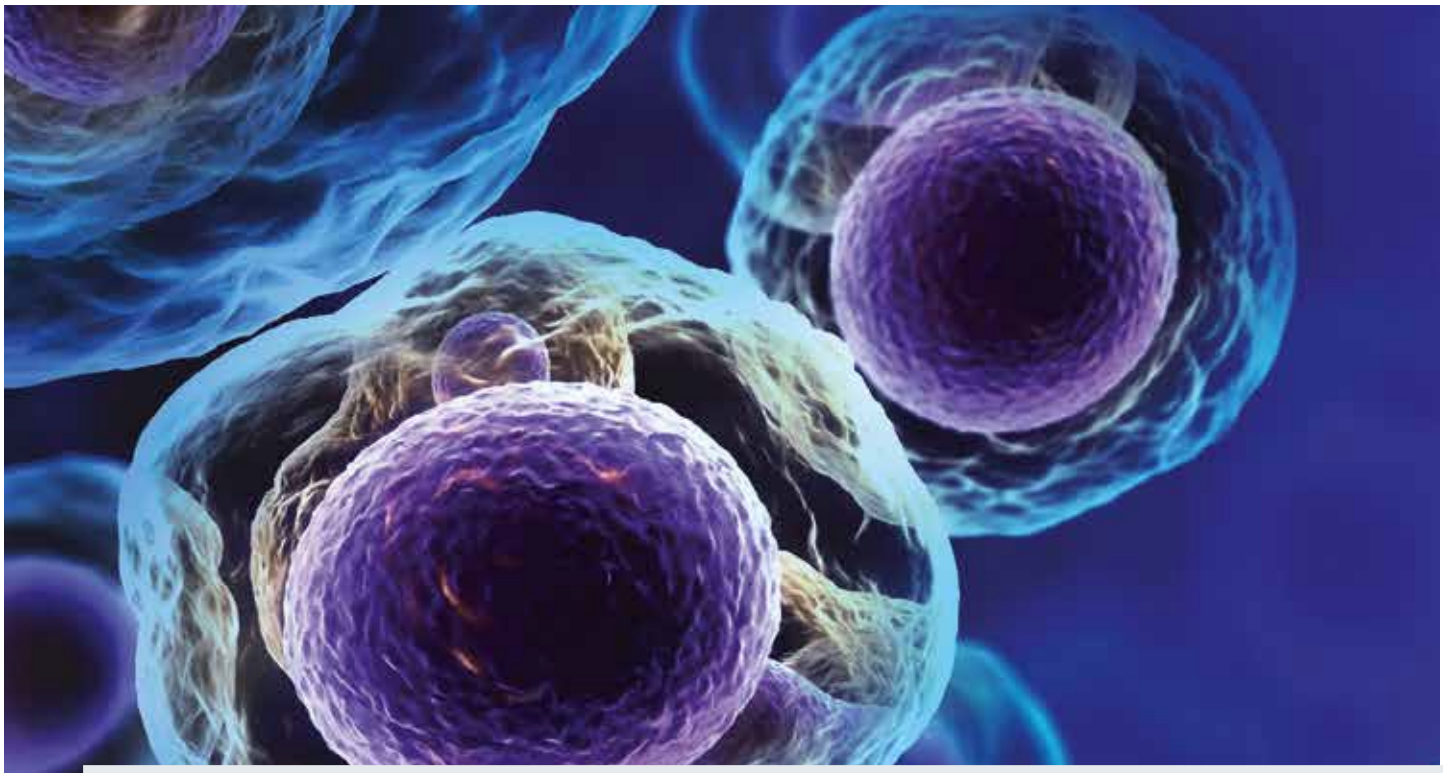
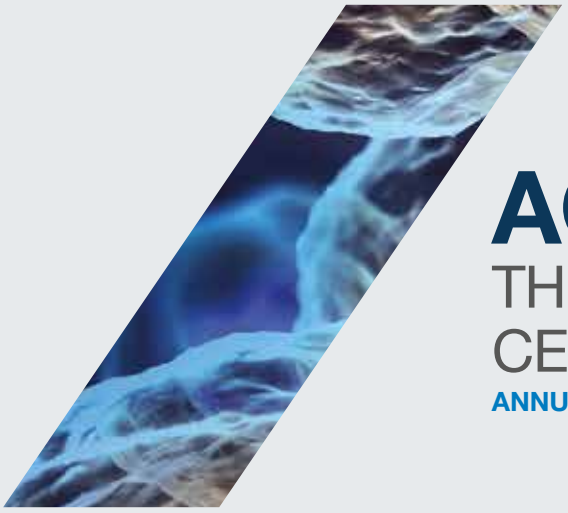
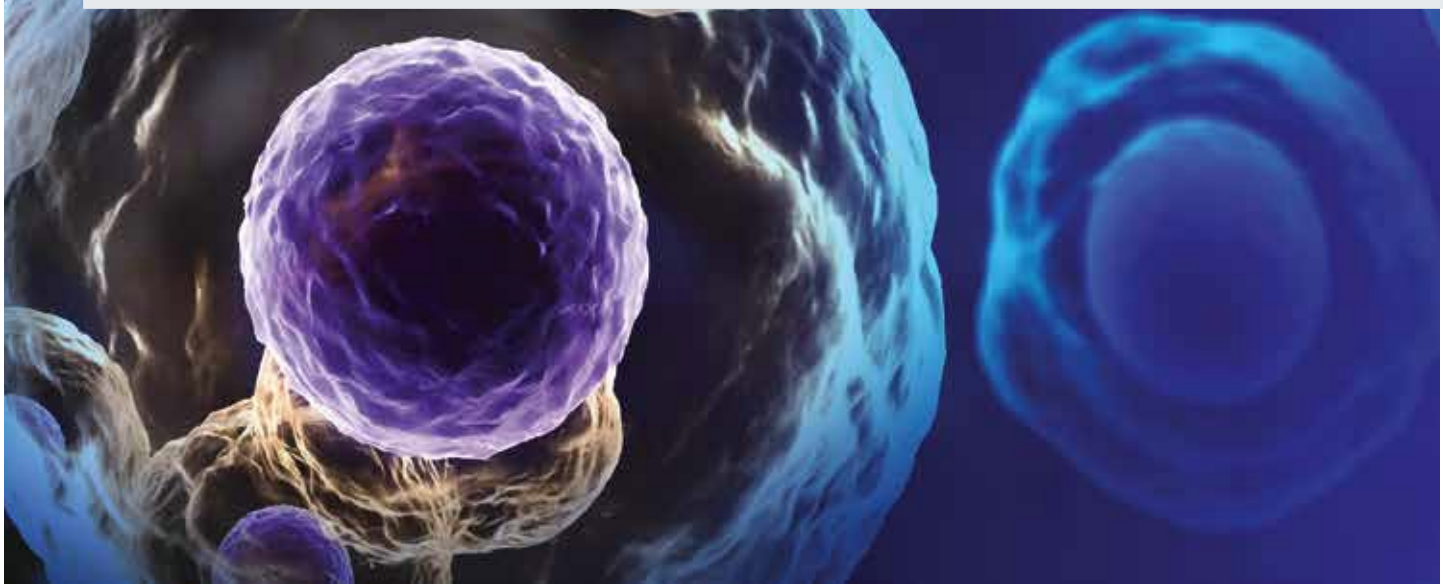
MaxCyte®





ACCELERATING
THE NEXT GENERATION OF CELL-BASED MEDICINES

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017



WE ARE A GLOBAL CELL-BASED MEDICINES AND LIFE SCIENCES COMPANY APPLYING OUR **PATENTED CELL ENGINEERING TECHNOLOGY** TO HELP PATIENTS WITH HIGH UNMET MEDICAL NEEDS IN A BROAD RANGE OF CONDITIONS.

Our mission

To enable the engineering of nearly all cell types, including human primary cells and cells for biomanufacturing, with any molecule, at any scale. Our technology provides for a high degree of consistency, unparalleled scalability and minimal cell disturbance, thereby facilitating rapid, large-scale, clinical- and commercial-grade cell engineering in a non-viral system and with low toxicity concerns.

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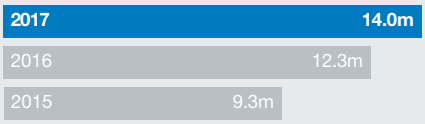
All financial amounts are in USD unless noted otherwise.

Financial highlights and key statistics

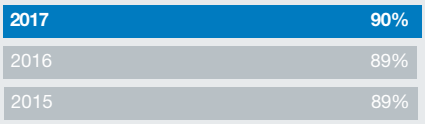
$14.0m

Revenue



89+%

Gross margins



23% 2-year CAGR

Organic revenue growth 2015-2017

200+

Instruments placed

50+

Partner programmes

9 out of top 10

Pharma customers

$25.5m

Funds raised in April 2017

$10m

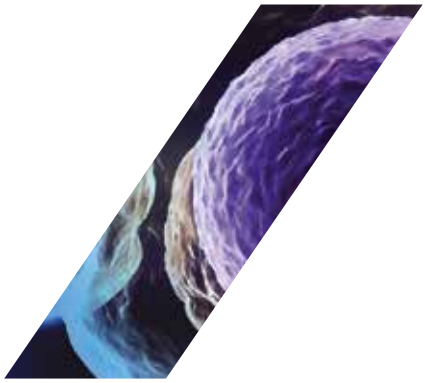
Cell therapy market potential per commercial deal

$150m – $300m

CARMA milestone potential per product partnering opportunity

Operational highlights

- Filed an Investigational New Drug (IND) application with the US Food & Drug Administration (FDA) for the Company's lead CARMA candidate, MCY-M11
- Presented pre-clinical *in vivo* research results demonstrating the potential of the CARMA platform for use in developing immunotherapies for the treatment of solid tumours, which other chimeric antigen receptor (CAR) therapies are currently unable to treat, at the American Association for Cancer Research (AACR) Annual Meeting
- Signed a non-exclusive commercial licence agreement in March 2017 with CRISPR Therapeutics and Casebia Therapeutics
- Expanded the Company's enabling technology business to more than 50 cell therapy partnered programmes covering a broad range of diseases
- Entered into a Cooperative Research and Development Agreement (CRADA) with the National Institutes of Health's (NIH) National Institute of Allergy and Infectious Diseases (NIAID) to develop treatments for X-linked chronic granulomatous disease (CGD) using next-generation gene correction leveraging CRISPR/Cas9
- Presented new *in vitro* data demonstrating the potential of MaxCyte's current Good Manufacturing Practice- (cGMP) compliant proprietary delivery platform to enable single nucleotide correction utilising CRISPR gene editing in the treatment of sickle cell disease (SCD) at the American Society of Gene & Cell Therapy (ASGCT) Annual Meeting
- Continued investing in sales and marketing capabilities to grow the Company's global customer base
- Ongoing collaboration with world leaders in the immuno-oncology/CAR field in both solid cancers and haematological malignancies, with nine academic clinical trials supported by MaxCyte's technology
- Appointed new Board member Richard Douglas, PhD, (in February 2018), and new Executive Vice President Brad Calvin (in August 2017)



AT THE FOREFRONT OF AN EXCITING AND INCREASINGLY VALUABLE AREA OF HEALTHCARE THROUGH A WIDE VARIETY OF CELL THERAPY AND IMMUNO-ONCOLOGY PROGRAMMES

MaxCyte is enabling a new generation of cell therapies growing out of the convergence of recent medical advances, including emerging cell-based immunotherapy approaches and CRISPR-Cas9 and Zinc Finger Nuclease (ZFN) gene editing, which allow deletion, addition, or alteration of specific sites in a gene, enabling precise control over gene function.

"Our core markets, cell therapy and immuno-oncology, are growing very rapidly. With our unique technology, we remain at the forefront of a wide variety of programmes across this exciting and increasingly valuable area of healthcare. As a result of our targeted investment strategy, we've made strong progress with our CARMA programme during the last year. We advanced MCY-M11 through to the filing of our IND and expect to dose patients in 2018 in our US-based Phase I clinical trial.

Throughout 2017, we have continued to make significant advancements across all areas of our core enabling technology business, particularly with regard to expanding our infrastructure for sales/marketing and applications of our products, as well as manufacturing and regulatory support, to enable our partners as they develop exciting new classes of medicines. This is a very exciting time for the Company and patients as we bring a new generation of CAR-based cancer treatments into the clinic for the first time, and continue to enable our partners to make important new medical advancements. We look forward to the future with great confidence."

Doug Doerfler
Chief Executive Officer

Introduction

In 2017, MaxCyte made significant progress across the business: advancing our lead CARMA candidate, MCY-M11, to the filing of an IND application with the FDA; licensing and selling our unique cell engineering platform for use in cell therapy and drug discovery to advance the development of new therapies, including in immuno-oncology and gene editing; entering a non-exclusive commercial licence agreement in March 2017 with CRISPR Therapeutics and Casebia Therapeutics; investing in our own infrastructure to continue to lead the future of cell-based medicines for treatment of patients around the globe; and growing our sales and scientific field support teams.

CARMA programme

In 2017, we filed an IND application with the US FDA for MCY-M11, our lead CARMA candidate. We have announced that we expect to commence dosing in cancer patients in 2018. Specifically, active discussions with the FDA are ongoing to enable the start of our Phase I clinical trial for patients with advanced peritoneal cancers, including ovarian cancer. Utilising the combination of our proprietary Flow Electroporation Technology and fresh peripheral blood mononuclear cells (PBMCs), we believe the CARMA programme has the potential to address some of the most significant issues with current CAR-T therapies including challenging side effects as well as the complex, expensive and time-consuming manufacturing processes found in viral-based CAR-T therapies.

Doug Doerfler
Chief Executive Officer

J. Stark Thompson, PhD
Non-Executive Chairman

MaxCyte enabling technology: Driving the next generation of cell therapies

MaxCyte is enabling a new generation of cell therapies growing out of the convergence of recent medical advances, including emerging cell-based immunotherapy approaches and gene editing, such as CRISPR-Cas9 and ZFN technologies, which allow deletion, addition, or alteration of specific sites in a gene, enabling precise control over gene function. Additional proof of concept for our technology's potential in gene editing was evidenced by publication in January 2017 of results in the peer-reviewed journal *Science Translational Medicine* from a collaborative study between MaxCyte and the NIH's NIAID demonstrating CRISPR-Cas9 repair in stem cells from patients with a rare immunodeficiency disorder. The data published in this study demonstrated proof of concept for the unique effectiveness of MaxCyte's technology for enabling CRISPR-based gene repair, which helped to form the basis for a CRADA with the NIH's NIAID. Under the terms of the agreement, NIAID researchers will advance potential treatments for X-linked CGD using next-generation gene correction, leveraging CRISPR/Cas9 and MaxCyte's Flow Electroporation Platform.

Our leading position in enabling gene-editing approaches was also demonstrated through successful CRISPR-induced corrections of the mutation behind SCD using MaxCyte's GT® System. In May 2017 at the ASGCT Annual Meeting, new *in vitro* data from our collaboration with the National Heart, Lung and Blood Institute (NHLBI) and NIAID were presented, demonstrating the potential of MaxCyte's cGMP-compliant proprietary delivery platform to enable single nucleotide correction using CRISPR gene editing in SCD.

In March 2017, we entered a non-exclusive commercial licence agreement with CRISPR Therapeutics and Casebia Therapeutics to develop CRISPR/Cas9-based therapies for haemoglobin-related diseases and severe combined immunodeficiency (SCID). This agreement further supports our role as an enabler for medical applications of gene editing.

Publications and scientific leadership

The Company's proprietary Flow Electroporation Technology, which is designed to safely and reproducibly modify any cell, including primary human cells, with high efficiency, low cytotoxicity, and at the scale required to treat patients, is increasingly being recognised as the industry standard for creating therapeutic drug candidates from living cells.

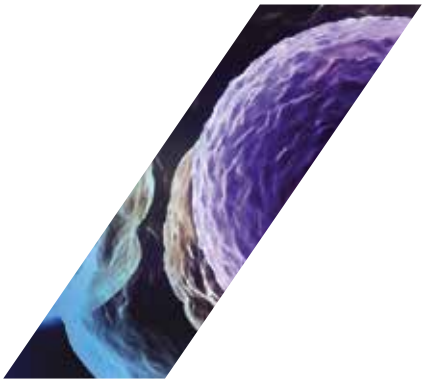
Recognising the importance of validating any new technology, we continued our engagement with the wider scientific community, publishing our scientific findings in a peer-reviewed article in *Science Translational Medicine* and *Human Gene Therapy,* and presenting additional findings at conferences worldwide, including the ASGCT Annual Meeting, the AACR Annual Meeting, the Keystone Symposia on Precision Genome Engineering, the Phacilitate Cell & Gene Therapy World Conference, and the Phacilitate Cell & Gene Therapy Europe Conference.

Outlook

We remain focused on advancing our next-generation CAR therapy programme, CARMA, including with our US Phase I clinical trial, where we believe there is a very significant opportunity for MaxCyte's proprietary technology to help overcome some of the main challenges presented by viral-based CAR therapies. We anticipate further progress towards expanding our collaborations with leading partners across the fast-growing cell therapy market and maintain our passionate commitment towards facilitating the availability of important new medicines for patients. MaxCyte's Board anticipates continued progress and strong growth in the 2018 financial year in line with expectations.

J. Stark Thompson, PhD
Non-Executive Chairman

Doug Doerfler
Chief Executive Officer



DELIVERING REAL VALUE ACROSS DIVERSE MARKETS FOR THE NEXT GENERATION OF CELL-BASED MEDICINES

Primary markets

CARMA platform

Wholly-owned next generation messenger ribonucleic acid (mRNA) CAR-based product

- IND submitted to FDA in 2017 with first-in-human trial expected to start in 2018
- Leverages MaxCyte's extensive experience at the cutting edge of CAR-T
- $150m to $300m per product partnering milestone opportunities
- Significant potential patient benefits
- Investment in cutting-edge science

Partnered cell therapy programmes

Enabling the development of novel cell therapies with leading players

- 50+ partnered programmes
  - 20+ licensed for clinical stage use
  - Immuno-oncology
  - Gene editing
  - Regenerative medicine
- Annual licensing fees and processing assembly (PA) sales provide recurring revenue stream
- Validated value creation potential of $10m per commercial deal

Drug discovery and biomanufacturing

Instruments and PAs sold to pharma and biotech companies worldwide

- Customers include 9 of top 10 pharma companies
- Sale of PAs provide recurring revenue stream
- Global footprint of field force

IND

Submitted to FDA

50+

Partnered programmes

9 out of top 10

Pharma customers

THE NEXT GENERATION OF AUTOLOGOUS CAR THERAPIES IN ONCOLOGY

Patented transfection of mRNA into fresh (i.e., unexpanded) cells provides a rapid-to-manufacture, dose-controllable product

- No cell expansion means significant reduction in processing times
- Rapid cell processing will allow dosing of patients within a few days
- Transient expression of mRNA CAR allows for control of 'on-target off-tumour' toxicity
- Permits the treatment of a range of cancers including solid tumours
- Entering the clinic in 2018
- Potential for high value licensing opportunities

MCY-M11

- First MaxCyte cell therapy drug entering the clinic in 2018
- Novel CAR construct employing mRNA as the CAR and without use of viruses
- Engineered to control persistence via multi-dose regime
- Efficacy in solid tumours shown in preclinical studies

CARMA PLATFORM

Overview

MaxCyte announced that its lead CARMA candidate, MCY-M11, is expected to commence dosing in cancer patients in 2018. Filing of an IND application with the US FDA for MCY-M11 has been completed, and the Company is in active discussions with the regulatory agency to enable the start of its Phase I clinical trial in 2018 for patients with advanced peritoneal cancers, including ovarian cancer. In addition to being able to target solid tumours, the Company believes the CARMA platform, and specifically its use of a non-viral approach, has the potential to address some of the most significant issues with current CAR-T therapies including challenging side effects as well the complex, expensive and time-consuming manufacturing processes found in traditional CAR therapies.

MaxCyte is also expanding its next-generation CARMA programme for potential use in further treating solid and haematological cancers, including an intravenous administration programme. This significantly broadens the opportunity and potential value of this advanced cancer therapy.

MaxCyte CARMA versus other autologous CAR therapies

CARMA	OTHER CARs
Potential for low on-target off-tumour toxicity due to shortened persistence	On-target off-tumour toxicity higher due to uncontrolled persistence
Rapid turnaround of cell therapy to patient (reduced manufacturing complexity)	Much longer turnaround time to patient
Virus free	Often employ viral components increasing risk of toxicities
Simple, rapid manufacture	Potential delays due to manufacturing capacity and reliance on viruses
No pre-treatment required prior to patient dosing	Pre-treatment required
Multi-dose allows greater control of safety	Single dose

MULTIPLE OPPORTUNITIES TO GENERATE SIGNIFICANT VALUE

Diversified exposure to the leading developments in cell therapy enabling immuno-oncology, gene editing and regenerative medicine

Indications include:

- HIV
- Paediatric leukaemia
- Hodgkin's lymphoma
- Triple negative breast cancer
- Pancreatic cancer
- Neuroblastoma
- AML
- Blood cancers
- CGD
- Pulmonary arterial hypertension
- Renal cell carcinoma
- Mesothelioma
- Sickle cell disease
- Beta-thalassemia

Validated multi-million dollar commercial licence/milestone opportunities

- First MaxCyte commercial licence in gene editing with CRISPR/Bayer March 2017
- Commercialisation of CAR products by Kite/Gilead and Novartis
- Over 800 companies developing cell and gene-based therapies

$7.5bn

Total financing in cell therapy market in 2017

Source: Alliance for Regenerative Medicine

ENABLING CELL THERAPY

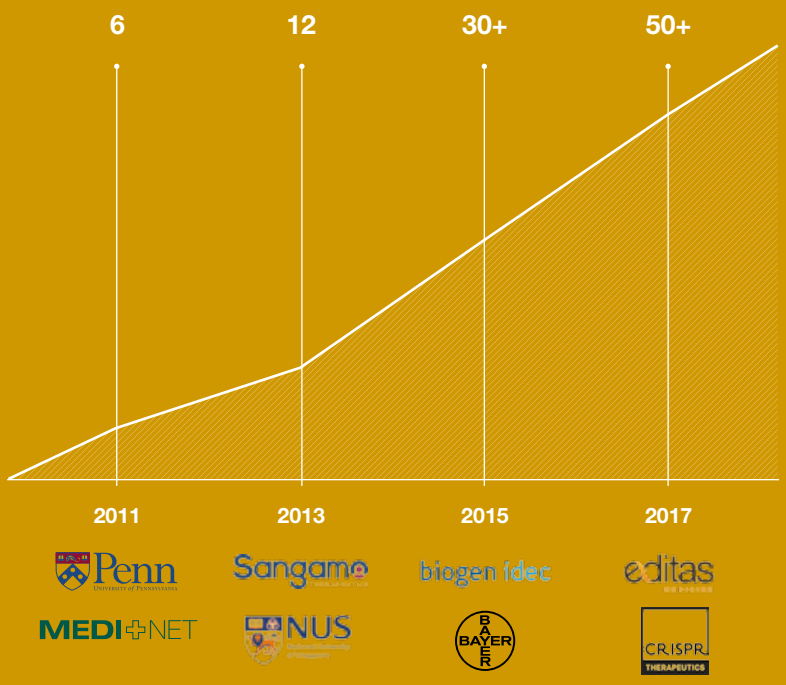
Overview

MaxCyte is currently partnering with commercial and academic cell therapy developers in more than 50 licensed programmes covering an increasingly diverse range of fields, including immuno-oncology, gene editing and regenerative medicine. More than 20 of these programmes are licensed for clinical-stage use with the goal of providing new therapies to individuals facing diseases including cancers (such as triple-negative breast cancer, Hodgkin's lymphoma, pediatric leukaemia and other blood cancers), HIV and sickle cell disease. In March 2017, we also announced a non-exclusive commercial licence agreement with CRISPR Therapeutics and Casebia Therapeutics (a joint venture established by CRISPR Therapeutics and Bayer AG) to develop CRISPR/Cas9-based therapies for haemoglobin-related diseases and SCID. The terms of the licence provide for an initial upfront payment, received in 2017, and milestone and sales-based payments.

The technology licences provided to partners in MaxCyte's cell therapeutics business provide high-value recurring annual fees, which are complemented by an attractive recurring revenue stream from the sale of its proprietary single-use disposable processing assemblies. As these programmes continue to progress in the clinic and to commercialisation, we expect to benefit from further expansion of the significant value they provide to our partners and for the Company and its shareholders.

Within the cell therapy business, we are collaborating with world leaders in the CAR field who increasingly utilise our uniquely enabling Flow Electroporation Technology, a non-viral, inherently low-risk approach that does not require the use of viruses or chemical transfection reagents.

Growth in partnered programmes



SOLVING PROBLEMS FOR THE WORLD'S LARGEST PHARMA AND BIOTECH COMPANIES

DRUG DISCOVERY AND BIOMANUFACTURING

Overview

MaxCyte's instruments and technology are sold in the biopharmaceutical markets for discovery, development and manufacture of small molecule drugs, biologics and vaccines. The unique enabling capabilities of our technology in these applications are evidenced by our broad global customer base in drug discovery and development, which includes nine of the top ten biopharmaceutical companies by revenue.

In 2017, MaxCyte continued to leverage its distribution network to support growing market demand for MaxCyte's Scalable Transfection Systems in Asia and expanded the Company's investments in its presence in Europe.

$958m

Projected global transfection market (in 2020) (reagents and equipment only)

Source: MarketsandMarkets

200+

Instruments placed for cell therapy and drug discovery

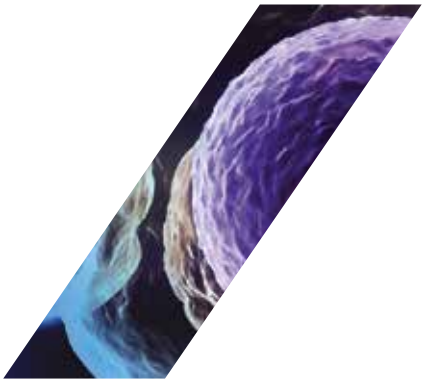
Drug discovery & development market

- Higher productivity
- Shortens timelines/eliminates bottlenecks
- Commercial biomanufacturing market
- Rapid response vaccines
- Viral vectors

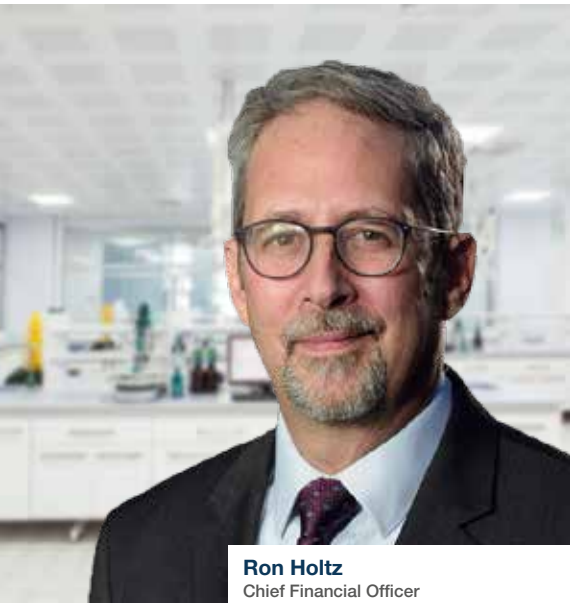
Significant untapped market

Growing recurring revenue element

Consistent high margins



SUCCESSFUL GROWTH



Ron Holtz
Chief Financial Officer

$25.5m

Funds raised in April 2017

In 2017, the Company reported revenues of $14 million, representing a 14% increase over the previous year and extending double-digit revenue growth since 2014. Revenues from certain ex-US territories were impacted by the restructuring of the sales team and the non-conversion of certain expected sales. In response, the Company has taken steps to improve performance through targeted sales and marketing investments. As a result of these changes, along with ongoing investments, we expect all territories to perform in line with our expectations for the current year.

Gross margins remained stable at 90% and, despite modestly lighter than anticipated revenue, EBITDA loss in 2017 remained in line with expectations at $9.2 million ($1.2 million before CARMA expenses and non-cash stock-based compensation), on operating expenses of $21.8 million including CARMA investment of $7.5 million. At year end, total assets of the company were $31.4 million, compared to $16.1 million in 2016, including cash and cash equivalents totalling $25.3 million.

During 2017, the Company continued to expand the value of its cell engineering technology, through CARMA and by expanding the use of its enabling technology throughout the biotech industry. The Company accelerated its efforts to advance CARMA, culminating in the filing of an IND application with the US FDA for the Company's lead CARMA candidate, MCY-M11 and positioning the CARMA programme to begin clinical work in 2018. Through the sale and licence of its technology to partners, the company expanded its enablement of cell therapy partnered programmes, grew its user base in drug discovery and development, and continued to support the progress of all of its customers.

During the year, the Company continued to expand its investments in marketing and sales to support its enabling technology sales and licensing business. These investments are designed to support the continued expansion of the Company's partnered programmes in the rapidly growing cell therapy business and sales of its cell engineering technology for drug development.

Key financial highlights

- $25.5 million funds raised in April 2017
- Investment in CARMA was $7.5 million (2016: $1.3 million) as the Company prepared and completed the filing of its first IND application with the US FDA
- Operating expenses (including CARMA investment) increased to $21.8 million in 2017 (2016: $13.7 million)
- Net loss before CARMA investment was $2.4 million in 2017 (2016: $2.0 million)
- EBITDA before CARMA investment was a loss of $1.2 million for both 2016 and 2017, after adjusting for non-cash stock-based compensation
- Total assets were $31.4 million at 31 December 2017 (2016: $16.1 million)
- Cash and cash equivalents totalled $25.3 million at 31 December 2017 (2016: $11.7 million)

Ron Holtz
Chief Financial Officer

4 April 2018

The principal risks discussed below are the risks and uncertainties relevant to our business, financial condition and results of operations that may affect our performance and ability to achieve our objectives. The risks below are those that we believe could cause our actual results to differ materially from expected and historical results.

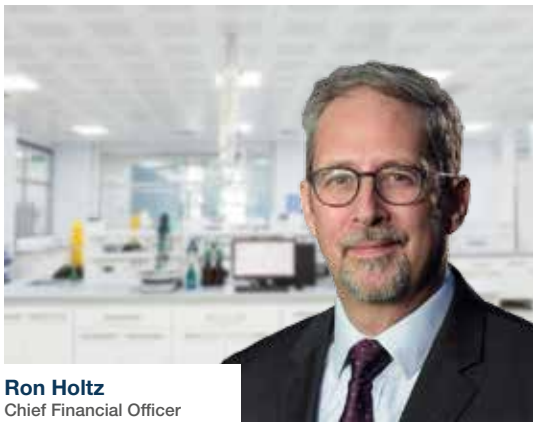
Legal, regulatory and litigation	We must adapt to and comply with a range of laws and regulations. These requirements apply to research and development, manufacturing, testing, approval, distribution, sales and marketing of various products, including potential biopharmaceutical products and affect the value of such products, the time required to reach the market or clinic and the likelihood of doing so successfully.	Similarly, our business exposes us to litigation and government investigations, including but not limited to product liability litigation, patent and antitrust litigation and sales and marketing litigation. Litigation and government investigations, including related provisions we may make for potential unfavourable outcomes and/or increased related costs, could materially and adversely affect our financial results.
Competition and technological change	The Company's business faces competition from a range of pharmaceutical, biotechnology and transfection technology companies, many of which are large, multinational companies with extensive resources. In addition, technological advancements and changes could overtake products being offered or developed by the Company.	The results of such competition and change may have a material adverse effect on the Company's financial results. Furthermore, research and discoveries by others may result in medical insights or breakthroughs that render the Company's products less competitive or even obsolete.
Intellectual property	The Company's success and ability to compete effectively are in large part dependent on its ability to protect, enforce, maintain and leverage its proprietary technologies and products and associated intellectual property rights. There can be no assurance that the scope of the Company's patents provides or will continue to provide the Company with a sufficiently strong competitive advantage covering all its products and technologies, or potentially competing technologies. The Company may incur substantial costs as a result of disputes with third parties relating to the infringement or protection of intellectual property.	To date, the Company has also relied on copyright, trademark and trade secret laws, regulatory laws regarding its FDA Master File, as well as confidentiality procedures, non-compete and/or work for hire invention assignment agreements and licensing arrangements with its employees, consultants, customers and vendors to establish and protect its rights to its technology and to control the access to and distribution of its technology. Despite these precautions, it may be possible for a third party to copy, replicate or otherwise obtain and use for the benefit of third parties its technology or confidential information without authorisation. The Company's patents cover a limited set of countries. There can be no assurance that all patent rights material to the Company's success are, or will be, in place in all jurisdictions necessary to the successful conduct of the Company's business.
Product development risk	Developing drugs and technologies is subject to numerous external influences including economic and regulatory environments that are outside of the Company's control. The impacts of the risks from the Company's current and future preclinical research and clinical research trials involving patients may include harm to human subject, reputational damage, government investigation, legal proceedings brought by governmental and private plaintiffs (product liability suits and claims for damages), and regulatory action such as fines, penalties or loss of product authorisation. Any of these consequences could materially and adversely affect our financial results. The Company cannot be certain that its current or future drug development efforts, including those within the Company's CARMA platform, will result in drug candidates that progress into human trials and subsequently into validated products that are safe and effective or that are commercially viable for the Company to license.	The Company's products and/or the products of others who use the Company's technology also may not develop into validated products that are safe and effective or that are commercially viable. Expenses associated with drug development efforts, including preclinical research and human clinical trials, are inherently difficult to predict and may be materially different than the Company's budgets or expectations. Clinical and therapeutic products resulting from the Company's research and development efforts, whether developed in-house or through partnered programmes, may not receive or continue to maintain regulatory approvals. Even if the products developed by the Company, its customers or through partnered programmes are approved, they may still face subsequent regulatory or commercialisation difficulties.
Revenue risk	MaxCyte relies on sales and licences of its GT, STX and VLX instruments, as well as sales of single-use disposable processing assemblies, for nearly all of its revenue. The Company may be unable to sell or license its instruments to new customers and existing customers may cease or reduce their utilisation of the Company's instruments or fail to renew licences of the Company's instruments. The Company is generally dependent on third parties for the development and commercialisation of cell-based therapeutics programmes and the Company has little, if any, control over their partners' strategies to develop and commercialise those cell-based medicines. In addition, there can be no assurance that any company that enters into agreements with the Company will not pursue alternative technologies.	The Company's success is, in part, dependent on future commercial licensing or collaboration arrangements and on similar arrangements for future therapeutic products and platforms in development that have not yet been partnered. There can be no assurance that any of the therapeutic products or platforms that the Company intends to develop or the therapeutics that are being or might be developed by its partners using MaxCyte technology will continue to advance through development or be successfully developed into any commercially viable products.
Operational risks	The Company is at an early stage of operations, has consistently incurred net losses and faces operating risks that include: • Ability to achieve its business strategy. • Ability to recruit and retain skilled personnel and dependence on key personnel. • Ability to adequately manage rapid growth in personnel and operations. • Unexpected facility shutdowns or inadequate disaster recovery procedures.	• Dependency on a limited number of customers, suppliers, collaborators and partners. • Failure of information systems. • External economic conditions. • Dependency on third-party suppliers for the products or components of the products that it sells.

J. Stark Thompson, PhD
Non-Executive Chairman

Dr. Thompson has nearly five decades of corporate leadership and business management experience, dating back to when he joined the DuPont Company in 1967 where he spent more than 20 years. From 1988 until 2000, Dr. Thompson served as President, CEO and board member of Life Technologies, Inc. (LTI; NASDAQ: LTEK). Dr. Thompson has served on and led various boards of directors, including for companies such as Gene Logic, Inc. and Luminex Corporation (NASDAQ: LMNX). He received his BS degree from Muskingum University, and his MSc and PhD in physiological chemistry from Ohio State University.

Doug Doerfler
President and Chief Executive Officer

Mr. Doerfler has more than 35 years of experience in the discovery, development, commercialisation and international financing of biotechnology products and companies. He was a founder of MaxCyte in July 1998. Previously, Mr. Doerfler was President, Chief Executive Officer and a director of Immunicon Corporation, a cell-based therapy and diagnostics company. He also held various executive positions with Life Technologies, Inc. that included leading its global businesses, mergers and acquisitions and its initial public offering (IPO). Mr. Doerfler plays an active role as a life sciences industry advocate, serving as Chair Emeritus of the Maryland Tech Council and on the executive committee of the Biotechnology Innovation Organization. Mr. Doerfler received his BS in finance from the University of Baltimore School of Business, and holds a certificate in Industrial Relations.



Ron Holtz
Chief Financial Officer

Mr. Holtz serves as MaxCyte's Chief Financial Officer (CFO), having joined the Company in 2005. Previously, he has been CFO of both public and private companies and has raised more than $150 million in debt and equity capital. He also had previous experience with Ernst & Young LLP's Financial Advisory Services Group. He earned an MBA in finance from the University of Maryland, a BS in mathematics from the University of Wisconsin and is a Certified Public Accountant.

Will Brooke
Non-Executive Director

Mr. Brooke is a Limited Partner of Harbert Management Corporation (HMC), which he co-founded in 1993. With approximately $4 billion under management, HMC sponsors and co-invests in alternative asset strategies worldwide. Mr. Brooke organised and led one of HMC's investment strategies, Harbert Venture Partners, for over a decade. He has been advising and investing in early-stage and growth companies for more than 20 years, and served on the boards of numerous pharmaceutical and medical equipment companies such as Aldagen Corporation, Atherotech, Inc. and Emageon Corporation. Mr. Brooke has also served as HMC's General Counsel, its Chief Operating Officer, and as Chairman of its Real Estate Services subsidiary. Prior to joining HMC, Mr. Brooke practiced law for a decade. He holds a JD and a BS, both from the University of Alabama.

Richard Douglas, PhD
Non-Executive Director

Dr. Douglas formerly served as the Senior Vice President of Corporate Development and Corporate Officer at Genzyme Corporation from 1989 until Genzyme was acquired by Sanofi in 2011. During this period, Dr. Douglas led numerous acquisitions, licences, financings, joint ventures, and strategic alliances. He had previously served in science and corporate development capacities at Integrated Genetics prior to its acquisition by Genzyme. He currently serves as an adviser to RedSky Partners, a Biotechnology-focused advisory firm. Dr. Douglas received a PhD in Biochemistry from the University of California, Berkley, and was a Post-Doctoral Fellow at California Institute of Technology in Leroy Hood's laboratory. He has a degree in Chemistry from the University of Michigan, where he now serves as chair of the National Advisory Board for the Office of Technology Transfer and also on two translational research oversight committees for the University's Medical School.

Stan Erck
Non-Executive Director

Mr. Erck is President and CEO, and director of Novavax Corporation. His 35 years of management experience in the healthcare and biotechnology industry include positions at Baxter International and Integrated Genetics, and as CEO and Director of Procept and Iomai. In addition to successfully negotiating major alliances with pharmaceutical and biotechnology companies and bringing products into clinical trials, he has managed the process of developing companies from private funding through to IPO. Mr. Erck received his BS from the University of Illinois and an MBA from the University of Chicago.

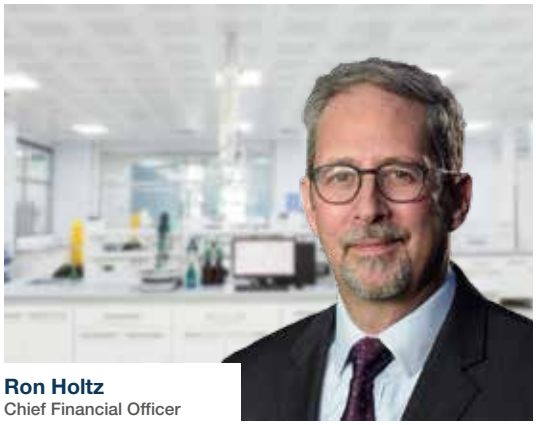
Art Mandell
Non-Executive Director

Mr. Mandell is a senior executive in the healthcare industry with more than 30 years of experience running companies, executing large corporate and business development deals in both the pharmaceutical and biotechnology sectors, and developing and commercialising a number of products. Mr. Mandell served as President and Chief Operating Officer of Prestwick Pharmaceuticals, Inc. Prior to Prestwick, Mr. Mandell was President, Chief Executive Officer, and a director of Cellective Therapeutics, Inc., which was acquired by Astra Zeneca/MedImmune under his leadership. Before Cellective, Mr. Mandell served as President, Chief Executive Officer, and director of Stemron Corporation, and as Senior Vice President and Chief Business Officer of Human Genome Sciences, Inc. Mr. Mandell began his healthcare career at Syntex Pharmaceutical Corporation.

John Johnston
Non-Executive Director

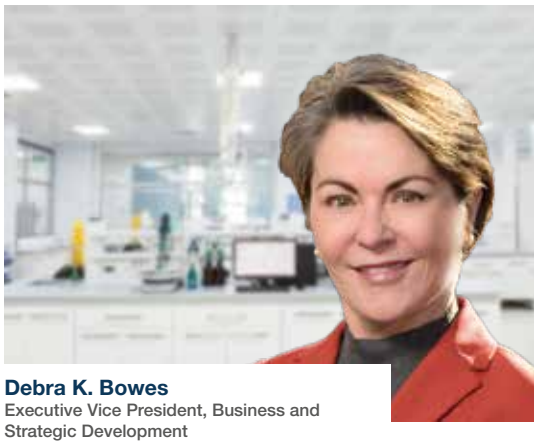
Mr. Johnston is currently a Non-Executive Director of Action Hotels plc and Midatech Pharma plc. He held the position of Non-Executive Director of Flowgroup plc from August 2013 and moved to the role of Non-Executive Chairman from June to October 2017 to guide the Company through a successful fundraise and transition into a pure energy business. He also served as Non-Executive Chairman of Constellation Healthcare Technologies, Inc. through 2016 until the successful sale of the company on 30 January 2017. Prior to this he was Managing Director of Institutional Sales at Nomura Code and from 2008 to 2011 he was Director of Sales and Trading at Seymour Pierce. In 2003, Mr. Johnston founded Revera Asset Management, where he oversaw an investment trust, a unit trust and a hedge fund, which he ran until 2007. He joined Legg Mason Investors for three years as director of Small Companies Technology and Venture Capital Trusts, from 2000 to 2003, having previously spent two years as Head of Small Companies with Murray Johnstone from 1992 to 1997, Mr. Johnston was Head of Small Companies at Scottish Amicable, before spending a year at Ivory and Sime. He began his investment career at the Royal Bank of Scotland.

Doug Doerfler
President and Chief Executive Officer



Ron Holtz
Chief Financial Officer

For Biographies see page 11



Debra K. Bowes
Executive Vice President, Business and Strategic Development

Ms. Bowes has more than 25 years of experience in corporate strategy, licensing and in the creation of partnerships to advance the development and commercialisation of biopharmaceutical products, with a main emphasis in oncology. Before joining MaxCyte in 2016, Ms. Bowes was Interim President and Chief Executive Officer of CapGenesis Pharma, in Bethesda, MD. Previously, she served as President and Founder of Chevy Chase BioPartners, LLC, a strategic planning consultancy, as well as in leadership positions at CBLI Pharmaceuticals, MedImmune, Amylin Pharmaceuticals, Pfizer, Ligand Pharmaceuticals, Centocor and Hybritech. She has also served as national president of Women In Bio. Ms. Bowes holds a Master's degree from Johns Hopkins University, and has a BS in cell biology from the University of Cincinnati.

Brad Calvin
Executive Vice President, Global Commercial Operations

Mr. Calvin is a 25-year veteran within the diagnostics, drug development and biotechnology industries. In his role as MaxCyte's EVP of Global Commercial Operations, he is responsible for leading the Company's marketing function to define product strategy and drive growth of its drug discovery and cell therapy business. Mr. Calvin was most recently Co-founder and President of AsedaSciences, a company with an integrated technology platform to predict *in vivo* toxicity risk in early-stage drug discovery. Previously, he has held various leadership positions at companies ranging from large corporations to start-ups, such as Accuvein, Beckman Coulter, Qiagen, Digene, AGENIX, and Abbott Laboratories. He has a Bachelor's degree from Curtin Institute of Technology in Perth, Western Australia.

Thomas M. Ross
Executive Vice President, Global Sales

Mr. Ross serves as MaxCyte's Executive Vice President of Global Sales, having joined the Company in 2014. Mr. Ross has extensive experience in all elements of commercial operations and has more than 25 years of successful sales and marketing leadership in the Life Science and Clinical Diagnostics markets. Most recently, Mr. Ross was Senior Vice President of Commercial Operations at OpGen®. Mr. Ross also served as Chief Commercial Officer at Predictive BioScience and Vice President of North America Medical Diagnostics Sales at Qiagen/Digene Corporation. Prior to working at Digene Corporation, he held several senior leadership roles in Manufacturing Operations at Life Technologies, Inc. and Cambrex. Mr. Ross holds a BA in Business Administration from The Citadel.

The Directors of the Company (Directors) present their Report and audited Financial Statements for the year ended 31 December 2017.

Principal activity

MaxCyte (LSE: MXCT, MXCR) is a global cell-based medicines and life sciences company applying its patented cell engineering technology to help patients with high unmet medical needs in a broad range of conditions. MaxCyte is developing novel CARMA therapies for its own pipeline. In addition, through its core business, the Company leverages its Flow Electroporation Technology to enable its partners across the biopharmaceutical industry to advance the development of innovative medicines, particularly in cell therapy, including gene editing and immuno-oncology.

CARMA is MaxCyte's proprietary, mRNA-based autologous platform for immuno-oncology. This platform enables the rapid manufacture and controllable delivery of next-generation chimeric antigen receptor (CAR)-engineered T/NK-cell therapies utilising fresh cells for a broad range of cancer indications, including solid tumours, where existing CAR-T approaches face significant challenges.

Board meeting attendance

Board member	Board & Committee Meetings Held During Tenure	Board & Committee Meetings Attended	Number of External Corporate Appointments Held
J. Stark Thompson	11	11	0
Doug Doerfler	8	8	0
Ron Holtz	9	9	0
Will Brooke	13	13	1
Stan Erck	12	12	2
Art Mandell	10	10	0
John Johnston	9	9	3

The Company has placed its cutting-edge Flow Electroporation Technology instruments worldwide, including with nine of the top ten global biopharmaceutical companies, and has more than 50 partnered programme licences including more than 20 licensed for clinical use in such leading areas as immuno-oncology and gene editing. With its robust technology, MaxCyte enables its partners to unlock the full potential of their products.

MaxCyte's unique technology enables the engineering of nearly all cell types, including human primary cells and cells for biomanufacturing, with any molecule, at any scale. It also provides for a high degree of consistency, unparalleled scalability and minimal cell disturbance, thereby facilitating rapid, large-scale, clinical- and commercial-grade cell engineering in a non-viral system and with low toxicity concerns.

The Company's cell-engineering technology has an established regulatory path for supporting cell-based medicines, having been referenced in regulatory submissions by cell therapy companies around the world.

Dividends

The Directors do not recommend the payment of a dividend currently.

Employee involvement

The Company's policy is to encourage employee involvement at all levels, as it believes that this is essential for the success of the business.

Directors and their interests

The Directors as of the date of this report are as follows:

Executive

- Doug Doerfler, President and Chief Executive Officer
- Ron Holtz, Chief Financial Officer

Non-Executive

- J. Stark Thompson, PhD, Chairman
- Will Brooke
- Stan Erck
- John Johnston
- Art Mandell
- Richard Douglas, PhD (appointed 12 February 2018)

Directors' interests in shares are shown in the Compensation Committee report.

Advisers

Nominated adviser and broker

Panmure Gordon (UK) Limited, One New Change, London EC4M 9AF

Auditor

Aronson LLC, 805 King Farm Boulevard, Suite 300, Rockville, MD 20850
Aronson LLC has expressed willingness to continue in office as auditor.

Registrars

Link Asset Services, Mont Crevelt House, Bulwer Avenue, St. Sampson, Guernsey GY2 4LH.

This report was approved by the Board on 21 April 2018.

Doug Doerfler
Executive Director, President and Chief Executive Officer

MaxCyte is committed to high standards of corporate governance.

Principles of good corporate governance

In anticipation of the IPO on 29 March 2016, the Company undertook a programme to refine its procedures to institute good governance insofar as it is practical and appropriate for an organisation located in the US of its size and stage of development. The Directors recognise the importance of good governance. The following section sets out the way in which the Company applies principles of the Corporate Governance Code for Small- to Mid-Sized Quoted Companies, published from time to time by the Quoted Companies Alliance, to the extent that the Directors believe it is appropriate for a company located in the US of the size, stage of development and resources of the Company. Our corporate governance is based on the leadership of our Board for the entire Company, and we believe it is essential to our ability to deliver our strategy.

As the Company grows, it will regularly review the extent and appropriateness of its corporate governance practices and procedures.

Application of principles

Board of Directors

Since immediately before the IPO, the Board consisted of a Non-Executive Chairman, two Executive Directors and four Non-Executive Directors. With the appointment of a Non-Executive Director on 12 February 2018, there are now five Non-Executive Directors.

The Board is responsible for overall Company strategy, acquisition and divestment policy, approval of the budget, approval of significant borrowing and major capital expenditure projects, and consideration of significant operational and financial matters. The Board monitors the exposure to key business risks and reviews the progress of the Company towards achievement of its strategic goals, budgets and forecasts. The Board oversees compliance with relevant legislation and regulations, including European Economic Area Market Abuse Regulations. The Board also considers employee issues and key appointments. This is achieved by the close involvement of the Executive Directors in the day-to-day running of the business and by regular reports submitted to and considered at meetings of the Board and its committees.

The Board has an Audit Committee, a Compensation Committee and a Nominations Committee. Details of the composition and activities of the Audit Committee and Compensation Committee are found in their respective reports on pages 18 and 16 of this Annual Report.

The members of the Nominations Committee are Doug Doerfler, Stan Erck and Art Mandell, who is the Chair of the committee. The responsibilities of the committee include:

- Reviewing the structure, size and composition of the Board, and recommending changes to the Board.
- Identifying individuals qualified to become members of the Board.
- Recommending Directors to be appointed to the committees.

All Directors are able to take independent professional advice in relation to their duties, as necessary, at the Company's expense.

The Nominations Committee met once during the year.

The Directors are divided into three classes, as nearly equal in number as possible, designated: Class I, Class II and Class III. Each Director initially appointed to Class I served for an initial term that expired on the Company's 2016 Annual General Meeting, at which meeting the Class I Directors Doug Doerfler and Ron Holtz were reappointed for a three-year term. Each Director initially appointed to Class II served for an initial term that expired on the Company's 2017 Annual General Meeting, at which meeting the Class II Directors were reappointed for a three-year term. Each Director initially appointed to Class III is serving for an initial term expiring on the Company's 2018 Annual General Meeting. The Class II Directors are Art Mandell and Stan Erck, and the Class III Directors are Will Brooke, John Johnston, J. Stark Thompson and Richard Douglas.

Relationship with stockholders

The Board attaches high importance to maintaining good relationships with all stockholders. The Executive Directors intend to hold regular meetings with institutional stockholders to keep them updated on the Company's performance, strategy, management and Board membership. The Executive Directors give regular briefings to analysts who cover the industry and actively encourage more analysts to follow the Company.

On behalf of the Board

J. Stark Thompson, PhD
Chairman

21 April 2018

The Compensation Committee is responsible for overseeing key elements of the compensation policies, plans and practices of the Company.

Compensation Committee

Along with the Board, the Compensation Committee is responsible for: monitoring and providing advice on the framework and broad policy for compensation of Executive management, taking into account all factors it deems appropriate; determining the compensation of Executive Directors including compensation benefits and payments; reviewing the design of all share incentive plans and all share incentive grants for approval by the Board and stockholders; and ensuring that all provisions regarding disclosure of compensation are clear and transparent.

The Compensation Committee comprises J. Stark Thompson, who acts as the Chairman of the Compensation Committee, Will Brooke and Stan Erck. The Compensation Committee meets at least twice a year. The Compensation Committee's terms of reference specify its authority and duties.

Compensation policy

The Company's policy on executive compensation is intended to attract and retain high-quality executives by paying competitive compensation packages relevant to each Executive's role, experience and the external market. The packages include a basic salary, an incentive bonus, benefits and stock options.

Severance agreements

Executive Directors Doug Doerfler and Ron Holtz have severance agreements that provide certain benefits detailed below. Messrs. Doerfler and Holtz were re-elected as Directors by the stockholders in 2016 to terms ending in 2019. The Non-Executive Directors were elected by the stockholders to terms ending in 2020 (Messrs. Erck and Mandell), in 2018 (Messrs. Brooke, Johnston and Thompson). Non-Executive Director Johnston has a contract. The other Non-Executive Directors do not.

Directors' compensation

Ron Holtz and John Johnston were appointed immediately prior to the IPO as an Executive Director and Non-Executive Director, respectively. The Non-Executive Directors are compensated for their services as Directors at $35,000 per annum as approved by the Board, plus $23,000 per annum for the Non-Executive Chairman, $11,000 per annum for the Chairman of the Audit Committee, $5,500 per annum for the other Non-Executive members of the Audit Committee, $10,000 per annum for the Chairman of the Compensation Committee, and $5,000 per annum for the other Non-Executive members of the Compensation Committee. In addition, each Non-Executive Director, following publication of the Company's 2016 Annual Report, received in 2017 a grant of stock options for 20,400 shares of common stock of the Company vesting monthly over three years beginning on the date of grant. Richard Douglas was appointed as a Non-Executive Director on 12 February 2018 and did not receive a grant of stock options of the Company in 2017.

Mr. Doerfler earned an annual salary of $435,000 in 2017, and Mr. Holtz earned an annual salary of $310,000. Mr. Doerfler has a target bonus equal to 50% of his base salary, and Mr. Holtz has a target bonus equal to 35% of his base salary, payable in each case as determined by the Board. In addition, Mr. Doerfler and Mr. Holtz received in 2017 grants of stock options, following publication of the Company's 2016 annual report, for 296,000 and 134,800 shares of common stock of the Company, respectively, vesting monthly over the 48 months following grant.

Mr. Doerfler's severance agreement provides that on termination of his employment by the Company without cause, termination by Mr. Doerfler for good reason, or termination by virtue of Mr. Doerfler's death or disability, the Company will pay Mr. Doerfler 100% of his annual base salary over a 12-month period, provided, however, that if any of such terminations occurs within 24 months following a change of control, the Company will accelerate the vesting of all options granted to Mr. Doerfler and will pay Mr. Doerfler the sum of 150% of his annual base salary plus the greater of (i) the actual bonus amount earned by Mr. Doerfler under the Company's bonus plan with respect to the calendar year prior to the calendar year in which termination occurs, (ii) the actual bonus amount earned by Mr. Doerfler under the Company's bonus plan for the calendar year in which termination occurs, or (iii) Mr. Doerfler's target bonus amount under the Company's bonus plan for the calendar year in which termination occurs, in each case less any amounts paid under the Company's disability plans during the 12-month severance period. During such severance period, the Company will reimburse Mr. Doerfler for payments made by him under the Consolidated Omnibus Budget Reconciliation Act and continue his coverage under the Company's insurance benefit programmes. Any voluntary termination by Mr. Doerfler requires three months' notice.

Directors' compensation continued

Mr. Holtz's severance agreement provides that on termination of his employment by the Company without cause, termination by Mr. Holtz for good reason, or termination by virtue of Mr. Holtz's death or disability, the Company will pay Mr. Holtz 75% of his annual base salary over a nine-month period, provided, however, that if any of such terminations occurs within 24 months following a change of control, the Company will accelerate the vesting of all options granted to Mr. Holtz and will pay Mr. Holtz the sum of 75% of his annual base salary plus the greater of (i) the actual bonus amount earned by Mr. Holtz under the Company's bonus plan with respect to the calendar year prior to the calendar year in which termination occurs, (ii) the actual bonus amount earned by Mr. Holtz under the Company's bonus plan for the calendar year in which termination occurs, or (iii) Mr. Holtz's target bonus amount under the Company's bonus plan for the calendar year in which termination occurs, in each case less any amounts paid under the Company's disability plans during the nine-month severance period. During such severance period, the Company will also reimburse Mr. Holtz for payments made by him under the Consolidated Omnibus Budget Reconciliation Act and continue his coverage under the Company's insurance benefit programmes. Any voluntary termination by Mr. Holtz requires three months' notice.

Other equity compensation

During the period beginning 1 January 2017 and ending 31 December 2017, the Company issued a total of 1,630,100 stock options to Directors, employees, and consultants including 686,400 options previously announced to Directors and Officers of the Company. Options exercised and expired during the period beginning 1 January 2017 and ending on 31 December 2017 were 81,849 and 81,398, respectively. Total stock options outstanding at the beginning of the period 1 January 2017 were 5,774,366 and were 7,241,219 at the end of the period 31 December 2017.

Directors' interests and compensation

The Directors who held office at the date of this Report had the following beneficial interests in the common stock of the Company at the date of this Report:

Name	Common stock	Stock options	Total
J. Stark Thompson	110,918	213,633	324,551
Will Brooke	50,302	64,800	115,102
Doug Doerfler	433,197	2,137,080	2,570,277
Stan Erck	247,751	187,367	435,118
Ron Holtz	150,251	924,892	1,075,143
John Johnston	75,000	64,800	139,800
Art Mandell	374,484	44,300	418,784
Richard Douglas	–	40,900	40,900

Compensation for Directors for 2017 was as follows:

	Base salary US$	2017 bonus US$*	Total compensation US$**	Number of stock options granted 2017
Executive Director				
Doug Doerfler	435,000	193,575	628,575	296,000
Ron Holtz	310,000	97,650	407,650	134,800
Non-Executive Director				
J. Stark Thompson	68,000	–	68,000	23,900
Will Brooke	51,000	–	51,000	23,900
Stan Erck	40,000	–	40,000	23,900
Art Mandell	45,500	–	45,500	23,900
John Johnston	40,500	–	40,500	23,900

* Bonuses shown include compensation attributable to 2017 but not paid until 2018 and excludes bonuses paid in 2017 attributable to 2016.

** In addition to the compensation noted above, the Executive Directors receive standard Company health and other customary benefits. Non-Executive Directors did not receive any such benefits.

The Compensation Committee met four times during the year.

On behalf of the Compensation Committee

J. Stark Thompson, PhD
Chairman, Compensation Committee

21 April 2018

The Audit Committee is responsible for ensuring that the financial performance of the Company is properly monitored and reported.

Role and responsibilities

The Audit Committee reviews the independence and objectivity of the external auditor each year. The Audit Committee also reviews the adequacy of the Company's internal controls, accounting policies and financial reporting and provides a forum through which the Company's external auditor reports to the Non-Executive Directors.

Membership and meetings

The Audit Committee was reconstituted with revised terms of reference immediately prior to the IPO and comprises Will Brooke who acts as the Audit Committee Chairman, Art Mandell and John Johnston. The Audit Committee's terms of reference specify its authority and duties. It meets at least two times a year, with the Executive Directors and the external auditor attending by invitation.

The Board has decided that the size of the Company does not currently justify a dedicated internal audit function. This position will be reviewed as the Company's activities increase.

Financial reporting

The Audit Committee monitors the integrity of the financial statements of the Company, including its annual and interim reports, interim management statements, preliminary results announcements, and any other formal announcement relating to the Company's financial performance. It also reviews significant financial reporting issues and judgements they may contain. The Audit Committee also reviews summary financial statements and any financial information contained in certain other documents, such as announcements of a price-sensitive nature.

The Audit Committee reviews and challenges where necessary:

- the Company's accounting standards and the consistency of, and any changes to, accounting policies both on a year-to-year basis and across the Company;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- the appropriateness of any estimates and judgements in the Company's financial reporting, while taking into account the views of the independent auditor;
- the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as they relate to the audit and risk management).

Internal control and risk management

The Board has overall responsibility for ensuring that the Company has processes to identify, evaluate and manage key risks. These processes are designed to manage and minimise risk of failure to achieve the Company's strategic objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Directors consider that the present system of internal controls is sufficient for the needs of the Company and adequately addresses the risks to which the Company is perceived to be exposed. The Audit Committee met twice during the year.

On behalf of the Audit Committee

Will Brooke
Chairman, Audit Committee

21 April 2018

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

The AIM Rules require the Directors to prepare financial statements for each financial year. Under those rules, the Directors have elected to prepare the financial statements in accordance with US GAAP.

The Directors believe that the accounts should not be approved unless the Directors are satisfied that the accounts give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period presented. In preparing financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in US GAAP are insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the Company's financial position and financial performance.

The Directors are responsible for ensuring the Company maintains adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with US GAAP and the AIM Rules. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge the financial statements, prepared in accordance with US GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

To the Board of Directors and Stockholders of MaxCyte, Inc.

We have audited the accompanying Financial Statements of MaxCyte, Inc., which comprise the Balance Sheets as of 31 December 2017 and 2016, and the related Statements of Operations, Changes in Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit), and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the US; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the US. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MaxCyte, Inc. as of 31 December 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the US.

Aronson LLC
805 King Farm Blvd
Suite 300
Rockville, Maryland 20850

3 April 2018

BALANCE SHEETS
AS OF 31 DECEMBER
(AMOUNTS IN US DOLLARS, EXCEPT SHARE AMOUNTS)

	31 December 2017 US$	31 December 2016 US$
Assets		
Current assets:		
Cash and cash equivalents	**25,341,700**	11,727,000
Accounts receivable	**3,195,600**	2,410,700
Inventory	**1,347,000**	1,334,600
Other current assets	**665,800**	318,400
Total current assets	**30,550,100**	15,790,700
Property and equipment, net	**847,600**	281,500
Total assets	**31,397,700**	16,072,200
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of note payable, net of discount and deferred fees	**850,900**	–
Current portion of capital lease obligations	**3,200**	14,400
Accounts payable and accrued expenses	**4,331,000**	3,174,500
Deferred revenue	**2,055,100**	2,463,100
Total current liabilities	**7,240,200**	5,652,000
Note payable, net of discount, deferred fees and current portion	**4,176,300**	4,989,100
Capital lease obligations, net of current portion	**–**	3,100
Other liabilities	**384,500**	344,600
Total liabilities	**11,801,000**	10,988,800
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, $0.01 par; 200,000,000 shares authorised, 50,896,376 and 43,539,527 shares issued and outstanding at 31 December 2017 and 2016, respectively.	**509,000**	435,400
Additional paid-in capital	**80,729,400**	56,372,700
Accumulated deficit	**(61,641,700)**	(51,724,700)
Total stockholders' equity	**19,596,700**	5,083,400
Liabilities and stockholders' equity	**31,397,700**	16,072,200

See accompanying Notes to the Financial Statements.

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED 31 DECEMBER
(AMOUNTS IN US DOLLARS, EXCEPT SHARE AMOUNTS)

	2017 US$	2016 US$
Revenue	**13,985,000**	12,269,500
Costs of goods sold	**1,453,100**	1,307,600
Gross profit	**12,531,900**	10,961,900
Operating expenses:		
Research and development	**11,284,800**	4,696,400
Sales and marketing	**6,016,700**	4,784,200
General and administrative	**4,522,100**	4,204,700
Total operating expenses	**21,823,600**	13,685,300
Operating loss	**(9,291,700)**	(2,723,400)
Other income (expense):		
Interest expense	**(625,300)**	(637,800)
Other income	**–**	15,700
Total other income (expense)	**(625,300)**	(622,100)
Net loss	**(9,917,000)**	(3,345,500)
Cumulative preferred stock dividends	**–**	(505,400)
Net loss attributable to common stock	**(9,917,000)**	(3,850,900)
Basic and diluted net loss per common share	**(0.20)**	(0.11)
Weighted average common shares outstanding, basic and diluted	**48,642,926**	33,515,664

See accompanying Notes to the Financial Statements.

STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED 31 DECEMBER

	Redeemable Convertible Preferred Stock	
	Series E US$	Series D US$
Balance 1 January 2016	1,633,100	3,339,500
Accretion of preferred stock	222,200	972,500
Conversion of preferred stock upon IPO	(1,855,300)	(4,312,000)
Exchange of warrant upon IPO	–	–
Issuance of common stock upon IPO	–	–
Stock-based compensation expense	–	–
Exercise of stock options	–	–
Net loss	–	–
Balance 31 December 2016	**–**	**–**
Issuance of common stock in public offering	–	–
Stock-based compensation expense	–	–
Exercise of stock options	–	–
Net loss	–	–
Balance 31 December 2017	**–**	**–**

All outstanding preferred stock converted into common stock on 29 March 2016. See Financial Statement Note 1.

See accompanying Notes to the Financial Statements.

Redeemable Convertible Preferred Stock			Common Stock				
Series C US$	Series B US$	Series A-1 US$	Shares	Amount US$	Additional Paid-in Capital US$	Accumulated Deficit US$	Total Stockholders' Equity (Deficit) US$
3,977,400	35,299,100	1,028,100	1,947,302	19,500	–	(48,379,200)	(48,359,700)
1,683,900	373,100	–	–	–	(3,251,700)	–	(3,251,700)
(5,661,300)	(35,672,200)	(1,028,100)	27,151,531	271,500	48,257,400	–	48,528,900
–	–	–	85,914	900	84,500	–	85,400
–	–	–	14,285,714	142,800	11,116,700	–	11,259,500
–	–	–	–	–	154,100	–	154,100
–	–	–	69,066	700	11,700	–	12,400
–	–	–	–	–	–	(3,345,500)	(3,345,500)
–	**–**	**–**	**43,539,527**	**435,400**	**56,372,700**	**(51,724,700)**	**5,083,400**
–	–	–	7,275,000	72,800	23,826,800	–	23,899,600
–	–	–	–	–	514,500	–	514,500
–	–	–	81,849	800	15,400	–	16,200
–	–	–	–	–	–	(9,917,000)	(9,917,000)
–	**–**	**–**	**50,896,376**	**509,000**	**80,729,400**	**(61,641,700)**	**19,596,700**

STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED 31 DECEMBER
(AMOUNTS IN US DOLLARS, EXCEPT SHARE AMOUNTS)

	2017 US$	2016 US$
Cash flows from operating activities:		
Net loss	**(9,917,000)**	(3,345,500)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortisation	**142,900**	105,700
Net book value of consigned equipment sold	**63,200**	38,900
Stock-based compensation	**514,500**	154,100
Non-cash interest expense	**38,100**	42,600
Changes in operating assets and liabilities:		
Accounts receivable	**(784,900)**	(959,400)
Inventory	**(174,900)**	(248,700)
Other current assets	**(347,400)**	(109,100)
Accounts payable and accrued expenses	**1,156,500**	1,276,100
Deferred revenue	**(408,000)**	638,300
Other liabilities	**39,900**	72,000
Net cash used in operating activities	**(9,677,100)**	(2,335,500)
Cash flows from investing activities:		
Purchases of property and equipment	**(609,700)**	(218,800)
Net cash used in investing activities	**(609,700)**	(218,800)
Cash flows from financing activities:		
Issuance costs related to debt amendment	**–**	(63,100)
Proceeds from exercise of stock options	**16,200**	12,400
Principal payments on capital leases	**(14,300)**	(16,600)
Net proceeds from issuance of common stock	**23,899,600**	11,936,200
Net cash provided by financing activities	**23,901,500**	11,868,900
Net increase in cash and cash equivalents	**13,614,700**	9,315,100
Cash and cash equivalents, beginning of period	**11,727,000**	2,411,900
Cash and cash equivalents, end of period	**25,341,700**	11,727,000
Supplemental cash flow information:		
Cash paid for interest	**530,000**	525,100
Supplemental disclosure of non-cash investing and financing activities:		
Conversion of preferred stock in conjunction with IPO	**–**	48,528,900
Exchange of stock warrants in conjunction with IPO	**–**	85,400

See accompanying Notes to the Financial Statements.

1. Organisation and description of business

MaxCyte, Inc. (the Company or MaxCyte) was incorporated as a majority owned subsidiary of EntreMed, Inc. (EntreMed) on 31 July 1998, under the laws and provisions of the state of Delaware, and commenced operations on 01 July 1999. In November 2002, MaxCyte was recapitalised and EntreMed was no longer deemed to control the Company.

MaxCyte is a global life sciences company utilising its proprietary cell engineering technology to enable development of CARMA, MaxCyte's proprietary, mRNA-based immuno-oncology cell therapy, as well as the programmes of its biotechnology and pharmaceutical company customers who are engaged in cell therapy, including gene editing and immuno-oncology, and in drug discovery and development and biomanufacturing. The Company licenses and sells its instruments and technology and sells its consumables to developers of cell therapies and to pharmaceutical and biotechnology companies for use in drug discovery and development and biomanufacturing.

On 29 March 2016, the Company completed its IPO of its Common Stock on the AIM sub-market of the London Stock Exchange (AIM IPO). The Company issued approximately 14.3 million shares of its Common Stock at an initial price of £0.70 per share (or approximately $1.01 per share), generating gross proceeds of approximately £10 million (or approximately $14.4 million). See Note 4.

In January 2016, the Board of Directors approved an amended Plan of Recapitalisation (the 'Plan of Recapitalisation'). The Plan of Recapitalisation provided that, immediately prior to completion of an AIM IPO, (i) all Series A-1, B, C and D preferred stock shall be converted automatically into Common Stock based on a formula set out in, and otherwise in accordance with, the terms of the Recapitalisation, (ii) the Series E preferred stock shall be converted automatically into Common Stock at a discount from the AIM IPO placing price, and (iii) holders of the outstanding Series D Preferred Stock Warrants shall have confirmed that such warrants would be exchanged for Common Stock based on a formula as set out in, and otherwise in accordance with, the terms of the warrants and the Plan of Recapitalisation. The Plan of Recapitalisation was effective on 29 March 2016 upon the Company's completion of its AIM IPO.

2. Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The Company operates in a single business segment.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. In the accompanying financial statements, estimates are used for, but not limited to, stock-based compensation, allowance for doubtful accounts, allowance for inventory obsolescence, valuation of derivative liabilities and other financial instruments, accruals for contingent liabilities, deferred taxes and valuation allowance, and the depreciable lives of fixed assets. Actual results could differ from those estimates.

Concentration

During the years ended 31 December 2017 and 2016, one customer represented 7% and 11% of net revenues, respectively. As of 31 December 2017 and 2016, accounts receivable from this customer totalled 0% and 3% of net accounts receivable, respectively.

During the years ended 31 December 2017 and 2016, the Company purchased approximately 52% and 63%, respectively, of inventory from one supplier. As of 31 December 2017 and 2016, amounts payable to this supplier totalled 4% and 24% of total accounts payable, respectively.

Foreign currency

The Company's functional currency is the US dollar; transactions denominated in foreign currencies are transacted at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in foreign currency is consummated and the date on which it is either settled or at the reporting date are recognised in the Statements of Operations as general and administrative expense. The foreign currency transaction gains (losses) were $50,100 and ($72,700) for the years ended 31 December 2017 and 2016, respectively.

Fair value

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. US GAAP establishes a hierarchical disclosure framework which prioritises and ranks the level of observability of inputs used in measuring fair value. These tiers include:

- Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2—Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.
- Level 3—Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

See Note 5 for additional information regarding fair value.

2. Summary of significant accounting policies continued

Cash and cash equivalents

Cash and cash equivalents consist of financial instruments with original maturities of less than three months. At times the Company's cash balances may exceed federally insured limits and cash may also be deposited in foreign bank accounts that are not covered by federal deposit insurance. The Company does not believe that this results in any significant credit risk.

Inventory

The Company sells or licenses products to customers. The Company uses the average cost method of accounting for its inventory and adjustments resulting from periodic physical inventory counts are reflected in costs of goods sold in the period of the adjustment. Inventory consisted of the following at 31 December:

	2017 US$	2016 US$
Raw materials inventory	**371,100**	426,000
Finished goods inventory	**975,900**	908,600
Total inventory	**1,347,000**	1,334,600

The Company determined no allowance for obsolescence was necessary at 31 December 2017 or 2016.

Accounts receivable

Accounts receivable are reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. The Company determined that no allowance was necessary at 31 December 2017 or 2016.

Property and equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method. Office equipment (principally computers) is depreciated over an estimated useful life of three years. Laboratory equipment is depreciated over an estimated useful life of five years. Furniture is depreciated over a useful life of seven years. Leasehold improvements are amortised over the shorter of the estimated lease term or its useful life. Consigned instruments represent equipment held at a customer's site that is typically leased to customers on a short-term basis and is depreciated over an estimated useful life of five years. Property and equipment consist of the following at 31 December:

	2017 US$	2016 US$
Furniture and equipment	**1,497,000**	1,084,100
Consigned instruments	**419,700**	443,900
Leasehold improvements	**265,400**	72,500
Accumulated depreciation and amortisation	**(1,334,500)**	(1,319,000)
Property and equipment, net	**847,600**	281,500

For the years ended 31 December 2017 and 2016, the Company incurred depreciation and amortisation expense of $142,900 and $105,700, respectively. Maintenance and repairs are charged to expense as incurred.

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

Redeemable convertible preferred stock

Upon the completion of the Company's AIM IPO, all shares of the Company's preferred stock were converted into shares of the Company's Common Stock in accordance with the Plan of Recapitalisation. As a result, no shares of preferred stock were outstanding as of 31 December 2017 and 2016. See Note 1.

Prior to the AIM IPO the Company's preferred stock was accounted for as follows:

The Company's Series B redeemable convertible preferred stock was classified since issuance as temporary equity since it was redeemable in certain circumstances outside of the Company's control. The Series B redeemable convertible preferred stock was increased by the accretion of any related discounts and accrued but unpaid dividends so that the carrying amount equals the redemption amount at the estimated redemption date.

The Company's Series E convertible preferred stock issued in December 2014 was classified at issuance as temporary equity as a result of an embedded contingent conversion option that is potentially settleable by issuing a variable number of shares.

2. Summary of significant accounting policies continued

The Company's Series A-1 convertible preferred stock and the Series C perpetual preferred stock and Series D perpetual preferred stock were initially classified as permanent equity. As part of the adoption of the Plan of Conditional Recapitalisation in December 2014, the Company's Series A-1, C and D preferred stock were modified to include an embedded contingent conversion option that is potentially settleable by issuing a variable number of shares; as a result, the Series A-1, C and D preferred stock were reclassified to temporary equity upon modification.

Revenue recognition

Revenue is recognised when there is persuasive evidence that an arrangement exists, delivery has occurred, the sales price is fixed and determinable, and collection is reasonably assured.

Revenue is principally from the sale or lease of instruments and processing assemblies, as well as from extended warranties, installation and maintenance. In some arrangements, product and services have been sold together in multiple element arrangements. In such arrangements, when the elements have standalone value to the customer, the Company allocates the sale price to the various elements in the arrangement on a relative selling price basis. Under this basis, the Company determines the estimated selling price of each element in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis.

Revenue from the sale of instruments and disposables is generally recognised at the time of shipment to the customer, provided no significant vendor obligations remain and collectability is reasonably assured. Revenue from equipment leases are recognised ratably over the contractual term of the lease agreement. Licensing fee revenue is recognised ratably over the licence period. Revenue from fees for research services is recognised when services have been provided.

Research and development costs

Research and development costs consist of independent proprietary research and development costs and the costs associated with work performed for fees from third parties. Research and development costs are expensed as incurred. Research costs performed for fees from customers are included in cost of goods sold.

Stock-based compensation

The Company grants stock-based awards in exchange for employee, consultants and non-employee director services. The value of the award is recognised as expense on a straight-line basis over the requisite service period.

The Company utilises the Black-Scholes option pricing model for estimating fair value of its stock options granted. Option valuation models, including the Black-Scholes model, require the input of highly subjective assumptions, and changes in the assumptions used can materially affect the grant-date fair value of an award. These assumptions include the expected volatility, expected dividend yield, risk-free rate of interest and the expected life of the award. A discussion of management's methodology for developing each of the assumptions used in the Black-Scholes model is as follows:

Expected volatility

Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company does not currently have sufficient history with its common stock subsequent to the AIM IPO in 2016 to determine its actual volatility. The Company has been able to identify several public entities of similar size, complexity and stage of development; accordingly, historical volatility has been calculated at between 47% and 49% for 2017 and 35% and 48% for 2016 using the volatility of these companies.

Expected dividend yield

The Company has never declared or paid common stock dividends and has no plans to do so in the foreseeable future. Additionally, the Company's long-term debt agreement restricts the payment of cash dividends.

Risk-free interest rate

This approximates the US Treasury rate for the day of each option grant during the year, having a term that closely resembles the expected term of the option. The risk-free interest rate was between 1.8% and 2.4% for 2017 and 1.1% and 2.2% for 2016.

Expected term

This is the period of time that the options granted are expected to remain unexercised. Options granted have a maximum term of ten years. The Company estimates the expected term of the option to be 6.25 years for options with a standard four-year vesting period, using the simplified method. Over time, management intends to track estimates of the expected term of the option term so that estimates will approximate actual behaviour for similar options.

Expected forfeiture rate

The forfeiture rate is the estimated percentage of options granted that is expected to be forfeited or cancelled on an annual basis before becoming fully vested. Prior to the adoption of new accounting guidance in 2017, the Company estimated the forfeiture rate based on turnover data with further consideration given to the class of the employees to whom the options were granted. The Company estimated the annual forfeiture rate to be 10% for 2016. Beginning in 2017, the Company will record forfeitures as they occur.

2. Summary of significant accounting policies continued

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that such tax rate changes are enacted. The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more-likely-than-not that all or a portion of the deferred tax asset will not be realised.

Management uses a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, as well as guidance on derecognition, classification, interest and penalties and financial statement reporting disclosures. For those benefits to be recognised, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognises interest and penalties accrued on any unrecognised tax exposures as a component of income tax expense. The Company has not identified any uncertain income tax positions that could have a material impact to the financial statements.

The Company is subject to taxation in various jurisdictions in the United States and abroad and remains subject to examination by taxing jurisdictions for 2014 and all subsequent periods. The Company had a Net Operating Loss (NOL) carry forward of $33.0 million as of 31 December 2017, which was generally available as a deduction against future income for US federal corporate income tax purposes, subject to applicable carryforward limitations. As a result of the March 2016 AIM IPO, the Company's NOLs are limited on an annual basis, subject to certain carryforward provisions, pursuant to Section 382 of the Internal Revenue Code of 1986, as amended, as a result of a greater than 50% change in ownership that occurred in the three-year period ending at the time of the March AIM IPO. The Company has calculated that for the period ending 31 December 2022, the cumulative limitation amount exceeds the NOLs subject to the limitation.

On 22 December 2017, the President of the United States signed into law the Tax Cuts and Jobs Act of 2017 (the 'Tax Act') which included significant changes to the existing income tax laws for domestic corporations. Key features of the Tax Act effective in 2018 include:

- Reduction of the corporate tax rate from 35% to 21%.
- Elimination of the alternative minimum tax.
- Changes in the deductibility of certain aspects of executive compensation.
- Changes in the deductibility of certain entertainment and recreation expenses.
- Changes in incentive tax breaks for US production activities.

Because of the Company's existing federal net operating loss carryforwards and current expectations as to the recovery of its net deferred tax assets, the Company believes that the Tax Act will not have a significant impact on its financial results and financial position, including on its liquidity, for the foreseeable future.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares of Common Stock outstanding during the period.

For periods of net income, and when the effects are not anti-dilutive, diluted earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares outstanding plus the impact of all potential dilutive common shares, consisting primarily of Common Stock options and stock purchase warrants using the treasury stock method, and convertible preferred stock using the if-converted method.

For periods of net loss, diluted loss per share is calculated similarly to basic loss per share because the impact of all dilutive potential common shares is anti-dilutive. The number of anti-dilutive shares, consisting of (i) Common Stock options, (ii) stock purchase warrants, and (iii) convertible preferred stock exchangeable into Common Stock, which has been excluded from the computation of diluted loss per share, was 7.2 million and 5.8 million for the years ended 31 December 2017 and 2016, respectively.

The Company's convertible preferred stock, prior to its conversion in March 2016, contained non-forfeitable rights to dividends, and therefore was considered to be a participating security; the calculation of basic and diluted income (loss) per share excludes net income (but not net loss) attributable to the convertible preferred stock from the numerator and excludes the impact of those shares from the denominator.

2. Summary of significant accounting policies continued

Recent accounting pronouncements

Recently adopted

In July 2015, the Financial Accounting Standards Board (FASB) issued guidance for inventory requiring an entity to measure inventory within the scope of this guidance at the lower of cost or net realisable value, except when inventory is measured using last in, first out (LIFO) or the retail inventory method. Net realisable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. In addition, the FASB has amended some of the other inventory guidance to more clearly articulate the requirements for the measurement and disclosure of inventory. The guidance is effective for reporting periods beginning after 15 December 2016 and early adoption is permitted. The Company adopted this guidance on 01 January 2017. The adoption of this guidance did not have a material impact on the Company's financial statements.

In March 2016, the FASB issued guidance to clarify the requirements for assessing whether contingent call or put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The guidance is effective for reporting periods beginning after 15 December 2016, and early adoption is permitted. Entities are required to apply the guidance to existing debt instruments using a modified retrospective transition method as of the beginning of the fiscal year of adoption. The Company adopted this guidance on 01 January 2017. The adoption of this new guidance did not have a material impact on the Company's financial statements.

In March 2016, the FASB issued guidance simplifying the accounting for and financial statement disclosure of stock-based compensation awards. Under the guidance, all excess tax benefits and tax deficiencies related to stock-based compensation awards are to be recognised as income tax expenses or benefits in the income statement and excess tax benefits should be classified along with other income tax cash flows in the operating activities section of the Statement of Cash Flows. Under the guidance, companies can also elect to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. In addition, the guidance amends some of the other stock-based compensation awards guidance to more clearly articulate the requirements and cash flow presentation for withholding shares for tax-withholding purposes. The guidance is effective for reporting periods beginning after 15 December 2016 and early adoption is permitted, though all amendments of the guidance must be adopted in the same period. The adoption of certain amendments of the guidance must be applied prospectively, and adoption of the remaining amendments must be applied either on a modified retrospective basis or retrospectively to all periods presented. The Company adopted this guidance on 01 January 2017 and elected to account for forfeitures as they occur. The adoption of this new guidance did not have a material impact on the Company's financial statements.

Unadopted

In May 2014, the FASB issued guidance for revenue recognition for contracts, superseding the previous revenue recognition requirements, along with most existing industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognise revenue. The new standard will result in enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. In August 2015, the FASB issued guidance approving a one-year deferral, making the standard effective for reporting periods beginning after 15 December 2017, with early adoption permitted only for reporting periods beginning after 15 December 2016. In March 2016, the FASB issued guidance to clarify the implementation guidance on principal versus agent considerations for reporting revenue gross rather than net, with the same deferred effective date. In April 2016, the FASB issued guidance to clarify the identification of performance obligations and licensing arrangements. In May 2016, the FASB issued guidance addressing the presentation of sales and other similar taxes collected from customers, providing clarification of the collectibility criterion assessment, as well as clarifying certain transition requirements. The Company is currently evaluating the impact, if any, that this guidance will have on its financial statements.

In February 2016, the FASB issued guidance for the accounting for leases. The guidance requires lessees to recognise assets and liabilities related to long-term leases on the balance sheet and expands disclosure requirements regarding leasing arrangements. The guidance is effective for reporting periods beginning after 15 December 2018 and early adoption is permitted. The guidance must be adopted on a modified retrospective basis and provides for certain practical expedients. The Company is currently evaluating the impact, if any, that this new accounting pronouncement will have on its financial statements.

In June 2016, the FASB issued guidance with respect to measuring credit losses on financial instruments, including trade receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognising a credit loss on financial instruments. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past events and current conditions. The guidance is effective for fiscal years beginning after 15 December 2020, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after 15 December 2018, including interim periods within those fiscal years. The adoption of certain amendments of this guidance must be applied on a modified retrospective basis and the adoption of the remaining amendments must be applied on a prospective basis. The Company is currently evaluating the impact, if any, that this new accounting pronouncement will have on its financial statements.

In May 2017, the FASB issued guidance clarifying when changes in the terms or conditions of share-based payment awards should be accounted for as modifications. This guidance is effective for fiscal years beginning after 15 December 2017 and early adoption is permitted. This guidance must be applied prospectively to awards modified after the adoption date. The Company is currently evaluating the impact, if any, that this new accounting pronouncement will have on its financial statements.

2. Summary of significant accounting policies continued

In July 2017, the FASB issued guidance addressing several issues involving financial instruments. Part I of the guidance simplifies the accounting for certain equity-linked financial instruments and embedded features with down round features that reduce the exercise price when the pricing of a future round of financing is lower (down round protection). Current accounting guidance provides that instruments with down round protection be classified as derivative liabilities with changes in fair value recorded through earnings. The updated guidance provides that instruments with down round protection are no longer precluded from being classified as equity. This guidance is effective for fiscal years beginning after 15 December 2018 for public business entities and early adoption is permitted. This guidance must be applied retrospectively. The Company is currently evaluating the impact, if any, that this new accounting pronouncement will have on its financial statements.

The Company has evaluated all other issued and unadopted Accounting Standards' Updates and believes the adoption of these standards will not have a material impact on its results of operations, financial position, or cash flows.

3. Debt

The Company originally entered into a credit facility with Midcap Financial SBIC, LP (MidCap) in March 2014. The MidCap facility carries a variable interest rate equal to the greater of (i) 1.50% above the London Interbank Offered Rate (LIBOR) then in effect, or (ii) 10.00% and is collateralised by substantially all tangible assets of the Company. The Company amended the MidCap facility in February 2015 and in June 2015, to, among other things, (i) waive certain existing events of default, (ii) allow certain otherwise prohibited investments, (iii) extend the maturity date to 01 July 2019, (iv) revise principal amortisation payments and other contingent payments, and (v) increase the principal amount to $5,105,400. Additionally, the Company amended the MidCap facility in June 2016, to, among other things, (i) revise certain covenants, (ii) extend the maturity date to 01 June 2021, and (iii) extend the interest only period to 01 July 2018 and increase the exit fee to 6.75%.

The Company accounted for all amendments as 'modifications' to the facility. Accordingly, the Company has deferred additional fees incurred and paid to the lender in connection with the amendments and expensed all fees paid to third parties. The deferred fees are being amortised using the effective interest method over the remaining term of the amended debt. Unamortised deferred financing costs were approximately $72,500 and $107,700 at 31 December 2017 and 2016, respectively, and are included as reductions to the note payable balance.

The total balance of the MidCap credit facility at both 31 December 2017 and 2016 was $5,105,400, with an interest rate of 10%; the balance of the unamortised debt discount at 31 December 2017 and 2016 was $5,700 and $8,700, respectively. Future minimum principal payments under the MidCap credit facility are expected to be approximately $850,000 in 2018, approximately $1,702,000 in 2019 and 2020, and approximately $851,000 in 2021.

4. Stockholders' equity

Common stock

On 29 March 2016, the Company completed the AIM IPO, and issued approximately 14.3 million shares of its Common Stock at an initial price of £0.70 per share (or approximately $1.01 per share), generating gross proceeds of approximately £10 million (or approximately $14.4 million). In conjunction with the transaction the Company incurred costs of approximately $3.1 million which resulted in the Company receiving net proceeds of approximately $11.3 million.

In conjunction with the AIM IPO and in accordance with the Plan of Recapitalisation, the Company issued 27,151,531 shares of Common Stock upon the conversion of all of its outstanding shares of preferred stock. The Company also issued 85,914 shares of Common Stock upon the exchange of all outstanding stock purchase warrants.

On 21 April 2017, the Company completed an equity capital raise issuing 7,275,000 shares of Common Stock at a price of £2.75 per share (or approximately $3.51 per share). The transaction generated gross proceeds of approximately £20 million (or approximately $25.5 million). In conjunction with the transaction the Company incurred costs of approximately $1.6 million which resulted in the Company receiving net proceeds of approximately $23.9 million.

During the year ended 31 December 2017, the Company issued 81,849 shares of Common Stock as a result of stock option exercises, receiving gross proceeds of $16,200.

4. Stockholders' equity continued

Stock options

The Company adopted the MaxCyte, Inc. Long-Term Incentive Plan (the Plan) in January of 2016 to amend and restate the MaxCyte 2000 Long-Term Incentive Plan to provide for the awarding of (i) stock options, (ii) restricted stock, (iii) incentive shares, and (iv) performance awards to employees, officers, and directors of the Company and to other individuals as determined by the Board of Directors. Under the Plan, the maximum number of shares of Common Stock of the Company that the Company may issue is (a) 6,264,682 shares plus (b) 10% of the shares that are issued and outstanding at the time awards are made under the Plan.

On 21 February 2018, the Company's Board resolved to increase the number of stock options under the Plan by 2,000,000 to provide sufficient shares to allow competitive equity compensation in its primary markets for staff and consistent with practices of comparable companies.

The Company has not issued any restricted stock, incentive shares, or performance awards under the Plan. Stock options granted under the Plan may be either incentive stock options as defined by the Internal Revenue Code or non-qualified stock options. The Board of Directors determines who will receive options under the Plan and determines the vesting period. The options can have a maximum term of no more than ten years. The exercise price of options granted under the Plan is determined by the Board of Directors and must be at least equal to the fair market value of the Common Stock of the Company on the date of grant.

A summary of stock option activity for the years ended 31 December 2017 and 2016 is as follows:

	Number of options	Weighted average exercise price US$	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value US$
Outstanding at 1 January 2016	4,120,626	0.05	8.5	3,227,800
Granted	1,776,565	1.17		
Exercised	(69,066)	0.18		84,000
Forfeited	(53,759)	0.14		
Outstanding at 31 December 2016	5,774,366	0.39	8.3	7,520,400
Granted	1,630,100	3.18		
Exercised	(81,849)	0.20		256,400
Forfeited	(81,398)	1.11		
Outstanding at 31 December 2017	**7,241,219**	**1.01**	**7.8**	**16,266,800**
Exercisable at 31 December 2017	**4,920,419**	**0.34**	**7.2**	**14,355,100**

The weighted-average fair values of the options granted during 2017 and 2016 were estimated to be $1.53 and $0.46, respectively.

As 31 December 2017, total unrecognised compensation expense was $2,680,200 which will be recognised over the following three years.

Stock-based compensation expense for the years ended 31 December was as follows:

	2017 US$	2016 US$
General and administrative	**210,100**	45,100
Sales and marketing	**124,400**	85,100
Research and development	**180,000**	23,900
Total	**514,500**	154,100

Stock purchase warrants

Immediately prior to the Company's AIM IPO and pursuant to the Plan of Recapitalisation, on 29 March 2016 all stock purchase warrants were exchanged for 85,914 shares of Common Stock. Prior to such exercise, the warrants were classified as liabilities. At 31 December 2017 and 2016, the Company had no outstanding stock purchase warrants.

5. Fair value

The Company's Balance Sheets include various financial instruments (primarily cash and cash equivalents, accounts receivable and accounts payable and accrued expenses) that are carried at cost, which approximates fair value due to the short-term nature of the instruments. Notes payable and capital lease obligations are reflective of fair value based on market comparable instruments with similar terms.

Financial assets and liabilities measured at fair value on a recurring basis

After the adoption of the Plan of Conditional Recapitalisation and prior to their exercise in March 2016, the Company's stock purchase warrants were exchangeable into Series D Preferred which could have been required to be settled by issuance of a variable number of shares; as such, the warrants were classified as liabilities, measured at fair value and marked to market each reporting period until settlement. The fair value of the warrants was measured using Level 3 inputs and was determined based on the value of the warrants relative to the value of the Company's other equity securities assuming an AIM IPO and effectiveness of the Plan of Conditional Recapitalisation. The primary Level 3 unobservable inputs included various assumptions about the potential AIM IPO. The warrants were exchanged for 85,914 shares of Common Stock on 29 March 2016.

The Company had no financial assets or liabilities measured at fair value on a recurring basis at 31 December 2017 or 2016.

The following table presents a summary of changes in the fair value of Level 3 warrant liabilities measured at fair value on a recurring basis for the year ended 31 December 2016:

Description	Balance at 1 January 2016 US$	Exchanged for Common Stock in 2016 US$	Change in fair value in 2016 US$	Balance at 31 December 2016 US$
Warrant liabilities	85,400	(85,400)	–	–

Financial assets and liabilities measured at fair value on a non-recurring basis

The Company has no financial assets and liabilities that are measured at fair value on a non-recurring basis.

Non-financial assets and liabilities measured at fair value on a recurring basis

The Company has no non-financial assets and liabilities that are measured at fair value on a recurring basis.

Non-financial assets and liabilities measured at fair value on a non-recurring basis

The Company measures its long-lived assets, including property and equipment, at fair value on a non-recurring basis. These assets are recognised at fair value when they are deemed to be impaired. No such fair value impairment was recognised during the years ended 31 December 2017 or 2016.

6. Retirement plan

The Company sponsors a defined-contribution 401(k) retirement plan covering eligible employees. Participating employees may voluntarily contribute up to limits provided by the Internal Revenue Code. Beginning in 2017, the Company matches employee contributions equal to 50% of the salary deferral contributions, with a maximum Company contribution of 3% of the employees' eligible compensation. In the year ended 31 December 2017, Company matching contributions amounted to $148,700.

7. Income taxes

The Company did not recognise a provision (benefit) for income taxes in 2017 or 2016. Based on the Company's historical operating performance, the Company has provided a full valuation allowance against its net deferred tax assets.

Net deferred tax assets as of 31 December 2017 and 2016 are presented in the table below:

	2017 US$	2016 US$
Deferred tax assets:		
Net operating loss carryforwards	**8,349,400**	8,872,300
Research and development credits	**620,000**	492,200
Stock-based compensation	**337,900**	312,500
Deferred revenue	**599,500**	1,112,000
Accruals and other	**57,600**	76,800
Deferred tax liabilities:		
Depreciation	**(59,000)**	(1,200)
	9,905,400	10,864,600
Valuation allowance	**(9,905,400)**	(10,864,600)
Net deferred tax assets	**–**	–

7. Income taxes continued

The federal net operating loss carryforwards of approximately $33.0 million as of 31 December 2017 will begin to expire in various years beginning in 2025. The use of NOL carryforwards is limited on an annual basis under Internal Revenue Code Section 382 when there is a change in ownership (as defined by this code section). Based on changes in Company ownership in the past, the Company believes that the use of its NOL carryforwards generated prior to the date of the change is limited on an annual basis; NOL carryforwards generated subsequent to the date of change in ownership can be used without limitation. The use of the Company's net operating loss carryforwards may be restricted further if there are future changes in Company ownership. Additionally, despite the net operating loss carryforwards, the Company may have a future tax liability due to alternative minimum tax or state tax requirements.

Income tax expense reconciled to the tax computed at statutory rates for the years ended 31 December is as follows:

	2017 US$	2016 US$
Federal income taxes (benefit) at statutory rates	**(3,359,000)**	(1,137,400)
State income taxes (benefit), net of federal benefit	**(492,700)**	(266,300)
Effect of 2017 Tax Act	**4,468,600**	–
Windfall tax benefits	**(97,400)**	–
Permanent differences, rate changes and other	**439,700**	770,600
Change in valuation allowance	**(959,200)**	633,100
	–	–

8. Commitments and contingencies

The Company entered into a five-year non-cancellable operating lease agreement for office and laboratory space in February 2009 with an initial expiration of 31 January 2014 which was subsequently extended in 2013. In April 2017, the Company entered into leases for additional office and laboratory space. All the Company's office and laboratory leases expire in January 2020 and provide for annual 3% increases to the base rent. The current monthly base lease payment for all leases is approximately $41,000. In addition to base rent, the Company pays a pro-rated share of common area maintenance (CAM) costs for the entire building, which is adjusted annually based on actual expenses incurred.

Estimated future minimum payments under the operating leases are $503,500, $520,700 and $43,700 in 2018, 2019 and 2020, respectively.

Total rent expense, including base rent and CAM for the years ended 31 December 2017 and 2016, was $585,600 and $321,900, respectively. Rent expense is recognised on a straight-line basis in the accompanying financial statements.

The Company has several equipment leases accounted for as capital leases all of which expire in 2018.

9. Subsequent events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through 3 April 2018 the date the financial statements were available to be issued.

MaxCyte, Inc.

22 Firstfield Road, Suite 110, Gaithersburg, MD 20878, USA

NOTICE OF ANNUAL GENERAL MEETING OF STOCKHOLDERS

An Annual General Meeting of Stockholders of MaxCyte, Inc. (the Meeting) is planned to be held on 31 October 2018 to consider and act upon: (i) the re-election of John Johnston as a Class III Director to serve for three years, beginning on the date of the Meeting; (ii) the re-election of J. Stark Thompson as a Class III Director to serve for three years, beginning on the date of the Meeting; (iii) the re-election of Will Brooke as a Class III Director to serve for three years, beginning on the date of the Meeting; (iv) the election of Richard Douglas as a Class III Director to serve for three years, beginning on the date of the Meeting; (v) the reappointment of Aronson LLC as auditors and to authorise the Audit Committee to fix their remuneration; and (vi) any other business that the Board of Directors may duly elect to present to the Shareholders for consideration.

Formal notice and resolutions, along with the Annual Meeting Proxy Card and Form of Direction, will be circulated on or about 10 September 2018 to shareholders of record on or about that date.

Ron Holtz
Company Secretary and Chief Financial Officer
MaxCyte, Inc., Gaithersburg, MD, USA

21 April 2018

NOTES

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