



CryoLife Posts Record Third Quarter Revenues of \$28.4 Million

November 4, 2010

Operating Cash Flow for the First Nine Months of 2010 Reaches \$13.8 million

ATLANTA, Nov. 4, 2010 /PRNewswire via COMTEX/ -- **CryoLife, Inc.** (NYSE: CRY), an implantable biological medical device and cardiovascular tissue processing company, announced today its results for the third quarter of 2010. Revenues for the third quarter increased 1 percent to a third quarter record of \$28.4 million compared to \$28.2 million for the third quarter of 2009.

"During the third quarter we achieved significant milestones in our corporate development strategy including securing worldwide distribution and manufacturing rights to a second generation hemostatic agent, PerClot(R), and gaining regulatory approval of BioGlue(R) in Japan," stated Steven G. Anderson, president and chief executive officer. "With our continued strong cash flow generation we are well positioned to pursue business development opportunities that will expand our product offerings to surgeons and patients worldwide. At the same time, we are focused on returning value to our shareholders through these opportunities, as well as through our ongoing stock repurchase program."

Net loss for the third quarter of 2010 was \$3.0 million, or \$0.11 per basic and fully diluted common share, compared to net income of \$1.9 million, or \$0.07 per basic and fully diluted common share, for the third quarter of 2009. The Company recorded pretax charges in the third quarter of 2010 of \$3.7 million for acquired in-process research and development related to the Starch Medical transaction, \$3.6 million related to the impairment of its investment in Medafor common stock, and \$1.6 million related to HemoStase(R) inventory that the Company does not believe that it will be able to distribute. Excluding these charges, adjusted net income for the third quarter of 2010 was \$2.6 million, or \$0.09 per basic and fully diluted common share.

The Company also recorded pretax charges in the third quarter of 2010 of approximately \$283,000 related to litigation with Medafor and recorded a \$143,000 gain on valuation of the derivative related to the investment in Medafor common stock.

Revenues for the first nine months of 2010 increased 5 percent to a first nine month record \$87.4 million compared to \$83.1 million for the first nine months of 2009.

Net income for the first nine months of 2010 was \$1.8 million, or \$0.07 per basic and \$0.06 per fully diluted common share, compared to \$6.3 million, or \$0.22 per basic and fully diluted common share for the first nine months of 2009. The Company recorded pretax charges in the first nine months of 2010 of \$3.7 million for acquired in-process research and development related to the Starch Medical transaction, \$3.6 million related to the impairment of its investment in Medafor common stock, and \$1.6 million related to HemoStase inventory that the Company does not believe that it will be able to distribute. Excluding these charges, adjusted net income for the first nine months of 2010 was \$7.5 million, or \$0.27 per basic and \$0.26 per fully diluted common share.

The Company recorded pretax charges in the first nine months of 2010 of \$729,000 in connection with the write-off of capitalized legal expenses associated with BioGlue Surgical Adhesive intellectual property rights in Germany and approximately \$1.1 million in costs related to litigation with Medafor. Additionally, the Company recorded a \$1.3 million gain on valuation of the derivative related to the investment in Medafor common stock.

Preservation service revenues for the third quarter of 2010 increased 1 percent to \$15.1 million compared to \$15.0 million for the third quarter of 2009. Preservation service revenues for the first nine months of 2010 increased 7 percent to \$45.7 million compared to \$42.7 million for the first nine months of 2009. The increase in preservation service revenues for the third quarter of 2010 was primarily due to increased shipments of vascular tissues. The increase in preservation service revenues for the first nine months of 2010 was primarily due to increased shipments of cardiac and vascular tissues.

Product revenues, which consist primarily of sales of BioGlue and HemoStase, were \$13.2 million for the third quarter of 2010 compared to \$12.8 million for the third quarter of 2009, an increase of 3 percent. Product revenues were \$41.3 million for the first nine months of 2010 compared to \$39.7 million for the first nine months of 2009, an increase of 4 percent.

Total gross margins were 54 percent and 60 percent for the third quarters of 2010 and 2009, respectively. Total gross margins were 58 percent and 63 percent for the first nine months of 2010 and 2009, respectively. Total gross margins for the 2010 periods include a pretax charge of \$1.6 million related to HemoStase inventory that the Company does not believe that it will be able to distribute. Excluding the write-off of the HemoStase inventory, total adjusted gross margins were 59 percent and 60 percent for the third quarter and first nine months of 2010, respectively.

Preservation services gross margins were 41 percent for each of the third quarters of 2010 and 2009. Preservation services gross margins were 40 percent and 43 percent for the first nine months of 2010 and 2009, respectively.

Product gross margins were 67 percent and 82 percent for the third quarters of 2010 and 2009, respectively. Product gross margins were 77 percent and 84 percent for the first nine months of 2010 and 2009, respectively. Product gross margins for the 2010 periods include a pretax charge of \$1.6 million related to HemoStase inventory that the Company does not believe that it will be able to distribute. Excluding the write-off of the HemoStase inventory, adjusted product gross margins were 80 percent and 81 percent for the third quarter and first nine months of 2010, respectively.

General, administrative, and marketing expenses for the third quarter of 2010 were \$11.4 million compared to \$12.4 million for the third quarter of 2009. General, administrative, and marketing expenses for the third quarter of 2010 included approximately \$283,000 in costs related to litigation with Medafor.

General, administrative, and marketing expenses for the first nine months of 2010 were \$36.9 million compared to \$37.4 million for the first nine months of 2009. General, administrative, and marketing expenses for the first nine months of 2010 included a charge of \$729,000 related to the write-off of capitalized legal expenses associated with BioGlue intellectual property rights in Germany and approximately \$1.1 million in costs related

to litigation with Medafor.

Research and development expenses were \$1.4 million and \$1.5 million for the third quarters of 2010 and 2009, respectively. Research and development expenses were \$3.9 million for each of the first nine months of 2010 and 2009. Research and development spending in 2010 was primarily focused on the Company's SynerGraft(R) tissues and products and BioFoam(TM) Surgical Matrix.

The write-down of acquired in-process research and development of \$3.7 million was for an intangible asset for PerClot distribution and manufacturing rights in the U.S. and certain other countries, which do not have current regulatory approvals and was therefore expensed upon acquisition.

Other expense of \$3.3 million in the third quarter of 2010 consists primarily of a \$3.6 million charge related to impairment of the investment in Medafor common stock. Other expense of \$2.5 million in the first nine months of 2010 consists primarily of the \$3.6 million charge related to the impairment of the investment in Medafor common stock, partially offset by a \$1.3 million gain on valuation of the derivative related to the investment in Medafor common stock.

As of September 30, 2010, the Company had \$36.3 million in cash, cash equivalents, and restricted securities, compared to \$35.1 million at December 31, 2009. Of this \$36.3 million, \$1.8 million was received from the U.S. Department of Defense as advance funding for the development of BioFoam protein hydrogel technology, and \$5.3 million was designated as restricted securities primarily due to a financial covenant requirement under the Company's credit agreement. The Company's net cash flows provided by operations were \$3.8 million and \$13.8 million for the third quarter and first nine months of 2010, respectively. The Company has net operating loss carryforwards that will reduce required cash payments for federal and state income taxes for the 2010 tax year.

During the three and nine month periods ended September 30, 2010, the Company purchased 493,000 and 767,000 shares of the Company's common stock at average prices of \$5.52 and \$5.51, respectively, resulting in aggregate purchases of \$2.7 million and \$4.3 million, respectively.

Medafor Update

On September 27, 2010, Medafor informed CryoLife that it had fully and finally terminated its exclusive distribution agreement based upon CryoLife's alleged repudiation of the agreement. This was the sixth time that Medafor has notified Company that it either had terminated the distribution agreement or was going to terminate the distribution agreement.

CryoLife is currently evaluating all of its options related to this most recent termination by Medafor, and it intends to challenge the validity of Medafor's termination of the distribution agreement and pursue its rights and remedies in court. Discovery proceedings in the litigation have recently commenced and the Company believes that a trial would not likely occur before 2012.

Fourth Quarter 2010 Financial Guidance

The Company is providing its guidance for the fourth quarter of 2010. The Company expects total revenues for the fourth quarter of 2010 to be between \$28.0 million and \$30.0 million, which includes between \$500,000 and \$750,000 related to funding received from the U.S. Department of Defense in connection with the development of BioFoam. The Company expects HemoStase revenues of between \$2.0 million and \$2.5 million in the fourth quarter of 2010. Research and development expenses are expected to be between \$2.0 million and \$2.5 million in the fourth quarter of 2010. The Company expects earnings per share of between \$0.06 and \$0.08 for the fourth quarter of 2010.

2011 Financial Guidance

The Company is providing its initial guidance for the full year of 2011 subject to the potential impact of the ongoing litigation with Medafor, including the uncertainty of whether CryoLife will be able to continue to sell HemoStase in the first quarter of 2011, and other factors, as described above. The Company expects total revenues for the full year of 2011 to be between \$122.0 million and \$128.0 million, which includes between \$1.5 million and \$2.0 million related to funding received from the U.S. Department of Defense in connection with the development of BioFoam. The Company expects tissue processing revenues to increase between mid-single and low-double digits on a percentage basis in 2011 compared to 2010, BioGlue revenues to increase in mid-single digits on a percentage basis in 2011 compared to 2010, with revenues from powdered hemostats, including HemoStase and PerClot, to be between \$4.0 million and \$6.0 million. Research and development expenses are expected to be between \$10.0 million and \$12.0 million in 2011. The Company expects earnings per share of between \$0.26 and \$0.30 in 2011.

The Company's financial guidance for the fourth quarter of fiscal 2010 and the full year of fiscal 2011 is subject to the risks described below in the last paragraph of this press release.

Webcast and Conference Call Information

The Company will hold a teleconference call and live webcast today at 10:00 a.m. Eastern Time to discuss the results followed by a question and answer session hosted by Mr. Anderson.

To listen to the live teleconference, please dial 201-689-8261 a few minutes prior to 10:00 a.m. A replay of the teleconference will be available from November 4 through November 11 and can be accessed by calling 877-660-6853 (toll free) or 201-612-7415. The account number for the replay is 244 and the conference number is 359197.

The live webcast and replay can be accessed by going to the Investor Relations section of the CryoLife Web site at <http://www.cryolife.com/> and selecting the heading Webcasts & Presentations.

About CryoLife, Inc.

Founded in 1984, CryoLife, Inc. is a leader in the processing and distribution of implantable living human tissues for use in cardiac and vascular surgeries throughout the U.S. and Canada. The Company's CryoValve(R) SG pulmonary heart valve, processed using CryoLife's proprietary SynerGraft(R) technology, has FDA 510(k) clearance for the replacement of diseased, damaged, malformed, or malfunctioning native or prosthetic pulmonary valves. The Company's CryoPatch(R) SG pulmonary cardiac patch has FDA 510(k) clearance for the repair or reconstruction of the right ventricular outflow tract (RVOT), which is a surgery commonly performed in children with congenital heart defects, such as Tetralogy of Fallot, Truncus Arteriosus, and Pulmonary Atresia. CryoPatch SG is distributed in three anatomic configurations: pulmonary hemi-artery, pulmonary trunk, and

Preservation services	\$15,111	\$15,033	\$45,699	\$42,672
Products	13,175	12,806	41,276	39,669
Other	157	380	448	729
Total revenues	28,443	28,219	87,423	83,070
Cost of preservation services and products:				
Preservation services	8,911	8,903	27,322	24,421
Products	4,310	2,275	9,318	6,478
Total cost of preservation services and products	13,221	11,178	36,640	30,899
Gross margin	15,222	17,041	50,783	52,171
Operating expenses:				
General, administrative, and marketing	11,376	12,386	36,863	37,440
Research and development	1,354	1,461	3,886	3,854
Write-down of acquired in-process research and development	3,749	--	3,749	--
Total operating expenses	16,479	13,847	44,498	41,294
Operating (loss) income	(1,257)	3,194	6,285	10,877
Interest expense	29	58	145	168
Interest income	(6)	(10)	(16)	(73)
Gain on valuation of derivative	(143)	--	(1,345)	--
Other than temporary investment impairment	3,638	--	3,638	--
Other (income) expense, net	(187)	8	44	100
Loss) income before income taxes	(4,588)	3,138	3,819	10,682
Income tax (benefit) expense	(1,557)	1,276	1,990	4,369
Net (loss) income	\$(3,031)	\$1,862	\$1,829	\$6,313
Loss) income per common share:				
Basic	\$(0.11)	\$0.07	\$0.07	\$0.22
Diluted	\$(0.11)	\$0.07	\$0.06	\$0.22
Weighted-average common shares outstanding:				
Basic	27,783	28,145	28,086	28,074
Diluted	27,783	28,382	28,356	28,261

CRYOLIFE, INC. AND SUBSIDIARIES

**Financial Highlights
(In thousands)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
	(Unaudited)		(Unaudited)	
Preservation Services:				
Cardiac tissue	\$7,189	\$7,315	\$20,953	\$19,377
Vascular tissue	7,922	7,699	24,746	23,147
Orthopaedic tissue	--	19	--	148
Total preservation services	15,111	15,033	45,699	42,672
Products:				
BioGlue and BioFoam	11,046	11,180	35,219	35,323
HemoStase	2,129	1,562	6,127	4,139
Other medical devices	--	64	(70)	207
Total products	13,175	12,806	41,276	39,669
Other	157	380	448	729
Total revenues	\$28,443	\$28,219	\$87,423	\$83,070

Revenues:

U.S.	\$24,080	\$23,941	\$73,427	\$70,264
International	4,363	4,278	13,996	12,806
Total revenues	\$28,443	\$28,219	\$87,423	\$83,070

September 30, December 31,**2010 2009**

(Unaudited)

Cash, cash equivalents, and restricted securities	\$36,318	\$35,121
Receivables, net	15,217	14,636
Deferred preservation costs	32,350	36,445
Inventories	6,298	6,446
Investment in equity securities	2,608	3,221
Total assets	134,505	133,859
Shareholders' equity	112,378	110,446

CRYOLIFE, INC.**Unaudited Reconciliation of****Non-GAAP Net Income and Income per Common Share**

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
GAAP:				
(Loss) Income before income taxes	\$(4,588)	\$3,138	\$3,819	\$10,682
Income tax (benefit) expense	(1,557)	1,276	1,990	4,369
Net (Loss) income	\$(3,031)	\$1,862	\$1,829	\$6,313
(Loss) Income per common share:				
Basic	\$(0.11)	\$0.07	\$0.07	\$0.22
Diluted	\$(0.11)	\$0.07	\$0.06	\$0.22
Weighted-average common shares outstanding:				
Basic	27,783	28,145	28,086	28,074
Diluted	27,783	28,382	28,356	28,261
Reconciliation excluding items:				
(Loss) Income before income taxes, GAAP	\$(4,588)		\$3,819	
Excluding write-down of inventory	1,642		1,642	
Excluding acquired in-process research and development	3,749		3,749	
Excluding other than temporary investment impairment	3,638		3,638	
Net income before taxes, non-GAAP	4,441		12,848	
Income tax expense calculated at 2010 effective tax rate of 42% for the three and nine months	1,865		5,396	
Net income, non-GAAP	\$2,576		\$7,452	
Income per common share, non-GAAP:				
Basic	\$0.09		\$0.27	
Diluted	\$0.09		\$0.26	
Weighted average common shares outstanding:				

Basic	27,783	28,086
Diluted	28,039	28,356

Investors should consider this non-GAAP information in addition to, and not as a substitute for, financial measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial information may not be the same as similar measures presented by other companies. Adjusted net income and adjusted income per common share exclude write-downs of inventory and investment in Medafor common stock due to the termination of the Medafor exclusive distribution agreement. Additionally, adjusted net income and adjusted income per common share exclude a write-down of acquired in-process research and development as a result of the acquisition of certain assets of Starch Medical, Inc. The Company believes that this non-GAAP presentation provides useful information to investors regarding certain additional financial and business trends relating to the Company's financial condition and results of operations, and valuable insight into the Company's ongoing operations and earnings.

CRYOLIFE, INC.
Unaudited Reconciliation of
Non-GAAP Gross Margin Excluding the HemoStase Inventory Write-Down
(In thousands)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	2010		2010	
Total revenues, GAAP	\$28,443		\$87,423	
Cost of preservation services and products, GAAP	<u>13,221</u>		<u>36,640</u>	
Total gross margin, GAAP	\$15,222	54%	\$50,783	58%
Add back HemoStase inventory write-down	<u>1,642</u>		<u>1,642</u>	
Total gross margin, non-GAAP	<u>\$16,864</u>	59%	<u>\$52,425</u>	60%
	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	2010		2010	
Total product revenues, GAAP	\$13,175		\$41,276	
Cost of products, GAAP	<u>4,310</u>		<u>9,318</u>	
Total product gross margin, GAAP	\$8,865	67%	\$31,958	77%
Add back HemoStase inventory write-down	<u>1,642</u>		<u>1,642</u>	
Total product gross margin, non-GAAP	<u>\$10,507</u>	80%	<u>\$33,600</u>	81%

Investors should consider this non-GAAP information in addition to, and not as a substitute for, financial measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial information may not be the same as similar measures presented by other companies. Adjusted total and product gross margins exclude write-downs of inventory due to the termination of the Medafor exclusive distribution agreement. The Company believes that this non-GAAP presentation provides useful information to investors regarding business trends relating to the Company's gross margins and the Company's ongoing operations.

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

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