

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended December 31, 2014

OR

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

For the transition period from            to

Commission file number 0-17999

**ImmunoGen, Inc.**

**Massachusetts**  
(State or other jurisdiction of incorporation or organization)

**04-2726691**  
(I.R.S. Employer Identification No.)

**830 Winter Street, Waltham, MA 02451**  
(Address of principal executive offices, including zip code)

**(781) 895-0600**  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

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

Shares of common stock, par value \$.01 per share: 86,107,851 shares outstanding as of January 29, 2015.

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**ITEM 1. Financial Statements**

**IMMUNOGEN, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**  
**In thousands, except per share amounts**

	<u>December 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 106,604	\$ 142,261
Accounts receivable	3,109	1,896
Unbilled revenue	578	1,329
Inventory	1,919	2,950
Prepaid and other current assets	2,153	2,320
Total current assets	<u>114,363</u>	<u>150,756</u>
Property and equipment, net of accumulated depreciation	14,128	14,349
Other assets	49	213
Total assets	<u>\$ 128,540</u>	<u>\$ 165,318</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable	\$ 5,613	\$ 4,819
Accrued compensation	4,679	6,865
Other accrued liabilities	7,606	6,668
Current portion of deferred lease incentive	639	528
Current portion of deferred revenue	1,106	2,374
Total current liabilities	<u>19,643</u>	<u>21,254</u>
Deferred lease incentive, net of current portion	6,547	5,679
Deferred revenue, net of current portion	20,978	58,969
Other long-term liabilities	3,902	3,717
Total liabilities	<u>51,070</u>	<u>89,619</u>
Commitments and contingencies (Note E)		
Shareholders' equity:		
Preferred stock, \$0.01 par value; authorized 5,000 shares; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; authorized 150,000 shares; issued and outstanding 86,081 and 85,903 shares as of December 31, 2014 and June 30, 2014, respectively	861	859
Additional paid-in capital	733,387	722,971
Accumulated deficit	<u>(656,778)</u>	<u>(648,131)</u>
Total shareholders' equity	<u>77,470</u>	<u>75,699</u>
Total liabilities and shareholders' equity	<u>\$ 128,540</u>	<u>\$ 165,318</u>

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

**IMMUNOGEN, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**(UNAUDITED)**

In thousands, except per share amounts

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
<b>Revenues:</b>				
License and milestone fees	\$ 41,417	\$ 25,678	\$ 47,651	\$ 38,845
Royalty revenue	4,625	2,335	8,791	4,388
Research and development support	832	1,922	1,608	3,912
Clinical materials revenue	1,426	125	3,453	133
<b>Total revenues</b>	<b>48,300</b>	<b>30,060</b>	<b>61,503</b>	<b>47,278</b>
<b>Operating Expenses:</b>				
Research and development	27,647	20,862	55,665	42,891
General and administrative	6,872	5,447	13,967	11,973
<b>Total operating expenses</b>	<b>34,519</b>	<b>26,309</b>	<b>69,632</b>	<b>54,864</b>
Income (loss) from operations	13,781	3,751	(8,129)	(7,586)
Other (expense) income, net	(146)	62	(518)	172
<b>Net income (loss)</b>	<b>\$ 13,635</b>	<b>\$ 3,813</b>	<b>\$ (8,647)</b>	<b>\$ (7,414)</b>
Basic and diluted net income (loss) per common share	\$ 0.16	\$ 0.04	\$ (0.10)	\$ (0.09)
Basic weighted average common shares outstanding	85,935	85,431	85,904	85,221
Dilutive impact of potential common shares	730	1,845	—	—
Diluted weighted average common shares outstanding	86,665	87,276	85,904	85,221
<b>Total comprehensive income (loss)</b>	<b>\$ 13,635</b>	<b>\$ 3,813</b>	<b>\$ (8,647)</b>	<b>\$ (7,414)</b>

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

**IMMUNOGEN, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

In thousands, except per share amounts

	Six Months ended December 31,	
	2014	2013
<b>Cash flows from operating activities:</b>		
Net loss	\$ (8,647)	\$ (7,414)
<b>Adjustments to reconcile net loss to net cash used for operating activities:</b>		
Depreciation and amortization	2,818	2,307
(Gain) loss on sale/disposal of fixed assets	(7)	20
Gain on forward contracts	—	(2)
Stock and deferred share unit compensation	9,102	8,548
Deferred rent	127	(37)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(1,213)	(3,818)
Unbilled revenue	751	217
Inventory	1,031	(2,305)
Prepaid and other current assets	167	260
Other assets	164	(183)
Accounts payable	794	(686)
Accrued compensation	(2,186)	(1,991)
Other accrued liabilities	708	(676)
Deferred revenue	(39,259)	(15,869)
Proceeds from landlord for tenant improvements	1,267	—
<b>Net cash used for operating activities</b>	<b>(34,383)</b>	<b>(21,629)</b>

Cash flows from investing activities:		
Purchases of property and equipment	(2,590)	(2,297)
Payments from settlement of forward contracts	—	(1)
Net cash used for investing activities	(2,590)	(2,298)
Cash flows from financing activities:		
Proceeds from stock options exercised	1,316	7,055
Net cash provided by financing activities	1,316	7,055
Net change in cash and cash equivalents	(35,657)	(16,872)
Cash and cash equivalents, beginning balance	142,261	194,960
Cash and cash equivalents, ending balance	\$ 106,604	\$ 178,088

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

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**IMMUNOGEN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2014**

**A. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying unaudited consolidated financial statements at December 31, 2014 and June 30, 2014 and for the three and six months ended December 31, 2014 and 2013 include the accounts of ImmunoGen, Inc., or the Company, and its wholly owned subsidiaries, ImmunoGen Securities Corp. and ImmunoGen Europe Limited. The consolidated financial statements include all of the adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of the Company's financial position in accordance with accounting principles generally accepted in the U.S. for interim financial information. Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. The preparation of interim financial statements requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenditures during the reported periods. The results of the interim periods are not necessarily indicative of the results for the entire year. Accordingly, the interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2014.

*Subsequent Events*

The Company has evaluated all events or transactions that occurred after December 31, 2014 up through the date the Company issued these financial statements. In January 2015, Novartis initiated Phase I, first-in-human clinical testing of its cKit-targeting ADC product candidate, LOP628, triggering a \$5 million development milestone payment to the Company. The Company did not have any other material recognizable or unrecognizable subsequent events during this period.

*Revenue Recognition*

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

At December 31, 2014, the Company had the following two types of agreements with the parties identified below:

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

Amgen (four exclusive single-target licenses(1))

Bayer HealthCare (one exclusive single-target license)

Biotest (one exclusive single-target license)

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

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Lilly (three exclusive single-target licenses)

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

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

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

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

Sanofi

CytomX

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

#### Development and Commercialization Licenses

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

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

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

Upfront payments on development and commercialization licenses are deferred if facts and circumstances dictate that the license does not have stand-alone value. Prior to the adoption of Accounting Standards Update (ASU) No. 2009-13, "Revenue Arrangements with Multiple Deliverables" on July 1, 2010, the Company determined that its licenses lacked stand-alone value and were combined with other elements of the arrangement and any amounts associated with the license were deferred and amortized over a certain period, which the Company refers to as the Company's period of substantial involvement. The determination of the length of the period over which to defer revenue is subject to judgment and estimation and can have an impact on the amount of revenue

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recognized in a given period. Historically the Company's involvement with the development of a collaborator's product candidate has been significant at the early stages of development, and lessens as it progresses into clinical trials. Also, as a drug candidate gets closer to commencing pivotal testing the Company's collaborators have sought an alternative site to manufacture their products, as the Company's facility does not produce pivotal or commercial drug product. Accordingly, the Company generally estimates this period of substantial involvement to begin at the inception of the collaboration agreement and conclude at the end of non-pivotal Phase II testing. The Company believes this period of substantial involvement is, depending on the nature of the license, on average six and one-half years. Quarterly, the Company reassesses its periods of substantial involvement over which the Company amortizes its upfront license fees and makes adjustments as appropriate. In the event a collaborator elects to discontinue development of a specific product candidate under a development and commercialization license, but retains its right to use the Company's technology to develop an alternative product candidate to the same target or a target substitute, the Company would cease amortization of any remaining portion of the upfront fee until there is substantial preclinical activity on another product candidate and its remaining period of substantial involvement can be estimated. In the event that a development and commercialization

license were to be 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.

Subsequent to the adoption of ASU No. 2009-13, the Company determined that its research licenses lack stand-alone value and are considered for aggregation with the other elements of the arrangement and accounted for as one unit of accounting.

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

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

The Company may also provide cytotoxic agents to its collaborators or produce preclinical and clinical materials at negotiated prices which are generally consistent with what other third parties would charge. The Company recognizes revenue on cytotoxic agents and on preclinical and clinical materials when the materials have passed all quality testing required for collaborator acceptance and title and risk of loss have transferred to the collaborator. Arrangement consideration allocated to the manufacture of preclinical and clinical materials in a multiple-deliverable arrangement is below the Company's full cost, and the Company's full cost is not expected to ever be below its contract selling prices for its existing collaborations. During the six months ended December 31, 2014, the difference between the Company's full cost to manufacture preclinical and clinical materials on behalf of its collaborators as compared to total amounts received from collaborators for the manufacture of preclinical and clinical materials was \$5.5 million. There were no sales of manufactured preclinical or clinical materials during the six months ended December 31, 2013. The majority of the Company's costs to produce these preclinical and clinical materials are fixed and then allocated to each batch based on the number of batches produced during the period. Therefore, the Company's costs to produce these materials are significantly impacted by the number of batches produced during the period. The volume of preclinical and clinical materials the Company produces is directly related to the number of clinical trials the Company and its collaborators are preparing for or currently have underway, the speed of enrollment in those trials, the dosage schedule of each clinical trial and the time period such trials last. Accordingly, the volume of preclinical and clinical materials produced, and therefore the Company's per-batch costs to manufacture these preclinical and clinical materials, may vary significantly from period to period.

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

The Company's development and commercialization license agreements have milestone payments which for reporting purposes are aggregated into three categories: (i) development milestones, (ii) regulatory milestones, and (iii) sales milestones. Development milestones are typically payable when a product candidate initiates or advances into different clinical trial phases. Regulatory milestones are typically payable upon submission for marketing approval with the U.S. Food and Drug Administration, or

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FDA, or other countries' regulatory authorities or on receipt of actual marketing approvals for the compound or for additional indications. Sales milestones are typically payable when annual sales reach certain levels.

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

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

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

## Right-to-Test Agreements

The Company's right-to-test agreements provide collaborators the right to (a) test the Company's ADC technology for a defined period of time through a research, or right-to-test, license, (b) take a defined number of options, for a defined period of time, to specified targets and (c) upon exercise an option, secure or "take" a license to develop and commercialize products for the specified targets on established terms. Under these agreements, fees may be due to the Company (i) at the inception of the arrangement (referred to as "upfront" fees or payments), (ii) upon taking an option with respect to a specific



target (referred to as option fees or payments earned, if any, when the option is “taken”), (iii) upon the exercise of a previously taken option to acquire a development and commercialization license(s) (referred to as exercise fees or payments earned, if any, when the development and commercialization license is “taken”), or (iv) some combination of all of these fees.

The accounting for right-to-test agreements is dependent on the nature of the options granted to the collaborative partner. Options are considered substantive if, at the inception of a right-to-test agreement, the Company is at risk as to whether the collaborative partner will choose to exercise the options to secure development and commercialization licenses. Factors that are considered in evaluating whether options are substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the agreement without exercising the options, the cost to exercise the options relative to the total upfront consideration, and the additional financial commitments or economic penalties imposed on the collaborator as a result of exercising the options.

For right-to-test agreements where the options to secure development and commercialization licenses to the Company’s ADC technology are considered substantive, the Company does not consider the development and commercialization licenses to be a deliverable at the inception of the agreement. For those right-to-test agreements entered into prior to the adoption of ASU No. 2009-13 where the options to secure development and commercialization licenses are considered substantive, the Company has deferred the upfront payments received and recognizes this revenue over the period during which the collaborator could elect to take options for development and commercialization licenses. These periods are specific to each collaboration agreement. If a collaborator takes an option to acquire a development and commercialization license under these agreements, any substantive option fee is deferred and recognized over the life of the option, generally 12 to 18 months. If a collaborator exercises an option and takes a development and commercialization license to a specific target, the Company attributes the exercise fee to the development and commercialization license. Upon exercise of an option to acquire a development and commercialization license, the Company would also attribute any remaining deferred option fee to the development and commercialization license and apply the multiple-element revenue recognition criteria to the development and commercialization license and any other deliverables to determine the appropriate revenue recognition,

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which will be consistent with the Company’s accounting policy for upfront payments on single-target licenses. In the event a right-to-test agreement were to be 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. None of the Company’s right-to-test agreements entered into subsequent to the adoption of ASU No. 2009-13 has been determined to contain substantive options.

For right-to-test agreements where the options to secure development and commercialization licenses to the Company’s ADC technology are not considered substantive, the Company considers the development and commercialization licenses to be a deliverable at the inception of the agreement and applies the multiple-element revenue recognition criteria to determine the appropriate revenue recognition. None of the Company’s right-to-test agreements entered into prior to the adoption of ASU No. 2009-13 has been determined to contain non-substantive options.

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

*Fair Value of Financial Instruments*

Fair value is defined under ASC Topic 820, “Fair Value Measurements and Disclosures,” as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy to measure fair value which is based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of December 31, 2014, the Company held certain assets that are required to be measured at fair value on a recurring basis. The following table represents the fair value hierarchy for the Company’s financial assets measured at fair value on a recurring basis as of December 31, 2014 (in thousands):

	Fair Value Measurements at December 31, 2014 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 106,604	\$ 106,604	\$ —	\$ —

As of June 30, 2014, the Company held certain assets that are required to be measured at fair value on a recurring basis. The following table represents the fair value hierarchy for the Company’s financial assets measured at fair value on a recurring basis as of June 30, 2014 (in thousands):

	Fair Value Measurements at June 30, 2014 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash, cash equivalents and restricted cash	\$ 142,261	\$ 142,261	\$ —	\$ —

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

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### Unbilled Revenue

The majority of the Company's unbilled revenue at December 31, 2014 and June 30, 2014 represents research funding earned prior to those dates based on actual resources utilized under the Company's agreements with various collaborators.

### Inventory

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

Inventory at December 31, 2014 and June 30, 2014 is summarized below (in thousands):

	December 31, 2014	June 30, 2014
Raw materials	\$ 644	\$ 437
Work in process	1,275	2,513
Total	<u>\$ 1,919</u>	<u>\$ 2,950</u>

Raw materials inventory consists entirely of DM1 and DM4, proprietary cell-killing agents the Company developed as part of its ADC technology. The Company considers more than a twelve month supply of raw materials that is not supported by firm, fixed orders and/or projections from its collaborators to be excess and establishes a reserve to reduce to zero the value of any such excess raw material inventory with a corresponding charge to research and development expense. In accordance with this policy, the Company recorded \$392,000 and \$205,000 of expense related to excess inventory during the six-month periods ended December 31, 2014 and 2013, respectively. The Company recorded \$55,000 and \$70,000 of expense related to excess inventory during the three-month periods ended December 31, 2014 and 2013, respectively.

Work in process inventory consists of conjugate manufactured for sale to the Company's collaborators to be used in preclinical and clinical studies. All conjugate is made to order at the request of the collaborators and subject to the terms and conditions of respective supply agreements. As such, no reserve for work in process inventory is required.

### Computation of Net Income (Loss) per Common Share

Basic and diluted net income (loss) per share is calculated based upon the weighted average number of common shares outstanding during the period. During periods of income, participating securities are allocated a proportional share of income determined by dividing total weighted average participating securities by the sum of the total weighted average common shares and participating securities (the "two-class method"). The Company's restricted stock participate in any dividends declared by the Company and are therefore considered to be participating securities. Participating securities have the effect of diluting both basic and diluted earnings per share during periods of income. During periods of loss, no loss is allocated to participating securities since they have no contractual obligation to share in the losses of the Company. The impact of applying the two-class method was not material. Diluted (loss) income per share is computed after giving consideration to the dilutive effect of stock options that are outstanding during the period, except where such non-participating securities would be anti-dilutive.

The Company's common stock equivalents, as calculated in accordance with the treasury-stock method, are shown in the following table (in thousands):

	Three Months Ended December 31,	
	2014	2013
Options outstanding to purchase common stock and unvested restricted stock	10,241	8,616
Common stock equivalents under treasury stock method	730	1,845

Potentially dilutive securities representing 7.9 million and 3.2 million shares of common stock for the three-month periods ended December 31, 2014 and 2013, respectively, and 7.1 and 1.7 million shares of common stock for the six-month periods ended December 31, 2014 and 2013, respectively, were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. The Company's common stock equivalents have not been included in any net loss per share calculation because their effect is anti-dilutive due to the Company's net loss position.

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### Stock-Based Compensation

As of December 31, 2014, the Company is authorized to grant future awards under one employee share-based compensation plan, which is the ImmunoGen, Inc. 2006 Employee, Director and Consultant Equity Incentive Plan, or the 2006 Plan. At the annual meeting of shareholders on November 11, 2014, an amendment to the 2006 Plan was approved and an additional 5,500,000 shares were authorized for issuance under this plan. As amended, the 2006 Plan provides for the issuance of Stock Grants, the grant of Options and the grant of Stock-Based Awards for up to 17,500,000 shares of the Company's common stock, as well as 1,676,599 shares of common stock which represent awards granted under the previous stock option plan, the ImmunoGen, Inc.



Restated Stock Option Plan, or the Former Plan, that were forfeited, expired or were cancelled without delivery of shares of common stock or which resulted in the forfeiture of shares of common stock back to the Company between November 11, 2006 and June 30, 2014. Option awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Options vest at various periods of up to four years and may be exercised within ten years of the date of grant.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Dividend	None	None	None	None
Volatility	60.95%	60.44%	60.87%	60.44%
Risk-free interest rate	1.81%	1.92%	1.88%	1.72%
Expected life (years)	6.3	6.3	6.3	6.3

Using the Black-Scholes option-pricing model, the weighted average grant date fair values of options granted during the three months ended December 31, 2014 and 2013 were \$5.77 and \$8.76 per share, respectively, and \$6.24 and \$10.64 per share for options granted during the six months ended December 31, 2014 and 2013, respectively.

Stock compensation expense related to stock options and restricted stock awards granted under the 2006 Plan was \$3.6 million and \$8.9 million during the three and six months ended December 31, 2014, respectively, compared to stock compensation expense of \$3.7 million and \$8.4 million for the three and six months ended December 31, 2013, respectively. As of December 31, 2014, the estimated fair value of unvested employee awards was \$24.9 million, net of estimated forfeitures. The weighted-average remaining vesting period for these awards is approximately two years.

During the six months ended December 31, 2014, holders of options issued under the Company's equity plans exercised their rights to acquire an aggregate of approximately 177,000 shares of common stock at prices ranging from \$3.19 to \$9.88 per share. The total proceeds to the Company from these option exercises were approximately \$1.3 million.

#### *Financial Instruments and Concentration of Credit Risk*

The Company's cash equivalents consist of money market funds with underlying investments primarily being U.S. Government-issued securities and high quality, short-term commercial paper. All of the Company's cash and cash equivalents are maintained with three financial institutions in the U.S. The Company uses a Euro-denominated bank account to manage the foreign currency exposures that exist as part of our ongoing business operations. Our foreign currency risk management strategy is principally designed to mitigate the future potential financial impact of changes in the value of transactions, anticipated transactions and balances denominated in foreign currency, resulting from changes in foreign currency exchange rates.

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### *Segment Information*

During the six months ended December 31, 2014, the Company continued to operate in one operating segment which is the business of discovery of monoclonal antibody-based anticancer therapeutics.

The percentages of revenues recognized from significant customers of the Company in the three and six months ended December 31, 2014 and 2013 are included in the following table:

Collaborative Partner:	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Lilly	35%	2%	28%	19%
Novartis	54%	64%	44%	43%
Roche	10%	24%	14%	30%
Sanofi	0%	1%	10%	1%

There were no other customers of the Company with significant revenues in the three and six months ended December 31, 2014 and 2013.

### *Recent Accounting Pronouncements*

In May 2014, the FASB issued Accounting Standards Update 2014-9, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles for recognizing revenue. This update provides a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. This guidance is effective for annual reporting beginning after December 15, 2016, including interim periods within the year of adoption, and allows for either full retrospective or modified retrospective application, with early adoption not permitted. Accordingly, the standard is effective for the Company on July 1, 2017. The Company is currently evaluating the adoption method it will apply and the impact that this guidance will have on our financial statements and related disclosures.

In August 2014, the FASB issued Accounting Standards Update 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This new standard gives a company's management the final responsibilities to decide whether there's substantial doubt about the company's ability to continue as a going concern and to provide related footnote disclosures. The standard provides guidance to management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that companies commonly provide in their footnotes. Under the new standard, management must decide whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the company's ability to continue as a going concern within one year after the date that the financial statements are issued, or within one year after the date that the financial statements are available to be issued when applicable. This guidance is effective for annual reporting beginning after December 15, 2016, including interim periods within the year of adoption, with early application permitted. Accordingly, the standard is effective for the Company on July 1, 2017. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

## **B. Collaborative Agreements**

### *Roche*

In May 2000, the Company granted Genentech, now a unit of Roche, an exclusive license to use the Company's maytansinoid ADC technology with antibodies, such as trastuzumab, or other proteins that target HER2. Under the terms of this agreement, Roche has exclusive worldwide rights to develop and commercialize maytansinoid ADC compounds targeting HER2. The ADC marketed by Roche as Kadcyra was developed under this agreement. Roche is responsible for the manufacturing, product development and marketing of Kadcyra and any other products resulting from the agreement. The Company received a \$2 million non-refundable upfront payment from Roche upon execution of the agreement. The Company is also entitled to receive up to a total of \$44 million in milestone payments, plus royalties on the commercial sales of Kadcyra or any other resulting products. Total milestones are categorized as follows: development milestones—\$13.5 million; and regulatory milestones—\$30.5 million. Through December 31, 2014, the Company has received and recognized \$13.5 million and \$20.5 million in development and regulatory milestone payments, respectively, related to Kadcyra, including two \$5 million regulatory milestone payments in connection with marketing approval of Kadcyra in Japan and in the EU. Based on an evaluation of the effort contributed to the achievement of these milestones, the Company determined these milestones were not substantive. In consideration that there were no undelivered elements remaining, no continuing performance obligations and all other revenue recognition criteria had been met, the Company recognized the

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\$10 million non-refundable payments as revenue upon achievement of the milestones, which is included in license and milestone fees for the six months ended December 31, 2013, \$5 million of which is included in license and milestone fees for the three months ended December 31, 2013. The next potential milestone the Company will be entitled to receive will be a \$5 million regulatory milestone for marketing approval of Kadcyra for a first extended indication as defined in the agreement. Based on an evaluation of the effort contributed towards the achievement of this future milestone, the Company determined this milestone is not substantive.

The Company receives royalty reports and payments related to sales of Kadcyra from Roche one quarter in arrears. In accordance with the Company's revenue recognition policy, \$4.6 million of royalties on net sales of Kadcyra for the three-month period ended September 30, 2014 were recorded and included in royalty revenue for the three months ended December 31, 2014 and \$8.8 million of royalties on net sales of Kadcyra for the six-month period ended September 30, 2014 were included in royalty revenue for the six months ended December 31, 2014 compared to \$2.3 million of royalties on net sales of Kadcyra for the three-month period ended September 30, 2013 which is included in royalty revenue for the three months ended December 31, 2013 and \$4.4 million of royalties on net sales of Kadcyra for the six-month period ended September 30, 2013 which is included in royalty revenue for the six months ended December 31, 2013.

### *Amgen*

Under a now-expired right-to-test agreement, in September 2009, November 2009 and December 2012, Amgen took three exclusive development and commercialization licenses, for which the Company received an exercise fee of \$1 million for each license taken. In May 2013, Amgen took one non-exclusive development and commercialization license, for which the Company received an exercise fee of \$500,000. In October 2013, the non-exclusive license was amended and converted to an exclusive license, for which Amgen paid an additional \$500,000 fee to the Company. Amgen has sublicensed its rights under this license to Oxford BioTherapeutics Ltd. For each development and commercialization license taken, the Company is entitled to receive up to a total of \$34 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones per license are categorized as follows: development milestones—\$9 million; regulatory milestones—\$20 million; and sales milestones—\$5 million. Amgen (or its sublicensee(s)) is responsible for the manufacturing, product development and marketing of any products resulting from these development and commercialization licenses.

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

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

The \$430,000 determined to be the estimated selling price of the future technological improvements is being recognized as revenue ratably over the period the Company is obligated to make available any technological improvements, which is equivalent to the estimated term of the agreement. The Company estimates the term of a development and commercialization license to be approximately 25 years, which reflects management's estimate of the time necessary to develop and commercialize products pursuant to the license plus the estimated royalty term. The Company reassesses the estimated term at the end of each reporting period.

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After accounting for the undelivered elements at the estimated selling price, the Company had \$2.2 million of remaining allocable consideration which was determined to represent consideration for the previously delivered elements, including the exclusive license that was delivered upon the execution of the modification. This amount was recorded as revenue and is included in license and milestone fees for the three and six months ended December 31, 2013.

In November 2011, the IND applications to the FDA for two compounds, AMG 595 and AMG 172, developed under the 2009 development and commercialization licenses became effective, which triggered two \$1 million milestone payments to the Company. The next potential milestone the Company will be entitled to receive for each of these compounds under the 2009 development and commercialization licenses will be a development milestone for the first dosing of a patient in a Phase II clinical trial, which will result in a \$3 million payment being due. The next potential milestones the Company will be entitled to receive under the December 2012 and May 2013 development and commercialization licenses will be a \$1 million development milestone for an IND becoming effective. At the time of execution of each of these development and commercialization licenses, there was significant uncertainty as to whether these milestones would be achieved. In consideration of this, as well as the Company's past involvement in the research and manufacturing of these product candidates, these milestones were deemed substantive.

### *Sanofi*

In July 2003, the Company entered into a broad collaboration agreement with Sanofi (formerly Aventis) to discover, develop and commercialize antibody-based products. The collaboration agreement provides Sanofi with worldwide development and commercialization rights to new antibody-based products directed to targets that are included in the collaboration, including the exclusive right to use the Company's maytansinoid ADC technology in the creation of products developed to these targets. The product candidates (targets) as of December 31, 2014 in the collaboration include SAR3419 (CD19), SAR650984 (CD38), SAR566658 (CA6), SAR408701 (CEACAM5) and one earlier-stage compound.

The Company is entitled to receive milestone payments potentially totaling \$21.5 million, per target, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—\$7.5 million; and regulatory milestones—\$14 million. Through December 31, 2014, the Company has received and recognized an aggregate of \$20.5 million in milestone payments for compounds covered under this agreement now or in the past, including a \$3 million development milestone related to initiation of a Phase IIb clinical trial (as defined in the agreement) for SAR650984 and a \$1 million development milestone related to initiation of a Phase I clinical trial for SAR408701 which are included in license and milestone fee revenue for the six months ended December 31, 2014. The next potential milestone the Company will be entitled to receive for each of SAR566658 and SAR408701 will be a development milestone for initiation of a Phase IIb clinical trial (as defined in the agreement), which will result in each case in a \$3 million payment being due. The next potential milestone the Company will be entitled to receive with respect to both SAR3419 and SAR650984 will be a development milestone for initiation of a Phase III clinical trial, which will result in each case in a \$3 million payment being due. The next potential milestone the Company will be entitled to receive for the unidentified target will be a development milestone for commencement of a Phase I clinical trial, which will result in a \$1 million payment being due. At the time of execution of this agreement, there was significant uncertainty as to whether these milestones would be achieved. In consideration of this, as well as the Company's past involvement in the research and manufacturing of these product candidates, these milestones were deemed substantive.

In December 2006, the Company entered into a right-to-test agreement with Sanofi. The agreement provides Sanofi with the right to (a) test the Company's maytansinoid ADC technology with Sanofi's antibodies to targets under a right-to-test, or research, license, (b) take exclusive options, with certain restrictions, to specified targets for specified option periods and (c) upon exercise of those options, take exclusive licenses to use the Company's maytansinoid ADC technology to develop and commercialize products directed to the specified targets on terms agreed upon at the inception of the right-to-test agreement. Sanofi no longer has the right to take additional options under the agreement, although multiple outstanding options remain in effect for the remainder of their respective option periods. For each development and commercialization license taken, the Company is entitled to receive an exercise fee of \$2 million and up to a total of \$30 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—\$10 million; and regulatory milestones—\$20 million. Sanofi is responsible for the manufacturing, product development and marketing of any products resulting from the agreement.

In December 2013, Sanofi took its first exclusive development and commercialization license under the right-to-test agreement, for which the Company received an exercise fee of \$2 million and was recognizing this amount as revenue ratably over the Company's estimated period of its substantial involvement. The Company had previously estimated this development period would conclude at the end of non-pivotal Phase II testing. During the current period, the Company determined it will not be substantially involved in the development and commercialization of the product based on Sanofi's current plans to develop and manufacture the product without the assistance of the Company. As a result of this determination, the Company recognized the balance of the upfront

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exercise fee during the first quarter of fiscal 2015. This change in estimate results in an increase to license and milestone fees of \$1.7 million for the six months ended December 31, 2014 compared to amounts that would have been recognized pursuant to the Company's previous estimate. The next payment the Company could receive would either be a \$2 million development milestone payment with the initiation of a Phase I clinical trial under the first development and commercialization license taken, or a \$2 million exercise fee for the execution of a second license. At the time of execution of this agreement, there was significant uncertainty as to whether the milestone related to initiation of a Phase I clinical trial under the first development and

commercialization license would be achieved. In consideration of this, as well as the Company's expected involvement in the research and manufacturing of these product candidates, this milestone was deemed substantive.

## Novartis

Novartis had the right to take six exclusive development and commercialization licenses under a right-to-test agreement established in October 2010, and took these licenses prior to the expiration of the agreement in October 2014. The Company received a \$45 million upfront payment in connection with the execution of the right-to-test agreement in 2010, and for each development and commercialization license taken for a specific target, the Company received an exercise fee of \$1 million and is entitled to receive up to a total of \$199.5 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—\$22.5 million; regulatory milestones—\$77 million; and sales milestones—\$100 million. The initial three-year term of the right-to-test agreement was extended by Novartis in October 2013 for an additional one-year period by payment of a \$5 million fee to the Company. The Company also is entitled to receive payments for research and development activities performed on behalf of Novartis. Novartis is responsible for the manufacturing, product development and marketing of any products resulting from this agreement.

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

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

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

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

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

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



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

Upon payment of the extension fee in October 2013, the total arrangement consideration of \$60.2 million (which comprises the \$45 million upfront payment, the amendment fee of \$3.5 million, the \$5 million extension fee, the exercise fee for each license, and the expected fees for the research services to be provided under the remainder of the arrangement) was reallocated to the deliverables based on the relative selling price method as follows: \$55 million to the delivered and undelivered development and commercialization licenses; \$4.5 million to the rights to future technological improvements; and \$710,000 to the research services. The Company recorded \$17.2 million of the \$55 million of the arrangement consideration outlined above for the two development and commercialization licenses taken by Novartis in October 2013 and November 2013, which is included in license and milestone fee revenue for the three and six months ended December 31, 2013, and \$25.7 million for the three development and commercialization licenses taken in October 2014, which is included in license and milestone fee revenue for the three and six months ended December 31, 2014. The Company also recorded a cumulative catch-up of \$1 million for the license delivered in March 2013 and the delivered portion of the license covering future technological improvements, which is included in license and milestone fee revenue for the three and six months ended December 31, 2013.

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

### *Lilly*

Eli Lilly and Company (Lilly) had the right to take three exclusive development and commercialization licenses under a right-to-test agreement established in December 2011, and took these licenses prior to the expiration of the agreement in December 2014. The Company received a \$20 million upfront payment in connection with the execution of the right-to-test agreement in 2011. Under the terms of this right-to-test agreement, the first license had no associated exercise fee, and the second and third licenses each had a \$2 million exercise fee. The first development and commercialization license was taken in August 2013 and the agreement was amended in December 2013 to provide Lilly with an extension provision and retrospectively include a \$2 million exercise fee for the

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first license in lieu of the fee due for either the second or third license. The second and third licenses were taken in December 2014, with one including the \$2 million exercise fee and the other not. Under the two licenses with the \$2 million exercise fee, the Company is entitled to receive up to a total of \$199 million in milestone payments, plus royalties on the commercial sales of any resulting products. Under the license taken in December 2014 without the exercise fee, the Company is entitled to receive up to a total of \$200.5 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—\$29 million for the two development and commercialization licenses with the \$2 million exercise fee, and \$30.5 million for the one development and commercialization license with no exercise fee; regulatory milestones—\$70 million in all cases; and sales milestones—\$100 million in all cases. The next payment the Company could receive would be a \$5 million development milestone payment with the initiation of a Phase I clinical trial under any of these three development and commercialization licenses taken. At the time of execution of this agreement, there was significant uncertainty as to whether these milestones related to initiation of a Phase I clinical trial under the development and commercialization licenses would be achieved. In consideration of this, as well as the Company's expected involvement in the research and manufacturing of these product candidates, these milestones were deemed substantive. The Company also is entitled to receive payments for delivery of cytotoxic agents to Lilly and research and development activities performed on behalf of Lilly. Lilly is responsible for the manufacturing, product development and marketing of any products resulting from this collaboration.

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

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

The estimated selling prices for the development and commercialization licenses are the Company's best estimate of selling price and were determined based on market conditions, similar arrangements entered into by third parties, including pricing terms offered by our competitors for single-target development and commercialization licenses that utilize antibody-drug conjugate technology, and entity-specific factors such as the pricing terms of the Company's previous single-target development and commercialization licenses, recent preclinical and clinical testing results of therapeutic products that use the Company's ADC technology, and the Company's pricing practices and pricing objectives. The estimated selling price of the rights to technological improvements is the Company's best estimate of selling price and was determined by estimating the probability that technological improvements will be made, and the probability that technological improvements made will be used by Lilly. In estimating these probabilities, we considered factors such as the

technology that is the subject of the development and commercialization licenses, our history of making technological improvements, and when such improvements, if any, were likely to occur relative to the stage of development of any product candidates pursuant to the development and commercialization licenses. The company's estimate of probability considered the likely period of time that any improvements would be utilized, which was estimated to be ten years following delivery of a commercialization and development license. The value of any technological improvements made available after this ten year period was considered to be *de minimis* due to the significant additional costs that would be incurred to incorporate such technology into any existing product candidates. The estimate of probability was multiplied by the estimated selling price of the development and commercialization licenses and the resulting cash flow was discounted at a rate of 16%, representing the Company's estimate of its cost of capital at the time. The estimated selling price of the cytotoxic agent was based on third-party evidence given market rates for the manufacture of such cytotoxic agents. The estimated selling price of the research services was based on third-party evidence given the nature of the research services to be performed for Lilly and market rates for similar services.

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The total arrangement consideration of \$28.2 million (which comprises the \$20 million upfront payment, the exercise fee, if any, for each license, the expected fees for the research services to be provided and the cytotoxic agent to be delivered under the arrangement) was allocated to the deliverables based on the relative selling price method as follows: \$23.5 million to the development and commercialization licenses; \$0.6 million to the rights to future technological improvements, \$0.8 million to the sale of cytotoxic agent; and \$3.3 million to the research services. Upon execution of the development and commercialization license taken by Lilly in August 2013, the Company recorded \$7.8 million of the \$23.5 million of the arrangement consideration outlined above, which is included in license and milestone fee revenue for the six month period ended December 31, 2013. With this first development and commercialization license taken, the amount of the total arrangement consideration allocated to future technological improvements will commence to be recognized as revenue ratably over the period the Company is obligated to make available any technological improvements, which is the equivalent to the estimated term of the license. The Company estimates the term of a development and commercialization license to be approximately 25 years, which reflects management's estimate of the time necessary to develop and commercialize therapeutic products pursuant to the license plus the estimated royalty term. The Company will reassess the estimated term at each subsequent reporting period. Upon execution of two development and commercialization licenses taken by Lilly in December 2014, the Company recognized as license revenue the remaining \$15.6 million of arrangement consideration allocated to the development and commercialization licenses. The Company will recognize research services revenue and revenue from the delivery of cytotoxic agents as the related services and cytotoxic agents are delivered.

For additional information related to these agreements, as well as the Company's other significant collaborative agreements, please read Note C, *Agreements* to our consolidated financial statements included within the Company's 2014 Form 10-K.

## C. Capital Stock

### *2001 Non-Employee Director Stock Plan*

During the three and six months ended December 31, 2014, the Company recorded approximately \$29,000 and \$37,000 in expense reduction related to stock units outstanding under the Company's 2001 Non-Employee Director Stock Plan, or the 2001 Plan, compared to \$15,000 and \$12,000 in expense reduction recorded during the three and six months ended December 31, 2013. The value of the stock units are classified as a liability and adjusted to market value at each reporting period as the redemption amount of stock units for this plan will be paid in cash. No stock units have been issued under the 2001 Plan subsequent to June 30, 2004.

### *Compensation Policy for Non-Employee Directors*

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

In addition to the deferred share units, the Non-Employee Directors are now also entitled to receive a fixed number of stock options instead of a fixed grant date fair value of options, determined using the Black-Scholes option pricing model measured on the date of grant, which would be the date of the annual meeting of shareholders. These options vest quarterly over approximately one year from the date of grant. Any new directors will receive a pro-rated award, depending on their date of election to the Board. The directors received a total of 80,000, 80,000 and 41,805 stock options in the six months ended December 31, 2014, and fiscal years 2014 and 2013, respectively, and the related compensation expense for the three and six months ended December 31, 2014 and 2013 is included in the amounts discussed in the "Stock-Based Compensation" section of footnote A above.

During the three and six months ended December 31, 2014, the Company recorded approximately \$118,000 and \$236,000 in compensation expense, respectively, related to deferred share units issued and outstanding under the Company's Compensation Policy for Non-Employee Directors, compared to \$100,000 and \$197,000 in compensation expense recorded during the three and six months ended December 31, 2013.

## D. Cash and Cash Equivalents

As of December 31, 2014 and June 30, 2014, the Company held \$106.6 million and \$142.3 million, respectively, in cash and money market funds consisting principally of U.S. Government-issued securities and high quality, short-term commercial paper which were classified as cash and cash equivalents.

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## E. Commitments and Contingencies



## Leases

Effective July 27, 2007, the Company entered into a lease agreement with Intercontinental Fund III for the rental of approximately 89,000 square feet of laboratory and office space at 830 Winter Street, Waltham, MA through March 2020. The Company uses this space for its corporate headquarters and other operations. In December 2013, the Company modified its lease agreement at 830 Winter Street, Waltham, MA to include approximately 19,000 square feet of additional office space through 2020, concurrent with the remainder of the original lease term. As part of the lease amendment, the Company will receive a construction allowance of approximately \$746,000 to build out office space to the Company's specifications. The Company obtained physical control of the additional space to begin construction in January 2014. In April, 2014, the Company again modified its lease agreement at this site to extend the lease to 2026. The Company may extend the lease for two additional terms of five years. As part of this lease amendment, the Company will receive a construction allowance of approximately \$1.1 million to build out office space to the Company's specifications. The Company is required to pay certain operating expenses for the leased premises subject to escalation charges for certain expense increases over a base amount. The Company entered into a sublease in December 2009 for 14,100 square feet of this space in Waltham through January 2015; however, the Company and the sublessee agreed to end the lease term effective December 31, 2014.

Effective April 2012, the Company entered into a sublease agreement for the rental of 7,310 square feet of laboratory and office space at 830 Winter Street, Waltham, MA from Histogenics Corporation. The term of the sublease is for three years and the Company is required to pay certain operating expenses for the leased premises subject to escalation charges for certain expense increases over a base amount.

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

Effective April 2013, the Company entered into a lease agreement with River Ridge Limited Partnership for the rental of 7,507 square feet of additional office space at 100 River Ridge Drive, Norwood, MA. The initial term of the lease is for five years and two months commencing in July 2013 with an option for the Company to extend the lease for an additional term of five years. The Company is required to pay certain operating expenses for the leased premises subject to escalation charges for certain expense increases over a base amount. The Company entered into a sublease in December 2014 for this space, effective January 2015 through July 2018.

The minimum rental commitments for the Company's facilities, including real estate taxes and other expenses, for the next five fiscal years and thereafter under the non-cancelable operating lease agreements discussed above are as follows (in thousands):

2015 (six months remaining)	\$	3,532
2016		6,926
2017		6,942
2018		7,048
2019		6,237
Thereafter		43,900
Total minimum lease payments	\$	74,585
Total minimum rental payments from sublease		(425)
Total minimum lease payments, net	\$	74,160

There are no obligations under capital leases as of December 31, 2014, as all of the capital leases were single payment obligations which have all been made.

## Collaborations

The Company is contractually obligated to make potential future success-based development, regulatory or sales milestone payments in conjunction with certain collaborative agreements. These payments are contingent upon the occurrence of certain future events and, given the nature of these events, it is unclear when, if ever, the Company may be required to pay such amounts. Further, the timing of any future payment is not reasonably estimable. As of December 31, 2014, the maximum amount that may be payable in

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the future under the Company's current collaborative agreements is \$162 million, \$1.4 million of which is reimbursable by a third party under a separate agreement.

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

### OVERVIEW

Since our inception, we have been principally engaged in the development of novel, antibody-drug conjugates, or ADCs, for the treatment of cancer using our expertise in cancer biology, monoclonal antibodies, highly potent cytotoxic, or cell-killing, agents, and the design of linkers that enable these agents to remain stably attached to the antibodies while in the blood stream and released in their fully active form after delivery to a cancer cell. An anticancer compound made using our ADC technology consists of a monoclonal antibody that binds specifically to an antigen target found on the surface of cancer cells with one of our proprietary cell-killing agents attached to the antibody using one of our engineered linkers. Its antibody component enables an ADC compound to bind specifically to cancer cells that express its target antigen, the highly potent cytotoxic agent serves to kill the cancer cell, and the engineered linker controls the release and activation of the cytotoxic agent inside the cancer cell. With some ADC compounds, the antibody component also has anticancer activity of its own. Our ADC technology is designed to enable the creation of highly effective, well-tolerated anticancer products. All of the ADC compounds currently in clinical testing contain either DM1 or DM4 as the cytotoxic agent. Both DM1 and DM4, collectively DMx, are our proprietary derivatives of a cytotoxic agent called maytansine. We also have developed agents we call IGNs, one of which, DGN462, is used in our preclinical compound IMGN779.

We use our proprietary ADC technology in conjunction with our in-house antibody expertise to develop our own anticancer product candidates. We also enter into agreements that enable companies to use our ADC technology to develop and commercialize product candidates to specified targets. Under the terms of our agreements, we are generally entitled to upfront fees, milestone payments, and royalties on any commercial product sales. In addition, under certain agreements we are compensated for research and development activities performed at our collaborative partner's request at negotiated prices which are generally consistent with what other third parties would charge. We are compensated to manufacture preclinical and clinical materials and deliver cytotoxic agent material at negotiated prices which are generally consistent with what other third parties would charge. Currently, our partners include Amgen, Bayer HealthCare, Biotest, Lilly, Novartis, Roche and Sanofi. We also have a research agreement with CytomX Therapeutics that allows each company to develop antibody-drug conjugates against a specified number of cancer targets using CytomX's Probod<sup>TM</sup> antibody masking technology with our payload agents and engineered linkers. We expect that substantially all of our revenue for the foreseeable future will result from payments under our collaborative arrangements. Details for all of our significant agreements can be found in our 2014 Annual Report on Form 10-K

*Roche*—In May 2000, we granted Genentech, now a unit of Roche, an exclusive license to use our maytansinoid ADC technology with antibodies, such as trastuzumab, or other proteins that target HER2. Under the terms of this agreement, Roche has exclusive worldwide rights to develop and commercialize maytansinoid ADC compounds targeting HER2. In February 2013, the US FDA granted marketing approval to the HER2-targeting ADC compound, Kadcy<sup>la</sup>. Roche received marketing approval for Kadcy<sup>la</sup> in Japan and in the EU in September 2013 and November 2013, respectively, and with each event, we received a \$5 million regulatory milestone payment. Roche is responsible for the manufacturing, product development and marketing of Kadcy<sup>la</sup> and any other products resulting from the agreement. We received a \$2 million non-refundable upfront payment from Roche upon execution of the agreement. We are also entitled to receive up to a total of \$44 million in milestone payments, plus royalties on the commercial sales of Kadcy<sup>la</sup> and any other resulting products. Total milestones are categorized as follows: development milestones—\$13.5 million; and regulatory milestones—\$30.5 million. Through December 31, 2014, we have received and recognized \$13.5 million and \$20.5 million in development and regulatory milestone payments, respectively, related to Kadcy<sup>la</sup>. Included in license and milestone fees for the three and six months ended December 31, 2013 is the \$5 million milestone payment for marketing approval of Kadcy<sup>la</sup> in the EU and included in license and milestone fees for the six months ended December 31, 2013 is the \$5 million milestone payment for marketing approval of Kadcy<sup>la</sup> in Japan.

We receive royalty reports and payments related to sales of Kadcy<sup>la</sup> from Roche one quarter in arrears. In accordance with our revenue recognition policy, \$4.6 million of royalties on net sales of Kadcy<sup>la</sup> for the three-month period ended September 30, 2014 were recorded and included in royalty revenue for the three months ended December 31, 2014 and \$8.8 million of royalties on net sales of Kadcy<sup>la</sup> for the six-month period ended September 30, 2014 were included in royalty revenue for the six months ended December 31, 2014 compared to \$2.3 million of royalties on net sales of Kadcy<sup>la</sup> for the three-month period ended September 30, 2013 which is included in royalty revenue for the three months ended December 31, 2013 and \$4.4 million of royalties on net sales of Kadcy<sup>la</sup> for the six-month period ended September 30, 2013 which is included in royalty revenue for the six months ended December 31, 2013.

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*Amgen*— Under a now-expired right-to-test agreement entered into with Amgen in December 2000, in September 2009, November 2009 and December 2012, Amgen took three exclusive development and commercialization licenses, for which we received an exercise fee of \$1 million for each license taken. In May 2013, Amgen took one non-exclusive development and commercialization license, for which we received an exercise fee of \$500,000. In October 2013, the non-exclusive license was amended and converted to an exclusive license, for which Amgen paid an additional \$500,000 fee to us. For each of these development and commercialization license taken, we are entitled to receive up to a total of \$34 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones per exclusive development and commercialization license are categorized as follows: development milestones—\$9 million; regulatory milestones—\$20 million; and sales milestones—\$5 million.

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

The outstanding licenses, including the exclusive license delivered upon the signing of the amendment, contain the rights to future technological improvements as well as options to purchase materials and research and development services. We concluded that additional materials and research and development services would be paid at a contractual price equal to the estimated selling price based estimated prices that would be charged by third parties for similar services. The estimated selling price of the right to technological improvements is the Company's best estimate of selling price and was determined by estimating the probability that technological improvements will be made and the probability that such technological improvements made will be used by Amgen. The \$430,000 determined to be the estimated selling price of the future technological improvements is being recognized as revenue ratably over the period we are obligated to make available any technological improvements, which is equivalent to the estimated term of the agreement, or 25 years. After accounting for the undelivered elements at the estimated selling price, we had \$2.2 million of remaining allocable consideration which was determined to represent consideration for the previously delivered elements, including the exclusive license that was delivered upon the execution of the modification. This amount was recorded as revenue and is included in license and milestone fees for the three and six months ended December 31, 2013.

*Sanofi*— In July 2003, we entered into a broad collaboration agreement with Sanofi (formerly Aventis) to discover, develop and commercialize antibody-based products. The collaboration agreement provides Sanofi with worldwide development and commercialization rights to new antibody-based products directed to targets that are included in the collaboration, including the exclusive right to use our maytansinoid ADC technology in the creation of products developed to these targets. The product candidates (targets) as of December 31, 2014 in the collaboration include SAR3419 (CD19), SAR650984 (CD38), SAR566658 (CA6), SAR408701 (CEACAM5) and one earlier-stage compound that has yet to be disclosed.

We are entitled to receive milestone payments potentially totaling \$21.5 million, per target, payments, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—\$7.5 million; and regulatory milestones—\$14 million. Through December 31, 2014, the Company has received and recognized an aggregate of \$20.5 million in milestone payments for compounds covered under this agreement now or in the past, including a \$3 million development milestone related to initiation of a Phase IIb clinical trial (as defined in the agreement) for SAR650984 and a \$1 million development milestone related to initiation of a Phase I clinical trial for SAR408701 which are included in license and milestone fee revenue for the six months ended December 31, 2014.

In December 2006, we entered into a right-to-test agreement with Sanofi. The agreement provides Sanofi with the right to (a) test our maytansinoid ADC technology with Sanofi's antibodies to targets under a right-to-test, or research, license, (b) take exclusive options, with certain restrictions, to specified

targets for specified option periods and (c) upon exercise of those options, take exclusive licenses to use the Company's maytansinoid ADC technology to develop and commercialize products directed to the specified targets on terms agreed upon at the inception of the right-to-test agreement. Sanofi no longer has the right to take additional options under the agreement, although multiple outstanding options remain in effect for the remainder of their respective option periods. For each development and commercialization license taken, we are entitled to receive an exercise fee of \$2 million and up to a total of \$30 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—\$10 million; and regulatory milestones—\$20 million.

In December 2013, Sanofi took its first exclusive development and commercialization license under the right-to-test agreement, for which we received an exercise fee of \$2 million and was recognizing this amount as revenue ratably over our estimated period of its substantial involvement. We had previously estimated this development period would conclude at the end of non-pivotal

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**Phase II testing.** During the first quarter of fiscal 2015, we determined we will not be substantially involved in the development and commercialization of the product based on Sanofi's current plans to develop and manufacture the product without our assistance. As a result of this determination, we recognized the balance of the upfront exercise fee during the current period. This change in estimate results in an increase to license and milestone fees of \$1.7 million for the six months ended December 31, 2014 compared to amounts that would have been recognized pursuant to our previous estimate.

**Novartis**—Under a now-expired right-to-test agreement, Novartis has taken six exclusive development and commercialization licenses. We received a \$45 million upfront payment in connection with the execution of the right-to-test agreement, and for each development and commercialization license for a specific target, we received an exercise fee of \$1 million and are entitled to receive up to a total of \$199.5 million in milestone payments, plus royalties on the commercial sales of any resulting products. The initial three-year term of the right-to-test agreement was extended by Novartis in October 2013 for an additional one-year period by payment of a \$5 million fee to us. The total milestones are categorized as follows: development milestones—\$22.5 million; regulatory milestones—\$77 million; and sales milestones—\$100 million. In January 2015, Novartis initiated Phase I, first-in-human clinical testing of its product candidate, LOP628, triggering a \$5 million development milestone payment to us.

In accordance with our revenue recognition policy, we recorded \$17.2 million of revenue for the two development and commercialization licenses taken by Novartis in October 2013 and November 2013, which is included in license and milestone fee revenue for the three and six months ended December 31, 2013, and \$25.7 million for the three development and commercialization licenses taken in October 2014, which is included in license and milestone fee revenue for the three and six months ended December 31, 2014. We also recorded a cumulative catch-up of \$1 million for the license delivered in March 2013 and the delivered portion of the license covering future technological improvements, which is included in license and milestone fee revenue for the three and six months ended December 31, 2013.

**Lilly**—Under a now-expired right-to-test agreement executed in December 2011, Lilly has taken three exclusive development and commercialization licenses. We received a \$20 million upfront payment in connection with the execution of the right-to-test agreement, and for the first development and commercialization license taken in August 2013 and amended in December 2013, we received an exercise fee in the amount of \$2 million and are entitled to receive up to a total of \$199 million in milestone payments, plus royalties on the commercial sales of any resulting products. The second and third exclusive licenses were taken in December 2014, one of which we received an exercise fee in the amount of \$2 million and are entitled to receive up to a total of \$199 million in milestone payments, plus royalties on the commercial sales of any resulting products. For the third license taken in December 2014, for which we did not receive an exercise fee of \$2 million, we are entitled to receive up to a total of \$200.5 million in milestone payments, plus royalties on the commercial sales of any resulting products. The total milestones are categorized as follows: development milestones—\$29 million for the two development and commercialization licenses with the \$2 million exercise fee, and \$30.5 million for the one development and commercialization license with no exercise fee; regulatory milestones—\$70 million in all cases; and sales milestones—\$100 million in all cases.

In accordance with our revenue recognition policy, upon execution of the development and commercialization license taken by Lilly in August 2013, we recorded \$7.8 million of revenue which is included in license and milestone fee revenue for the six months ended December 31, 2013. Upon execution of two development and commercialization licenses taken by Lilly in December 2014, we recorded \$15.6 million of revenue which is included in license and milestone fee revenue for the three and six months ended December 31, 2014.

To date, we have not generated revenues from commercial sales of internal products and we expect to incur significant operating losses for the foreseeable future. As of December 31, 2014, we had approximately \$106.6 million in cash and cash equivalents compared to \$142.3 million in cash and cash equivalents as of June 30, 2014.

We anticipate that future cash expenditures will be partially offset by collaboration-derived proceeds, including milestone payments, royalties and upfront fees. Accordingly, period-to-period operational results may fluctuate dramatically based upon the timing of receipt of the proceeds. We believe that our established collaborative agreements, while subject to specified milestone achievements, will provide funding to assist us in meeting obligations under our collaborative agreements while also assisting in providing funding for the development of internal product candidates and technologies. However, we can give no assurances that such collaborative agreement funding will, in fact, be realized in the time frames we expect, or at all. Should we or our partners not meet some or all of the terms and conditions of our various collaboration agreements, we may be required to secure alternative financing arrangements, find additional partners and/or defer or limit some or all of our research, development and/or clinical projects. However, we cannot provide assurance that any such opportunities presented by additional partners or alternative financing arrangements will be entirely available to us, if at all.

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*Critical Accounting Policies*

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to our collaborative agreements,

clinical trial accruals, inventory and stock-based compensation. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

There were no significant changes to our critical accounting policies from those disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

## RESULTS OF OPERATIONS

### Comparison of Three Months ended December 31, 2014 and 2013

#### Revenues

Our total revenues for the three months ended December 31, 2014 and 2013 were \$48.3 million and \$30.1 million, respectively. The \$18.2 million increase in revenues in the three months ended December 31, 2014 from the same period in the prior year is attributable to an increase in license and milestone fees, royalty revenue and clinical materials revenue, partially offset by a decrease in research and development support revenue, all of which are discussed below.

Revenues from license and milestone fees for the three months ended December 31, 2014 increased \$15.7 million to \$41.4 million from \$25.7 million in the same period ended December 31, 2013. Included in license and milestone fees for the three months ended December 31, 2014 is \$15.6 million of license revenue earned upon the execution of two development and commercialization licenses by Lilly and \$25.7 million of license revenue earned upon the execution of three development and commercialization licenses by Novartis. Included in license and milestone fees for the three months ended December 31, 2013 is a \$5 million regulatory milestone achieved under our collaboration agreement with Roche, \$18.2 million of license revenue earned upon the execution of two development and commercialization licenses and a one-year extension of the original term of the multi-target agreement by Novartis and \$2.2 million of revenue from Amgen related to a modification of an existing arrangement. The amount of license and milestone fees we earn is directly related to the number of our collaborators, the collaborators' advancement of the product candidates, and the overall success in the clinical trials of the product candidates. As such, the amount of license and milestone fees may vary significantly from quarter to quarter and year to year. Total revenue from license and milestone fees recognized from each of our collaborative partners in the three-month periods ended December 31, 2014 and 2013 is included in the following table (in thousands):

License and Milestone Fees	Three Months Ended December 31,	
	2014	2013
Collaborative Partner:		
Amgen	\$ 5	\$ 2,227
Biotest	6	7
Lilly	15,627	6
Novartis	25,779	18,221
Sanofi	—	217
Roche	—	5,000
Total	\$ 41,417	\$ 25,678

Deferred revenue of \$22.1 million as of December 31, 2014 primarily represents consideration received from our collaborators pursuant to our license agreements, which we have yet to earn pursuant to our revenue recognition policy. Included within this amount is \$13 million of non-cash consideration recorded in connection with our arrangement with CytomX.

In February 2013, the U.S. FDA granted marketing approval to Kadcyla, a product resulting from one of our development and commercialization licenses with Roche, through its Genentech unit. We receive royalty reports and payments related to sales of Kadcyla from Roche one quarter in arrears. In accordance with our revenue recognition policy, \$4.6 million of royalties on net sales of Kadcyla for the three-month period ended September 30, 2014 were recorded and included in royalty revenue for the three months ended December 31, 2014 and \$2.3 million of royalties on net sales of Kadcyla for the three-month period ended September 30, 2013 is included in royalty revenue for the three months ended December 31, 2013. We expect royalty revenue to increase in future periods as the underlying net sales of Kadcyla increase.

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Research and development support revenue was \$832,000 for the three months ended December 31, 2014 compared with \$1.9 million for the three months ended December 31, 2013. These amounts primarily represent research funding earned based on actual resources utilized under our agreements with our collaborators shown in the table below. Also included in research and development support revenue are fees for developing antibody-specific conjugation processes on behalf of our collaborators and potential collaborators during the early evaluation and preclinical testing stages of drug development. The amount of research and development support revenue we earn is directly related to the number of our collaborators and potential collaborators, the stage of development of our collaborators' product candidates and the resources our collaborators allocate to the development effort. As such, the amount of research and development support revenue may vary widely from quarter to quarter and year to year. Total revenue recognized from research and development support from each of our collaborative partners in the three-month periods ended December 31, 2014 and 2013 is included in the following table (in thousands):

Research and Development Support	Three Months Ended December 31,	
	2014	2013
Collaborative Partner:		
Amgen	\$ 19	\$ 204
Biotest	70	225
Lilly	464	612
Novartis	259	870
Other	20	11
Total	\$ 832	\$ 1,922

Clinical materials revenue was \$1.4 million for the three months ended December 31, 2014 compared with \$125,000 for the three months ended December 31, 2013. We are compensated at negotiated prices which are generally consistent with what other third-parties would charge. The amount of clinical materials revenue we earn, and the related cost of clinical materials charged to research and development expense, is directly related to the number of clinical trials our collaborators who use us to manufacture clinical materials are preparing or have underway, the speed of enrollment in those trials, the dosage schedule of each clinical trial and the time period, if any, during which patients in the trial receive clinical benefit from the clinical materials, and the demand our collaborators have for clinical-grade material for process development and analytical purposes. As such, the amount of clinical materials revenue and the related cost of clinical materials charged to research and development expense may vary significantly from quarter to quarter and year to year.

### *Research and Development Expenses*

Our research and development expenses relate to (i) research to evaluate new targets and to develop and evaluate new antibodies, linkers and cytotoxic agents, (ii) preclinical testing of our own and, in certain instances, our collaborators' product candidates, and the cost of our own clinical trials, (iii) development related to clinical and commercial manufacturing processes and (iv) manufacturing operations which also includes raw materials.

Research and development expense for the three months ended December 31, 2014 increased \$6.8 million to \$27.7 million from \$20.9 million for the three months ended December 31, 2013. The increase was primarily attributable to: (i) increased third-party costs related to the advancement of our internal products; (ii) increased clinical trial costs, particularly related to our IMGN853 and IMGN529 studies; (iii) an increase in cost of clinical materials revenue due to timing of orders of such clinical materials from our partners; (iv) an increase in facility-related expenses due primarily to additional laboratory and office space occupied in July 2014 and increased depreciation and amortization related to major capital equipment and improvements; and (v) salaries and related expenses increased due primarily to additional headcount. The number of our research and development personnel increased to 268 as of December 31, 2014 compared to 256 at December 31, 2013. A more detailed discussion of research and development expense in the period follows.

We are unable to accurately estimate which potential product candidates, if any, will eventually move into our internal preclinical research program. We are unable to reliably estimate the costs to develop these products as a result of the uncertainties related to discovery research efforts as well as preclinical and clinical testing. Our decision to move a product candidate into the clinical development phase is predicated upon the results of preclinical tests. We cannot accurately predict which, if any, of the discovery stage product candidates will advance from preclinical testing and move into our internal clinical development program. The clinical trial and regulatory approval processes for our product candidates that have advanced or that we intend to advance to clinical testing are lengthy, expensive and uncertain in both timing and outcome. As a result, the pace and timing of the clinical development of our product candidates is highly uncertain and may not ever result in approved products. Completion dates and development costs will vary significantly for each product candidate and are difficult to predict. A variety of factors, many of which

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are outside our control, could cause or contribute to the prevention or delay of the successful completion of our clinical trials, or delay or prevent our obtaining necessary regulatory approvals. The costs to take a product through clinical trials are dependent upon, among other factors, the clinical indications, the timing, size and design of each clinical trial, the number of patients enrolled in each trial, and the speed at which patients are enrolled and treated. Product candidates may be found to be ineffective or to cause unacceptable side effects during clinical trials, may take longer to progress through clinical trials than anticipated, may fail to receive necessary regulatory approvals or may prove impractical to manufacture in commercial quantities at reasonable cost or with acceptable quality.

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

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

<b>Research and Development Expense</b>	<b>Three Months Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Research	\$ 4,604	\$ 4,144
Preclinical and Clinical Testing	11,024	7,320
Process and Product Development	1,990	1,962
Manufacturing Operations	10,029	7,436
<b>Total Research and Development Expense</b>	<b>\$ 27,647</b>	<b>\$ 20,862</b>

*Research:* Research includes expenses primarily associated with activities to identify and evaluate new targets and to develop and evaluate new antibodies, linkers and cytotoxic agents for our products and in support of our collaborators. Such expenses primarily include personnel, contract services, research licensing fees, facilities and lab supplies. Research expenses for the three months ended December 31, 2014 increased \$460,000 compared to the three months ended December 31, 2013. This increase is primarily the result of an increase in salaries and related expenses, an increase in facility-related expenses and an increase in contract service expense. We expect research expenses for fiscal 2015 to be significantly lower than fiscal 2014 due to the \$12.8 million non-cash charge recorded for technology rights obtained under the collaboration agreement executed with CytomX in fiscal 2014. No similar charges are expected to be incurred during fiscal 2015.

*Preclinical and Clinical Testing:* Preclinical and clinical testing includes expenses related to preclinical testing of our own and, in certain instances, our collaborators' product candidates, regulatory activities, and the cost of our own clinical trials. Such expenses include personnel, patient enrollment at our clinical testing sites, consultant fees, contract services, and facility expenses. Preclinical and clinical testing expenses for the three months ended December 31, 2014 increased \$3.7 million to \$11 million compared to \$7.3 million for the three months ended December 31, 2013. This increase is primarily the result of an increase in contract service expense driven primarily by increased study activities related to IMGN853 and IMGN289 and increased clinical trial costs primarily due to higher patient enrollment and costs associated with the IMGN853 study and costs incurred in the current period to transfer site and data management responsibilities for the IMGN529 study to a new vendor. Salaries and related expenses and facility-related expenses also marginally



increased during the current period. We expect preclinical and clinical testing expenses for fiscal 2015 to be significantly higher than fiscal 2014 due to increased activities to advance our wholly owned product candidates.

*Process and Product Development:* Process and product development expenses include costs for development of clinical and commercial manufacturing processes for our own and collaborator compounds. Such expenses include the costs of personnel, contract services and facility expenses. For the three months ended December 31, 2014, total development expenses increased \$28,000 compared to the three months ended December 31, 2013. We expect process and product development expenses for fiscal 2015 to be marginally higher than fiscal 2014.

*Manufacturing Operations:* Manufacturing operations expense includes costs to manufacture preclinical and clinical materials for our own and our collaborator's product candidates, and quality control and quality assurance activities and costs to support the operation and maintenance of our conjugate manufacturing facility. Such expenses include personnel, raw materials for our and our collaborators' preclinical studies and clinical trials, development costs with contract manufacturing organizations, manufacturing supplies, and facilities expense. For the three months ended December 31, 2014, manufacturing operations expense

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increased \$2.6 million to \$10 million compared to \$7.4 million in the same period last year. The increase in the three months ended December 31, 2014 as compared to the three months ended December 31, 2013 is primarily the result of (i) an increase in cost of clinical materials revenue charged to research and development expense due to timing of orders of such clinical materials from our partners; (ii) an increase in contract service expense driven by increased fill/finish activities and developing third-party conjugation capabilities for our internal products; (iii) an increase in costs capitalized into inventory due to a greater number of manufactured batches of conjugated materials on behalf of our collaborators; and (iv) an increase in salaries and related expenses. We expect manufacturing operations expense for fiscal 2015 to be significantly higher than fiscal 2014 due primarily to increased activities to advance our wholly owned product candidates.

*General and Administrative Expenses*

General and administrative expenses for the three months ended December 31, 2014 increased \$1.5 million to \$6.9 million compared to \$5.4 million in the same period last year. This increase is primarily due to increases in salaries and related expenses and patent expenses. We expect general and administrative expenses for fiscal 2015 to be higher than fiscal 2014 due primarily to increased salaries and related expenses, patent activities and other professional services.

*Other (Expense) Income, net*

Other (expense) income, net for the three months ended December 31, 2014 and 2013 is included in the following table (in thousands):

<b>Other (Expense) Income, net</b>	<b>Three Months Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Interest Income	\$ 14	\$ 10
Other (Expense) Income, net	(160)	52
<b>Total Other (Expense) Income, net</b>	<b>\$ (146)</b>	<b>\$ 62</b>

The change in other (expense) income, net is primarily due to an increase in foreign currency exchange losses related to obligations with non-U.S. dollar-based suppliers and euros held by the Company to manage the foreign currency exposures related to these obligations. We incurred \$(166,000) and \$52,000 in foreign currency exchange (losses) and gains during the three months ended December 31, 2014 and 2013, respectively.

**Comparison of Six Months ended December 31, 2014 and 2013**

*Revenues*

Our total revenues for the six months ended December 31, 2014 and 2013 were \$61.5 million and \$47.3 million, respectively. The \$14.2 million increase in revenues in the six months ended December 31, 2014 from the same period in the prior year is attributable to an increase in license and milestone fees, royalty revenue and clinical materials revenue, partially offset by a decrease in research and development support revenue, all of which are discussed below.

Revenues from license and milestone fees for the six months ended December 31, 2014 increased \$8.8 million to \$47.7 million from \$38.9 million in the same period ended December 31, 2013. Included in license and milestone fees for the six months ended December 31, 2014 is \$15.6 million of license revenue earned upon the execution of two development and commercialization licenses by Lilly, \$25.7 million of license revenue earned upon the execution of three development and commercialization licenses by Novartis and \$4 million in development milestones achieved under our collaboration agreement with Sanofi. Also, during the current period, we made a change in estimate to our period of substantial involvement as it relates to an exclusive license with Sanofi which resulted in an increase to license and milestone fees of \$1.7 million for the current period compared to amounts that would have been recognized pursuant to the Company's previous estimate. Included in license and milestone fees for the six months ended December 31, 2013 is \$7.8 million of license revenue earned upon the execution of a development and commercialization license by Lilly, two \$5 million regulatory milestones achieved under our collaboration agreement with Roche, \$18.2 million of license revenue earned upon the execution of two development and commercialization licenses and a one-year extension of the original term of the multi-target agreement by Novartis and \$2.2 million of revenue from Amgen related to a modification of an existing arrangement. The amount of license and milestone fees we earn is directly related to the number of our collaborators, the collaborators' advancement of the product candidates, and the overall success in the clinical trials of the product candidates. As such, the amount of license and milestone fees may vary significantly from quarter to quarter and year to year. Total revenue from license and milestone fees recognized from each of our collaborative partners in the six-month periods ended December 31, 2014 and 2013 is included in the following table (in thousands):



License and Milestone Fees	Six Months Ended December 31,	
	2014	2013
Collaborative Partner:		
Amgen	\$ 9	\$ 2,343
Biotest	12	13
Janssen	241	—
Lilly	15,633	7,818
Novartis	25,824	18,262
Sanofi	5,932	409
Roche	—	10,000
Total	<u>\$ 47,651</u>	<u>\$ 38,845</u>

In February 2013, the U.S. FDA granted marketing approval to Kadcyla, a product resulting from one of our development and commercialization licenses with Roche, through its Genentech unit. We receive royalty reports and payments related to sales of Kadcyla from Roche one quarter in arrears. In accordance with our revenue recognition policy, \$8.8 million of royalties on net sales of Kadcyla for the six-month period ended September 30, 2014 were recorded and included in royalty revenue for the six months ended December 31, 2014 and \$4.4 million of royalties on net sales of Kadcyla for the six-month period ended September 30, 2013 is included in royalty revenue for the six months ended December 31, 2013. We expect royalty revenue to increase in future periods as the underlying net sales of Kadcyla increase.

Research and development support revenue was \$1.6 million for the six months ended December 31, 2014 compared with \$3.9 million for the six months ended December 31, 2013. These amounts primarily represent research funding earned based on actual resources utilized under our agreements with our collaborators shown in the table below. Also included in research and development support revenue are fees for developing antibody-specific conjugation processes on behalf of our collaborators and potential collaborators during the early evaluation and preclinical testing stages of drug development. The amount of research and development support revenue we earn is directly related to the number of our collaborators and potential collaborators, the stage of development of our collaborators' product candidates and the resources our collaborators allocate to the development effort. As such, the amount of research and development support revenue may vary widely from quarter to quarter and year to year. Total revenue recognized from research and development support from each of our collaborative partners in the six-month periods ended December 31, 2014 and 2013 is included in the following table (in thousands):

Research and Development Support	Six Months Ended December 31,	
	2014	2013
Collaborative Partner:		
Amgen	\$ 38	\$ 270
Biotest	180	464
Lilly	873	1,140
Novartis	456	2,025
Other	61	13
Total	<u>\$ 1,608</u>	<u>\$ 3,912</u>

Clinical materials revenue was \$3.5 million for the six months ended December 31, 2014 compared with \$133,000 for the six months ended December 31, 2013. We are compensated at negotiated prices which are generally consistent with what other third-parties would charge. The amount of clinical materials revenue we earn, and the related cost of clinical materials charged to research and development expense, is directly related to the number of clinical trials our collaborators who use us to manufacture clinical materials are preparing or have underway, the speed of enrollment in those trials, the dosage schedule of each clinical trial and the time period, if any, during which patients in the trial receive clinical benefit from the clinical materials, and the demand our collaborators have for clinical-grade material for process development and analytical purposes. As such, the amount of clinical materials revenue and the related cost of clinical materials charged to research and development expense may vary significantly from quarter to quarter and year to year.

#### *Research and Development Expenses*

Research and development expense for the six months ended December 31, 2014 increased \$12.8 million to \$55.7 million from \$42.9 million for the six months ended December 31, 2013. The increase was primarily attributable to: (i) increased third-party costs related to the advancement of our internal products; (ii) an increase in cost of clinical materials revenue due to timing of orders

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of such clinical materials from our partners; (iii) an increase in facility-related expenses due primarily to additional laboratory and office space occupied in July 2014 and increased depreciation and amortization related to major capital equipment and improvements; and (iv) salaries and related expenses increased due primarily to additional headcount, increased incentive compensation and increased stock compensation costs. A more detailed discussion of research and development expense in the period follows.

We are unable to accurately estimate which potential product candidates, if any, will eventually move into our internal preclinical research program. We are unable to reliably estimate the costs to develop these products as a result of the uncertainties related to discovery research efforts as well as preclinical and clinical testing. Our decision to move a product candidate into the clinical development phase is predicated upon the results of preclinical tests. We cannot accurately predict which, if any, of the discovery stage product candidates will advance from preclinical testing and move into our internal clinical development program. The clinical trial and regulatory approval processes for our product candidates that have advanced or that we intend to advance to clinical testing are lengthy, expensive and uncertain in both timing and outcome. As a result, the pace and timing of the clinical development of our product candidates is highly uncertain and may not ever result in approved products. Completion dates and development costs will vary significantly for each product candidate and are difficult to predict. A variety of factors, many of which are outside our control, could cause or contribute to the prevention or delay of the successful completion of our clinical trials, or delay or prevent our obtaining necessary regulatory approvals. The costs to take a product through clinical trials are dependent upon, among other factors, the clinical indications, the timing, size and design of each clinical trial, the number of patients enrolled in each trial, and the speed at which patients are enrolled and treated. Product candidates may be found to be ineffective or to cause unacceptable side effects during clinical trials, may take longer to progress through clinical trials than anticipated, may fail to receive necessary regulatory approvals or may prove impractical to manufacture in commercial quantities at reasonable cost or with acceptable quality.

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

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

<b>Research and Development Expense</b>	<b>Six Months Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Research	\$ 9,592	\$ 8,702
Preclinical and Clinical Testing	21,216	15,932
Process and Product Development	4,244	4,000
Manufacturing Operations	20,613	14,257
<b>Total Research and Development Expense</b>	<b>\$ 55,665</b>	<b>\$ 42,891</b>

**Research:** Research includes expenses primarily associated with activities to identify and evaluate new targets and to develop and evaluate new antibodies, linkers and cytotoxic agents for our products and in support of our collaborators. Such expenses primarily include personnel, contract services, research licensing fees, facilities and lab supplies. Research expenses for the six months ended December 31, 2014 increased \$890,000 compared to the six months ended December 31, 2013. This increase is primarily the result of an increase in salaries and related expenses, an increase in facility-related expenses and an increase in contract service expense. We expect research expenses for fiscal 2015 to be significantly lower than fiscal 2014 due to the \$12.8 million non-cash charge recorded for technology rights obtained under the collaboration agreement executed with CytomX in fiscal 2014. No similar charges are expected to be incurred during fiscal 2015.

**Preclinical and Clinical Testing:** Preclinical and clinical testing includes expenses related to preclinical testing of our own and, in certain instances, our collaborators' product candidates, regulatory activities, and the cost of our own clinical trials. Such expenses include personnel, patient enrollment at our clinical testing sites, consultant fees, contract services, and facility expenses. Preclinical and clinical testing expenses for the six months ended December 31, 2014 increased \$5.3 million to \$21.2 million compared to \$15.9 million for the six months ended December 31, 2013. This increase is primarily the result of higher salaries and related expenses, an increase in facility-related expenses, and an increase in contract service expense driven primarily by increased study activities related to IMGN853 and IMGN289. We expect preclinical and clinical testing expenses for fiscal 2015 to be significantly higher than fiscal 2014 due to increased activities to advance our wholly owned product candidates.

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**Process and Product Development:** Process and product development expenses include costs for development of clinical and commercial manufacturing processes for our own and collaborator compounds. Such expenses include the costs of personnel, contract services and facility expenses. For the six months ended December 31, 2014, total development expenses increased \$244,000 compared to the six months ended December 31, 2013. This increase is primarily the result of an increase in salaries and related expenses and facility-related expenses. We expect process and product development expenses for fiscal 2015 to be marginally higher than fiscal 2014.

**Manufacturing Operations:** Manufacturing operations expense includes costs to manufacture preclinical and clinical materials for our own and our collaborator's product candidates, and quality control and quality assurance activities and costs to support the operation and maintenance of our conjugate manufacturing facility. Such expenses include personnel, raw materials for our and our collaborators' preclinical studies and clinical trials, development costs with contract manufacturing organizations, manufacturing supplies, and facilities expense. For the six months ended December 31, 2014, manufacturing operations expense increased \$6.3 million to \$20.6 million compared to \$14.3 million in the same period last year. The increase in the six months ended December 31, 2014 as compared to the six months ended December 31, 2013 is primarily the result of i) an increase in cost of clinical materials revenue charged to research and development expense due to timing of orders of such clinical materials from our partners; (ii) an increase in contract service expense driven by increased fill/finish activities and developing third-party conjugation capabilities for our internal products; and (iii) an increase in salaries and related expenses. We expect manufacturing operations expense for fiscal 2015 to be significantly higher than fiscal 2014 due primarily to increased activities to advance our wholly owned product candidates.

**General and Administrative Expenses**

General and administrative expenses for the six months ended December 31, 2014 increased \$2 million to \$14 million compared to \$12 million in the same period last year. This increase is primarily due to increases in salaries and related expenses and patent expenses. We expect general and administrative expenses for fiscal 2015 to be higher than fiscal 2014 due primarily to increased salaries and related expenses, patent activities and other professional services.

**Other (Expense) Income, net**

Other (expense) income, net for the six months ended December 31, 2014 and 2013 is included in the following table (in thousands):

<b>Other (Expense) Income, net</b>	<b>Six Months Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Interest Income	\$ 22	\$ 21
Other (Expense) Income, net	(540)	151
<b>Total Other (Expense) Income, net</b>	<b>\$ (518)</b>	<b>\$ 172</b>

The change in other (expense) income, net is primarily due to an increase in foreign currency exchange losses related to obligations with non-U.S. dollar-based suppliers and euros held by the Company to manage the foreign currency exposures related to these obligations. We incurred \$(547,000) and

\$149,000 in foreign currency exchange (losses) and gains during the six months ended December 31, 2014 and 2013, respectively.

## LIQUIDITY AND CAPITAL RESOURCES

	As of	
	December 31, 2014	June 30, 2014
	(In thousands)	
Cash and cash equivalents	\$ 106,604	\$ 142,261
Working capital	94,720	129,502
Shareholders' equity	77,470	75,699

  

	Six Months Ended December 31,	
	2014	2013
	(In thousands)	
Cash used for operating activities	\$ (34,383)	\$ (21,629)
Cash used for investing activities	(2,590)	(2,298)
Cash provided by financing activities	1,316	7,055

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#### *Cash Flows*

We require cash to fund our operating expenses, including the advancement of our own clinical programs, and to make capital expenditures. Historically, we have funded our cash requirements primarily through equity financings in public markets and payments from our collaborators, including license fees, milestones, research funding and more recently, royalties. As of December 31, 2014, we had approximately \$106.6 million in cash and cash equivalents. Net cash used for operations was \$34.4 million and \$21.6 million for the six months ended December 31, 2014 and 2013, respectively. The principal use of cash for operating activities for both periods presented was to fund our net loss.

Net cash used for investing activities was \$2.6 million and \$2.3 million for the six months ended December 31, 2014 and 2013, respectively, and represents cash outflows for capital expenditures, primarily for the purchase of new equipment and leasehold improvements.

Net cash provided by financing activities was \$1.3 million and \$7.1 million for the six months ended December 31, 2014 and 2013, respectively, which represents proceeds from the exercise of approximately 177,000 and 861,000 stock options, respectively.

We anticipate that our current capital resources and expected future collaborator payments under existing collaborations will enable us to meet our operational expenses and capital expenditures partway through fiscal year 2016. However, we cannot provide assurance that such future collaborative agreement funding will, in fact, be received. Should we or our partners not meet some or all of the terms and conditions of our various collaboration agreements, 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*

There have been no material changes to our contractual obligations during the current period from those disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

#### *Recent Accounting Pronouncements*

In May 2014, the FASB issued Accounting Standards Update 2014-9, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles for recognizing revenue. This update provides a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. This guidance is effective for annual reporting beginning after December 15, 2016, including interim periods within the year of adoption, and allows for either full retrospective or modified retrospective application, with early adoption not permitted. Accordingly, the standard is effective for us on July 1, 2017. We are currently evaluating the adoption method we will apply and the impact that this guidance will have on our financial statements and related disclosures.

In August 2014, the FASB issued Accounting Standards Update 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This new standard gives a company's management the final responsibilities to decide whether there's substantial doubt about the company's ability to continue as a going concern and to provide related footnote disclosures. The standard provides guidance to management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that companies commonly provide in their footnotes. Under the new standard, management must decide whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the company's ability to continue as a going concern within one year after the date that the financial statements are issued, or within one year after the date that the financial statements are available to be issued when applicable. This guidance is effective for annual reporting beginning after December 15, 2016, including interim periods within the year of adoption, with early application permitted. Accordingly, the standard is effective for us on July 1, 2017. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

#### *Forward-Looking Statements*

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

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These forward-looking statements can be identified by their use of terms and phrases, such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will” and other similar terms and phrases, including references to assumptions. They may also use words such as “will,” “would,” “should,” “could” or “may”. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those contemplated by our forward-looking statements. These known and unknown risks, uncertainties and other factors are described in detail in the “Risk Factors” section and in other sections of this Annual Report on Form 10-K for the year ended June 30, 2014. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

*Kadcyla*<sup>®</sup> is a registered trademark of Genentech, Inc., a member of the Roche Group.  
*Probody*<sup>™</sup> is a trademark of CytomX Therapeutics, Inc.

## OFF-BALANCE SHEET ARRANGEMENTS

None.

### ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

Our market risks, and the ways we manage them, are summarized in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2014. Since then there have been no material changes to our market risks or to our management of such risks.

### ITEM 4. Controls and Procedures

#### (a) Disclosure Controls and Procedures

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

#### (b) Changes in Internal Controls

There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1A. Risk Factors

You should carefully review and consider the information regarding certain factors that could materially affect our business, financial condition or future results set forth under Item 1A. (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014. There have been no material changes from the factors disclosed in our 2014 Annual Report on Form 10-K, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the Securities and Exchange Commission.

### ITEM 6. Exhibits

Exhibit No.	Description
10.1*	Amendment No. 2, dated December 10, 2014, to Collaborative Development and License Agreement by and between the Registrant and Biotest AG
10.2	Employment offer letter between the Registrant and Richard J. Gregory
10.3	Change in Control Severance Agreement dated as of January 5, 2015 between the Registrant and Richard J. Gregory
31.1	Certification of Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32†	Certifications of Principal Executive Officer and Principal Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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

† Furnished, not filed.

**SIGNATURES**

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

**ImmunoGen, Inc.**

Date: February 5, 2015

By: /s/ Daniel M. Junius  
Daniel M. Junius  
President, Chief Executive Officer (Principal Executive Officer)

Date: February 5, 2015

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

**CONFIDENTIAL TREATMENT REQUESTED**

Execution Copy

**AMENDMENT NO. 2 TO COLLABORATIVE DEVELOPMENT  
AND LICENSE AGREEMENT**

This Amendment No. 2 (this "Amendment No. 2") to the Collaborative Development and License Agreement entered into as of July 7, 2006 (the "Agreement Effective Date"), as amended as of August 23, 2006 (the "Agreement") by and between ImmunoGen, a Massachusetts corporation with its principal place of business at 830 Winter Street, Waltham, Massachusetts 02451, USA ("ImmunoGen") and Biotest AG, a corporation organized under the laws of Germany having an address of Landerstrasse 5, D-63303 Dreieich, Germany ("Biotest") is dated as of December 10, 2014.

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.

WHEREAS, on the Agreement Effective Date, ImmunoGen and Biotest entered into the Agreement for the purpose of Developing and Commercializing Licensed Products derived from the conjugation of Biotest's proprietary CD138 Antibodies with ImmunoGen's maytansine derivatives; and

WHEREAS, Biotest is about to transfer the supply of Licensed Product from ImmunoGen to a Third Party contract manufacturer;

WHEREAS, the Parties hereto desire to amend the Agreement in order to set specify the Biotests' obligations towards ImmunoGen with regard to Third Party contract manufacturers as set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the Parties hereto, intending to be legally bound, hereby agree as follows:

1. Section 7.1 of the Agreement is hereby deleted in its entirety and replaced by the following:

**“7.1 Confidentiality.**

**“7.1.1 Confidentiality Obligations.** Each Party recognizes that the other Party's Confidential Information constitutes highly valuable assets of such other Party. ImmunoGen and Biotest each agrees that, subject to Section 7.1.2, during the Term and for an additional five (5) years thereafter, it will not disclose, and will cause its Affiliates and sublicensees (and, in the case of Biotest, its Permitted Third Party Service Providers) not to disclose, any Confidential Information of the other Party and it will not use, and will cause its Affiliates and sublicensees (and, in the case of Biotest, its Permitted Third Party Service Providers) not to use, any Confidential Information of the other Party except as expressly permitted hereunder. Without limiting the generality of the foregoing, each Party shall take such action, and shall cause its Affiliates and sublicensees (and, in the case of Biotest, its Permitted Third Party Service Providers) to take such action, to preserve the confidentiality of the other Party's Confidential Information as such

*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**CONFIDENTIAL TREATMENT REQUESTED**

Party would customarily take to preserve the confidentiality of its own Confidential Information.

**“7.1.2 Limited Disclosure.** ImmunoGen and Biotest each agrees that disclosure of its Confidential Information may be made by the other Party to any employee, consultant or Affiliate of such other Party (and, in the case of Biotest, to any Permitted Third Party Service Provider) to enable such other Party to exercise its rights or to carry out its responsibilities under this Agreement; provided that any such disclosure or transfer shall only be made to Persons who are bound by written obligations as described in Section 7.1.3. The foregoing sentence shall also apply to person-in-plant visits by employees of a Permitted Third Party Service Provider at ImmunoGen. In addition, ImmunoGen and Biotest each agrees that the other Party may disclose its Confidential Information (a) on a need-to-know basis to such other Party's legal and financial advisors, or (b) as reasonably necessary in connection with an actual or potential (i) permitted sublicense of such other Party's rights hereunder, or (ii) merger or sale or other transfer to a Third Party of all or substantially all of such Party's capital stock or the assets which relate to this Agreement; provided the Person receiving such Confidential Information of the other Party agrees in writing to maintain the confidentiality of such Confidential Information of the other Party with terms at least as restrictive as those contained in Section 7.1.1. In addition, each Party agrees that the other Party may disclose such Party's Confidential Information (A) as reasonably necessary to file, prosecute or maintain Patent Rights, or to file, prosecute or defend litigation related to Patent Rights, in accordance with this Agreement; or (B) as required by Applicable Laws; provided that, in the case of any disclosure under this clause (B), the disclosing Party shall (1) if practicable, provide the other Party with reasonable advance notice of and an opportunity to comment on any such required disclosure, (2) if requested by such other Party, seek, or cooperate in all reasonable respects with such other Party's efforts to obtain, confidential treatment or a protective order with respect to any such disclosure to the extent available at such other Party's expense, and (3) use good faith efforts to incorporate the comments of such other Party in any such disclosure or request for confidential treatment or protective order.

**“7.1.3 Employees and Consultants.** ImmunoGen and Biotest each hereby represents that all of its employees and consultants, and all of the employees and consultants of its Affiliates, who participate in the activities of the Collaboration or have access to Confidential Information of the other Party are or will, prior to their participation or access, be bound by written obligations to maintain such Confidential Information in confidence and not to use such information except as expressly permitted hereunder. Each Party agrees to use, and to cause its Affiliates (and, in the case of Biotest, its sublicensees and Permitted Third Party Service Providers) to use, reasonable efforts to enforce such obligations.”



*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**CONFIDENTIAL TREATMENT REQUESTED**

2. Section 8.2 of the Agreement is hereby amended by adding the following at the end of such provision:

"8.2.4 As described in Section 4.5.2, Biotest and its Affiliates shall have the right, without ImmunoGen's permission or consent but subject to the conditions set forth herein, to engage one or more Third Party contract manufacturer ("**Permitted Third Party Service Providers**") to perform designated functions in connection with its activities under this Agreement (including transferring Licensed Technology and ImmunoGen Materials as may be necessary for such Permitted Third Party Service Provider to perform such designated functions). Biotest shall [\*\*\*] each [\*\*\*] to [\*\*\*] or [\*\*\*] (with [\*\*\*] to [\*\*\*] to the [\*\*\*] under this Agreement) to [\*\*\*] all [\*\*\*] (including, without limitation, [\*\*\*]) in and to [\*\*\*] whether or not [\*\*\*], the [\*\*\*] ([\*\*\*]) include [\*\*\*] of, or others [\*\*\*] to [\*\*\*] to, such [\*\*\*] in the [\*\*\*] of [\*\*\*] for [\*\*\*]."

3. The Parties hereby confirm and agree that, except as amended hereby, the Agreement remains in full force and effect and is a binding obligation of the Parties hereto. This Amendment No. 2 may be executed simultaneously in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 2 to be executed by their duly authorized representatives.

IMMUNOGEN, INC.

Biotest AG

By: /s/ David B. Johnston  
Name: David B. Johnston  
Title: CFO

By: /s/ Heidrun Geissler-Schuetter  
Name: Heidrun Geissler-Schuetter, PhD  
Title: Director, Business Development

By: /s/ Luke Wiechmann  
Name: Luke Wiechmann  
Title: Senior Legal Counsel

*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

November 20, 2014

Richard J. Gregory, Ph.D.  
166 Tower Road  
Lincoln, MA 01773

Dear Rich:

I am delighted to offer you the full-time position of Executive Vice President and Chief Scientific Officer at ImmunoGen, Inc. ("ImmunoGen" or the "Company"). Upon commencement of your employment, which shall be no later than January 23, 2015, you will initially be paid at a bi-weekly rate of \$16,346.15 which annualized equals \$425,000 per year, less applicable federal, state and/or local payroll and withholding taxes. In addition to your annual base salary, subject to the terms of this letter, ImmunoGen will pay you a sign-on bonus in the amount of \$150,000 (the "Sign-On Bonus"), which will be paid to you in conjunction with your first salary payment following your date of hire.

In addition, you will be eligible for a discretionary annual bonus, based on Company and individual performance, of up to forty percent (40%) of your annual salary. Your bonus for this fiscal year ending June 30, 2015 (FY15) will be prorated from the date of hire. Notwithstanding the foregoing, assuming your start date is no later than January 23, 2015 and you remain employed by the Company through the date that FY15 bonuses are paid to employees generally, your bonus for FY15 will not be less than \$85,000. Each year following, bonuses are at the discretion of the Board of Directors, and are based on Company and individual performance.

Also in consideration of your employment by the Company, I will recommend to the Compensation Committee, for their approval, (a) the grant of a stock option award covering 150,000 shares of our common stock under the Company's 2006 Employee, Director and Consultant Equity Incentive Plan (the "2006 Plan") and (b) the grant of a restricted stock award covering 25,000 shares of our common stock under the 2006 Plan. Both these awards will vest at a rate of one-quarter of the shares covered by the respective award per year over four years beginning on the first anniversary of the date of grant, which will be your first date of employment with ImmunoGen. The per share exercise price for the option award will be the closing sale price of our shares as reported on NASDAQ on the date of grant.

In addition, you can expect to receive, subject to the approval of the Compensation Committee, and in conjunction with the Company's annual equity awards to employees generally in July or August of each year, the grant of an equity award under the 2006 Plan that is similar to those granted to other senior executives of comparable status, subject to variation based on individual performance. For your first annual equity award in 2015, the number of shares subject to such award is expected to be 100,000, prorated to reflect the length of your employment during our fiscal year 2015. Historically, these awards have vested at a rate of one-third of the shares covered by the award per year over three years beginning on the first anniversary of the date of grant and, in the case of stock options, the per share exercise price of these awards has been the closing sale price of our shares as reported on NASDAQ on the date of grant.

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As a member of the executive management, you will be eligible for a severance arrangement that, under certain circumstances, will provide you with certain benefits in the event of a change of control of the Company, as set forth in the form of Change in Control Severance Agreement (the "Change in Control Severance Agreement") accompanying this letter. As an executive officer, you will also be eligible to participate in the Company's Severance Pay Plan for Vice Presidents and Higher that, under certain circumstances, will provide you with certain benefits in connection with the termination of your employment outside the context of a change in control of the Company.

You will also be entitled to participate in the Company's benefit plans to the same extent as, and subject to the same terms, conditions and limitations as are generally applicable to, full-time employees of ImmunoGen of similar rank and tenure. These benefits currently include at this time paid time off, life, health, dental and disability insurance. With respect to your annual paid time off allotment, however, you will immediately be eligible to accrue, monthly, up to five (5) weeks of paid time off per year, of which 5 days can be rolled over from year to year. For a more detailed understanding of the benefits and the eligibility requirements, please consult the summary plan descriptions for the applicable programs, which will be made available to you upon request. Please note that your compensation and or benefits may be modified in any way, at any time, by ImmunoGen at its sole discretion, with or without prior notice, to the extent any such modification affects similarly situated ImmunoGen executives in the same manner.

Your duties as an employee of the Company shall be as determined by me in consultation with you. You agree to devote your best efforts during all business time to the performance of such responsibilities and you will not perform any professional work outside your work for the Company without pre-approval from the Company.

ImmunoGen is required by the Immigration and Naturalization Service to verify that each employee is eligible to work in the United States. To that end, a list of acceptable forms of identification is attached. Please bring with you one item on List A, or a combination of one item on List B and List C.

In addition, your offer of employment is contingent upon the successful completion of a general background and reference check and drug test. As such, please complete the enclosed authorization and other required forms.

While we anticipate that our relationship will be a long and mutually rewarding one, your employment, of course, will be at will, terminable by either you or the Company at any time. If, within 18 months of your date of hire, you terminate your employment with the Company (other than by reason of death or disability), or your employment is terminated by the Company for cause, you will promptly reimburse ImmunoGen for a portion of your Sign-On Bonus equal to the product of (a) \$150,000, multiplied by (b) a fraction, the numerator of which is 547 minus the number of days from the date you start employment at ImmunoGen to the effective date of termination, and the denominator of which is 547.

acknowledge and agree that your employment by the Company will not violate any agreement which you may have with any third party. Please acknowledge your understanding and agreement with the terms of your employment as set forth in this letter by signing below.

I look forward to a long and productive relationship with you.

Sincerely,

/s/ Daniel M. Junius  
\_\_\_\_\_  
Daniel M. Junius  
President and Chief Executive Officer

Acknowledged and Agreed to:

/s/ Richard J. Gregory                      11/21/2014  
\_\_\_\_\_  
Richard J. Gregory                      Date:

## CHANGE IN CONTROL SEVERANCE AGREEMENT

This Agreement is entered into as of the 5<sup>th</sup> day of January, 2015 (the “**Effective Date**”) by and between ImmunoGen, Inc., a Massachusetts corporation (the “**Company**”), and Richard J. Gregory (the “**Executive**”).

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

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

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

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

1. Definitions.

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

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

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

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

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

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

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

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

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

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

3. Termination; Notice; Severance Compensation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COMPANY:

IMMUNOGEN, INC.

/s/ Daniel M. Junius

Name: Daniel M. Junius

Title: President and Chief Executive Officer

EXECUTIVE:

/s/ Richard J. Gregory

Name: Richard J. Gregory

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

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

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

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

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

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

6. Conditions of General Release.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXECUTIVE

\_\_\_\_\_

Date: \_\_\_\_\_

Name: Richard J. Gregory

## CERTIFICATIONS

I, Daniel Junius, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ImmunoGen, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2015

/s/ Daniel M. Junius

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Daniel M. Junius

President, Chief Executive Officer (Principal Executive Officer)

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## CERTIFICATIONS

I, David B. Johnston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ImmunoGen, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2015

/s/ David B. Johnston

David B. Johnston

Executive Vice President, Chief Financial Officer

(Principal Financial and Accounting Officer)

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## Certification

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

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

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

The Quarterly Report for the period ended December 31, 2014 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 5, 2015

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*/s/ DANIEL M. JUNIUS*

Daniel M. Junius  
President, Chief Executive Officer  
(Principal Executive Officer)

Dated: February 5, 2015

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*/s/ DAVID B. JOHNSTON*

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

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