



CryoLife Reports Fourth Quarter And Full-Year Results; Resumes Processing of Orthopaedic Tissues

February 25, 2003

ATLANTA, Feb 25, 2003 /PRNewswire-FirstCall via COMTEX/ -- CryoLife, Inc. (NYSE: CRY), a human tissue processing and medical device company, today reported financial results for the fourth quarter and year ended December 31, 2002.

Revenues for the fourth quarter of 2002 were \$12.2 million, compared to \$22.0 million in the fourth quarter of 2001. Net loss for the fourth quarter of 2002 was \$5.7 million, compared to net income of \$2.0 million in the fourth quarter of 2001. On a fully diluted basis, loss per common share for the fourth quarter of 2002 was \$0.29, as compared to net income per share of \$0.10 for the same period in 2001.

Revenues for the year ended December 31, 2002 were \$77.8 million, compared to \$87.7 million in 2001. Net loss for 2002 was \$27.8 million, compared to net income of \$9.2 million in 2001. On a fully diluted basis, loss per common share for 2002 was \$1.43, compared to earnings per common share of \$0.47 in 2001. (All amounts per share are reported on an after-tax basis.)

In connection with the U.S. Food and Drug Administration (FDA) Order, the Company recalled tissue which resulted in \$3.5 million in returns in 2002. Excluding this adjustment for the tissues returned pursuant to the FDA Order received on August 13, 2002, revenues for 2002 were \$81.3 million.

In connection with the FDA Order, the Company also recorded amounts to provide for the write down of deferred preservation costs. The Company recorded a non-recurring, non-cash, pre-tax write-down of deferred preservation costs of \$32.7 million, or \$1.13 per diluted share for 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, the Company recorded non-recurring, non-cash, pre-tax charges related to goodwill of \$1.4 million, or \$0.05 per diluted share, and \$3.1 million, or \$0.11 per diluted share, related to bioprosthetic valves. In addition, CryoLife recorded a non-recurring, pre-tax charge of \$4.9 million, or \$0.16 per diluted share, related to accruals for insurance retentions and product loss claims that have been incurred, but not reported, as of December 31, 2002.

Excluding these unusual pre-tax charges, aggregating \$42.1 million, or \$1.45 per share, net income for 2002 was approximately \$423,000, or \$0.02 per share.

"The FDA recently completed an inspection of the Company's facilities and processing procedures. The FDA's 483 issued in April 2002 has been closed out," said Steven G. Anderson, CryoLife President and CEO. "We are currently processing all tissues, including orthopaedics, and we believe that CryoLife will generate approximately \$70 million in 2003 revenues."

As of February 24, 2003, CryoLife has approximately \$24 million in cash and investments, and the Company anticipates receiving approximately \$8.5 million in tax refunds and tax loss carry-backs.

"Considering our financial position, the promising growth of our non-tissue products and the recent favorable inspection completed by the FDA, we believe we are well positioned to re-establish the Company as the leader in the processing of soft tissues for cardiac, vascular, and orthopaedic reconstruction," said Anderson.

The Company recently contacted representatives of the Center for Devices and Radiological Health regarding two matters raised by the FDA in a letter received on February 20, 2003. The letter stated that an amended 510(k) premarket notification for the CryoValve(R)SG should be filed. The agency's position is that the use of the SynerGraft(R) technology in the processing of allograft heart valves represents a modification to the Company's legally marketed CryoValve allograft. The letter also contends that premarket approval marketing authorization should be obtained for the CryoVein(R)SG when used for A-V (arteriovenous) access. The agency's position is that femoral veins used for A-V access are medical devices that require premarket approval. CryoLife will be providing the agency with information to demonstrate that femoral veins used for A-V access should continue to be regulated as human tissue under Parts 1270 and 1271 of the FDA's regulations. The FDA letter did not question the safety or efficacy of the SynerGraft process or the CryoVein A-V access implant.

The Company has advised the FDA that it will voluntarily suspend use of the SynerGraft technology in the processing of allograft heart valves and vascular tissue until the regulatory status of the CryoValve-SG and CryoVein-SG is resolved. The FDA has not suggested that these tissues be recalled. Until such time as the issues surrounding the SG tissue are resolved, the Company will employ its traditional processing methods on these tissues. Distribution of allograft heart valves and vascular tissue processed using the Company's traditional processing protocols will continue.

Mr. Anderson will conduct a teleconference at 11:15 a.m. (EST) this morning, February 25. Individuals interested in listening to the live teleconference may do so by calling 973-582-2700 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 3697824. The replay will be available February 26 through February 28, 2003.

Founded in 1984, CryoLife, Inc. is a leader in the processing and distribution of implantable living human tissues for use in cardiovascular and vascular 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(R) vascular graft, which is CE marked for distribution within the European Community.

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 that demand for CryoLife preserved tissues, particularly orthopaedic 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 possibility that the FDA could impose additional restrictions on the Company's distribution of orthopaedic tissues, FDA regulation of the Company's CryoVein SG or other tissues and products may require premarketing approvals that the Company does not have and may not be able to obtain without great time and expense, if at all, the Company may not have sufficient borrowing or other capital availability to fund its business over the long-term, 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 CryoLife will not satisfactorily address the observations contained in the most recent Form 483 issued by the FDA, 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, competition for BioGlue from other wound closure products, 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 filing for the quarter ended September 30, 2002, and the Company's other SEC filings.

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

	(Unaudited)		(Audited)	
	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2002	2001	2002	2001
Revenues:				
Human tissue preservation services	\$6,299	\$18,483	\$55,373	\$75,552
Products	5,705	3,101	21,597	11,130
Distribution and grant	167	391	825	989
Total Revenues	12,171	21,975	77,795	87,671
Costs and Expenses:				
Human tissue preservation services	2,119	7,607	55,363	31,165
Products	1,453	1,413	10,270	5,464
General, administrative and marketing	15,412	9,275	47,530	33,844
Research and development	901	1,133	4,597	4,737
Nonrecurring Charge	---	---	1,399	---
Interest expense	149	43	692	96
Interest income	(170)	(380)	(895)	(1,967)
Other (income) expense, net	310	(4)	273	852
Total Costs and Expenses	20,174	19,087	119,229	74,191
Earnings (Loss) before income taxes	(8,003)	2,888	(41,434)	13,480
Income tax expense (benefit)	(2,306)	924	(13,673)	4,314
Net Income (Loss)	\$(5,697)	\$1,964	\$(27,761)	\$9,166
Earnings (Loss) per share:				
Basic	\$(0.29)	\$0.10	\$(1.43)	\$0.49
Diluted	\$(0.29)	\$0.10	\$(1.43)	\$0.47
Weighted average shares outstanding:				
Basic	19,562	18,876	19,432	18,808
Diluted	19,562	19,685	19,432	19,660
Revenues from:				
Cardiovascular	\$3,283	\$6,304	\$23,413	\$28,606
Vascular	2,908	5,865	17,826	24,488
Orthopaedic	108	6,314	14,134	22,458
Total Cryopreservation	6,299	18,483	55,373	75,552

BioGlue	5,590	3,090	20,898	10,595
Bioprosthetic devices	115	11	699	535
Distribution and grant	167	391	825	989
Total Revenues	\$12,171	\$21,975	\$77,795	\$87,671

CRYOLIFE, INC.
Unaudited Financial Highlights
(In thousands)

	Dec. 31 2002	Dec. 31 2001
Cash and Investments	\$24,860	\$33,687
Trade receivables	6,930	13,305
Other receivables	11,824	3,989
Deferred preservation costs	4,332	24,199
Inventory	4,585	6,259
Total assets	106,414	129,310
Shareholders' equity	\$79,800	\$101,439

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

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SOURCE CryoLife, Inc.

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