Results for the Half Year ended 30 June 2018

September 24, 2018

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MaxCyte, Inc.
24 September 2018

# MaxCyte, Inc.

("MaxCyte" or the "Company")

## Results for the Six Months ended 30 June 2018

Gaithersburg, Maryland - 24 September 2018 - MaxCyte (LSE: MXCT, MXCR), the global cell-based medicines and life sciences company, announces today its financial results as well as key commercial and clinical highlights for the six months ended 30 June 2018.

HIGHLIGHTS (including post-period end highlights)
*All financial amounts are in USD unless noted otherwise.*

Financial

- Revenues of $6.9 million for the six months ended 30 June 2018, an 11.6% increase over $6.2 million for the same period of 2017, and up 14.7% before the inclusion of commercial licence upfront fees
- Gross margins remained consistent at 89% for the six months ended 30 June 2018, compared to 90% for the same period of 2017
- Investment in CARMA™ (chimeric antigen receptor "CAR" therapy) was $2.6 million (first half 2017: $2.1 million) as the Company completed submissions for its first investigational new drug ("IND") application to the US Food and Drug Administration ("FDA")
- Operating expenses (including CARMA investment) increased to $10.7 million for the six months ended 30 June 2018 (first half 2017: $9.5 million)
- Net loss before the CARMA investment was $2.2 million for the six months ended 30 June 2018 (first half 2017: $2.2 million). Net loss including the CARMA investment was $4.8 million over the period (first half 2017: $4.3 million)
- EBITDA before CARMA investment was a loss of $1.4 million for the six months ended 30 June 2018 (first half 2017: $1.7 million), after adjusting for non-cash stock-based compensation of $0.4 million (first half 2017: $0.1 million)
- Cash and cash equivalents, including short term investments totalled $18.8 million at 30 June 2018 (31 December 2017: $25.3 million)

**Operational**

- Received IND clearance from the FDA to begin the Company's first clinical study with its wholly-owned CAR therapeutic candidate, MCY-M11, in patients with ovarian cancer and peritoneal mesothelioma

- Expanded the Company's enabling technology business to more than 55 cell therapy partnered programmes in cutting-edge fields and increased the number of licences to partners covering clinical-stage programmes to more than 25 (an increase of approximately 60% from the more than 15 programmes reported at this time last year)
- Maintained ongoing collaborations with world leaders in the CAR field in both solid cancers and haematological malignancies, with nine academic clinical trials supported by MaxCyte's technology
- Continued strong investment in sales and marketing capabilities to grow the Company's customer base, which now includes all of the top 10 global pharmaceutical companies and 20 out of the top 25
- Presented at several industry conferences on MaxCyte's next-generation autologous CAR therapies, highlighting the Company's breakthrough CARMA platform's ability to engineer transient persistence to mitigate off-tumor toxicity and significantly reduce the turnaround time of autologous cell therapy to patients
- Entered into an agreement to develop treatments for individuals with sickle cell disease ("SCD") using next-generation CRISPR/Cas9-based single-nucleotide correction enabled by MaxCyte's cell engineering platform. This Cooperative Research and Development Agreement ("CRADA") is with the U.S. National Institutes of Health ("NIH") and its National Heart, Lung, and Blood Institute ("NHLBI")
- Presented pre-clinical data at the annual meeting of the American Society of Gene and Cell Therapy ("ASGCT") in Chicago highlighting the use of MaxCyte's non-viral cell engineering technology for CRISPR-mediated gene-correction of a mutation within the hemoglobin gene of cells from a SCD patient
- Appointed new Chief Medical Officer, Claudio Dansky Ullmann, MD (in April 2018), and new Board member, Richard Douglas, PhD (in February 2018)

**Commenting on MaxCyte's interim financial results, Doug Doerfler, Chief Executive Officer, said***: "We are in an excellent position across the business as MaxCyte continues to grow and gain momentum. Revenue is continuing to rise strongly with gross margins remaining consistent at 89% and partnered cell therapy opportunities have accelerated significantly, providing a strong near-term pipeline. We also recently announced the advancement of our lead CARMA candidate, MCY-M11, to FDA clearance of the IND - an important milestone - and we are on course to dose patients before the end of the year.*

*"This is a very exciting and important time for the Company, our partners and patients as we bring a new generation of CAR-based cancer treatments into the clinic for the first time and support the increasing number of clinical and commercial advancements of our partners' therapeutics. In addition, we have continued to make significant progress in bolstering our core business, particularly with regard to expanding our sales and marketing infrastructure and developing data that support the use of our technology and products in a variety of applications. MaxCyte's Board therefore anticipates continued progress for the remainder of the 2018 financial year and the Company is trading in line with expectations. We thank the Company's investors, Board members and collaborators who have helped the Company achieve its present level of success, and who share the vision of a new way to engineer cells to treat disease."*

**Conference call for analysts**
A briefing for analysts will be held at 11.00 am BST on Monday 24 September 2018 at the offices of Panmure Gordon & Co., One New Change, London, EC4M 9AF. There will be a simultaneous live conference call with Q&A, and the presentation will be available on MaxCyte's website at http://www.maxcyte.com/

Dial-in details:
**Participant dial-in:** 08003767922
**International dial-in:** +44 (0) 2071 928000
**Participant code:** 6076799

An audio replay file will be made available shortly afterwards via the Company website:
http://www.maxcyte.com/

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S LETTER

We are pleased to report MaxCyte's financial and operational results for the six months ended 30 June 2018, during which the Company exhibited another period of strong growth and progress across all areas of the business in line with its strategic objectives.

On the commercial side of the business, revenues grew to $6.9 million for the six months ended 30 June 2018, an 11.6% increase over $6.2 million for the same period of 2017, and gross margins remained consistent at 89% for the six months ended 30 June 2018, compared to 90% for the same period of 2017. We now have more than 55 cell therapy partnered programmes in cutting-edge fields including gene editing for the treatment of inherited diseases and immuno-oncology, and we have increased the number of licences to partners covering clinical-stage programmes to more than 25 (an increase of approximately 60% from the more than 15 programmes reported at this time last year). This acceleration along with the growth of new customer prospects creates a strong near-term pipeline for future deals in cell therapy. We also continued to invest in our sales and marketing capabilities to further grow the Company's customer base.

In July, we announced that we have received IND clearance from the FDA to begin our first clinical study with MaxCyte's first wholly owned, and internally developed, CAR therapeutic candidate, MCY-M11. We are excited to advance MCY-M11 into the clinic at some of the world's top medical centers and we hope that the results of this upcoming Phase I study, which we plan to start before year end, will serve as validation of our proprietary CARMA™ drug platform as a whole. We anticipate that the results of this initial study in ovarian cancer and peritoneal mesothelioma may help support the safety and potential effectiveness of our CAR drug candidate developed from the CARMA platform. If successful, it may establish the CARMA platform as a new autologous cell therapy platform for developing improved targeted cell-based immune therapies. Reaching the clinical stage of development with our first CARMA therapeutic is a key milestone and highlights the success of the company's strategy to leverage our decades of experience in cell therapy to create high-value applications through careful investments in promising uses of our unique cell engineering platform.

In June, we entered into a CRADA with the NIH under which MaxCyte and the NHLBI, one of the world's leading disease institutes, will work to develop treatments for individuals with SCD using next-generation CRISPR/Cas9-based single-nucleotide correction enabled by our cell engineering platform. We believe that this work will further validate the use of our platform for developing gene-editing therapies for a broad range of diseases while enabling rapid development and commercial manufacturing of new therapies for patients where there is a high unmet medical need. This is our second CRADA with NIH. The first, with the NIH's National Institute of Allergy and Infectious Diseases, was announced in June 2017, and is to develop treatments for X-linked chronic granulomatous disease.

During the first half of the year, we continued to promote our cell engineering platform technology and our CARMA platform. Specifically, we presented pre-clinical data at the ASGCT annual meeting in May 2018 highlighting how MaxCyte's non-viral cell engineering technology was used for CRISPR-mediated gene correction of a mutation within the hemoglobin gene of cells from a SCD patient.

We also presented data at several industry conferences related to our breakthrough CARMA platform and its potential to engineer transient persistence to mitigate off-tumor toxicity. The streamlined manufacturing process of the platform significantly reduces the turnaround time of autologous cell therapy to patients.

Finally, we made important appointments to further strengthen our corporate leadership team. In April 2018, we appointed Dr Claudio Dansky Ullmann, an expert with over 25 years' experience in clinical oncology and pharmaceutical research as our Chief Medical Officer and in February 2018, Dr Richard Douglas, who formerly served as the Senior Vice President of Corporate Development and Corporate Officer at Genzyme Corporation, joined our Board of Directors.

We believe that the Company's progress during the first six months of 2018 provides us with a strong foundation for continued success and we are excited to build on our progress.

**Financial Review**

Revenues for the period totaled $6.9 million, representing an 11.6% increase over the same period of 2017 and up 14.7% before the inclusion of commercial licence upfront fees. Gross margins remained stable over the period. This growth in revenue reflects continued expansion of the Company's customer base.

The Company's operating expenses for the period (including CARMA investment) increased to $10.7 million compared to $9.5 million for the same period of 2017 resulting principally from the $0.5 million increase in CARMA investments and increased investments in sales and marketing, product development and other non-CARMA R&D activities focused on driving and supporting MaxCyte's growth. Investment in CARMA was $2.6 million (first half 2017: $2.1 million) as the

Company advanced efforts to obtain FDA clearance for its first IND application.

MaxCyte's net loss before taking into consideration expenses from the CARMA programme was $2.2 million over the period compared to net loss of $2.2 million (also before taking into consideration expenses from CARMA) for the same period of 2017. The net loss including the CARMA investment was $4.8 million over the period compared to $4.3 million in the same period last year.

EBITDA before CARMA investment was a loss of $1.4 million for the current period and $1.7 million after adjusting for non-cash stock-based compensation of $0.4 million (first half 2017: $0.1 million).

As of 30 June 2018, MaxCyte held cash and cash equivalents, including short-term investments, amounting to $18.8 million compared to $25.3 million as of 31 December 2017.

**Outlook**

MaxCyte's Board anticipates continued progress for the remainder of the 2018 financial year and the Company is trading in line with expectations. We believe that the Company's progress during the first six months of 2018 provides us with a strong foundation for continued success and we are excited to build on our progress. Our cell engineering platform is fundamental to developing gene-editing therapies for a broad range of diseases while enabling rapid development and commercial manufacturing of new therapies for patients where there is a high unmet medical need.

The Company remains on track to commence dosing of its first wholly-owned lead CARMA candidate, MCY-M11, in a Phase I clinical trial in H2 2018, as an open-label study and we will keep investors informed of our progress. The Company's pipeline of cell therapy partnered programmes is stronger than ever. Finally, we have continued to make significant progress in bolstering our core drug development business, particularly with regard to expanding our sales and marketing infrastructure and developing applications data for use in our products where we believe this will help deliver strong future growth. We remain confident that the future for MaxCyte is very bright.

**Doug Doerfler**
**President and Chief Executive Officer**

**J. Stark Thompson, Ph.D.**
**Non-executive Chairman**

**24 September 2018**

**About MaxCyte**
MaxCyte is a global cell-based medicines and life sciences company applying its patented cell engineering technology to help patients with high unmet medical needs in a broad range of conditions. MaxCyte is developing novel CARMA therapies for its own pipeline. CARMA is MaxCyte's mRNA-based proprietary platform for autologous cell therapy. In addition, through its core business, the Company leverages its Flow Electroporation® Technology to enable its partners across the biopharmaceutical industry to advance the development of innovative medicines, particularly in cell therapy, including gene editing and immuno-oncology. The Company has placed its cutting-edge flow electroporation instruments worldwide, with all of the top ten global biopharmaceutical companies, has more than 55 partnered programme licences in cell therapy including more than 25 licensed for clinical use. With its robust delivery technology, MaxCyte helps its partners to unlock the full potential of their products.

For more information, visit www.maxcyte.com.

**This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).**

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# MaxCyte, Incorporated
# Unaudited Condensed Financial Statements

## as of 30 June 2018 and 31 December 2017
## and for the six months ended
## 30 June 2018 and 2017

**MaxCyte, Inc.**
**Unaudited Condensed Balance Sheets**
**(amounts in U.S. dollars, except share amounts)**

| | 30 June 2018 | 31 December 2017 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 16,022,200 | $ 25,341,700 |
| Short-term investments, at amortized cost | 2,733,100 | - |
| Accounts receivable | 3,762,600 | 3,195,600 |
| Inventory | 2,038,600 | 1,347,000 |
| Other current assets | 1,099,700 | 665,800 |
| **Total current assets** | **25,656,200** | **30,550,100** |
| | | |
| Property and equipment, net | 1,116,000 | 847,600 |

| | | |
|---|---|---|
| **Total Assets** | **$ 26,772,200** | **$ 31,397,700** |
| **Liabilities and stockholders' equity** | | |
| **Current liabilities:** | | |
| Current portion of note payable, net of discount and deferred fees | $ - | $ 850,900 |
| Current portion of capital lease obligations | - | 3,200 |
| Accounts payable and accrued expenses | 3,037,200 | 4,331,000 |
| Deferred revenue and other | 2,800,000 | 2,055,100 |
| **Total current liabilities** | **5,837,200** | **7,240,200** |
| Note payable, net of discount, deferred fees and current portion | 5,046,400 | 4,176,300 |
| Other liabilities | 535,400 | 384,500 |
| **Total liabilities** | **11,419,000** | **11,801,800** |
| **Commitments and contingencies (Note 7)** | | |
| **Stockholders' equity:** | | |
| Common stock, $0.01 par; 200,000,000 shares authorized, 51,272,014 and 50,896,376 shares issued and outstanding at 30 June 2018 and 31 December 2017, respectively. | 512,800 | 509,000 |
| Additional paid-in capital | 81,268,500 | 80,729,400 |
| Accumulated deficit | (66,428,100) | (61,641,700) |
| **Total stockholders' equity** | **15,353,200** | **19,596,700** |
| **Liabilities and stockholders' equity** | **$ 26,772,200** | **$ 31,397,700** |

*See accompanying notes to the unaudited condensed financial statements.*

**MaxCyte, Inc.**
**Unaudited Condensed Statements of Operations**
**For the Six Months Ended 30 June,**
**(amounts in U.S. dollars, except share amounts)**

| | 2018 | 2017 |
|---|---|---|
| **Revenue** | **$ 6,930,000** | **$ 6,210,100** |
| **Costs of goods sold** | 753,500 | 648,900 |
| **Gross profit** | **6,176,500** | **5,561,200** |
| **Operating expenses:** | | |

| | | |
|---|---|---|
| Research and development | 4,912,700 | 4,192,600 |
| Sales and marketing | 3,255,500 | 2,948,000 |
| General and administrative | 2,493,500 | 2,405,900 |
| **Total operating expenses** | **10,661,700** | **9,546,500** |
| **Operating loss** | **(4,485,200)** | **(3,985,300)** |
| | | |
| **Other income (expense):** | | |
| Interest expense | (308,800) | (315,300) |
| Other income | 7,600 | - |
| **Total other income (expense)** | **(301,200)** | **(315,300)** |
| | | |
| **Net loss** | **$ (4,786,400)** | **$ (4,300,600)** |
| | | |
| **Basic and diluted net loss per common share** | **$ (0.09)** | **$ (0.09)** |
| **Weighted average common shares outstanding, basic and diluted** | **51,077,283** | **46,401,189** |

*See accompanying notes to the unaudited condensed financial statements.*

**MaxCyte, Inc.**
**Unaudited Condensed Statements of Cash Flow**
**For the Six Months Ended 30 June,**
**(amounts in U.S. dollars)**

| | **2018** | **2017** |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ (4,786,400) | $ (4,300,600) |
| Adjustments to reconcile net loss to cash used in operating activities: | | |
| Depreciation and amortization | 165,800 | 56,400 |
| Net book value of consigned equipment sold | 20,900 | 27,000 |
| Stock-based compensation | 377,700 | 120,600 |
| | | |
| Amortization of discounts on investments | (400) | - |
| Non-cash interest expense | 19,200 | 19,000 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (567,000) | (1,331 300) |
| Inventory | (856,200) | (185,200) |

| | | |
|---|---|---|
| Other current assets | (433,900) | (876,200) |
| Accounts payable and accrued expenses | (1,293,800) | 59,900 |
| Deferred revenue | 744,900 | 1,075,700 |
| Other liabilities | 150,900 | 16,900 |
| Net cash used in operating activities | (6,458,300) | (5,317,800) |
| **Cash flows from investing activities:** | | |
| Purchases of short-term investments | (2,732,700) | - |
| Purchases of property and equipment | (290,500) | (142,900) |
| Net cash used in investing activities | (3,023,200) | (142,900) |
| **Cash flows from financing activities:** | | |
| Proceeds from exercise of stock options | 165,200 | 4,000 |
| Principal payments on capital leases | (3,200) | (7,000) |
| Net proceeds from issuance of common stock | - | 23,899,600 |
| Net cash provided by financing activities | 162,000 | 23,896,600 |
| Net (decrease) increase in cash and cash equivalents | (9,319,500) | 18,435,900 |
| Cash and cash equivalents, beginning of period | 25,341,700 | 11,727,000 |
| Cash and cash equivalents, end of period | $ 16,022,200 | $ 30,162,900 |
| **Supplemental cash flow information:** | | |
| Cash paid for interest | $ 262,900 | $ 268,200 |

*See accompanying notes to the unaudited condensed financial statements.*

## 1. Organization 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 recapitalized and EntreMed was no longer deemed to control the Company.

MaxCyte is a global life sciences company utilizing its proprietary cell engineering technology to enable development of CARMA, MaxCyte's proprietary, mRNA-based

immuno-oncology cell therapy, as well as the programmes of its biotechnology and pharmaceutical company customers who are engaged in cell therapy, including gene editing and immuno-oncology, and in drug discovery and development and biomanufacturing. The Company licenses and sells its instruments and sells its consumables to pharmaceutical and biotechnology companies for use in development of cell therapies and in drug discovery and development and biomanufacturing.

On 29 March 2016, the Company completed the initial public offering ("IPO") of its Common Stock on the AIM sub-market of the London Stock Exchange ("AIM IPO"). The Company issued approximately 14.3 million shares of its Common Stock at an initial price of £0.70 per share (or approximately $1.01 per share), generating gross proceeds of approximately £10 million (or approximately $14.4 million). See Note 5.

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

## 2. Summary of Significant Accounting Policies

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These unaudited interim condensed financial statements do not include all the information and footnotes required by U.S. GAAP for complete audited financial statements. These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements and accompanying notes for the year ended 31 December 2017. In the opinion of management, the unaudited interim condensed financial statements reflect all the adjustments (consisting of normal recurring adjustments) necessary to state fairly the Company's financial position as of 30 June 2018 and the results of operations for the six months ended 30 June 2018 and 2017. The interim condensed results of operations are not necessarily indicative of the results that may occur for the full fiscal year. The 31 December 2017 balance sheet included herein was derived from the audited financial statements, but does not include all disclosures including notes required by U.S. GAAP for complete audited financial statements.

The Company operates in a single business segment.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. In the accompanying financial statements, estimates are used for, but not limited to, stock-based compensation, allowance for doubtful accounts, allowance for inventory obsolescence and other financial instruments, accruals for contingent liabilities, deferred

tax assets, liabilities and valuation allowance, and the depreciable lives of fixed assets. Actual results could differ from those estimates.

**Concentration**
During the six months ended 30 June 2018 and June 2017, no single customer represented more than 10% of net revenues.

During the six months ended 30 June 2018 and 2017, the Company purchased approximately 65% and 51%, respectively, of inventory from two suppliers. As of 30 June 2018, amounts payable to these suppliers totaled 23% of total accounts payable.

**Foreign Currency**
The Company's functional currency is the U.S. 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 recognized in the Statements of Operations as general and administrative expense. The foreign currency transaction gains (losses) were $7,200 and ($40,200) for the six months ended 30 June 2018 and 2017, 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. U.S. GAAP establishes a hierarchical disclosure framework which prioritizes 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.

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

Short-term investments classified as held-to-maturity are carried at amortized costs unless they are deemed to be impaired on an other-than-temporary basis at which time they are carried at fair market value using Level 1 quoted prices.

*Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis*
The Company has no 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*
Short-term investments 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 recognized during the six months ended 30 June 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 recognized at fair value when they are deemed to be impaired. No such fair value impairment was recognized during the six months ended 30 June 2018 or 2017.

**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 1 year. All investments are classified as "held-to-maturity" and are recorded at amortized 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 1 quoted prices.

The following table summarizes the Company's investments at 30 June 2018:

| Description | Classification | Amortized cost | Gross unrecognized holding gains | Gross unrecognized holding losses | Aggregate fair value |
|---|---|---|---|---|---|
| Money market funds | Cash equivalents | $ 12,590,100 | $ - | $ - | $ 12,590,100 |
| Commercial Paper | Cash equivalents | 2,407,000 | 100 | (100) | 2,407,000 |
| Commercial Paper | Short-term investments | 2,733,100 | - | (1,300) | 2,731,800 |
| Total Investments | | $ 17,730,200 | $ 100 | $ (1,400) | $ 17,728,900 |

The Company had no investments at 31 December 2017.

At times the Company's cash balances may exceed federally insured limits and cash may also be deposited in foreign bank accounts that are not covered by federal deposit insurance. The Company does not believe that this results in any significant credit risk.

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

| | 30 June 2018 | 31 December 2017 |
|---|---|---|

| | | |
|---|---|---|
| | $ | $ |
| Raw materials inventory | 817,100 | 371,100 |
| Finished goods inventory | 1,221,500 | 975,900 |
| Total Inventory | $ 2,038,600 | $ 1,347,000 |

The Company determined no allowance for obsolescence was necessary at 30 June 2018 or 31 December 2017.

**Accounts Receivable**

Accounts receivable are reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. The Company determined that no allowance was necessary at 30 June 2018 or 31 December 2017.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation and amortization. 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 amortized over the shorter of the estimated lease term or its useful life. Consigned instruments represent equipment held at a customer's site that is typically leased to customers on a short-term basis and is depreciated over an estimated useful life of five years.

Property and equipment includes capitalized costs to develop internal-use software. Applicable costs are capitalized during the development stage of the project and include direct internal costs, third-party costs and allocated interest expense as appropriate.

Property and equipment consist of the following:

| | **30 June 2018** | **31 December 2017** |
|---|---|---|
| Furniture and equipment | $1,642,200 | $ 1,497,000 |
| Consigned instruments | 546,100 | 419,700 |
| Leasehold improvements | 280,700 | 265,400 |
| Capitalized project development | 130,000 | - |
| Accumulated depreciation and amortization | (1,483,000) | (1,334,500) |
| Property and equipment, net | $1,116,000 | $ 847,600 |

For the six months ended 30 June 2018 and 2017, the Company incurred depreciation and amortization expense of $165,800 and $56,400, respectively. Maintenance and repairs are charged to expense as incurred.

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

**Revenue Recognition**

On 1 January 2018, the Company adopted guidance for revenue recognition for contracts (ASC 606), using the modified retrospective method applied only to contracts that were not completed at the date of adoption. The modified retrospective method provides for recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of retained earnings. The implementation of the guidance had no material impact on the measurement or recognition of revenue from customer contracts recognized in prior periods. For the Company's revenue recognition policy prior to adopting the guidance for revenue recognition for contracts, please refer to the Company's financial statements in its annual report for the year ended 31 December 2017.

The Company analyzes 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 recognizes revenues upon the satisfaction of its performance obligation (upon transfer of control of promised goods or services to their 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 amortizes 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 for fees from third parties. Research and development costs are expensed as incurred. Research costs performed for fees from customers are included in cost of goods sold.

**Stock-Based Compensation**

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

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

**Expected volatility**

Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company does not currently have sufficient history with its common stock subsequent to the AIM IPO in 2016 to determine its actual volatility. The Company has been able to identify several public entities of similar size, complexity and stage of development; accordingly, historical volatility has been calculated at 47% for the six months ended 30 June 2018 and between 47% and 48% for the six months ended 30 June 2017 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 U.S. 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 2.7% and 2.9% for 2018 and 1.8% and 2.1% for 2017.

**Expected term**

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

**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 recognized 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 realized.

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 recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Company has not identified any uncertain income tax positions that could have a material impact to the financial statements.

The Company is subject to taxation in various jurisdictions in the United States and abroad and remains subject to examination by taxing jurisdictions for 2014 and all subsequent periods. The Company had a net operating loss ("NOL") carry forward of $33.0 million as of 31 December 2017, which was generally available as a deduction against future income for US federal corporate income tax purposes, subject to applicable carry forward limitations. As a result of the March 2016 AIM IPO, the Company's NOLs are limited on an annual basis, subject to certain carryforward provisions, pursuant to Section 382 of the Internal Revenue Code of 1986, as amended, as a result of a greater than fifty percent change in ownership that occurred in the three-year period ending at the time of the March 2016 AIM IPO. The Company has calculated that for the period ending 31 December 2023, the cumulative limitation amount will exceed the NOLs subject to the limitation.

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

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

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

**Loss Per Share**

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

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

For periods of net loss, diluted loss per share is calculated similarly to basic loss per share because the impact of all dilutive potential common shares is anti-dilutive. The number of anti-dilutive shares, consisting of Common Stock options, which has been excluded from

the computation of diluted loss per share, was 7.2 million and 5.9 million for the six months ended 30 June 2018 and 2017, respectively.

**Recent Accounting Pronouncements**

*Recently Adopted*

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance for revenue recognition for contracts (ASC 606), superseding the previous revenue recognition requirements, along with most existing industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue. The new standard will result in enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue arising from contracts with customers. In August 2015, the FASB issued guidance approving a one-year deferral, making the standard effective for reporting periods beginning after 15 December 2017, with early adoption permitted only for reporting periods beginning after 15 December 2016. In March 2016, the FASB issued guidance to clarify the implementation guidance on principal versus agent considerations for reporting revenue gross rather than net, with the same deferred effective date. In April 2016, the FASB issued guidance to clarify the identification of performance obligations and licensing arrangements. In May 2016, the FASB issued guidance addressing the presentation of sales and other similar taxes collected from customers, providing clarification of the collectibility criterion assessment, as well as clarifying certain transition requirements.

The Company performed a comprehensive review of its existing revenue arrangements as of 1 January 2018 following the five-step model. The analysis indicated that there were no significant changes to how the amount and timing of revenue is recognized under the new guidance as compared to existing guidance. Additionally, the analysis indicated that there were no significant changes to how costs to obtain and fulfill customer contracts are recognized under the new guidance as compared to existing guidance. The Company adopted this guidance as of 1 January 2018 using the modified retrospective method and the impact of adoption on its balance sheet, statement of operations, and statement of cash flows was not material. The adoption of the new guidance impacted the way the Company analyzes and documents revenue recognition under customer contracts and resulted in additional disclosures in the Company's financial statements.

In May 2017, the FASB issued guidance clarifying when changes in the terms or conditions of share-based payment awards should be accounted for as modifications. This guidance is effective for fiscal years beginning after 15 December 2017 and early adoption is permitted. This guidance must be applied prospectively to awards modified after the adoption date. The Company adopted this new guidance on 1 January 2018. The adoption of this new guidance did not have a material impact on the Company's financial statements.

*Unadopted*

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

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

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

In June 2018, the FASB issued guidance simplifying the accounting for nonemployee stock-based compensation awards. The guidance aligns the measurement and classification for employee stock-based compensation awards to nonemployee stock-based compensation awards. Under the guidance, nonemployee awards will be measured at their grant date fair value. Upon transition, the existing nonemployee awards will be measured at fair value as of the adoption date. The guidance is effective for reporting periods beginning after 15 December 2018, including interim periods within that fiscal year. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact, if any, that the adoption of this guidance will have on its financial statements.

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

**3. Revenue**

Revenue is principally from the sale or lease of instruments and processing assemblies, as well as from extended warranties and maintenance. 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.

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

Disaggregated revenue for the six months ended 30 June 2018 is as follows:

| | ASC 606 Revenue | Non-ASC 606 Revenue | Total Revenue |
|---|---|---|---|
| Product Sales | $ 4,239,100 | $ - | $ 4,239,100 |
| Leased Equipment | - | 2,361,200 | 2,361,200 |
| Services/Other | 118,100 | 211,600 | 329,700 |
| Total | $ 4,357,200 | $ 2,572,800 | $ 6,930,000 |

Disaggregated revenue for the six months ended 30 June 2017 is as follows:

Disaggregated revenue for the six months ended 30 June 2017 is as follows:

| | ASC 606 Revenue | Non-ASC 606 Revenue | Total Revenue |
|---|---|---|---|
| Product Sales | $ 3,653,500 | $ - | $ 3,653,500 |
| Leased Equipment | - | 2,080,400 | 2,080,400 |
| Services/Other | 72,000 | 404,200 | 476,200 |
| Total | $ 3,725,500 | $ 2,484,600 | $ 6,210,100 |

*Additional disclosures relating to Revenue from Contacts with Customers (ASC 606)*

Changes in deferred revenue for the six months ended 30 June 2018 were as follows:

| | |
|---|---|
| Balance at 1 January 2018 | $2,223,000 |
| Revenue recognized in the current period from amounts included in the beginning balance | 1,655,300 |
| Current period deferrals, net of amounts recognized in the current period | 2,493,600 |
| Balance at 30 June 2018 | $3,061,300 |

Remaining contract consideration for which revenue has not been recognized due to unsatisfied performance obligations was approximately $338,600 at 30 June 2018, the majority of which the Company expects to recognize over the next three years. This amount does not include contract consideration for contracts with a duration of one year or less.

In the six months ended 30 June 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. The MidCap facility carries a variable interest rate equal to the greater of (i) 1.50% above the London Interbank Offered Rate ("LIBOR") then in effect, or (ii) 10.00% and is collateralized by substantially all tangible assets of the Company. The Company amended the MidCap facility in February 2015, June 2015 and June 2016 to, among other things, (i) revise certain covenants, (ii) extend the maturity date to 1 June 2021, (iii) extend the interest only period to 1 July 2018 and increase the exit fee to 6.75%, and (iv) increase the principal amount to $5,105,400.

The Company accounted for all amendments as "modifications" to the facility. Accordingly, the Company has deferred additional fees incurred and paid to the lender in connection with the amendments and expensed all fees paid to third parties. The deferred fees are being amortized using the effective interest method over the remaining term of the amended debt. Unamortized deferred financing costs were approximately $54,800 and $72,500 at 30 June 2018 and 31 December 2017, respectively, and are included as reductions to the note payable balance.

The total balance of the MidCap credit facility at both 30 June 2018 and 31 December 2017 was $5,105,400, with an interest rate of 10%; the balance of the unamortized debt discount at 30 June 2018 and 31 December 2017 was $4,200 and $5,700, respectively. Future minimum principal payments under the MidCap credit facility are expected to be $0 in 2018 and 2019, approximately $851,000 in 2020, $1,702,000 in 2021 and 2022, and $851,000 in 2023.

In the six months ended 30 June 2018, the Company capitalized approximately $3,700 of interest expense related to capitalized software development projects.

On 15 August 2018, the Company entered into an amendment to the MidCap facility. The amendment was entered into primarily to delay the start of principal payments to 1 July 2020 and extend the maturity to 1 June 2023.

**5. Stockholders' Equity**

**Common Stock**

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

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

months ended 30 June 2018, the Company issued 375,638 shares of Common Stock as a result of stock option exercises, receiving gross proceeds of $165,200.

**Stock Options**

The Company adopted the MaxCyte, Inc. Long-Term Incentive Plan (the "Plan") in January 2016 to amend and restate the MaxCyte 2000 Long Term Incentive Plan to provide for the awarding of (i) stock options, (ii) restricted stock, (iii) incentive shares, and (iv) performance awards to employees, officers, and directors of the Company and to other individuals as determined by the Board of Directors. Under the Plan, the maximum number of shares of Common Stock 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, the Company's Board resolved to increase the number of stock options that may be issued under the Plan by 2,000,000 to provide sufficient shares to allow competitive equity compensation in its primary markets for staff and consistent with practices of comparable companies.

The Company has not issued any restricted stock, incentive shares, or performance awards under the Plan. Stock options granted under the Plan may be either incentive stock options as defined by the Internal Revenue Code or non-qualified stock options. The Board of Directors determines who will receive options under the Plan and determines the vesting period. The options can have a maximum term of no more than 10 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 on the date of grant.

In the six months ended 30 June 2018, the Company granted 610,900 stock options with an average exercise price of $3.48 per share. The weighted-average fair value of the options granted during the six months ended 30 June 2018 and 2017 was estimated to be $1.68 and $1.51, respectively.

At 30 June 2018, there were 7,155,577 stock options outstanding with an average exercise price of $1.18 per share. As of 30 June 2018, total unrecognized compensation expense was $2,920,600 which will be recognized over the next 2.8 years.

Stock-based compensation expense for the six months ended 30 June was as follows:

| | 2018 | 2017 |
|---|---|---|
| | | $ |
| General and administrative | $174,200 | 45,700 |
| Sales and marketing | 74,300 | 32,700 |
| Research and development | 129,200 | 42,200 |
| Total | $377,700 | $120,600 |

**6. Retirement Plan**

The Company sponsors a defined-contribution 401(k) retirement plan covering eligible employees. Participating employees may voluntarily contribute up to limits provided by the Internal Revenue Code. Beginning in 2017, the Company matches employee contributions equal to 50% of the salary deferral contributions, with a maximum Company contribution of 3% of the employees' eligible compensation. In the six months ended 30 June 2018 and 2017, Company matching contributions amounted to

$104,200 and $79,300, respectively.

**7. 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 in 2013 and then further extended to January 2020. In April 2017, the Company entered into leases for additional office and laboratory space. All the Company's office and laboratory leases expire in January 2020 and provide for annual 3% increases to the base rent. The current monthly base lease payment for all leases is approximately $42,000. In addition to base rent, the Company pays a pro-rated share of common area maintenance ("CAM") costs for the entire building, which is adjusted annually based on actual expenses incurred.

Total rent expense, including base rent and CAM for the six months ended 30 June 2018 and 2017, was $344,700 and $222,600, respectively. Rent expense is recognized on a straight-line basis in the accompanying financial statements.

**8. Subsequent Events**

On 15 August 2018, the Company entered into an amendment to the MidCap facility. The amendment was entered into primarily to delay the start of principal payments to 1 July 2020 and extend the maturity to 1 June 2023.

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through 21 September 2018 the date the financial statements were available to be issued.



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