30, 2004. We received $2.0 million in license fees and milestone payments during the year ended June 30, 2003. Net cash used in operations during the year ended June 30, 2002 was $16.0 million. The increase in operational cash use in 2003 compared to 2002 was largely due to the increase in operating expenses as well as the increase in clinical materials inventory produced on behalf of our collaborators.

Net cash provided by investing activities was $1.1 million and $26.8 million for the years ended June 30, 2004 and 2003, respectively, and primarily represents the sales and maturities of marketable securities. Net cash used in investing activities was $11.3 million for the year ended June 30, 2002. Capital purchases were $2.0 million and $3.7 million for the fiscal years ended June 30, 2004 and 2003, respectively, and consisted primarily of costs associated with the build-out of our existing development and pilot scale manufacturing facility located in Norwood, Massachusetts, and the renovation of our new laboratory and office facility at 148 Sidney Street, Cambridge, Massachusetts.

Net cash provided by financing activities was $599,000 for the year ended June 30, 2004. Net cash used for financing activities was $11.1 million for the year ended June 30, 2003 versus $6.1 million provided by financing activities for the year ended June 30, 2002. For the year ended June 30, 2004, net cash provided by financing activities includes proceeds from the exercise of 194,392 stock options. For the year ended June 30, 2003, net cash used for financing activities includes the repurchase of 3,675,062 shares of common stock for $11.1 million offset by proceeds from the exercise of 2,375 stock options. For the year ended June 30, 2002, net cash provided by financing activities includes proceeds from the exercise of 1,279,422 warrants and 150,336 stock options.

We anticipate that our current capital resources and future collaborator payments, including committed research funding that we expect to receive from Aventis pursuant to the terms of our collaboration agreement, will enable us to meet our operational expenses and capital expenditures for at least the next three to five fiscal years. We 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*

Below is a table that presents our contractual obligations and commercial commitments as of June 30, 2004:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than One Year | 1-3 Years | 4-5 Years | More than 5 Years |
| Operating lease obligations | $ 13,690,367 | $ 3,116,044 | $ 8,944,023 | $ 1,397,400 | $ 232,900 |
| Unconditional Purchase Obligations | $ 2,440,000 | 2,440,000 | — | — | — |
| Total | $ 16,130,367 | $ 5,556,044 | $ 8,944,023 | $ 1,397,400 | $ 232,900 |

**Certain Factors 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 our current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those described in the forward-looking statements. We caution investors that there can be no assurance that actual results or business conditions will not 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 success of our and our collaborators' research and clinical development processes; the difficulties inherent in the development of pharmaceuticals, including uncertainties as to the timing, expense and results of preclinical studies and clinical trials; our dependence upon existing and potential collaborative partners; uncertainty as to whether our TAP compounds or those of our collaborators will succeed in entering human clinical trials and uncertainty as to the results of such trials; the risk that our and/or our collaborators may not be able to obtain regulatory approvals necessary to commercialize product candidates; the potential development by competitors of competing products and technologies; uncertainty whether our TAP technology will produce safe, effective and commercially viable products; the lack of assurance regarding patent and other protection for our proprietary technology; governmental regulation of our activities, facilities, products and personnel; the dependence on key personnel; uncertainties as to the extent of reimbursement for the costs of our potential products and related treatments 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 economic conditions, both generally and those specifically related to the biotechnology industry. As a result, our future development efforts involve a high degree of risk. For further information, refer to the more specific risks and uncertainties discussed throughout this Annual Report on Form 10-K.

**Item 7A.** ***Quantitative and Qualitative Disclosure About Market Risk***

We maintain an investment portfolio in accordance with our Investment Policy. The primary objectives of our Investment Policy are to preserve principal, maintain proper liquidity to meet operating needs and maximize yields. Although our investments are subject to credit risk, our Investment Policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. Our investments are also subject to interest rate risk and will decrease in value if market interest rates increase. However, due to the conservative nature 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 8.** ***Financial Statements and Supplementary Data***

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of ImmunoGen, Inc.

We have audited the accompanying consolidated balance sheets of ImmunoGen, Inc. as of June 30, 2004 and 2003, and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2004. Our audit also included the financial statement schedule in the Index at Item 15(a). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ImmunoGen, Inc. at June 30, 2004 and 2003, and the consolidated results of its operations, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for the three years in the period ended June 30, 2004, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Boston, Massachusetts

July 26, 2004

**IMMUNOGEN, INC.**

**CONSOLIDATED BALANCE SHEETS**

| | June 30, | |
|---|---|---|
| | **2004** | **2003** |
| **ASSETS** | | |
| Cash and cash equivalents | $ 6,768,055 | $ 10,132,389 |
| Marketable securities | 87,841,505 | 91,140,757 |
| Accounts receivable | 4,865,522 | 674,458 |
| Unbilled revenue | 5,649,877 | 105,351 |
| Inventory, net | 6,638,066 | 5,620,713 |
| Prepaid and other current assets, net | 824,012 | 978,723 |
| Total current assets | 112,587,037 | 108,652,391 |
| Property and equipment, net | 9,709,627 | 9,045,847 |
| Other assets | 333,700 | 333,700 |
| Total assets | $ 122,630,364 | $ 118,031,938 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Accounts payable | $ 2,145,805 | $ 1,138,463 |
| Accrued compensation | 572,051 | 392,201 |
| Other current accrued liabilities | 1,364,203 | 1,410,517 |
| Current portion of deferred revenue | 7,203,225 | 2,754,799 |
| Total current liabilities | 11,285,284 | 5,695,980 |
| Deferred revenue | 13,943,535 | 9,495,545 |
| Other long term liabilities | 264,664 | 161,283 |
| Total liabilities | 25,493,483 | 15,352,808 |
| Commitments and contingencies (Note H) | | |
| Stockholders' equity: | | |
| Common stock, $.01 par value; authorized 75,000,000; issued and outstanding 44,462,221 shares and 44,261,334 shares as of June 30, 2004 and 2003, respectively | 444,622 | 442,613 |
| Additional paid-in capital | 317,704,432 | 317,077,505 |
| Deferred compensation | (63,498) | (41,574) |
| Treasury stock | (11,071,417) | (11,071,417) |
| Accumulated deficit | (209,775,495) | (203,858,754) |
| Accumulated other comprehensive (loss) income | (101,763) | 130,757 |
| Total stockholders' equity | 97,136,881 | 102,679,130 |
| Total liabilities and stockholders' equity | $ 122,630,364 | $ 118,031,938 |

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

**IMMUNOGEN, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Year Ended June 30, | | |
|---|---|---|---|
| | **2004** | **2003** | **2002** |
| Revenues: | | | |
| Research and development support | $ 13,562,849 | $ — | $ — |
| License fees and milestone payments | 5,547,841 | 4,183,038 | 1,716,710 |
| Clinical materials reimbursement | 6,571,451 | 3,169,780 | 3,512,580 |
| Development fees | 273,589 | 275,458 | 653,613 |
| Total revenues | 25,955,730 | 7,628,276 | 5,882,903 |
| Expenses: | | | |
| Cost of clinical materials reimbursed | 5,658,792 | 2,834,385 | 3,340,981 |
| Research and development | 22,224,152 | 23,428,854 | 17,694,031 |
| General and administrative | 6,631,012 | 5,957,469 | 5,403,367 |
| Total expenses | 34,513,956 | 32,220,708 | 26,438,379 |
| Loss from operations | (8,558,226) | (24,592,432) | (20,555,476) |
| Gain on the sale of assets | — | — | 200 |
| Interest income, net | 1,363,777 | 2,682,446 | 5,055,816 |
| Net realized (loss) gain on investments | (57,940) | 539,931 | 944,715 |
| Other income | 1,381,135 | 1,422,872 | 52,718 |
| Loss before income tax expense | (5,871,254) | (19,947,183) | (14,502,027) |
| Income tax expense | 45,487 | 35,125 | 127,812 |
| Net loss | $ (5,916,741) | $ (19,982,308) | $ (14,629,839) |
| Basic and diluted net loss per common share | $ (0.15) | $ (0.48) | $ (0.37) |
| Basic and diluted weighted average common shares outstanding | 40,645,752 | 41,912,167 | 39,623,948 |

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

**IMMUNOGEN, INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

| | Common Stock | | Additional Paid-In Capital | Deferred Compensation | Treasury Stock | | Accumulated Deficit | Accumulated Other Comprehensive Incomc (Loss) | Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | Shares | Amount | | | | |
| Balance at June 30, 2001 | 38,535,402 | $ 385,354 | $ 310,971,161 | $ — | — | $ — | $ (169,246,607) | $ 336,858 | $ — | $ 142,446,766 |
| Unrealized gain on marketable securities, net | — | — | — | — | — | — | — | 290,941 | 290,941 | 290,941 |
| Net loss for the year ended June 30, 2002 | — | — | — | — | — | — | (14,629,839) | — | (14,629,839) | (14,629,839) |
| Comprehensive loss | — | — | — | — | — | — | — | — | $ (14,338,898) | — |
| Stock options exercised | 150,336 | 1,503 | 577,213 | — | — | — | — | — | — | 578,716 |
| Warrants exercised, net of financing costs | 1,279,422 | 12,795 | 5,487,771 | — | — | — | — | — | — | 5,500,566 |
| Issuance of restricted shares of common stock in settlement of a claim | 189,498 | 1,895 | (1,468) | — | — | — | — | — | — | 427 |
| Issuance of stock and stock units for directors' compensation | 902 | 9 | 27,527 | — | — | — | — | — | — | 27,536 |
| Balance at June 30, 2002 | 40,155,560 | $ 401,556 | $ 317,062,204 | $ — | — | $ — | $ (183,876,446) | $ 627,799 | $ — | $ 134,215,113 |
| Unrealized loss on marketable securities, net | — | — | — | — | — | — | — | (497,042) | (497,042) | (497,042) |
| Net loss for the year ended June 30, 2003 | — | — | — | — | — | — | (19,982,308) | — | (19,982,308) | (19,982,308) |
| Comprehensive loss | — | — | — | — | — | — | — | — | $ (20,479,350) | — |
| Stock options exercised | 2,375 | 23 | 4,160 | — | — | — | — | — | — | 4,183 |
| Warrants exercised | 4,096,098 | 40,961 | (40,961) | — | — | — | — | — | — | — |
| Issuance of stock and stock units for directors' compensation | 7,301 | 73 | 9,789 | — | — | — | — | — | — | 9,862 |
| Deferred compensation related to issuance of stock options | — | — | 42,313 | (42,313) | — | — | — | — | — | — |
| Amortization of deferred compensation | — | — | — | 739 | — | — | — | — | — | 739 |
| Repurchases of common stock | — | — | — | — | 3,675,062 | (11,071,417) | — | — | — | (11,071,417) |
| Balance at June 30, 2003 | 44,261,334 | $ 442,613 | $ 317,077,505 | $ (41,574) | 3,675,062 | $ (11,071,417) | $ (203,858,754) | $ 130,757 | $ — | $ 102,679,130 |
| Unrealized loss on marketable securities, net | — | — | — | — | — | — | — | (232,520) | (232,520) | (232,520) |
| Net loss for the year ended June 30, 2004 | — | — | — | — | — | — | (5,916,741) | — | (5,916,741) | (5,916,741) |
| Comprehensive loss | — | — | — | — | — | — | — | — | $ (6,149,261) | — |
| Stock options exercised | 194,392 | 1,944 | 596,767 | — | — | — | — | — | — | 598,711 |
| Issuance of stock and stock units for directors' compensation | 6,495 | 65 | 31,477 | (40,000) | — | — | — | — | — | (8,458) |
| Amortization of deferred compensation | — | — | — | 16,866 | — | — | — | — | — | 16,866 |
| Recapture and reversal of compensation expense for stock options related to terminated employees | — | — | (1,317) | 1,210 | — | — | — | — | — | (107) |
| Balance at June 30, 2004 | 44,462,221 | $ 444,622 | $ 317,704,432 | $ (63,498) | 3,675,062 | $ (11,071,417) | $ (209,775,495) | $ (101,763) | $ — | $ 97,136,881 |

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

**IMMUNOGEN, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year Ended June 30, | | |
|---|---|---|---|
| | 2004 | 2003 | 2002 |
| Cash flows from operating activities: | | | |
| Net loss | $ (5,916,741) | $ (19,982,308) | $ (14,629,839) |
| Adjustments to reconcile net loss to net cash used for operating activities: | | | |
| Depreciation and amortization | 1,292,202 | 1,130,311 | 984,759 |
| Loss (gain) on sale of marketable securities | 57,940 | (539,931) | (944,715) |
| Gain on sale of property and equipment | — | — | (200) |
| Compensation for stock options, stock and stock units | 106,873 | 48,721 | 36,394 |
| Deferred rent | 4,809 | 72,839 | (55,857) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (4,191,064) | 1,282,834 | (1,957,292) |
| Unbilled revenue | (5,544,526) | 483,104 | 105,380 |
| Inventory | (1,017,353) | (2,732,265) | (727,452) |
| Prepaid and other current assets | 154,711 | 1,156,091 | 89,573 |
| Other assets | — | (290,000) | — |
| Accounts payable | 1,007,342 | 341,368 | (392,148) |
| Accrued compensation | 179,850 | (1,208,781) | 897,946 |
| Other current accrued liabilities | (46,314) | (240,587) | (150,704) |
| Deferred revenue | 8,896,416 | (1,405,110) | 741,474 |
| Net cash used for operating activities | (5,015,855) | (21,883,714) | (16,002,681) |
| Cash flows from investing activities: | | | |
| Proceeds from maturities or sales of marketable securities | 433,393,005 | 333,314,955 | 502,319,207 |
| Purchases of marketable securities | (430,384,213) | (302,806,247) | (486,712,926) |
| Capital expenditures | (1,955,982) | (3,658,779) | (4,264,056) |
| Proceeds from sale of property and equipment | — | — | 200 |
| Net cash provided by investing activities | 1,052,810 | 26,849,929 | 11,342,425 |
| Cash flows from financing activities: | | | |
| Repurchases of common stock | — | (11,071,417) | — |
| Proceeds from warrants exercised, net | — | — | 5,500,566 |
| Proceeds from stock options exercised | 598,711 | 4,183 | 578,716 |
| Principal payments on capital lease obligations | — | — | (8,137) |
| Net cash provided by (used for) financing activities | 598,711 | (11,067,234) | 6,071,145 |
| Net change in cash and cash equivalents | (3,364,334) | (6,101,019) | 1,410,889 |
| Cash and cash equivalents, beginning balance | 10,132,389 | 16,233,408 | 14,822,519 |
| Cash and cash equivalents, ending balance | $ 6,768,055 | $ 10,132,389 | $ 16,233,408 |
| Supplemental disclosure: | | | |
| Cash paid for income taxes | $ 45,487 | $ 38,100 | $ 80,229 |
| Non cash activities: | | | |
| Capital expenditures included in accounts payable | $ — | $ — | $ 185,770 |

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

**A. Nature of Business and Plan of Operations**

ImmunoGen, Inc. was incorporated in Massachusetts in 1981 to develop, produce and market commercial anticancer and other pharmaceuticals based on molecular immunology. The Company continues to research and develop its various products and technologies and does not expect to derive revenue from commercial product sales within the foreseeable future. It is anticipated that the Company's existing capital resources, enhanced by collaborative agreement funding, will enable current and planned operations to be maintained for at least the next three to five fiscal years. However, if the Company is unable to achieve subsequent milestones under its collaborative agreements (see Note C), the Company may be required to defer or limit some or all of its research, development and/or clinical projects.

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

**B. Summary of Significant Accounting Policies**

*Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, ImmunoGen Securities Corp. All intercompany transactions and balances have been eliminated. During June 2004, the Company acquired the remaining 3% of its subsidiary, Apoptosis Technology, Inc., or ATI, which it did not own. ATI was merged into ImmunoGen, Inc. in June 2004. For accounting purposes, this was considered a merger of entities under common control, and since ATI had historically been consolidated, there was no accounting consequence to this transaction.

*Reclassifications*

Prior period amounts have been adjusted to conform to the current year presentation. There was no impact on net loss in any period.

*Revenue Recognition—Change in Accounting Principle*

Effective July 1, 2000, ImmunoGen changed its method of accounting for revenue recognition in accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). Under the new accounting method, the Company recognizes revenue from non-refundable, upfront license payments, not specifically tied to a separate earnings process, ratably over the term of the Company's substantial involvement during development. The cumulative effect of the change in accounting on prior years resulted in a non-cash charge to income of $5.7 million, which was included in the net loss for the year ended June 30, 2001. Included in revenue for the years ended June 30, 2004, 2003 and 2002 is $643,000, $1.1 million and $859,000, respectively, of revenue that was recognized in years prior to the Company's adoption of SAB 101 and included in the cumulative effect of the change in accounting principle.

*Revenue Recognition*

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

At June 30, 2004, the Company currently has the following three types of collaborative contracts with the counterparties identified below.

- License to a single target antigen (single target license):
  - Boehringer Ingelheim International GmbH
  - Genentech, Inc.
  - Millennium Pharmaceuticals, Inc.
- Broad option agreements to acquire rights to a limited number of targets over a specified time period (broad license):
  - Abgenix, Inc.
  - Genentech, Inc.
  - Millennium Pharmaceuticals, Inc.
- Broad agreement to discover, develop and commercialize antibody-based anticancer products:
  - Aventis Pharmaceuticals, Inc.

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

Generally, upfront payments on single target licenses are deferred over the period of the Company's substantial involvement during development. ImmunoGen employees are available to assist the Company's collaborators during the development of their products. The Company estimates this development phase to begin at the inception of the collaboration agreement 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. 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 option agreements over the period during which the collaborator may elect to receive a license. These periods are specific to each collaboration agreement, but are between seven and 12 years. If a collaborator selects an option to acquire a license under these agreements, any option fee is deferred and recorded over the life of the option, generally 12 to 18 months. If a collaborator exercises an option and the Company grants a single target license to the collaborator, the Company defers the license fee and accounts for the fee as it would an upfront payment on a single target collaboration agreement, as discussed above. In the event that a broad option agreement were terminated, the Company would recognize as revenue any portion of the upfront fee that had not previously been recorded as revenue, but was classified as deferred revenue at the date of such termination.

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

The Company's shared product license collaboration with Vernalis, the entity created by the merger of British Biotech and Vernalis, provided for an upfront payment to ImmunoGen that was paid upon signing of the agreement. As discussed further in Note C, pursuant to the terms and conditions of the termination agreement between Vernalis and the Company, in January 2004, Vernalis relinquished its rights to develop and commercialize huN901-DM1, the product subject to the product license. During the year ended June 30, 2004, the Company recognized revenue of $1.5 million for the upfront fee that was received upon signing the original collaboration agreement with Vernalis and deferred for accounting purposes. During the quarter and year ended June 30, 2004, the Company also recognized revenue of $250,000 pursuant to the Company's termination agreement with Vernalis.

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.

*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 June 30, 2004 and 2003 is summarized below:

| | June 30, | |
|---|---|---|
| | 2004 | 2003 |
| Raw materials, net | $ 2,801,431 | $ 3,299,536 |
| Work in process | 3,702,515 | 1,870,598 |
| Finished goods, net | 134,120 | 450,579 |
| Total | $ 6,638,066 | $ 5,620,713 |

Inventory cost is stated net of a valuation allowance of $1.6 million and $1.1 million as of June 30, 2004 and June 30, 2003, respectively. The valuation allowance represents the cost of DM1 and other related maytansinoid effector molecules (collectively, DMx) that the Company considers to be excess based on current collaborator firm fixed orders and projections.

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

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, the manufacturers, together with the Company, will improve the fermentation and conversion processes used to generate ansamitocin P3 and DMx, respectively. Pursuant to these agreements, the two outside vendors will also manufacture, under current Good Manufacturing Practices, 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 delivered from one vendor to the other vendor for conversion to DMx. The current agreements with these vendors expire at various dates through fiscal 2006.

The actual amount of ansamitocin P3 and DMx that will be produced 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. The Company anticipates that its investment in ansamitocin P3 and DMx will be significant.

The Company produces preclinical and clinical materials for its collaborators either in anticipation or in support of clinical trials or for process development and analytical purposes. Under the terms of supply agreements with three 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 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 collaborator projections for no more than 12 months or firm fixed orders, 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 record any such excess ansamitocin P3 or DMx inventory at its net realizable value; 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 June 30, 2004, the Company's on-hand supply of DMx and ansamitocin P3 (including $2.9 million of DMx and $1.6 million of ansamitocin P3) represented more than a 12-month supply based upon current collaborator firm fixed orders and projections. In the year ended June 30, 2004, the Company recorded as research and development expense $307,000 of ansamitocin P3 and DMx that the Company has identified as excess based upon the Company's inventory policy as described above. Any

changes to the Company's collaborators' projections could result in significant changes in the Company's estimate of the net realizable value of 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 record the DMx and/or ansamitocin P3 inventory at its estimated net realizable value.

*Unbilled Revenue*

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

*Other Current Accrued Liabilities*

Other current accrued liabilities consisted of the following at June 30, 2004 and 2003:

| | June 30, | |
|---|---|---|
| | 2004 | 2003 |
| Accrued contract payments | $ 592,510 | $ 661,904 |
| Accrued public reporting charges | 135,000 | 167,000 |
| Accrued professional services | 182,992 | 238,673 |
| Accrued insurance | 324,546 | 193,337 |
| Other current accrued liabilities | 129,155 | 149,603 |
| Total | $ 1,364,203 | $ 1,410,517 |

*Use of Estimates*

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

*Research and Development Costs*

Research and development costs are expensed as incurred and consist of (i) research to identify and evaluate new targets, antibodies and small molecule effector drugs, (ii) preclinical testing and clinical trials of the Company's own and, in certain instances, its collaborators' product candidates, and

(iii) development related to improving clinical and commercial manufacturing processes. The Company's research efforts are primarily focused in the following areas:

- Our activities pursuant to our discovery, development and commercialization agreement with Aventis;
- The Company's contributions to the clinical development of cantuzumab mertansine and huN901-DM1;
- 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 cantuzumab mertansine;
- Process improvements to the Company's TAP technology;
- Preclinical development of the Company's own potential products;
- Process improvement related to the production of DMx and strain development of its precursor, ansamitocin P3;
- Operation, maintenance and expansion of the Company's pilot scale manufacturing plant;
- Identification and evaluation of potential antigen targets;
- Evaluation of internally developed and in-licensed antibodies; and
- Development and evaluation of additional small molecule effector drugs.

*Income Taxes*

The Company uses the liability method to account for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and income tax basis of assets and liabilities, as well as net operating loss carryforwards and tax credits and are measured using the enacted tax rates and laws that will be in effect when the differences reverse. A valuation allowance against net deferred tax assets is recorded if, based on the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

*Financial Instruments and Concentration of Credit Risk*

The Company has no significant off-balance sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements. Cash and cash equivalents are primarily maintained with two financial institutions in the United States. Deposits with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and, therefore, bear minimal risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of marketable securities. Marketable securities consist of United States Treasury bonds, high-grade corporate bonds, asset-backed and United States government agency securities, banknotes and commercial paper. The Company's investment policy, approved by the Board of Directors, limits the amount it may invest in any one type of

investment and to investments with effective maturity dates that do not extend more than two years, thereby reducing credit risk concentrations.

*Cash and Cash Equivalents*

Cash and cash equivalents include money market funds and cash at June 30, 2004 and 2003. The Company considers all investments purchased to be marketable securities.

*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.

*Property and Equipment*

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

| | |
|---|---|
| Machinery and equipment | 3-5 years |
| Computer hardware and software | 3-5 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Shorter of lease term or estimated useful life |

Maintenance and repairs are charged to expense as incurred. Upon retirement or sale, the cost of disposed assets and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of operations.

*Impairment of Long-Lived Assets*

The Company periodically evaluates the potential impairment of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. At the occurrence of a certain event or change in circumstances, the Company evaluates the potential impairment of an asset based on estimated future undiscounted cash flows. In the event impairment exists, the Company will measure the amount of such impairment based on the present value of estimated future cash flows using a discount rate commensurate with the risks involved. Based on management's assessment as of June 30, 2004, the Company determined that no impairment of long-lived assets exists.

*Computation of Net Loss Per Common Share*

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

| | June 30, | | |
|---|---|---|---|
| | 2004 | 2003 | 2002 |
| Options, warrants and other securities convertible into Common Stock | 5,595,442 | 5,427,291 | 10,750,039 |
| Common Stock equivalents | 1,733,443 | 900,276 | 7,876,646 |

ImmunoGen Common Stock equivalents have not been included in the net loss per share calculation because their effect is antidilutive due to the Company's net loss position.

*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 for grants of stock, stock options and other equity instruments based on fair value.

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 years ended June 30, 2004, 2003, and 2002 would have been adjusted to the pro forma amounts indicated below:

| | Year Ended June 30, | | |
|---|---|---|---|
| | 2004 | 2003 | 2002 |
| Net loss, as reported | $ (5,916,741) | $ (19,982,308) | $ (14,629,839) |
| Add: Total stock-based compensation expense determined under the intrinsic value method for all employee awards | 13,426 | 739 | — |
| Deduct: Total stock-based compensation expense determined under the fair value method for all employee awards | (4,530,540) | (6,519,817) | (6,032,968) |
| Pro forma net loss | $ (10,433,855) | $ (26,501,386) | $ (20,662,807) |
| Basic and diluted net loss per common share, as reported | $ (0.15) | $ (0.48) | $ (0.37) |
| Basic and diluted net loss per common share, pro forma | $ (0.26) | $ (0.63) | $ (0.52) |

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:

| | Year Ended June 30, | | |
|---|---|---|---|
| | 2004 | 2003 | 2002 |
| Dividend yield | None | None | None |
| Volatility | 94.26% | 97.64% | 100.56% |
| Risk-free interest rate | 3.71% | 2.46% | 4.33% |
| Expected life (years) | 5.5 | 5.5 | 5.5 |

Using the Black-Scholes option-pricing model, the weighted average fair value of options granted during fiscal 2004, 2003 and 2002 was $4.94, $2.94, and $4.69 per share, 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 require the use of highly subjective assumptions, including 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 existing models do not necessarily provide a reliable single measure of the fair value of its employee stock-based compensation.

*Comprehensive Loss*

The Company presents comprehensive loss in accordance with SFAS 130, "Reporting Comprehensive Income." Comprehensive income (loss) is comprised of the Company's net loss for the period and unrealized gains and losses recognized on available-for-sale marketable securities.

*Segment Information*

During the three fiscal years ended June 30, 2004, the Company operated in one reportable business segment under the management approach of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the business of discovery of monoclonal antibody-based cancer therapeutics.

Revenues from Aventis accounted for approximately 61% of revenues for the year ended June 30, 2004. Revenues from Millennium accounted for approximately 16%, 39%, and 17% of revenues for the years ended June 30, 2004, 2003, and 2002, respectively. Revenues from Boehringer Ingelheim accounted for approximately 28% and 14% of revenues for the years ended June 30, 2003 and 2002, respectively. Revenues from Vernalis accounted for approximately 10% and 15% of revenues for the years ended June 30, 2003 and 2002, respectively. Genentech and GlaxoSmithKline accounted for 21% and 23%, respectively, of revenues for the year ended June 30, 2002. There were no other significant customers in fiscal 2004, 2003 and 2002.

**C. Agreements**

***Out-Licenses***

*Aventis Pharmaceuticals, Inc.*

In July 2003, the Company and Aventis Pharmaceuticals, Inc. entered into a broad collaboration agreement to discover, develop and commercialize anticancer therapeutics. The agreement provides Aventis with worldwide commercialization rights to new product candidates created through the collaboration as well as worldwide commercialization rights to three product candidates in ImmunoGen's pipeline: a TAP compound for acute myeloid leukemia, anti-IGF-IR antibody and a TAP compound for certain B-cell malignancies. The overall term of the agreement extends to the later of the latest patent to expire or 12 years after the latest launch of any product discovered, developed and/or commercialized under the agreement. The agreement provides that ImmunoGen will receive a minimum of $50.7 million of committed research funding during a three-year research program. Aventis has the option, with 12 months' advance notice, to request that ImmunoGen extend the research program for two additional 12-month periods. If Aventis requests an extension of the research program for one or both periods, the Company and Aventis will negotiate the research funding level for each such extension period at the time such extension is requested. If Aventis and ImmunoGen were to agree to extend the agreement for each of the two 12-month periods and the research funding continued at the same level as in the final year of the original term of the agreement, ImmunoGen would receive an additional $36.4 million of research funding. Aventis paid to ImmunoGen an upfront fee of $12.0 million in August 2003. The Company has deferred the upfront fee and is recognizing it as revenue over ImmunoGen's estimated period of substantial involvement. The Company estimates this period to be five years, which includes the term of the collaborative research program in addition to two 12-month extensions that Aventis may exercise. The collaboration agreement also provides for certain other payments based on the achievement of product candidate milestones and royalties on sales of any resulting products, if and when such sales commence. Assuming all benchmarks are met,

the Company will receive milestone payments of between $21.5 million and $30.0 million per antigen target.

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

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

*Boehringer Ingelheim International GmbH*

In November 2001, the Company entered into a collaboration agreement with Boehringer Ingelheim to develop a new product combining our maytansinoid technology with a Boehringer Ingelheim antibody. Under the terms of the agreement, the Company received an upfront payment upon commencement of the agreement and could receive, based upon the exchange rate on November 27, 2001, the effective date of the agreement, approximately $41.5 million in potential payments upon Boehringer Ingelheim's achievement of certain milestones in addition to royalty payments on future product sales, if and when they commence. The Company has deferred the upfront fee and it is being recognized over the period of the Company's substantial involvement, which is estimated to be six years. In October 2002, Boehringer Ingelheim confirmed to ImmunoGen that clinical trials of the novel anticancer agent, bivatuzumab mertansine, composed of ImmunoGen's DM1 effector molecule and Boehringer Ingelheim's anti-CD44v6 antibody had commenced on or about September 24, 2002. The achievement of this milestone triggered a payment of $1.0 million from Boehringer Ingelheim to ImmunoGen. The milestone payment is included in license fee and milestone revenue for the fiscal year ended June 30, 2003. Boehringer Ingelheim is responsible for the product development, manufacturing and marketing of any products resulting from the collaboration.

*Millennium Pharmaceuticals, Inc.*

In March 2001, the Company entered into a five-year collaboration agreement with Millennium. The agreement provides Millennium access to the Company's TAP technology for use with Millennium's proprietary antibodies. Millennium acquired a license to utilize the Company's TAP technology in its antibody product research efforts and an option to obtain product licenses for a restricted number of antigen targets during the collaboration. ImmunoGen received a non-refundable upfront fee of $2.0 million in the third quarter of 2001. The upfront fee has been deferred and is being

recognized over the period during which Millennium may elect to acquire a license to utilize the Company's TAP technology with one of Millennium's antibodies. Pursuant to this agreement, in February 2002, Millennium signed an exclusive product license to the Company's maytansinoid technology for use with Millennium's antibody MLN591. MLN591 is directed towards the extracellular domain of prostate-specific membrane antigen. ImmunoGen received a non-refundable license fee from Millennium when the license agreement was signed. The license fee was deferred and is being recognized ratably over the Company's period of substantial involvement during development, which the Company estimates to be six years. In November 2002, Millennium informed ImmunoGen that clinical trials of MLN2704, composed of ImmunoGen's DM1 effector molecule and Millennium's MLN591 antibody, had been initiated. The achievement of this milestone triggered a payment of $1.0 million from Millennium to ImmunoGen. The milestone payment is included in license fee and milestone payment revenue for the fiscal year ended June 30, 2003. The collaboration agreement also provides for certain other payments based on Millennium's achievement of milestones and royalties on sales of any resulting product, if and when such sales commence. Assuming all benchmarks are met, the Company will receive license and milestone payments of approximately $41.0 million per antigen target.

Millennium will be responsible for product development, manufacturing and marketing of any products developed through the collaboration. ImmunoGen will be reimbursed for any preclinical and clinical materials that it makes under the agreement. The agreement can be renewed for one subsequent three-year period for an additional technology access fee.

*Abgenix, Inc.*

In September 2000, the Company entered into a collaboration agreement with Abgenix. The agreement provides Abgenix with access to the Company's maytansinoid technology for use with Abgenix's antibodies along with the ability to acquire both exclusive and nonexclusive options to obtain product licenses for antigen targets. Each option has a specified option period during which Abgenix may obtain a product license. Under this agreement Abgenix has the right to extend each option period by a specified amount of time in exchange for an extension fee. The Company received a total of $5.0 million in technology access fee payments from Abgenix and is entitled to potential milestone payments and royalties on net sales of resulting products, if and when such sales commence. At June 30, 2004, $3.5 million of the technology access fees remained as deferred revenue to be recognized over the period during which Abgenix may elect to acquire a license to utilize the Company's TAP technology with one of Abgenix's antibodies. On September 7, 2000, Abgenix purchased $15.0 million of the Company's Common Stock in accordance with the agreement. In June 2002, Abgenix was granted a nonexclusive option to acquire a license to another TAP product in exchange for a nominal option fee. The nonexclusive option fee was deferred and is being recognized over the option period. Abgenix may renew the nonexclusive option for an additional period in exchange for an extension fee. ImmunoGen's agreement with Abgenix will terminate upon expiration of a specified time period during which the Company has given Abgenix access to its technology. Either party can terminate the agreement for any material breach by the other party that remains uncured for a certain period of time. For each of the years ended June 30, 2004, 2003 and 2002, the Company recognized as collaboration revenue $400,000 of the technology access fees.

*Vernalis plc*

In August 2003, British Biotech completed its acquisition of Vernalis. In connection with the acquisition, the merged company, called Vernalis plc, announced that it intended to review its merged product candidate portfolio, including its collaboration with ImmunoGen on huN901-DM1. After discussion with Vernalis, in January 2004, the Company announced that ImmunoGen would take over future development of the product, which will include advancement of huN901-DM1 into a clinical trial managed by ImmunoGen. Pursuant to the terms of the termination agreement dated January 7, 2004, Vernalis, which relinquished its right to the product, will, at its own expense, complete the Phase I study. As of July 1, 2004, ImmunoGen will be responsible for completion of the U.S. Phase I/II study and further development of huN901-DM1. In connection with the termination of Vernalis' shared product license, ImmunoGen recorded as revenue in the year ended June 30, 2004 the $1.5 million upfront fee it received when the original agreement was signed and deferred for accounting purposes. In addition, ImmunoGen recorded $250,000 pursuant to its termination agreement with Vernalis.

*Genentech, Inc.*

In May 2000, the Company executed two separate licensing agreements with Genentech. The first agreement grants an exclusive license to Genentech for ImmunoGen's maytansinoid technology for use with antibodies, such as trastuzumab (Herceptin®), that target a certain cell surface receptor. Under the terms of the agreement, Genentech receives exclusive worldwide rights to commercialize TAP compounds for cancers expressing the HER2 antigen. Genentech will be responsible for product development, manufacturing and marketing of any products resulting from the agreement; ImmunoGen will be reimbursed for any preclinical and clinical materials that it manufactures under the agreement. ImmunoGen received a $2.0 million non-refundable payment for execution of the agreement. The upfront fee was deferred and is being recognized ratably over the Company's period of substantial involvement during development, currently estimated to be seven years. In addition to royalties on net sales, when and if such sales commence, the terms of the agreement include certain other payments based upon Genentech's achievement of milestones. Assuming all benchmarks are met, ImmunoGen will receive approximately $39.5 million of upfront and milestone payments.

The Company also announced in May 2000 that it entered into an additional agreement with Genentech. This second collaboration provides Genentech with broad access to ImmunoGen's TAP technology for use with Genentech's other proprietary antibodies. This multi-year agreement provides Genentech with a license to utilize ImmunoGen's TAP platform in its antibody product research efforts and an option to obtain product licenses for a limited number of antigen targets over the agreement's five-year term. Under this agreement, the Company received a non-refundable technology access fee of $3.0 million in May 2000. The upfront fee was deferred and is being recognized ratably over the period during which Genentech may elect to receive a product license. This agreement also provides for other payments based upon Genentech's achievement of milestones per antigen target and royalties on net sales of any resulting products. Assuming all benchmarks are met, the Company will receive approximately $39.0 million in license and milestone payments per antigen target under this agreement. Genentech will be responsible for manufacturing, product development and marketing of any products developed through this collaboration; ImmunoGen will be reimbursed for any preclinical and clinical

materials that it manufactures under the agreement. The agreement can be renewed for one subsequent three-year period for an additional technology access fee.

*GlaxoSmithKline plc*

In February 1999, the Company entered into an exclusive agreement with SmithKline Beecham plc, London, England and SmithKline Beecham, Philadelphia, Pennsylvania, now wholly-owned subsidiaries of GlaxoSmithKline plc, to develop and commercialize the Company's TAP product, cantuzumab mertansine, for the treatment of colorectal, pancreatic, gastric and certain non-small-cell lung cancers. In January 2003, the Company announced that pursuant to the terms and conditions of the agreement between GlaxoSmithKline and ImmunoGen, GlaxoSmithKline gave written notice to ImmunoGen that GlaxoSmithKline would relinquish its rights to develop and commercialize cantuzumab mertansine under the product license. In February 2003, the Company regained the development and commercialization rights to cantuzumab mertansine from GlaxoSmithKline, thereby terminating the product license. The license agreement provided that, at the Company's option, and subject to certain conditions, GlaxoSmithKline would purchase up to $5.0 million of its Common Stock. Between the signing of the agreement and June 30, 2004, GlaxoSmithKline had purchased, pursuant to ImmunoGen's put option, $2.5 million of the Company's Common Stock.

Through June 30, 2003, the Company had received an upfront fee of $1.0 million and four milestones totaling $10.5 million under the GlaxoSmithKline agreement. In the quarter ended March 31, 2003, the Company recognized as revenue $348,000, the portion of the upfront payment GlaxoSmithKline paid to ImmunoGen that remained in deferred revenue at the termination date. Included in collaboration revenue in the statement of operations for the year ended June 30, 2003 and 2002 is $431,000 and $167,000, respectively, of the previously received upfront payment that was recognized as revenue.

In February 2003, GlaxoSmithKline and ImmunoGen finalized all outstanding financial matters under their various collaboration agreements. Included in other income for the year ended June 30, 2003 is $1.4 million, which represents the net gain on the final financial settlement of the GlaxoSmithKline collaboration.

***Other Licenses***

*BioInvent International AB*

In June 2001, the Company and BioInvent International AB entered into a monoclonal antibody supply agreement. Under the terms of the agreement, BioInvent will perform process qualification and manufacture one of the Company's monoclonal antibodies pursuant to current Good Manufacturing Practices. Under the terms of the agreement, the Company pays a stated price per gram of antibody, adjustable based upon production volumes. The Company prepaid $265,000 and $517,000 upon the signing of the letter of intent and the signing of the agreement, respectively. The Company also made payments of $995,000 during the year ended June 30, 2002, based upon other milestones included in the contract. The Company paid BioInvent $1.9 million during the year ended June 30, 2003. As of June 30, 2004, the Company had received all material under the monoclonal antibody supply agreement.

In December 2002, the Company and BioInvent International AB entered into an additional supply agreement to produce a second monoclonal antibody. The monoclonal antibody that is the subject of the second agreement is a component of one of the products that the Company licensed to Aventis. The Company prepaid $433,000 upon the signing of the agreement. The Company made payments and recorded as research and development expense $818,000, $98,000 and $433,000 during the years ended June 30, 2004, 2003 and 2002, respectively, based upon other milestones included in the supply agreement. As of June 30, 2004, the Company has received delivery of a portion of material under this monoclonal antibody supply agreement. Aventis has agreed to reimburse ImmunoGen $1.3 million, the total cost of the antibody. The Company recorded the reimbursement as Other Income during the year ended June 30, 2004.

*MorphoSys AG*

In September 2000, the Company entered into a collaboration agreement with MorphoSys. Pursuant to this agreement, MorphoSys has identified fully human antibodies against a specific cell surface marker that the Company previously identified through its apoptosis research. This cell marker is associated with a number of forms of cancer. The Company is currently evaluating one of the antibodies produced under this collaboration. The Company will pay development-related milestone payments and royalties on net sales of resulting products, if any, if and when such sales commence. The Company reimbursed MorphoSys for its research and development efforts related to identifying these antibodies. During the year ended June 30, 2002, the Company reimbursed MorphoSys approximately $500,000 for these costs and recorded such costs as research and development expense. The Company's commitment to reimburse certain of Morphosys' research and development efforts concluded during the year ended June 30, 2002. ImmunoGen can terminate this agreement unilaterally at any time and either party can terminate the agreement for any material breach by the other party that remains uncured for a certain period of time.

In June 2001, the Company entered into a second collaboration agreement with MorphoSys. Under this second agreement, the Company licensed MorphoSys' HuCAL® technology for the generation of research antibodies. During the fiscal years ended June 30, 2002, 2003, and 2004, the Company recorded an annual license fee of $250,000 paid to MorphoSys as research and development expense. The Company believes that access to the HuCAL® technology will facilitate and accelerate its internal research efforts. Under this second agreement, the Company will pay MorphoSys technology access, license and annual subscription fees during the four-year term that ends June 2005. The Company can terminate this agreement unilaterally at any time and either party can terminate the agreement for any material breach by the other party that remains uncured for a certain period of time.

*Laureate Pharma, L.P.*

In April 2004, ImmunoGen and Laureate Pharma, L.P. (Laureate) entered into a monoclonal antibody supply agreement. Under the terms of the agreement, Laureate will perform process qualification and manufacture one of our monoclonal antibodies pursuant to current Good Manufacturing Practices. Under the terms of the agreement, we pay a stated price per manufactured batch of antibody, adjustable under certain circumstances defined in the agreement.

**D. Marketable Securities**

As of June 30, 2004, $6.8 million in cash and money market funds were classified as cash and cash equivalents. The Company's cash, cash equivalents and marketable securities as of June 30, 2004 are as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Cash and money market funds | $ 6,768,055 | $ — | $ — | $ 6,768,055 |
| Commercial paper | 71,223 | 50 | — | 71,273 |
| Government treasury notes | | | | |
| Due in one year or less | 36,610,939 | 461 | (14,089) | 36,597,311 |
| Federal agencies | | | | |
| Due in one year or less | 13,863,458 | 120 | (8,897) | 13,854,681 |
| Asset-backed securities | | | | |
| Due in one year or less | 24,462,169 | 24,583 | (74,632) | 24,412,120 |
| Due in one to three years | 3,158,364 | 1,589 | (26,342) | 3,133,611 |
| Corporate notes | | | | |
| Due in one year or less | 8,843,461 | 6,215 | (17,004) | 8,832,672 |
| Due in one to three years | 933,654 | 6,183 | — | 939,837 |
| Total | 94,711,323 | 39,201 | (140,964) | 94,609,560 |
| Less amounts classified as cash and cash equivalents | 6,768,055 | — | — | 6,768,055 |
| Total marketable securities | $ 87,943,268 | $ 39,201 | $ (140,964) | $ 87,841,505 |

As of June 30, 2003, $10.1 million in cash and money market funds were classified as cash and cash equivalents. The Company's cash, cash equivalents and marketable securities as of June 30, 2003 are as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Cash and money market funds | $ 10,132,389 | $ — | $ — | $ 10,132,389 |
| Commercial paper | 3,795,722 | 498 | (21) | 3,796,199 |
| Government treasury notes | | | | |
| Due in one year or less | 37,087,851 | 36,598 | — | 37,124,449 |
| Federal agencies | | | | |
| Due in one year or less | 6,324,644 | 7,819 | — | 6,332,463 |
| Due in one to three years | 2,015,906 | — | (9,746) | 2,006,160 |
| Asset-backed securities | | | | |
| Due in one year or less | 29,243,694 | 115,358 | (41,313) | 29,317,739 |
| Due in one to three years | 2,493,667 | 9,965 | — | 2,503,632 |
| Corporate notes | | | | |
| Due in one year or less | 7,997,370 | 12,255 | (2,344) | 8,007,281 |
| Due in one to three years | 1,051,217 | 1,732 | — | 1,052,949 |
| Bank notes | | | | |
| Due in one year or less | 999,929 | — | (44) | 999,885 |
| Total | 101,142,389 | 184,225 | (53,468) | 101,273,146 |
| Less amounts classified as cash and cash equivalents | 10,132,389 | — | — | 10,132,389 |
| Total marketable securities | $ 91,010,000 | $ 184,225 | $ (53,468) | $ 91,140,757 |

In 2004, gross realized losses totaled $64,000 and gross realized gains totaled $6,000. In 2003, gross realized gains totaled $596,000 and gross realized losses totaled $56,000. In 2002, gross realized gains totaled $971,000 and gross realized losses totaled $26,000.

The aggregate fair value of investments with unrealized losses was approximately $53.1 million and $13.3 million as of June 30, 2004 and 2003, respectively. All such investments have been or were in an unrealized loss position for less than a year.

**E. Property and Equipment**

Property and equipment consisted of the following at June 30, 2004 and 2003:

| | June 30, | |
|---|---|---|
| | 2004 | 2003 |
| Machinery and equipment | $ 6,445,182 | $ 4,783,569 |
| Computer hardware and software | 1,164,865 | 1,083,958 |
| Assets under construction | 3,949,095 | 5,905,616 |
| Furniture and fixtures | 212,371 | 139,257 |
| Leasehold improvements | 11,818,138 | 9,721,269 |
| | 23,589,651 | 21,633,669 |
| Less accumulated depreciation | (13,880,024) | (12,587,822) |
| Property and equipment, net | $ 9,709,627 | $ 9,045,847 |

Depreciation expense was approximately $1.3 million, $1.1 million, and $985,000 for the years ended June 30, 2004, 2003 and 2002, respectively.

**F. Income Taxes**

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

| | Year Ended June 30, | | |
|---|---|---|---|
| | 2004 | 2003 | 2002 |
| Loss before income tax expense | $ (5,871) | $ (19,947) | $ (14,502) |
| Expected tax benefit at 34% | $ (1,996) | $ (6,782) | $ (4,931) |
| State tax benefit net of federal benefit | (368) | (1,125) | (815) |
| Unbenefitted losses | 2,403 | 7,938 | 5,869 |
| Other | 6 | 4 | 5 |
| Income tax provision | $ 45 | $ 35 | $ 128 |

At June 30, 2004, the Company has net operating loss carryforwards of approximately $165.0 million available to reduce federal taxable income that expire in 2003 through 2025 and $55.8 million available to reduce state taxable income that expire in 2005 through 2009. A portion of such carryforwards related to the exercise of stock options and the related tax benefit will result in an increase in additional paid-in capital if and when realized. The Company also has federal and state research tax credits of approximately $9.7 million available to offset federal and state income taxes, which expire beginning in 2005. Due to the degree of uncertainty related to the ultimate use of the loss carryforwards and tax credits, the Company has established a valuation allowance to fully reserve these tax benefits.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets as of June 30, 2004 and 2003 are as follows (in thousands):

| | June 30, | |
|---|---|---|
| | 2004 | 2003 |
| Net operating loss carryforwards | $ 59,602 | $ 61,728 |
| Research and development tax credit carryforwards | 8,398 | 8,174 |
| Capitalized research costs | 826 | 1,108 |
| Property and other intangible assets | 2,446 | 2,418 |
| Deferred revenue | 7,255 | 4,496 |
| Other liabilities | 601 | 424 |
| Total deferred tax assets | 79,128 | 78,348 |
| Valuation allowance | (79,128) | (78,348) |
| Net deferred tax assets | $ — | $ — |

The valuation allowance increased by $780,000 during 2004 due primarily to an increase in the temporary difference related to deferred revenue offset by write-offs of expiring federal and state net operating loss carryforwards and research and development credits.

**G. Capital Stock**

*Common and Preferred Stock*

In July 1997, the Company's then majority-owned subsidiary, ATI, entered into a collaboration with BioChem Pharma, Inc. (BioChem Pharma). As part of the agreement, BioChem Pharma received warrants to purchase shares of ImmunoGen Common Stock equal to $11.1 million, the amount invested in ATI by BioChem Pharma during the three-year research term. These warrants were exercisable at any time on or after July 31, 2000, until and including July 31, 2002, into a number of shares of ImmunoGen common stock determined by dividing $11.1 million by the average closing price per share of the ImmunoGen common stock, as reported by Nasdaq, for the five days preceding the exercise of the warrant, subject to certain limitations. On July 29, 2002, Shire Biochem, Inc. (Shire), as successor in interest to BioChem Pharma, delivered to the Company a notice of exercise of warrants and Shire delivered 11,125 shares of ATI in lieu of cash to exercise the warrants. The Company issued to Shire 4,096,098 shares of restricted common stock of the Company. Upon the request of Shire and pursuant to the Registration Rights Agreement dated July 31, 1997 between the two parties, on September 26, 2002, the Company filed a registration statement on Form S-3 with the Securities and Exchange Commission to register the resale by Shire of the shares of common stock issued upon the exercise of the warrants.

In March 2002, the Company issued 189,498 restricted shares of the Company's common stock to settle an existing claim.

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

*Warrants*

In connection with ImmunoGen's November 2000 public offering of stock, the Company issued an existing holder of ImmunoGen warrants an additional warrant, expiring in November 2005, to acquire 340,000 shares of common stock at an exercise price of $38.00 per share. The warrant remains outstanding as of June 30, 2004.

*Common Stock Reserved*

At June 30, 2004, the Company has reserved 6,272,905 shares of authorized common stock for the future issuance of shares under the Company's Restated Stock Option Plan, 2001 Non-Employee Director Stock Plan and for all outstanding warrants.

*Stock Options*

Under the Company's Restated Stock Option Plan, or the Plan, employees, consultants and directors may be granted up to 7.35 million options to purchase shares of common stock of the Company. Options vest at various periods of up to four years and may be exercised within ten years of the date of grant. In addition to options granted under the Plan, the Board previously approved the granting of other non-qualified options.

Information related to stock option activity under the Plan and outside of the Plan during fiscal years 2002, 2003 and 2004 is as follows:

| | Options Issued Under the Plan | | Non-qualified Options Issued Outside of the Plan | |
|---|---|---|---|---|
| | Shares | Average Price per Share | Shares | Average Price per Share |
| Outstanding at June 30, 2001 | 3,858,381 | $ 7.85 | 22,500 | $ 13.38 |
| Granted | 713,700 | 5.95 | — | — |
| Exercised | (137,836) | 2.88 | (12,500) | 14.49 |
| Forfeited | (44,246) | 17.89 | — | — |
| Expired | (39,800) | 14.75 | — | — |
| Outstanding at June 30, 2002 | 4,350,199 | 7.53 | 10,000 | 12.00 |
| Granted | 874,682 | 3.85 | — | — |
| Exercised | (2,375) | 1.76 | — | — |
| Forfeited | (34,415) | 10.16 | — | — |
| Expired | (100,800) | 11.29 | (10,000) | 12.00 |
| Outstanding at June 30, 2003 | 5,087,291 | $ 6.89 | — | $ — |
| Granted | 682,953 | 6.53 | — | — |
| Exercised | (194,392) | 3.08 | — | — |
| Forfeited | (256,010) | 9.91 | — | — |
| Expired | (64,400) | 6.63 | — | — |
| Outstanding at June 30, 2004 | 5,255,442 | $ 6.84 | — | $ — |

The following table summarizes aggregate information about total stock options outstanding under the Plan and outside the Plan at June 30, 2004:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding | Weighted-Average Remaining Contractual Life (Years) | Weighted-Average Exercise Price | Number Exercisable | Weighted-Average Exercise Price |
| $ 0.84 - 1.94 | 1,093,852 | 3.07 | $ 1.16 | 1,093,852 | $ 1.16 |
| 2.03 - 3.91 | 1,239,316 | 5.74 | 2.97 | 873,286 | 2.65 |
| 3.95 - 6.27 | 1,240,754 | 8.94 | 4.90 | 477,986 | 3.96 |
| 6.40 - 20.75 | 1,643,020 | 6.63 | 14.52 | 1,413,862 | 15.34 |
| 23.94 - 39.13 | 38,500 | 6.44 | 27.23 | 28,875 | 27.23 |
| | 5,255,442 | | | 3,887,861 | |

The Company has granted options at the fair market value of the common stock on the date of such grant. The following options and their respective average prices per share were outstanding and exercisable at June 30, 2004, 2003 and 2002:

| | Outstanding | Average Price Per Share | Exercisable | Average Price Per Share |
|---|---|---|---|---|
| June 30, 2004 | 5,255,442 | $ 6.84 | 3,887,861 | $ 7.19 |
| June 30, 2003 | 5,087,291 | 6.89 | 3,483,000 | 6.30 |
| June 30, 2002 | 4,360,199 | 7.54 | 2,800,223 | 5.04 |

*2001 Non-Employee Director Stock Plan*

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

Pursuant to the Director Plan, during the year ended June 30, 2004, the Company recorded $66,000 in compensation expense related to the issuance of 13,007 stock units and 5,214 shares of common stock for directors' services rendered during the fiscal year then ended. During the year ended June 30, 2003, the Company recorded $48,000 in compensation expense related to the issuance of 7,768 stock units and 7,762 shares of common stock under the Director Plan. The value of the stock units is adjusted to market value at each period date. As of June 30, 2004, 33,892 shares of common stock are reserved for issuance under the Director Plan.

*2004 Non-Employee Director Compensation and Deferred Share Unit Plan*

In June 2004, the Board of Directors approved the establishment of the 2004 Non-Employee Director Compensation and Deferred Share Unit Plan, or the 2004 Director Plan. The 2004 Director Plan provides for the granting of annual retainer and meeting awards to Non-Employee Directors. At the discretion of each director, he or she may elect to receive all or a portion of his or her annual meeting award in the form of cash or deferred share units. All annual retainer awards are granted in the form of the deferred share units that vest as to one-twelfth monthly. The number of deferred share units to be issued as an annual award is determined by the market value of the Company's common stock on the last date of the Company's fiscal year prior to the fiscal year for which services are rendered. The deferred share units are to be paid out in cash to each non-employee director based upon the market value of the Company's common stock on the date of such director's retirement from the Board of Directors of the Company. The 2004 Director Plan is administered by the Board of Directors.

**H. Commitments and Contingencies**

*Leases*

At June 30, 2004, the Company leases facilities in Norwood and Cambridge, Massachusetts under agreements through 2011. The Company is required to pay all operating expenses for the leased premises subject to escalation charges for certain expense increases over a base amount. Facilities rent expense was approximately $3.0 million, $1.7 million, and $737,000 during fiscal years 2004, 2003 and 2002, respectively.

The minimum rental commitments, including real estate taxes and other expenses, for the next five fiscal years under the non-cancelable operating lease agreements are as follows:

| | | |
|---|---|---|
| 2005 | $ | 3,116,044 |
| 2006 | | 3,116,044 |
| 2007 | | 3,146,044 |
| 2008 | | 2,681,935 |
| 2009 | | 698,700 |
| Thereafter | | 931,600 |
| Total minimum lease payments | $ | 13,690,367 |

*Litigation*

The Company is not party to any material litigation.

*Industrial Research Limited*

In fiscal 2002, we entered into several agreements with Industrial Research Limited (IRL) to perform ansamitocin P3 fermentation. Ansamitocin P3 is the precursor to our small molecule effector drug, DM1 and other maytansinoid cytotoxic agents. Currently, IRL is the only vendor with whom we have a contract to manufacture and supply us with this material.

**I. Employee Benefit Plans**

The Company has a deferred compensation plan under Section 401(k) of the Internal Revenue Code (the 401(k) Plan). Under the 401(k) Plan, eligible employees are permitted to contribute, subject to certain limitations, up to 60% of their gross salary. The Company makes a matching contribution that currently totals 20% of the employee's contribution, up to a maximum amount equal to 1% of the employee's gross salary. In fiscal 2004, 2003 and 2002, the Company's contributions to the 401(k) Plan amounted to approximately $100,000, $87,000 and $60,000 respectively.

**J. Quarterly Financial Information (Unaudited)**

| | Fiscal Year 2004 | | | |
|---|---|---|---|---|
| | First Quarter Ended September 30, 2003 | Second Quarter Ended December 31, 2003 | Third Quarter Ended March 31, 2004 | Fourth Quarter Ended June 30, 2004 |
| Revenues: | | | | |
| Research and development support | $ 1,207,681 | $ 3,886,386 | $ 4,059,524 | $ 4,409,258 |
| License fees and milestone payments | 646,326 | 1,050,507 | 2,550,504 | 1,300,504 |
| Clinical materials reimbursement | 1,948,700 | 226,827 | 936,405 | 3,459,519 |
| Development fees | 87,476 | — | 43,179 | 142,934 |
| Total revenues | 3,890,183 | 5,163,720 | 7,589,612 | 9,312,215 |
| Expenses: | | | | |
| Cost of clinical materials reimbursed | 1,758,809 | 226,826 | 729,050 | 2,944,107 |
| Research and development | 4,771,367 | 5,194,770 | 6,169,830 | 6,088,185 |
| General and administrative | 1,834,223 | 1,412,206 | 1,768,550 | 1,616,033 |
| Total expenses | 8,364,399 | 6,833,802 | 8,667,430 | 10,648,325 |
| Loss from operations | (4,474,216) | (1,670,082) | (1,077,818) | (1,336,110) |
| Interest income, net | 379,372 | 353,305 | 321,739 | 309,361 |
| Realized losses on investments | (21,873) | (35,542) | (525) | |
| Other income | 593 | 30,000 | 890 | 1,349,652 |
| (Loss) income before income tax expense | (4,116,124) | (1,322,319) | (755,714) | 322,903 |
| Income tax expense | 10,290 | 10,290 | 4,207 | 20,700 |
| Net (loss) income | $ (4,126,414) | $ (1,332,609) | $ (759,921) | $ 302,203 |
| Basic net (loss) income per common share | $ (0.10) | $ (0.03) | $ (0.02) | $ 0.01 |
| Diluted net (loss) income per common share | $ (0.10) | $ (0.03) | $ (0.02) | $ 0.01 |

| | Fiscal Year 2003 | | | |
|---|---|---|---|---|
| | First Quarter Ended September 30, 2002 | Second Quarter Ended December 31, 2002 | Third Quarter Ended March 31, 2003 | Fourth Quarter Ended June 30, 2003 |
| Revenues: | | | | |
| License fees and milestone payments | $ 1,479,671 | $ 1,479,685 | $ 785,706 | $ 437,976 |
| Clinical materials reimbursement | 826,269 | 947,896 | 492,458 | 903,157 |
| Development fees | 40,370 | 48,578 | 178,306 | 8,204 |
| Total revenues | 2,346,310 | 2,476,159 | 1,456,470 | 1,349,337 |
| Expenses: | | | | |
| Cost of clinical materials reimbursed | 752,396 | 843,168 | 439,872 | 798,949 |
| Research and development | 4,109,351 | 6,566,748 | 6,295,903 | 6,456,852 |
| General and administrative | 1,742,374 | 1,296,974 | 1,502,253 | 1,415,868 |
| Total expenses | 6,604,121 | 8,706,890 | 8,238,028 | 8,671,669 |
| Loss from operations | (4,257,811) | (6,230,731) | (6,781,558) | (7,322,332) |
| Interest income, net | 892,407 | 740,814 | 592,466 | 456,759 |
| Realized gain on investments | 153,450 | 217,569 | 162,846 | 6,066 |
| Other income | 12,692 | — | 1,409,665 | 515 |
| Loss before income tax expense | (3,199,262) | (5,272,348) | (4,616,581) | (6,858,992) |
| Income tax expense | 22,275 | 12,850 | — | — |
| Net loss | $ (3,221,537) | $ (5,285,198) | $ (4,616,581) | $ (6,858,992) |
| Basic and diluted net loss per common share | $ (0.08) | $ (0.12) | $ (0.11) | $ (0.17) |

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

None.

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

(a) *Evaluation of Disclosure Controls and Procedures.* Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report on Form 10-K, have concluded that, based on such evaluation, our disclosure controls and procedures were adequate and effective to ensure that material information relating to us, including our consolidated subsidiary, was made known to them by others within this entity, particularly during the period in which this Annual Report on Form 10-K was being prepared.

(b) *Changes in Internal Controls.* There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during the fourth quarter of our last fiscal year, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART III

**Item 10.** ***Directors and Executive Officers of the Registrant***

**Directors**

The section entitled "Election of Directors" in the Company's definitive proxy statement for its 2004 Annual Meeting of Shareholders, which the Company intends to file with the Securities and Exchange Commission on or before October 10, 2004, is hereby incorporated by reference.

**Executive Officers**

The following is a list of the executive officers of the Company and their positions with the Company. Each individual executive officer serves at the pleasure of the Board of Directors.

| Name | Age | Positions with the Company |
|---|---|---|
| Mitchel Sayare, Ph.D. | 56 | Chairman of the Board of Directors, Chief Executive Officer and President |
| Walter A. Blättler, Ph.D. | 55 | Executive Vice President, Science and Technology |
| John M. Lambert, Ph.D | 53 | Senior Vice President, Pharmaceutical Development |
| Pauline Jen Ryan | 37 | Senior Vice President, Business Development |
| Virginia A. Lavery | 40 | Vice President, Finance and Treasurer |

The background of each executive officer is as follows:

Mitchel Sayare, Chief Executive Officer since 1986, a Director since 1986 and Chairman of the Board of Directors since 1989, joined the Company in 1986. From 1986 to July 1992 and currently since 1994, Mr. Sayare has served as President of the Company. From 1982 to 1985, Mr. Sayare was Vice President for Development at Xenogen, Inc., a biotechnology company specializing in monoclonal antibody-based diagnostic systems for cancer. From 1977 to 1982, Mr. Sayare was Assistant Professor of Biophysics and Biochemistry at the University of Connecticut. He holds a Ph.D. in Biochemistry from Temple University School of Medicine.

Walter A. Blättler, Ph.D., elected a Director in September 1995, served as Vice President, Research and Development from 1987 to October 1994 and as Senior Vice President, Research and

Development from October 1994 to October 1996. Since October 1996, Dr. Blättler has served as Executive Vice President, Science and Technology. Dr. Blättler joined the Company in October 1987. From 1981 to 1987, Dr. Blättler was chief scientist for the ImmunoGen-supported research program at Dana-Farber Cancer Institute. Dr. Blättler received his Ph.D. from the Swiss Federal Institute of Technology in Zurich in 1978.

John M. Lambert, Ph.D., Senior Vice President, Pharmaceutical Development, since 2000, joined the Company in 1987. Dr. Lambert served as the Company's Senior Director of Research from October 1994 to November 1996 and Vice President, Research and Development from 1996 to 2000. Prior to joining ImmunoGen, Dr. Lambert was Assistant Professor of Pathology at the Dana-Farber Cancer Institute, where he worked on the research program supported by ImmunoGen. Dr. Lambert received his Ph.D. in Biochemistry from Cambridge University in England.

Pauline Jen Ryan, Senior Vice President, Business Development since 2004, was previously Vice President, Business Development from 2000 to 2004 and Senior Director, Business Development from 1999 to 2000, and had rejoined the Company in May of 1999. From 1998 to 1999, Ms. Ryan was a Vice President of Capital Management Consulting, Inc., a biomedical consulting firm. From 1994 to 1997, she was Director of Business Development of Organogenesis, Inc., a biotechnology company. Ms. Ryan holds a Masters of Business Administration from Northwestern University's Kellogg School of Management.

Virginia A. Lavery, Vice President, Finance and Treasurer since 2002 and Sr. Corporate Controller and Treasurer from 2000 to 2002, joined the Company in December 2000. During 2000, Ms. Lavery was self-employed as a financial consultant. From August 1999 to February 2000, Ms. Lavery was interim Chief Financial Officer of Dynamics Research Corporation, a publicly-traded government contractor, after having served as Corporate Controller since July 1998. From 1989 to 1998, Ms. Lavery was a Certified Public Accountant with Arthur Andersen, LLP. Ms. Lavery holds a Masters of Science in Public Accounting/Masters of Business Administration from Northeastern University's Graduate School of Professional Accounting.

The section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement for its 2004 Annual Meeting of Shareholders is hereby incorporated by reference.

Information required by this Item with respect to our code of corporate conduct and code of ethics can be found in Item 1 of this report under the heading "The Company."

**Item 11.** ***Executive Compensation***

The sections entitled "Executive Compensation" and "Employment Contracts, Termination of Employment and Change in Control Agreements" in the Company's definitive proxy statement for its 2004 Annual Meeting of Shareholders are hereby incorporated by reference.

**Item 12.** ***Securities Ownership of Certain Beneficial Owners and Management***

The section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Company's definitive proxy statement for its 2004 Annual Meeting of Shareholders is hereby incorporated by reference.

Set forth in the table below is certain information regarding the number of shares of Common Stock that were subject to outstanding stock options or other compensation plan grants and awards at June 30, 2004.

**Equity Compensation Plan Information**

| Plan category | (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights | (b) Weighted-average exercise price of outstanding options, warrants and rights | (c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|---|---|---|---|
| Equity compensation plans approved by security holders (1) | 5,255,442 | $ 6.84 | 676,053 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 5,255,442 | $ 6.84 | 676,053 |

(1) These plans consist of the Restated Stock Option Plan and the 2001 Non-Employee Director Stock Plan.

**Item 13.** ***Certain Relationships and Related Transactions***

The section entitled "Certain Transactions" in the Company's definitive proxy statement for its 2004 Annual Meeting of Shareholders is hereby incorporated by reference.

**Item 14.** ***Principal Accountant Fees and Services***

The section entitled "Registered Public Accounting Firm" in the Company's definitive proxy statement for its 2004 Annual Meeting of Shareholders is hereby incorporated by reference.

## PART IV

**Item 15.** ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

(a) Financial Statements

(1) See "Index to Consolidated Financial Statements" at Item 8 of this Annual Report on Form 10-K. Schedules not included herein are omitted because they are not applicable or the required information appears in the Consolidated Financial Statements or Notes thereto.

(2) The following schedule is filed as part of this Form 10-K:

Schedule II—Valuation and Qualifying Accounts for the years ended June 30, 2004, 2003 and 2002.

(3) Exhibits

| Exhibit No. | Description |
|---|---|
| (3.1) | Restated Articles of Organization(1) |
| (3.2) | Articles of Amendment to Restated Articles of Organization(18) |
| (3.3) | By-Laws, as amended(2) |
| (4.1) | Article 4 of the Restated Articles of Organization as amended (See Exhibits 3.1 and 3.2)(1) |
| (4.2) | Form of Common Stock Certificate(6) |
| (10.1) | Research and License Agreement dated as of May 22, 1981 by and between the Registrant and Sidney Farber Cancer Institute, Inc. (now Dana-Farber Cancer Institute, Inc.) with addenda dated as of August 13, 1987 and August 22, 1989(4) |
| (10.2) | Amended and Restated Registration Rights Agreement dated as of December 23, 1988 by and among the Registrant and various beneficial owners of the Registrant's securities(4) |
| (10.3)x | Restated Stock Option Plan(20) |
| (10.4)x | Letter Agreement Regarding Employment dated as of October 1, 1987 between the Registrant and Dr. Walter A. Blattler(4) |
| (10.5) | Lease dated May 15, 1997 by and between Harry F. Stimpson, III, as trustees, lessor, and the Registrant, lessee(3) |
| (10.6) | Leases dated as of December 1, 1986 and June 21, 1988 by and between James H. Mitchell, Trustee of New Providence Realty Trust, lessor, and Charles River Biotechnical Services, Inc. ("Lessee") together with Assignment of Leases dated June 29, 1989 between Lessee and the Registrant(6) |
| (10.7) | First Amendment, dated as of May 9, 1991, to Lease dated as of June 21, 1988 by and between James A. Mitchell, Trustee of New Providence Realty Trust, lessor, and the Registrant(7) |
| (10.8) | Confirmatory Second Amendment to Lease dated June 21, 1988 by and between James A. Mitchell, Trustee of New Providence Realty Trust, lessor, and the Registrant, Lessee(3) |
| (10.9)x | Letter Agreement Regarding Compensation of Mitchel Sayare, dated April 29, 1994(8) |
| (10.10) | Lease dated as of December 23, 1992 by and between Massachusetts Institute of Technology, lessor, and the Registrant, lessee(5) |

(10.11) Option Agreement dated April 5, 1990 by and between the Registrant and Takeda Chemical Industries, Ltd. (9)

(10.16) Amendment to Lease dated August 31, 1995 between Massachusetts Institute of Technology, as lessor, and the Registrant, as lessee(10)

(10.20) Letter Agreement dated as of June 6, 1996 by and among the Registrant and Capital Ventures International regarding an amendment to their agreement dated March 15, 1996(11)

(10.28) Registration Agreement dated July 31, 1997 between Apoptosis Technology, Inc. and the Registrant(3)

(10.43) License Agreement dated effective June 1, 1998 by and between the Registrant and Pharmacia & Upjohn AB*(3)

(10.46) License Agreement dated effective May 2, 2000 by and between the Registrant and Genentech, Inc.*(14)

(10.47) Heads of Agreement dated effective May 2, 2000 by and between the Registrant and Genentech, Inc.*(14)

(10.48) Development, Commercialization and License Agreement dated effective May 4, 2000 by and between the Registrant and British Biotech Pharmaceuticals Limited*(14)

(10.49) Collaboration and License Agreement dated as of September 29, 2000 by and between the Company and MorphoSys AG.*(15)

(10.50) Option and License Agreement dated September 5, 2000 by and between Abgenix, Inc. and the Company.* (16)

(10.51) Letter Agreement for Stock Purchase dated September 6, 2000 by and between Abgenix, Inc. and the Company.*(16)

(10.52) Agreement between ImmunoGen, Inc. and Millennium Pharmaceuticals, Inc., dated March 30, 2001.*(17)

(10.53) Agreement between ImmunoGen, Inc. and Raven Biotechnologies, Inc., dated March 28, 2001.*(17)

(10.54) Development and License Agreement dated effective November 27, 2001 by and between the Registrant and Boehringer Ingelheim International GmbH.*(18)

(10.55)x 2001 Non-Employee Director Stock Plan(19)

(10.56) Termination of the Developmental, Commercialization and License Agreement made between Vernalis (R&D) Limited, dated January 2004.*(21)

(10.57) Biopharmaceutical Development and Services Agreement dated April 16, 2004 by and between Laureate Pharma, L.P. and the Company*

(10.58)x 2004 Non-Employee Director Compensation and Deferred Share Unit Plan

(21) Subsidiaries of the Registrant, filed herewith

(23) Consent of Ernst & Young LLP, filed herewith

(31.1) Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith

(31.2) Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith

(32) Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith

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(1) Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File No. 33-38883.

(2) Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the Registrant's annual report on Form 10-K for the fiscal year ended June 30, 1990.

(3) Previously filed with the Commission as an exhibit to, and incorporated herein by reference from, the Registrant's annual report on Form 10-K for the year ended June 30, 1998.

(4) Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File No. 33-31219.

(5) Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1992.

(6) Previously filed with the Commission as Exhibit No. 10.10 to, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File No. 33-31219.

(7) Previously filed with the Commission as Exhibit No. 10.10a to, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File No. 33-43725, as amended.

(8) Previously filed with the Commission as Exhibits to, and incorporated herein by reference from the registrant's annual report on Form 10-K in the fiscal year ended June 30, 1994.

(9) Previously filed with the Commission as Exhibit No. 10.15 to, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File No. 33-38883.

(10) Previously filed as exhibits to the Registrant's Current Report on Form 8-K for the March 25, 1996 event, and incorporated herein by reference.

(11) Previously filed as Exhibit 10.29 to the Registrant's Current Report on Form 8-K for the June 6, 1996 event, and incorporated herein by reference.

(12) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1998.

(13) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's annual report on Form 10-K for the fiscal year ended June 30, 1998.

(14) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's annual report on Form 10-K for the fiscal year ended June 30, 2000.

(15) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's current report on Form 8-K filed October 10, 2000.

(16) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's current report on Form 8-K/A filed October 10, 2000.

(17) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2001.

(18) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's quarterly report on Form 10-Q for the fiscal quarter ended December 31, 2001.

(19) Previously filed as exhibit to, and incorporated herein by reference from, the Registrant's Registration Statements on Form S-8, File No. 333-75374.

(20) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's Registration Statements on Form S-8, File No. 333-75372.

(21) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2004.

(x) Exhibit is a management contract or compensatory plan, contract or arrangement required to be filed as an exhibit to Form 10-K.

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

**SIGNATURES**

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

**IMMUNOGEN, INC.**

By: /s/ MITCHEL SAYARE

**Mitchel Sayare**
***Chairman of the Board and***
***Chief Executive Officer***

Dated: August 20, 2004

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

| Signature | Title | Date |
|---|---|---|
| /s/ MITCHEL SAYARE<br>Mitchel Sayare | Chairman of the Board of Directors, Chief Executive Officer and President (principal executive) | August 20, 2004 |
| /s/ WALTER A. BLÄTTLER<br>Walter A. Blättler | Executive Vice President, Science and Technology, and Director | August 20, 2004 |
| /s/ VIRGINIA A. LAVERY<br>Virginia A. Lavery | Vice President, Finance and Treasurer (principal accounting executive) | August 20, 2004 |
| /s/ DAVID W. CARTER<br>David W. Carter | Director | August 20, 2004 |
| /s/ STUART F. FEINER<br>Stuart F. Feiner | Director | August 20, 2004 |
| /s/ MARK SKALETSKY<br>Mark Skaletsky | Director | August 20, 2004 |
| /s/ JOSEPH VILLAFRANCA<br>Joseph Villafranca | Director | August 20, 2004 |

## INDEX TO EXHIBITS

| Exhibit No. | Description |
|---|---|
| (3.1) | Restated Articles of Organization(1) |
| (3.2) | Articles of Amendment to Restated Articles of Organization(18) |
| (3.3) | By-Laws, as amended(2) |
| (4.1) | Article 4 of the Restated Articles of Organization as amended (See Exhibits 3.1 and 3.2)(1) |
| (4.2) | Form of Common Stock Certificate(6) |
| (10.1) | Research and License Agreement dated as of May 22, 1981 by and between the Registrant and Sidney Farber Cancer Institute, Inc. (now Dana-Farber Cancer Institute, Inc.) with addenda dated as of August 13, 1987 and August 22, 1989(4) |
| (10.2) | Amended and Restated Registration Rights Agreement dated as of December 23, 1988 by and among the Registrant and various beneficial owners of the Registrant's securities(4) |
| (10.3)x | Restated Stock Option Plan(20) |
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| (10.5) | Lease dated May 15, 1997 by and between Harry F. Stimpson, III, as trustees, lessor, and the Registrant, lessee(3) |
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| (10.46) | License Agreement dated effective May 2, 2000 by and between the Registrant and Genentech, Inc.*(14) |
| (10.47) | Heads of Agreement dated effective May 2, 2000 by and between the Registrant and Genentech, Inc.*(14) |
| (10.48) | Development, Commercialization and License Agreement dated effective May 4, 2000 by and between the Registrant and British Biotech Pharmaceuticals Limited*(14) |
| (10.49) | Collaboration and License Agreement dated as of September 29, 2000 by and between the Company and MorphoSys AG.*(15) |
| (10.50) | Option and License Agreement dated September 5, 2000 by and between Abgenix, Inc. and the Company.*(16) |

| | |
|---|---|
| (10.51) | Letter Agreement for Stock Purchase dated September 6, 2000 by and between Abgenix, Inc. and the Company.*(16) |
| (10.52) | Agreement between ImmunoGen, Inc. and Millennium Pharmaceuticals, Inc., dated March 30, 2001.*(17) |
| (10.53) | Agreement between ImmunoGen, Inc. and Raven Biotechnologies, Inc., dated March 28, 2001.*(17) |
| (10.54) | Development and License Agreement dated effective November 27, 2001 by and between the Registrant and Boehringer Ingelheim International GmbH.*(18) |
| (10.55)x | 2001 Non-Employee Director Stock Plan(19) |
| (10.56) | Termination of the Developmental, Commercialization and License Agreement made between Vernalis (R&D) Limited, dated January 2004*(21) |
| (10.57) | Biopharmaceutical Development and Services Agreement dated April 16, 2004 by and between Laureate Pharma, L.P. and the Company* |
| (10.58)x | 2004 Non-Employee Director Compensation and Deferred Share Unit Plan, filed herewith. |
| (21) | Subsidiaries of the Registrant, filed herewith |
| (23) | Consent of Ernst & Young LLP, filed herewith |
| (31.1) | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith |
| (31.2) | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith |
| (32) | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith |

(1) Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File No. 33-38883.

(2) Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the Registrant's annual report on Form 10-K for the fiscal year ended June 30, 1990.

(3) Previously filed with the Commission as an exhibit to, and incorporated herein by reference from, the Registrant's annual report on Form 10-K for the year ended June 30, 1997.

(4) Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File No. 33-31219.

(5) Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1992.

(6) Previously filed with the Commission as Exhibit No. 10.10 to, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File No. 33-31219.

(7) Previously filed with the Commission as Exhibit No. 10.10a to, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File No. 33-43725, as amended.

(8) Previously filed with the Commission as Exhibits to, and incorporated herein by reference from the registrant's annual report on Form 10-K in the fiscal year ended June 30, 1994.

(9) Previously filed with the Commission as Exhibit No. 10.15 to, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File No. 33-38883.

(10) Previously filed as exhibits to the Registrant's Current Report on Form 8-K for the March 25, 1996 event, and incorporated herein by reference.

(11) Previously filed as Exhibit 10.29 to the Registrant's Current Report on Form 8-K for the June 6, 1996 event, and incorporated herein by reference.

(12) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1998.

(13) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's annual report on Form 10-K for the fiscal year ended June 30, 1998.

(14) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's annual report on Form 10-K for the fiscal year ended June 30, 2000.

(15) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's current report on Form 8-K filed October 10, 2000.

(16) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's current report on Form 8-K/A filed October 10, 2000.

(17) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2001.

(18) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's quarterly report on Form 10-Q for the fiscal quarter ended December 31, 2001.

(19) Previously filed as exhibit to, and incorporated herein by reference from, the Registrants Registration Statements on Form S-8, File No. 333-75374.

(20) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrants Registration Statements on Form S-8, File No. 333-75372.

(21) Previously filed as an exhibit to, and incorporated herein by reference from, the Registrant's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2004.

(x) Exhibit is a management contract or compensatory plan, contract or arrangement required to be filed as an exhibit to Form 10-K.

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

**IMMUNOGEN, INC.**

**SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS**

| COLUMN A — DESCRIPTION | COLUMN B | COLUMN C — ADDITIONS | | COLUMN D | COLUMN E |
|---|---|---|---|---|---|
| **Inventory Reserves** | **Balance At Beginning Of Period** | **Charged to Costs and Expenses** | **Charged to Other Accounts** | **Deductions - Inventory Write Off** | **Balance at End of Period** |
| Year End June 30, 2004 | $ 1,197,088 | 776,691 | — | (290,020) | $ 1,683,759 |
| Year End June 30, 2003 | $ 260,938 | 1,056,607 | — | (120,457) | $ 1,197,088 |
| Year End June 30, 2002 | $ — | 1,986,239 | — | (1,725,301) | $ 260,938 |
| **Prepaid and Other Current Asset Reserves** | | | | | |
| Year End June 30, 2004 | $ — | — | — | — | $ — |
| Year End June 30, 2003 | $ 492,361 | — | — | (492,361) | $ — |
| Year End June 30, 2002 | $ — | 492,361 | — | — | $ 492,361 |

QuickLinks

**Exhibit 10.1**

**IMMUNOGEN, INC.**

**2004 NON-EMPLOYEE DIRECTOR COMPENSATION AND DEFERRED SHARE UNIT PLAN**

**WHEREAS,** ImmunoGen, Inc. (the "Company") has previously established plans or arrangements pursuant to which Non-Employee Directors of the Company have been compensated for their services as a director of the Company;

**WHEREAS,** the Board of Directors of ImmunoGen, Inc. (the "Board") wishes to align director compensation more directly with the shareholders' interest;

**WHEREAS,** the Board has determined that it is in the interest of the shareholders to establish a new compensation package that will provide for payment and future annual accruals to the Non-Employee Directors;

**WHEREAS**, the Board has determined that it is in the interest of shareholders to allow Non-Employee Directors to defer their annual retainer and all or part of their annual meeting fees into an account hereunder;

**WHEREAS**, the Board of Directors has now determined the terms and conditions of the ImmunoGen, Inc. 2004 Non-Employee Director Compensation and Deferred Share Unit Plan (the "Plan") and wishes to formally establish the Plan;

**NOW, THEREFORE**, the Company through this instrument establishes the ImmunoGen, Inc. 2004 Non-Employee Director Compensation and Deferred Share Unit Plan, as follows:

**Section 1** ***Interpretation***

**1.1 Purposes**

The purposes of the Plan are:

(a) to compensate Non-Employee Directors for their services to the Company;

(b) to facilitate holdings of Deferred Share Units by the Company's Non-Employee Directors and thereby align their interests more closely with those of the Company's shareholders; and

(c) to provide a financial incentive that will help the Company to attract and retain highly qualified individuals to serve as Non-Employee Directors of the Company.

**1.2 Definitions**

Wherever used in the Plan, unless otherwise defined, the following terms shall have the meanings set forth below:

(a) "**Affiliate**" means a subsidiary, division or affiliate of the Company, as determined in accordance with Section 414(b), (c) or (m) of the Code;

(b) "**Annual Meeting Fees**" has the meaning set forth in Section 3.2;

(c) "**Annual Retainer**" has the meaning set forth in Section 3.1;

(d) "**Beneficiary**" has the meaning set forth in Section 2.5;

(e) "**Board**" or "**Board of Directors**" means those individuals who serve from time to time as the Board of Directors of the Company;

(f) "**Code**" means the United States Internal Revenue Code of 1986, as amended;

(g) "**Committee**" means the committee of the Board of Directors to which the Board of Directors has delegated power to act under or pursuant to the provisions of the Plan, initially the Compensation Committee of the Board;

(h) "**Common Stock**" means shares of the Company's common stock, $.01 par value per share;

(i) "**Company**" means ImmunoGen, Inc., a Massachusetts corporation;

(j) "**Deferred Share Unit**" means a unit credited by the Company to a Non-Employee Director by way of a bookkeeping entry in the books of the Company, the value of which at any particular date shall be the Fair Market Value at that date;

(k) "**DSU Account**" has the meaning set forth in Section 2.2;

(l) "**Election Form**" means a document substantially in the form attached as Schedule "A" hereto, as such form may be amended or revised from time to time;

(m) "**Fair Market Value**" means:

(1) If the Common Stock is listed on a national securities exchange or traded in the over-the-counter market and sales prices are regularly reported for the Common Stock, the closing or last price of the Common Stock on the Composite Tape or other comparable reporting system for the trading day on the applicable date;

(2) If the Common Stock is not traded on a national securities exchange but is traded on the over-the-counter market, if sales prices are not regularly reported for the Common Stock for the trading day referred to in clause (1), and if bid and asked prices for the Common Stock are regularly reported, the mean between the bid and the asked price for the Common Stock at the close of trading in the over-the-counter market for the trading day on which Common Stock was traded on the applicable date; and

(3) If the Common Stock is neither listed on a national securities exchange nor traded in the over-the-counter market, such value as the Committee, in good faith, shall determine with respect to any particular date;

(n) "**First Year**" means the first 12 month period during which an individual first serves as a Non-Employee Director of the Company commencing after the Effective Date of the Plan. Only individuals elected to serve on the Board who are within their first twelve months of service on or after the Effective Date shall be eligible for First Year credits to their DSU Account under this Plan;

(o) "**Fiscal Year**" means the twelve month period beginning on July 1 and ending on June 30 of any year;

(p) "**Lead Director**" means a Non-Employee Director appointed by the Board to such position;

(q) "**Lead Director Fees**" has the meaning set forth in Section 3.2;

(r) "**Non-Employee Director**" means a member of the Board of Directors who is not an employee of the Company or any Affiliate of the Company;

(s) "**Plan**" means this ImmunoGen, Inc. 2004 Non-Employee Director Compensation and Deferred Share Unit Plan, as amended and restated from time to time;

(t) "**Plan Year**" means the twelve month period beginning on July 1 and ending on June 30 of any year;

(u) "**Quarter**" means a fiscal quarter of the Company which, until changed by the Company, shall be the three-month periods ending September 30, December 31, March 31 and June 30 in any calendar year;

(v) "**Redemption Amount**" has the meaning set forth in Section 4.1;

(w) "**Redemption Date**" has the meaning set forth in Section 4.1;

(x) "**Second Year**" means that Plan Year, or portion thereof, commencing upon the first anniversary of appointment of a Non-Employee Director and ending on the last day of the Plan Year in which such anniversary occurs. Only individuals eligible to receive First Year credits to their DSU Account under this Plan shall be eligible to receive Second Year credits to their DSU Account under this Plan provided however, that any individual who first became a Non-Employee Director in 2004, shall be entitled to receive Second Year credits even if First Year credits were not received;

(y) "**Termination Date**" means, with respect to a Non-Employee Director, the date upon which such Non-Employee Director ceases to be a member of the Board for any reason whatsoever, including death or disability; and

(z) "**Termination Value**" means the Fair Market Value of the Common Stock on the Termination Date.

**1.3 Effective Date**

The Plan is effective as of July 1, 2004 (the "Effective Date").

**1.4 Eligibility**

Each Non-Employee Director shall be eligible to participate in the Plan.

**1.5 Construction**

All references in the Plan to the masculine shall also include the feminine and all references to the singular shall also include the plural and vice versa, as the context shall require. If any provision of the Plan is determined to be illegal or invalid for any reason, in whole or in part, such illegality or invalidity shall not affect the remaining parts of the Plan and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included. Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions contained herein. A reference to a "Section" means a section of the Plan, unless expressly stated otherwise.

**1.6 Governing Law**

The Plan shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts.

**Section 2** ***Administration of the Plan***

**2.1 Administration**

The Committee shall have complete discretionary authority and power to (i) construe, interpret and administer the Plan and any agreement or instrument entered into under the Plan, (ii) establish, amend and rescind any rules and regulations relating to the Plan, (iii) make any other determinations that the Committee deems necessary or desirable for the administration of the Plan, including without limitation decisions regarding eligibility to participate and the amount and value of any payment, and (iv) delegate to other persons any duties and responsibilities relating to the administration of the Plan.

The Committee may correct any defect or supply any omission or reconcile any inconsistency or ambiguity in the Plan in the manner and to the extent the Committee deems, in its sole and absolute discretion, necessary or desirable. No member of the Committee shall be liable for any action or determination made in good faith. Any decision of the Committee with respect to the administration and interpretation of the Plan shall be binding and conclusive for all purposes and on all persons, including the Company, all Non-Employee Directors and any other person claiming an entitlement or benefit through any Non-Employee Director. All expenses of administration of the Plan shall be borne by the Company.

**2.2 DSU Accounts**

The Company shall maintain in its books and records an account for each Non-Employee Director (a "DSU Account") recording at all times the number of Deferred Share Units credited to a Non-Employee Director. Upon payment in satisfaction of Deferred Share Units credited to a Non-Employee Director in the manner described herein, such Deferred Share Units shall be cancelled. After the end of each Quarter, the Company shall provide each Non-Employee Director with a written statement showing the balance in such Non-Employee Director's DSU Account as at the end of the applicable Quarter.

**2.3 Credit for Dividends on Deferred Share Units**

When and if cash dividends are paid on the Common Stock of the Company, a Non-Employee Director's DSU Account shall be credited with dividend equivalents in the form of additional Deferred Share Units. Such dividend equivalents shall be credited on the dividend payment date and shall be computed by dividing (a) the amount obtained by multiplying the amount of the dividend declared and paid per share of Common Stock by the number of Deferred Share Units credited to the Non-Employee Director's DSU Account on the record date for the payment of such dividend, by (b) the Fair Market Value of the Common Stock on the dividend payment date for such dividend, with fractions of Deferred Share Units so credited computed to four decimal points rounded down.

**2.4 Share Adjustments and Reorganizations**

If (a) there is any stock split, stock consolidation, reclassification, recapitalization or similar event affecting the Common Stock, (b) the Common Stock is exchanged in connection with a reorganization, including any merger, amalgamation, consolidation of the Company or similar event, or a sale by the Company of all or substantially all of its assets, for a different number or class of shares or other securities of the Company or for shares or other securities of any other Company, (c) new, different or additional shares or other securities of the Company or of another company are received by holders of the Common Stock, or (d) any distribution is made to the holders of Common Stock (other than a cash dividend), then the Committee shall recommend such adjustments to the Deferred Share Units credited to the Non-Employee Directors under the Plan as the Committee deems appropriate in its sole discretion, provided that, such adjustments shall not take effect until approved by the Board of Directors. Except as provided above, the issuance by the Company of any shares of the Company, or any rights, warrants, options or other securities convertible into or exchangeable for any shares of the Company, shall not affect the number of Deferred Share Units credited pursuant to the terms of the Plan.

**2.5 Designation of Beneficiary**

Upon his election or appointment to the Board, subject to applicable law, each Non-Employee Director shall designate an individual as his beneficiary to receive any benefits that are payable under the Plan upon the death of such Non-Employee Director (the "Beneficiary"). The Non-Employee Director may, subject to applicable laws, change his Beneficiary at any time or from time to time.

Where no Beneficiary has been validly designated by the Non-Employee Director, or the Beneficiary does not survive the Non-Employee Director, the Non-Employee Director's legal representative shall be his Beneficiary. In the event of a Non-Employee Director's death, the Beneficiary shall be entitled to exercise the rights of, and receive the benefits payable to, the Non-Employee Director under Section 5.

**Section 3** ***Compensation***

**3.1 Annual Retainer**

Subject to the other provisions of this Plan, for each Plan Year beginning with the Effective Date, each Non-Employee Director shall have credited to his DSU Account as of the first day his participation in the Plan commences during a Plan Year an amount determined in accordance with this Section 3.1 as an Annual Retainer for his services to the Board. As of the Effective Date, the following shall be credited for Non-Employee Directors as an Annual Retainer:

(a) For the First Year there shall be credited for each new Non-Employee Director Deferred Share Units to his DSU Account. The dollar value of such Deferred Share Units will be established from time to time by the Committee.

(b) For the Second Year there shall be credited for each new Non-Employee Director who received a First Year credit in accordance with the foregoing Deferred Share Units to his DSU Account, which amount shall be pro rated based upon the number of months remaining between the beginning of the Second Year and the end of the Plan Year in which such Second Year falls. The dollar value of such Deferred Share Units will be established from time to time by the Committee.

(c) For existing directors, during each Plan Year, there shall be credited Deferred Share Units to their respective DSU Accounts. The dollar value of such Deferred Share Units will be established from time to time by the Committee. Unless otherwise provided by the Committee, the Annual Retainer credited herein shall be pro rated to reflect the actual number of whole months that the Non-Employee Director has served on the Board during the Plan Year in which such amount is credited.

(d) Non-Employee Directors shall receive an Annual Retainer for any Plan Year only under one of either (a), (b) or (c) above; that is, a Non-Employee Director receiving credits under (a) above during a Plan Year shall not be eligible for credits during that Plan Year under either (b) or (c) above.

(e) All amounts credited as an Annual Retainer in (a) (b) or (c) shall vest ratably in monthly increments at the end of each month after the amount is credited to the DSU Account. Any Non-Employee Director who ceases to be a member of the Board for any reason during a Plan Year shall forfeit any amount credited to the DSU Account that is not, as of the date of such Termination Date, vested in accordance with the terms herein.

(f) Any fractional Deferred Share Unit shall be calculated to four decimal points rounded down. All amounts credited may be subject to such conditions as may be imposed by the Committee at the time it is credited.

**3.2 Annual Meeting Fees and Lead Director Fees**

Each Non-Employee Director shall be paid $25,000 per year, or such other amount as may be determined by the Committee from time to time, for attendance at meetings for each Fiscal Year (prorated for any partial Fiscal Year). The Lead Director shall be paid an additional $40,000 per year, or such other amount as may be determined by the Committee from time to time, for the services he

performs to fulfill the duties of Lead Director. One-fourth of such payments shall be made to each Non-Employee Director and the Lead Director quarterly for each quarter in which he remains a Non-Employee Director, in arrears. The Company shall schedule six in-person meetings and additional teleconference meetings, as needed. Attendance at meetings is not a prerequisite for payment of Annual Meeting Fees and Lead Director Fees. In addition, each Non-Employee Director shall be compensated for their reasonable expenses incurred for attending meetings and otherwise acting on the Company's behalf. Each Non-Employee Director shall have the right to elect to defer any part or all of the Annual Meeting Fees and Lead Director Fees described herein in the form of Deferred Share Units in an amount equal to the Fair Market Value of Deferred Share Units equal to the amount of cash deferred. Such Deferred Share Units shall be fully vested upon being credited to the individual's DSU Account and the Non-Employee Director's entitlement to the redemption of such Deferred Share Units shall be governed by the terms of this Plan.

**3.3 Timing of Election**

Each Non-Employee Director shall, if he chooses to defer Annual Meeting Fees in accordance with Section 3.2 above, within 30 days following either the Effective Date, or his first election or appointment to the Board, if later, in respect of amounts payable during the remainder of such Fiscal Year, and thereafter by June 30 in respect of amounts payable during any subsequent Fiscal Year, complete, sign and deliver an Election Form to the Treasurer of the Company indicating his election for such applicable Fiscal Year. If no timely election has been made, then the individual shall be deemed to have elected to receive his Annual Meeting Fees in cash. Notwithstanding the foregoing, an election (or non-election) made pursuant to this Section 3.3 shall remain in effect for subsequent Fiscal Years until it is changed by the completion, signature and delivery to the Treasurer of the Company of a new Election Form, in accordance with the terms of the Plan.

**Section 4** ***Redemption of DSUs***

**4.1 Redemption Process**

Upon any termination of a Non-Employee Director, the Company shall redeem all fully vested Deferred Share Units credited to the DSU Account of such Non-Employee Director. The Company shall pay to the relevant Non-Employee Director by check within five business days of the Termination Date (the "Redemption Date") the amount (the "Redemption Amount") which shall be obtained by multiplying (a) the number of Deferred Share Units to be redeemed by (b) the Termination Value, less any applicable withholding or similar taxes, and shall be fully discharged in so doing and such Deferred Share Units shall, as provided for in Section 2.2, be cancelled.

**Section 5** ***General***

**5.1 Unfunded Plan**

The Plan is designed to be an unfunded arrangement. It is specifically recognized by both the Company and any Non-Employee Director that this Plan is only a general corporate commitment and that each Participant must rely upon the general credit of the Company for the fulfillment of its obligations. Under all circumstances the rights of participants in this Plan to any asset held by the Company will be no greater than the rights expressed in this Plan. Nothing contained in this Plan will constitute a guarantee by the Company that the assets of the Company will be sufficient to pay any benefits under this Plan or would place the participant in a secured position ahead of general creditors of the Company. The Plan will not create any lien, claim, encumbrance, right, title or other interest of any kind whatsoever in any participant in any asset held by the Company. No specific assets of the Company have been or will be set aside, or will in any way be transferred to any trust or will be

pledged in any way for the performance of the Company's obligations under this Plan which would remove those assets from being subject to the general creditors of the Company.

**5.2 Successors and Assigns**

The Plan shall be binding on the Company and its successors and assigns and each Non-Employee Director and his heirs and legal representatives and on any receiver or trustee in bankruptcy or representative of creditors of the Company or Non-Employee Director, as the case may be.

**5.3 Amendment or Termination of the Plan**

The Board may amend or terminate the Plan at any time as it deems necessary or appropriate, but no such amendment or termination shall, without the consent of the Non-Employee Director or unless required by law, adversely affect the rights of a Non-Employee Director with respect to vested Deferred Share Units to which the Non-Employee Director is then entitled under the Plan.

If the Board terminates the Plan, no additional Deferred Share Units will be credited to the DSU Account of a Non-Employee Director after the effective date of such termination, but previously credited Deferred Share Units shall remain outstanding, be entitled to dividend equivalents as provided under the Plan, and be paid in accordance with the terms and conditions of the Plan existing at the time of termination. The Plan will finally terminate for all purposes when the last remaining Non-Employee Director receives payment of all Deferred Share Units which have been credited to his DSU Account.

**5.4 Applicable Trading Policies**

The Committee and each Non-Employee Director will ensure that all actions taken and decisions made by the Committee or the Non-Employee Director, as the case may be, pursuant to the Plan comply with all applicable laws, including securities and income tax laws, and all applicable policies, guidelines or similar requirements of the Company relating to conflicts of interest, business and ethical conduct.

**5.5 Limitations on Rights of Non-Employee Directors**

(a) Except as specifically set out in the Plan, no Non-Employee Director or any other person shall have any claim or right to any cash or other benefit in respect of Deferred Share Units credited pursuant to the Plan.

(b) Any and all of the rights of the Non-Employee Directors respecting Deferred Share Units or other benefits under the Plan shall not be transferable or assignable other than by will or the laws of descent and distribution, nor shall they be pledged, encumbered or charged, and any attempt to do so shall be void.

(c) Neither the Plan nor any award hereunder shall be construed as conferring upon a Non-Employee Director a right to be retained as a member of the Board or a claim or right to any future awards or other benefits under the Plan.

(d) Under no circumstances shall Deferred Share Units be considered Common Stock of the Company nor shall they entitle any Non-Employee Director or other person to exercise any voting rights or any other rights attaching to the ownership of Common Stock, nor shall any Non-Employee Director or other person be considered the owner of Common Stock by virtue of this Plan.

(e) Any liability of the Company to any Non-Employee Director with respect to receipt of Deferred Share Units shall be based solely upon contractual obligations created by the Plan.

Neither the Committee nor the Board shall be liable for any actions taken in accordance with the terms of the Plan.

**5.6 Compliance with Law**

The obligations of the Company with respect to the delivery of Deferred Share Units pursuant to the terms of the Plan are subject to compliance with all applicable laws and regulations. In connection with the Plan, each Non-Employee Director shall comply with all applicable laws and regulations and shall furnish the Company with any and all information and undertakings as may be required to ensure compliance therewith.

**5.7 Applicable Taxes and Deductions**

The Company shall be authorized to deduct from any amount paid or credited hereunder such taxes and other amounts as may be required by applicable law or regulation in such manner as it determines appropriate.

**IN WITNESS WHEREOF**, the Company has executed this document on this 25th day

of June 2004, as authorized by the Board of Directors of the Company.

**IMMUNOGEN, INC.**

By: /s/ VIRGINIA A. LAVERY

Virginia A. Lavery
Treasurer

**SCHEDULE A**

**IMMUNOGEN, INC.**

**2004 NON-EMPLOYEE DIRECTOR COMPENSATION**

**AND DEFERRED SHARE UNIT PLAN**

***FISCAL YEAR 2005 INDIVIDUAL ELECTION FORM***

The undersigned hereby confirms that I have read, and agree to abide by, the terms of the ImmunoGen, Inc. 2004 Non-Employee Director Compensation and Deferred Share Unit Plan (the "Plan"). I understand that I am required to make annual elections in accordance with the terms of the Plan. In accordance with those terms, I make the following elections with respect to any compensation to be earned by me as a Non-Employee Director in Fiscal Year 200e:

***Annual Meeting Fee Election.*** I may elect to receive all of such compensation in cash, Deferred Stock Units or a combination thereof.

Accordingly, I elect to receive my Annual Meeting Fees as follows:

1. % in Cash
2. % in Deferred Stock Units

100% Total

I understand that by electing Deferred Stock Units as described in the Plan, I have agreed to defer the payment of any proceeds from such Deferred Stock Units until such time as my services as a Non-Employee Director of ImmunoGen, Inc. are terminated and that the Deferred Stock Units shall remain part of the general assets of ImmunoGen, Inc. until I receive payment of the same.

_____

Print Name

_____

Signature

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

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

# BIOPHARMACEUTICAL DEVELOPMENT AND SERVICES AGREEMENT

This BIOPHARMACEUTICAL MANUFACTURING AND SERVICES AGREEMENT, effective as of this 16th day of April 2004 (the "*Effective Date*"), between IMMUNOGEN, INC., a Massachusetts corporation ("*Customer*"), having its principal place of business at 128 Sidney Street, Cambridge, MA 02139 and LAUREATE PHARMA, L.P., a Delaware limited partnership ("*Laureate*"), having a principal place of business at 201 College Road East, Princeton, NJ 08540, (each a "*Party*", collectively the "*Parties*").

**W I T N E S S E T H:**

WHEREAS, Laureate provides a full range of bioprocessing services to the biopharmaceutical industry, including cell line development, process development, protein production, cell culture, protein purification, bioanalytical chemistry, aseptic filling and QC testing; and

WHEREAS, Customer desires Laureate to perform Services (as defined below) related to the cGMP (as defined in Section 1.21) hollow-fiber bioreactor production and purification of [**********] antibody, produced by the [*******] CHO cell line ("*Services*"), and Laureate desires to perform such Services, all in accordance with the terms of this Agreement, including the Scope (as defined in Section 1.40).

NOW, THEREFORE, in consideration of the above statements and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties hereto agree as follows:

Section 1. *Definitions.* Terms defined elsewhere in this Agreement shall have the meanings set forth therein for all purposes of this Agreement unless otherwise specified to the contrary. The following terms shall have the meaning set forth below in this Section 1:

1.1 "*Affiliate(s)*" means any person, firm, trust, partnership, corporation, company or other entity or combination thereof which directly or indirectly: (i) controls a Party; (ii) is controlled by a Party; or (iii) is under common control with a Party. As used in this definition, the terms "control" and "controlled" mean ownership of fifty percent (50%) or more (including ownership by trusts with substantially the same beneficial interests) of the voting and equity rights of such person, firm, trust, partnership, corporation, company or other entity or combination thereof or the power to direct the management of such person, firm, trust, corporation or other entity or combination thereof.

1.2 "*Agreement*" means this Biopharmaceutical Development and Services Agreement and all appendices, schedules, exhibits and attachments attached hereto, including but not limited to the Scope, and any amendments and addendums hereto.

1.3 "*Assumptions*" shall have the meaning set forth in Section 9.

1.4 "*Batch*" means a number of bottles each filled at the same time with the same Lot or a group of Lots of Bulk Intermediate.

1.5 "*Batch Record*" means a manufacturing record for a Batch generated by Laureate and approved by Customer made concurrently with the performance of each step of the production, purification and aseptic filling process for the Bulk Intermediate such that successive steps in such processes may be traced.

1.6 "*Bulk Intermediate*" means the bulk purified monoclonal antibody protein produced using the Cell Line and subsequently purified.

1.7 "*Cell Line*" means the CHO cell line that has been designed and engineered to produce monoclonal antibody product as shown in *Appendix 1* attached hereto, supplied by Customer to Laureate.

1.8 "*Certificate of Analysis*" means a document signed by an authorized representative of Laureate, describing Specifications for, and testing methods applied to, the Bulk Intermediate, and the results thereof.

1.9 "*Certificate of Manufacturing Compliance*" means a document signed by an authorized representative of Laureate, attesting that a particular Batch was manufactured, filled, packaged, held and shipped in accordance with applicable Good Manufacturing Practices, the Specifications and all other applicable laws, rules and regulations.

1.10 "*CHO*" means recombinant Chinese hamster ovary cell line.

1.11 "*Claim*" shall have the meaning set forth in Section 18(a).

1.12 "*Contamination*" shall have the meaning set forth in Section 18(b).

1.13 "*Customer Confidential Information*" means any information, business, technical or financial data supplied by Customer to Laureate, including without limitation, all Customer Know How and all information concerning the Cell Line or Bulk Intermediate.

1.14 "*Customer Know How*" means all scientific, technical and other information supplied by Customer to Laureate for use in the Program, including without limitation, all information relating to the Cell Line or Bulk Intermediate.

1.15 "*Data*" means any and all data generated by Laureate in the performance of the Program.

1.16 "*Equipment*" means any equipment or machinery used by Laureate in the manufacture of the Bulk Intermediate or the holding or quality control testing of the Bulk Intermediate or Process Consumables.

1.17 "*Facility*" means Laureate's manufacturing facility located at 201 College Road East, Princeton, NJ 08540 or such other facility as may be determined by the Parties in accordance with Section 3(d).

1.18 "*FDA*" means the United States Food and Drug Administration and any successor agency having substantially the same functions.

1.19 "*Filling Components*" means bottles and crimps used for an aseptic fill of the Bulk Intermediate.

1.20 "*Filled Product*" means bottles filled with Bulk Intermediate from an identified Lot or Lots which are in a form ready for release and shipment from the Facility.

1.21 "*Good Manufacturing Practices*" or "*GMP*" or "*cGMP*" means current good manufacturing practices, as specified in regulations promulgated from time to time by the FDA for the manufacture and testing of pharmaceutical products. Laureate's operational quality standards are defined in internal cGMP policy documents and are based on Laureate's current interpretation of cGMP.

1.22 "*Invention*" means any methods, technology, know how, copyrights or other intellectual property of any kind, other than Data, conceived or reduced to practice by Laureate in the performance of the Program.

1.23 "*Laureate Confidential Information*" means any information, business, technical or financial data concerning Laureate's production, purification and aseptic filling process and techniques, including without limitation, Laureate Know How supplied by Laureate to Customer.

1.24 "*Laureate Group*" shall have the meaning set forth in Section 18(b).

1.25 "*Laureate Know How*" means all scientific, technical and other information, other than Customer Confidential Information, relating to the Process and used by Laureate in the performance of the Program.

1.26 "*Laureate SOP*" means the written standard operating procedures and methods of Laureate, as the same may be amended from time to time, a current copy of which shall be provided to Customer on the Effective Date.

1.27 "*Loss*" shall have the meaning set forth in Section 18(a).

1.28 "*Lot*" means the Bulk Intermediate produced in a single production, which may be contained in one or more containers thereof.

1.29 "*Materials*" means Cell Lines, raw materials, reference standards and/or any other substances to be provided by Customer to Laureate in order to undertake the Program.

1.30 "*Modification*" shall have the meaning set forth in Section 9(a).

1.31 "*Person*" means an individual, partnership, corporation, limited liability company, joint stock company, unincorporated organization or association, trust or joint venture, or a governmental agency or political subdivision thereof.

1.32 "*Process*" means the production methods and purification processes used by Laureate for the manufacture of Bulk Intermediate from the Cell Line, including without limitation, any Process Invention.

1.33 "*Process Consumables*" means media, raw materials, filters, membranes, disposable analytical test kits, tubing, filling needles, disposable bags, disposable glass/plasticware, cleaning supplies and other changeover parts consumed during the manufacture of Bulk Intermediate.

1.34 "*Process Invention*" means any Invention relating to the Process conceived or discovered by Laureate employees in connection with the Program.

1.35 "*Product-Dedicated Equipment*" means Equipment such as, without limitation, chromatography columns and resins, that are procured by Laureate in accordance with Sections 4(c) and 8 of this Agreement and used by Laureate solely for the manufacture of Bulk Intermediate pursuant to this Agreement.

1.36 "*Product Invention*" means any Invention relating to Bulk Intermediate (excluding any Process Invention) and/or the Cell Line conceived or otherwise discovered by Laureate in connection with the Program.

1.37 "*Program*" means the Services to be performed by Laureate for Customer as described in and in accordance with the attached *Appendices 1* through and including *Appendix 4*.

1.38 "*Quality Agreement*" shall have the meaning set forth in Section 3(c).

1.39 "*Scope*" means the detailed scope-of-work documents attached hereto as *Appendices 1* through and including *Appendix 4* and based on Laureate SOP.

1.40 "*Specification*" means the written requirements for tests, analysis, test procedures and acceptable test results with which the Bulk Intermediate, raw materials and excipients shall conform as set forth on *Appendix 4* hereto, as amended from time-to-time by the Parties by mutual agreement.

1.41 "*Third Party*" shall mean any Person other than Customer, Laureate and their respective Affiliates.

Section 2. *Scope of Work; Orders for Filled Products.* (a) A detailed Scope prepared by Laureate under Customer's direction and approved by Customer is attached to this Agreement as *Appendices 2* and *3*. Laureate will perform the Services for Customer in accordance with the Scope. The Scope will specify the Program design, information desired and estimated duration of the Program.

(b) Customer hereby acknowledges that (a) Laureate consulted with Customer in developing the Program design in a manner consistent with Laureate's current reasonable understanding of United States (the "*US*") regulatory guidelines and (b) Laureate does not warrant that the Program results will

satisfy the requirements of any regulatory agencies at the time of submission of Program results to such agencies.

(c) Laureate's performance of the Program will be based on Customer Know-How provided by or on behalf of the Customer. Such Customer Know-How will be incorporated by Laureate into Program documents (including without limitation, scale up plans, Batch Records and Specifications) that will be reviewed and approved by the Customer prior to use by Laureate. These documents, together with Laureate Know-How (including any Laureate Know-How or Process Inventions produced by Laureate in the conduct of the Program), will form the sole basis upon which the Program will be performed. Laureate makes no representation or warranty that execution of the Program according to the approved Program documents will result in any specific quantity or quality of Bulk Intermediate.

(d) In addition to routine Program meetings, senior representatives of the Parties shall meet on an occasional basis or as necessary, the first meeting being no later than [*******] from the Effective Date, to review the progress of the Program relative to the Scope and to agree on any necessary changes to the Scope. Any disagreement between the Parties concerning the Scope (including, without limitation, the failure of the Parties to agree upon any necessary changes to the Scope) shall be resolved in accordance with the dispute resolution procedures set forth in Section 17 hereof. The parties acknowledge that changes to the Scope may impact pricing under this Agreement, and the parties agree to use commercially reasonable efforts to negotiate modifications to prices to the extent that any such changes to the Scope increase the cost of the Services provided by Laureate.

Section 3. *Program Performance.* (a) Laureate shall use its commercially reasonable efforts to perform the Services and to provide the Facility, supplies, and staff necessary to complete the Program as provided in the Scope, as it may be modified as provided herein, in accordance with the terms of this Agreement. In the event of any conflict between the terms set forth in the body of this Agreement and the terms set forth in the Scope, the terms contained in the body of this Agreement shall control.

(b) Laureate will appoint a Laureate representative (the "*Program Manager*") to be responsible for the completion of the Program by Laureate. The Program Manager will coordinate performance of the Program with a representative designated by Customer (the "*Customer Representative*"), which representative shall have responsibility over all matters relating to performance of the Program on behalf of Customer. Unless otherwise agreed in the Scope or mutually agreed to by the Parties in writing, all communications between Laureate and the Customer regarding the conduct of the Program pursuant to the Scope shall be addressed to or routed through the Program Manager and Customer Representative. Laureate may, at its option, substitute the Program Manager during the course of the Program and Customer may, at its option, substitute the Customer Representative during the course of the Program, in either case upon prior written notice to the other party.

(c) The parties will prepare a detailed document ("*Quality Agreement*") specifying the quality and regulatory procedures and responsibilities of the parties hereunder with respect to the manufacture of Bulk Intermediate.

(d) Laureate shall perform all Services at the Facility and retain at the Facility all Equipment, Process Consumables, excipients, packaging components and other items used in the manufacturing of Bulk Intermediate. Laureate may not change the location of the Facility without the prior written consent of Customer, which consent shall not be unreasonably withheld, delayed or conditioned.

(e) Subject to Section 4(c) of this Agreement with respect to Product-Dedicated Equipment, Laureate shall supply, at its own expense, all Equipment required for the purpose of performing the Services and/or manufacturing the Bulk Intermediate and certain Equipment used for the holding and/or quality control testing of the Bulk Intermediate or Process Consumables.

(f) Laureate shall maintain, at its own expense, the Facility and the Equipment, in a state of repair and operating efficiency consistent with the requirements of the Specifications, Good Manufacturing Practices and other applicable regulatory requirements.

(g) Laureate may not change the Process in any respect without the prior written consent of Customer. Laureate shall be responsible for performing all validation testing of the Facility and for validating all production, cleaning and packaging processes employed in the Process, in accordance with Good Manufacturing Practices and other applicable regulatory requirements.

Section 4. *Program Materials.* (a) Customer will provide Laureate with sufficient amounts of Cell Line reference standards or other Materials with which to perform the Program, as well as all documentation and such other data owned or controlled by Customer as Laureate reasonably determines may be necessary to apprise Laureate of the stability of the Materials, process characteristics, proper storage, and manufacturing and safety requirements, including without limitation, the Certificate of Analysis relating to the Cell Line and reference standards as specified in *Appendix 4* attached hereto. Any Product-Dedicated Equipment provided to Laureate by Customer shall be in good operating condition and free from all material defects.

(b) Laureate shall procure the Materials, Filling Components and Process Consumables for use in the Program and each manufacturing run. By written notice to Laureate, Customer may procure certain Materials specified in the Scope, such as media and resins.

(c) Laureate shall procure the Product-Dedicated Equipment and pass through the costs to the Customer consistent with Section 8. Prior to any such procurement of Product-Dedicated Equipment, Laureate shall notify Customer in writing of the specific Product-Dedicated Equipment required and the expected cost of such Product-Dedicated Equipment. By written notice to Laureate, Customer may procure certain Product-Dedicated Equipment for use in the Program at its own expense.

(d) Upon completion of the Program (i) the Product-Dedicated Equipment paid for by Customer in accordance with Section 4(c) and Section 8 will be returned to the Customer, at the Customer's expense and (ii) any remaining samples of the Materials, documentation or data provided to Laureate will be returned to the Customer or, upon written authorization from Customer, destroyed/disposed of by Laureate. Samples of such Materials and copies of such documentation or data may be retained by Laureate to the extent required by applicable regulatory requirements.

(e) Prior to each use of the Equipment in manufacturing the Bulk Intermediate, Laureate agrees to implement a cleaning validation protocol with respect to the Equipment in compliance with Good Manufacturing Practices.

(f) Except with the prior written consent of Customer, Laureate shall use the Product-Dedicated Equipment only to manufacture Bulk Intermediate, Process Components and other products pursuant to this Agreement (collectively, "*Customer Products*"). In requesting Customer's consent to use Product-Dedicated Equipment for the manufacture of non-Customer Products, Laureate shall provide Customer with complete information regarding such non-Customer Products and the cleaning and maintenance of such machinery or equipment, in order to allow Customer to evaluate the risk of cross-contamination.

(g) Laureate shall maintain in the Facility adequate and segregated holding accommodations for the Bulk Intermediate, Process Components and other items used in manufacturing the Bulk Intermediate, and shall hold the Bulk Intermediate in a separate segregated area until delivery to Customer.

Section 5. *Use of Subcontractors.* (a) Laureate reserves the right to employ subcontractors from time-to-time to undertake certain activities related to the Program. All subcontractors will be pre-approved by the Customer and will be held under obligations of confidentiality consistent with Section 10 hereof. A list of approved subcontractors is provided in *Appendix 5* hereto, as may be amended from time to time by mutual written agreement of the Parties.

(b) Laureate will be responsible for the performance of any subcontractor used by it for the Program, including without limitation all costs, expenses, damage or loss of any nature, whether direct

or consequential, occasioned by the performance or failure of such subcontractor to perform the subcontracted services.

(c) Laureate will not be held responsible or liable for the performance of any Third Party retained by Customer to perform services related to the Program, including without limitation, distributors, consultants and testing entities.

Section 6. *Compliance with Government Regulations.* (a) Laureate will perform the Program in accordance with the Scope. Subject to Sections 6(c) and 16(a) below, Laureate will also comply with applicable government regulatory requirements, including all such requirements concerning cGMP appropriate to the Program.

(b) Laureate shall be responsible for obtaining, at its expense, any Facility, licenses, permits and regulatory and government approvals necessary for the development, manufacture and supply of the Bulk Intermediate in accordance with the terms of this Agreement. Laureate shall provide Customer with a letter of reference to Laureate's Drug Master File ("*DMF*") that describes the Facility for inclusion or use in Customer's regulatory submissions.

(c) Should any applicable government regulatory requirements be changed, Laureate will use commercially reasonable efforts to comply with the applicable changed requirements. If compliance with such applicable changed regulatory requirements necessitates, in the reasonable discretion of Laureate, a material change in the Scope or the Program, or an increase in the cost of the Services provided by Laureate, Laureate will submit to Customer a revised technical and cost proposal for Customer's acceptance and, on and after the date of such submission upon written notice to Customer, may suspend any and all Services impacted by the applicable changed regulatory requirements until such time as Customer and Laureate reach agreement on a revised proposal. If the parties are unable to agree upon a revised Scope or Program or cost structure, as the case may be, within [******* (**)] days of Customer's receipt of Laureate's written notice, Laureate, at its sole and exclusive option, may cease performance of its obligations under the existing Program by providing not less than [******* (**)] days' written notice and this Agreement shall terminate effective upon expiration of such notice period.

(d) In the event that Laureate reasonably determines that a conflict exists between US government regulations applicable to the performance of the Services and/or the Program and the applicable regulations of any foreign governmental agency or regulatory authority, Laureate shall provide written notice of same to Customer and Customer will designate, in writing, which regulations shall be followed by Laureate in its performance of the Services and/or the Program (the "*Customer Regulatory Designation*").

Section 7. *Facility Visits and Audits.* (a) Customer's representatives may visit the Facility at appropriate times consistent with the Program to observe the progress of the Program or to audit the Program, such access and audit being subject to the limitations provided in *Appendix 6* hereto. Following each audit, Customer shall discuss its observations and conclusions with Laureate, and, if necessary, corrective actions shall be negotiated by Customer and Laureate within [******* (**)] days thereafter. Laureate shall implement mutually agreed upon corrective action within [******* (**)] days after the parties reach such agreement, unless otherwise agreed in writing by the parties. Laureate will have the right at reasonable times and upon reasonable notice to audit the quality control laboratories used by Customer (except for Customer's contract manufacturers), or any Third Party analytical subcontractor engaged by Customer, in connection with any Materials or the Cell Line provided by or on behalf of Customer to Laureate under this Agreement.

(b) If any governmental authority visits or inspects the Facility, with respect to the Services, the Process or the Bulk Intermediate (an "*Applicable Inspection*"), then, to the extent the authority gives Laureate prior written notice of such Applicable Inspection, Laureate shall provide Customer with prompt written notice thereof and shall permit Customer to be present during such Applicable

Inspection. Laureate shall promptly provide Customer a copy of any report and other written communication received from such governmental agency in connection with each Applicable Inspection. Customer shall have the right to consult with Laureate concerning Laureate's responses to each such communication. Laureate shall timely provide Customer with a copy of its draft responses and final responses prior to submission thereof.

Section 8. *Compensation.* Customer shall pay Laureate the development and service fees listed on *Appendix 7* hereto (the "*Service Fees*") for Services in accordance with the payment schedule set forth on *Appendix 7* hereto, which Service Fees shall be subject to increase in accordance with Section 9 hereto. Laureate will invoice the Customer for Product-Dedicated Equipment purchased for the Program. An administrative fee equal to [*******] percent [(***)] of Laureate's actual cost of Product-Dedicated Equipment purchased for the Program will be added to the cost of Product-Dedicated Equipment payable by Customer. Payments are due [******* (**)] days from the invoice date, *provided, however*, (i) Service Fees' payments are due in accordance with the payment schedule set forth on *Appendix 7* hereto and (ii) if Customer properly rejects a shipment of Bulk Intermediate or other materials pursuant to Section 15(b), then payment shall be due, if at all, within [******* (**)] days of receipt by Customer of notice from the Laboratory that the invoiced Bulk Intermediate or other material is conforming or receipt by Customer of replacement Bulk Intermediate, as the case may be. Late payments are subject to an interest charge of [*******] percent [(***)] per month.

Section 9. *Change Orders.* (a) The Service Fees are subject to a number of specific and general assumptions. The specific assumptions relate to the Scope and Program design and objectives, timing, capital expenditure requirements, if any, and other matters relating to the completion of the Program as set forth in the Scope (the "*Program Assumptions*"). In addition, Laureate assumes that Customer will cooperate and timely perform its obligations under this Agreement and Scope, that no force majeure event described in Section 20 shall have occurred and that there are no changes to any applicable laws, rules or regulations that materially and adversely affect the Program (the foregoing assumptions together with the Program Assumptions, collectively, the "*Assumptions*"); *provided, however*, that Customer's failure to cooperate and/or perform such obligations shall relieve Laureate from its obligation to complete the Services only to the extent that Customer's acts or omissions caused such Laureate delay or failure. In the event that any of the Assumptions require modification or the Program objectives cannot be achieved based on the Assumptions (each being a "*Modification*") then the Scope may be amended as provided in Section 9(b).

(b) In the event a Modification is identified by the Customer or by Laureate, the identifying Party shall notify the other Party in writing as soon as is reasonably practicable. Laureate shall use commercially reasonable efforts to provide the Customer with a change order containing an estimate of the required adjustments to the Service Fees within [******* (**)] business days of receiving or delivering such notice (the "*Change Order*"). The Customer shall use commercially reasonable efforts to respond in writing to such Change Order promptly, but in any event within [******* (**)] days. If Customer does not approve such Change Order within [******* (**)] days and has not terminated this Agreement in accordance with Section 22 but wants the Program to be modified to take into account the Modification, then Customer and Laureate shall use commercially reasonable efforts to negotiate a mutually acceptable Change Order. If practicable, Laureate may, in its sole discretion, continue to work on the Program but Laureate shall not be obligated to continue to work on the Program during any such negotiations. Laureate shall not commence work with respect to a Change Order unless authorized by Customer in writing. Any disagreement between the Parties concerning a Change Order (including, without limitation, the failure of the Parties to agree upon a mutually acceptable Change Order) shall be resolved in accordance with the dispute-resolution procedures set forth in Section 17 hereof.

Section 10. *Confidential Information/Legal Proceedings.* (a) Laureate will not disclose, without Customer's written permission, Customer Confidential Information unless such disclosure: (i) is to an Affiliate of Laureate that is under a similar obligation to keep such information confidential; (ii) is to a subcontractor that is under a similar obligation to keep such information confidential; (iii) is or becomes publicly available other than as a result of a breach of this Agreement by Laureate; (iv) is disclosed by a Third Party entitled to disclose it without restriction; (v) is already known to Laureate as shown by its prior written records; (vi) is independently developed by Laureate without the use of Customer Confidential Information (including Customer Know-How) or (vii) is required by any law, rule, regulation, order, decision, decree, subpoena or other legal process to be disclosed. If such disclosure is requested by legal process, Laureate will use commercially reasonable efforts to notify Customer of such legal process prior to any disclosure to permit Customer to oppose such disclosure by appropriate legal action.

(b) Customer will not disclose, without Laureate's written permission, Laureate Confidential Information unless such disclosure: (i) is to an Affiliate of Customer that is under a similar obligation to keep such information confidential; (ii) is or becomes publicly available other than as a result of a breach of this Agreement by Customer; (iii) is disclosed by a Third Party entitled to disclose it without restriction; (iv) is already known to Customer as shown by its prior written records; (v) is independently developed by Customer without the use of Laureate Confidential Information (including Laureate Know-How) or (vi) is required by any law, rule, regulation, order, decision, decree, subpoena or other legal process to be disclosed. If such disclosure is requested by legal process, Customer will use commercially reasonable efforts to notify Laureate of such legal process prior to any disclosure to permit Laureate to oppose such disclosure by appropriate legal action.

(c) Laureate will not transfer any Materials without Customer's written permission to any Third Party unless such transfer is to a pre-approved subcontractor subject to the confidentiality obligations set forth in this Section 10 and such transfer is consistent with the Program.

(d) If Laureate shall be obliged to provide testimony or records regarding the Program in any legal or administrative proceeding, then Customer shall reimburse Laureate for its reasonable out-of-pocket costs plus a reasonable hourly fee for its employees or representatives at Laureate's standard commercial rates.

Section 11. *Work Product.* All work outputs (e.g., reports) will be prepared on Laureate's standard format unless otherwise specified in the Scope.

Section 12. *Inventions and Patents.* (a) Customer shall own all right, title and interest in and to any and all Product Inventions, Customer Know-How and Data, subject to Laureate's rights in the Data as set forth in Sections 12(b) and (d). At Customer's request, Laureate will assign to Customer any such Product Invention; provided, that, Customer requests such assignment, in writing, within one year of notification of such Product Invention. If Customer so requests, and at Customer's expense, Laureate will execute any and all applications, assignments or other instruments and give testimony which shall be necessary to apply for and obtain Letters of Patent of the US or of any foreign country with respect to the Product Invention and Customer shall compensate Laureate at its standard commercial rate for the time devoted to such activities and reimburse it for expenses incurred.

(b) Laureate shall (i) retain all rights to any inventions relating to manufacturing methods and processes including any production, purification and aseptic filling process previously discovered or developed by Laureate and (ii) own all rights in and to any Process Inventions and all Laureate Know How.

(c) Customer acknowledges that Process Inventions and Laureate Know How are vested in Laureate and that Customer shall not have any right, title, license or interest in or to any Laureate Know How or Process Inventions.

(d) Customer hereby grants Laureate a non-exclusive, fully-paid worldwide license to utilize Data generated during the course of the Program to support applications necessary to apply for and obtain Letters of Patent of the U.S. or of any foreign country with respect to Process Inventions, except for any such Data that relates to a Bulk Intermediate or otherwise constitutes a Product Invention. Laureate shall notify Customer in advance of any such application and shall remove from such application any such Data that relates to the Bulk Intermediate or constitutes a Product Invention.

Section 13. *Independent Contractor.* The Parties' relationship, as established by this Agreement, is solely that of independent contractors. This Agreement does not create any partnership, joint venture or similar business relationship between the Parties. Neither Party is a legal representative of the other Party and neither Party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other Party for any purpose whatsoever, except with the express prior written consent of the other Party.

Section 14. *Insurance.* (a) Laureate agrees to maintain a standard property insurance policy covering the Materials, Process Equipment, Bulk Intermediate, Process Dedicated Equipment and Process Consumables while under the control and care of Laureate, during the performance of the Program.

(b) Customer agrees to maintain general liability insurance including bodily injury, death and property damage in the amount of [**********] Dollars (US [*****]) per occurrence and [**********] Dollars (US [*****]) in the aggregate including product liability coverage during all times when the Bulk Intermediate and Materials are being used clinically, covering the Cell Line, Bulk Intermediate and Materials or any harms caused by the Cell Line, Bulk Intermediate and Materials. Customer acknowledges that Customer shall bear risk of injury to persons or property alleged to have been caused by the design, manufacture, testing, instructions or warnings accompanying the Cell Line, Bulk Intermediate or Materials or the use of the Cell Line, Bulk Intermediate or Materials, including without limitation, patent or other intellectual property rights of Third Parties alleged to have been infringed by the manufacture, use, importation or sale of the Bulk Intermediate or Materials.

(c) Each of the insurance policies referenced in Section 14(a) and (b) shall (i) be provided by an insurance carrier(s) reasonably acceptable to the other Party, and (ii) show the other Party as additional named insured and loss payee, as its interests may appear. Each Party shall furnish the other Party with Certificates of Insurance for such insurance policies within [******* (**)] days after the Effective Date. Such insurance policies shall remain in effect throughout the term of this Agreement and shall not be canceled or subject to a reduction of coverage or any other modification without the prior written authorization of the other Party.

Section 15. *Shipping; Inspection.* (a) Laureate shall package for shipment Bulk Intermediate, or other samples in accordance with Customer's written instructions and at the Customer's expense. All shipments will be F.O.B the Facility and Customer shall bear all packaging, shipping and insurance charges as per *Appendix 8* hereto. Delivery of Bulk Intermediate or other samples by Laureate shall be deemed to have taken place upon delivery to carrier at the Facility. Title and risk of loss shall transfer to Customer on transfer to Customer's designated carrier at the Facility. Laureate shall accept no liability or responsibility and risk associated with the loss of Filled Products once this transfer has occurred. Laureate shall retain representative samples of Bulk Intermediate and Filled Products for record keeping, testing and regulatory purposes, including in accordance with applicable laws, rules and regulations.

(b) If Customer reasonably determines that any shipment of Bulk Intermediate or other Filled Product does not conform to the warranty set forth in Section 19(f), then Customer shall give Laureate written notice of such nonconformity (including a sample from such shipment) (i) within [****** (**)] days after Customer's receipt of such nonconforming Bulk Intermediate or Filled Product, in the case of non-conformities that can be ascertained by the exercise of reasonable diligence, or (ii) within [

********(**)] days after discovery thereof, in the case of other non-conformities (including, without limitation, non-conformities relating to stability), but in no event later than [******* (**)] days after Customer's receipt of such Bulk Intermediate or Filled Product. If Laureate receives a written notice of nonconformity under this Section 15(b), Laureate shall undertake appropriate testing of the Customer provided [******* (**)] days after receipt of such sample. If Laureate notifies Customer that it has not confirmed such non-conformity or that no non-conformity exists, Customer shall submit the disputed shipment for testing to an independent testing laboratory reasonably acceptable to Laureate and of recognized standing in the industry (the "*Laboratory*"). The findings of the Laboratory shall be binding on the Parties. The expenses of such testing shall be borne by Laureate if the testing confirms the non-conformity; otherwise, the testing expenses shall be borne by Customer.

(c) If any Bulk Intermediate or Filled Product delivered to Customer pursuant to this Agreement does not conform to the warranty set forth in Section 19(f) and Customer notifies Laureate of such nonconformity in accordance with Section 15(b), then (i) Laureate shall reimburse or credit Customer with all direct out-of-pocket costs actually incurred by Customer directly related to such non-conforming Bulk Intermediate or Filled Product including transportation and holding charges incurred by Customer in connection with such non-conforming Bulk Intermediate or Filled Product and (ii) Laureate shall replace the non-conforming Bulk Intermediate or Filled Product with substitute Bulk Intermediate or Filled Product that conforms to the warranty set forth in Section 19(f) within [******* (**) *******] from the later of the date Customer notifies Laureate of such non-conformity or the Laboratory confirms the non-conformity, as the case may be.

(d) If the XCell Bioreactor Production Run described in *Appendix 7* hereto should fail and such failure is attributable to any reason other than the Materials or Information furnished by Customer to Laureate as described in *Appendix 2* of this Agreement, Laureate shall promptly conduct an additional Bioreactor Production Run, and cGMP purification of the unpurified Bulk Intermediate resulting therefrom, at its sole expense.

Section 16. *Default.* (a) If Laureate is in default of its material obligations under this Agreement, then Customer shall promptly notify Laureate in writing of any such default. Laureate shall have a period of [******* (**)] days from the date of receipt of such notice within which to cure such default; provided, that, if such default renders the Program invalid, then Laureate shall, at Customer's option, either (1) repeat the Program at Laureate's cost within a time period mutually agreed to by Laureate and Customer or (2) refund the Service Fees paid by Customer. If Laureate shall fail to cure such default within the specified cure period or repeat the Program, as the case may be, then Customer shall have the right to immediately terminate this Agreement. In the event of such termination, Customer's sole remedy shall be (a) to the extent that the default has rendered the Program invalid, Laureate shall refund the Service Fees paid by Customer and (b) to the extent that the default has not rendered the Program invalid and Laureate has, prior to the effective date of termination, supplied Customer with Bulk Intermediate that may be used by Customer in a future program, Laureate's liability to Customer under this Agreement for such default shall be reduced by the portion of the Service Fees attributable to such usable Bulk Intermediate.

(b) If Customer is in default of its material obligations under this Agreement, Laureate shall promptly notify Customer in writing of any such default. Customer shall have a period of [******* (**)] days from the date of receipt of such notice within which to cure such default; provided, that, if Customer fails to cure such breach within the specified cure period, this Agreement shall, at Laureate's option, immediately terminate. Notwithstanding the cure period specified in the preceding sentence, if Customer fails to make any payment to Laureate within the time period specified in Section 8 and/or *Appendix 7* attached hereto, Laureate may, in its discretion, suspend performance of the Program until Laureate receives such outstanding payment.

(c) UNDER NO CIRCUMSTANCES SHALL EITHER PARTY BE ENTITLED TO INCIDENTAL, INDIRECT, CONSEQUENTIAL OR SPECIAL DAMAGES ARISING IN CONNECTION WITH THE DEFAULT OR BREACH OF ANY OBLIGATION OF THE OTHER PARTY UNDER THIS AGREEMENT, INCLUDING THE SCOPE AND ANY DOCUMENTS OR APPENDICES ATTACHED HERETO.

Section 17. *Dispute Resolution.* (a) In the event any dispute shall arise between the Customer and Laureate with respect to any of the terms and conditions of this Agreement or the Program, then senior executives of the Customer and Laureate shall meet as promptly as practicable after notice of such dispute to attempt to resolve in good faith such dispute.

(b) If the Customer and Laureate are unable to satisfactorily resolve any such dispute, then such dispute shall be finally settled by arbitration in accordance with this Section 17. The arbitration will be held in the State of New York and except as noted below, shall be conducted in accordance with the rules of the American Arbitration Association (or such successor organization) by two (2) arbitrators appointed, one by each Party. If the arbitrators appointed cannot agree on the resolution of the dispute within [******* (**)] days after the dispute is submitted to them, they shall thereupon appoint a third arbitrator, and if they fail to agree upon a third arbitrator within [******* (**)] days after a deadlock is declared by either arbitrator, a third arbitrator will be appointed by the American Arbitration Association (or such successor organization) upon the request of either arbitrator. The arbitrators shall have no authority to vary from or ignore the terms of this Agreement and shall be bound by controlling law. Finally, the Parties may seek judicial intervention for emergency relief, such as restraining orders and injunctions where appropriate. During the term of the arbitration proceeding, Laureate, in its sole and exclusive determination, upon written notice to Customer, may cease providing any products and performing any services or other obligations related to the subject matter of the dispute.

(c) Any decision by the initial two (2) arbitrators or the third arbitrator and either one of the initial two (2) arbitrators in agreement with the third arbitrator shall be binding upon the Parties and may be entered as final judgment in any court having jurisdiction. The cost of any arbitration proceeding shall be borne by the Parties as the arbitrators shall determine if the Parties have not otherwise agreed. The arbitrators shall render their final decision in writing to the Parties.

Section 18. *Indemnification.* (a) Laureate shall indemnify Customer and its Affiliates and their respective officers, directors and employees (the "*Customer Group*") from any loss, cost, damage or expense (a "*Loss*") arising from any lawsuit, action, claim, demand, assessment or proceeding (a "*Claim*") for (i) personal injury to Program participants or to any employee of Customer or its Affiliates or its subcontractors or property damage arising or occurring during the conduct of the Program, except as described in Section 18(b)(i) of this Agreement, (ii) the gross negligence or intentional misconduct of Laureate in the performance of its obligations under this Agreement, including without limitation, the Scope or the Program; (iii) Laureate's failure to follow the Scope or any Customer Regulatory Designation or (iv) Laureate's material breach of any of the representations, warranties or covenants contained in this Agreement; provided, that, if such Loss or Claim arises in whole or in part from Customer's gross negligence or intentional misconduct, then the amount of the Loss that Laureate shall indemnify the Customer Group for pursuant to this Section 18 shall be reduced by an amount in proportion to the percentage of Customer's responsibilities for such Loss as determined in accordance with Section 17 or in a binding settlement between the Parties.

(b) Customer shall indemnify and defend Laureate and its Affiliates and their respective officers, directors, employees and agents (the "*Laureate Group*") from any Claim or Loss arising from (i) personal injury or property damage to a participant in the Program, any employee of the Laureate Group or any Third Party caused by the Cell Line, Materials, Product-Dedicated Equipment or Process Consumables provided by Customer for use in the Program, except to the extent that such personal injury or property damage is due to the gross negligence or intentional misconduct of such employee or

participant or due to the failure of Laureate to comply with the Scope; (ii) the harmful or otherwise unsafe effect of the Materials or Process Consumables provided by Customer for use in the Program; (iii) the use, consumption, sale, distribution or marketing of the Bulk Intermediate by Customer or any Third Party to whom Customer transfers such Bulk Intermediate; (iv) the gross negligence or intentional misconduct of Customer in the performance of its obligations under this Agreement, including without limitation, the Scope or the Program; (v) the infringement by the Materials of any patents or other intellectual property rights vested in any Third Party, provided that Laureate has performed the Program in accordance with the Scope; (vi) Laureate's compliance with the Customer Regulatory Designation; (vii) Customer's material breach of any of the representations, warranties or covenants contained in this Agreement or (viii) the contamination of Laureate's Equipment or Facility that is directly caused by noxious, toxic, infectious, and/or corrosive agents ("*Contamination*") in the Cell Line or any Materials provided by Customer to Laureate solely to the extent that said Contamination can be conclusively determined to have arisen from such Cell Line or Materials; provided, that, (a) if such Loss or Claim arises in whole or in part from Laureate's gross negligence or intentional misconduct, then the amount of such Loss that Customer shall indemnify the Laureate Group for pursuant to this Section 18 shall be reduced by an amount in proportion to the percentage of Laureate's responsibilities for such Loss as determined in accordance with Section 17 or in a binding settlement between the Parties and (b) to the extent that any such Contamination results from Laureate's gross negligence or failure to follow the Laureate SOP or the terms of this Agreement, then Laureate will assume that share of responsibility and liability for such direct damages as may be determined in accordance with Section 17 or a binding settlement between the Parties. Laureate agrees to use commercially reasonable efforts to mitigate any damages incurred by it in the event of a Contamination.

(c) Upon receipt of notice of any Claim that may give rise to a right of indemnity from the other Party hereto, the Party seeking indemnification (the "*Indemnified Party*") shall give written notice thereof to the other Party (the "*Indemnifying Party*") of the Claim for indemnity. Such Claim for indemnity shall indicate the nature of the Claim and the basis therefore. Promptly after a Claim is made for which the Indemnified Party seeks indemnity, the Indemnified Party shall permit the Indemnifying Party, at its option and expense, to assume the complete defense of such Claim, provided, that (i) the Indemnified Party will have the right to participate in the defense of any such Claim at its own cost and expense; (ii) the Indemnified Party may assume the complete defense of such claim at the Indemnifying Party's cost and expense if the Indemnified Party shall have reasonably concluded upon the advice of outside counsel that there is a conflict of interest between the Indemnified Party and the Indemnifying Party; (iii) the Indemnifying Party will conduct the defense of any such Claim with due regard for the business interests and potential related liabilities of the Indemnified Party; and (iv) the Indemnifying Party will, prior to making any settlement, consult with the Indemnified Party as to the terms of such settlement. In addition, the Indemnifying Party will not, in defense of any such Claim, except with the prior written consent of the Indemnified Party, not to be unreasonably withheld, consent to the entry of any judgment or enter into any settlement which does not include, as an unconditional term thereof, the giving by the claimant or plaintiff to the Indemnified Party of a release from all liability in respect thereof. After notice to the Indemnified Party of the Indemnifying Party's election to assume the defense of such Claim, the Indemnifying Party shall only be liable to the Indemnified Party for such reasonable legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof at the request of the Indemnifying Party. As to those Claims with respect to which the Indemnifying Party does not elect to assume control of the defense, the Indemnifying Party shall be liable for all reasonable legal or other expenses incurred by the Indemnified Party in connection with the defense thereof and the Indemnified Party will afford the Indemnifying Party an opportunity to participate in such defense at the Indemnifying Party's own cost and expense, and will not settle or otherwise dispose of any of the same without the written consent of the Indemnifying Party.

(d) *Limitations on Total Liability.*

(i) *Product Loss.* Laureate's aggregate liability resulting from the loss, destabilization, alteration or contamination of a particular Batch of Bulk Intermediate in crude or purified form wherein such Bulk Intermediate is lost, destabilized, altered or contaminated such that it cannot be used in clinical trials or cannot be placed into commerce, shall not exceed [**********].

(ii) *Indemnity.* Laureate's aggregate liability in respect of any Claim by Customer shall not exceed [**********]. Customer's aggregate liability in respect of any Claim by Laureate shall not exceed [**********].

Section 19. *Representation.* (a) Customer hereby represents and warrants to Laureate that it has legal title and/or a valid license to the Cell Line, Materials, and Bulk Intermediate provided by Customer to Laureate for use in the Program.

(b) Customer covenants that it will, during the term of this Agreement, maintain legal title to and/or a valid license or right to use the Cell Line, Materials, Bulk Intermediate and/or the Customer Confidential Information supplied to Laureate under this Agreement. Customer will notify Laureate immediately if Customer knows or should know that it is no longer entitled to supply the Cell Line, Materials, process patents Bulk Intermediate and/or the Customer Confidential Information to Laureate or that the use by Laureate of any of the foregoing infringes or is alleged to infringe any rights (including any intellectual or industrial property rights) vested in any Third Party.

(c) Customer hereby represents and warrants to Laureate that it has performed all testing that may be reasonably required to assure that the Materials and the Cell Line are safe, stable and effective and pose no environmental risk if used in accordance with the Scope and are and will be in compliance with all federal, state and local laws and regulations required for use, distribution and testing of such Materials and the Cell Line if used in accordance with the Scope.

(d) Customer hereby represents to Laureate that any technical or regulatory information or documentation supplied by Customer or on its behalf to Laureate (including, but not limited to, process details, analytical methods, Specifications, development reports, technology transfer documents, plans, engineering documents and other documents) and required for execution of the Program is accurate in all material respects.

(e) Each Party hereby represents and warrants to the other Party that it has full power and authority to enter into, deliver and perform its obligations under this Agreement, and it has taken all action required to authorize the execution and delivery of this Agreement and to consummate the transactions contemplated hereby, and the person signing this Agreement on behalf of such Party has been duly authorized to act on behalf of and to bind such Party.

(f) Laureate warrants and represents to Customer that (i) the Program will be performed diligently, (ii) it will use all commercially reasonable efforts to achieve the estimated deadlines for the Program, (iii) the Bulk Intermediate and Filled Product will (A) meet the Specifications set forth in the Program at the time of delivery to Customer, and (B) have been manufactured and shipped in accordance with Customer's written instructions or applicable Good Manufacturing Practices and all other applicable laws, rules and regulations. Further, Laureate warrants and represents to Customer that, during the term of this Agreement, Laureate will have obtained and maintained such approvals as may be required under applicable laws, rules and regulations to operate the Facility for the purposes contemplated by this Agreement.

(g) Laureate further represents and warrants to Customer that it has not been debarred, is not subject to a pending debarment and that it will not use in any capacity, in connection with the Services to be performed under this Agreement, any person who has been debarred pursuant to Section 306 of the Federal Food, Drug and Cosmetic Act, 21 U.S.C. §§ 335a ("*Section 306*"), or who is the subject of a conviction described in Section 306. Laureate further agrees to promptly inform Customer in writing if Laureate or any person who is performing Services hereunder on Laureate's behalf is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation, or legal or administrative proceeding is pending or, to Laureate's knowledge, is threatened, relating to the debarment or conviction of Laureate or any person performing Services hereunder on Laureate's behalf.

(h) THE EXPRESS WARRANTIES OF LAUREATE SET FORTH IN THIS SECTION 19 ARE IN LIEU OF ALL CONDITIONS, WARRANTIES AND STATEMENTS IN RESPECT OF THE PROGRAM AND/OR THE DRUG SUBSTANCE, WHETHER EXPRESS OR IMPLIED BY STATUTE, CUSTOM OF THE TRADE OR OTHERWISE INCLUDING ANY SUCH CONDITION, WARRANTY OR STATEMENT RELATING TO THE DESCRIPTION OR QUALITY OF THE DRUG SUBSTANCE UPON COMPLETION OF LAUREATE'S SERVICES, ITS MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE UNDER ANY CONDITIONS, WHETHER OR NOT KNOWN TO LAUREATE, AND THAT ANY SUCH CONDITION, WARRANTY OR STATEMENT IS EXCLUDED FROM THIS AGREEMENT.

Section 20. *Force Majeure.* Either Party shall be excused from performing its respective obligations under this Agreement if its performance is delayed or prevented by any event beyond such Party's reasonable control, including, but not limited to, acts of God, fire, explosion, weather, disease, war, terrorism, insurrection, civil strife, riots, government action or power failure, provided that such performance shall be excused only to the extent of and during such disability. Any time specified for completion of performance in the Scope falling due during or subsequent to the occurrence of any such force majeure events shall be automatically extended for a period of time reasonably necessary to recover from such event. Laureate will promptly notify Customer if, by reason of any force majeure event, Laureate is unable to meet any such time for performance specified in the Scope. If any part of the Program is invalid as a result of such force majeure event, Laureate will, upon written request from Customer, but at Customer's sole cost and expense, repeat that part of the Program affected by the force majeure event and Laureate's repeat of that part of the Program shall be Customer's sole and exclusive remedy with respect thereto.

Section 21. *Use of Names.* Each party shall be permitted to use the name and logo of the other Party in the promotion of its business. Usage shall be permitted for (i) promotional purposes, (ii) sales and marketing materials, (iii) web sites and (iv) other customary business uses agreed to by the Parties. Without the consent of the other Party, such usage shall be limited to general factual statements concerning the relationship between Laureate and Customer, including without limitation, that Laureate and Customer have entered into an agreement for the provision of production, purification and aseptic filling services to Customer but shall not include any financial or any other terms.

Section 22. *Term; Termination.* (a) This Agreement shall commence on the Effective Date and shall continue in full force and effect until December 31, 2005, unless earlier terminated in accordance with the terms of this Agreement. Customer may for any reason and at any time terminate the Program prior to completion of the Program by giving [******* (**)] days written notice to Laureate. In such event Laureate shall comply with such notice to terminate work on the Program by the expiration of such [******* (**)] day notice period and use its commercially reasonable efforts to reduce cost to Customer, and Customer shall pay Laureate all of its costs incurred up to and through the expiration of such [******* (**)] notice period (for each Service Fee for which the final installment payment is not due and owing prior to the expiration of such [******* (**)] day period, Laureate shall

be compensated for the services performed with respect to such Service Fee on an hourly basis based on Laureate's then current hourly rates).

(b) The termination of this Agreement for any reason shall not relieve either Party of its obligation to the other Party with respect to (i) compensation for services performed (Sections 8, 9 and 22 and *Appendix 7* hereto) (ii) confidentiality of information (Section 10), (iii) work product (Section 11), (iv) inventions and patents (Section 12), (v) insurance (Section 14), (vi) indemnification (Section 18), and (vii) consents for advertising purposes and publications (Section 23).

Section 23. *Assignment.* This Agreement may not be assigned or otherwise transferred by either Party without the prior written consent of the other Party; provided, however, either Party may, without such consent, assign this Agreement (i) in connection with the transfer or sale of all or substantially all of the assets of such Party or, in the case of Customer, the Cell Line or Bulk Intermediate; (ii) in the event of the merger or consolidation of a Party hereto with another company; or (iii) to any Affiliate of the assigning Party. Any purported assignment in violation of the preceding sentence shall be void. Any permitted assignee shall assume all obligations of its assignor under this Agreement, *provided, however,* that if Customer assigns this Agreement to an Affiliate, Customer shall continue to remain obligated under this Agreement.

Section 24. *Notice.* (a) All notices to be given as required in this Agreement shall be in writing and may be delivered personally, or mailed either by a reputable overnight carrier with required receipt signature or certified mail, postage prepaid, return receipt requested, to the Parties at the addresses set forth above or at such other address as either Party may provide by written notice to the other Party in accordance with the provisions of this Section 24. Such notice shall be effective: (i) on the date sent, if delivered personally or by facsimile (receipt of which is confirmed); (ii) the date of delivery if sent by overnight carrier; or (iii) on the date received if sent by certified mail.

*If to Customer*

ImmunoGen, Inc.
128 Sidney Street
Cambridge, MA 92139-4239
Attn: Chief Financial Officer
Telefax: 617-995-2510

*If to Laureate:*

Laureate Pharma L.P.
201 College Road East
Princeton, NJ 08540
Attn: Robert J. Broeze, Ph.D., President
Telefax: (609) 520-3963

With a copy to:

Lowenstein Sandler PC
65 Livingston Avenue
Roseland, NJ 07068
Attention: Jack D. Hogoboom, Esq.
Telephone: (973) 597-2500
Facsimile: (973) 597-2400

Section 25. *Choice of Law.* This Agreement and all matters arising directly or indirectly hereunder, shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict or choice of laws rules.

Section 26. *Headings.* The heading of each paragraph of this Agreement is for descriptive purposes only and shall not be deemed to modify or qualify any of the provisions, rights, or obligations set forth in this Agreement.

Section 27. *Waiver/Severability.* No waiver of any provision of this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or be construed as a further or continuing waiver of any such provision, or of any other provision or condition of this Agreement. The invalidity of any portion of this Agreement shall not affect the validity, force or effect of the remaining portions of this Agreement. If it is ever held that any provision hereunder is too broad to permit enforcement of such provision to its fullest extent, such provision shall be enforced to the maximum extent permitted by law.

Section 28. *Entire Agreement; Modification/Counterparts.* This Agreement (including the Scope and Appendices attached hereto) sets forth the entire agreement between the Parties hereto with respect to the performance of the Program by Laureate for Customer and as such, supersedes all prior and contemporaneous negotiations, agreements, representations, understandings, and commitments with respect thereto and shall take precedence over all terms, conditions and provisions on any purchase order form or form of order acknowledgment or other document purporting to address the same subject matter. This Agreement shall not be waived, released, discharged, changed or modified in any manner except by an instrument signed by the duly authorized officers of each of the Parties hereto, which instrument shall make specific reference to this Agreement and shall express the plan or intention to modify same. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. In the event of any conflict between this Agreement and the Scope, as it may be modified as provided herein, the terms of this Agreement shall control. For purposes of execution, facsimile signatures shall be deemed originals.

*Signature Page Follows*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written by their duly authorized officers.

LAUREATE PHARMA, L.P.

By: Laureate Pharma, Inc., its general partner

By: /s/ ROBERT J. BROEZE

Name: Robert J. Broeze, Ph.D.
Title: President

IMMUNOGEN, INC.

By: /s/ JOHN M. LAMBERT

Name: John M. Lambert, Ph.D.
Title: Senior Vice President—Pharmaceutical Development

**APPENDIX 1**

**Cell Lines and Their Products**

1. [**********] antibody [*********], produced by the [********] CHO cell line, that will be conjugated at ImmunoGen with a cytotoxic compound and studied as an anti-tumor agent in human clinical trials

**APPENDIX 2**

**Scope of Work**

*Materials and Information to be Provided by Customer*

Customer shall provide the following information and materials to Laureate:

1. A Technology Transfer Information Package that includes:

    a. Information about the Cell Line and the monoclonal antibody that it produces including results of sterility, mycoplasma and additional adventitious agent testing and characterization of the Cell Line.

    b. Known information and procedures pertaining to the production, purification, impurities, testing, stability and use of the Bulk Intermediate, including Laureate's Product Information Questionnaires for "Contract Production Services," "Contract Purification Services" and "Aseptic Filling Services" as appropriate for each Product.

2. Production Cell Line

3. Purified monoclonal antibody (at least 5 mg) for use by Laureate for a preliminary reference standard.

Proposed specifications for the Bulk Intermediate and intermediates and results of testing carried out by Customer by its agent. Final specifications to be agreed upon by Laureate and Customer.

**APPENDIX 3**

**Scope of Work**

**Scope of Activities To Be Performed By Laureate**

1. Carry out a non-GMP tech transfer of the hollow-fiber production process, in the Maximizer hollow-fiber bioreactor, using two hollow-fiber cartridges. Provide a summary of results.

2. Carry out a tech transfer of the purification process, using harvest material collected from the Maximizer hollow-fiber bioreactor. Harvest containing at least 1 g of antibody will be required for the tech transfer. Provide a summary of results.

3. Acquire equipment and other supplies necessary to perform cGMP cell culture of the [********] CHO cell line, including culture-ware sets for the XCell hollow-fiber bioreactor and cell culture media.

4. Acquire equipment and other supplies necessary to perform cGMP purification of the [********] antibody from the hollow-fiber bioreactor harvests.

5. Using the information gained from steps 1 and 2 and in consultation with Customer, complete two 6-cartridge XCell bioreactor cGMP runs to produce harvest containing antibody. Each run will last approximately [****] days.

6. Prepare end of production cell bank.

7. During the runs, take test samples each workday for metabolic testing and during the harvest phase, titer samples for IgG concentration.

8. Carry out cGMP purification of the antibody from the bioreactor harvests, fill resulting bulk purified product into sterile PETG bottles and label the bottles according to copy provided by Customer.

9. Ship bulk purified product to Customer for further manufacturing.

10. Send samples to Customer for testing.

11. Send a copy of the completed Batch Record documentation to Customer for review as outlined in the Quality Agreement.

12. Send a Certificate of Analysis and a Certificate of Compliance as defined in the Quality Agreement to the Customer.

**APPENDIX 4**

**Testing to be Provided by Laureate**

Cell Line

Review of Cell Line Certificate of Analysis and supporting documentation provided by Customer and testing vendors

Materials

Review of information or Certificate of Analysis provided by Customer or its testing vendor

Identity testing as appropriate

Bulk Intermediate

The following is a list of tests and specifications for the Bulk Intermediate to be performed by Laureate and will define Laureate's internal release specification.

| | |
|---|---|
| • Appearance | Clear to opalescent Liquid |
| • Protein Concentration ($A_{280nm}$) | [**********] |
| • Class/subclass | $IgG_1$ Kappa |
| • Purity (HPLC SEC) | [**********] |
| • pH | 6.5 ± 0.1 |
| • Endotoxin | £ 1.0 EU/mg |

Customer will repeat select tests done by Laureate and will perform the following tests:

| | |
|---|---|
| • Isoelectric Focusing | Report pI range of major bands |
| • Competition binding | [**********] |
| • Molecular integrity<br>• (reduced SDS-PAGE) | Gel pattern equivalent to reference |
| • Molecular Integrity<br>• (non-reduced SDS-PAGE) | Gel pattern equivalent to reference |
| • Host Cell Protein | Report Result |
| • Protein A | Report Result |
| • Residual DNA | [**********] |
| • Sterility | Passes |

Upon completion of all testing by Laureate and Customer, the Customer's Quality department will review all the testing results along with all the documentation. If all testing and results are reasonably acceptable to Customer's Quality department, Customer will release the batch.

**APPENDIX 5**

**Approved Subcontractors and Services**

| Subcontractor | Service Provided |
|---|---|
| [**********] | Sterility, analytical and bioburden testing |
| [**********] | Analytical Testing |
| [**********] | Testing, Cell Banking, Viral Clearance Studies |
| [**********] | Testing, Cell Banking, Viral Clearance Studies |
| [**********] | Testing, Cell Banking Viral Clearance Studies |

**APPENDIX 6**

**Access and Audits**

1. Access to production areas:

During production runs, it may be possible to arrange Customer access to the manufacturing floor, if space allows. Laureate escort will be assigned and will accompany the Customer at all times while in controlled areas of the plant. During this time it is critical that the Customer:

1. Follows all GMP / access / gowning / safety procedures as directed by Laureate personnel.
2. Does not touch or operate any equipment in the production area.
3. Does not direct manufacturing personnel. Suggestions or recommendations may be made to an area Manager or Director.
4. Does not remove any documentation or in-process data. Requests for documentation must be made in writing to an area Manager or Director. Any documentation provided in this fashion will be tracked by the area Director.
5. Makes all requests for additional immediate in-process sampling, in writing to the area Manager or Director with full justification, prior to sampling.
6. Does not enter areas where production is ongoing for another customer.
7. Does not take any photos inside any Laureate facility. Laureate can provide digital photographs as appropriate.
8. Lack of adherence to these very basic guidelines will result in immediate loss of access to production areas.

2. Audits—Existing Customers:

1. Laureate will support 1 (one) audit during each [*********] period of an active contract, to be billed on a time and materials basis or as specified in the contract.
2. The audit may be performed by the Customer or by an external Third Party, with Third Party costs being at the sole expense of the Customer. A maximum of [**] auditors / Customer participants will be allowed to take part in the actual audit, due to space limitations and dedicated Laureate personnel availability.
3. Dates for the audit must be arranged and agreed with Laureate a minimum of [*********] prior to the audit. Laureate reserves the right to make final approval of audit dates, based on availability of the facility and appropriate Laureate personnel.
4. Confidentiality agreements must be in place with all parties participating in the audit, prior to scheduling the audit.
5. [*********] weeks before the audit occurs, a list of areas / topics to be covered in the audit will need to be received by Laureate. This will allow Laureate to ensure appropriate Laureate personnel availability during the audit, while also ensuring minimal impact to programs in production for other customers.
6. No access will be allowed into areas where production is underway for another customer.
7. Any audit observations being sent to Laureate for review or response must be provided by the Customer, not directly from a Third Party auditor. Laureate will formally respond to audit findings within [***] days.
8. All audit observations are confidential, covered in the confidentiality agreement between Laureate and the Customer, and may not be shared with any other Person without express written permission. All Third Party auditors must also sign confidentiality agreements with Laureate confirming adherence to this condition and may not share their findings beyond the Customer who contracts the audit, without express written permission from Laureate.

**APPENDIX 7**

**Service Fees and Payment Schedule**

| Service | Price | Payment Terms* |
|---|---|---|
| Tech transfer of Production and Purification Processes, including a 2-cartridge run in Laureate's pilot-scale hollow-fiber bioreactor (Maximizer). | $[********] | Due upon contract signing |
| Preparation of cGMP Documentation | $[********] | [********] |
| Two XCell Bioreactor Production Runs | $[********] | • [********]<br>• [********]<br>• [********] |
| Additional Bioreactor Production Run if required | $[********] | • [********]<br>• [********]<br>• [********] |
| cGMP Purification of Bulk Intermediate from bioreactor harvest | $[******]/run | • [********]<br>• [********]<br>• [********] |
| Release and Stability Testing | [********] | [********] |
| Other Activities | [********] | [********] |

* Notes:

- [********].
- [********].
- [********].
- [********].

**APPENDIX 8**

**Shipping**

The shipment and timely arrival of samples, Bulk Intermediate and other materials that Laureate produces and stores for Customer is critical to keep the Program on schedule.

Laureate requires a minimum of one week's notice prior to shipping (not prior to receipt at a remote location). One week's notice is reasonable for the vast majority of the shipments. Laureate recognizes that there will be instances that will necessitate shipping materials where a one week notice is not possible. Laureate will continue to meet those requirements, however, there will be an additional charge for shipments that need to occur with less than the one week notice. The charges for shipping are summarized in the table below. Customer will be responsible for the cost of shipping and insurance. Customer will provide contact and account information for approved shipping agent. Customer will review and authorize shipping configuration.

Prior to shipment, Bulk Intermediate will be stored at Laureate under cGMP compliance conditions, which will include but not be limited to the following:

Temperature controlled and monitored

Controlled access

Back-up power supply

Call out service for alarms generated outside of normal business hours

Shipping Policy:

| Notice Period Prior To Shipping | Shipping Charge | Additional Fee For Expedited Shipments |
|---|---|---|
| [**] | [***] | [*****] |
| [**] | [***] | [*****] |
| [**] | [***] | [*****] |
| [**] | [***] | [*****] |

QuickLinks

**EXHIBIT 21**

**SUBSIDIARIES**

ImmunoGen Securities Corp., a Massachusetts corporation

QuickLinks

**EXHIBIT 23**

**Consent of Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-02441, 333-07661, 333-15819, 333-22153, 333-31795, 333-48042, 333-48385, 333-57234 and 333-100123) and in the related Prospectuses and on Form S-8 (Nos. 333-41534, 333-73544, 333-47543, 333-53292, 333-75372, and 333-75374) pertaining to the ImmunoGen, Inc. Restated Stock Option Plan and the ImmunoGen, Inc. 2001 Non-Employee Director Stock Plan of our report dated July 26, 2004, with respect to the consolidated financial statements and financial statement schedule of ImmunoGen, Inc. included in its Annual Report (Form 10-K) for the year ended June 30, 2004.

/s/ ERNST & YOUNG LLP

Boston, Massachusetts
August 17, 2004

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**EXHIBIT 31.1**

**CERTIFICATIONS**

I, Mitchel Sayare, certify that:

1. I have reviewed this annual report 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: August 20, 2004

/s/ MITCHEL SAYARE

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

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**EXHIBIT 31.2**

**CERTIFICATIONS**

I, Viriginia A. Lavery, certify that:

1. I have reviewed this annual report 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: August 20, 2004

/s/ VIRGINIA A. LAVERY

Virginia A. Lavery
Vice President, Finance and Treasurer

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**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 Annual Report for the year ended June 30, 2004 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 20, 2004

/s/ MITCHEL SAYARE

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

Dated: August 20, 2004

/s/ VIRGINIA A. LAVERY

Virginia A. Lavery
Vice President, Finance and Treasurer

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