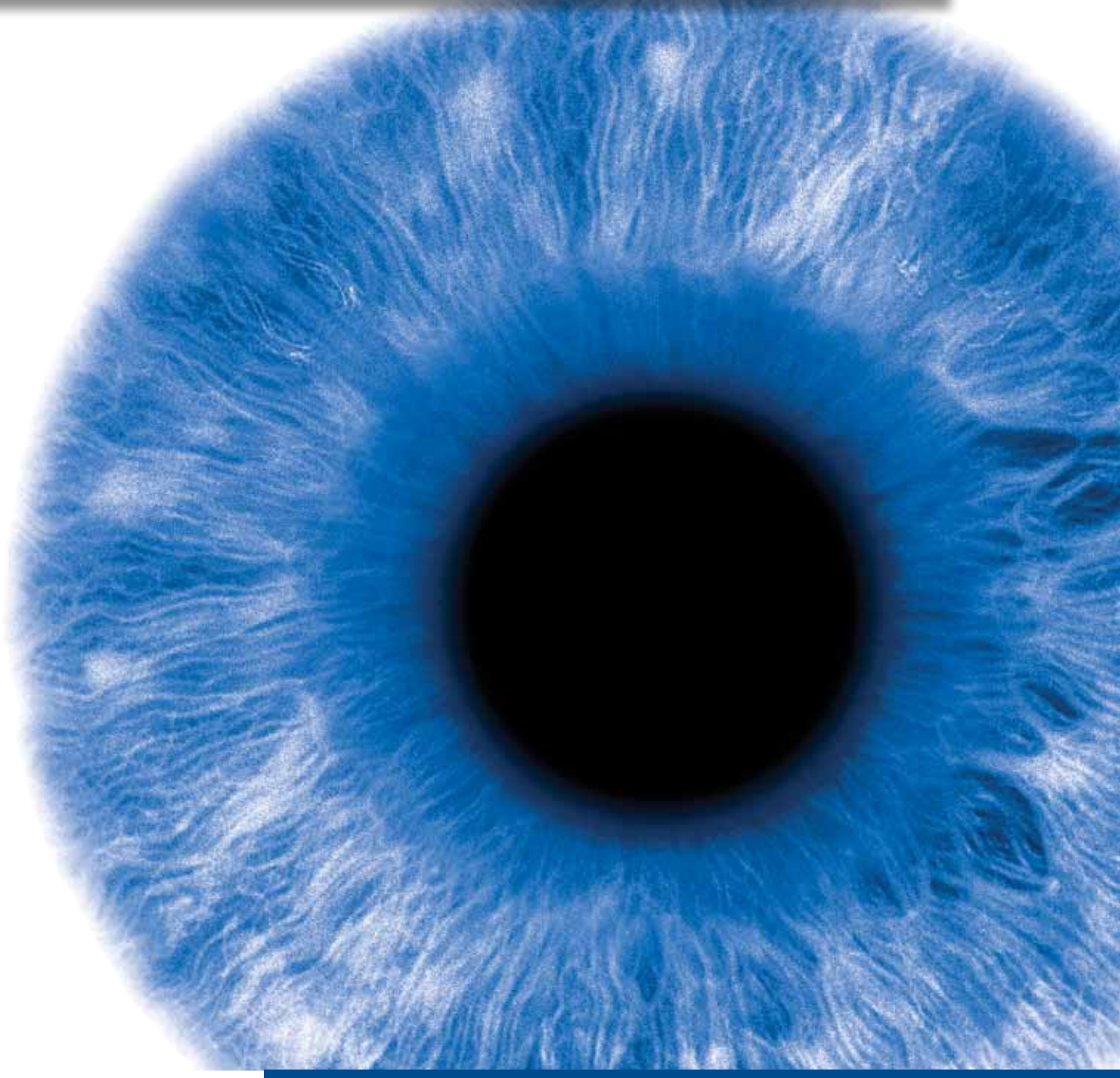
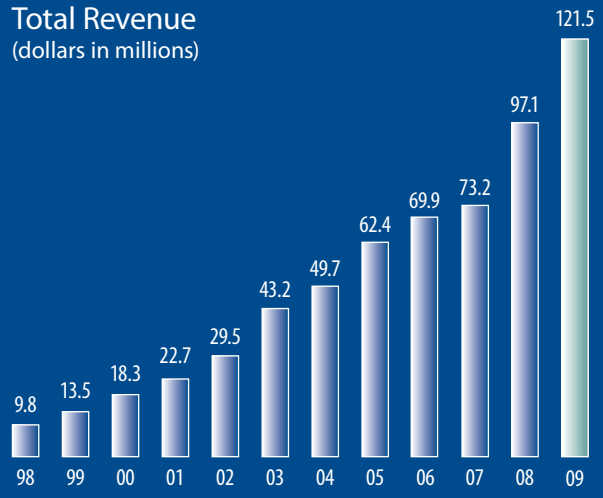
Focus on the Future



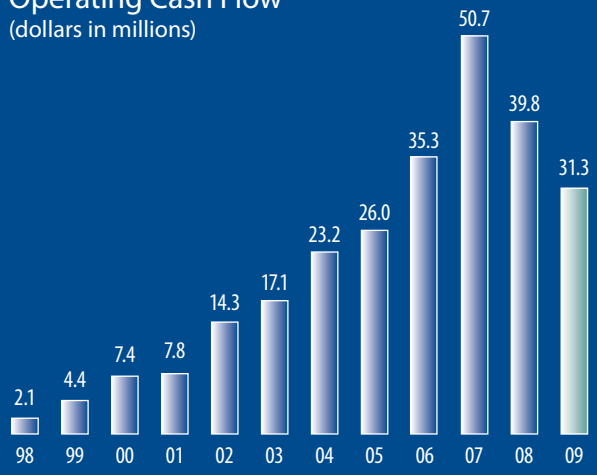
2009 Annual Report and Shareholder Letter

SurModics
Bringing Innovation Together™

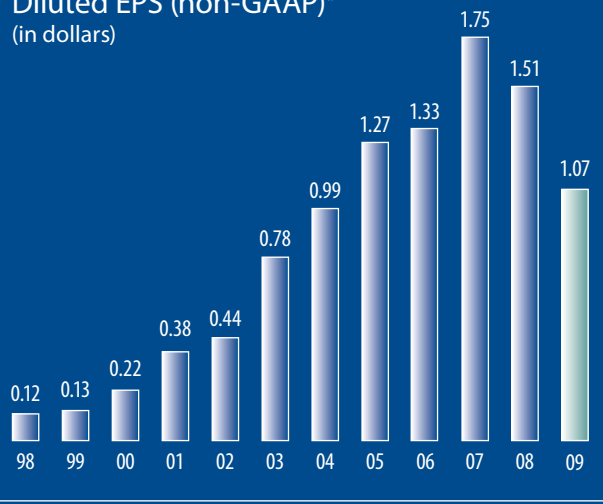
Total Revenue
(dollars in millions)

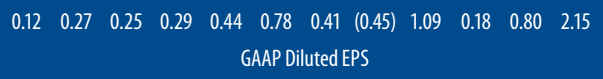


Operating Cash Flow
(dollars in millions)



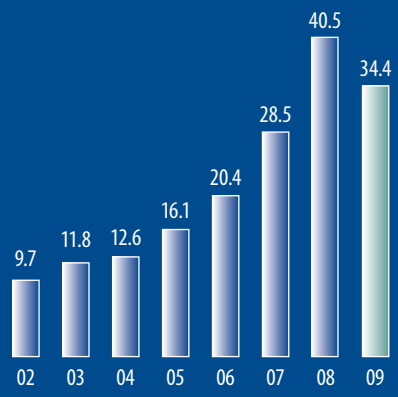
Diluted EPS (non-GAAP)*
(in dollars)



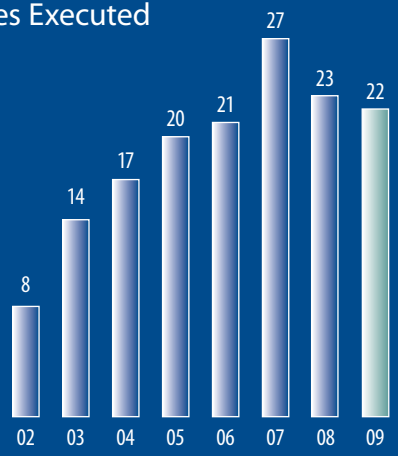


GAAP Diluted EPS

R&D Spending
(dollars in millions)



New Customer Licenses Executed



* Certain non-GAAP adjustments consist of: 2009–excluding (a) $34.8 million of previously deferred revenue recognized in the period under GAAP associated with the termination of the Merck agreement, (b) restructuring charges of $1.8 million, and (c) the in-process research and development charge of $3.2 million associated with the acquisition of PR Pharmaceuticals, Inc. assets. 2008–including amounts billed less the revenue recognized in the period associated with Merck of $14.2 million and excluding OctoPlus impairment charge of $4.3 million. 2007–including amounts billed less revenue recognized in the period associated with Merck of $20.6 million and excluding the in-process research and development charge of $15.6 million. 2006–excluding Novocell impairment charge of $4.7 million. 2005–excluding in-process research and development charge of $30.3 million and excluding Bloomington facility impairment charge of $2.5 million. 2004–excluding Bloomington facility impairment charge of $16.5 million. 2001–before cumulative effect of a change in accounting principle of $1.7 million. 2000–assuming change in accounting principle was applied retroactively. 1999–excluding reversal of a $2.5 million income tax valuation allowance.

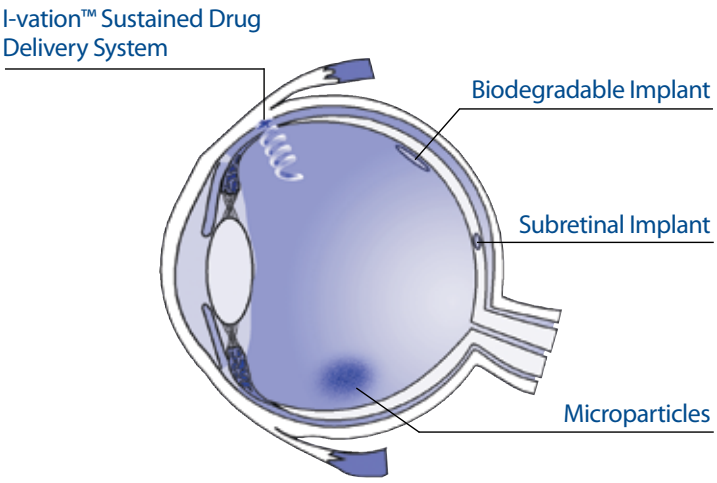
To Our Shareholders:

Every minute of every day, a patient somewhere in the world is treated or diagnosed with SurModics technology, advancing our vision of improving patient lives through technology innovation. During fiscal 2009, SurModics made significant progress on behalf of patients by expanding the Company's critically enabling technologies, solutions and expertise. Our strengthened position was supported by strategic investments we made in the business—both internally and externally—and seamless collaboration and execution by our talented employees. As a result of these efforts, we are bringing more value to our medical device, pharmaceutical, and biotechnology partners.

The most compelling example of our progress within the past year took place within our ophthalmology business, which reached another important milestone in October through the signing of a license and development agreement with Roche and Genentech. This agreement, which covers the development of a sustained drug delivery formulation of Lucentis® and potentially other proprietary compounds for the treatment of ophthalmic diseases, will greatly benefit the Company and add visibility to our pipeline in the years ahead. Lucentis is the world's leading prescription drug for the treatment of age related macular degeneration (AMD), and currently generates approximately $2 billion in annualized worldwide sales. In addition, Lucentis is in late stage clinical trials for two other indications—diabetic macular edema (DME) and retinal vein occlusion (RVO). The prospect of developing a sustained delivery formulation using our proprietary biodegradable microparticles technology in combination with a known, approved and highly successful drug in Lucentis, is a tremendous opportunity as well as an important validation of our technologies.

Reaching this exciting point in our relationship with Genentech required a sustained investment in our ophthalmology program, starting with the acquisition of InnoRx in 2005. We further expanded our offerings after obtaining proprietary technologies from the SurModics Pharmaceuticals acquisition in 2007 and purchasing additional technologies from PR Pharmaceuticals in 2008. The collaboration with Genentech will potentially leverage technologies and know-how from all of these acquisitions, as well as the experience and expertise of SurModics' employees, who have forged the Company's long and successful history in drug delivery.

SurModics Ocular Solutions



Major Eye Disease States

SurModics' sustained drug delivery technologies principally target retinal disease. The three largest retinal disease markets are:

Age Related Macular Degeneration (AMD)
- Occurs in two forms: dry and wet
- All cases begin as the dry form, with 10 to 20 percent progressing to the wet form
- The wet form can result in sudden and severe central vision loss
- The National Eye Institute estimates that there are 1.7 million people in the U.S. who live with an advanced form of AMD[1]

Diabetic Macular Edema (DME)
- DME is the leading cause of blindness in people under the age of 65
- DME affects up to 10 percent of patients with diabetes.[2] In 2007, it was estimated that 23.6 million people in the U.S. have diabetes (diagnosed and undiagnosed)[3]
- In the United States, approximately 1.3 million people currently have DME, and 260,000 patients are diagnosed with DME in the U.S. each year[4]

Retinal Vein Occlusion (RVO)
- RVO is the third leading cause of visual disability after AMD and DME
- Sudden blurring or vision loss in all or part of one eye is common with RVO
- RVO can affect people across a wide range of ages, from young, working-aged adults to the elderly
- Approximately one million people currently have RVO, and 160,000 patients are diagnosed with RVO each year in the U.S.[5]

SurModics is committed to meeting the cGMP development and manufacturing needs (including aseptic manufacturing) of our pharmaceutical, biotech and medical device customers. Backed by more than $40 million of investment in our new world-class cGMP facility, SurModics has unique capabilities in manufacturing sustained-release injectable microparticle, nanoparticle, and implant formulations of our customers' drugs, including biological therapeutics, as well as drug-coated medical devices.

Another significant component of SurModics' investment in, and commitment to, ophthalmology, pharmaceutical and biotech customers is our new world-class cGMP (Current Good Manufacturing Practice) development and manufacturing facility. We recently completed construction of the facility, and expect to fully complete cGMP qualification in the near future. Through use of this facility, we expect to provide safe, reliable and high quality production of clinical trial and commercial drug release products, which may in turn generate additional revenue, reduce risk, and compress the time to market for the Genentech program, among many others. This new facility broadens the scope of customer engagements and positions us as a more valuable partner. In fact, many existing and prospective customers have already expressed strong interest and are gaining a clearer picture of our extensive capabilities.

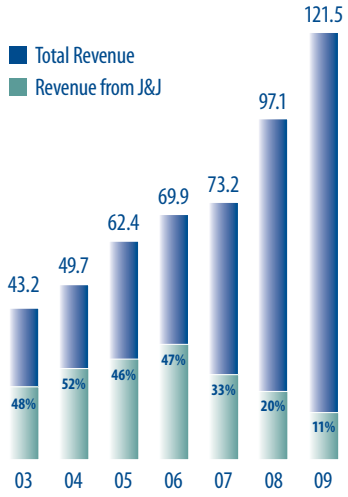
The combination of the right technologies, the right facilities and capabilities, expert personnel, and the opportunity to engage in collaborative development projects with our partners was the winning formula with Genentech—and one we are committed to deliver across our pipeline of multiple opportunities.

Beyond our ophthalmology business, we made good progress this past year in advancing our flagship cardiovascular franchise. Revenues associated with Johnson & Johnson's Cypher® Sirolimus-Eluting Coronary Stent have decreased, and J&J now represents only 11% of our total revenue. Importantly, we continue to drive growth in other areas. Innovative device manufacturers are increasingly selecting SurModics' technology for their most advanced and highest value products such as minimally invasive heart valves, stent grafts for peripheral applications and drug-eluting balloons. In the stent market, our portfolio of licensed customer product opportunities—both on the market and in our pipeline—is substantial and growing. We believe our cardiovascular franchise will be a source of strength and growth in the years to come.

Another important engine for growth and diversification is SurModics Pharmaceuticals. When we acquired this business, it maintained great depth in several early stage technologies including microparticles and implants, relating to both biodegradable polymers and drug delivery. Today, SurModics Pharmaceuticals has reached an encouraging inflection point. In the past several months, SurModics Pharmaceuticals signed three new license agreements, including the one with Genentech. The importance of this evolution is two-fold. First, we are building a track record of successful licensing arrangements with pharmaceutical and biotech customers. Serving these customers is fairly

Diversification

Strong Non-J&J Growth
(dollars in millions)



SurModics collaborates with customers to improve patient lives through technology innovation.

new territory for SurModics and gives us the opportunity to penetrate several large, new end markets that maintain significant unmet clinical needs, including oncology and neurology. Second, these developments also mark the early stage transition to a licensing business model at SurModics Pharmaceuticals, with a growing mix of customers that can contribute to royalties and license fees, which we expect will ultimately lead to improved company-wide profitability.

Many will look back on fiscal 2009 as a year of unprecedented economic and market turmoil resulting from one of the worst recessions in history. SurModics was not alone in facing these challenges, and although we certainly didn't exit the year unscathed, we did succeed in advancing our strategic initiatives while maintaining a healthy financial profile. Product sales, a significant portion of which are generated by our In Vitro Technologies business unit, felt the impact of the economic crisis. After a weak first quarter of the fiscal year, our strong position in diagnostic component products helped enable our product sales to grow each quarter throughout the year, to a high in the fourth quarter. In addition, the investments we made, and the innovation our teams have created, will continue to advance our technology capabilities and open up new, large and rapidly growing clinical areas for us to penetrate. Our portfolio of opportunities is substantial, representing a fertile source of future growth. Although pleased with our progress, we are not satisfied. We are pursuing many exciting opportunities and remain confident we are positioned well for future success. As always, we are focused on the long term and building an enduring, great company.

On behalf of the Board of Directors, the management team and our dedicated and talented employees, we thank you for your continued support.

Bruce J Barclay
President and CEO

Robert C. Buhrmaster
Chairman of the Board

Key Fiscal 2009 Accomplishments

FINANCIAL

- Record GAAP revenue for the 12th consecutive year
  - GAAP revenue $121.5 million
  - Non-GAAP revenue $86.8 million*
- Earnings Per Share
  - GAAP EPS $2.15
  - Non-GAAP EPS $1.07*
- Operating cash flow of $31.3M
- Strong Balance Sheet
  - $48 million cash, and no debt
  - Facilities investments, share repurchase, business development
- Repurchased $15 million of SurModics stock during the fiscal year
  - $7.3 million remaining share repurchase authorization

* See reconciliation footnote located on the chart page

NON-FINANCIAL

- Signed License and Development Agreement with Roche and Genentech regarding Lucentis® (ranibizumab injection) (October 2009)
- Signed two license agreements at SurModics Pharmaceuticals, with an additional license signed in the first quarter of fiscal 2010 (Genentech)
- Signed a license agreement covering SurModics' drug delivery technology for a drug-eluting balloon application
- Customer OrbusNeich initiated a first-in-human trial with their Combo drug eluting stent, which uses SurModics' SynBiosys™ biodegradable polymer coating technology (December 2009)
- Acquired drug delivery assets from PR Pharmaceuticals
- Nearing completion of our new cGMP development and manufacturing facility
- 22 customer licenses signed vs. investor goal of 18
- 12 new product classes launched by our customers

Key Fiscal 2010 Goals

- Sign 18 new licenses with customers
- Launch 10 new product classes by our customers
- Sign two customer licenses relating to SurModics Pharmaceuticals technology, in addition to our agreement with Genentech
- Initiate a human clinical trial for a product using SurModics drug delivery technology
- Qualify the new cGMP manufacturing facility for customer use

Forward-Looking Statements. Certain statements contained in this communication 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.

References: 1) National Eye Institute, optistock.com; Arch Ophthalmol. 2004 Apr; 122(4)564-72; 2) Ali FA. A review of diabetic macular edema. http://www.djo.harvard.edu/meeei/OA/ME/ME.html. 3) Centers for Disease Control and Prevention. National diabetes fact sheet: general information and national estimates on diabetes in the United States, 2007. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, 2008. 4) Klein R, Klein BEK, Moss SE, Chuickshanks K.J. The Wisconsin Epidemiologic Study of Diabetic Retinopathy XV; Long-term incidence of macular edema. Ophthalmology 1995; 102: 7-16 5) Klein R, Klein BEK, Moss SE, Meuer SM. The epidemiology of retinal vein occlusion: The Beaver Dam Eye Study. Tr AM Ophth Soc. 2000. 98: 133-143

SurModics Board of Directors

From left to right: Kenneth H. Keller, Ph.D., José H. Bedoya, John W. Benson, Bruce J Barclay (President and Chief Executive Officer), Mary K. Brainerd, Robert C. Buhrmaster (Chairman of the Board), Gerald B. Fischer, John A. Meslow, Susan E. Knight

SurModics
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9924 West 74th Street
Eden Prairie, MN 55344
Toll-free: 866-SURMODX
Phone: 952-829-2700
Fax: 952-829-2743
www.surmodics.com