

CHF Solutions Letter to Stakeholders

Dear Stakeholders,

CHF Solutions has been changing the lives of people suffering from fluid overload for years, and since 2019, I've had the privilege of helping drive the transformation of the company from a focus solely in heart failure to include critical care and pediatric markets. I joined CHF Solutions as the company's Chief Commercial Officer, advanced to President and Chief Operating Officer in 2020 and at the start of 2021, I stepped into the role of President and Chief Executive Officer. Writing to you for the first time as CEO, I want to emphasize not only why I'm excited for what the future holds, but also, maybe more importantly, why I joined the company in the first place.

I was initially drawn to CHF Solutions for one core reason: its people. The minute I met the people behind the magic, I was sold. I wanted to be part of this team – where everyone is truly committed to impacting the care of pediatric, critical care and heart failure patients suffering from fluid overload. The more I learned about the product, the more I realized how truly special this company is. Not only was the team incredibly talented and committed, but I got to offer a unique product with truly game-changing potential for the kidney and heart care industries. It was a win-win.

If you're anything like me, the idea of 2020 – before the reality of it – was that of hope and new beginnings. And it started that way for CHF Solutions with FDA 510k Clearance for our next-gen Aquadex SmartFlow®, the clearance for the expanded indication in pediatric patients weighing 20 kg or more, and the CE mark for its commercialization in Europe. We kept momentum rolling by re-tooling the sales organization and the sales management structure. We also had fantastic pediatric clinical evidence about the efficacy of the Aquadex™ system. Things were looking good for a strong pediatric push!

Then, like so many other companies, our plans were put on hold in March when the world got turned upside down. Hospital restrictions became stricter – cutting off our access to educate and sell products to customers, and financially distressed hospital systems had to delay capital purchases. We had to find new ways to achieve our mission through avenues we could control, while still making an impact in pediatrics, which I'll share more about further down.

When we learned many clinicians were using Aquadex to stabilize and treat critically-ill COVID-19 patients, we quickly established an execution plan to educate others about this application. We hosted a series of physician-led webinars, giving providers an avenue to share their experiences and collaborate on best practices for managing fluid overload in COVID-19 patients. Frontline clinicians across the globe participated in the webinars and sales of Aquadex rose significantly (300%) in COVID hot spots. This expansion supported the critical care sector of our business, and in May, data was published supporting the use of Aquadex in critically-ill COVID-19 patients.

While the global pandemic made some supply chains screech to a halt, we were able to capitalize on our Minnesota-based, U.S.-sourced facilities to ramp up production and meet our increased demand. While many were forced to lay people off, our production staff increased. Our efforts were so successful, I gave a testimony to the U.S. International Trade Commission (USITC) concerning the availability of U.S.-sourced medical supplies to treat COVID-19 and future pandemics.

Despite the challenges presented to us through the pandemic, we continue to look for strategic partnerships and opportunities to move the company forward. Take our distribution partnership with RenalSense for example. Together, we offer physicians ultrafiltration and real-time renal diagnostics to detect early signs of acute kidney injury. CHF Solutions also submitted a CPT reimbursement code application for ultrafiltration using Aquadex SmartFlow which we expect later this year.

I mentioned earlier that pediatrics was an initial focus for 2020, and even with the shifts we had to make, we still advanced our pediatric business by expanding to 15 new pediatric hospitals in areas including Philadelphia, Texas, Indiana and California. We also launched a pediatric registry to collect real-world evidence on the use of the Aquadex in pediatric patients with fluid overload, and we remained dedicated to education by offering a physician-led pediatric webinar and virtual training.

Heart failure remained a key component of the business, despite the successful focus on pediatrics and critical care. A 355-consecutive patient, 10-year real life clinical experience with our Aquadex System was presented at

the Annual Scientific Meeting of Heart Failure Society of America (HFSA). It concluded ultrafiltration with Aquadex reduced hospitalizations by 81% and 30-day hospital readmission rates by nearly 50% compared to the national average.¹ We'll continue to support research analyzing the efficacy of Aquadex in various disease states.

As we seek to expand access to providers treating pediatric, critical care and heart failure patients, we're committed to international growth in addition to our efforts in the U.S. In 2020 we secured approval to sell in India, and shipped commercial orders to Austria, Brazil and the United Arab Emirates.

Key accomplishments listed above led to five consecutive quarters of sequential growth. In Q4 we saw a 49.5% increase in revenue compared to the prior-year period. For the full year of 2020, revenue totaled \$7.4 million, a 35% increase over 2019. The expansion strategy into pediatric and critical care had a significant contribution to the annual growth. More important than any revenue goal is that we expanded the number of patients who were able to receive our life-saving therapy. That's the true measurable impact.

As we look ahead, I expect our momentum will continue to grow as the challenges of 2020 subside. My expectations stem from one core component – our team. The entire CHF Solutions family is comprised of passionate, intelligent and motivated individuals. When you look at what we were able to achieve during a pandemic, I can say with the utmost confidence that I anticipate our success will be accelerated in 2021 and beyond. This is why I joined CHF Solutions, this is why I've stayed and this is why we continue to grow.

Recruiting, hiring and retaining talented and diverse team members will help us achieve financial success and establish ultrafiltration as the standard of care for fluid management in pediatric, critical care and heart failure patients. Together, our purpose-driven team will work to expand the customers who benefit from our existing products and to bring new products to existing customers.

2020 was a transformational year for CHF Solutions, we grew in unexpected ways and expanded our therapeutic focus areas. We are no longer exclusively a heart failure company as our name may suggest, and 2021 will reflect the larger, more significant impact we have on patients.

Sincerely,

Nestor Jaramillo, Jr.
President and Chief Executive Officer
April 13, 2020

¹ <https://www.chf-solutions.com/aquadex-smartflow-system/clinical-evidence/>