CryoLife®, Inc.

2000 ANNUAL REPORT

BIOTECHNOLOGIES FOR MEDICINE℠

CryoLife®, Inc.
Biotechnologies for Medicine℠

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CRYOLIFE...is the leader in the development and commercialization of implantable living human tissues for use in cardiovascular, vascular and orthopaedic surgeries throughout the United States and Canada. Utilizing its patented cryopreservation technology, the Company processes and preserves human heart valves, vascular and orthopaedic tissues for use in repairing or restoring diseased or damaged human body tissue.

CRYOLIFE...is the developer and manufacturer of surgical adhesives, including BioGlue®, a remarkably strong surgical adhesive designed for application in cardiac, vascular and pulmonary surgery. BioGlue is approved for surgical applications in 42 foreign countries and is available in the United States under a Food and Drug Administration (FDA) approved Humanitarian Device Exemption (HDE) for use as an adjunct in the repair of acute thoracic aortic dissections.

CRYOLIFE...is developing a new series of tissue-engineered biologic implantable devices that potentially represent a major breakthrough in implantable tissue technology. The SynerGraft® program has created the world's first tissue-engineered heart valve and a new A-V (arteriovenous) access graft that introduces a major treatment alternative to the nation's 300,000 dialysis patients.

CRYOLIFE...is a manufacturer of two advanced designed stentless porcine heart valves that are currently distributed in the European Union.

CRYOLIFE...is a publicly-held company founded in 1984 and its common stock is listed on the New York Stock Exchange. CryoLife is traded under the symbol CRY.

On the Cover

CryoLife provides a number of products and services that enable patients to return to a normal lifestyle. Recovered patients featured on the cover (from left to right at 1:00 o'clock) include Ken Chapman, Mike Shepherd, Stephen Byron, Stacey Cravens, Robert Kelly, MD and Catina Plessy. Several of these patients are featured in the text section of this annual report.

FINANCIAL HIGHLIGHTS

(in thousands except per share data)

YEAR ENDED DECEMBER 31,	2000	1999	1998
Revenues	$ 77,096	$66,722	$60,691
Net Income	$ 7,817	$ 4,451	$ 6,486
EARNINGS PER SHARE OF COMMON STOCK[1]			
Basic	$ 0.42	$ 0.24	$ 0.36
Diluted	$ 0.41	$ 0.24	$ 0.35
WEIGHTED AVERAGE SHARES OUTSTANDING[1]			
Basic	18,541	18,512	17,961
Diluted	19,229	18,800	18,396
TOTAL ASSETS	$112,009	$94,025	$98,390
SHAREHOLDERS' EQUITY	$ 89,395	$80,226	$80,421

[1]Reflects adjustment for the 3-for-2 stock split effected December 27, 2000.

CONTENTS

PRESIDENT'S LETTER

Dear CryoLife Shareholder

The beginning of the new millennium marked another year of record revenues and record earnings for CryoLife, Inc. It was also a strong year for delivering new products and services.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2000, CryoLife had record revenues of $77.1 million, a 16 percent increase over the previous record level of $66.7 million set in 1999. Net income for the year 2000 was a record $7.8 million, a 29 percent increase, compared to net income of $6.1 million for the year ended December 31, 1999. On a fully diluted basis, earnings per common share for the year ended December 31, 2000 rose to $0.41 from $0.32 for the same period in 1999. Earnings per share, in both periods reflect an adjustment in the number of shares outstanding as a result of a 3-for-2 stock split effected on December 27, 2000.

GROWTH IN CORE BUSINESSES AND PROFITABILITY

CryoLife's strong financial performance in the past year is a direct result of continuing growth in our core businesses and the introduction of BioGlue® surgical adhesive in both domestic and overseas markets. Revenues from international operations increased 27 percent over the 1999 level to $5.1 million. Human heart valve processing revenues increased by 2 percent over 1999. Vascular processing revenues increased by 10 percent, on a year-to-year comparison, while orthopaedic connective tissues processing revenues increased by 44 percent over 1999. Vascular tissue revenues benefited from the introduction of cryopreserved human femoral vein for use as A-V (arteriovenous) access grafts for application with dialysis patients. The grafts reduce the risk of infection and provide for functionality especially important for patients awaiting kidney transplant procedures.

DIVERSIFICATION AND PROFITABILITY

BioGlue Research and development has been the cornerstone of our success and has provided CryoLife with the impetus to develop new and innovative products to best serve the medical community. An excellent example of our diversification efforts through research has been the successful commercial rollout of BioGlue in the United States and in international markets. BioGlue contributed $6.4 million to corporate revenues accounting for 8 percent of our total revenues in 2000. BioGlue is currently approved in 42 foreign countries for use in cardiac, vascular and pulmonary surgery and is commercially available in the U.S. under a Food and Drug Administration (FDA) approved Humanitarian Device Exemption (HDE) for use as an adjunct in the repair of acute thoracic aortic dissections, a life-threatening condition.

On February 1, 2001 we submitted a Premarket Approval (PMA) application with the FDA for the use of BioGlue in all vascular and cardiac repair. The application is based upon the excellent results of the Investigational Device Exemption (IDE) studies conducted at six major medical centers. We anticipate approval from the FDA for the PMA during the fourth quarter of 2001.

BioGlue is being developed into a family of products that will include a foam for instant hemostasis and other configurations for various surgical specialities.

SynerGraft Significant progress has been achieved in advancing our SynerGraft tissue-engineering technology aimed at the commercial introduction of a new generation of biologic implantable devices. SynerGraft technology permits the depopulation of animal and/or human cells from tissue leaving a collagen matrix that has the potential to repopulate with the recipient's own cells. SynerGraft technology is potentially a major scientific breakthrough in controlling or eliminating rejection of tissue-based implantable medical devices.

On October 25, 2000, the SynerGraft tissue-engineered heart valve received a CE (product certification) Mark allowing commercial distribution of the new valve throughout the European Union. Implants of the SynerGraft heart valves are continuing on a routine basis in Europe.

Early in 2000, CryoLife began processing human heart valves using the Company's SynerGraft technology. These CryoValve® SG heart valves are designed for use with both adult and pediatric patients who may have had an immunological response to prior human valve implants and patients that have an exaggerated calcification reaction. In mid-January of 2001, the Company expanded its human tissue processing to incorporate SynerGraft technology in the processing of femoral vascular tissue. The new CryoVein® SG and CryoValve SG, are directed toward application with patients who have experienced negative reactions to synthetic or standard tissue grafts and require replacement devices that reduce the

risk of infection and provide extended functionality. The availability of the SynerGraft processed human tissue grafts provide a unique high technology implantable device alternative that has the potential to re-model itself with the patient's own cells.

The potential importance of the future of tissue-engineered implantable devices and our SynerGraft technology has been underscored by the number of grants from U.S. government agencies totaling $3.7 million that have been awarded to CryoLife. We believe the SynerGraft technology will revolutionize the implantable medical device industry.

CryoLife scientists have developed a light activation pharmaceutical technology for use in a series of new drug delivery systems for application in connection with cancer treatment, blood clot dissolving, heart attack therapies and a wide variety of other drug delivery applications. The new technology is designed to enhance current drug effectiveness by enabling treatment that is site specific, potentially eliminating or reducing incidents of negative side effects. On March 13, 2001 the Company announced the formation of AuraZyme Pharmaceuticals, Inc., a new wholly-owned subsidiary to foster development of this new light activated pharmaceutical technology. The new subsidiary will be housed in company laboratory facilities in Marietta, Georgia.

Expanded Corporate Headquarters To support the development of the SynerGraft and BioGlue families of products, the Company began the construction of a new 100,000 square foot laboratory and production facility, immediately adjacent to our existing headquarters building.

The new building will include an auditorium and state-of-the-art operating room facilities for hands-on physician training, as well as manufacturing floors for SynerGraft tissue-engineered heart valves and BioGlue surgical adhesive products. We expect administrative occupancy by mid-2001 and production start-up in the new facility by third quarter of this year.

THE FUTURE

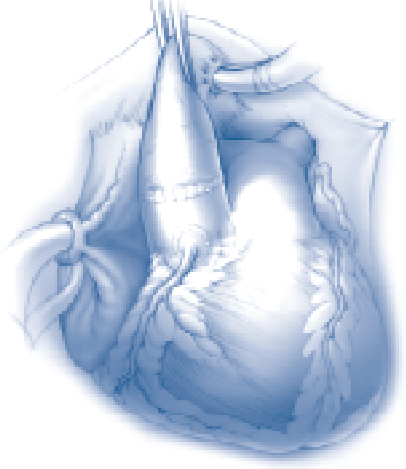
Over the last seventeen years CryoLife has become a leading life-science company with industry leading product technologies in the emerging scientific disciplines of tissue-engineering and surgical adhesives. Driving the future growth of the Company is our continued commitment to expanding the SynerGraft and BioGlue families of products and exploring new opportunities to enhance patient treatment by expanding our products and services into worldwide markets.

On behalf of your Board of Directors, I would like to extend our appreciation for your continued interest in CryoLife.

Very truly yours,

Steven G. Anderson
President and Chief Executive Officer
March 20, 2001

Stephen Byron, a 41 year old retired telecommunications executive, suffered a sudden and unexpected deterioration of his aortic heart valve. Following diagnosis, the Ross surgical procedure was successfully performed that repositioned his pulmonary heart valve to the aortic position and implanted a human pulmonary CryoValve SG in the vacated pulmonary position, restoring heart valve activity to normal functionality. Today, Stephen's post-operative condition allows for regular pursuit of his passion as a golf enthusiast.



BIOTECHNOLOGIES FOR

Heart Valves

The invention of the heart-lung machine was the catalyst that enabled many new and innovative technologies in cardiac care, including the surgical replacement of heart valves. Initially, this led to the development of mechanical and porcine replacement valves, both representing breakthrough technologies that afforded life-saving treatment options and remain important factors today in cardiovascular medicine. Each, however, has negative drawbacks in patient applications. The porcine valves tend to calcify while the mechanical valves require a lifetime of anticoagulant drugs.

In 1984, CryoLife dramatically advanced cardiovascular medicine when it introduced and made commercially available cryopreserved human heart valves, giving cardiovascular surgeons new, important and viable cardiac repair alternatives. The primary advantage of these human heart valves was that they exhibited the same functionality as a normal heart valve. CryoLife's proprietary preservation process makes possible a human heart valve replacement that eliminates the need for anticoagulant drugs and early removal due to calcification. In 2000, 75 percent of all cardiovascular procedures involving allograft heart valve tissue in the United States were performed with cryopreserved human heart valves preserved by CryoLife.

CryoLife processed human heart valves are especially important and have become the valve of choice in pediatric care and in treating young active adults and women of childbearing age. Nearly 50 percent of the more than 50,000 heart valves preserved by CryoLife since its inception have been implanted in children under the age of 15.

Since its inception in 1984, CryoLife has documented the shipment of more than 46,500 allograft heart tissues at 550 medical facilities throughout the United States and Canada.

Based on the outstanding performance of the CryoLife preserved human heart valves, the Company instituted a warranty program for freedom from structural failure. The program, which applies to heart valves implanted after April 15, 1999, includes a ten year limited replacement warranty against problems due to structural deterioration and a lifetime limited replacement warranty for freedom from endocarditis and thromboembolic events. CryoLife preserved heart valves are the only heart valves in the world with a replacement warranty option.

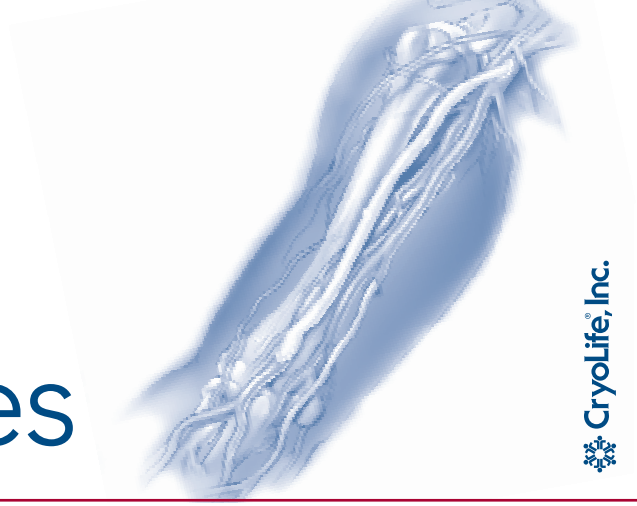
The Company preserves human aortic, pulmonary and mitral heart valves, providing the cardiovascular community with the three major replacement valve alternatives. In addition to human heart valves, CryoLife also preserves cardiac tissue for application as conduits and patches in cardiovascular repair.

In February of 2000, CryoLife began processing some human allograft heart valves using its SynerGraft technology. The SynerGraft technology effectively removes cells from the heart valve leaving the collagen matrix intact. The CryoValve SG valve is especially designed to benefit patients, both children and adults, who have had a minor immune response to transplanted tissues. Early clinical data indicates that the new SynerGraft processing method mitigates the increase of PRA (panel reactive antibodies) experienced by some of the patients who receive allograft heart valves. The absence of an immunologic response to the decellularized allograft has the potential of improved long-term function of the allograft heart valves. Advanced animal studies of both allograft and porcine heart valves that have been treated with the SynerGraft process show that these valves have the potential to re-populate themselves *in vivo* with the patient's own cells.

In 2000, CryoLife preserved heart valves comprised about 12 percent of the U.S. tissue heart valve market and about 8 percent of the total U.S. heart valve replacement market, which key industry estimates place at approximately $400 million annually. More than 500 surgeons at over 250 medical centers in the U.S. regularly transplant CryoLife preserved human cardiac tissues.

CryoKids® Foundation organized in 1993, in collaboration with other children's organizations, provides cardiac reconstruction surgeries to needy children in the U.S. and around the globe. CryoLife contributes certain funds, as well as cryopreserved human allograft tissue and coordinates with other charitable entities in providing surgical teams and hospital facilities. Cooperatively, this effort has assisted children in the U. S. and from countries such as Guyana, Guatemala, Colombia, Ukraine, Peru, India, the Republic of Russia and Haiti. To date, over 200 children, worldwide, have benefited from the CryoKids Foundation.

Catina Plessy, 29 year old amateur chef and aspiring interior designer, was diagnosed with renal disease requiring hemodialysis treatment by an artificial kidney machine. Catina was one of the first patients to receive a CryoLife preserved femoral vein as an A-V (arteriovenous) graft, providing reduced risk of infection and long-term functionality at the access site.



BIOTECHNOLOGIES FOR

Vascular Tissues

By the mid-1980s, coronary artery bypass grafting (CABG) surgery was becoming a routine procedure, enabling cardiac patients to return to a normal lifestyle following a recuperation period. The CABG procedure requires the use of the patient's own saphenous vein or internal mammary arteries to complete the cardiovascular reconstruction. However, for various medical reasons, often patients do not have sufficient useable veins or arteries of their own to complete the surgical procedure.

Following its successful program for the preservation of human heart valves, CryoLife scientists believed that the same beneficial results could be achieved with the cryopreservation of human saphenous veins. In 1986, CryoLife began the cryopreservation of human saphenous veins for use in central and peripheral vascular reconstructive surgeries. Once again the Company provided a unique and viable alternative for surgeons in treating patients who did not have sufficient useable tissue of their own. The availability of CryoLife's preserved vascular tissue is also vital for those patients who need to undergo coronary bypass reoperations as well as for those patients who may want to avoid the harvesting of their own vascular tissue. There are approximately 350,000 bypass surgeries performed in the United States each year, and an estimated 20 percent of these are reoperations which may require the use of preserved vascular tissue.

The Company's preserved vascular tissues also provide vascular surgeons with new options in treating advanced limb-threatening vascular disease. Used in peripheral reconstruction surgeries of blood vessel and/or circulatory systems of the limbs, CryoLife preserved vascular tissues are especially beneficial in below-the-knee applications.

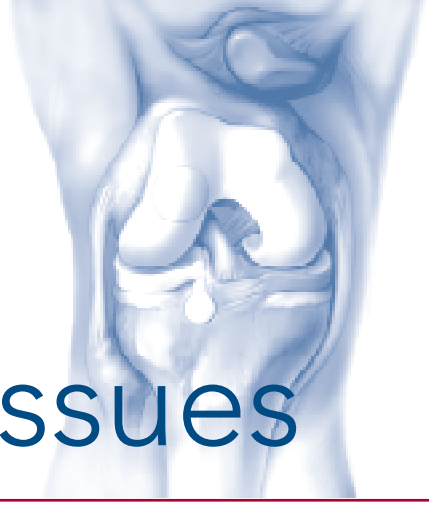
CryoLife's small diameter vascular grafts work well in below-the-knee surgeries and have become an important alternative to synthetic graft products that tend to occlude when used in this type of surgical procedure. Since 1993, more than 22,800 CryoVein allografts have been shipped for implant in patients suffering from peripheral vascular disease.

In the late-90s, CryoLife expanded its vascular cryopreservation services to include, superficial femoral veins, aortoiliac grafts, and femoral arteries for use in a variety of surgical applications.

In 2000, CryoLife enhanced its preserved human vascular grafts by applying the SynerGraft technology to create an A-V (arteriovenous) access graft for hemodialysis patients. The new CryoVein SG and CryoArtery® SG, processed with the Company's SynerGraft technology represents a major advancement for dialysis patients, reducing the risk of infection, repeated thrombosis and helping to preserve the vital access site, essential for effective renal dialysis treatment. In advanced animal studies, vascular grafts treated with the SynerGraft technology have been shown to remodel themselves with the recipient's own cells.

Human aortoiliac arterial grafts have been added to the Company's vascular tissue preservation program and are used in the treatment of infected aortic grafts. The availability of cryopreserved human aortoiliac grafts provides vascular surgeons with an alternative to synthetic grafts that can be subject to complications and infections. Attesting to the benefits recognized by both vascular and cardiovascular surgeons, more than 50 aortoiliac grafts were implanted in calendar year 2000.

Stacy Cravens, 29-years-old physical fitness professional, suffered injury to her anterior cruciate ligament (ACL) during an exercise regimen that required knee reconstructive surgery. A CryoLife preserved tibialis tendon was utilized to correct the ACL damage, returning the knee to normal functionality. Now, Stacy continues on a national tour with "Fitness America" and has resumed her career as gymnastics instructor.



BIOTECHNOLOGIES FOR

Orthopaedic Tissues

Orthopaedic disease and injuries affect the spectrum of the population, from the very young to the elderly, from the amateur to the professional athlete, as well as the sports and exercise enthusiast. Fortunately, even the most severe of these injuries can be corrected or alleviated so patients may have the opportunity of returning to a normal and active lifestyle. As early as 1990, CryoLife expanded its preservation services to include orthopaedic tissue, providing surgeons with new surgical alternatives in treating injuries and disease of the human musculoskeletal system.

Of particular importance to orthopaedic surgeons is the availability of cryopreserved human meniscal cartilage and patellar tendons used to repair the more frequent and common major injuries to the knee. Injuries involving the meniscus, the crescent shaped pad-like structure between the femur and tibia, are the most common problems affecting normal knee function. There are more than 250,000 meniscal surgeries in the U.S. each year, and about 80 percent of these will involve removal of all or part of the meniscus, exposing the patient to the risk of developing osteoarthritis or joint disease. The CryoLife preserved human meniscus provides surgeons with a new option for reconstruction surgery in restoring the patient's knee to normal function.

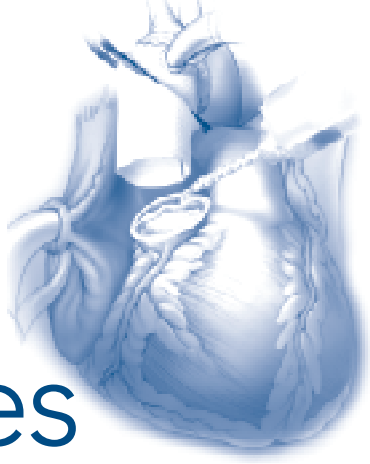
The second most common injury to the human knee is the rupture of the anterior cruciate ligament (ACL) requiring surgical reconstruction to stabilize the knee. In order to complete this procedure it is necessary to transplant part of the patient's own patellar tendon, a tendon which extends from the patella (kneecap) to the tibia (shinbone). However, for some patients the transplantation of their own tendons could compromise their knee function. Orthopaedic surgeons now have the option of using CryoLife's preserved patellar and Achilles tendons in reconstructive ACL surgeries. The Company believes cryopreserved allograft ligaments and tendons are the best possible alternative to a patient's own tissue in terms of safety and function.

To date, more than 16,600 connective tissues preserved by CryoLife have been shipped to hospitals and clinics in the United States. In order to expand the supply of tissue available for ACL surgeries, CryoLife also preserves semi t/gracilis, tibialis, and quadriceps tendons. CryoLife cryopreserved allograft tendons and ligaments have proven to be an excellent alternative for ligament and tendon reconstruction surgery. CryoLife specializes in the preservation of orthopaedic tissue that makes total biologic reconstruction of the knee a reality.

In 1999, CryoLife began preserving osteoarticular (OA) allografts used to help repair damaged knee cartilage. The orthopaedic surgical community has accepted these grafts, which are preserved and maintained in a living state, and uses them in many cases instead of an artificial knee. The success of transplanted OA grafts is attributed to the presence of viable chondrocytes (cells of the cartilage), which provide strength and support of the articular cartilage through transplant of OA grafts onto the end of the patient's femur.

Stacey Caveus

Ken Chapman, 73 year-old retired charitable foundation executive, was diagnosed with an aortic aneurysm, a balloon-like swelling of the main artery of the heart. CryoLife's BioGlue surgical adhesive was used as an adjunct in the surgery to reduce the wall size of the artery. Ken is now able to continue his regular golf outings and his three-times a week workouts at his local YMCA.



BIOTECHNOLOGIES FOR

Surgical Adhesives

CryoLife's corporate growth and diversification strategy was significantly enhanced in 2000 with the introduction of BioGlue surgical adhesive to additional world markets. Importantly, the continued commercial release of BioGlue surgical adhesive positioned CryoLife in the multi-billion dollar worldwide surgical adhesive market.

BioGlue surgical adhesive is a protein-based surgical adhesive having exceptional strength with the potential to replace sutures and staples in many surgical applications. An important feature of the product is its unique delivery system, incorporating a dual chamber applicator that provides the surgeon with complete control at the surgical site. The easy-to-use applicator device accommodates four tip lengths to direct application of the adhesive in a variety of surgical repair procedures.

Early in 1998, CryoLife was awarded the European CE (product certification) Mark allowing commercial distribution throughout the European Union for the use of BioGlue in vascular sealing and repair. In March 1999, CryoLife was awarded a second CE Mark allowing the use of BioGlue in pulmonary indications, including the repair of air leaks in lungs. The Company believes the European CE Marks stimulated interest in BioGlue around the world. As of February 2001, BioGlue had been approved for cardiac, vascular, general and pulmonary repair in 42 countries.

CryoLife expanded the international prospects for BioGlue with the signing of a five year exclusive agreement with Century Medical, Inc., for the introduction and distribution of BioGlue in Japan. Under the terms of the agreement, Century Medical will assume responsibility for BioGlue application and clearances through the Japanese Ministry of Health and Welfare.

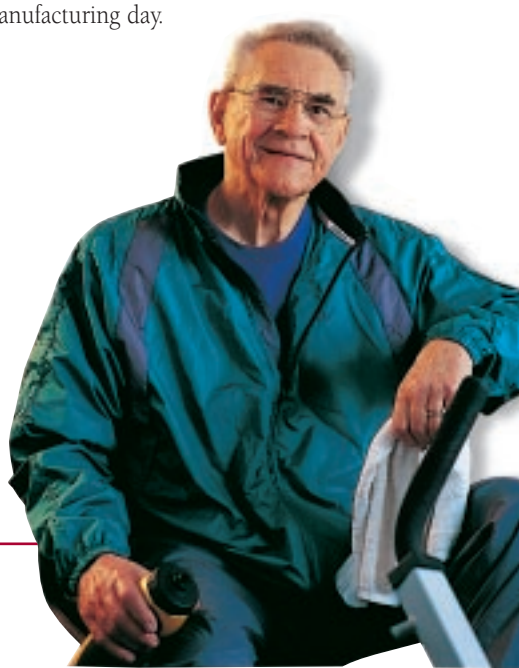
CryoLife's Japanese distributor continues to oversee the clinical trials of BioGlue for vascular and pulmonary repair applications following approval from the Japanese Ministry of Health and Welfare to conduct the trials. Presently, the studies include approximately 90 patients at eight hospitals.

In 1998, the Company submitted an IDE application to the FDA and received approval from the FDA to conduct human clinical trials of BioGlue for the repair of acute thoracic aortic dissections, a life-threatening condition. The compelling early results from these studies led to the FDA's decision to approve the Company's Humanitarian Device Exemption (HDE) application to allow commercial distribution of BioGlue throughout the U.S. as an adjunct in the repair of acute thoracic aortic dissections. This HDE application received FDA approval in December of 1999. Following FDA approval, more than 550 Hospital Institutional Review Boards in the United States approved BioGlue for use in the repair of acute thoracic aortic dissections.

The FDA subsequently approved a supplement to CryoLife's original IDE for an extended clinical study of BioGlue for use in vascular and cardiac repair following the completion of these studies. The Company submitted a Premarket Approval (PMA) application in February 2001 to the FDA for unrestricted use of BioGlue in vascular and selected cardiac repair. FDA approval of the PMA application is anticipated in October 2001.

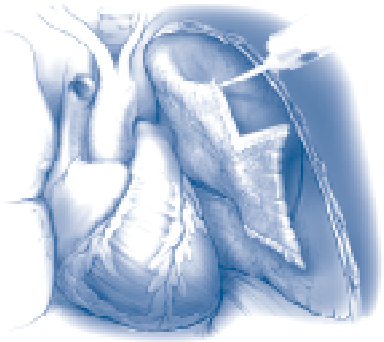
Company scientists are currently developing additional clinical applications for the use of BioGlue in a variety of cardiothoracic, vascular, pulmonary and orthopaedic surgical procedures. Additional applications to the FDA for BioGlue surgical foam and other configurations are anticipated during calendar 2001.

To accommodate the rollout of BioGlue, a 7,500 square foot production facility at the Company's headquarters is being completed with the capability to produce up to 10,000 cartridges of BioGlue per manufacturing day.



Ken Chapman

CryoLife laboratory technician supervises the filling of BioGlue adhesive in a class 10,000 clean room atmosphere. BioGlue is shipped to world markets for use in vascular and pulmonary surgical repair procedures. BioGlue is gaining wide acceptance in the international medical community and has currently been approved for surgical application in 42 countries worldwide.



BIOTECHNOLOGIES FOR

International Operations

A major objective at CryoLife is to continue to expand the use, awareness and benefits of its products and services to as many physicians and their patients as possible. To accomplish this goal, CryoLife began to build an international presence in 1996 with the introduction of the CryoLife-O'Brien® stentless porcine aortic heart valve in the European Union. This stentless porcine valve, designed by the Australian cardiovascular surgeon, Mark F. O'Brien, M.D., F.R.A.C.S., F.R.C.S. is used for aortic valve replacement surgery in adults. This was followed by the acquisition and introduction of the CryoLife-Ross® pulmonary valve, designed by the English heart surgeon, Donald N. Ross, D.Sc., F.R.C.S., and used for right ventricular outflow tract reconstruction (RVOT) in children.

Both valves, manufactured at the Company's porcine heart valve production facility in Marietta, Georgia, have been awarded the CE (product certification) Mark, allowing unrestricted distribution throughout the European Union. These valves address the European tissue valve replacement market, currently estimated to be approximately US $250 million annualy.

The Company's European presence was further enhanced in 1998 when its BioGlue surgical adhesive received the CE Mark approval for distribution for use in vascular repairs and in 1999 when BioGlue received an additional CE Mark approval for application in all pulmonary repairs. To date, more than 1,500 European vascular and cardiovascular surgeons have been introduced to the Company's BioGlue, porcine heart valves and its SynerGraft technology through CryoLife's participation at major European medical conferences and seminars.

To facilitate its expanding European operations, the Company established a wholly-owned subsidiary, CryoLife Europa, Ltd., and early in 2000 opened its headquarters building in Fareham, England. CryoLife Europa handles the European, African and Middle-East administrative and distribution functions of the Company and provides sales and marketing support for its products and services. CryoLife Europa has established relationships with more than 29 medical distributors. Products are being supplied to more than 500 hospitals and medical centers in Europe and the Middle-East. During 2000, medical products distributors have been added in Israel, Czech Republic, Kuwait, UAE, Poland, Romania, Croatia, Jordan and Slovenia.

The Company's Canadian operations, administered from its headquarters in Georgia, represent a growing market and expanding opportunities. During the first quarter of 2000, the Company was advised that its Medical Device License Application for BioGlue surgical adhesive had been approved by the Canadian Government's Therapeutic Products Programme (TPP) for use in vascular and pulmonary repair. The TPP is comparable to the U.S. Food and Drug Administration. The CryoLife-O'Brien heart valve has also been approved for distribution in Canada.

CryoLife scientists utilize the disciplines of cell biology, biochemistry and protein chemistry in the emerging science of tissue-engineering to create a new family of cardiovascular, vascular and orthopaedic biologic implantable tissue devices that have the potential to recellularize and remodel themselves with the transplant recipient's own cells.

NEW BIOMEDICAL TECHNOLOGIES

SynerGraft

The evolution of the implantable device industry that began in the late 1950s and early 1960s resulted in the development and introduction of a variety of new health care products, including heart pacemakers and defibrillators, intraocular lenses, orthopaedic joint replacements and heart valves. Initially, these revolutionary implantable devices were made from metal and plastics combining materials technology and engineering techniques.

In the late 1990s advances in implantable device technology fostered the new science of tissue-engineering and the creation of the first implantable devices that harnessed the disciplines of cell biology, biochemistry and protein chemistry. CryoLife scientists became pioneers in this field by inventing a patented process that allowed the transpecies transplant of tissues without the use of immuno-suppression treatment. Today, CryoLife utilizes the discipline of tissue-engineering in researching and creating a new family of biologic implantable devices that have the potential to revolutionize implantable device technology treatment in a variety of cardiovascular, vascular and orthopaedic applications.

Under the CryoLife SynerGraft program, scientists are concentrating on the development of new biologic heart valves and vascular and orthopaedic implantable devices that have the potential to recellularize or remodel themselves with the transplant recipient's own cells. As a result of this technology, CryoLife is the first company in the world to produce a tissue-engineered heart valve that has been implanted in humans. The SynerGraft valve consists of a porcine heart valve which has been depopulated of its porcine cells, leaving a collagen matrix that has the potential to repopulate with the recipient's own cells, providing a bioengineered human heart valve structure and biodynamics similar to those of the patient's own heart valve.

CryoLife's SynerGraft tissue-engineering technology represents a potential major scientific breakthrough in controlling or eliminating rejection reaction in recipients of tissue-based implantable devices. The SynerGraft heart valve clinical trials were begun in Australia in 1999 and continue successfully in 2001 at the Prince Charles Hospital in Brisbane, Australia.

Late in the year 2000, the SynerGraft heart valve was awarded a CE (product certification) Mark for commercial distribution of the world's first tissue-engineered heart valve in the European Community.

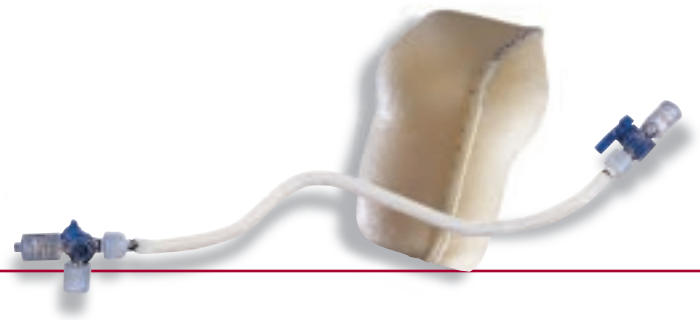
Domestically, CryoLife scientists have successfully used SynerGraft technology to enhance the preservation of human heart valves. The CryoValve SG is directed to patients, both children and adults, who have had a minor immune response to transplanted human tissue.

CryoLife scientists also have successfully introduced SynerGraft technology in the processing of A-V (arteriovenous) access grafts for application with dialysis patients. The new CryoVein SG is directed toward patients that have experienced negative reaction with synthetic or tissue access grafts and as a result require replacement grafts that reduce the risk of infection and provide for long-term functionality.

CryoLife's SynerGraft tissue-engineering technology offers extraordinary opportunities. CryoLife management and scientists believe that there is enormous growth potential for living implantable biologic devices that remodel themselves *in-vivo*. CryoLife has become a world leader in the development of tissue-engineered heart valves, vascular grafts and orthopaedic soft tissue replacements.

NEW PHARMACEUTICAL TECHNOLOGY

CryoLife scientists have also developed a light activation pharmaceutical technology that has potential in the commercial development of a series of new drug delivery systems for application in connection with cancer treatment, blood clot dissolving, heart attack therapies and a wide variety of other drug delivery applications. The new technology is designed to enhance current drug effectiveness by enabling treatment that is site specific, potentially eliminating or reducing incidents of negative side effects. Animal studies on the new technology are scheduled to begin in the first half of 2001.



OVERVIEW

CryoLife, Inc. was organized in 1984 to address market opportunities in the area of biological implantable products and materials, and today is the leader in the preservation of viable human tissue for cardiovascular, vascular, and orthopaedic applications. The Company pays a fee to an organ procurement agency or tissue bank at the time such organization consigns human tissue to the Company. The Company generates revenues from preservation services by charging hospitals a fee, which covers the Company's services, the associated procurement fee, and applicable shipping expenses. The Company records revenue upon shipping tissue. Costs associated with the procurement, processing, and storage of tissue are accounted for as deferred preservation costs on the Company's consolidated balance sheet and are expensed when the tissue is shipped.

Through a series of acquisitions of intellectual property and businesses, the Company has expanded its portfolio of products and services. As a result, the Company also develops implantable biomaterials, including BioGlue surgical adhesive, which is approved for distribution in 42 countries; SynerGraft, a tissue engineering technology which incorporates the use of decellularized animal tissues with the potential to remodel *in vivo;* and other stentless porcine heart valves that are approved for distribution internationally. In 1996, the Company also acquired the assets of UCFI, a tissue processor, for $750,000 in cash and a $1.3 million note. In 1997, the Company acquired Ideas for Medicine, Inc. ("IFM") and its line of single-use medical devices for $4.5 million in cash, and a $5.0 million convertible debenture.

On September 30, 1998 the Company completed the sale of substantially all of the IFM product line and certain related assets to Horizon Medical Products, Inc. ("HMP") for $15 million in cash pursuant to an asset purchase agreement. Concurrently, IFM and HMP signed a Manufacturing Agreement (the "Agreement") which provided for the manufacture by IFM of specified minimum dollar amounts of IFM products to be purchased exclusively by HMP over each of the four years following the sale. Thereafter, responsibility for such manufacturing was to be assumed by HMP. The Company recorded a deferred gain at the transaction date totaling $2.9 million, representing the selling price less the net book value of the assets sold, which included $7.7 million of goodwill, net of accumulated amortization, and the costs related to the sale. The gain was deferred because the sale and the manufacturing agreements represent, in the aggregate, a single transaction for which the related income should be recognized over the term of the Agreement. Accordingly, the deferred gain was reflected in cost of goods sold during 1999 and 1998 to maintain margins that would have been approximately equal over the four-year period of the Agreement on the products manufactured and sold by IFM to HMP. During 1999 and 1998 amortization of deferred revenue totaled $1.2 million and $387,000, respectively. As more fully discussed under nonrecurring charges in the Results of Operations section, HMP defaulted on the Agreement in June of 1999.

On October 9, 2000 the Company sold substantially all of the remaining assets of Ideas for Medicine, Inc. ("IFM") to Horizon Medical Products, Inc. ("HMP"). The assets consisted primarily of inventory, equipment and leasehold improvements which had a net book value of $2.4 million at the date of sale. The transaction provided for HMP to pay the Company the sum of approximately $5.9 million, payable in equal monthly installments of principal and interest of $140,000. The note consists of a portion, approximately $3.8 million, which bears interest at 9% per year, and a non-interest-bearing portion of approximately $2.1 million. The note also requires an additional $1 million principal payment at any time prior to April 3, 2001. If the $1 million payment is made when due, and no other defaults exist under the note, then $1 million of the non-interest-bearing portion of the note will be forgiven. In addition, at such time as the principal balance has been paid down to $1.1 million and there have been no defaults under the promissory note, the remainder of the note will be forgiven and the note will be canceled. The Company has recorded as notes receivable only the balances owed on the interest bearing portion of the note. Due to uncertainties regarding HMP's ability to pay the full amount of the note, the Company has also recorded reserves against these notes such that the gain from the sale is deferred until the full amount of the note is deemed collectible.

The composition of the Company's revenues is expected to change in future years, reflecting, among other things, the anticipated growth in shipments of human vascular tissue and human connective tissue for the knee, and the continued introduction of BioGlue surgical adhesive into domestic and international markets, as well as other expected new products.

RESULTS OF OPERATIONS

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Revenues increased 16% to $77.1 million in 2000 from $66.7 million in 1999. The increase in revenues was primarily due to increased acceptance in the medical community of preserved tissues which has resulted in increased demand for the Company's preservation services, the Company's ability to procure greater amounts of tissue, revenues attributable to the Company's introduction of BioGlue surgical adhesive in domestic markets in January of 2000, and other reasons discussed below. These increases in revenues have been offset by certain decreases in revenues as discussed below.

Revenues from human heart valve and conduit cryopreservation services increased 2% to $29.7 million in 2000 from $29.0 million in 1999, representing 39% and 44%, respectively, of total revenues during such periods. This increase in revenues resulted from a 5% increase in the number of heart allograft shipments due to increased demand.

Revenues from human vascular tissue cryopreservation services increased 10% to $21.3 million in 2000 from $19.3 million in 1999, representing 28% and 29%, respectively, of total revenues during such periods. This increase in revenues was primarily due to an 11% increase in the number of vascular allograft shipments due to an increased demand for saphenous vein, the Company's ability to procure greater amounts of tissue, and the growth in demand for the Company's cryopreserved femoral vein for dialysis access.

Revenues from human connective tissue of the knee cryopreservation services increased 44% to $16.1 million in 2000 from $11.2 million in 1999, representing 21% and 17%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 45% increase in the number of allograft shipments due to increased acceptance of osteoarticular grafts and non-bone tendons by the orthopaedic surgeon community and the Company's ability to procure greater amounts of tissue.

Revenues from the sale of BioGlue surgical adhesive increased 287% to $6.4 million for 2000 from $1.7 million in 1999, representing 8% and 2%, respectively, of total revenues during such periods. The increase in revenues was due to a 177% increase in the number of milliliter shipments of BioGlue. The increase in shipments was primarily due to the introduction of BioGlue in domestic markets in January of 2000 pursuant to a Humanitarian Use Device Exemption for the use of BioGlue as an adjunct in the repair of acute thoracic aortic dissections, as well as greater product awareness since the introduction of BioGlue in international markets in April of 1998, increased surgeon training, and the receipt of the CE approval for pulmonary indications in Europe in March 1999.

Revenues from bioprosthetic cardiovascular devices decreased 19% to $771,000 in 2000 from $955,000 in 1999, representing 1% of total revenues during such periods. This decrease in revenues is primarily due to the Company's focus on the start-up of the SynerGraft heart valve manufacturing process, which adversely impacted its ability to manufacture other bioprosthetic cardiovascular devices.

Revenues from IFM decreased 41% to $2.2 million in 2000 from $3.7 million in 1999, representing 3% and 6%, respectively, of total revenues during such periods. The decrease in revenues is due to HMP's default under its manufacturing agreement and to the sale of the remaining assets of IFM to HMP.

Grant revenues decreased to $616,000 in 2000 from $877,000 in 1999. Grant revenues are primarily attributable to the SynerGraft research and development programs.

Cost of cryopreservation services and products aggregated $33.3 million in 2000 compared to $30.2 million in 1999, representing 44% and 46%, respectively, of total cryopreservation and product revenues. The decrease in the 2000 cost of cryopreservation services and products as a percentage of revenues results from an increase in revenues from BioGlue surgical adhesive, which carry higher gross margins than cryopreservation services, and from a greater portion of 2000 orthopaedic cryopreservation revenues being derived from services that have higher gross margins than other orthopaedic cryopreservation services, partially offset by a lesser portion of 2000 revenues being derived from human heart valve and conduit cryopreservation services, which carry higher gross margins than other cryopreservation services.

General, administrative, and marketing expenses increased 16% to $28.7 million in 2000, compared to $24.7 million in 1999, representing 38% of total cryopreservation and product revenues for each period. The increase in expenditures in 2000 resulted from expenses incurred to support the increase in revenues, and expenses associated with the establishment of the Company's European headquarters.

Research and development expenses increased 18% to $5.2 million in 2000, compared to $4.4 million in 1999, representing 7% of total cryopreservation and product revenues for each period. Research and development spending relates principally to the Company's ongoing human clinical trials for its BioGlue surgical adhesive and to its focus on its SynerGraft and BioGlue technologies.

As more fully discussed in the following comparison of years ended December 31, 1999 and December 31, 1998, the Company recorded a nonrecurring charge of $2.4 million in 1999 primarily as a result of HMP's default on its manufacturing contract with IFM.

Net interest income was $1.7 million and $1.2 in 2000 and 1999, respectively. This increase in interest income was due primarily to the increase in cash generated from operations during the year ended December 31, 2000.

The effective income tax rate was 33% and 32% for the years ended December 31, 2000 and 1999, respectively.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Revenues increased 10% to $66.7 million in 1999 from $60.7 million in 1998. The increase in revenues was primarily due to increased acceptance in the medical community of cryopreserved tissues, the Company's ability to procure greater amounts of tissue, price increases for certain cryopreservation services instituted during the third quarter of 1998 which continued during 1999, a full year of BioGlue international revenue in 1999 as compared to nine months in 1998, and revenues attributable to the Company's introduction of osteoarticular grafts in January 1999. These increases in revenues have been offset by certain decreases in revenues as discussed below.

Revenues from human heart valve and conduit cryopreservation services decreased 6% to $29.0 million in 1999 from $30.8 million in 1998, representing 44% and 51%, respectively, of total revenues during such periods. This decrease in revenues resulted from an 8% decrease in the number of heart allograft shipments, which decrease consisted primarily of a 9% decrease in the number of pulmonary heart valve shipments due to a decrease in the number of Ross procedures being performed and competitive price pressures on pulmonary valves. In a Ross procedure, the patient's pulmonary valve is transplanted into the aortic position and a human pulmonary allograft is transplanted into the patient's pulmonary position. The Company has attempted to promote the positive clinical results of the Ross procedure by hosting science forums around the country with its cardiovascular surgeon customers.

Revenues from human vascular tissue cryopreservation services increased 35% to $19.3 million in 1999 from $14.3 million in 1998, representing 29% and 24%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 32% increase in the number of vascular allograft shipments attributable to an increased demand for preserved vascular tissue, the Company's ability to procure greater amounts of tissue, and the introduction of the femoral vein program for use as A-V shunts in dialysis patients. The increase in revenues was also due to the Company's focus on procuring and distributing long segment veins, which have a higher per unit revenue than the short segment veins.

Revenues from human connective tissue of the knee cryopreservation services increased 45% to $11.2 million in 1999 from $7.7 million in 1998, representing 17% and 13%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 31% increase in the number of allograft shipments due to increased demand, the Company's ability to procure greater amounts of tissue, and the introduction of preserved osteoarticular grafts in January of 1999. Additional revenue increases resulted from price increases for the cryopreservation of menisci and tendons during the third quarter of 1998.

Revenues from IFM decreased 34% to $3.7 million in 1999 from $5.7 million in 1998, representing 6% and 9%, respectively, of total revenues during such periods. The decrease in revenues is due to HMP's failure to meet the minimum purchase requirements set forth in the Agreement as more fully discussed below.

Revenues from BioGlue surgical adhesive increased 88% to $1.7 million for 1999 from $883,000 in 1998, representing 2% and 1%, respectively, of total revenues during such periods. The increase in revenues is due to a 95% increase in the volume of milliliter shipments of BioGlue due to increased product awareness as a result of the introduction of BioGlue in international markets in April of 1998, increased surgeon training, and the receipt of the CE mark approval for the use of BioGlue for pulmonary indications in Europe in March 1999.

Revenues from bioprosthetic cardiovascular devices increased 20% to $955,000 in 1999 from $798,000 in 1998, representing 1% of total revenues during such periods. This increase in revenues was due to a 7% increase in the number of bioprosthetic cardiovascular device shipments due to an increase in demand, a full year of international revenues from the CryoLife-Ross Pulmonary Valve in 1999 as compared to three months of revenues in 1998, and price increases in November of 1998 that continued throughout 1999.

Grant revenues increased to $877,000 in 1999 from $512,000 in 1998. This increase in grant revenues is primarily attributable to the SynerGraft research and development programs.

Other income decreased to $224,000 in 1999 from $1.1 million in 1998. Other income in 1998 relates primarily to proceeds from the sale of the Company's port product line.

Cost of cryopreservation services and products aggregated $30.2 million in 1999 compared to $25.3 million in 1998, representing 46% and 42%, respectively, of total cryopreservation and product revenues. The increase of the cost of cryopreservation services and products as a percentage of revenues in 1999 results from a smaller percentage of 1999 revenues being derived from human heart valve and conduit cryopreservation services, which carry a significantly higher gross margin than other cryopreservation services. An additional reason for the increase in costs in 1999 results from the switch in October of 1998 to OEM manufacturing of single-use medical devices, which generates lower gross margins than cryopreservation services and lower gross margins than the IFM products generated prior to the sale of the IFM product line.

General, administrative, and marketing expenses increased 3% to $24.7 million in 1999, compared to $23.9 million in 1998, representing 38% and 40%, respectively, of total cryopreservation and product revenues in such periods. The increase in expenditures in 1999 resulted from expenses incurred to support the increase in revenues, partially offset by increased absorption of overhead expenses associated with increased production of new products.

Research and development expenses decreased 7% to $4.4 million in 1999, compared to $4.7 million in 1998, representing 7% and 8%, respectively, of total cryopreservation and product revenues for each period. Research and development spending relates principally to the Company's focus on its bioadhesives and SynerGraft technologies.

The Company recorded a nonrecurring pretax charge of $2.4 million in 1999 primarily as a result of HMP's default on its manufacturing contract with IFM. On June 22, 1999 IFM notified HMP that it was in default of certain provisions of the Agreement. Specifically, HMP was in violation of the payment provisions contained within the Agreement, which calls for inventory purchases to be paid for within 45 days of delivery. Additionally, HMP was in violation due to nonpayment of interest related to such past due accounts receivable.

After notification of the default, HMP indicated to the Company that it would not be able to meet and did not meet the minimum purchase requirements outlined in the Agreement. Due to the significant uncertainties related to the Company's ability to realize its investment in IFM, the Company determined that it had incurred an impairment loss on its IFM assets. In calculating the amount of the impairment loss, management used its best estimate to determine the realizable value of its increase in working capital due to the HMP default, and the recoverability of IFM's long-lived assets, consisting primarily of leasehold improvements and equipment. As a result, management recorded a $2.1 million impairment loss on working capital and a $2.6 million impairment loss on leasehold improvements. Additionally, the Company offset the above charges with $2.5 million of deferred gain recorded in connection with the sale of the IFM product line to HMP. The net pretax effect of the above nonrecurring charges is $2.2 million, and has been included under the caption "Nonrecurring charges" in the accompanying Consolidated Income Statements.

As previously discussed in the Overview section, on October 9, 2000 the Company sold substantially all of the remaining assets of IFM to HMP.

Net interest income was $1.2 million and $820,000 in 1999 and 1998, respectively. This increase in interest income is due to recording a full year of interest income on the invested proceeds from the follow-on equity offering (the "Offering") completed in April 1998, lower interest expense resulting from the repayment of certain indebtedness with the proceeds from the Offering, and the conversion of certain convertible debentures into common stock of the Company.

The increase in the effective income tax rate to 32% in 1999 from 25% in 1998, is the result of the nonrecurrence of income tax benefits realized in 1998 from the implementation of certain income tax planning strategies in the fourth quarter, which had a significant one-time impact on 1998 taxes. Despite the increase in the tax rate between 1999 and 1998, the 1999 effective tax rate is reflective of the ongoing impact of these tax planning strategies.

SEASONALITY

The demand for the Company's human heart valve and conduit cryopreservation services is seasonal, with peak demand generally occurring in the second and third quarters. Management believes this trend for human heart valve and conduit cryopreservation services is primarily due to the high number of surgeries scheduled during the summer months. However, the demand for the Company's human connective tissue of the knee cryopreservation services, human vascular tissue cryopreservation services, bioprosthetic cardiovascular devices, and BioGlue surgical adhesive does not appear to experience seasonal trends.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2000 net working capital was $68.5 million, compared to $59.6 million at December 31, 1999, with a current ratio of 7 to 1. The Company's primary capital requirements arise out of general working capital needs, capital expenditures for facilities and equipment, funding of research and development projects, and a common stock repurchase plan approved by the board of directors in October of 1998. The Company historically has funded these requirements through bank credit facilities, cash generated by operations, and equity offerings.

Net cash provided by operating activities was $10.3 million in 2000, as compared to net cash provided by operating activities of $1.3 million in 1999. This increase primarily resulted from 1) an increase in net income, 2) a decrease in accounts receivable despite increased revenues, 3) a reduction in the growth of deferred preservation costs and inventories, and 4) an increase in the amount of accounts payable due to the timing of payments of outstanding invoices, partially offset by a decrease in accrued expenses.

Net cash used in investing activities was $6.6 million in 2000, as compared to $3.6 million in 1999. This increase in cash used was primarily attributable to a increase in capital expenditures due to the expansion of the Company's corporate headquarters and manufacturing facilities, partially offset by an increase in sales of marketable equity securities during 2000.

Net cash provided by financing activities was $7.8 million in 2000, as compared to net cash used in financing activities of $4.5 million in 1999. This increase was primarily attributable to the proceeds received on the bank line of credit to finance the expansion of the Company's headquarters and manufacturing facilities, a reduction in the Company's repurchase of treasury stock during 2000 and an increase in the proceeds from stock option exercises.

Management is currently seeking to complete a potential private placement of equity or equity-oriented securities to form a subsidiary company for the commercial development of its serine proteinase light activation technologies, through its wholly-owned subsidiary AuraZyme Pharmaceuticals, Inc. This strategy, if successful, will allow an affiliated entity to fund the light activation technology and should expedite the commercial development of its blood clot dissolving and surgical sealant product applications without additional research and development expenditures by the Company (other than through the affiliated company). This strategy, if successful, will favorably impact the Company's liquidity going forward. The Company has ceased further material development of light activation technology pending the identification of a corporate partner to fund future development.

The Company anticipates that current cash and marketable securities, cash generated from operations and its $10 million of bank facilities (of which $8.0 million was drawn as of March 31, 2001) will be sufficient to meet its operating and development needs for at least the next 12 months, including the expansion of the Company's corporate headquarters and manufacturing facilities. However, the Company's future liquidity and capital requirements beyond that period will depend upon numerous factors, including the timing of the Company's receipt of FDA approvals to begin clinical trials for its products currently in development, the resources required to further develop its marketing and sales capabilities if and when those products gain approval, the resources required for any additional expansion of its corporate headquarters and manufacturing facility, and the extent to which the Company's products generate market acceptance and demand. There can be no assurance the Company will not require additional financing or will not seek to raise additional funds through bank facilities, debt or equity offerings, or other sources of capital to meet future requirements. These additional funds may not be available when needed or on terms acceptable to the Company, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's interest income and expense are most sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U.S. interest rates affect the interest earned on the Company's cash equivalents of $8.3 million and short-term investments of $17.8 million in municipal obligations as of December 31, 2000, as well as interest paid on its debt. At March 31, 2001, approximately $8 million of the Company's debt charged interest at a variable rate. To mitigate the impact of fluctuations in U.S. interest rates, the Company generally maintains approximately 50% (approximately $4.6 million at March 31, 2001) of its debt as fixed rate in nature. As a result, the Company is subject to a risk that interest rates will decrease and the Company may be unable to refinance its debt.

FORWARD LOOKING STATEMENT

This Annual Report includes statements that look forward in time or that express management's beliefs, expectations or hopes regarding future occurrences. Such statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These future events may not occur when expected, if at all, and are subject to various risks and uncertainties. Such risks and uncertainties include the possibility that SynerGraft heart valves will not repopulate with human recipient cells, or if repopulation does occur, that it will not have the anticipated effects, including without limitation, growing with a maturing child; that future clinical SynerGraft test results will prove less encouraging than current results; that SynerGraft or BioGlue regulatory submissions will not be ready when planned or that anticipated regulatory approvals will not be obtained on a timely basis, if at all; that SynerGraft and CryoValve SG heart valves will not be accepted by surgeons, the possibility that future clinical BioGlue test results will prove less encouraging than current results, the possibility that the Company will be unable to find an investor in its serine proteinase light activation technologies or that animal testing of such technologies will not be successful or will not proceed on schedule, government regulation of the Company's business, the Company's competitive position, the availability of tissue for implant, the status of the Company's products under development, the protection of the Company's proprietary technology, and the reimbursement of health care costs by third-party payors and there can be no assurance that the actual results or developments anticipated by the Company will be realized or that they will have the expected consequences to or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

ASSETS December 31,	2000	1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,480	$ 6,128
Marketable securities, at market	21,234	24,403
Receivables:		
Trade accounts, less allowance for doubtful accounts of $85 in 2000 and $528 in 1999	11,454	11,694
Note receivable, less allowance of $723	1,833	—
Income taxes	574	31
Other	711	608
TOTAL RECEIVABLES	14,572	12,333
Deferred preservation costs	20,311	17,652
Inventories	3,994	4,597
Prepaid expenses	893	1,123
Deferred income taxes	674	983
TOTAL CURRENT ASSETS	79,158	67,219
PROPERTY AND EQUIPMENT:		
Equipment	12,911	11,882
Furniture and fixtures	4,327	3,147
Leasehold improvements	14,149	14,487
Construction in progress	8,219	1,001
	39,606	30,517
Less accumulated depreciation and amortization	14,027	11,843
NET PROPERTY AND EQUIPMENT	25,579	18,674
OTHER ASSETS:		
Note receivable, less allowance of $241	643	—
Goodwill, less accumulated amortization of $405 in 2000 and $311 in 1999	1,495	1,590
Patents, less accumulated amortization of $850 in 2000 and $794 in 1999	2,540	2,363
Other, less accumulated amortization of $436 in 2000 and $742 in 1999	2,423	2,780
Deferred income taxes	171	1,399
TOTAL ASSETS	$112,009	$94,025

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

LIABILITIES AND SHAREHOLDERS' EQUITY December 31,	2000	1999
CURRENT LIABILITIES:		
Accounts payable	$ 2,914	$ 975
Accrued expenses	1,054	1,595
Accrued compensation	2,097	1,711
Accrued procurement fees	3,537	2,874
Current maturities of capital lease obligation	173	180
Current maturities of long-term debt	934	287
TOTAL CURRENT LIABILITIES	10,709	7,622
Capital lease obligations, less current maturities	1,361	1,534
Convertible debenture	4,393	4,393
Bank line of credit, less current maturities	6,151	—
Other long-term debt	—	250
TOTAL LIABILITIES	22,614	13,799
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock $.01 par value per share; authorized 5,000 shares including 2,000 shares of series A junior participating preferred stock; no shares issued	—	—
Common stock $.01 par value per share; authorized 75,000 shares; issued 20,077 shares in 2000 and 20,041 shares in 1999	201	200
Additional paid-in capital	64,936	64,359
Retained earnings	31,381	23,564
Deferred compensation	(45)	(57)
Accumulated other comprehensive income	(1,088)	(785)
Treasury stock; 1,356 shares in 2000 and 1,701 shares in 1999, at cost	(5,990)	(7,055)
TOTAL SHAREHOLDERS' EQUITY	89,395	80,226
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$112,009	$94,025

See accompanying notes to consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

(in thousands, except per share data)

YEAR ENDED DECEMBER 31,	2000	1999	1998
REVENUES:			
Preservation services and products	$76,480	$65,845	$60,179
Research grants and licenses	616	877	512
	77,096	66,722	60,691
COSTS AND EXPENSES:			
Preservation services and products	33,347	30,170	25,303
General, administrative, and marketing	28,731	24,693	23,907
Research and development	5,207	4,396	4,708
Nonrecurring charges	—	2,355	—
Interest expense	299	387	670
Interest income	(1,952)	(1,556)	(1,490)
Other income, net	(169)	(224)	(1,078)
	65,463	60,221	52,020
INCOME BEFORE INCOME TAXES	11,633	6,501	8,671
INCOME TAX EXPENSE	3,816	2,050	2,185
NET INCOME	$ 7,817	$ 4,451	$ 6,486
EARNINGS PER SHARE:			
Basic	$ 0.42	$ 0.24	$ 0.36
Diluted	$ 0.41	$ 0.24	$ 0.35
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic	18,541	18,512	17,961
Diluted	19,229	18,800	18,396

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)

YEAR ENDED DECEMBER 31,	2000	1999	1998
NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 7,817	$ 4,451	$ 6,486
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Deferred income recognized	—	(1,176)	(387)
Gain on sale of marketable equity securities	—	(112)	(4)
Depreciation of property and equipment	3,023	2,854	2,586
Amortization	199	300	905
Provision for doubtful accounts	21	121	176
Deferred income taxes	1,658	(970)	(1,948)
Nonrecurring charges	—	2,355	—
Tax effect of nonqualified option exercises	595	—	—
Changes in operating assets and liabilities:			
Trade and other receivables	469	(1,707)	(1,797)
Income taxes	(543)	40	771
Deferred preservation costs	(2,659)	(3,413)	(1,982)
Inventories	(1,433)	(2,882)	(3,010)
Prepaid expenses and other assets	230	822	(706)
Accounts payable	1,095	(686)	295
Accrued expenses	(193)	1,321	(158)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	10,279	1,318	1,227
NET CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(9,491)	(3,853)	(6,693)
Net proceeds from sale of IFM product line	—	—	15,000
Other assets	43	(783)	(752)
Purchases of marketable securities	(5,729)	(5,123)	(34,063)
Sales of marketable securities	8,542	6,149	7,604
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(6,635)	(3,610)	(18,904)
NET CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments of debt	(287)	(514)	(13,990)
Proceeds from debt issuance	6,835	—	1,680
Proceeds from note receivable	360	—	—
Principal payments on obligations under capital leases	(180)	(224)	(203)
Proceeds from exercise of options and issuance of stock	1,660	571	46,298
Purchase of treasury stock	(612)	(4,296)	(3,350)
Net payments on notes receivable from shareholders	—	—	16
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	7,776	(4,463)	30,451
INCREASE (DECREASE) IN CASH	11,420	(6,755)	12,774
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(68)	(2)	—
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,128	12,885	111
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,480	$ 6,128	$ 12,885
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION — cash paid during the year for:			
Interest	$ 471	$ 369	$ 742
Income taxes	2,215	3,816	3,568
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Establishing capital lease obligation	$ —	$ —	$ 2,141
Debt conversion into common stock	$ —	$ —	$ 608
Purchase of property and equipment in accounts payable	$ 844	$ 6	$ 185

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)

	Common Shares Outstanding		Additional Paid-In Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income	Treasury Stock	Notes Receivable from Shareholders	Total Shareholders' Equity
	Shares	Amount							
BALANCE AT DECEMBER 31, 1997	14,553	$154	$17,642	$ 12,627	$ —	$ —	$ (180)	$(16)	$30,227
Net income	—	—	—	6,486	—	—	—	—	6,486
Unrealized gains on investments	—	—	—	—	—	139	—	—	139
Comprehensive income									6,625
Follow-on equity offering, net of $703 of offering costs	4,464	44	45,403	—	—	—	—	—	45,447
Exercise of options	150	1	338	—	—	—	121	—	460
Employee stock purchase plan	46	—	294	—	—	—	97	—	391
Convertible debenture	75	1	604	—	—	—	—	—	605
Purchase of treasury stock	(514)	—	—	—	—	—	(3,350)	—	(3,350)
Payment on shareholder note	—	—	—	—	—	—	—	16	16
BALANCE AT DECEMBER 31, 1998	18,774	200	64,281	19,113	—	139	(3,312)	—	80,421
Net income	—	—	—	4,451	—	—	—	—	4,451
Unrealized losses on investments	—	—	—	—	—	(922)	—	—	(922)
Translation adjustment	—	—	—	—	—	(2)	—	—	(2)
Comprehensive income									3,527
Exercise of options	74	—	(126)	—	—	—	305	—	179
Employee stock purchase plan	60	—	144	—	—	—	248	—	392
Issuance of stock options to a nonemployee	—	—	60	—	(60)	—	—	—	—
Amortization of deferred compensation	—	—	—	—	3	—	—	—	3
Purchase of treasury stock	(567)	—	—	—	—	—	(4,296)	—	(4,296)
BALANCE AT DECEMBER 31, 1999	18,341	200	64,359	23,564	(57)	(785)	(7,055)	—	80,226
Net income	—	—	—	7,817	—	—	—	—	7,817
Unrealized losses on investments	—	—	—	—	—	(235)	—	—	(235)
Translation adjustment	—	—	—	—	—	(68)	—	—	(68)
Comprehensive income									7,514
Exercise of options	392	1	338	—	—	—	1,389	—	1,728
Employee stock purchase plan	66	—	239	—	—	—	288	—	527
Amortization of deferred compensation	—	—	—	—	12	—	—	—	12
Purchase of treasury stock	(78)	—	—	—	—	—	(612)	—	(612)
BALANCE AT DECEMBER 31, 2000	18,721	$201	$64,936	$31,381	$(45)	$(1,088)	$(5,990)	$ —	$89,395

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business Founded in 1984, CryoLife, Inc. (the "Company") is the leader in the preservation of viable human tissues for transplant, and is developing and commercializing additional implantable devices for use in vascular, cardiovascular, and orthopaedic applications. The Company's primary business segment, cryopreservation of human tissues, is marketed in North and South America, Europe, and Asia. The Company develops proprietary implantable bioadhesives, including BioGlue surgical adhesive, which it has begun commercializing for vascular and pulmonary applications in North America, Europe, South America, Asia, South Africa, and the Middle East. In addition, the Company's bioprosthetic implantable products include stentless porcine heart valves marketed in Europe, South America, the Middle East, Canada, and South Africa, as well as a proprietary project to transplant human cells onto the structure of animal tissue. Until October 9, 2000, the Company served as an original equipment manufacturer for single-use medical devices for use in vascular surgical procedures. International revenues were $5.1 million in 2000 and $4.0 million in 1999 and 1998. Net revenues by product for the years ended December 31, 2000, 1999, and 1998 were as follows:

	2000	1999	1998
Preservation services:			
Heart valve tissue	**$29,685**	**$29,043**	**$30,836**
Vascular tissue	**21,279**	**19,273**	**14,270**
Connective tissue	**16,132**	**11,200**	**7,720**
Total preservation services	**67,096**	**59,516**	**52,826**
BioGlue surgical adhesive	**6,405**	**1,657**	**883**
Single-use medical devices	**2,208**	**3,717**	**5,672**
Bioprosthetic products	**771**	**955**	**798**
	$76,480	**$65,845**	**$60,179**

Principles of Consolidation The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances are eliminated.

Reclassifications Certain prior year balances have been reclassified to conform to the 2000 presentation.

Use of Estimates The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition Revenues for preservation services are recognized as services are performed. Revenues from medical devices and other products are recognized at the time the product is shipped or title passes pursuant to customer terms. Revenues from research grants are recognized in the period the associated costs are incurred, and license revenues are recognized in the period the cash is received and all licensor obligations have been fulfilled. Amounts recognized as revenues are fixed and collectibility of the related receivables is reasonably assured.

Cash and cash equivalents Cash equivalents consist primarily of highly liquid investments with insignificant interest rate risk and maturity dates of 90 days or less at the time of acquisition. The carrying value of cash equivalents approximates fair value.

Marketable Securities The Company maintains cash equivalents and investments in several large, well-capitalized financial institutions, and the Company's policy disallows investment in any securities rated less than "investment-grade" by national rating services.

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designations as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Debt securities not classified as held-to-maturity or trading and marketable equity securities not classified as trading are classified as available-for-sale. Available-for-sale securities are stated at their fair values, with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income. At December 31, 2000 and 1999, all marketable equity securities and debt securities were designated as available-for-sale.

Deferred Preservation Costs Tissue is procured from deceased human donors by organ procurement organizations and tissue banks which consign the tissue to the Company for processing and preservation. Preservation costs related to tissue held by the Company are deferred until shipment to the implanting hospital. Deferred preservation costs consist primarily of laboratory expenses, tissue procurement fees, fringe and facility allocations, and freight-in charges, and are stated on a first-in, first-out basis.

Inventories Inventories are comprised of single-use medical devices, bioprosthetic implantable products, and implantable bioadhesives and are valued at the lower of cost (first-in, first-out) or market.

Property and Equipment Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets, generally five to ten years, on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the lease term or the estimated useful lives of the assets, whichever is shorter.

Intangible Assets Goodwill resulting from business acquisitions is amortized on a straight-line basis over 20 years. Patent costs are amortized over the expected useful lives of the patents (primarily 17 years) using the straight-line method. Other intangibles, which consist primarily of manufacturing rights and agreements, are being amortized over the expected useful lives of the related assets (primarily five years).

The Company periodically evaluates the recoverability of noncurrent tangible and intangible assets and measures the amount of impairment, if any, by assessing current and future levels of income and cash flows as well as other factors, such as business trends and prospects and market and economic conditions.

Long-lived Assets The Company records impairment losses on long-lived assets in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets.

Income Taxes Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Stock Split On November 27, 2000, the Board of Directors declared a three-for-two stock split, effected in the form of a stock dividend, payable on December 27, 2000, to shareholders of record on December 8, 2000. All share and per share information in the accompanying consolidated financial statements has been adjusted to reflect such split.

Comprehensive Income Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income" ("Statement 130"), establishes standards for the reporting and display of comprehensive income and its components in a full set of comparative general-purpose financial statements. The statement became effective for the Company in 1998. Comprehensive income is defined in Statement 130 as net income plus other comprehensive income, which, under existing accounting standards, includes foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. Comprehensive income disclosures are included in the Consolidated Statements of Shareholders' Equity.

New Accounting Pronouncement On January 1, 2001, the Company was required to adopt ("Statement 133"), "Accounting for Derivative Instruments and Hedging Activities," as amended. ("Statement 133") requires the Company to recognize all derivative instruments on the balance sheet at fair value, and changes in the derivative's fair value must be recognized currently in earnings or other comprehensive income, as applicable. The adoption of ("Statement 133") impacts the accounting for the Company's forward-starting interest rate swap agreement.

The Company maintains a construction line of credit, which converts to floating rate debt (i.e., term loan) upon completion of the expansion of the Company's corporate headquarters (Note 5). This floating rate debt exposes the Company to changes in interest rates going forward. On March 16, 2000, the Company entered into $4 million in notional amounts of a forward-starting interest swap agreement that takes effect on June 1, 2001. This swap agreement has been designated as a cash flow hedge to effectively convert a portion of its anticipated term loan balance to a fixed rate basis, thus reducing the impact of interest rate changes on future income. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amounts. The differential to be paid or received is accrued as interest rates change and recognized as an adjustment to interest expense related to the debt. Upon adoption of SFAS 133 in 2001, the Company recorded an unrealized loss of approximately $175,000 related to the interest rate swap, which was recorded as part of long-term liabilities and accumulated other comprehensive income. The reclassification of any gains or losses associated with the interest rate swap into the statement of income is anticipated to occur upon the various maturity dates of the interest rate swap agreement, which expires in 2006.

During 1999, the Securities and Exchange Commission released Staff Bulletin 101, "Revenue Recognition in Financial Statements" which clarifies the basic criteria for recognizing revenue. The Company adopted this bulletin during the fourth quarter 2000. The adoption of this bulletin did not have a material impact on the consolidated financial statements.

2. IDEAS FOR MEDICINE, INC.

On March 5, 1997 the Company acquired the stock of Ideas for Medicine, Inc. ("IFM"), a medical device company specializing in the manufacture and distribution of single-use medical devices, for consideration of approximately $4.5 million in cash and approximately $5.0 million in convertible debentures plus related

expenses. The cash portion of the purchase price was financed by borrowings under the Company's revolving term loan agreement. Pursuant to the purchase agreement, an additional consideration of $700,000 was paid in January 2000. In connection with this acquisition, the Company also entered into a consulting agreement with the former majority shareholder of IFM requiring monthly payments to such shareholder of approximately $17,000 until March 2002.

On September 30, 1998 the Company completed the sale of substantially all of the IFM product line and certain related assets to Horizon Medical Products, Inc. ("HMP") for $15 million in cash pursuant to an asset purchase agreement. Concurrently, IFM and HMP signed a Manufacturing Agreement (the "Agreement") which provided for the manufacture by IFM of specified minimum dollar amounts of IFM products to be purchased exclusively by HMP over each of the four years following the sale. Thereafter, responsibility for such manufacturing was to be assumed by HMP.

The Company recorded deferred income at the transaction date totaling $2.9 million, representing the selling price less the net book value of the assets sold, which included $7.7 million of goodwill, net of accumulated amortization, and the costs related to the sale. The income was deferred because the sale and manufacturing agreements represented, in the aggregate, a single transaction for which the related income should be recognized over the term of the manufacturing agreement. Accordingly, the deferred income was reflected in cost of goods sold during 1999 and 1998 to maintain margins that would have been approximately equal over the four-year period of the Agreement on the products manufactured and sold by IFM to HMP. During 1999 and 1998 amortization of deferred income totaled $1.2 million and $387,000, respectively.

On June 22, 1999 IFM notified HMP that it was in default of certain provisions of the Agreement. Specifically, HMP was in violation of the payment provisions contained within the Agreement, which called for inventory purchases to be paid for within 45 days of delivery. Additionally, HMP was in violation due to nonpayment of interest related to such past due accounts receivable.

After notification of the default, HMP indicated to the Company that it would not be able to meet and did not meet the minimum purchase requirements outlined in the Agreement. At December 31, 1999, the Company determined that it had incurred an impairment loss on its IFM assets due to the significant uncertainties related to the Company's ability to realize its investment in IFM. In calculating the amount of the impairment loss, management used its best estimate to determine the realizable value of its increase in working capital due to the HMP default and the recoverability of IFM's long-lived assets, consisting primarily of leasehold improvements and equipment. As a result, management recorded a $2.1 million impairment loss on working capital and a $2.6 million impairment loss on leasehold improvements. Additionally, the Company offset the above charges with $2.5 million of deferred income recorded in connection with the sale of the IFM product line to HMP. The net pretax effect of the above nonrecurring charges was $2.2 million and has been included under the caption "Nonrecurring charges" in the accompanying Consolidated Income Statements. At December 31, 1999, after recognition of the impairment loss, IFM assets consisted of $800,000 of accounts receivable, $1.7 million of inventory, $1.6 million of building, and $360,000 of equipment.

On October 9, 2000 the Company sold substantially all of the remaining assets of IFM to HMP. The assets consisted primarily of inventory, equipment and leasehold improvements which had a net book value of $2.4 million at the date of sale. The transaction provides for HMP to pay the Company the sum of approximately $5.9 million, payable in equal monthly installments of principal and interest of $140,000. The note consists of a portion, approximately $3.8 million, which bears interest at 9% per year, and a non-interest-bearing portion of approximately $2.1 million. The note also requires an additional $1 million principal payment at any time prior to April 3, 2001. If the $1 million payment is made when due, and no other defaults exist under the note, then $1 million of the non-interest-bearing portion of the note will be forgiven. In addition, at such time as the principal balance has been paid down to $1.1 million and there have been no defaults under the promissory note, the remainder of the note will be forgiven and the note will be canceled. The Company has recorded as notes receivable only the balances owed on the interest bearing portion of the note. Due to uncertainties regarding HMP's ability to pay the full amount of the note, the Company has also recorded reserves against these notes such that the gain from the sale is deferred until the full amount of the note is deemed collectible.

In addition, CryoLife has entered into a sublease agreement with HMP under which HMP has assumed responsibility for the IFM manufacturing facility. Also, substantially all of the employees of IFM have become employees of HMP.

3. MARKETABLE SECURITIES

The following is a summary of available-for-sale securities (in thousands):

DECEMBER 31, 2000	Cost	Unrealized Holding Losses	Estimated Market Value
Municipal obligations	$17,789	$ (2)	$17,787
Equity securities	9,889	(1,540)	8,349
	$27,678	$(1,542)	$26,136

DECEMBER 31, 1999	Cost	Unrealized Holding Losses	Estimated Market Value
Municipal obligations	$20,223	$ (226)	$19,997
Equity securities	9,444	(959)	8,485
	$29,667	$(1,185)	$28,482

The gross realized gains on sales of available-for-sale securities totaled $0 and $112,000 in 2000 and 1999, respectively. Differences between cost and market of a $1.5 million (less deferred taxes of $524,000) and a $1.2 million loss (less deferred taxes of $403,000) are included as a separate component of shareholders' equity as of December 31, 2000 and 1999, respectively.

At December 31, 2000 and 1999, approximately $4.9 million and $4.1 million, respectively, of debt securities with original maturities of 90 days or less at their acquisition dates were included in cash and cash equivalents. At December 31, 2000 approximately $8.3 million of investments mature within 90 days, no investments had a maturity date between 90 days and 1 year, and approximately $21.2 million of investments mature between 1 and 5 years.

4. INVENTORIES

Inventories at December 31 are comprised of the following (in thousands):

	2000	1999
Raw materials	**$1,796**	**$1,555**
Work in process	**405**	**578**
Finished goods	**1,793**	**2,464**
	$3,994	**$4,597**

5. LONG-TERM DEBT

Long-term debt at December 31 consists of the following (in thousands):

	2000	1999
Line of credit bearing interest equal to the Adjusted LIBOR plus 2%, to be adjusted monthly. Upon the earlier of completion of construction of the Company's expanded headquarters or June 30, 2001, the line will convert to a 5 year term loan bearing interest at Adjusted LIBOR plus 1.5%	**$6,835**	**$ —**
7% convertible debenture, due in March 2002	**4,393**	**4,393**
8.25% note payable due in equal annual installments of $250,000	**250**	**500**
Note payable due in 2000 with an effective interest rate of 8%, net of unamortized discount of $3,000 in 1999	**—**	**37**
	11,478	**4,930**
Less current maturities	**934**	**287**
TOTAL LONG-TERM DEBT	**$10,544**	**$4,643**

As amended on June 12, 1998, the Company executed a $10 million revolving loan agreement (the "Loan Agreement") with a bank which permits the Company to borrow up to $2.0 million at either the bank's prime rate of interest (9.5% at December 31, 2000) or at adjusted LIBOR, as defined, plus an applicable LIBOR margin. The Loan Agreement expires on December 31, 2001. The Loan Agreement contains certain restrictive covenants including, but not limited to, maintenance of certain financial ratios and a minimum tangible net worth requirement. The Loan Agreement is secured by substantially all of the Company's assets, excluding intellectual property. Commitment fees are paid based on the unused portion of the facility. At December 31, 2000 $2 million was available to be borrowed under the line of credit.

On April 25, 2000 the Company entered into a loan agreement ("Line Agreement") which permits the Company to borrow up to $8 million under a line of credit during the expansion of the Company's corporate headquarters and manufacturing facilities. Borrowings under the line of credit bear interest equal to the Adjusted LIBOR plus 2% to be adjusted monthly (8.8% at December 31, 2000). Upon the earlier of completion of construction or June 30, 2001, the line of credit will be converted to a term loan to be paid in 60 equal monthly installments of principal plus interest computed at Adjusted LIBOR plus 1.5%. The Line Agreement contains certain restrictive covenants including, but not limited to, maintenance of certain financial ratios and a minimum tangible net worth requirement. The Line Agreement is secured by substantially all of the Company's assets. A commitment fee of $20,000 was paid when the Company entered into the Line Agreement. At December 31, 2000 $1.2 million was available to be borrowed under the line of credit.

In March 1997 the Company issued a $5.0 million convertible debenture in connection with the IFM acquisition. The debenture bears interest at 7% and is due in March 2002. The debenture is convertible into common stock of the Company at any time prior to the due date at $8.05 per common share. In conjunction with the Company's follow-on equity offering in April of 1998, $607,000 of the convertible debenture was converted into 75,000 shares of the Company's common stock on March 30, 1998.

On September 12, 1996 the Company acquired the assets of United Cryopreservation Foundation, Inc. ("UCFI"), a processor and distributor of cryopreserved human heart valves and saphenous veins for transplant. The Company issued a $1.25 million note in connection with the acquisition. The note bears interest at prime, as adjusted annually on the anniversary date of the acquisition.

Scheduled maturities of long-term debt for the next five years are as follows (in thousands):

2001	$ 934
2002	5,760
2003	1,367
2004	1,367
2005	1,367
Thereafter	683
	$11,478

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," requires the Company to disclose estimated fair values for its financial instruments. The carrying amounts of receivables and accounts payable approximate their fair values due to the short-term maturity of these instruments. The carrying value of the Company's other financial instruments approximated fair value at December 31, 2000 and 1999.

7. COMMITMENTS AND CONTINGENCIES

Leases The Company leases equipment, furniture, and office space under various leases with terms of up to 19 years. Commencing January 5, 1998 the Company leased office and manufacturing facilities under a capital lease for $24,125 per month with an interest rate at 8% per annum through January 2008 from the former majority shareholder of IFM. This lease is subject to a sublease agreement with HMP as discussed in footnote number 2. Certain leases contain escalation clauses and renewal options for additional periods. Future minimum lease payments under noncancelable leases as of December 31, 2000 are as follows (in thousands):

	Capitalized Leases	Operating Leases
2001	$ 290	$ 2,061
2002	290	1,947
2003	290	1,942
2004	290	1,896
2005	290	1,905
Thereafter	579	20,779
Total minimum lease payments	2,029	$30,530
Less amount representing interest	495	
Present value of net minimum lease payments	1,534	
Less current portion	173	
	$1,361	

Property acquired under capital leases at December 31, 2000 consists of the following (in thousands):

Buildings	$1,987
Accumulated depreciation	596
	$1,391

Total rental expense for operating leases amounted to $1,478,000, $1,457,000, and $1,321,000, for 2000, 1999, and 1998, respectively. Total rental income under the sublease with HMP was $95,000 in 2000. No rental income was received in 1999 and 1998.

Litigation, Claims, and Assessments The Company is party to various legal proceedings arising in the normal course of business, most of which involve claims for personal injury and property damage incurred in connection with its operations. Management believes that the outcome of its various legal proceedings will not have a material adverse effect on the Company's financial position or results of operations.

8. STOCK OPTION PLANS

The Company has stock option plans which provide for grants of options to employees and directors to purchase shares of the Company's common stock at exercise prices generally equal to the fair values of such stock at the dates of grant, which generally become exercisable over a five-year vesting period and expire within ten years of the grant dates. Under the 1993 Employee Incentive Stock Option Plan, the 1998 Long-Term Incentive Plan, and the amended and restated Nonemployee Director's Plan, the Company has authorized the grant of options of up to 1,050,000, 900,000, and 594,000 shares of common stock, respectively. As of December 31, 2000 and 1999, there were 994,000 and 575,000 shares of common stock reserved for future issuance under the Company's stock option plans. A summary of stock option transactions under the plans follows:

	Shares	Exercise Price	Weighted Average Exercise Price
OUTSTANDING AT DECEMBER 31, 1997	1,131,000	$ 2.00 - 12.29	$ 5.96
Granted	496,000	8.00 - 11.50	10.35
Exercised	(155,000)	2.08 - 6.83	3.20
Canceled	(232,000)	2.08 - 12.29	10.69
OUTSTANDING AT DECEMBER 31, 1998	1,240,000	2.00 - 11.50	7.17
Granted	503,000	7.92 - 11.42	9.24
Exercised	(74,000)	2.00 - 6.83	2.44
Canceled	(150,000)	6.83 - 11.42	11.30
OUTSTANDING AT DECEMBER 31, 1999	1,519,000	2.33 - 11.50	7.67
Granted	492,000	11.50 - 29.15	13.99
Exercised	(416,000)	2.33 - 9.00	3.85
Canceled	(45,000)	6.83 - 9.00	8.64
OUTSTANDING AT DECEMBER 31, 2000	1,550,000	$ 5.67 - 29.15	$10.67

The following table summarizes information concerning currently outstanding and exercisable options:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 5.67 - 8.21	393,000	2.8	$ 7.52	291,000	$ 7.46
8.23 - 11.42	506,000	3.6	9.64	275,000	10.56
11.50 - 11.63	556,000	4.9	11.56	225,000	11.50
12.92 - 29.15	95,000	6.1	24.04	—	—
$ 5.67 - 29.15	1,550,000	4.0	$10.67	791,000	$ 9.69

In September 1999, the Company granted options to a nonemployee to purchase 18,000 shares of common stock at an exercise price of $8.21 per share. In connection with the issuance of these options, the Company recognized $60,000 as deferred compensation for the estimated fair value of the options. Deferred compensation is amortized ratably over the vesting period of the options.

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations ("APB 25") in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("Statement 123"), requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required by Statement 123, which requires that the information be determined as if the Company has accounted for its employee stock options granted under the fair value method of that statement. The fair values for these options were estimated at the dates of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2000	1999	1998
Expected dividend yield	0%	0%	0%
Expected stock price volatility	.540	.540	.520
Risk-free interest rate	6.39%	5.78%	5.30%
Expected life of options	4.3 yrs	3.6 yrs	3.8 yrs

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair values of the options are amortized to expense over the options' vesting periods. The Company's pro forma information follows (in thousands, except per share data):

	2000	1999	1998
NET INCOME — as reported	$7,817	$4,451	$6,486
NET INCOME — pro forma	$6,634	$3,421	$5,705
EARNINGS PER SHARE — as reported:			
Basic	$ 0.42	$ 0.24	$ 0.36
Dilutive	$ 0.41	$ 0.24	$ 0.35
EARNINGS PER SHARE — pro forma:			
Basic	$ 0.36	$ 0.19	$ 0.32
Dilutive	$ 0.35	$ 0.18	$ 0.31

Other information concerning stock options follows:

	2000	1999	1998
Weighted average fair value of options granted during the year	$ 6.97	$ 3.75	$ 4.36
Number of shares as to which options are exercisable at end of year	791,000	923,000	757,000

9. SHAREHOLDER RIGHTS PLAN

On November 27, 1995 the Board of Directors adopted a shareholder rights plan to protect long-term share value for the Company's shareholders. Under the plan, the Board declared a distribution of one Right for each outstanding share of the Company's Common Stock to shareholders of record on December 11, 1995. Additionally, the Company has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between December 11, 1995 and the earliest of the Right's exercise date or expiration date. Each Right entitles the registered holder to purchase from the Company one-thirtieth of a share of a newly created Series A Junior Participating Preferred Stock at an exercise price of $100. The Rights, which expire on November 27, 2005, may be exercised only if certain conditions are met, such as the acquisition of 15% or more of the Company's Common Stock by a person or affiliated group ("Acquiring Person").

In the event the Rights become exercisable, each Right will enable the owner, other than the Acquiring Person, to purchase, at the Right's then current exercise price, that number of shares of Common Stock with a market value equal to twice the exercise price times the number of one-tenth of a share of Series A Junior Participating Preferred Stock for which the Right is then exercisable. In addition, unless the Acquiring Person owns more than 50% of the outstanding shares of Common Stock, the Board of Directors may elect to exchange all outstanding Rights (other than those owned by such Acquiring Person) at an exchange ratio of one share of Common Stock per Right appropriately adjusted to reflect any stock split, stock dividend or similar transaction.

10. STOCK REPURCHASE

On October 14, 1998, the Company's Board of Directors authorized the Company to purchase up to 1.5 million shares of its common stock. The purchase of shares will be made from time-to-time in open market or privately negotiated transactions on such terms as management deems appropriate. As of December 31, 2000, 1999 and 1998, the Company had purchased an aggregate of 1,159,000, 1,081,000 and 514,000 shares, respectively, of its common stock for an aggregate purchase price of $8,258,000, $7,646,000 and $3,350,000, respectively.

11. EMPLOYEE BENEFIT PLANS

The Company has a 401(k) savings plan (the "Plan") providing retirement benefits to all employees who have completed at least six months of service. The Company makes matching contributions of 50% of each participant's contribution up to 5% of each participant's salary. Total company contributions approximated $407,000, $351,000, and $241,000, for 2000, 1999, and 1998, respectively. Additionally, the Company may make discretionary contributions to the Plan that are allocated to each participant's account. No such discretionary contributions were made in 2000, 1999, or 1998.

On May 16, 1996 the Company's shareholders approved the CryoLife, Inc. Employee Stock Purchase Plan (the "ESPP"). The ESPP allows eligible employees the right to purchase common stock on a quarterly basis at the lower of 85% of the market price at the beginning or end of each three-month offering period. As of December 31, 2000 and 1999 there were 688,000 and 754,000, respectively, shares of common stock reserved under the ESPP and there had been 212,000 and 146,000, respectively, shares issued under the plan.

12. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	2000	1999	1998
Numerator for basic and diluted earnings per share — income available to common shareholders	**$7,817**	**$4,451**	**$6,486**
Denominator for basic earnings per share — weighted-average shares	**18,541**	**18,512**	**17,961**
Effect of dilutive stock options	**688**	**288**	**435**
Denominator for diluted earnings per share — adjusted weighted-average shares	**19,229**	**18,800**	**18,396**
Basic earnings per share	**$ 0.42**	**$ 0.24**	**$ 0.36**
Diluted earnings per share	**$ 0.41**	**$ 0.24**	**$ 0.35**

13. INCOME TAXES

Income tax expense consists of the following (in thousands):

CURRENT:	2000	1999	1998
Federal	$2,272	$2,912	$3,854
State	(114)	108	279
	2,158	3,020	4,133
DEFERRED	1,658	(970)	(1,948)
	$3,816	$2,050	$2,185

Such amounts differ from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax income as a result of the following (in thousands):

	2000	1999	1998
Tax expense at statutory rate	$3,955	$2,210	$2,947
Increase (reduction) in income taxes resulting from:			
Entertainment expenses	47	47	90
State income taxes, net of federal Benefit	231	163	173
Non taxable interest income	(264)	(232)	(63)
Research and development credits	(125)	(100)	(585)
State and local tax refunds	—	—	(256)
Other	(28)	(38)	(121)
	$3,816	$2,050	$2,185

The tax effects of temporary differences which give rise to deferred tax liabilities and assets at December 31 are as follows (in thousands):

LONG-TERM DEFERRED TAX (LIABILITIES) ASSETS:	2000	1999
Property	$ (756)	$ (556)
Intangible assets	538	579
Impairment of IFM long-lived assets	—	993
	(218)	1,016
CURRENT DEFERRED TAX ASSETS (LIABILITIES):		
Impairment of IFM inventory	—	634
Unrealized gain on marketable securities	524	403
Allowance for bad debts	398	201
Accrued expenses	104	98
Deferred preservation costs and inventory reserves	87	57
Other	(50)	(27)
	1,063	1,366
NET DEFERRED TAX ASSETS	$ 845	$2,382

At December 31, 2000, the Company has recorded a net deferred tax asset of $845,000. Realization of the net deferred tax asset is dependent on generating sufficient taxable income in future periods. Although realization is not ensured, management believes that it is more likely than not that the deferred tax asset will be realized.

14. EXECUTIVE INSURANCE PLAN

Pursuant to a supplemental life insurance program for certain executive officers of the Company, the Company and the executives share in the premium payments and ownership of insurance on the lives of such executives. The Company's aggregate premium contributions under this program were $53,000, $33,000, and $43,000 for 2000, 1999, and 1998, respectively.

15. EQUIPMENT ON LOAN TO IMPLANTING HOSPITALS

The Company consigns liquid nitrogen freezers with certain implanting hospitals for tissue storage. The freezers are the property of the Company. At December 31, 2000 freezers with a total cost of approximately $1.9 million and related accumulated depreciation of approximately $1.2 million were located at the implanting hospitals' premises. Depreciation is provided over the estimated useful lives of the freezers on a straight-line basis.

16. TRANSACTIONS WITH RELATED PARTIES

The Company expensed $78,000, $60,000, and $68,000 during 2000, 1999, and 1998, respectively, relating to services performed by a law firm whose sole proprietor is a member of the Company's Board of Directors and a shareholder of the Company. The Company expensed $102,000, $64,000, and $75,000 in 2000, 1999, and 1998, respectively, relating to consulting services performed by a member of the Company's Board of Directors and a shareholder of the Company. The Company expensed $150,000, $195,000, and $210,000 in 2000, 1999, and 1998, respectively, relating to consulting services performed by a shareholder of the Company.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO CRYOLIFE, INC.:

We have audited the accompanying consolidated balance sheets of CRYOLIFE, INC. (a Florida corporation) AND SUBSIDIARIES as of December 31, 2000 and 1999 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Company as of December 31, 1998 and for the year then ended were audited by other auditors whose report dated February 2, 1999 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CryoLife, Inc. and subsidiaries as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP
Atlanta, Georgia
February 7, 2001

MARKET PRICE OF COMMON STOCK

The Company's Common Stock is traded under the symbol "CRY." The following table sets forth, for the periods indicated, the intra-day high and low sale prices per share of Common Stock on the NYSE.

2000	High	Low
First quarter	16 5/12	7 1/2
Second quarter	16 1/4	10 3/8
Third quarter	23 1/8	14 7/8
Fourth quarter	35 7/8	17 5/6

1999	High	Low
First quarter	8 1/2	6 5/6
Second quarter	12 5/12	6 2/3
Third quarter	10 1/6	7 1/2
Fourth quarter	9 1/4	7 3/8

Reflects adjustment for 3-to-2 stock split effected December 27, 2000.

SELECTED FINANCIAL INFORMATION

(In thousands except percentages and per share data) December 31,

OPERATIONS	2000	1999	1998	1997	1996
Revenues	$ 77,096	$ 66,722	$ 60,691	$50,571	$36,866
Net income	7,817	4,451	6,486	4,725	3,927
Research and development as a percentage of revenues	6.8%	6.6%	7.8%	7.8%	7.6%
EARNINGS PER SHARE[1,2]					
Basic	$ 0.42	$ 0.24	$ 0.36	$ 0.33	$ 0.28
Diluted	$ 0.41	$ 0.24	$ 0.35	$ 0.32	$ 0.26
YEAR-END FINANCIAL POSITION					
Total assets	$112,009	$ 94,025	$ 98,390	$54,402	$34,973
Working capital	68,449	59,597	62,310	19,478	10,787
Long-term liabilities	11,905	6,177	8,577	17,846	2,799
Shareholders' equity	89,395	80,226	80,421	30,227	24,929
Current ratio	7:1	9:1	8:1	4:1	3:1
Shareholders' equity per diluted common share[1,2]	$ 4.65	$ 4.27	$ 4.38	$ 2.03	$ 1.68

[1]Reflects adjustment for the 3-for-2 stock split effected December 27, 2000.

[2]Reflects adjustment for the 2-for-1 stock split effected June 28, 1996.

SELECTED QUARTERLY FINANCIAL INFORMATION

(In thousands except per share data)

	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
REVENUES					
	2000	$19,623	$19,454	$19,524	$18,495
	1999	16,325	17,395	16,529	16,473
	1998	14,561	15,554	16,014	14,562
NET INCOME					
	2000	$ 1,604	$ 1,979	$ 2,308	$ 1,926
	1999	1,380	1,727	1,714	(370)
	1998	1,172	2,048	1,902	1,364
EARNINGS PER SHARE – DILUTED[1]					
	2000	$ 0.09	$ 0.10	$ 0.12	$ 0.10
	1999	0.07	0.09	0.09	(0.02)
	1998	0.08	0.10	0.10	0.07

[1]Reflects adjustment for the 3-for-2 stock split effected December 27, 2000.

BOARD OF DIRECTORS

Seated from left to right, John M. Cook, Steven G. Anderson, Virginia C. Lacy and Ronald D. McCall, Esq. Standing from left to right, Ronald C. Elkins, M.D., Alexander C. Schwartz, Jr. and Bruce J. Van Dyne, M.D.

Steven G. Anderson
Chairman, President and
Chief Executive Officer
CryoLife, Inc.
Kennesaw, Georgia

John M. Cook [1]
Chairman and
Chief Executive Officer
The Profit Recovery Group
International, Inc.
(An international, publicly-held
audit recovery firm)
Atlanta, Georgia

Ronald C. Elkins, M.D. [1, 2]
Chief, Section of Thoracic and
Cardiovascular Surgery
University of Oklahoma,
Health Sciences Center
Oklahoma City, Oklahoma

Virginia C. Lacy [1, 2]
Administrator
The Jeannette & John
Cruikshank Memorial
Foundation
(A charitable foundation)
and President,
Precision Devices Corporation
(A distributor of small medical
products to hospitals)
Naperville, Illinois

Ronald D. McCall, Esq. [2]
Attorney at Law
Tampa, Florida

Alexander C. Schwartz, Jr. [1]
Retired
Former Senior Executive
Prudential Securities
Tuxedo Park, New York

Bruce J. Van Dyne, M.D. [2]
Board Certified Neurologist
Private Practice
Minneapolis, Minnesota

[1] Audit Committee
[2] Compensation Committee

CORPORATE OFFICERS

Steven G. Anderson
Chairman, President and
Chief Executive Officer

Kirby S. Black, Ph.D.
Senior Vice President,
Research & Development

David M. Fronk
Vice President,
Clinical Research

Albert E. Heacox, Ph.D.
Senior Vice President,
Laboratory Operations

D. Ashley Lee, CPA
Vice President,
and Chief Financial Officer

Ronald D. McCall, Esq.
Secretary/Treasurer

Gerald B. Seery
Vice President, Marketing

James C. Vander Wyk, Ph.D.
Vice President,
Regulatory Affairs and Quality
Assurance

L. Roy Vogeltanz
Vice President,
Corporate Communications

SUBSIDIARIES

CryoLife Europa, Ltd.
United Kingdom
Robert N. Hanley, Ph.D.
President

AuraZyme Pharmaceuticals, Inc.
Marietta, Georgia

DOMESTIC CARDIOVASCULAR MEDICAL ADVISORS

David R. Clarke, M.D., F.A.C.S.
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University of Colorado, Health Sciences Center
Chairman, Cardiothoracic Surgery
Surgeon-in-Chief
The Children's Hospital
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Keck School of Medicine
University of Southern California
Los Angeles, California

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San Francisco, California

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Associate Professor, Orthopaedic Surgery
University of Kentucky Medical Center
Lexington, Kentucky

Tom R. Carter, M.D.
Head of Orthopaedic Surgery
Arizona State University
Tempe, Arizona

MEDICAL DIRECTOR, CRYOLIFE, INC.

J. Robin de Andrade, M.D.
Professor of Orthopaedic Surgery
Emory University Hospital
Atlanta, Georgia

GLOSSARY

ACUTE AORTIC DISSECTION A life-threatening condition in which a tear occurs in the aorta allowing blood to flow within the aortic wall.

ALLOGRAFT A graft of tissue taken from a donor of the same species as the recipient.

ANTERIOR CRUCIATE LIGAMENT (ACL) A ligament that stabilizes the knee.

ANTICOAGULANT DRUG Drug treatment to prevent blood from clotting.

AORTIC VALVE The valve between the left ventricle and the ascending aorta of the heart.

AORTOILIAC Descending abdominal aorta, including iliac bifurcation.

ARTERIOVENOUS Relating to both arteries and veins in general.

BIOADHESIVES Glue or sealant composed of human or animal blood factors.

CALCIFICATION Deposits of calcium material within the tissues of the body.

CARTILAGE Elastic connective tissues covering the joint surfaces of bones comprised of cells, collagen, and other proteins.

COLLAGEN Group of proteins which form fibers and comprise the structural support for numerous tissues of the body.

CONNECTIVE TISSUE Strong, fiber-like tissue that connects bones to bones (ligaments) and muscles to bones (tendons).

CORONARY ARTERY Vessels which perfuse and oxygenate the heart muscle.

CRYOPRESERVATION Preservation of tissue by use of special freezing techniques.

ENDOCARDITIS Infection of the heart.

FEMORAL VEIN The vein which accompanies the main artery in the thigh.

IMMUNOSUPPRESSIVE DRUGS Drugs used to reduce the body's natural reaction to foreign tissue/organs.

IN VITRO In an artificial environment.

IN VIVO In the living body.

MENISCUS A crescent-shaped, fibrous cartilage "pad" positioned within the knee between the surface of the femur and tibia.

OSTEOARTHRITIS Degenerative disease that affects the protective lining of the bones in a joint.

PATELLAR TENDON A tendon that extends from the patella (kneecap) to the tibia (shin bone).

PERIPHERAL VASCULAR Refers to the blood vessels, or circulatory system, of the limbs.

PORCINE Of or related to pigs.

PULMONARY Referring to the lungs and airways.

SAPHENOUS VEIN A vein that runs the full length of the leg.

SEMI T/GRACILIS Tendons connecting the bones and muscles of the upper leg.

STENTLESS HEART VALVE Heart valve that does not contain a sewing ring to support the valve opening.

SYNERGRAFT Proprietary technology for depopulating animal tissue of its viable cells.

THROMBOEMBOLIC Pertaining to the obstruction of a blood vessel by a mass of clotted blood.

TIBIALIS TENDON Tendon connecting the bones and muscles of the lower leg.

TISSUE ENGINEERING The manipulation of biological tissue to produce a therapeutic use or graft.

XENOGRAFT A tissue graft from a non-human species into a human.

STOCK INFORMATION

FORM 10-K

The CryoLife, Inc. Annual Report, as filed with the Securities and Exchange Commission on Form 10-K, without exhibits is available at no charge. Please send requests to:

Ms. Suzanne K. Gabbert
Assistant Corporate Secretary
CryoLife, Inc.
1655 Roberts Boulevard, NW
Kennesaw, GA 30144

STOCK LISTING

CryoLife, Inc. Common Stock is traded on the New York Stock Exchange under the Symbol CRY.

STOCK OWNERSHIP

As of February 27, 2001, the Company had 357 shareholders of record and approximately 8,133 beneficial owners, including shares held in brokerage accounts.

CASH DIVIDENDS

CryoLife, Inc. has not paid any cash dividends on its Common Stock and has no present plans to pay cash dividends in the future. The Company's bank loans contain, and future credit agreements may contain, financial covenants, including covenants to maintain certain levels of net worth and certain leverage ratios, which could have the effect of restricting the amount of dividends that the Company may pay.

TRANSFER AGENT

Communications regarding change of address, transfer of stock ownership or lost stock certificates should be directed to:

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10007
800-937-5449

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Atlanta, GA 30309-3450

INDEPENDENT AUDITORS

Arthur Andersen LLP
133 Peachtree Street, NE, Suite 2500
Atlanta, GA 30303-1816

QUALITY POLICY

To ensure through a comprehensive and effective Quality System the Achievement of Excellence by and continued commitment to, and focus of our objectives on:

- Reputation of absolute trust, built on a history of reliability, dedication and integrity;
- Scientific research through advanced technologies;
- Human welfare through improved quality of life and restored health;
- High quality standards through strict levels of quality control; and
- Total customer satisfaction both by medical providers and patients, from design to end use.

CryoLife®, Inc.

Biotechnologies for MedicineSM

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