Leadership in
Surface Modification and Drug Delivery

Bruce Barclay, President and CEO
Phil Ankeny, Senior Vice President and CFO
May 2008
Safe Harbor Statement

Some of the statements made during this meeting may be considered forward-looking statements. The 10-K for the fiscal year 2007 identifies certain factors that could cause the Company’s actual results to differ materially from those projected in any forward-looking statements made during this meeting. The 10-K and subsequent filings are available through the Company or online.

This presentation contains non-GAAP financial measures to provide information pertinent to ongoing business performance. These measures are reconciled to the reported GAAP measures within this presentation.
Investment Highlights

- Demonstrated leadership and expertise in the development of surface modification and drug delivery technologies
- Unique opportunity to exploit convergence of drugs and medical devices; particular strength in polymer-based drug delivery
- Partner of choice for the world's most renowned ophthalmology, cardiology, pharmaceutical, and biotechnology companies
- Broad portfolio of proprietary platforms enables development, manufacture, and commercialization of breakthrough products
- Making progress moving up product development value chain
- Consistent track record of execution driven by a strong, sustainable business model
History of Innovation

- Strong track record of innovation in surface modification and drug delivery to address unmet clinical needs, to advance our technology licensing business model

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1979</td>
<td>Company formed by 3 scientists</td>
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<td>1980</td>
<td>1st PhotoLink license</td>
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<td>1990</td>
<td>1st PhotoLink coated product</td>
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<tr>
<td>1992</td>
<td>Drug-eluting coating license w/ J&amp;J</td>
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<tr>
<td>1996</td>
<td>Initial Public Offering (Nasdaq: SRDX)</td>
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<td>1998</td>
<td>CYPHER(TM) Sirolimus DES launched in OUS &amp; US market</td>
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<tr>
<td>2002</td>
<td>Acquisition of InnoRx</td>
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<tr>
<td>2005</td>
<td>Acquisition of BioFX Labs</td>
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<tr>
<td>2007</td>
<td>Signed Merck Agreement</td>
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<tr>
<td>2008</td>
<td>Acquisition of cGMP manufacturing facility</td>
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</table>
# SurModics Solutions & End Markets

<table>
<thead>
<tr>
<th>Surface Modification</th>
<th>Drug Delivery</th>
<th>In Vitro</th>
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<tr>
<td><strong>Applications:</strong></td>
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<td><strong>Applications:</strong></td>
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<tr>
<td>Hydrophilic/Lubrious</td>
<td>Site-Specific</td>
<td>Diagnostic Test Components</td>
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<tr>
<td>Biocompatible</td>
<td>- Coating, injection, implant</td>
<td>- Stabilization</td>
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<tr>
<td>Hemocompatible</td>
<td>- Durable, biodegradable</td>
<td>- Antigens and Antibodies</td>
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<tr>
<td>Prohealing</td>
<td>Systemic</td>
<td>- Substrates</td>
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<tr>
<td>Cell Encapsulation</td>
<td>- Injection</td>
<td>DNA Immobilizing Slides</td>
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<tr>
<td></td>
<td>- Implant</td>
<td>Cell Culture Labware</td>
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<td><strong>End Markets:</strong></td>
<td><strong>End Markets:</strong></td>
<td><strong>End Markets:</strong></td>
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<td>▪ Cardiovascular</td>
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<td>▪ <em>In Vitro</em> Diagnostics</td>
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<tr>
<td>▪ Neurology</td>
<td>▪ Ophthalmology</td>
<td>▪ Genomics</td>
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<td>▪ Cell Culture</td>
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<td>▪ Diabetes</td>
<td>▪ Oncology</td>
<td></td>
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<tr>
<td></td>
<td>▪ Diabetes</td>
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<tr>
<td></td>
<td>▪ CNS (incl. addiction, pain)</td>
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<tr>
<td></td>
<td>▪ Dermatology</td>
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</tr>
</tbody>
</table>
Customer Base Today - 97 Licensed Customers
Leadership in Surface Modification and Drug Delivery

Business Model

Revenue by Type
$25.7M 2Q08
- Royalties and License Fees
  $13.8M 54%
- Product Sales
  $4.7M 18%
- R & D
  $7.2M 28%

Revenue by Business Segment
2Q08
- Drug Delivery
  $12.0M Up 93% Y-O-Y 47%
- Hydrophilic and Other
  $8.3M Up 26% Y-O-Y 32%
- In Vitro
  $5.5M Up 19% Y-O-Y 21%

Operating Results
2Q08
- Revenue
  $25.7M
- Operating Margin
  28%
- Net Margin
  20%
Strategic Growth Initiatives

1. “Climbing the value chain”
2. Continued diversification in the DES market
3. Diversify into new markets
4. Increase participation in the convergence of drugs and devices
5. Accelerate our technology leadership
6. Pursue business development opportunities
7. Attract and retain top talent
Growth Drivers

- Convergence of drugs and devices
- Climbing the value chain
- Multiple ways to participate in DES market
- Diversification and growing pipeline
- New markets
- Put the balance sheet to work
Leadership in Surface Modification and Drug Delivery

Convergence catapults drugs, devices and polymers into new and innovative applications

Major convergence trends are present in orthopedics, ophthalmology, cardiovascular, biomaterials, and regenerative medicine, among others

SurModics is positioned at the forefront of this trend, having partnered in the first wave of convergence with the DES market, and participating in numerous subsequent waves in a wide range of applications
Multiple Polymer-Based Platforms for Medical Therapies

- **Polymer Only**: Eureka™ In Situ Matrix, Eureka™ Implant
- **Polymer / Device**: Hydrophilic Coating, Prohealing and Biocompatible Coatings
- **Polymer / Drug**: Microparticles, Drug Delivery Implant
- **Polymer/Device/Drug**: I-vation™ Implant, Drug-Eluting Stent, Ophthalmic Implant, Orthopedic Applications

Leadership in Surface Modification and Drug Delivery
Licensed Customer Applications
Advanced Hydrophilic Technologies
Examples

Neurological
- Infusion catheters
- Hydrocephalic shunts
- Stroke treatment
- Embolic protection

Cardiovascular
- Coronary stent systems
- Specialty guidewires
- Chronic total occlusion devices
- Angioplasty catheters
- Percutaneous heart valves
- Access systems
- Defect repair delivery systems

Oncology
- Microcatheters

Peripheral Vascular
- Endovascular graft systems
- Peripheral stent delivery catheters
- Atherectomy / Thrombectomy systems
- Intravascular imaging
- Vascular closure devices

Ophthalmology
- Access instruments

Cardiac Rhythm Management
- CRT leads
- Implantable intravascular defibrillators
- Pacemaker leads
- Lead delivery catheters & guidewires
- Electrophysiology (mapping & ablation) catheters

Surgical Devices
- Endoscopy accessories
- Obesity management
- Chest wound drainage

Urogenital
- Incontinence devices
- Penile implants
- Stents / Catheters
- Contraceptive systems
• Acquisition of Brookwood Pharmaceuticals - July 2007
  — A drug delivery business that provides polymer-based technologies to companies developing improved pharmaceutical products
  — Strength in injectable microparticles and implant technology, both based on biodegradable polymers, to provide sustained and systemic drug delivery
  — More than two dozen drug delivery partnered programs from preclinical to Phase III
  — Current revenue from client-funded R&D, clinical trial manufacturing, and polymer sales
  — Growth through expanded work for current clients, new clients, and milestones and royalties
## SurModics/Brookwood

### Leading Drug Delivery Solution Provider

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<thead>
<tr>
<th>Service</th>
<th>SurModics</th>
<th>Brookwood</th>
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<tbody>
<tr>
<td>Biodegradable drug delivery polymer platforms</td>
<td>√</td>
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<td>Durable drug delivery polymer platforms</td>
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<tr>
<td>Site-specific drug delivery</td>
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<td>√</td>
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<tr>
<td>Systemic drug delivery</td>
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<td>Solid implants</td>
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<tr>
<td>Microparticles</td>
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<td>√</td>
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<tr>
<td>Coatings</td>
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<tr>
<td>Biodegradable polymer supply</td>
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</table>

**SurModics/Brookwood**

**Bringing Innovation Together™**

Leadership in Surface Modification and Drug Delivery
cGMP Manufacturing Facility

- Purchased facility in Birmingham, AL in April 2008 to expand cGMP manufacturing capacity
- Facility capable of supporting customers with product development and supply at every stage from early feasibility to production of marketed products
- Facility will support:
  - Manufacturing of I-vation™ TA for late-stage clinical trials
  - Manufacturing of microparticle-based formulations for clinical and commercial products
- Fulfills critical manufacturing needs of customers:
  - Pharma and biotech customers prefer outsourcing formulation and drug delivery manufacturing
  - Facilities are a key criterion in partnering decisions
# Brookwood Pipeline

## Microparticles and Implants

<table>
<thead>
<tr>
<th>INDICATION</th>
<th>TECHNOLOGY</th>
<th>PRECLINICAL</th>
<th>CLINICAL STUDIES</th>
<th>AGENCY REVIEW</th>
<th>MARKET</th>
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<td>Alcoholism</td>
<td>Elbion Naltrexone Microparticles</td>
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<td>Diabetes</td>
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<td>Post-surgical pain</td>
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<td>Obesity</td>
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<td>Orthopedic</td>
<td>Microspheres</td>
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<td>Ophthalmic</td>
<td>Microspheres / Implant</td>
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<td>Oncology</td>
<td>Implant</td>
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<td>Psychosis</td>
<td>Microspheres</td>
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<tr>
<td>Ophthalmic</td>
<td>Microspheres</td>
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<td>Urological</td>
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<td><strong>MEDICAL DEVICE PARTNERED PRODUCT</strong></td>
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<td>Cardiovascular</td>
<td>Stent</td>
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</table>

* Technology transfer is complete

Partnered products funded by more than 25 customers, including large or emerging:
- Pharmaceutical companies
- Biotech companies
- Medical device companies
Growth Drivers

- Convergence of drugs and devices
- Climbing the value chain
- Multiple ways to participate in DES market
- Diversification and growing pipeline
- New markets
- Put the balance sheet to work
Climbing the Value Chain

Ophthalmology

• $11B Ophthalmology market

• Retinal disease
  – AMD (*age-related macular degeneration*)
  – DR/DME (*diabetic retinopathy, macular edema*)
  – Addressable market expected to reach multi-billion dollar level over next 5 years
Anatomy of the Eye

TARGET: “Back of Eye” Diseases

CORNEA
LENSES
MACULA
RETINA
VITREOUS
Drug Elution from an Intravitreal Implant

- Targeted intravitreal delivery
- Delivery of corticosteroid triamcinolone acetonide
- Compatible with range of molecules
- Sustained duration of delivery (tunable: 6 months to 2 years)
- Novel helical design
  - Minimally invasive implantation (through <25 guage needlestick)
  - Maximum surface area for drug delivery (>1mg capacity)
  - Self-anchoring within sclera
- Removable
• License agreement covering I-vation implant in combination with TA and other Merck drugs facilitates SurModics’ drive to “climb the value chain”

• $20 million up-front license fee
• Up to $288 million in development milestones
• R&D revenue, including funding of clinical trial activities
• Manufacturing revenue for clinical and commercial supply
• Royalties
Ophthalmic Drug Delivery Platforms

I-vation™ Intravitreal Implant
- For delivery of both small molecules and biologics
- 2+ years delivery
- Clinical proof of concept

Biodegradable Implant
- For delivery of both small molecules and biologics
- Preclinical proof of concept

Microparticles
- Subconjuctival
- Intravitreal
- BOE and FOE applications

Subretinal Implant
- Biodegradable and durable
- Preclinical proof of concept
Growth Drivers

• Convergence of drugs and devices
• Climbing the value chain
• Multiple ways to participate in DES market
• Diversification and growing pipeline
• New markets
• Put the balance sheet to work
Multiple Ways to Participate in DES Market
$4+ Billion Worldwide Market

Drug Delivery Polymers
- Durable
- Biodegradable

Stent Delivery Systems
- Hydrophilic coatings

Anti-Thrombotic Coatings
- Heparin
- Biodegradable polymers
- Prohealing

Leadership in Surface Modification and Drug Delivery

Aeon Bioscience

SurModics
Bringing Innovation Together™
Leadership in Surface Modification and Drug Delivery

FINALE™ Prohealing Technology

Lack of endothelial cells on DES without FINALE coating

DES shows endothelial cell overgrowth with a FINALE prohealing coating
Growth Drivers

- Convergence of drugs and devices
- Climbing the value chain
- Multiple ways to participate in DES market
- Diversification and growing pipeline
- New markets
- Put the balance sheet to work
Growing Pipeline Feeds Near- and Long-Term Growth

- Products on the Market: 95 (3/31/2007) to 100 (3/31/2008)
Effective Revenue Diversification Strategy
15 Consecutive Quarters of Non-Cypher Growth

- Revenue ($millions)
- % Revenue from J&J

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<tr>
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<tbody>
<tr>
<td>43.2</td>
<td>49.7</td>
<td>62.3</td>
<td>69.9</td>
<td>73.2</td>
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<tr>
<td>48%</td>
<td>52%</td>
<td>46%</td>
<td>47%</td>
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</table>

Leadership in Surface Modification and Drug Delivery
Growth Drivers

• Convergence of drugs and devices
• Climbing the value chain
• Multiple ways to participate in DES market
• Diversification and growing pipeline

• New markets
• Put the balance sheet to work
Developing fundamental improvements in:

- **Infection Control** – controlled delivery of antimicrobials from the surface of a device, from hours to months
- **Bone Repair** – site-specifically deliver growth factors and therapeutic proteins
- **Soft Tissue Repair** – delivery of macromolecules such as extracellular matrix proteins (ECMs)
- **Accelerated Healing** – prohealing coatings to deliver growth factors, collagen, laminin, and fibronectin to accelerate healing
Leadership in Surface Modification and Drug Delivery

Growth Drivers

- Convergence of drugs and devices
- Climbing the value chain
- Multiple ways to participate in DES market
- Diversification and growing pipeline
- New markets

- Put the balance sheet to work
Strong Balance Sheet

- $80.9 million in cash and investments as of March 31, 2008

- Putting the balance sheet to work
  - **Business Development**
    - Brookwood Pharmaceuticals acquisition
    - BioFx Laboratories acquisition
    - Strategic investments
    - Technology in-licensed
  - **Share Repurchase**
    - First $35 million repurchase completed in fiscal 2007
    - Second $35 million repurchase program announced November 2007
    - Repurchased $2.6 million of SRDX stock through 2Q08
  - **Facilities**
    - Purchased facility for Brookwood Pharmaceuticals – April 2008
<table>
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<tr>
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<th>2Q08</th>
<th>2Q07</th>
<th>Growth</th>
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<tr>
<td><strong>Revenue:</strong></td>
<td></td>
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<tr>
<td>Royalties and license fees</td>
<td>$13,809</td>
<td>$13,028</td>
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<tr>
<td>Product sales</td>
<td>4,700</td>
<td>3,381</td>
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<tr>
<td>Research &amp; development</td>
<td>7,198</td>
<td>953</td>
<td>655%</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>25,707</td>
<td>17,362</td>
<td>48%</td>
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<tr>
<td><strong>Cost of Sales</strong></td>
<td>2,154</td>
<td>1,092</td>
<td>97%</td>
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<tr>
<td><strong>Operating Expenses</strong></td>
<td>16,372</td>
<td>8,185</td>
<td>100%</td>
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<tr>
<td><strong>Operating Income</strong></td>
<td>7,181</td>
<td>8,085</td>
<td>-11%</td>
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<td><strong>Investment Income</strong></td>
<td>1,184</td>
<td>1,172</td>
<td>1%</td>
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<td><strong>Income Taxes</strong></td>
<td>(3,258)</td>
<td>(3,582)</td>
<td>-9%</td>
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<td><strong>Net Income</strong></td>
<td>$5,107</td>
<td>$5,675</td>
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<tr>
<td><strong>EPS</strong></td>
<td>$0.28</td>
<td>$0.31</td>
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2Q08 Highlights

• Record total revenue of $25.7 million, up 48% year-over-year
• Record legacy business revenue (excluding Brookwood Pharmaceuticals and BioFX Laboratories acquisitions), up 12% year-over-year
• Record non-CYPHER-related revenue, up 90% year-over-year; up 34% excluding acquisitions
• Double-digit year-over-year revenue growth in all three operating segments:
  ─ Drug Delivery – up 93%
  ─ Hydrophilic and Other – up 26%
  ─ In Vitro – up 19%
• Record Brookwood Pharmaceuticals revenue of $5.2 million
Revenue Mix

$ in millions

<table>
<thead>
<tr>
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<th>2Q07</th>
<th>2Q08</th>
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<tbody>
<tr>
<td>R&amp;D</td>
<td>$17.4</td>
<td>$25.7</td>
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<tr>
<td>Product Sales</td>
<td>19%</td>
<td>28%</td>
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<tr>
<td>Royalties and License Fees</td>
<td>75%</td>
<td>54%</td>
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Merck Agreement
Accounting Treatment

- Falls within EITF 00-21 “Revenue Arrangements with Multiple Deliverables”
- Payments recognized over the economic life of the technology licensed to Merck
  - Up-front license fee
  - Milestone payments
  - Commercial research & development
# 2Q08 Results

## Supplemental Non-GAAP Information (unaudited)

<table>
<thead>
<tr>
<th></th>
<th>As Reported GAAP</th>
<th>Revenue Recognized</th>
<th>Billed Activity</th>
<th>Adjusted Non-GAAP</th>
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<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royalties and license fees</td>
<td>$13,809</td>
<td>($406)</td>
<td>$2,000</td>
<td>$15,403</td>
</tr>
<tr>
<td>Product sales</td>
<td>4,700</td>
<td></td>
<td></td>
<td>4,700</td>
</tr>
<tr>
<td>Research and development</td>
<td>7,198</td>
<td>(667)</td>
<td>1,837</td>
<td>8,368</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>$25,707</strong></td>
<td><strong>(1,073)</strong></td>
<td><strong>3,837</strong></td>
<td><strong>28,471</strong></td>
</tr>
<tr>
<td><strong>Income from operations</strong></td>
<td>$7,181</td>
<td>$1,073</td>
<td>$3,837</td>
<td>$9,945</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>$5,107</strong></td>
<td><strong>($655)</strong></td>
<td><strong>$2,343</strong></td>
<td><strong>$6,795</strong></td>
</tr>
<tr>
<td><strong>Diluted net income per share</strong></td>
<td><strong>$0.28</strong></td>
<td></td>
<td></td>
<td><strong>$0.37</strong></td>
</tr>
</tbody>
</table>

### Merck Agreement Adjustments

<table>
<thead>
<tr>
<th></th>
<th>As Reported GAAP</th>
<th>Revenue Recognized</th>
<th>Billed Activity</th>
<th>Adjusted Non-GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance, 12/31/2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merck deferred revenue</td>
<td>$22,113</td>
<td>$1,073</td>
<td>$3,837</td>
<td>$24,877</td>
</tr>
</tbody>
</table>

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Leadership in Surface Modification and Drug Delivery
Leadership in Surface Modification and Drug Delivery

Diluted EPS (Non-GAAP)

- **1998**: $0.12
- **1999-A**: $0.13
- **2000**: $0.22
- **2001-A**: $0.38
- **2002**: $0.44
- **2003**: $0.78
- **2004-B**: $0.99
- **2005-C**: $1.27
- **2006-D**: $1.33
- **2007-E**: $1.04
- **1H FY08**: $0.72

**Notes:**
- **A**: As adjusted
- **B**: Excludes $16.5M asset impairment charge
- **C**: Excludes $30.3M IPR&D charge, $2.5M asset impairment charge
- **D**: Excludes a $4.7M non-cash impairment loss
- **E**: Excluding $15.6M IP R&D charge
Operating Cash Flow

$ in millions

1998: $2.1
1999: $4.4
2000: $7.4
2001: $7.8
2002: $14.3
2003: $17.1
2004: $23.2
2005: $26.0
2006: $35.3
2007: $50.7
Fiscal 2008 Company Goals
Fiscal 2008 Corporate Goals

- Sign 18 licenses
  - 13 total through 2Q08

- Exceed $10 million in cash (pro forma revenue) in commercial R&D
  - $15.6 million in cash through 2Q08

- Launch 10 new product classes by our customers
  - 6 total through 2Q08
Fiscal 2008 Ophthalmology Goals

- Sign a second customer license using SurModics drug delivery technology
- Initiate the next-phase clinical trial for I-vation™ TA
- Complete a development milestone under the Merck license and research collaboration agreement
Fiscal 2008 Cardiovascular Goals

☑ Customer conducts a first-in-human procedure with a next generation drug-eluting device incorporating SurModics technology
  • SynBiosys™ biodegradable polymer used on CardioMind drug-eluting stent – first-in-human March 2008

☐ Achieve a first-in-human implant with our Finale™ prohealing technology

☑ Medtronic to launch the Endeavor® DES in the U.S. with SurModics hydrophilic technology
  • Launched in February 2008
Fiscal 2008 Brookwood Pharmaceuticals Goals

- Sign at least one license agreement relating to Brookwood technology
- Sign a development agreement with a Top 50 pharma company
- Exceed $17.5 million in revenue
  - $9.4 million through 2Q08
Fiscal 2008 In Vitro Technologies Goals

☐ Exceed $4 million in revenue from BioFX products
  • $2.2 million through 2Q08
Leadership in Surface Modification and Drug Delivery

Fiscal 2008 New Technologies
Goals

☐ Sign first license using SurModics’ Eureka™ biodegradable polymer

☐ Generate further data on sustained protein delivery
Summary

• SurModics’ Strategic Growth Initiatives are working

• We participate in many large and growing market opportunities

• Our three primary areas of technology position us well for the future
  — Building on our strong presence in both site-specific and systemic drug delivery

• SurModics has a strong potential to grow shareholder value well into the future
Collaborative Partnership Model

- **Feasibility**: Determination of “best fit” technology
- **Product Optimization**: Optimization under a mutually developed project plan
- **License Agreement**: Establishment of a flexible, partnership-based business model
- **Manufacturing Support for Human Clinical Trials**: Reduction in time-to-market
- **Technology Transfer**: Implementation processes at customer site
- **Support of Commercial Product**: Safeguarding customer success

**Technology Solutions**

**Development Optimization**

**Commercialization Support**
Reconciliation of Supplemental Non-GAAP Information to GAAP Information

- “Adjusted Non-GAAP” amounts exclude the revenue recognized in the period associated with the Merck agreement under GAAP and include amounts billed associated with the Merck agreement.
- “Revenue Recognized” reflects recognition of revenue for the Merck agreement in accordance with GAAP for the period presented.
- “Billed Activity” reflects amounts billed under the Merck agreement for the period presented.
- Adjusted net income reflects the after tax impact of the adjustments utilizing the Company’s effective tax rate for the period presented.
- Diluted net income per share is calculated using the diluted weighted average shares outstanding for the period presented.
- “Merck deferred revenue” reflects the activity for the period presented in the deferred revenue balance sheet account associated with the Merck agreement.