



CryoLife Announces Completion of Acquisition of Cardiogenesis

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ATLANTA, and IRVINE, Calif., May 17, 2011 /PRNewswire via COMTEX/ -- CryoLife, Inc. (NYSE: CRY), an implantable biological medical device and cardiovascular tissue processing company, today announced that it has successfully completed its acquisition of Cardiogenesis Corporation ("Cardiogenesis").

The acquisition of Cardiogenesis adds to the company's portfolio a leading surgical product used in the treatment of diffuse coronary artery disease and severe angina. Cardiogenesis had sales of approximately \$11 million in 2010 and approximately \$3.1 million in the first quarter of 2011.

Cardiogenesis' market leading YAG laser system and single use, fiber-optic delivery systems are FDA approved for performing a surgical procedure known as Transmyocardial Revascularization (TMR), which treats patients with angina that is not responsive to standard medications. Patients undergoing TMR treatment with Cardiogenesis products have been shown to have angina improvement, longer event-free survival, reduction in cardiac related hospitalizations, and increased exercise tolerance. The current market potential for TMR surgical procedures in the U.S. is estimated to be greater than \$175 million. CryoLife believes that the delivery of biologic materials, such as stem cells, in conjunction with TMR could increase the estimated U.S. market potential to greater than \$700 million.

Cardiogenesis has also developed the PHOENIX(TM) Combination Delivery System, which is designed to combine the intramyocardial delivery of biologic materials with TMR. The synergy of injecting biologics, such as stem cells or growth factors, with TMR may provide greater angina reduction, improve cardiac function and enhance quality of life in patients with diffuse disease who are not candidates for surgical bypass or intervention. The PHOENIX System has received a CE Mark and CryoLife intends to begin commercialization efforts in select European markets in the second half of 2011, with a more extensive launch expected in 2012.

"We believe the acquisition of Cardiogenesis is highly complementary to our business," said Steven G. Anderson, Chairman, President and Chief Executive Officer of CryoLife. "The addition of Cardiogenesis' strong core business and innovative product pipeline will position CryoLife as the leader in surgical products used to treat patients with severe angina and will help expand our product portfolio for cardiac surgery."

At a special meeting of Cardiogenesis shareholders held on Monday, May 16, 2011, shareholders of Cardiogenesis approved the merger of Cardiogenesis with CL Falcon, Inc., a wholly-owned subsidiary of CryoLife. Pursuant to the agreement and plan of merger and reorganization ("Merger Agreement"), CL Falcon, Inc. merged with and into Cardiogenesis pursuant to a long-form merger completed using the procedures available under California law. Cardiogenesis subsequently merged within and into CryoLife Acquisition Corporation, a wholly-owned subsidiary of CryoLife.

The consideration in the merger was \$0.457 per share, less applicable withholdings. This was the same consideration CryoLife paid for the 23,221,166 shares of Cardiogenesis that it acquired pursuant to a tender offer that expired at midnight on May 2, 2011 at the end of the day. Following the merger, shares of Cardiogenesis common stock ceased to be traded on the OTCQB market.

Strategic and Financial Benefits

The acquisition of Cardiogenesis is highly complementary to CryoLife's business and enables CryoLife to extend its product offerings and reach.

- **Clear TMR leader:** Cardiogenesis is the market share leader in TMR to treat refractory angina; CryoLife now has programs across valve replacement surgery, reconstructive cardiac surgery, TMR to treat refractory angina, and surgical sealants and hemostatic agents to prevent and control bleeding.
- **Complementary programs:** Cardiogenesis' experience with TMR products and relationships with leading cardiac surgery programs are a strong complement to CryoLife's valve replacement and reconstructive cardiac surgery franchise.
- **Increased direct selling organization:** The assimilation of Cardiogenesis' direct sales representatives will nearly double CryoLife's cardiac surgery specialist sales force in the U.S. Once fully cross-trained, CryoLife and Cardiogenesis representatives will be able to promote the full range of both companies' cardiac surgery products and services.
- **International growth:** CryoLife's global presence can further strengthen and enhance Cardiogenesis' international growth. Cardiogenesis currently does not have a presence in international markets. CryoLife's international sales and marketing network, which reaches into approximately 70 countries, can accelerate Cardiogenesis' growth more rapidly in key international markets.
- **Large market potential:** The successful delivery of biologic materials, such as stem cells, in conjunction with Cardiogenesis' TMR devices would make CryoLife a leading participant in the treatment of chronic myocardial ischemia. Cardiogenesis has been in discussions with the Food and Drug Administration (FDA) regarding initiating a randomized, prospective clinical trial to evaluate TMR in conjunction with bone marrow derived stem cell therapy to treat patients with severe refractory angina.

2011 Financial Guidance

With the completion of the Cardiogenesis merger, the Company now expects total revenues for the full year of 2011 to be between \$122.0 million and \$125.0 million, including revenues from the Cardiogenesis product line to be between \$4.0 million and \$5.0 million, which primarily reflects disposable hand piece and service revenues.

The Company expects to incur transaction and integration expenses related to the acquisition of Cardiogenesis, which include the increase to cost of goods sold related to the step up in inventory values required under purchase accounting, and other business development charges of between approximately \$0.07 and \$0.09 per share for the full year of 2011, which includes \$0.03 per share incurred in the first quarter of 2011.

The Company plans to provide a more comprehensive update of 2011 guidance in its second quarter financial conference call, expected to occur in late July 2011.

About CryoLife

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. CryoLife's CryoValve® SG pulmonary heart valve, processed using CryoLife's proprietary SynerGraft® technology, has FDA 510(k) clearance for the replacement of diseased, damaged, malformed, or malfunctioning native or prosthetic pulmonary valves. CryoLife's CryoPatch® 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 pulmonary branch. CryoLife's BioGlue® Surgical Adhesive is FDA approved as an adjunct to sutures and staples for use in adult patients in open surgical repair of large vessels. BioGlue is also CE marked in the European Community and approved in Canada and Australia for use in soft tissue repair and was recently approved in Japan for use in the repair of aortic dissections. CryoLife's BioFoam(TM) Surgical Matrix is CE marked in the European Community for use as an adjunct in the sealing of abdominal parenchymal tissues (liver and spleen) when cessation of bleeding by ligature or other conventional methods is ineffective or impractical. CryoLife distributes PerClot®, an absorbable powder hemostat, in the European Community.

For additional information about CryoLife, visit CryoLife's website, <http://www.cryolife.com/>.

About Cardiogenesis

Cardiogenesis specializes in the treatment of cardiovascular disease and is a leader in devices that treat severe angina. Its market leading YAG laser system and single use fiber-optic delivery systems are used to perform an FDA-cleared surgical procedure known as Transmyocardial Revascularization (TMR).

Forward Looking Statements

Statements made in this press release that look forward in time or that express CryoLife's management's beliefs, expectations or hopes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect the views of management at the time such statements are made and are subject to a number of risks, uncertainties, estimates, and assumptions that may cause actual results to differ materially from current expectations. These statements include those regarding the benefits of TMR treatment, the current U.S. market potential for TMR, CryoLife's beliefs regarding estimated U.S. market potential if the delivery of biologic materials, such as stem cells, is delivered in conjunction with TMR, the potential medical benefits that may result from the synergy of injecting biologics, such as stem cells or growth factors, with TMR, CryoLife's intention to begin commercialization efforts with respect to the PHOENIX System in select European markets in the second half of 2011, with a more extensive launch expected in 2012, the timing of additional transaction-related charges, and expected benefits relating to the Cardiogenesis acquisition, including that the acquisition will position CryoLife as the leader in surgical products used to treat patients with severe angina and will help expand its products for cardiac surgery, the acquisition will enable CryoLife to extend its product offerings reach, CryoLife will be able to fully cross-train CryoLife and Cardiogenesis representatives to promote the full range of both companies' cardiac surgery products and services, CryoLife's global presence can further strengthen and enhance Cardiogenesis' international growth, CryoLife's international sales and marketing network can accelerate Cardiogenesis' growth more rapidly in key international markets, the successful delivery of biologic materials, such as stem cells, in conjunction with Cardiogenesis' TMR devices will make CryoLife a leading participant in the treatment of chronic myocardial ischemia, the implication that CryoLife may be able to initiate clinical trials to evaluate TMR in conjunction with bone marrow derived stem cell therapy to treat patients with severe refractory angina, and that FDA approval may ultimately be obtained following such clinical trials, revenue from the Cardiogenesis product line will be between \$4.0 million and \$5.0 million in 2011, which primarily reflects disposable hand piece and service revenues, and anticipated charges related to the Cardiogenesis acquisition and business development activities in 2011. These risks and uncertainties include that future results of TMR use and testing may not be consistent with prior outcomes, the estimated current market potential for TMR and the U.S. market potential that might exist if biologic materials are delivered in conjunction with TMR may be lower than anticipated and there is no guarantee that CryoLife will be able successfully to sell to the entire U.S. market or that other competitors will not develop and market products and services that may find greater acceptance among physicians and patients in the U.S. market, the anticipated synergy of injecting biologics, such as stem cells or growth factors, with TMR may not provide the desired medical benefits or may not ultimately be accepted by physicians, patients or regulators, and CryoLife's commercialization efforts with respect to the PHOENIX System may be delayed by factors beyond CryoLife's control, such as government regulation or market acceptance, or by changes in CryoLife's business plan. CryoLife's ability to fully realize the anticipated benefits of the Cardiogenesis acquisition may be materially adversely impacted if the integration of Cardiogenesis' business with CryoLife is slower than expected or unsuccessful, or if efforts to integrate Cardiogenesis' business with CryoLife distract CryoLife's management team from the other facets of CryoLife's business. Also, two purported class action lawsuits have been filed by Cardiogenesis shareholders challenging the merger and any lingering litigation relating to the merger may strain CryoLife's human and financial resources. CryoLife's position as a leader in surgical products used to treat patients with severe angina or as a leading participant in the treatment of chronic myocardial ischemia is subject to market acceptance and CryoLife's ability to successfully merge the sales forces of both companies and adequately train them to market the products of both companies, CryoLife's product reach will only expand to the extent current and future clients of both companies are receptive to the marketing efforts of the combined company, CryoLife's ability to expand and enhance Cardiogenesis' global presence and international growth is also subject to the efforts of competitors in various countries, the acceptance of CryoLife's marketing efforts with physicians and patients in those countries, various government regulations, and global economic conditions, clinical trials to evaluate TMR in conjunction with bone marrow derived stem cell therapy to treat patients with severe refractory angina may not occur or they may not ultimately lead to requisite FDA approvals, revenues from the Cardiogenesis product line and the impact of the Cardiogenesis acquisition on CryoLife's revenue growth rate, gross margin, and non-GAAP diluted net earnings per share in 2011 may be less positive than expected and will be subject to the ability of CryoLife to successfully and efficiently integrate Cardiogenesis into its business. CryoLife has also inherited certain risks and uncertainties related to Cardiogenesis' business in general. These risks and uncertainties include that CryoLife's ability to maintain revenues and achieve growth in sales of Cardiogenesis products and services in the future is dependent upon physician awareness of its products and services as a safe, efficacious and appropriate treatment for their patients, CryoLife may not be able to successfully market Cardiogenesis' products and services if third party reimbursement for the procedures performed with Cardiogenesis' products is not available for its health care provider customers, healthcare policy changes, including recent federal legislation to reform the U.S. healthcare

system, may have a material adverse effect on Cardiogenesis' products and services, if CryoLife fails to maintain Cardiogenesis' regulatory approvals and clearances, or is unable to obtain, or experiences significant delays in obtaining, FDA clearances or approvals for its future products or product modifications, CryoLife's ability to commercially distribute and market these products could suffer, if suppliers or manufacturers with respect to Cardiogenesis products fail to comply with ongoing FDA or other foreign regulatory authority requirements, CryoLife's Cardiogenesis business may be negatively impacted, in the future, the FDA could restrict the current uses of Cardiogenesis' TMR System and thereby restrict its ability to generate revenues, CryoLife may fail to comply with international regulatory requirements with respect to Cardiogenesis' business and could be subject to regulatory delays, fines or other penalties, CryoLife will continue to purchase some of Cardiogenesis' key product components from single suppliers and the loss of these suppliers could prevent or delay shipments of its products or delay its clinical trials or otherwise adversely affect CryoLife's Cardiogenesis business, if Cardiogenesis' independent contract manufacturers fail to timely deliver sufficient quantities of some of CryoLife's Cardiogenesis products and components in a timely manner, CryoLife's Cardiogenesis operations may be harmed, if clinical trials of Cardiogenesis' current or future product candidates do not produce results necessary to support regulatory clearance or approval in the United States or elsewhere, CryoLife will be unable to commercialize these products, if the third parties on which Cardiogenesis relies to conduct its clinical trials and to assist it with pre-clinical development do not perform as contractually required or expected, CryoLife may not be able to obtain regulatory clearance or approval for or commercialize its Cardiogenesis products, third-party distributors or CryoLife's own distributors may not effectively distribute Cardiogenesis products, the use, misuse or off-label use of CryoLife's Cardiogenesis products may harm its image in the marketplace or result in injuries that lead to product liability suits, which could be costly to CryoLife or result in FDA sanctions if CryoLife is deemed to have engaged in such promotion, CryoLife's international operations with respect to Cardiogenesis subject it to certain operating risks, which could adversely impact its net sales, results of operations and financial condition, Cardiogenesis' operations will initially be conducted at a single location that may be at risk from earthquakes or other natural disasters, third party intellectual property rights may limit the development and protection of intellectual property acquired from Cardiogenesis, which could adversely affect its value to CryoLife, Cardiogenesis has been named as a defendant in a patent infringement lawsuit and costly litigation may be necessary to protect or defend its intellectual property rights, the Cardiogenesis business relies on patent and trade secret laws, which are complex and may be difficult to enforce, CryoLife may suffer losses from product liability claims if Cardiogenesis' products cause harm to patients, in the past, Cardiogenesis has depended heavily on key personnel and the turnover of key employees and senior management could harm the Cardiogenesis business, Cardiogenesis' internal controls over financial reporting may not have been effective, which could have a significant and adverse effect on CryoLife. These risks and uncertainties related to Cardiogenesis' business that CryoLife will inherit also include the risk factors detailed in Cardiogenesis' Securities and Exchange Commission filings made prior to the acquisition, including its Form 10-K filing for the year ended December 31, 2010, and Cardiogenesis' other SEC filings. Forward-looking statements in this press release should be evaluated together with the risk factors detailed in CryoLife's Securities and Exchange Commission filings, including its Form 10-K filing for the year ended December 31, 2010, Form 10-Q filing for the quarter ended March 31, 2011, and CryoLife's other SEC filings. CryoLife does not undertake to update its forward-looking statements.

CryoLife Media Contacts:

D. Ashley Lee
Executive Vice President, Chief Financial Officer and
Chief Operating Officer
Phone: 770-419-3355

Chris Mittendorf
Edelman
Phone: 212-704-8134

SOURCE CryoLife, Inc.