



SurModics Acquires Drug Delivery Assets of PR Pharmaceuticals

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Broadens Portfolio of Proprietary Drug Delivery Technologies; Adds Multiple Customer Development Programs

EDEN PRAIRIE, Minn.--(BUSINESS WIRE)--Nov. 4, 2008--SurModics, Inc. (Nasdaq: SRDX), a leading provider of surface modification and drug delivery technologies to the healthcare industry, announced today that it has acquired a portfolio of intellectual property and collaborative drug delivery projects from PR Pharmaceuticals, Inc., a drug delivery company specializing in injectable, biodegradable sustained release formulations. SurModics paid \$3 million in cash at closing and may pay up to an additional \$6 million in cash upon the successful achievement of certain milestones. The acquisition is expected to be accretive to SurModics' fiscal 2009 earnings, excluding any one-time charges related to the acquisition.

Anticipated Acquisition Benefits

- Broadens SurModics' proprietary technology portfolio in systemic drug delivery, including protein delivery
- Enables delivery of injectable microparticles through smaller gauge needles
- Expands SurModics' customer base to incorporate several new pharmaceutical and biotech companies
- Immediately adds new sources of revenue and is expected to be accretive to SurModics fiscal 2009 earnings

"The proprietary technologies and existing business we are acquiring from PR Pharmaceuticals are a perfect fit for SurModics," said Bruce Barclay, president and CEO of SurModics. "The proprietary technologies complement and enhance the existing portfolio of drug delivery capabilities available from SurModics and Brookwood. A broader toolkit for protein delivery and the ability to use smaller gauge needles for microparticle injections make an even more compelling offering for both current and future SurModics customers. The multiple customer development programs we are assuming in this transaction are a strong fit with the diversified portfolio of customer projects at Brookwood and will further leverage the investment we are making in cGMP manufacturing facilities in Birmingham. Further, with the addition of these new technologies, SurModics is poised to drive customer programs and long-term revenue even more effectively."

The proprietary technologies acquired from PR Pharmaceuticals have broad applicability and address key needs, enabling the delivery of injectable drugs, including proteins, using biodegradable microparticles through smaller diameter needles compared to competing technologies. The use of smaller diameter needles for microparticle injection is particularly relevant in ophthalmology applications. Also, the use of smaller needles is an advantage in many other applications requiring subcutaneous or intra-muscular injections, and in particular where patient self-administration is desired. Proteins and other large molecule therapeutics are of strategic interest to many biotechnology and pharmaceutical companies, but pose significant challenges for drug delivery. The PR Pharmaceuticals technologies will complement those of SurModics and its Brookwood Pharmaceuticals business unit and broaden the overall technology portfolio for the benefit of current and future customer projects.

In addition to the intellectual property being acquired, SurModics will be assuming responsibility for several customer-paid development projects currently in progress with pharmaceutical and biotechnology companies, including Jerini Ophthalmic. Finally, SurModics will be the paid development partner for PR Pharmaceuticals' proprietary product called InsuLAR(TM), a once-a-week sustained release formulation of basal insulin for the diabetes marketplace. The market for injectable basal insulin is estimated at approximately \$4 billion worldwide.

"We are pleased to consummate this important transaction, and look forward to a long and successful association with SurModics," said Steve R. Howe, chairman and CEO of PR Pharmaceuticals. "First, we along with Brookwood are committed to providing a smooth transition for current PR Pharmaceuticals customers to Brookwood. Second, the transaction will significantly advance the development of InsuLAR. Collaboration with the technical team and the cGMP manufacturing infrastructure at Brookwood will help ensure successful development and commercialization of InsuLAR as well as provide for a smooth transition for current PR Pharmaceuticals customers. Third, continuation by SurModics of the multiple customer development programs allows PR Pharmaceuticals to focus on developing our own internal programs, products and technologies. While our immediate focus is commercialization of InsuLAR, we anticipate working with SurModics on other collaborative programs in the future."

"Brookwood Pharmaceuticals gains several attractive assets by virtue of this transaction, which strengthens our portfolio of drug delivery technologies and will greatly benefit our customer development programs," said Arthur J. Tipton, Ph.D., vice president of SurModics and president of Brookwood. "In particular, the ability to use smaller gauge needles for injections is of significant interest to customers in ophthalmology and several other clinical areas. In addition, partnering with PR Pharmaceuticals on the development of InsuLAR adds another promising development program in diabetes to our broad portfolio of customer programs. Today, PR Pharmaceuticals is already a customer of Brookwood for biodegradable polymer, which it uses in support of current development programs. We look forward to aiding PR Pharmaceuticals in the manufacturing scale-up and in the production of both clinical trial materials and final product for InsuLAR."

"The combined drug delivery expertise of SurModics, Brookwood, and PR Pharmaceuticals is exceptional," said Anthony P. Adamis, M.D., president and CEO of Jerini Ophthalmic, Inc. "We are very pleased to be working together and look forward to our continued relationship."

About SurModics, Inc.

SurModics, Inc. is a leading provider of surface modification and drug delivery technologies to the healthcare industry. SurModics partners with the world's foremost medical device, pharmaceutical and life science companies to develop and commercialize innovative products that result in improved patient outcomes. Core offerings include: drug delivery technologies (coatings, microparticles, and implants); surface modification coating technologies that impart lubricity, prohealing, and biocompatibility capabilities; and components for in vitro diagnostic test kits and specialized surfaces for cell culture and microarrays. Current efforts include a sustained drug delivery system in human trials for treatment of retinal disease and the drug delivery polymer matrix on the first-to-market drug-eluting coronary stent. SurModics is headquartered in Eden Prairie, Minnesota and its Brookwood Pharmaceuticals subsidiary is located in Birmingham, Alabama. For more information about the company, visit www.surmodics.com. The content of SurModics' website is not part of this release or part of any filings the company makes with the SEC.

About PR Pharmaceuticals, Inc.

PR Pharmaceuticals (PRP) is a biopharmaceutical company developing bioactive compounds in injectable sustained-release technologies. The company has developed significant intellectual property in manufacturing and formulation technologies for the encapsulation of large molecules such as proteins and peptides as well as classic small molecules into biodegradable microparticles. PRP is applying compelling and patented technology to focus its development efforts in rapidly moving InsuLAR, its long-acting basal insulin, into clinical trials. For more information, please visit www.prpharm.com.

Safe Harbor for Forward Looking Statements

This press release contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, such as the statement that the acquisition is expected to be accretive, excluding one-time charges, or the statement that the new technologies poised SurModics to drive customer programs and long-term revenue, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including the following: (1) our reliance on third parties (including our customers and licensees) and their failure to successfully develop, obtain regulatory approval for, market and sell products incorporating our technologies may adversely affect our business operations, our ability to realize the full potential of our pipeline, and the company's ability to achieve our fiscal 2008 corporate goals; (2) costs or difficulties relating to the integration of the businesses of Brookwood Pharmaceuticals, BioFX Laboratories, and the drug delivery assets and collaborative projects acquired from PR Pharmaceuticals, Inc., with SurModics' business may be greater than expected and may adversely affect the company's results of operations and financial condition; (3) developments in the regulatory environment, as well as market and economic conditions, may adversely affect our business operations and profitability; and (4) other factors identified under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2007, and updated in our subsequent reports filed with the SEC. These reports are available in the Investors section of our website at www.surmodics.com and at the SEC website at www.sec.gov. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

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