Cerus Endovascular

December 13, 2021

Dear Shareholder

I hope this letter finds you and your families well and that you are set to enjoy the upcoming holiday season.

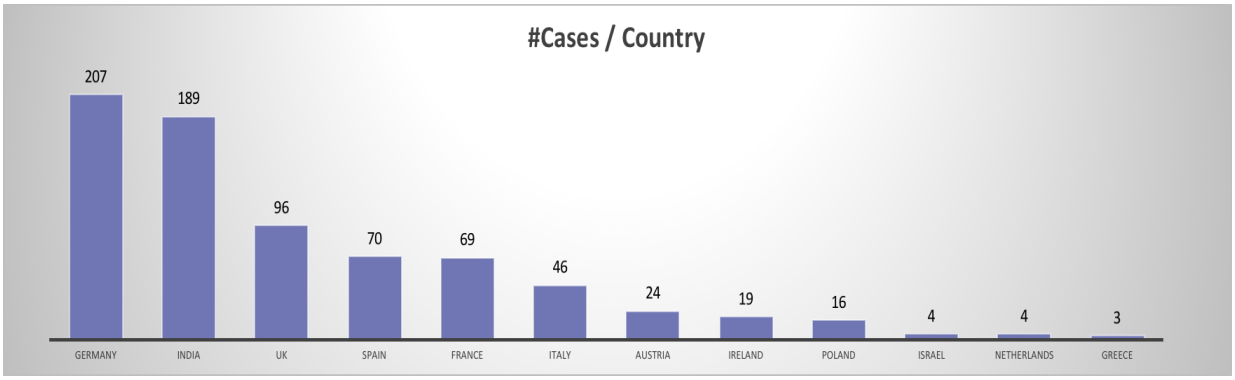
Your Company continues to prosper, despite the ongoing pandemic, and the Board and I are pleased to report that 2021 has marked another year of very considerable progress across the business.

Commercial Progress

2021 Revenue Performance:

Despite the continuing pressures that Covid is placing on healthcare systems across the globe, we have, nonetheless, achieved significant commercial expansion in 2021, with product revenue at 120% of our plan for the year, representing 375% year-on-year growth. Clinical adoption of our technology is accelerating, with 200+ physicians now having used the Contour and/or Neqstent devices, in over 20 countries. Based on the reception our presentations have received at various medical symposia around the world as well as the direct reach-out by physicians worldwide to us, the Cerus Endovascular name has become known and respected in virtually every corner of the neurology marketplace.

The chart below shows the distribution of commercial clinical cases by geographical market since commercialisation began in 2020. Although there is some lag in the reporting of data by sites from our distributors, we estimate that we have now surpassed 1,000 actual procedures with Contour/Neqstent. We have seen strongest adoption in the territories such as Germany, UK, India and Spain, where we have been operating since commencement and anticipate other territories will show similar rates of adoption over time as our presence on those markets matures.



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Further, as physicians gain increasing confidence in the performance characteristics of our products, they are already broadening both the range of aneurysm taxonomies being treated (beyond the initial focus of treating wide-neck bifurcated unruptured aneurysms), as well as beginning to address the much larger acute (ruptured) aneurysm segment. This has effectively grown our addressable market in a significant way. We are in the process of attempting to quantify the impact of these additional market segments on our projections and will report to you when our analysis has been completed.

2022 Commercial Development:

We are planning to expand our network of national level distributors in 2022, gaining access to additional markets in Europe and the Middle East and entering the Latin American Market (Brazil, Argentina, Chile, Columbia) for the first time. By some estimates, Latin America alone represents approximately 20% of the world aneurysm market. We will also expand into selected markets in Asia (South Korea, Singapore and Vietnam) later in the year.

As well as increasing our geographical footprint, we also plan to increase our product range with the addition of an 18mm device size for both Contour and Neqstent, product families further widening the range of aneurysm morphologies that can be treated. With a product range for both Contour and Neqstent of 5mm, 7mm, 9mm, 11mm, 14mm and the forthcoming 18mm devices, we have gained a considerable competitive advantage in that, with our expanded portfolio, the clinician will be able to address the majority of aneurysm presentations/sizes with which he/she may be faced in a clinical setting.

In addition, we have found that by making more product available in the hospital's inventory, product usage increases. We are working with selected distributors to facilitate the placing of consignment inventory into certain key accounts, by offering extended payment terms to the distributor on these incremental orders. In our one of our largest markets – the UK – we are already starting to see the positive impact of this change on orders. We will expand this into other markets in the coming months and we believe the positive consequences will be manifest quickly.

Our belief is that it is becoming increasingly evident from our real-world commercial experience that our portfolio offers clinicians a very real competitive alternative to not only our initial market focus against the WEB device (from Terumo Corporation) and the treatment of unruptured aneurysms, but also to the far greater market segment currently taken up by embolization coils (from multiple strategic device companies) for the treatment of both unruptured ***AND*** ruptured aneurysms.

In addition to the size expansion of our implant portfolio we are poised to begin market introduction of our microcatheters. The impact of Covid has been the most significant on this product but we are now ready to introduce this already CE marked and FDA approved product in key markets.

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Forecasts and Valuation

While our current business model results in us sharing the 'end-user' selling price with our distribution partners, our revenues are forecast to grow significantly over the coming financial years. Based on our two model forecast assumptions, we anticipate a revenue CAGR of circa 47% over our forecast period (2020-2029).

Our products are premium priced high gross margin devices (>80%) presenting an attractive and earnings accretive opportunity for potential strategic acquirers.

We have created two different models for our financial projections. A distributor-based distribution model – the one currently employed – and a direct sales model with the latter being the more likely marketing scenario for any strategic acquirer of Cerus.

For these respective circumstances, our own internal discounted cash flow model would indicate a current pre-tax valuation for the business in the range of $450m (for the distributor-based sales model) and approximately $675m (for the direct sales model).

It should, of course, be noted that these future projections and valuation estimates are illustrative in nature and are based on assumptions which may or may not turn out to be valid. Actual performance may vary materially from forecast performance.

For reference, at the close of the last funding round, concluded in February 2020, the post-money valuation of the business was $76m.

It is evident that Cerus has significant commercial potential irrespective of the particular business model employed.

It is also evident that the commercial success we have already achieved has put us into the fortunate position of having multiple options in terms of potential commercial and corporate strategies available to us.

Clinical Publications

Early on the company made a strategic decision to focus on getting our products out to as many physicians as we could since we felt giving first hand experience to key physicians and having them speak to their peers directly about the product would be the best way to get the word out and lead to gaining market share. The strategy has proved successful and has resulted in a high commercial and technical profile in our market segment. A number of conference presentations made by our leading physicians during the year have highlighted both the clinical effectiveness and ease-of-use characteristics which will also help to drive further clinical adoption.

However, as with all innovative medical treatments and new medical technologies, it is the long-term clinical follow-up, with the publication of peer-reviewed study data in authoritative journals, that is the key to accelerating product adoption beyond the early-adopter group of physicians and into mainstream clinical practice.

I am very pleased to report that the first two such publications by leading physicians will be published shortly. The first will be a paper describing the long-term follow-up data in for the Contour device, Prof. Dr. Thomas Liebig of the Klinikum der Universitat Munchen in Germany, entitled 'The Safety and Effectiveness of the Contour Neurovascular System (Contour) for the Treatment of Bifurcation Aneurysms: The CERUS Study', has been accepted and will be published by the journal NEUROSURGERY very shortly.

The second paper will be published in "The Journal of Neurointerventional Surgery" titled "Contour plus coiling with jailed microcatheter for better occlusion in wide-neck bifurcated aneurysms: proof of principle and angiographic results" – F. Wodarg, J. Hensler, S. Peters, O. Jansen.

These peer reviewed publications are significant milestones for our technology and, for those interested in reading this important document, we will share these papers as soon as the publisher allows. Additional publications are in the works and we will alert you all as we get notice of their respective publication dates. This more traditional method of reaching out is necessary as it will further bolster product usage.

Competition

When we began this journey, we felt that we were competitive with several existing devices but now with 18 plus months of commercialization under our belts and more than 1,000 patients treated, we have the clinical evidence to support that fact that our product is superior by any number of relevant clinical metrics. The rate of adoption in each market that we enter underscores the fact that the physicians want to use our product. In short, we have taken and continue to grow market share and have become a presence in this market segment.

Contour Investigational Device Exemption (I.D.E.) - Clinical Trial (The NECC Study)

As I reported in September, we successfully implanted the first patients to be enrolled in our IDE clinical study for Contour (entitled the NECC study). As at the date of this letter, we have enrolled 13 patients in 5 study centers in the U.S. and while Covid-19 continues to generally suppress elective clinical procedures and the pandemic outlook remains somewhat uncertain, we expect to initiate the remaining study centers in the first quarter of next year and remain on track to complete our study recruitment by the end of 2022 as planned.

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Financials

The Company's outstanding commercial progress and the actual revenue growth achieved in the year means that the business remains in a robust financial position. We have significantly reduced our cash-burn in the year and, subject to maintaining our forecast growth trajectory, we expect this positive trend to continue and to achieve our first full-year profit and become cash generative in 2022.

Corporate

The initial commercial success of Contour and Neqstent has undoubtedly stimulated an increase in engagement with potential strategic partners in the second half of the year which continues apace, while the development of the business achieved in 2021 serves to underscore our potential value.

We are currently engaged directly or indirectly with a number of strategic companies who are at various stages of diligence in their assessment of Cerus. This includes analysis of market potential and product performance, attendance at Contour/Neqstent clinical procedures, site visits/presentations and informal discussions with senior management. It is important to note that, as of the date of this letter, no written offer has been tabled by any party for an acquisition of Cerus and that all potential strategy options for the future growth and realisation of shareholder value remain under consideration, but our belief is that the foregoing activity is indicative of significant and current corporate interest in the Company and I look forward to reporting further as developments may occur.

As previously noted, the commercial success we have achieved allows us to explore several different directions beyond just M&A. We will keep you apprised of any material developments.

The Team

Your exceptional and invaluable team lead by the incomparable Stephen Griffin continues to execute on our ambitious plans for the Company and I look forward to 2022 with great confidence and anticipation of delivering further success to the benefit of patients, our team and, of course, you, our shareholders.

With warmest wishes to you and your families for the Holidays and the New Year,

Sincerely

Sam Milstein
Chairman, Cerus Endovascular