CryoLife Reports Third Quarter and Nine-Month Results

October 29, 2002

Non-Recurring, Non-Cash Pretax Charges Relating to FDA Order Recorded Initial Guidance for 2003 Established

ATLANTA, Oct 29, 2002 /PRNewswire-FirstCall via COMTEX/ -- CryoLife, Inc. (NYSE: CRY), a leading tissue processing and medical device company, today reported financial results for the third quarter and nine-month period ended September 30, 2002.

Revenues for the third quarter were $16.9 million, compared to $22.6 million in the third quarter of 2001. Net loss for the third quarter of 2002 was $19.6 million, compared to net income of $2.7 million in the third quarter of 2001. On a fully diluted basis, loss per common share for the third quarter ended September 30, 2002 was $1.01, as compared to net income per share of $0.14 for the same period in 2001. Excluding tissues returned pursuant to the U.S. Food and Drug Administration Order received on August 13, 2002 (the "FDA Order"), revenues for the third quarter were $17.9 million. Excluding non-recurring, non-cash pretax charges of $27.2 million, or $0.92 per share, associated with the FDA Order, net loss for the third quarter was $1.7 million or $0.09 per share. (All amounts per share are reported on an after-tax basis).

Revenues for the nine-month period ended September 30, 2002 were $65.6 million, compared to $65.7 million in the same period in 2001. Net loss for the first nine months of 2002 was $22.1 million, compared to net income of $7.2 million in 2001. On a fully diluted basis, loss per common share for the first nine months of 2002 was $1.14, compared to earnings per common share of $0.37 recorded in the same period in 2001. Excluding tissues returned pursuant to the FDA Order, revenues for the nine months ended September 30, 2002 were $69.1 million. Excluding non-recurring, non-cash pretax charges of $37.2 million, or $1.27 per share, associated with the FDA Order, net income for the nine-month period was $2.5 million, or $0.13 per share.

In connection with the FDA Order, the Company recorded amounts to provide for the tissue recall and the write-down of deferred preservation costs. The estimated impact of the recall is a reversal of $2.4 million in revenues recorded in the second quarter ended June 30, 2002 and $1.0 million in revenues recorded in the third quarter. The Company recorded a non-recurring, non-cash pretax write-down of deferred preservation costs of $22.7 million, or $0.77 per diluted share for the third quarter of 2002 and $32.7 million, or $1.11 per diluted share for the nine months ended September 30, 2002, to reflect the estimated impairment of deferred preservation costs due to the FDA Order. The write-down includes all impaired cardiac, vascular and orthopaedic tissues.

Additionally, as a result of the FDA order, the Company recorded a non- recurring, non-cash pretax charge relating to goodwill of $1.4 million, or $0.05 per diluted share and a non-recurring, non-cash pretax charge of $3.1 million, or $0.10 per diluted share, relating to bioprosthetic valves.

President and CEO Steven G. Anderson said, "We continue to cooperate with the FDA and are tracking towards a full resolution to all outstanding issues. Our current annual revenue run rate is approximately $50 million. We believe that we will successfully address the FDA's concerns during the fourth quarter of this year and, if so, generate between $58 and $65 million in revenues in 2003, as approximately 80 percent of our cardiovascular procurement base remains intact."

Anderson also stated, "We had more than $28 million in cash and investments on September 30, 2002 and anticipate receiving more than $10 million relating to tax refunds and tax loss carry-backs. Considering these factors and promising growth in our non-tissue products, we believe our cash position will be more than adequate to manage through our current regulatory issues and return to profitability."

The Company does not expect to record any additional charges as a result of the FDA Order. However, the magnitude and nature of additional charges, if any, resulting from this FDA Order cannot be estimated until the Company has had the opportunity to obtain additional information and further assess the impact of the FDA Order, and the Company's response to it, on its business.

CryoLife will conduct a live teleconference at 11:15 a.m. Eastern Standard Time this morning, October 29, 2002, hosted by Steven G. Anderson. Individuals interested in listening to the live teleconference may do so by calling 973-582-2824 a few minutes prior to 11:15 a.m. No identification number is required. Those interested in listening to a replay of the teleconference may do so by calling (toll free) 877-519-4471 or 973-341-3080. The identification number for the replay is 3443332. The replay will be available October 29 through November 1, 2002.

Founded in 1984, CryoLife, Inc. is a leader in the processing and distribution of implantable living human tissues for use in cardiovascular, vascular and orthopaedic surgeries throughout the United States and Canada. The Company's BioGlue(R) Surgical Adhesive is FDA approved as an adjunct to sutures and staples for use in adult patients in open surgical repair of large vessels and is CE marked in the European Community and approved in Canada and Australia for use in vascular and pulmonary sealing and repair. The Company also manufactures the SynerGraft vascular graft, the world's first tissue- engineered vascular replacement, which is CE marked for distribution within the European Community. The human heart valves and vascular grafts processed by CryoLife using the SynerGraft technology are distributed in the U.S. under the trade names of CryoValve(R)SG and CryoVein(R)SG, respectively.

Statements made in this press release that look forward in time or that express management's beliefs, expectations or hopes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These future events may not occur as and when expected, if at all, and, together with the Company business, are subject to various risks and uncertainties. Such risks and uncertainties include the risk that the interim procedures agreed upon with the FDA will prove insufficient to generate a material amount of additional income, that the corrective action plan submitted by CryoLife will not prove satisfactory to the FDA and that the FDA's concerns will not be adequately addressed in the fourth quarter, if at all, that even if the FDA's concerns are adequately addressed, demand for CryoLife preserved tissues may never return to prior levels and physicians and hospital risk managers may be unwilling to approve the use of Company- processed tissues, the Company may not have sufficient borrowing or other capital availability to fund its business over the long-term, the possibility that the heart valves processed by the Company may also be recalled, demand for the Company's products not subject to the FDA Order may decrease due to adverse publicity, federal or other regulators could impose

additional restrictions on the Company's products, such as BioGlue, that are not subject to the FDA Order, current and future litigation may not be resolved within the limits of the Company's insurance policies or may otherwise be resolved in a matter that is materially adverse to the Company, the possibility that current severe decreases in the Company's revenues and working capital will continue, the possibility that SynerGraft-treated tissues will not have the expected long-term functionality, repopulate with human recipient cells or reduce immune response, that future clinical SynerGraft or BioGlue test results will prove less encouraging than current results, the possibility that the SEC investigation could be concluded in a manner adverse to the Company, that SynerGraft, BioGlue, or other regulatory submissions will not be ready when planned or that anticipated regulatory approvals will not be obtained when expected, if at all, that surgeons will not continue to accept and use tissues preserved by the Company or its other products such as BioGlue, competition for BioGlue from other wound closure products, that CryoLife will be unable to find an investor in its proprietary light activated drug delivery systems or that such systems will prove ineffective in oncology applications, that the FDA may require the recall of heart valve tissue processed by CryoLife, that CryoLife may be forced to discontinue its tissue processing business due to the FDA Order or subsequent FDA actions, the possibility of rapid technological change, uncertainties regarding products in development, uncertainties related to patents and protection of proprietary technology, changes in economic cycles, competition from other companies, changes in laws and governmental regulations applicable to CryoLife and other risk factors detailed in CryoLife's Securities and Exchange Commission filings, including CryoLife's Form 10-Q filings for the quarters ended June 30, 2002 and September 30, 2002, and the Company's other SEC filings.

CRYOLIFE, INC.
Unaudited Financial Highlights
(In thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues:				
Human tissue preservation services	$11,300	$19,737	$49,074	$57,069
Products	5,354	2,600	15,892	8,029
Distribution and grant	235	230	658	598
Total Revenues	16,889	22,567	65,624	65,696
Costs and Expenses:				
Human tissue preservation services	27,978	8,188	53,244	23,558
Products	4,739	1,196	8,817	4,051
General, administrative and marketing	11,193	8,290	32,118	24,569
Research and development	1,347	1,232	3,696	3,604
Nonrecurring Charge	1,399	---	1,399	---
Interest expense	155	37	543	53
Interest income	(188)	(449)	(725)	(1,587)
Other (income) expense, net	35	114	(37)	856
Total Costs and Expenses	46,658	18,608	99,055	55,104
Earnings before income taxes	(29,769)	3,959	(33,431)	10,592
Income tax expense	(10,123)	1,267	(11,367)	3,390
Net Income	$(19,646)	$2,692	$(22,064)	$7,202
Earnings per share:				
Basic	$(1.01)	$0.14	$(1.14)	$0.38
Diluted	$(1.01)	$0.14	$(1.14)	$0.37
Weighted average shares outstanding:				
Basic	19,526	18,832	19,388	18,785
Diluted	19,526	19,771	19,388	19,635
Revenues from:				
Cardiovascular	$5,487	$8,209	$20,131	$ 22,307
Vascular	3,260	6,192	14,918	18,617

Orthopaedic	2,553	5,336	14,025	16,145
Total Cryopreservation	11,300	19,737	49,074	57,069
BioGlue	5,183	2,431	15,308	7,505
Bioprosthetic valves	171	169	584	524
Distribution and grant	235	230	658	598
Total Revenues	$16,889	$22,567	$65,624	$65,696

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(In thousands)

	Sept. 30 2002	Dec. 31 2001
Cash and Investments	$28,153	$33,687
Trade receivables	5,851	13,305
Other receivables	5,095	2,820
Deferred preservation costs	1,662	24,199
Inventory	4,659	6,259
Total assets	107,438	129,310
Shareholders' equity	$85,225	$101,439

For additional information about the company, visit CryoLife's web site: http://www.cryolife.com .

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