MaxCyte®

Empowering effective cell engineering for a healthier world

ANNUAL REPORT AND ACCOUNTS 2019

WHO WE ARE

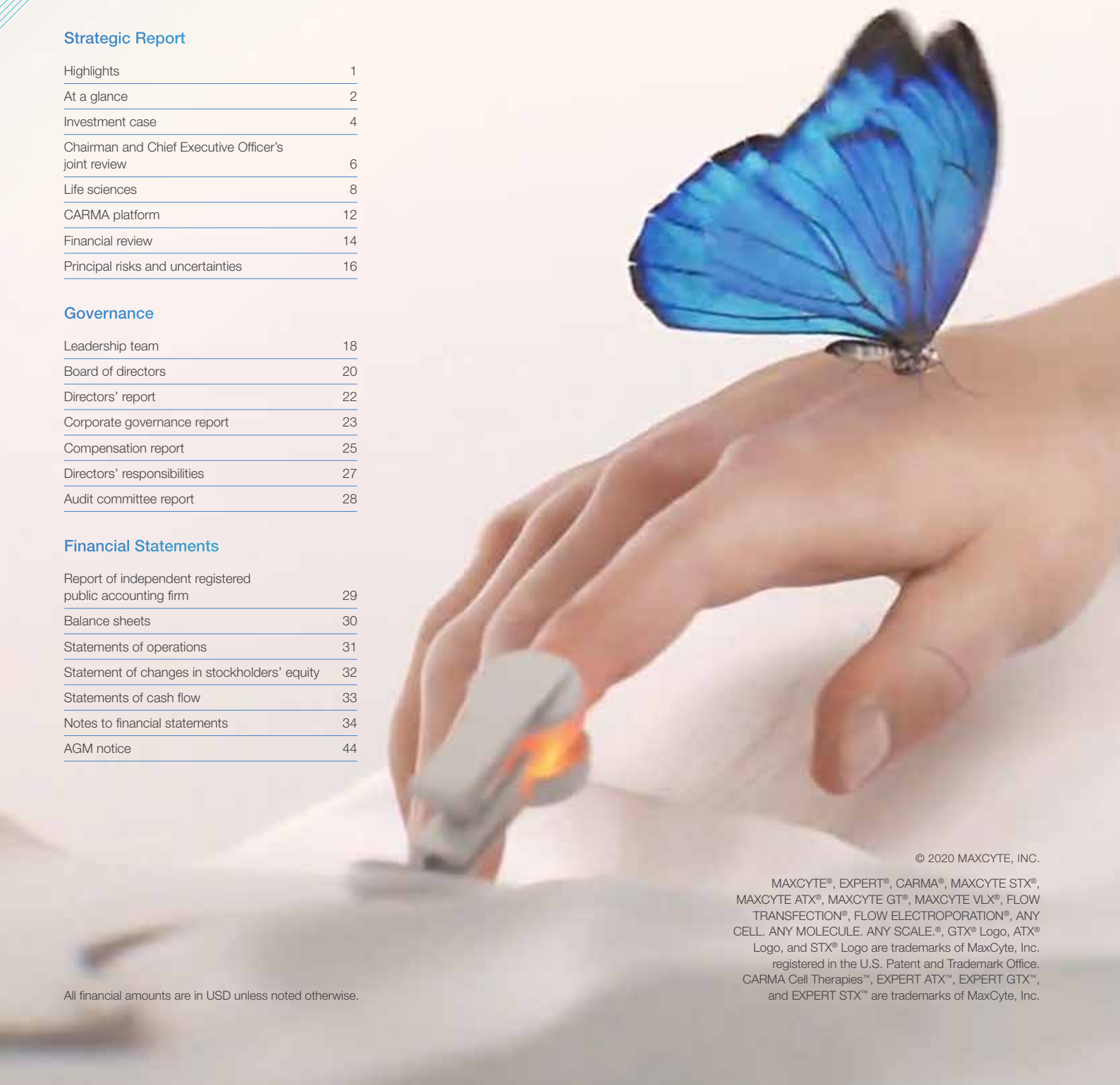
At MaxCyte®, we believe in the power of cell and gene therapies to revolutionise medical treatment and ultimately save lives. As the inventors of the premier cell engineering enabling technology, we help bring the promise of next-generation cell and gene-editing therapies to life.

CONTENTS

Strategic Report

Governance

Financial Statements

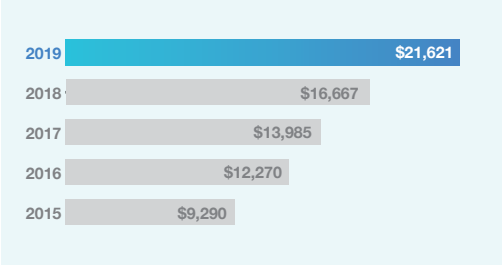


All financial amounts are in USD unless noted otherwise.

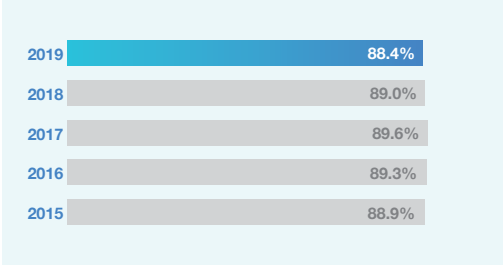
FINANCIAL HIGHLIGHTS

Solid five-year financial results.

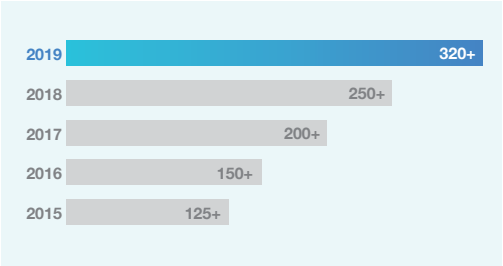
Revenue
5 Year Revenue CAGR 25%
(USD)



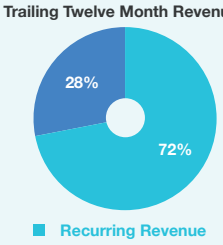
Gross Margin
Pharmaceutical Level Margins



Instruments Placed
Consistent Growth of Total Instruments Placed

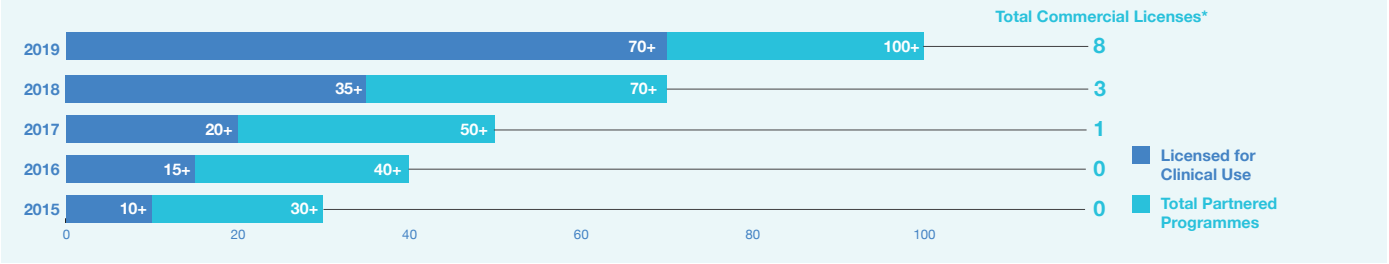


Recurring Revenues*
High Percentage Recurring Revenues: >2/3rds of TTM Revenues



* Average total expected annual revenue from leased instruments and consumable sales as of 12/31/2015-2019 as % of TTM revenue

Partnered Programmes
Continued Growth in Total Licenced Programmes



* Excluding deals signed before 2015

Revenue growth from 2018 to 2019

30%

Revenue growth from 2014 to 2019

25%

Five-year CAGR

Funds raised in March 2019

£10m

Aggregate potential pre-commercial milestone payments from commercial agreements signed to date

>$800m

OPERATIONAL HIGHLIGHTS

- Significant commercial momentum in transformative therapies:
  - Five new clinical/commercial licences signed in 2019, including with industry leaders Kite (a Gilead Company), Editas Medicine, and KSQ Therapeutics
  - Allogene Therapeutics clinical/commercial licence signed on 24 March 2020, bringing total to nine
  - More than 100 cell-therapy programmes licenced, more than 70 licenced for clinical use
- Leadership position further established in clinical non-viral cell engineering for off-the-shelf CAR-T immuno-oncology medicines and for inherited genetic diseases:
  - MaxCyte technology has enabled more than 15 clinical cell-therapy programmes to-date for diseases spanning from blood cancers to solid tumours to inherited diseases and disorders
  - Of the first five US clinical trials utilising CRISPR gene-editing approaches for *ex vivo* gene modified cell-therapy, four are using MaxCyte technology, creating new treatments for cancer and inherited genetic disease
- Launched next generation ExPERT® brand series of instruments and disposables:
  - Three instrument formats with enhanced design and functionality to support users from early research through commercial manufacture of approved therapeutics
  - Wider range of disposables that offer expanded utility from early research to clinical and commercial use
- MaxCyte's Phase I dose-escalation trial with MCY-M11, a wholly-owned, non-viral, mRNA-based cell-therapy candidate under development by MaxCyte's CARMA Cell Therapies™ subsidiary, progressing well
  - Fourth dosing cohort commenced according to plan in the first quarter of 2020
  - Clinical development of MCY-M11 will continue; however, timelines may be impacted due to the COVID-19 global pandemic and the current deprioritisation of non-COVID-19 clinical trials and restrictions on patient recruitment at clinical trial sites. Preliminary clinical results are expected to be announced in H2 2020
- Appointment of adviser to facilitate independent investment and new partnerships for the CARMA platform

DELIVERING REAL VALUE

Technology is just the beginning.

Who we are
MaxCyte is helping the world's most innovative pharmaceutical and biotechnology companies to reach their discovery, development, and manufacturing goals. The MaxCyte global customer base in drug discovery and development includes 20 of the top 25 and all of the top ten pharmaceutical companies.

What we do
We help bring the promise of cell and gene-editing therapies to life. Our Flow Electroporation® technology and ExPERT® platform enable our partners to accelerate, streamline, and improve the drug development process from the early stages of research to commercialisation.

How we do it
The MaxCyte offering to partners is driven by groundbreaking technology. Our talented and dedicated team of scientists and engineers works closely with our partners all along the development pathway to clinical and commercial success.

Our mission
As the inventors of the premier cell engineering enabling technology, we help bring the promise of cell and gene-editing therapies to life.
We are focused on enabling the development of new medicines and bringing highly effective next-generation cell and gene-editing therapies to the patients who desperately need them.

Our businesses

LIFE SCIENCES

Delivering real value across diverse markets for the next generation of cell-based therapies.

Our technology
It begins with our proprietary ExPERT® platform and our Flow Electroporation® technology, which allow molecules to be gently, consistently, and repeatably inserted into cells for specific purposes.

expert®

Partnered cell-therapy programmes
Enabling the development of novel cell therapies with leading players:

- 100+ partnered programme licences
  - 70+ licenced for clinical use
  - Applications in immuno-oncology, gene-editing and regenerative medicine
- Annual licencing fees and processing assembly ("PA") sales provide recurring revenue stream
- Validated multi-million dollar commercial licence/milestone opportunities

Partnered programme licences

100+

Patient-focused drug discovery and biomanufacturing
Instruments, PAs and technology sold to pharma and biotech companies worldwide:

- Provide recurring revenue stream
- Global footprint field sales and applications teams
- Consistent high margins
- MaxCyte technology provides higher productivity and shortened timelines

Licenced for Clinical Use

70+

CARMA CELL THERAPIES™

- Includes MaxCyte's proprietary non-viral platform for autologous cell therapies
- Wholly-owned next generation messenger ribonucleic acid ("mRNA") CAR-based product
- IND submitted to Food and Drug Administration ("FDA") in 2017 with first-in-human trial advanced through multiple patient cohorts
- Leverages MaxCyte's extensive experience at the cutting edge of CAR-T
- Significant potential patient benefits

Phase I trial of MCY-M11 underway

- Fourth dose cohort initiated March 2020

Our people

Dedicated scientists and business professionals: We work closely with our partners all along the pathway to clinical and commercial success.

We offer deep knowledge of what it takes to bring valuable and unique therapies to market. We begin with our proprietary next-generation ExPERT® platform and our Flow Electroporation® technology. Based on the medical problem being solved, scientists efficiently engineer human cells for maximum potency and efficacy. With the ExPERT® platform, we meet, exceed and support the unique needs of each partner as they develop novel therapies from the research stage to commercialisation, transforming patient lives.

Number of employees

65+

(45 with advanced degrees)

OUR PROPOSITION

Build on demonstratable track record by investing in accelerating growth.

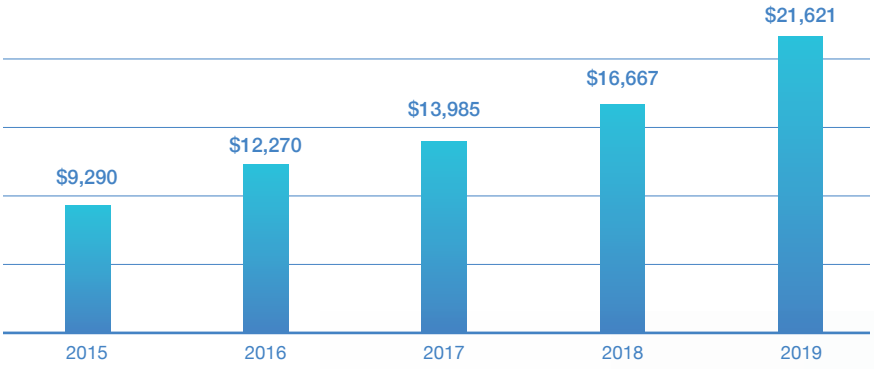
Proprietary IP technology

- Proprietary IP-backed Flow Electroporation technology, provides ***scalable cell engineering*** solutions for partners
- Market leading positions in large (drug discovery) and rapidly growing (cell-therapy) global markets: with ***20 of the top 25*** and all of the top ten pharma companies as clients
- 9 commercial cell-therapy licences, providing ***$800m+ in potential pre-commercial milestones*** with growing annual milestone recognition

Proven track record of revenue growth

- 5-year revenue CAGR 25%, accelerated to ***30% revenue growth*** in 2019
- ***~90%*** gross margins
- Consumable sales and instrument licences create ***high recurring revenues*** (>70% of TTM annual revenues 2015-2019)
- ***First positive*** operating results for MaxCyte's Life Sciences business: $1.3m EBITDA before CARMA

REVENUE GROWTH



Commercial clinical trials

- Four of the first five US commercial clinical trials using CRISPR gene-editing are leveraging MaxCyte's technology to ***create new treatments*** for cancer and inherited genetic diseases

CARMA Cell Therapies™

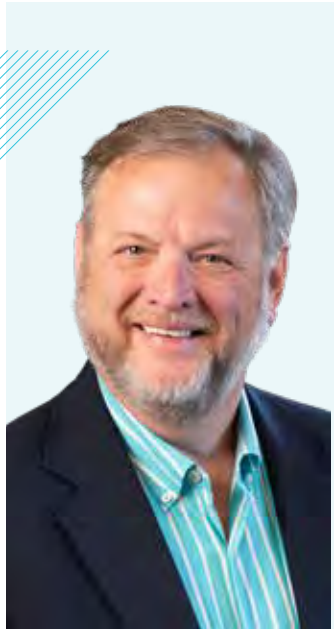
- ***Unique, novel mRNA-based*** cell therapies
- ***Lead program, MCY-M11, is in a first-in-human trial*** for treatement of ovarian cancer and peritoneal mesothelioma
- Intent for CARMA Cell Therapies™ subsidiary to be ***independently financed by end of 2020***

Acceleration

- Opportunity for MaxCyte to accelerate pioneering role as the ***global leader in non-viral cell engineering***
- ***Rapid growth*** and substantial funding in cell therapy market
- ***Scalable technology and business model*** positions company to accelerate growth

WE UNDERSTAND OUR PARTNERS

We understand and solve partners' challenges by applying our expertise and proven delivery platform for cell-engineering.



Doug Doerfler
Chief Executive Officer

J. Stark Thompson, PhD
Non-Executive Chairman

"

2019 was a year of outstanding progress across all areas of our business. Our Life Sciences business continued to exhibit strong growth, reflecting MaxCyte's leadership as an enabler of next-generation cell-based therapies and resulting in a period of financial outperformance.

Over the year we maintained progress with our lead CARMA candidate, MCY-M11, which is advancing through a Phase I clinical trial, demonstrating the feasibility of our one-day cell-therapy manufacturing process. We remain fully committed to the MCY-M11 clinical development programme, though we are prepared for an impact on timelines due to delays caused by COVID-19 restrictions. In March 2020, dosing in the fourth cohort commenced according to schedule and at the higher dosing level. I am really proud of this achievement and would like to thank everyone involved in the trial to date.

Introduction

MaxCyte holds a global leadership position in the large drug discovery and rapidly-growing cell-therapy markets. We are proud to help the world's leading pharmaceutical and biotechnology companies reach their discovery, development, manufacturing and commercialisation goals, particularly as the industry works together during the current coronavirus (COVID-19) global pandemic. Our broad global customer base includes 20 of the top 25 and all of the top ten pharmaceutical companies. MaxCyte has become the partner of choice for leading cellular therapy and gene-editing companies and is the industry standard non-viral approach to cell and gene therapy. Our technology, with the ExPERT® brand series of commercially-oriented instruments and disposables at its core, continues to enable new therapies, which have the potential to transform the treatment of many challenging diseases.

Strong financial performance

MaxCyte had another strong financial year with a 30% increase in reported revenues over the previous year, positive EBITDA before CARMA in the Life Sciences business, and gross margins of approximately 88%. Our cash position was bolstered by a successful fundraise of £10.0m (before expenses) through a placing of new shares, ending the year with cash of $16.7m.

Value of licencing deals

MaxCyte licences have been granted to 100+ cell-therapy programmes, 70+ for clinical use. Among the nine MaxCyte clinical and commercial licencing deals, seven were signed within the 14 months ending in December 2019. Our partnerships are structured for optimal benefit to both parties, with licences—and relationships—that may last for 20 years and longer. Under the terms of our enabling-technology licence agreements, the biological and cellular therapies our partners are developing provide a series of milestone payments as those programmes enter the clinic and continue through clinical development and into the commercialisation of the therapy. For MaxCyte, milestone revenue streams have expanded significantly since our first commercial gene-editing licence in 2017, and are expected to continue to increase rapidly as our fastest growing revenue stream. Of particular note, MaxCyte is set to receive significant milestones as anticipated clinical progress is made for the programmes of MaxCyte partners such as CRISPR Therapeutics, Editas Medicine, Precision Biosciences, and others. Overall, MaxCyte has the potential to receive in excess of $800m in pre-commercial milestones, plus a share of commercial value.

Expertise and understanding

MaxCyte continues to meet and support the unique needs of each of our partners as they develop therapies from the research stage to commercialisation to transform patient lives. Partners depend on our best-in-class suite of technology and capabilities, from the next generation ExPERT® brand series of commercially-oriented instruments and disposables, to comprehensive field support, regulatory know-how, process control, and more. We offer deep knowledge of what it takes to bring valuable and unique therapies to market. Because of our technology, expertise, and commitment, our partners have confidence that we can help them reduce risk and timelines, increase efficiency, and optimise the success of the therapies they are dedicated to delivering.

CARMA: Proprietary cell therapy platform

MaxCyte technology also drives our own therapeutic development programmes through CARMA, our proprietary therapeutic platform for next-generation CAR-based cancer treatments. At the start of 2020, MaxCyte established CARMA Cell Therapies™ as a wholly owned subsidiary to facilitate independent investment and new partnerships to advance the CARMA platform. MaxCyte has retained Locust Walk, a global life science strategic advisory and transaction firm. The Company intends CARMA to be self-funded by the end of 2020.

The fourth dosing cohort of the Phase I trial of MCY-M11 commenced in March 2020 as expected. CARMA Cell Therapies™ remains fully committed to the MCY-M11 clinical development programme; however, timelines may be impacted due to the global COVID-19 pandemic and the current deprioritisation of non-COVID-19 clinical trials and restrictions on patient recruitment at the two clinical trial sites.

COVID-19

MaxCyte's key priority in the current COVID-19 global pandemic is to ensure the health and safety of its employees, and to continue supporting its customers and partners. Since February 2020, we have successfully implemented business continuity plans, by adapting working protocols and shifts at our labs and facilities, as well as focusing on essential production and shipping activities to safeguard our employees and their dependents while maintaining service and support for customers.

Due to the unprecedented restrictions put in place around COVID-19, including global lock-downs, we have noted the potential negative impact on operations, as defined in our recent COVID-19 Business Update. This includes a potential impact on revenues for the Life Sciences business, and possible delays to the progress of our CARMA MCY-M11 Phase I clinical trial. However, we remain confident that, notwithstanding the emerging global slowdown in customer and hospital operations, MaxCyte has a resilient business model supported by a high proportion of recurring revenues and continuing opportunities for growth.

The opportunities to drive a new generation of cell therapies

We believe in the power of reprogramming cells to create therapies to revolutionise medical treatment and ultimately save lives. We are on the cusp of a new world of cell-based and gene-edited therapies, with a burgeoning of drug candidates in this space in the last two years alone. As the inventors of the premier cell-engineering enabling technology, we are humbled by the opportunity to work in such an important area of human health with the world's leading scientists and clinicians. Clearly, we are poised to continue our mission of helping to drive a new generation of cell therapies, bringing the promise of transformative treatments to life.

Outlook

In light of the global COVID-19 pandemic, we are working diligently to keep our team, partners and their families safe, while continuing to support our customers to enable important medical advancements with the potential to make significant impact on the lives of patients. Despite the current pandemic disruption we are well positioned, through a resilient business model underpinned by strong recurring revenues through licences and disposables, to deliver revenue growth in the Life Sciences business in 2020. We have demonstrated our position as the non-viral transfection delivery platform of choice for the world's leading cell-therapy companies in their development of commercial treatments. For all our markets, we believe there will continue to be opportunities to invest in and pursue expansion of our products and technologies within the Life Sciences business. In the coming period, management will remain focused on delivering the potential of our CARMA programme as we advance a new generation of CAR-based cancer treatment through the clinic and continue our plan to secure independent funding for the CARMA platform. MaxCyte's Board remains highly optimistic for the future.

J. Stark Thompson, PhD
Non-Executive Chairman

Doug Doerfler
Chief Executive Officer

A healthy person has a thousand wishes, a sick person only one. –*Indian Proverb*

"With unprecedented restrictions in place due to COVID-19, we remain mindful of the potential impact on revenues through slowdowns in customer operations or delays in clinical trials. However, we remain confident that MaxCyte has a resilient business model underpinned by strong recurring revenues and prospects for continued growth.

We have every reason to remain highly optimistic for the future. I believe we will continue to see long-term momentum in MaxCyte's business as a whole and, notwithstanding the COVID-19 situation, I look forward to updating the market with our continued positive progress."

2019: A YEAR OF ACHIEVEMENT

March
- → Raised £10m through placing of new shares
- → Entered clinical and commercial agreement with Kite (a Gilead Company), under which Kite will use MaxCyte's technology to enable non-viral cell engineering for development of multiple CAR-T drug candidates

April
- → Launched ExPERT® technology platform and family of instruments – the ATX®, STX® and GTX®, representing next-generation technology for complex cellular engineering
- → Presented at 22nd Annual ASGCT Meeting on the manufacturing process for MCY-M11, MaxCyte's lead mRNA-based CARMA cell-therapy

July
- → Appointed Dr. Dhana Chinnasamy as VP, Non-Clinical and Translational Studies, CARMA Cell Therapies™

May
- → Progressed Phase I clinical trial of MCY-M11 into second cohort of patients; confirmed feasibility of streamlined, faster CAR therapy manufacturing process

October—November
- → Entered clinical and commercial licence agreement with Editas Medicine, who will use MaxCyte's technology for the advancement of engineered cell medicines
- → Entered clinical and commercial licence agreement with Vor Biopharma under which Vor will use MaxCyte's technology to produce eHSCs and initiate investigational new drug (IND)-enabling studies
- → Initiated dosing in third cohort of patients of the Phase I clinical trial with the next higher cell dose of MCY-M11

December
- → Entered into development and commercialisation agreement with KSQ Therapeutics under which KSQ gained rights to use MaxCyte's Flow Electroporation technology and ExPERT® instruments to advance KSQ's eTIL™ programmes
- → Appointed Shruti Abbato as EVP, Business Development for CARMA Cell Therapies™

WE ARE WELL-POSITIONED

To address rapidly growing opportunity of over 800 companies developing cell- and gene-based therapies.

RAPID GROWTH IN CELL-THERAPY

2019: A strong year for regenerative medicine financings

Total 2019 Global Financings

$9.8bn

Gene & Gene Modified Cell-therapy

$7.6bn

Cell-therapy

$5.1bn

Tissue Engineering

$442m

Source: Alliance for Regenerative Medicine

We believe in the power of reprogramming cells to create therapies to revolutionise medical treatment and ultimately save lives.

Doug Doerfler
Chief Executive Officer

EXPERT®:
New product launch

Following extensive customer feedback from a global market research initiative, MaxCyte announced in April 2019 the launch of the first new ExPERT® family of instruments. By introducing a sleek and modern design that integrates important value-added features, the ExPERT® product line delivers improved usability that will further solidify the Company's leading position in the cell-therapy and gene-editing markets. The ExPERT® family includes three separate instruments: the ATX®, STX® and GTX®. Each one addresses specific needs in cell-therapy and protein production market segments, including new functionality of importance to both preclinical and clinical commercial users, while enhancing the MaxCyte's market-leading performance. New updated software, a touchscreen user interface and other features deliver a significant improvement to the user experience.

The combination of the new instruments, together with the launch of a new range of processing assemblies, enables customers to standardise on a single, unifying technology from early research through to clinical and commercial use. The transition from preclinical research to clinical trials, when using different technologies, often creates a significant financial burden for customers and can lead to many months/years of delays due to re-optimisation requirements. With the expansion of the instrument and processing assembly product offerings, these bottlenecks can be eliminated, which in turn can provide significant cost and time savings for customers and accelerate delivery of new treatments to patients.

eXpert®

Instruments placed for cell-therapy and drug discovery

320+

WE ARE COMMITTED

Solving problems for the world's leading biotech and largest pharma companies

ENABLING CELL-THERAPY:
Technology is just the beginning

The MaxCyte offering to partners is driven by groundbreaking technology. We work closely with our partners all along the pathway to achieve clinical and commercial success. It begins with our proprietary ExPERT® platform and our Flow Electroporation technology, which allow molecules to be gently, consistently, and repeatably scaled and inserted into cells for specific purposes. Based on the medical problem being solved, scientists efficiently engineer human cells for maximum potency and efficacy. With the ExPERT® platform, we meet and support the unique needs of each partner as they develop therapies from the research stage to commercialisation to transform patient lives.

MaxCyte has established itself as a world leader in non-viral cell engineering – offering a rapid, safe and clinically-focused means of creating the next generation of cell-based therapies. The Company's leadership in this field has and continues to be demonstrated year after year through collaborations, partnerships and research agreements with leading biotech companies and research institutions.

Inspiring partnerships

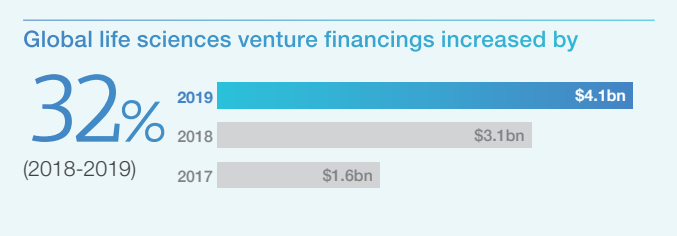
Using MaxCyte technology, our partners are exploring new methods of treatment for leukaemias, solid tumour cancers and genetic disorders such as sickle-cell disease, as well as new approaches for patients suffering from autoimmune diseases. We are proud of our partnerships with industry-leading companies that are advancing new drugs, including cell-based and gene-edited therapies for patients with high unmet medical needs. With our ExPERT® platform, we enable the advancements of premier cell-therapy and gene-editing leaders such as Kite Pharma (a Gilead Company), CRISPR Therapeutics, Precision BioSciences, Editas Medicine and Allogene Therapeutics. Of the first five US clinical trials with a CRISPR gene-editing approach for *ex vivo* gene modified cell-therapy, four are using MaxCyte's technology to create new treatments for cancer and inherited genetic diseases. This demonstrates the value of MaxCyte's enablement of CRISPR/Cas9 therapies as a new class of transformative medicines to treat serious diseases.

There have been some notable examples of progress in the last year. In November 2019, MaxCyte partners, CRISPR Therapeutics and Vertex Pharmaceuticals, reported positive interim data at the American Society of Hematology ("ASH") meeting from the first two patients enrolled in two Phase I/II trials assessing their CRISPR/Cas9 gene-edited therapy CTX001 for beta thalassaemia and sickle-cell disease.
In December 2019, Precision BioSciences presented updated interim clinical data on its lead programme, PBCAR0191, a novel CD19-targeted allogeneic CAR-T therapy candidate. In January, Precision announced the acceptance of an investigational new drug application ("IND") by the U.S. Food and Drug Administration ("FDA") for a BCMA-targeted genome-edited allogeneic CAR-T therapy candidate for multiple myeloma that is scheduled to begin dosing patients in 2020. With this IND approval, Precision BioSciences now has three genome edited allogeneic therapies in clinical-stage development.

MaxCyte partner Editas Medicine also presented data at the ASH meeting in December 2019 on its EDIT-301 programme, an *ex vivo* gene-editing-based asset for sickle-cell disease. The data showed a clean off-target editing profile and robust (50%) fetal haemoglobin ("HbF") induction upon engraftment in mice. The Company continues to rapidly advance this lead programme through IND-enabling activities. All three of the above programmes are enabled by MaxCyte technology.

Driving the future of cell engineering

We don't know whether this is the preface, the first page, or the first chapter for gene and cell therapies. But we do know that MaxCyte is helping to write this story. And we are just beginning to understand what this may mean for the future of medicine and human health.



Source: Alliance for Regenerative Medicine

Of the first five US clinical trials with a CRISPR gene-editing approach for *ex vivo* gene modified cell-therapy, four are using MaxCyte's technology to create new treatments for cancer and inherited genetic diseases

Validated multi-million dollar commercial licence milestone opportunities

- MaxCyte commercial licences in gene-editing with CRISPR/Casebia, CRISPR (oncology), Precision Biosciences, Kite (a Gilead Company), Editas Medicine, KSQ Therapeutics, Vor Biopharma, Allogene Therapeutics
  - Commercial licences announced to date could bring more than $800m in pre-commercial milestone payments

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

LEADERS IN DRUG DISCOVERY AND BIOMANUFACTURING

Overview

MaxCyte is helping the most innovative pharma and biotech companies to reach their discovery, development, and manufacturing goals. 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 20 of the top 25 and all of the top ten pharmaceutical companies.

MaxCyte's success is based upon our ability to anticipate and satisfy the needs of customers as they move through the drug development process, expanding our offerings to broaden the use of our technology by customers across the drug discovery landscape.

Drug discovery and development market

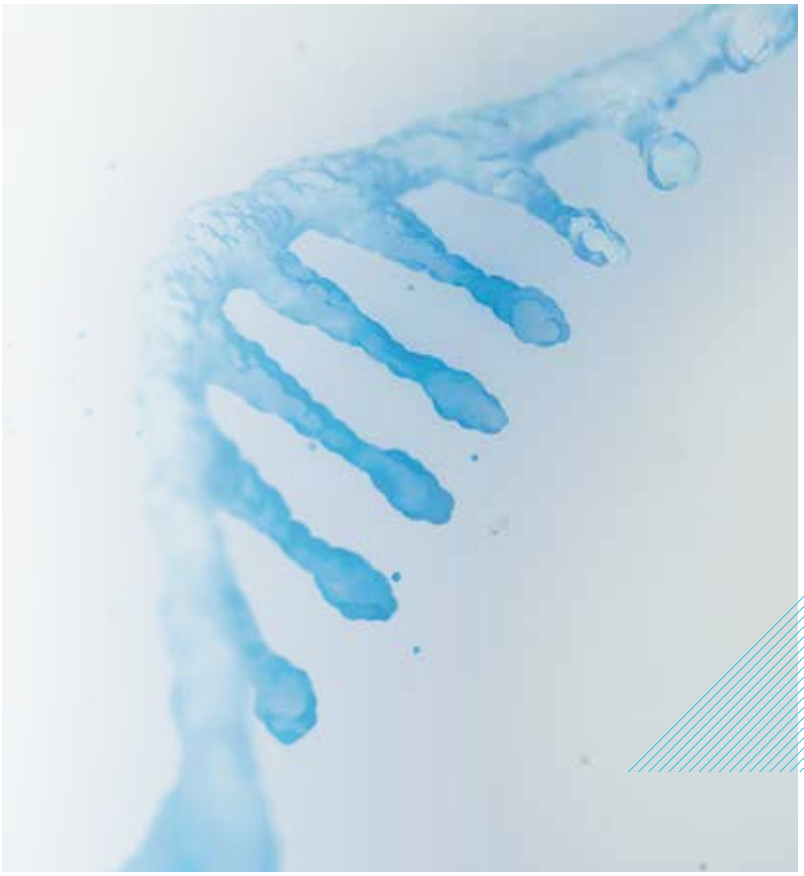
- Significant untapped market
- Growing recurring revenue element
- Consistent high margins

Projected global transfection market (in 2020)

$958m

(reagents and equipment only)

Source: Alliance for Regenerative Medicine



RAPID AND NON-VIRAL

Our unique approach to cell therapy

PROGRESSING THE CARMA PLATFORM

Overview

MaxCyte has developed CARMA®, a novel and proprietary technology for the development of non-viral, human messenger RNA (mRNA)-based, chimeric antigen receptor ("CAR") or T-cell receptor ("TCR") redirected immune cell therapies. CARMA (derived from CAR mRNA) utilizes MaxCyte's Flow Electroporation® technology for highly efficient, non-viral, delivery of one or more mRNA(s) into un-manipulated PBMCs (peripheral blood mononuclear cells) or isolated immune cells such as T- or NK-cells. CARMA offers the potential for a safer cell-therapy, as a result of transient expression of receptor(s) and a non-viral delivery approach. Together, CARMA and the ExPERT® family of instruments also offer the potential for a significantly streamlined, scalable, and cost-effective GMP manufacturing process without the complexity of virus-based products.

Our CARMA knowledge and experience, coupled with our strong and growing non-clinical and translational research programme and established GMP cell processing capabilities, forms the basis of our cell-therapy R&D platform and underscores the potential for generating a pipeline of highly differentiated, CARMA Cell Therapies™ for cancer as well as other diseases with serious unmet needs. To date, supported by preclinical efficacy, our lead CARMA programme, MCY-M11, a mesothelin directed CAR-PBMC therapy, is being evaluated in a Phase I clinical trial for ovarian cancer and peritoneal mesothelioma (NCT03608618). In addition, we are also advancing research and development of next-generation CARMA-based cell therapies — those potentially engineered with functionality uniquely amenable to the CARMA approach — directed to mesothelin and other novel, undisclosed targets.

MaxCyte has great belief in the potential of MCY-M11 as a new, effective therapeutic in solid tumours, especially for individuals with limited treatment options. The clinical trial of MCY-M11 is designed to establish CARMA as a new autologous cell-therapy platform for next-generation targeted cell-based immune therapies and, crucially, demonstrates the feasibility of our rapid clinical manufacturing process. We are enthusiastic about the overall potential of the CARMA programme to address some of the most significant issues found in existing CAR-T therapies, including challenging side effects as well as the complex, expensive, and time-consuming manufacturing processes used for viral-based CAR therapies.

Over the course of 2019 we made important additions to our CARMA team. In December, Shruti Abbato joined the Company as Executive Vice President, Business Development for CARMA Cell Therapies™. Ms. Abbato is leading the development of new partnerships for the Company's CARMA platform programmes. We were also pleased to welcome Dr. Dhana Chinnasamy as Vice President, Non-Clinical and Translational Studies in July. Dr. Chinnasamy an expert in the research and translation of gene and immunotherapies with more than 20 years of experience in the field, oversees all non-clinical and translational activities for MaxCyte's CARMA platform and works closely with the clinical, regulatory, manufacturing, and business development teams in support of MaxCyte's clinical-stage therapeutic development.

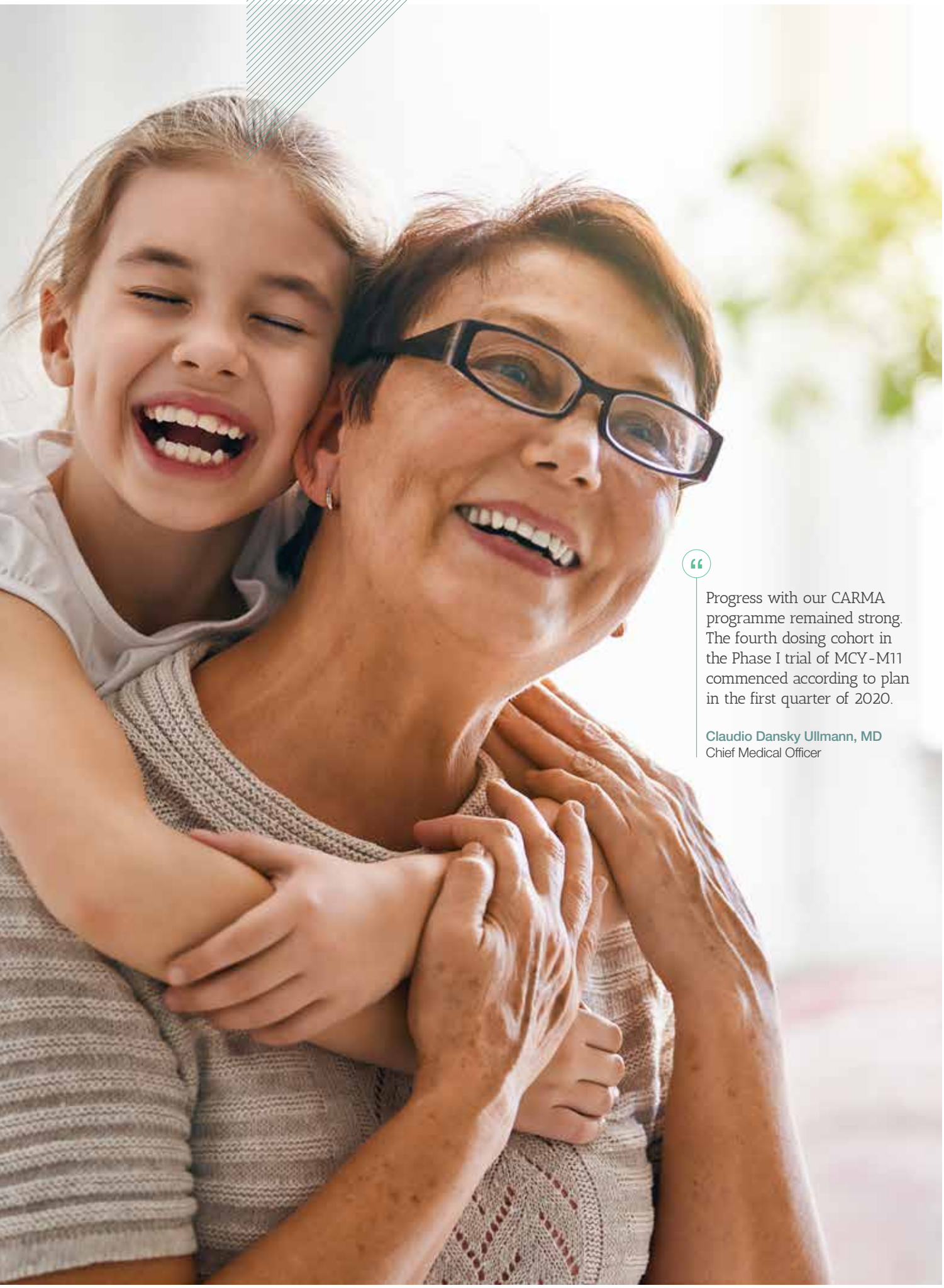
Programme	Tumour	Discovery	Preclinical	Phase I	Phase II	Phase III
MCY-M11 IP Mesothelin Targeted	Ovarian & Peritoneal Mesothelin					
MCY-M11 IV Mesothelin Targeted	Undisclosed solid tumours					
Undisclosed Targets	Undisclosed					

Transfection of mRNA into un-manipulated cells provides a simple, patented, rapid to manufacture, dose controllable product:

- → Potential to permit the treatment of a broad range of cancers including solid tumours
- → Reduced complexity, low cost, highly scalable; potential for increased safety
- → Additional preclinical MCY-M11 studies progressing
- → Foundation work: transfection of mRNA into expanded and activated cells at leading institutions

MCY-M11

- → First MaxCyte cell-therapy drug entered the clinic in 2018; advanced through multiple patient cohorts during 2019. Clinical results expected H2 2020
- → Novel CAR construct employing mRNA as the CAR and without use of viruses
- → Engineered to control persistence via multi-dose regimen
- → Efficacy in solid tumours shown in preclinical studies



> Progress with our CARMA programme remained strong. The fourth dosing cohort in the Phase I trial of MCY-M11 commenced according to plan in the first quarter of 2020.

Claudio Dansky Ullmann, MD
Chief Medical Officer

STRONG 2019 PERFORMANCE

Unprecedented growth

Ron Holtz
Chief Financial Officer

The Company reported revenues of $21.6m in 2019, representing a 30% increase over the previous year and including 36% growth in the second half of 2019 compared to the second half of 2018. That growth extended our run of double-digit revenue growth, yielding a compound average revenue growth of 25% since 2014.

Gross margins remained stable at approximately 88% and EBITDA loss in 2019 remained in line with expectations at $10.1m. EBITDA before CARMA expenses and non-cash stock-based compensation was $1.3m, the Company's first positive operating result for the Life Sciences business. This significant improvement over prior years (2018 EBITDA before CARMA loss of $0.8m) was driven by strong overall revenue growth, particularly from growth in milestone payments, which have no associated COGs, and disciplined control of expenses.

Operating expenses increased to $31.5m reflecting the maturation of the CARMA programme, which accounted for $11.7m of 2019 operating expenses, compared to $6.5m in 2018, as the Company's first CARMA candidate MCY-M11 advanced in a Phase 1 trial through multiple patient cohorts. Operating expenses excluding CARMA increased 19% (compared to 30% revenue growth) to $19.8m compared to $16.7m in 2018 as the Company invested in field application scientist and product design and manufacturing staff, sales and marketing team, and marketing expenses. Hiring was weighted towards the second half of 2019 lessening cost increases in 2019, and which will have a full year impact in 2020. The outlook for controlling costs to allow for breakeven EBITDA before CARMA in the coming year remains positive.

At year end 2019, total assets of the Company were $30.0m, compared to $24.3m in 2018. The increase in total assets was principally associated with a) the adoption of accounting guidance that requires the fair value of leases be presented on the balance sheet as offsetting Right of Use Asset and Lease Liability accounts, b) capital investments including those related to development of the ExPERT® branded instruments and disposables, c) the associated increase in inventory for those new offerings, and d) proceeds from the March 2019 capital raise.

Key metrics

	2019	2018	% change
Revenue	**$21.6m**	$16.7m	29.7%
Gross margin	**88.4%**	89.0%	(0.6%)
CARMA investment	**($11.7m)**	($6.5m)	79.3%
Total operating expenses	**($31.5m)**	($23.3m)	35.7%
EBITDA before CARMA*	**$1.3m**	($0.8m)	N/A
Net profit/(loss) before CARMA investment	**($1.2m)**	($2.3m)	(50.0%)
Total assets**	**$30.0m**	$24.3m	23.6%
Cash and cash equivalents, including short-term investments	**$16.7m**	$14.4m	15.7%

* Excluding associated non-cash stock-based compensation of $0.8m and $1.5m in 2018 and 2019, respectively. CARMA investment includes additional stock-based compensation of $0.5m and $0.3m in 2018 and 2019, respectively.

** As of 31 December 2019 and 31 December 2018, respectively.

- 2019 revenues increased nearly 30% year-over-year
- Revenue growth accelerated by emergence of milestone revenue as fastest growing revenue stream
- Revenue accelerated in the second half of 2019, totalling $13.2m, an increase of 36% over the second half of 2018 ($9.7m)
- The Company's first positive operating results for the Life Sciences business, substantially ahead of expectations: $1.3m EBITDA before CARMA
- Significant medium and long-term upside from potential pre-commercial milestone payments resulting from partnered therapeutic programmes: currently nine commercial deals in place and more than $800m in potential pre-commercial milestones plus a share of commercial value
- Five-year revenue compounded annual growth rate ("CAGR") now 25%
- Successful fundraise of £10.0m (before expenses) completed on 01 March 2019. Cash at 31 December 2019 was $16.7m

Ron Holtz
Chief Financial Officer
21 April 2020

The risks discussed below are: (i) the principal risks and uncertainties relevant to our business, financial condition and results of operations that may affect our performance and ability to achieve our objectives; and (ii) those that we believe could cause our actual results to differ materially from expected or 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. The requirements impact 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. Further, the Company faces uncertainties related to the outcome of Brexit. Access to capital in the European markets could be affected and the Company could have exposure to changes in laws and regulations in the United Kingdom and other parts of Europe in which it generates revenue and maintains employees.
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 licencing 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	The development of 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 and clinical research trials involving patients may include harm to human subjects, 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 licence. Further, the CARMA clinical trials could face material delays if patient recruiting is interrupted or delayed at clinical sites due to the COVID-19 global pandemic.	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 licencing of its ATX®, GTX®, 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 licence 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 therapies. 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 licencing 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.
External/ Environmental risk	Pervasive public health issues, including epidemics or disease outbreaks could adversely impact our business. With the uncertainty of the global COVID-19 pandemic, the Company faces unique and unpredictable risks. The extent to which the coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus and the actions of governments, businesses or individuals to respond to the coronavirus or treat its impact, among others. In particular, the continued spread of the coronavirus globally could adversely impact our operations, including among others, our sales, operations, and clinical trials and manufacturing and supply chain, and could have an adverse impact on our business and our financial results.	Further, the Company may face uncertainties related to the progression and outcome of the COVID-19 global pandemic. Access to capital in the global markets could be adversely affected and the Company could have exposure to changes in regulations, delays in decision-making, and financing activities.

Doug Doerfler
President and Chief Executive Officer

→ See Board of directors for details

Ron Holtz
Chief Financial Officer

→ See Board of directors for details

Shruti Abbato
Executive Vice President,
Business Development for CARMA™
Cellular Therapies

Ms. Abbato is responsible for growing MaxCyte's CARMA Cell Therapies™ business by leading its strategic planning and business development activities. Previously, she was VP of Business Development at Celdara Medical, a pre-venture firm, and Owner of Perspicere, an advisory business. Prior to this, Ms. Abbato led business development activities at Human Genome Sciences for 12 years. She holds an MBA from the University of Pittsburgh and a BS in Chemical Engineering and Biochemistry from the University of Maryland.

Key

- MaxCyte Leadership team
- CARMA Therapeutics Team

James Brady, PhD
Vice President, Technical Applications
and Customer Support

Prior to joining MaxCyte in 2004, Dr. Brady was a Senior Scientist at Genetic Therapy, Inc., a Novartis subsidiary, where he worked on lentiviral-based gene therapy treatments. Previously, he worked at MetaMorphix, Inc., and was a postdoctoral fellow at the National Eye Institute of the National Institutes of Health. Dr. Brady received a BS degree in biology from the College of William and Mary, a Ph.D. in genetics from Indiana University and an MBA from Johns Hopkins University.

Brad Calvin
Executive Vice President, Global
Commercial Operations

Mr. Calvin is a 25-year veteran within the diagnostics, devices, drug discovery and Life Sciences industries. At MaxCyte, he is responsible for leading sales, marketing and business development functions. Mr. Calvin was most recently Co-founder and President of AsedaSciences. Previously, he has held various global and regional leadership positions at companies ranging from large corporations to start-ups. He has a Bachelor's degree in Applied Science from Curtin Institute of Technology in Australia.

Dhana Chinnasamy, PhD

Vice President, Non-Clinical and Translational Studies – CARMA

Dr. Chinnasamy, an expert in the research and translation of gene and immunotherapies, oversees non-clinical and translational activities for CARMA. She has held key roles in bench-to-bedside translational studies on cell-based therapeutics, including leading the immune-oncology team at Precigen/Intrexon and serving as Senior Staff Scientist at NIH's NHLBI and as Senior Research Fellow at the NCI. She holds a PhD from Bharathiar University, India, an MS from Madurai Kamaraj University, India, and a BS from University of Madras, India.

Claudio Dansky Ullmann, MD

Chief Medical Officer - CARMA

Dr. Dansky Ullmann oversees clinical development of MaxCyte's CARMA Cell Therapies™. Most recently he was the SVP, Clinical Development at Infinity Pharmaceuticals. Previously, he was a Global Clinical Lead at Takeda Pharmaceuticals. Before Takeda, Dr. Dansky Ullmann was Senior Investigator at the Cancer Therapy Evaluation Program, National Cancer Institute. He also developed cell therapies and other immunotherapies at Biomira, Inc. He earned his MD at the School of Medicine, University of Buenos Aires. He completed his medical oncology training at Guemes Private Hospital, Buenos Aires.

Maher Masoud

Executive Vice President and General Counsel

Mr. Masoud has 20+ years of experience in the biopharmaceutical industry, including 15 years as an attorney and general counsel. He has served as Assistant General Counsel and Corporate Secretary for Wellstat Management Company; co-founding partner of Rossi/Masoud LLC; and Corporate Attorney at Human Genome Sciences, Inc. A member of the Maryland State Bar, Mr. Masoud holds a JD from Michigan State University College of Law, and a BS in Cell & Molecular Biology Genetics from the University of Maryland.

Thomas M. Ross

Executive Vice President, Global Sales

Mr. Ross has extensive experience in commercial operations and 30+ years of successful Life Sciences and clinical diagnostics sales and marketing leadership. Most recently, he was SVP of Commercial Operations at OpGen®. He also served as Chief Commercial Officer at Predictive BioScience and VP of North America Medical Diagnostics Sales at Qiagen/Digene Corporation. He previously held senior leadership roles in Manufacturing Operations at Life Technologies, Inc. and Cambrex. Mr. Ross holds a BA in Business Administration from The Citadel.

Kathryn Wekselman

Vice President, Regulatory

Dr. Wekselman is a senior drug development expert with extensive experience in clinical protocol development/execution and interactions with regulatory authorities. She has 10+ years of CRO experience, and nine years at Procter & Gamble Pharmaceuticals. She earned her BSN and PhD in nursing from the University of Cincinnati. She had 10 years of clinical and academic nursing experience before joining the biopharma industry. She has authored 25+ journal articles/book chapters and has presented 30+ posters, conference sessions, guest lectures and professional education seminars.

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. From 1988 until 2000, Dr. Thompson served as President, CEO and board member of Life Technologies, Inc. Dr. Thompson has served on and led various boards of directors at companies including Gene Logic, Inc. and Luminex Corporation. He received his BS 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 35+ years of vast experience in biotechnology product and company development, commercialisation and international financing. He was a founder of MaxCyte in July 1998. Previously, he was President, CEO and a Director of Immunicon Corporation. He also held various executive positions with Life Technologies, Inc. (now Thermo Fisher). Mr. Doerfler is an active Life Sciences industry advocate, serving as Chair Emeritus of the Maryland Tech Council and on the executive committee of the Biotechnology Innovation Organization. He received his BS in finance from the University of Baltimore School of Business, and holds an Industrial Relations certificate.

Doug Doerfler is also part of the leadership team see page 18.

Will Brooke
Non-Executive Director

Mr. Brooke is a Limited Partner of Harbert Management Corporation ("HMC"), which he co-founded in 1993. He has been advising and investing in early-stage and growth companies for 20+ years, and served on the boards of numerous pharmaceutical and medical equipment companies. He presently serves as a board member of KPX, LLC, an ESG advisory firm. Mr. Brooke has previously 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 practised law for a decade. He holds a JD and a BS, both from the University of Alabama.

Ron Holtz
Chief Financial Officer

Mr. Holtz joined MaxCyte in 2005. Previously, he had served as the CFO of both public and private companies and has raised more than $150m 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.

Ron Holtz is also part of the leadership team see page 18.

Richard Douglas, PhD
Non-Executive Director

Dr. Douglas formerly served as the SVP of Corporate Development and Corporate Officer at Genzyme Corporation from 1989 until 2011. There, he led numerous acquisitions, licences, financings, joint ventures, and strategic alliances. He had previously held scientific and corporate development roles at Integrated Genetics. He is currently an adviser to RedSky Partners, Chairman of the Board of Aldeyra Therapeutics, and a director of Novavax Inc. Dr. Douglas received a PhD in Biochemistry from the University of California, Berkeley, and was a Post-Doctoral Fellow at California Institute of Technology in Leroy Hood's laboratory. He has a BS degree in Chemistry from the University of Michigan.

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 biopharmaceutical 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 healthcare executive with 30+ years of experience running companies, executing large corporate and business development deals, and developing/commercialising products. He served as President and COO of Prestwick Pharmaceuticals, Inc. Prior to Prestwick, Mr. Mandell was President, Chief CEO, and a director of Cellective Therapeutics, Inc. (acquired by Astra Zeneca/MedImmune under his leadership). Before Cellective, Mr. Mandell served as President, CEO, and Director of Stemron Corporation, and as SVP and CBO of Human Genome Sciences, Inc. Mr. Mandell began his healthcare career at Syntex Pharmaceutical Corporation.

John Johnston
Non-Executive Director

After a career spanning 30+ years in the city of London, Mr. Johnston held non-executive positions in a wide range of industries including pharmaceutical, medical, energy and international hospitality. Previously, he was Managing Director of Institutional Sales at Nomura Code and Director of Sales and Trading at Seymour Pierce. Prior to this, he spent 26 years as a fund manager, managing a variety of asset classes including UK general equities, Japanese equities and technology funds. The last 15 years of his fund management career were focused almost exclusively on small cap and AIM stocks.

The Directors of the Company present their Report and audited Financial Statements for the year ended 31 December 2019.

Principal activity

MaxCyte (LSE: MXCT, MXCL) is a global clinical-stage cell-based therapies and Life Sciences company applying its patented cell engineering technology to help patients with high unmet medical needs in a broad range of conditions. Through its Life Sciences business, the Company leverages its Flow Electroporation Technology and ExPERT® platform 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. MaxCyte also sells its Flow Electroporation instruments and processing assemblies for Drug Discovery and Development in applications including cell-based assays for drug screening, rapid scalable protein production, biomanufacturing and stable cell line development. In addition, MaxCyte is developing novel CARMA therapies for its own pipeline.

CARMA is MaxCyte's proprietary, mRNA-based autologous platform for immuno-oncology. This therapeutic 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.

The Company has placed its cutting-edge Flow Electroporation Technology instruments worldwide, including with all of the top ten global biopharmaceutical companies, and has more than 100 partnered programme licences including more than 70 licenced 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 therapies, 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

Directors' interests in shares are shown in the Compensation Committee report. Directors' attendance at Board and Committee meetings in 2019 was as follows:

Board Member	Board & Committee Meetings Held During 2019*	Board & Committee Meetings Attended in 2019	Number of External Corporate Appointments Held During 2019
J. Stark Thompson	14	14	0
Will Brooke	17	17	1
Doug Doerfler	17	17	0
Richard Douglas	7	7	2
Stan Erck	14	14	1
Ron Holtz	17	15	0
John Johnston	9	9	2
Art Mandell	9	9	0

* Number Board meetings plus Committee meetings of which the Director was a member, required attendee or invited to attend

Advisers

Nominated adviser and broker

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

Joint Corporate Broker

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Auditors

CohnReznick LLP, Tysons, Virginia
CohnReznick has expressed willingness to continue in office as auditor.

Registrars

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

Counsel

Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Doug Doerfler

Executive Director, President and Chief Executive Officer

This report was approved by the Board on 21 April 2020.

CORPORATE GOVERNANCE REPORT

MaxCyte is committed to high standards of corporate governance.

Principles of good corporate governance

The Directors are committed to maintaining high standards of corporate governance and, as an AIM-listed Company, and as far as appropriate for a company located in the US with its size and stage of development, MaxCyte adopts the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as set forth on www.maxcyte.com. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". 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 business strategy.

The Company has adopted an appropriate share dealing code in order to comply with Rule 21 of the AIM Rules for Companies relating to Directors and applicable employees dealing in the Company's securities. The Company takes all reasonable steps to ensure compliance with such by its Directors and employees.

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

As our business grows, the Company and Board are committed to managing our growth while focusing on environmental, social and governance (ESG) issues. We are working towards developing our own ESG policy, part of which, as applicable and as practicable, will focus on meeting the UN's Sustainable Development Goals (SDGs). We currently have a number of existing policies in place which are linked to broader ESG & SDG policies, such as: Anti-Bribery and Corruption Policy; Standards of Conduct and Business Ethics; Conflicts of Interest, EEO and Anti-Harassment; and Employee Sick and Safe Leave.

Application of principles of the QCA Code

Board of Directors

The Board comprises six Non-Executive Directors (including the Chairman) and two Executive Directors. Since immediately before the IPO, the Board has 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 six Non-Executive Directors. All of the Non-Executive Directors are considered to be independent.

All Directors receive regular and timely information about the Company's operational and financial performance. Formal Board meetings are scheduled throughout each financial year. A formal agenda and the accompanying Board papers are circulated in advance of each meeting.

All the Directors commit the time necessary to fulfil their roles at the Company.

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 and the QCA Code. 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 receives training from the EVP, General Counsel, as required, in light of any changes to the law or best corporate governance. In particular, the Board receives regular training on the Company's obligations, and the individual responsibilities of each Director, under the European Union Market Abuse Regulation.

The Board ensures it has appropriate expertise to meet the needs of the Company and the Board evaluates its performance on an ongoing basis. The Board does not currently undertake a formal annual evaluation process.

Developing the Company's employees, in preparation for future advancement and making sure qualified employees are actively engaged by the Company, is a key focus of the Executive Directors, with input from the Nominations Committee, Compensation Committee and the Board as a whole, as appropriate.

The Company's corporate governance is based on the leadership of our Board. The Executive Directors regularly monitor the Company's cultural environment and seeks to address any concerns that may arise.

The Board oversees compliance with relevant legislation and regulations, including the European Union Market Abuse Regulation. The Board also considers employee compensation, key appointments and other employee issues. This is achieved by the close involvement of the Executive Directors in the day-to-day running of the business and by regular reporting 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 28 and 25 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; and
- reviewing the results of the Board performance.

All Directors are able to take independent professional advice in relation to their duties, as necessary, at the Company's expense. The Board evaluates its performance on an ongoing basis. The Board does not currently undertake a formal annual evaluation process.

The Nominations Committee did not meet 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 that expired on the Company's 2019 Annual General Meeting, at which meeting the Class I Directors were again 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, expiring on the Company's 2020 Annual General Meeting, at which meeting the Class II Directors will be considered for reappointment for a three-year term. Each Director initially appointed to Class III served for an initial term that expired on the Company's 2018 Annual General Meeting, at which meeting the Class III Directors were reappointed for a three-year term. 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.

The role of the Chairman is to lead and oversee the Board, and to promote good corporate governance within the Company. The Chief Executive Officer has responsibility for the business operations, for implementing the Company's strategy and for the day-to-day running of the business.

Relationship with stockholders

The Board attaches high importance to maintaining good relationships with all stockholders. The Executive Directors 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.

Further, the Company holds an Annual General Meeting for all shareholders to attend and encourages open discussion and dialogue. Beyond the Annual General Meeting, the Chief Executive Officer meets regularly with investors to provide them with updates on the Company's business.

The Company has an investor relations team which can be contacted on 301.944.1660 (in the USA) or IR@maxcyte.com.

The Company values its communications with all its stakeholders. The Company's website is updated on a regular basis and users have the ability to view the description of the Company's business as well as its financial statements and other relevant information as such becomes available.

The Executive Directors are in regular communication with shareholders to share information regarding the Company and to understand the views of shareholders which are communicated to the Board by the Executive Directors as appropriate.

On behalf of the Board

J. Stark Thompson, PhD
Chairman

21 April 2020

COMPENSATION REPORT

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:

- establishing a formal and transparent procedure for developing policies on executive compensation;
- 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 will meet not less than twice a year and at such other times as the chairman of the committee shall require. The Compensation Committee employs the services of an expert external consultant to advise the committee in implementing appropriate compensation policies informed by relevant market data.

Compensation policy

The Company's policy on executive compensation is intended to attract and retain high-quality executives by paying competitive compensation packages appropriate 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 2019 to terms ending in 2022. The Non-Executive Directors were elected by the stockholders to terms ending in 2020 (Messrs. Erck and Mandell), in 2021 (Messrs. Brooke, Douglas, Johnston and Thompson). Non-Executive Director Johnston has a contract. The other Non-Executive Directors do not.

Directors' compensation

During 2019, the Non-Executive Directors were compensated for their services as Directors at $35,000 p.a. as approved by the Board, plus $23,000 p.a. for the Non-Executive Chairman, $11,000 p.a. for the Chairman of the Audit Committee, $5,500 p.a. for the other Non-Executive members of the Audit Committee, $10,000 p.a. for the Chairman of the Compensation Committee, and $5,000 p.a. for the other Non-Executive members of the Compensation Committee. In addition, each Non-Executive Director received in 2019 and in 2020 annual grants of stock options for 23,900 shares of common stock of the Company for each year, vesting monthly over four years beginning on the date of grant.

Mr. Doerfler earned an annual salary of $448,750 in 2019, and Mr. Holtz earned an annual salary of $318,333. 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 2019 and 2020 annual grants of stock options, for 390,200 and 177,600 shares of common stock of the Company, respectively, for each year, 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.

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 01 January 2019 and ending 31 December 2019, the Company issued a total of 2,538,500 stock options to Directors, employees and consultants including 729,200 options previously announced to Directors and Officers of the Company. For the period beginning 01 January 2019 and ending on 31 December 2019, 162,500 options were exercised and 465,215 were expired/forfeited. Total stock options outstanding at the beginning of the period 01 January 2019 were 8,388,500 and were 10,299,285 at the end of the period 31 December 2019. In addition, the Directors received in 2020, through the date of this report, an additional 729,200 options.

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	266,333	377,251
Will Brooke	50,302	142,500	192,802
Doug Doerfler	433,197	3,213,480	3,646,677
Stan Erck	247,751	265,067	512,818
Ron Holtz	150,251	1,414,892	1,565,143
John Johnston	120,583	108,417	229,000
Art Mandell	374,484	122,000	496,484
Richard Douglas	—	94,700	94,700

Compensation for Directors for 2019 was as follows:

	Base salary/ Non-Executive Director Fees US$	2019 bonus US$*	Total compensation US$**	Stock options granted 2019
Executive Director				
Doug Doerfler	448,750	256,500	705,250	390,200
Ron Holtz	318,333	127,600	445,933	177,600
Non-Executive Director				
J. Stark Thompson	68,000	—	68,000	26,900
Will Brooke	51,000	—	51,000	26,900
Stan Erck	40,000	—	40,000	26,900
Art Mandell	45,500	—	45,500	26,900
John Johnston	40,500	—	40,500	26,900
Richard Douglas	35,000	—	35,000	26,900

* Bonuses shown include compensation attributable to 2019 but not paid until 2020 and excludes bonuses paid in 2019 attributable to 2018.

** 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 seven times during the year.

On behalf of the Compensation Committee

J. Stark Thompson, PhD
Chairman, Compensation Committee

21 April 2020

DIRECTORS' RESPONSIBILITIES

The Directors, in addition to being responsible for defining and overseeing the corporate governance of the Company in accordance with the QCA Code, 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.

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 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the financial statements

We have audited the accompanying balance sheets of MaxCyte, Inc. (the "Company") as of 31 December 2019 and 2018, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2018.

CohnReznick LLP
Tysons, Virginia
21 April 2020

BALANCE SHEETS
FOR THE YEARS ENDED 31 DECEMBER
(AMOUNTS IN US DOLLARS, EXCEPT SHARE AMOUNTS)

	31 December 2019 US$	31 December 2018 US$
Assets		
Current assets:		
Cash and cash equivalents	**15,210,800**	11,248,000
Short-term investments, at amortised cost	**1,497,800**	3,191,000
Accounts receivable, net	**3,244,500**	4,904,500
Inventory	**3,701,800**	2,242,800
Other current assets	**797,100**	863,700
Total current assets	**24,452,000**	22,450,000
Property and equipment, net	**3,280,100**	1,817,900
Right-of-use assets	**2,253,300**	–
Total assets	**29,985,400**	24,267,900
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	**2,089,400**	1,032,100
Accrued expenses and other	**3,551,600**	3,091,200
Lease liability, current	**508,900**	–
Deferred revenue	**3,193,200**	2,449,300
Total current liabilities	**9,343,100**	6,572,600
Note payable, net of discount and deferred fees	**4,895,300**	5,056,300
Lease liability, net of current portion	**1,807,100**	–
Other liabilities	**338,100**	357,300
Total liabilities	**16,383,600**	11,986,200
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, $0.01 par; 200,000,000 shares authorised, 57,403,583 and 51,332,764 shares issued and outstanding at 31 December 2019 and 2018, respectively.	**574,000**	513,300
Additional paid-in capital	**96,433,700**	82,279,300
Accumulated deficit	**(83,405,900)**	(70,510,900)
Total stockholders' equity	**13,601,800**	12,281,700
Liabilities and stockholders' equity	**29,985,400**	24,267,900

See accompanying notes to the financial statements.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED 31 DECEMBER

(AMOUNTS IN US DOLLARS, EXCEPT SHARE AMOUNTS)

	2019 US$	2018 US$
Revenue	**21,620,700**	16,667,000
Costs of goods sold	**2,499,200**	1,840,000
Gross profit	**19,121,500**	14,827,000
Operating expenses:		
Research and development	**17,601,200**	11,244,000
Sales and marketing	**7,852,100**	6,723,700
General and administrative	**6,088,200**	5,284,200
Total operating expenses	**31,541,500**	23,251,900
Operating loss	**(12,420,000)**	(8,424,900)
Other income (expense):		
Interest and other expense	**(681,100)**	(614,600)
Interest and other income	**206,100**	170,300
Total other income (expense)	**(475,000)**	(444,300)
Net loss	**(12,895,000)**	(8,869,200)
Basic and diluted net loss per common share	**(0.23)**	(0.17)
Weighted average common shares outstanding, basic and diluted	**56,397,524**	51,182,402

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER

(AMOUNTS IN US DOLLARS)

	Common Stock		Additional Paid-in Capital US$	Accumulated Deficit US$	Total Stockholders' Equity US$
	Shares	Amount US$			
Balance 01 January 2018	50,896,376	509,000	80,729,400	(61,641,700)	19,596,700
Stock-based compensation expense	–	–	1,324,200	–	1,324,200
Exercise of stock options	436,388	4,300	225,700	–	230,000
Net loss	–	–	–	(8,869,200)	(8,869,200)
Balance 31 December 2018	51,332,764	513,300	82,279,300	(70,510,900)	12,281,700

	Common Stock		Additional Paid-in Capital US$	Accumulated Deficit US$	Total Stockholders' Equity US$
	Shares	Amount US$			
Balance 01 January 2019	**51,332,764**	**513,300**	**82,279,300**	**(70,510,900)**	**12,281,700**
Issuance of stock in public offering	**5,908,319**	**59,100**	**12,271,200**	**–**	**12,330,300**
Stock-based compensation expense	**–**	**–**	**1,752,100**	**–**	**1,752,100**
Exercise of stock options	**162,500**	**1,600**	**131,100**	**–**	**132,700**
Net loss	**–**	**–**	**–**	**(12,895,000)**	**(12,895,000)**
Balance 31 December 2019	**57,403,583**	**574,000**	**96,433,700**	**(83,405,900)**	**13,601,800**

See accompanying notes to the financial statements.

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

	2019 US$	2018 US$
Cash flows from operating activities:		
Net loss	(12,895,000)	(8,869,200)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortisation	613,500	344,000
Net book value of consigned equipment sold	25,000	45,600
Loss on disposal of fixed assets	1,700	–
Fair value adjustment of liability classified warrant	14,000	–
Stock-based compensation	1,752,100	1,324,200
Bad debt expense	54,200	164,000
Amortisation of discounts on short-term investments	(32,600)	(67,600)
Non-cash interest expense	51,900	29,100
Changes in operating assets and liabilities:		
Accounts receivable	1,592,000	(1,947,900)
Inventory	(1,890,200)	(1,289,700)
Other current assets	66,600	(197,900)
Right-of-use and other assets	474,600	–
Accounts payable and accrued expenses	1,160,200	(464,000)
Lease liability	68,600	–
Deferred revenue	795,900	469,200
Other liabilities	(655,000)	(27,200)
Net cash used in operating activities	(8,802,500)	(10,487,400)
Cash flows from investing activities:		
Purchases of short-term investments	(7,424,100)	(12,673,400)
Maturities of short-term investments	9,149,900	9,550,000
Purchases of property and equipment	(1,271,300)	(709,700)
Net cash provided by (used in) investing activities	454,500	(3,833,100)
Cash flows from financing activities:		
Net proceeds from sale of common stock	12,330,300	–
Borrowings under notes payable	4,953,300	283,700
Principal payments on notes payable	(5,105,500)	(283,700)
Proceeds from exercise of stock options	132,700	230,000
Principal payments on capital leases	–	(3,200)
Net cash provided by financing activities	12,310,800	226,800
Net (decrease) increase in cash and cash equivalents	3,962,800	(14,093,700)
Cash and cash equivalents, beginning of year	11,248,000	25,341,700
Cash and cash equivalents, end of year	15,210,800	11,248,000
Supplemental cash flow information:		
Cash paid for interest	669,600	784,400
Supplemental non-cash information:		
Property and equipment purchases included in accounts payable	399,900	256,300
Issuance of warrants in conjunction with debt transaction	60,700	–

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 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 licences and sells its instruments and technology and sells its disposables to developers of cell therapies and to pharmaceutical and biotechnology companies for use in drug discovery and development and biomanufacturing. In early 2020, the Company established a wholly-owned subsidiary as part of its continued development of CARMA, MaxCyte's proprietary, mRNA-based, clinical-stage, immuno-oncology cell-therapy.

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"). Certain prior period amounts have been reclassified to conform with current period presentation.

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, revenue recognition, stock-based compensation, allowance for doubtful accounts, allowance for inventory obsolescence, accruals for contingent liabilities, accruals for clinical trials, deferred taxes and valuation allowance, and the depreciable lives of fixed assets. Actual results could differ from those estimates.

Concentration

During the year ended 31 December 2019, one customer represented 10% of revenue and 1% of net accounts receivable at 31 December 2019. During the year ended 31 December 2018, one customer represented 11% of revenue and 14% of net accounts receivable at 31 December 2018.

During the year ended 31 December 2019, the Company purchased approximately 56% of its inventory from a single supplier. During the year ended 31 December 2018, the Company purchased approximately 73% of its inventory from two suppliers. As of 31 December 2019, and 2018, amounts payable to these suppliers totalled 25% and 26% 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 Company recognised $24,700 and $8,000 of foreign currency transaction losses for the years ended 31 December 2019 and 2018, 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 6 for additional information regarding fair value.

Cash, cash equivalents and short-term investments

Cash and cash equivalents consist of financial instruments including money market funds and commercial paper with original maturities of less than 90 days. Short-term investments consist of commercial paper with original maturities greater than 90 days and less than one year. All money market funds, and commercial paper are recorded at amortised cost unless they are deemed to be impaired on an other-than-temporary basis, at which time they are recorded at fair value using Level 2 inputs.

2. Summary of significant accounting policies continued

Cash, cash equivalents and short-term investments continued

The following table summarises the Company's investments at 31 December 2019:

Description	Classification	Amortised cost US$	Gross unrecognised holding gains US$	Gross unrecognised holding losses US$	Aggregate fair value US$
Money market funds	Cash equivalents	**10,037,000**	**–**	**–**	**10,037,000**
Commercial Paper	Cash equivalents	**1,399,700**	**–**	**–**	**1,399,700**
Commercial Paper	Short-term investments	**1,497,800**	**400**	**–**	**1,498,200**
Total Investments		**12,934,500**	**400**	**–**	**12,934,900**

The following table summarises the Company's investments at 31 December 2018:

Description	Classification	Amortised cost US$	Gross unrecognised holding gains US$	Gross unrecognised holding losses US$	Aggregate fair value US$
Money market funds	Cash equivalents	5,945,200	–	–	5,945,200
Commercial Paper	Cash equivalents	3,455,700	500	–	3,455,700
Commercial Paper	Short-term investments	3,191,000	500	–	3,191,000
Total Investments		12,591,900	1,000	–	12,592,900

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 licences 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 2019 US$	31 December 2018 US$
Raw materials inventory	**1,318,600**	884,200
Finished goods inventory	**2,383,200**	1,358,600
Total Inventory	**3,701,800**	2,242,800

The Company determined no allowance for obsolescence was necessary at 31 December 2019 or 2018.

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 recorded an allowance of $117,200 and $239,000 at 31 December 2019 and 2018, respectively.

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 useful life. 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 includes capitalised costs to develop internal-use software. Applicable costs are capitalised during the development stage of the project and include direct internal costs, third-party costs and allocated interest expenses as appropriate.

2. Summary of significant accounting policies continued

Property and equipment continued

Property and equipment consist of the following:

	31 December 2019 US$	31 December 2018 US$
Furniture and equipment	**2,311,800**	1,743,200
Instruments	**1,223,700**	735,600
Leasehold improvements	**635,100**	280,600
Internal-use software under development	**30,300**	666,700
Internal-use software	**1,277,300**	28,300
Accumulated depreciation and amortisation	**(2,198,100)**	(1,636,500)
Property and equipment, net	**3,280,100**	1,817,900

For the years ended 31 December 2019 and 2018, the Company transferred $571,000 and $393,900, respectively, of instruments previously classified as inventory to property and equipment leased to customers.

For the years ended 31 December 2019 and 2018, the Company incurred depreciation and amortisation expense of $613,500 and $344,000 respectively. Maintenance and repairs are charged to expense as incurred.

In the years ended 31 December 2019 and 2018, the Company capitalised approximately $13,800 and $17,300, respectively, of interest expense related to capitalised software development projects.

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. The Company recognised no impairment in either of the years ended 31 December 2019 or 2018.

Revenue recognition

The Company analyses contracts to determine the appropriate revenue recognition using the following steps: (i) identification of contracts with customers, (ii) identification of distinct performance obligations in the contract, (iii) determination of contract transaction price, (iv) allocation of contract transaction price to the performance obligations and (v) determination of revenue recognition based on timing of satisfaction of the performance obligations.

In some arrangements, product and services have been sold together representing distinct performance obligations. In such arrangements, the Company allocates the sale price to the various performance obligations in the arrangement on a relative selling price basis. Under this basis, the Company determines the estimated selling price of each performance obligation in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis.

The Company recognises revenue upon the satisfaction of its performance obligation (generally upon transfer of control of promised goods or services to its customers) in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

The Company defers incremental costs of obtaining a customer contract and amortises the deferred costs over the period that the goods and services are transferred to the customer. The Company had no material incremental costs to obtain customer contracts in any period presented.

Deferred revenue results from amounts billed in advance to customers or cash received from customers in advance of services being provided.

Research and development costs

Research and development costs consist of independent proprietary research and development costs and the costs associated with work performed by third parties. Research and development costs are expensed as incurred.

Stock-based compensation

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

2. Summary of significant accounting policies continued

Stock-based compensation continued

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 its 2016 initial public offering 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 48% and 50% for the year ended 31 December 2019 and between 47% and 48% for the year ended 31 December 2018 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 1.6% and 2.6% for the year ended 31 December 2019 and 2.7% and 3.0% for the years ended 31 December 2018.

Expected term

This is the period 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 options 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 Company records forfeitures as they occur.

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 2015 and all subsequent periods. The Company had a Federal Net Operating Loss ("NOL") carry forward of $48.9m as of 31 December 2019, 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 initial public offering, 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.

Leases

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. In transactions where the Company is the lessee, at the inception of a contract, the Company determines if the arrangement is, or contains, a lease. Operating lease ROU assets and liabilities are recognised at commencement date based on the present value of lease payments over the lease term. Rent expense is recognised on a straight-line basis over the lease term.

The Company has made certain accounting policy elections for leases where it is the lessee whereby the Company (i) does not recognise ROU assets or lease liabilities for short-term leases (those with original terms of 12-months or less) and (ii) combines lease and non-lease elements of its operating leases. Operating lease liabilities are included in other current and non-current liabilities in the Company's balance sheet at 31 December 2019. As of 31 December 2019, the Company did not have any finance leases. See Note 9 for further discussion.

2. Summary of significant accounting policies continued

Leases continued

All transactions where the Company is the lessor are short-term (one year or less) and have been classified as operating leases. All leases require upfront payments covering the full period of the lease and thus, there are no future payments expected to be received from existing leases. See Note 3 for details over revenue recognition related to lease agreements.

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.

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 stock options and stock purchase warrants, which has been excluded from the computation of diluted loss per share, was 10.4m and 8.4m for the years ended 31 December 2019 and 2018, respectively.

Recent accounting pronouncements

Recently adopted

On 01 January 2019, the Company adopted new guidance addressing the accounting for leases. The Company adopted this guidance using a modified retrospective method. The Company elected certain practical expedients including retaining the original lease classification and historical accounting for initial direct costs for leases existing prior to the adoption date. Additionally, the Company made ongoing accounting policy elections whereby the Company does not recognise ROU assets or lease liabilities for short-term leases (those with original terms of 12-months or less) and combines lease and non-lease elements of its operating leases. As a result of the adoption, the Company recognised ROU assets of $518,700 and lease liabilities of $565,500 on the date of adoption. The adoption did not have any effect on the Company's equipment leases where it is the lessor.

On 01 January 2019, the Company adopted new guidance simplifying the accounting for non-employee stock-based compensation awards. The guidance aligned the measurement and classification for employee stock-based compensation awards to non-employee stock-based compensation awards. Under the guidance, non-employee awards will be measured at their grant date fair value. Upon transition, the existing non-employee awards were measured at fair value as of the adoption date. The adoption did not have a material effect on the Company's financial statements.

Unadopted

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 2022, 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 August 2018, the FASB issued guidance addressing the accounting for implementation, setup and other upfront costs paid by a customer in a cloud computing or hosting arrangement. The guidance aligns the accounting treatment of these costs incurred in a hosting arrangement treated as a service contract with the requirements for capitalisation and amortisation costs to develop or obtain internal-use software. The guidance is effective for fiscal years beginning after 15 December 2019. The guidance can be adopted either retrospectively or prospectively. Early adoption is permitted. The Company is currently evaluating the impact, if any, that this guidance will have on the financial statements.

In August 2018, the FASB issued guidance addressing the disclosure requirements for fair value measurements. The guidance intends to improve the effectiveness of the disclosures relating to recurring and non-recurring fair value measurements. The guidance is effective for fiscal years beginning after 15 December 2019. Portions of the guidance are to be adopted prospectively while other portions are to be adopted retrospectively. Early adoption is permitted. The Company is currently evaluating the impact, if any, that this guidance will have on the 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. Revenue

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

3. Revenue continued

Revenue is recognised at the time control is transferred to the customer and the performance obligation is satisfied. Revenue from the sale of instruments and processing assemblies 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 and when specific milestones are achieved by a customer. Licencing fee revenue is recognised ratably over the licence period. Revenue from fees for research services is recognised when services have been provided.

Disaggregated revenue for the year ended 31 December 2019 is as follows:

	Revenue from Contracts with Customers US$	Revenue from Lease Elements US$	Total Revenue US$
Product sales	**12,917,800**	**–**	**12,917,800**
Leased Elements	**–**	**8,363,500**	**8,363,500**
Other	**339,400**	**–**	**339,400**
Total	**13,257,200**	**8,363,500**	**21,620,700**

Disaggregated revenue for the year ended 31 December 2018 is as follows:

	Revenue from Contracts with Customers US$	Revenue from Lease Elements US$	Total Revenue US$
Product sales	10,459,200	–	10,459,200
Leased Elements	–	5,884,100	5,884,100
Other	264,500	59,200	59,200
Total	10,723,700	5,943,300	16,667,000

Additional disclosures relating to revenue from contracts with customers

Changes in deferred revenue for the year ended 31 December 2019 were as follows:

	US$
Balance at 01 January 2019	**2,770,100**
Revenue recognised in the current period from amounts included in the beginning balance	**2,435,000**
Current period deferrals, net of amounts recognised in the current period	**3,117,700**
Balance at 31 December 2019	**3,452,800**

Changes in deferred revenue for the year ended 31 December 2018 were as follows:

	US$
Balance at 01 January 2018	2,222,900
Revenue recognised in the current period from amounts included in the beginning balance	2,051,100
Current period deferrals, net of amounts recognised in the current period	2,598,200
Balance at 31 December 2018	2,770,100

Remaining contract consideration for which revenue has not been recognised due to unsatisfied performance obligations with a duration greater than one year was approximately $363,600 at 31 December 2019 of which the Company expects to recognise approximately $104,100 in 2020, $104,000 in 2021, $50,900 in 2022, $36,700 in 2023 and $67,900 thereafter.

In the years ended 31 December 2019 and 2018, the Company did not incur, and therefore did not defer, any material incremental costs to obtain contracts or costs to fulfill contracts.

4. Debt

The Company originally entered into a credit facility with Midcap Financial SBIC, LP (“MidCap”) in March 2014. In February 2019, the Company paid off the MidCap credit facility in full in accordance with its terms and conditions.

In November 2019, the Company entered into a new credit facility with MidCap. The credit facility provided for a $5m-term loan maturing on 01 November 2024. The term loan provides for (i) an interest rate of one-month Libor plus 6.5% with a 1.5% Libor floor, (ii) monthly interest payments, (iii) 30 monthly principal payments of approximately $166,700 beginning June 2022 and (iv) a 3% final payment fee. The Company used the proceeds from the credit facility for general operating purposes. The debt is collateralised by substantially all assets of the Company.

In conjunction with the credit facility the Company issued the lender a warrant to purchase 71,168 shares of common stock at a price of £1.09081. The warrant is exercisable at any time through the tenth anniversary of issuance (see Note 5). In connection with the credit facility, the Company also incurred expenses of approximately $47,300. The warrant and expenses resulted in recording a debt discount which is amortised as interest expense over the term of the loan. At 31 December 2019, the term loan had an outstanding principal balance of $5m and $104,700 of unamortised debt discount.

5. Stockholders' equity

Common stock

In March 2019, the Company completed an equity capital raise issuing approximately 5.9m shares of Common Stock at a price of £1.70 (or approximately $2.25) per share. The transaction generated gross proceeds of approximately £10m (or approximately $13.3m). In conjunction with the transaction, the Company incurred costs of approximately $1.0m which resulted in the Company receiving net proceeds of approximately $12.3m.

During the year ended 31 December 2019, the Company issued 162,500 shares of Common Stock as a result of stock option exercises, receiving gross proceeds of $132,700. During the year ended 31 December 2018, the Company issued 436,388 shares of Common Stock as a result of stock option exercises, receiving gross proceeds of $230,000.

Warrant

In connection with the November 2019 credit facility, the Company issued the lender a warrant to purchase 71,168 shares of Common Stock at an exercise price of £1.09081. The warrant is exercisable at any time through the tenth anniversary of issuance. The warrant is classified as a liability as its strike price is in a currency other than the Company's functional currency. The warrant is recorded at fair value each reporting period with changes going through the statement of operations (see Note 6).

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, as amended, the maximum number of shares of Common Stock of the Company that the Company may issue is (a) 6,264,682 shares plus (b) ten percent (10%) of the shares that are issued and outstanding at the time awards are made under the Plan.

On 21 February 2018 and 10 December 2019, the Company's Board resolved to increase the number of stock options under the Plan by 2,000,000 and 3,000,000, respectively 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 2019 and 2018 is as follows:

	Number of Options	Weighted Average Exercise Price US$	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value US$
Outstanding at 01 January 2018	7,241,219	1.01	7.8	16,266,800
Granted	1,983,200	3.24		
Exercised	(436,388)	0.52		1,266,300
Forfeited	(399,531)	2.49		
Outstanding at 31 December 2018	8,388,500	1.49	7.4	10,354,900
Granted	2,538,500	2.17		
Exercised	(162,500)	0.82		217,600
Forfeited	(465,215)	2.48		
Outstanding at 31 December 2019	**10,299,285**	**1.63**	**7.0**	**6,471,500**
Exercisable at 31 December 2019	**6,689,402**	**1.13**	**6.1**	**6,371,600**

The weighted-average fair values of the options granted during 2019 and 2018 were estimated to be $1.08 and $1.60, respectively.

As of 31 December 2019, total unrecognised compensation expense was $4,551,000 which will be recognised over the following four years.

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

	2019 US$	2018 US$
General and administrative	**827,500**	458,200
Sales and marketing	**325,700**	194,100
Research and development	**598,900**	671,900
Total	**1,752,100**	1,324,200

6. Fair value

The Company's balance sheets include various financial instruments (primarily cash and cash equivalents, short-term investments, accounts receivable and accounts payable that are carried at cost, which approximates fair value due to the short-term nature of the instruments. Notes payable 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

At 31 December 2019, the Company had a warrant originally issued in connection with the November 2019 debt financing (see Note 4) that is accounted for as a liability whose fair value is determined using Level 3 inputs. The following table identifies the carrying amounts of this warrant at 31 December 2019:

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Liabilities				
Liability classified warrant	–	–	74,700	74,700
Total at 31 December 2019	**–**	**–**	**74,700**	**74,700**

The following table presents the activity for those items measured at fair value on a recurring basis using Level 3 inputs for the year ended 31 December 2019:

	Mark-to-market liabilities – warrant US$
Balance at 31 December 2018	–
Issuance	60,700
Change in fair value	14,000
Balance at 31 December 2019	74,700

The gains and losses resulting from the changes in the fair value of the liability classified warrant are classified as other income or expense in the accompanying statements of operations. The fair value of the Common Stock purchase warrants is determined based on the Black-Scholes option pricing model or other option pricing models as appropriate and includes the use of unobservable inputs such as the expected term, anticipated volatility and expected dividends. Changes in any of the assumptions related to such unobservable inputs identified above may change the embedded conversion options' fair value; increases in expected term, anticipated volatility and expected dividends generally result in increases in fair value, while decreases in these unobservable inputs generally result in decreases in fair value.

The Company has no other financial assets or liabilities measured at fair value on a recurring basis.

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

Money market funds and commercial paper classified as held-to-maturity are measured at fair value on a non-recurring basis when they are deemed to be impaired on an other-than-temporary basis. No such fair value impairment was recognised during the years ended 31 December 2019 or 2018.

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 2019 or 2018.

7. 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. 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 years ended 31 December 2019 and 2018, Company matching contributions amounted to $277,700 and $199,900, respectively.

8. Income taxes

The Company did not recognise a provision (benefit) for income taxes in 2019 or 2018. 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 are presented in the table below:

	2019 US$	2018 US$
Deferred tax assets:		
Net operating loss carryforwards	**12,842,100**	10,431,600
Research and development credits	**875,400**	875,400
Stock-based compensation	**1,146,200**	666,400
Deferred revenue	**965,800**	746,000
Lease liability	**647,800**	–
Accruals and other	**652,700**	124,200
Deferred tax liabilities:		
ROU asset	**(630,300)**	–
Depreciation	**(25,200)**	(45,700)
	16,474,500	12,797,900
Valuation allowance	**(16,474,500)**	(12,797,900)
Net deferred tax assets	**–**	–

The Federal net operating loss carryforwards ("NOL") of approximately $48.9m as of 31 December 2019 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 state tax requirements.

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

	2019 US$	2018 US$
Federal income taxes (benefit) at statutory rates	**(2,707,900)**	(1,862,500)
State income taxes (benefit), net of Federal benefit	**(898,800)**	(526,100)
Windfall tax benefits	**(40,200)**	(314,900)
Permanent differences, rate changes and other	**(29,700)**	(188,900)
Change in valuation allowance	**3,676,600**	2,892,400
Total Income Tax Expense	**–**	–

9. Commitments and contingencies

The Company entered into a five-year non-cancelable operating lease agreement for office and laboratory space in February 2009 with an initial expiration of 31 January 2014 which was subsequently extended to January 2020. In April 2017, the Company entered into leases for additional office and laboratory space. In September 2019, the Company entered into agreements to increase the amount of space leased and to extend the expiration date on all its operating leases to October 2023. A member of the Company's Board of Directors is the CEO and board member of the lessor of certain of these operating leases for which the rent payments totalled $416,800 and $371,600 in 2019 and 2018, respectively.

All the Company's office and laboratory leases expire in October 2023 and provide for annual increases to the base rent of between 3% and 5%. The current monthly base lease payment for all leases is approximately $54,300. 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. None of the Company's current operating leases contain any renewal provisions.

As of 31 December 2019, all the Company's existing leases are classified as operating leases. The Company used a discount rate of 8% in calculating its lease liability under its operating leases. The September 2019 lease agreements resulted in the Company establishing approximately $2,209,200 of ROU assets and $2,247,400 of lease liabilities.

At 31 December 2019, the Company had a $2,253,300 ROU asset, a $508,900 short-term lease liability and $1,807,100 long-term lease liability.

Total rent expense, including base rent and CAM for the years ended 31 December 2019 and 2018, was $768,800 and $692,300, respectively. Rent expense is recognised on a straight-line basis in the accompanying financial statements.

9. Commitments and contingencies continued

Lease costs for the year ended 31 December 2019, consisted of the following:

	US$
Operating lease cost	551,100
Variable lease costs	217,700
Total	768,800

Estimated future minimum payments at 31 December 2019 under the operating leases are as follows:

	US$
Total	2,703,900
Discount factor	(387,900)
Lease liability	2,316,000
Current lease liability	(508,900)
Non-current lease liability	1,807,100

Estimated future minimum payments at 31 December 2019 are $675,400 for 2020, $696,300 for 2021, $717,400 for 2022 and $614,800 for 2023.

10. Subsequent events

The COVID-19 pandemic has disrupted economic markets and the economic impact, duration and spread of related effects is uncertain at this time and difficult to predict. It is not possible to ascertain the overall impact of COVID-19 on the Company's business and, depending upon the extent and severity of such effects, the pandemic could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

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 30 October 2020 to consider and act upon: (i) the re-election of Stan Erck as a Class II Director to serve for three years, beginning on the date of the Meeting; (ii) the re-election of Art Mandell as a Class II Director to serve for three years, beginning on the date of the Meeting; (iii) the reappointment of CohnReznick, LLP as auditors and to authorise the Audit Committee to fix their remuneration; and (iv) 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 2020 to shareholders of record on or about that date.

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

21 April 2020

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MaxCyte®

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

Tel: (301) 944-1700
Fax: (301) 944-1703
Email: info@maxcyte.com