



SurModics Acquires InnoRx; Platform Technology for New Ophthalmology Business Unit

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EDEN PRAIRIE, Minn.--(BUSINESS WIRE)--Jan. 19, 2005--SurModics, Inc. (Nasdaq:SRDX), a leading provider of surface modification and drug delivery technologies to the medical device industry, announced today that it has acquired InnoRx, Inc., a drug delivery company developing novel therapies for the ophthalmology market. InnoRx was founded by world renowned retinal surgeon and inventor Eugene de Juan, Jr., M.D.

Prior to the acquisition, SurModics held an ownership interest in InnoRx of less than 20 percent. To acquire the remaining interest, SurModics paid approximately \$4.1 million in cash and issued approximately 600,000 shares of SurModics stock. Upon successful completion of certain development and commercial milestones, the company may issue up to an additional 600,000 shares of stock. This contingent structure includes milestones based on FDA approval, as well as achievement of pre-defined U.S. revenue targets from products that incorporate InnoRx's technology targeting age-related macular degeneration (AMD) and diabetic macular edema (DME).

This acquisition solidifies SurModics' relationship with InnoRx and extends the company's reach into the large and rapidly expanding ophthalmology arena. SurModics' initial focus will be to utilize InnoRx's technology platform to treat AMD and DME, two of the leading causes of blindness. According to industry analysts, these retinal diseases affect more than 15 million people in the U.S. and represent a market opportunity projected to reach \$2.5 billion to \$7.0 billion within six years.

Anticipated Acquisition Benefits

- Advances the current business model and positions SurModics to capitalize on site specific drug delivery applications in growing markets for the treatment of diseases of the eye, including retinal disease;
- Gains control of a technology platform which may be leveraged with a variety of customers in additional product iterations, applications and indications within ophthalmology and beyond;
- Strengthens the pipeline and reinforces SurModics' commitment to its focus markets;
- Leverages SurModics' expertise in biomaterials, drug delivery and product development;
- Provides greater influence over product development and timelines;
- Captures more elements of the value chain (the polymer, the device and, in some cases, the drug), bringing the potential for higher royalty rates from SurModics' customers;
- Presents an additional potential future revenue driver.

"We have had a close working relationship with InnoRx for the past three years, during which time we have become increasingly confident in the underlying technology and our ability to create synergies between the two organizations," said Bruce Barclay, SurModics' President and Chief Operating Officer. "Today's announcement reflects our mutual commitment to solving the problem of sustained delivery of various therapies in the eye, a significant unmet clinical need. We believe that folding InnoRx into SurModics will accelerate our entry into an attractive market, strengthen our pipeline and deepen our ability to exploit the convergence of drugs and devices with multiple customers."

Lead Product: Sustained Release Intravitreal Implant

SurModics will establish a new ophthalmology business unit and continue development of InnoRx's drug coated intravitreal implant as its lead product. The implant has the ability to deliver drugs targeted at AMD and DME and is the result of nearly three years of collaboration between SurModics and InnoRx. The device, which provides therapy on a sustained release basis for well over a year, can be implanted using a simple in-clinic procedure, rather than an operating room procedure, and may be removed once the drug has been fully released. Currently, the majority of treatments being developed for AMD and DME require repeat injections into the eye every one to three months, often with a suboptimal drug dosing profile. Replacing multiple injections with a single implant, which provides long-term, controlled drug release, could represent a significant advance in therapeutic treatment, including improved patient compliance, reduced side effects and greater efficacy.

Platform Technology

The InnoRx drug delivery technology represents a platform technology which can be developed either alone by SurModics, or with a partner using their own proprietary drug or targeting a specific indication. InnoRx has been developing a product specifically targeted for use in treating DME. This DME product has recently completed successful pre-clinical studies, and InnoRx has filed an Investigational New Drug application with the United States Food and Drug Administration. Human trials are expected to begin in the first half of 2005. In addition to the intravitreal implant platform, other technologies were also acquired as part of the transaction.

Dr. Eugene de Juan, Jr., Founder and Chairman of InnoRx, commented, "My vision for InnoRx has always been developing practical and effective therapies for patients suffering from serious eye diseases. By leveraging SurModics' biomaterials and drug delivery technologies and expertise, and strong customer relationships, I believe we can make that vision a reality. Our combined strengths will improve and expand the applications for the technology, which will result in dramatic benefits to the patient. SurModics is writing a new chapter in its history, and I am excited about the opportunities moving forward."

"Dr. de Juan is a highly respected member of the ophthalmology community," commented Dale Olseth, Chairman and Chief Executive Officer of SurModics. "His creativity, passion and reputation as one of the leading retinal surgeons and inventors in the world have allowed InnoRx to create a significant and valuable drug delivery platform. We are delighted to be associated with the fine people from InnoRx and welcome them into the SurModics family. We look forward to the significant contributions they will continue to make to our company."

Michael Chambers, President and CEO of InnoRx, commented, "SurModics is superbly positioned to extend InnoRx's platform technology to companies that have effective compounds, but lack the ability to deliver their compounds in a sustained release manner for significant periods of time. We believe that this platform may have promise not only for retinal diseases, but ultimately for glaucoma and cataract indications as well. InnoRx has been receiving heightened interest from leading companies in the ophthalmology and pharmaceutical industries. The market has confirmed the current need for novel approaches to ocular drug delivery, and we believe the combination of InnoRx and SurModics is well timed to take advantage of this opportunity."

New Ophthalmology Business Unit

SurModics' new ophthalmology business unit will be located in Southern California. This location facilitates the continued involvement of InnoRx's development team and is in close proximity to Dr. de Juan, who currently serves as CEO of the Doheny Retina Institute at the University of Southern California Keck School of Medicine in Los Angeles. Dr. de Juan will serve as a clinical consultant to SurModics and remain actively involved in the continuing development of the technology. Signe Erickson Varner, Ph.D., former Assistant Professor of Ophthalmology at the Doheny Eye Institute, played a key role, with Dr. de Juan, in the invention and development of the intravitreal implant technology for InnoRx. She has joined SurModics as Director of Research and Development within the business unit and will guide the integration efforts of the two companies and lead the development of new products. Michael Chambers will also serve as a consultant to SurModics and assist in integration and business development efforts.

Live Webcast

SurModics will host a Webcast at 10:30 a.m. ET (9:30 a.m. CT) today to discuss the InnoRx acquisition. To access the Webcast, go to the investor relations portion of the company's Web site, www.surmodics.com. If you do not have access to the Internet and want to listen to an audio replay of the acquisition conference call, dial 800-405-2236 and enter conference call ID # 11022302. The audio replay will be available one hour after the event and will be archived for one week.

About SurModics, Inc.

SurModics, Inc., a leading provider of surface modification and drug delivery solutions, licenses its proprietary technologies to medical device, diagnostics, and biotechnology companies around the world. A significant portion of SurModics' revenue is generated through royalties on the sale of coated products. SurModics' Internet address is www.surmodics.com.

About InnoRx, Inc.

InnoRx, Inc. is a development stage company focused on the development of drugs and drug delivery systems for ocular disease. InnoRx is a private company founded by Dr. Eugene de Juan, Jr., a renowned retinal surgeon who currently serves as CEO of The Doheny Retina Institute at the University of Southern California. Dr. de Juan was formerly the Joseph Green Chair of Ophthalmology for Age-Related Macular Degeneration at the Wilmer Institute of Johns Hopkins University.

Safe Harbor for Forward Looking Statements

Certain statements contained in this press release may be deemed to be forward looking statements under federal securities laws, and SurModics intends that such forward looking statements be subject to the safe harbor created thereby. SurModics does not undertake an obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

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