# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 8-K

## CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): February 14, 2013**

# CRYOLIFE, INC.

**(Exact name of registrant as specified in its charter)**

| **Florida** | **1-13165** | **59-2417093** |
|---|---|---|
| **(State or Other Jurisdiction of Incorporation)** | **(Commission File Number)** | **(IRS Employer Identification No.)** |

**1655 Roberts Boulevard, N.W., Kennesaw, Georgia 30144**
**(Address of principal executive office) (zip code)**

**Registrant's telephone number, including area code: (770) 419-3355**

**(Former name or former address, if changed since last report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Section 2 Financial Information**

**Item 2.02 Results of Operations and Financial Condition.**

On February 14, 2013, CryoLife, Inc. ("CryoLife" or the "Company") issued a press release announcing its financial results for the quarter and year ended December 31, 2012. CryoLife hereby incorporates by reference herein the information set forth in its press release dated February 14, 2013, a copy of which is attached hereto as Exhibit 99.1. Except as otherwise provided in the press release, the press release speaks only as of the date of such press release and it shall not create any implication that the affairs of CryoLife have continued unchanged since such date.

The press release includes earnings per share guidance that excludes expenses related to business development. The Company has excluded expenses related to business development from its earnings per share guidance because the Company maintains an active business development program that is subject to changes and is currently unable to predict the level of activity during the remainder of fiscal 2013 if any.

The information provided pursuant to this Item 2.02 is to be considered "furnished" pursuant to Item 2.02 of Form 8-K and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended, nor shall it be deemed incorporated by reference into any of CryoLife's reports or filings with the Securities and Exchange Commission, whether made before or after the date hereof, except as expressly set forth by specific reference in such report or filing.

Except for the historical information contained in this report, the statements made by CryoLife are forward-looking statements that involve risks and uncertainties. All such statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. CryoLife's future financial performance could differ significantly from the expectations of management and from results expressed or implied in the press release. Please refer to the last paragraph of the text portion of the press release for further discussion about forward-looking statements. For further information on risk factors, please refer to "Risk Factors" contained in CryoLife's Form 10-K filed on February 17, 2012 for the year ended December 31, 2011 and its subsequent filings with the Securities and Exchange Commission, including CryoLife's Form 10-K to be filed for the year ended December 31, 2012, as well as in the press release attached as Exhibit 99.1 hereto. CryoLife disclaims any obligation or duty to update or modify these forward-looking statements.

**Section 9 Financial Statements and Exhibits.**

**Item 9.01(d) Exhibits.**

(a) Financial Statements.

Not applicable.

(b) Pro Forma Financial Information.

Not applicable.

(c) Shell Company Transactions.

Not applicable.

(d) Exhibits.

| Exhibit Number | Description |
| --- | --- |
| 99.1* | Press release dated February 14, 2013 |

* This exhibit is furnished, not filed.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, CryoLife, Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CRYOLIFE, INC.

Date: February 14, 2013

By: /s/ D.A. Lee
Name: D. Ashley Lee
Title: Executive Vice President, Chief Operating Officer and Chief Financial Officer

**Exhibit 99.1**

CryoLife®
Life Restoring Technologies®

NEWS RELEASE

*FOR IMMEDIATE RELEASE*

**Contacts:**

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

**The Ruth Group**
Nick Laudico / Zack Kubow
646-536-7030 / 7020
nlaudico@theruthgroup.com
zkubow@theruthgroup.com

**CryoLife 2012 Annual Revenues Grew to a Record $131.7 Million**

***Provides 2013 Financial Guidance***

**Full Year Highlights:**

- **Total revenues grew 10% year-over-year to a record $131.7 million**
- **Product revenues grew 14% year-over-year to $67.5 million**
- **Tissue processing revenues grew 6% year-over-year to $63.6 million**
- **Generated $19.0 million in cash flow from operations**

**Fourth Quarter Highlights:**

- **Total revenues grew 8% year-over-year to a record $32.8 million**
- **Product revenues grew 13% year-over-year to $17.5 million**
- **Tissue processing revenues grew 3% year-over-year to $15.2 million**
- **Generated $8.0 million in cash flow from operations**

**ATLANTA, GA – (February 14, 2013) – CryoLife, Inc. (NYSE: CRY)**, a leading tissue processing and medical device company focused on cardiac and vascular surgery, announced today its results for the fourth quarter and full year of 2012. Revenues for the fourth quarter of 2012 increased 8 percent to a record $32.8 million compared to $30.4 million for the fourth quarter of 2011. Revenues for the full year of 2012 increased 10 percent to a record $131.7 million compared to $119.6 million for the full year of 2011.

Steven G. Anderson, president and chief executive officer, said, "In 2012 we continued to execute on our strategy to complement our established tissue processing business with an expanded offering of higher growth and margin medical device products. During the year we acquired the HeRO Graft, a proprietary graft-based solution for certain patients with end-stage renal disease that fit this product profile. We also enhanced our financial position by settling all significant outstanding litigation. As a result, we generated 10 percent revenue growth for the year while also generating strong cash flow and profitability.

"Looking forward, we are well positioned to further leverage our focused sales and marketing team to drive growth of our portfolio of medical device products. This growth will be balanced with ongoing investments in our product pipeline, including the U.S. clinical trial for PerClot, which we expect to initiate in the first half of the year."

Net income for the fourth quarter of 2012 was $2.1 million, or $0.08 per basic and $0.07 per fully diluted common share, compared to net income of $1.9 million, or $0.07 per basic and fully diluted common share, for the fourth quarter of 2011. Net income for the fourth quarter of 2012 included $790,000 in business development and integration charges primarily related to the acquisition of Hemosphere and $171,000 in litigation expenses. Additionally, the effective income tax rate benefited from the adjustment of valuation allowances on state net operating losses. Excluding these charges, and using a 34 percent effective tax rate, proforma non-GAAP earnings per share would have been $0.08 in the fourth quarter of 2012. Net income for the fourth quarter of 2011 included $144,000 in business development and integration charges and $843,000 in litigation expenses. Excluding these charges and using a 34 percent effective tax rate, proforma non-GAAP earnings per share would have been $0.09 in the fourth quarter of 2011.

Net income for the full year of 2012 was $7.9 million, or $0.29 per basic and $0.28 per fully diluted common share, compared to net income of $7.4 million, or $0.26 per basic and fully diluted common share, for the full year of 2011. Net income for the full year of 2012 included a pretax benefit of $4.7 million related to the settlement of the litigation with Medafor, pretax charges of $4.1 million related to the settlement of the litigation with CardioFocus, $3.9 million in litigation expenses offset by $3.4 million in reimbursement of certain litigation expenses from insurance carriers, and $2.7 million in business development and integration charges primarily related to the acquisition of Hemosphere. Additionally, the effective income tax rate benefitted from the adjustment of valuation allowances on state net operating losses. Excluding these charges and benefits, and using a 34 percent effective tax rate, proforma non-GAAP earnings per share would have been $0.34 in the full year of 2012. Net income for the full year of 2011 included $4.2 million in costs related to business development and integration, and $1.9 million for litigation expenses net of insurance reimbursements. Excluding these charges and using a 34 percent effective tax rate, proforma non-GAAP earnings per share would have been $0.41 in the full year of 2011.

Product segment revenues were $17.5 million for the fourth quarter of 2012, up 13 percent from $15.5 million in the fourth quarter of 2011. Product segment revenues were $67.5 million for the full year of 2012, up 14 percent from $59.4 million in the full year of 2011.

Surgical sealant and hemostat revenues, which consisted primarily of sales of BioGlue® and PerClot® in 2012, were $14.4 million for the fourth quarter of 2012 compared to $13.0 million for the fourth quarter of 2011, an increase of 10 percent. The increase in surgical sealant and hemostat revenues was primarily due to an increase in BioGlue shipments into international markets, primarily Europe, and an increase in PerClot revenues.

Surgical sealant and hemostat revenues were $56.3 million for the full year of 2012 compared to $53.7 million for the full year of 2011, an increase of 5 percent. The increase in surgical sealant and hemostat revenues was primarily due to an increase in BioGlue shipments into international markets, and an increase in PerClot revenues, partially offset by the lack of HemoStase revenues in the full year of 2012. The Company discontinued U.S. and international sales of HemoStase at the end of the first quarter of 2011.

Revascularization technologies revenues were $2.0 million for the fourth quarter of 2012 compared to $2.4 million for the fourth quarter of 2011. The decrease in revascularization technologies revenues was due to a decrease in laser console revenues partially offset by a 6 percent increase in handpiece and accessory revenues. Revascularization technologies revenues were $8.1 million for the full year of 2012 compared to $5.7 million in the full year of 2011. The increase in revascularization technologies year-over-year is a result of the Company's acquisition of Cardiogenesis in May 2011.

HeRO® Graft revenues were $1.1 million for the fourth quarter of 2012 and $3.1 million for the full year of 2012 as a result of the Company's acquisition of Hemosphere in May 2012.

Preservation services revenues were $15.2 million for the fourth quarter of 2012 compared to $14.8 million for the fourth quarter of 2011, an increase of 3 percent. Cardiac preservation services revenues increased 7 percent for the fourth quarter of 2012 primarily due to an increase in shipments of cardiac tissues, while vascular preservation service revenues in the fourth quarter of 2012 were flat compared to the fourth quarter of 2011.

Preservation services revenues were $63.6 million for the full year of 2012 compared to $59.8 million in the full year of 2011, an increase of 6 percent. Cardiac preservation services revenues increased 12 percent for the full year of 2012 primarily due to an increase in shipments of cardiac tissues. Vascular preservation service revenues increased 2 percent for the full year of 2012 due to an increase in shipments of vascular tissues.

Total gross margins were 64 percent in each of the fourth quarters of 2012 and 2011. Preservation services gross margins were 43 percent and 42 percent in the fourth quarters of 2012 and 2011, respectively. Product gross margins were 82 percent and 85 percent for the fourth quarters of 2012 and 2011, respectively.

Total gross margins increased to 64 percent in the full year of 2012, up from 63 percent in the full year of 2011, driven by higher gross margins from the Company's existing tissues business, and an increase in the mix of higher margin products partially resulting from the acquisition of the Cardiogenesis and Hemosphere product lines. Preservation services gross margins were 44 percent and 43 percent for the full year of 2012 and 2011, respectively. Product gross margins were 83 percent and 84 percent for the full year of 2012 and 2011, respectively.

General, administrative, and marketing expenses for the fourth quarter of 2012 were $16.8 million compared to $14.6 million for the fourth quarter of 2011. General, administrative, and marketing expenses for the fourth quarter of 2012 increased compared to 2011 primarily due to an increase in marketing expenses, including costs of the Company's expanded sales staff and increases in spending on advertising, partially offset by a decrease in litigation expense. General, administrative, and marketing expenses for the fourth quarter of 2012 and 2011 included approximately $790,000 and $144,000, respectively, in business development and integration expenses.

General, administrative, and marketing expenses for the full year of 2012 were $65.1 million compared to $57.3 million for the full year of 2011. General, administrative, and marketing expenses for the full year of 2012 increased compared to 2011 due to the cumulative effect of the following: the settlement of the litigation with CardioFocus, an increase in marketing expenses, including costs of the Company's expanded sales staff, increases in spending on advertising, and an increase in litigation expenses, partially offset by a benefit from the settlement of the litigation with Medafor and the reimbursement of certain litigation expenses from insurance carriers. General, administrative, and marketing expenses for the full year of 2012 and 2011 included approximately $2.7 million and $4.2 million, respectively, in business development and integration expenses.

Research and development expenses were $2.1 million and $1.8 million for the fourth quarters of 2012 and 2011, respectively. Research and development expenses were $7.3 million and $6.9 million for the full year of 2012 and 2011, respectively. Research and development spending in the fourth quarter and full year of 2012 was focused on PerClot, HeRO Graft, revascularization technologies, SynerGraft® tissues and products, and BioFoam.

During the full year of 2012, the Company purchased 639,000 shares of the Company's common stock at an average price of $5.15, resulting in aggregate purchases of $3.3 million.

As of December 31, 2012, the Company had $18.3 million in cash, cash equivalents, and restricted cash and securities, compared to $27.0 million at December 31, 2011. Of this $18.3 million in cash, cash equivalents, and restricted cash and securities, $5.0 million was designated as restricted cash and securities primarily due to a financial covenant requirement under the Company's credit agreement. The Company's net cash flows provided by operations were $8.0 million for the fourth quarter of 2012 compared to $3.0 million for the fourth quarter of 2011, and $19.0 million for the full year of 2012 compared to $16.8 million for the full year of 2011.

**2013 Financial Guidance**

The Company expects total revenues for the full year of 2013 to be between $139.0 million and $143.0 million. This represents annual total revenue growth of 6 percent to 9 percent. The Company expects tissue processing revenues to grow in the low to mid-single digits full year of 2013 compared to 2012. Revenues from the Company's higher margin product segment are expected to grow between 9 percent and 13 percent for the full year of 2013. This includes expectations for BioGlue and BioFoam revenues to increase in the mid-single digits on a percentage basis in 2013 compared to 2012, and PerClot revenues to be between $3.5 million and $4.0 million, which represents growth of 13 percent to 29 percent compared to 2012. The Company expects revenues from the HeRO Graft to increase to between $6.0 and $7.0 million, which represents growth of 20 percent to 40 percent compared to the annualized fourth quarter 2012 run rate. The Company expects revenues from revascularization technologies to be between $8.5 million and $9.0 million in 2013, which represents growth of 5 percent to 11 percent.

Research and development expenses are expected to be between $11.0 million and $12.0 million in 2013, a 52 percent to 65 percent increase, primarily as a result of the Company's investments in its U.S. clinical trials for PerClot.

The Company expects earnings per share of between $0.25 and $0.28 in 2013, which includes the increased research and development expenses described above and the anticipated impact of the U.S. medical device excise tax implemented in 2013 as part of the Affordable Care Act. The Company's earnings per share guidance excludes expenses related to business development and potential share repurchases, which cannot currently be estimated.

The Company expects the effective income tax rate for 2013 to be in the mid thirty percent range.

The Company's financial guidance for the full year of fiscal 2013 is subject to the risks described below in the last paragraph of this press release, prior to the financial tables.

**Webcast and Conference Call Information**

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

To listen to the live teleconference, please dial 201-689-8261 a few minutes prior to 10:00 a.m. A replay of the teleconference will be available February 14 through February 21 and can be accessed by calling (toll free) 877-660-6853 or 201-612-7415. The conference number for the replay is 408394.

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

**About CryoLife**

Founded in 1984, CryoLife, Inc. is a leader in the processing and distribution of implantable living human tissues for use in cardiac and vascular surgeries throughout the U.S., certain countries in Europe, and Canada. CryoLife's CryoValve® SG pulmonary heart valve, processed using CryoLife's proprietary SynerGraft® technology, has FDA 510(k) clearance for the replacement of diseased, damaged, malformed, or malfunctioning native or prosthetic pulmonary valves. CryoLife's CryoPatch® SG pulmonary cardiac patch has FDA 510(k) clearance for the repair or reconstruction of congenital heart defects. CryoLife's BioGlue® Surgical Adhesive is FDA approved as an adjunct to sutures and staples for use in adult patients in open surgical repair of large vessels. BioGlue is also CE marked in the European Community for use in soft tissue repair and approved in Japan for use in the repair of aortic dissections. Additional marketing approvals for BioGlue have been granted in several other countries throughout the world. CryoLife, through its subsidiary Cardiogenesis Corporation, specializes in the treatment of coronary artery disease for severe angina using a laser console system and single use, fiber-optic handpieces to perform a surgical procedure known as Transmyocardial Revascularization (TMR). In addition, CryoLife and its subsidiary Hemosphere, Inc. market the HeRO® Graft, which is a solution for end-stage renal disease in certain hemodialysis patients. CryoLife distributes PerClot®, an absorbable powder hemostat, in the European Community and other select international countries. CryoLife's BioFoam® Surgical Matrix is CE marked in the European Community for use as an adjunct to hemostasis in cardiovascular surgery and on abdominal parenchymal tissues (liver and spleen) when control of bleeding by ligature or conventional methods is ineffective or impractical.

*Statements made in this press release and during the accompanying earnings webcast that look forward in time or that express management's beliefs, expectations, or hopes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect the views of management at the time such statements are made and are subject to a number of risks, uncertainties, estimates, and assumptions that may cause actual results to differ materially from current expectations. These statements include those regarding leveraging our focused sales and marketing team to drive growth in our*

*portfolio of medical device products, ongoing investments in our product pipeline, including expectations to initiate the U.S. clinical trial for PerClot in the first half of the year, expectations regarding FDA approval for PerClot and the related clinical study, beliefs regarding the worldwide market for powdered hemostats and the U.S. market potential for hemostats, expectations regarding the gross margins for PerClot manufactured at CryoLife, estimates regarding the total U.S. annual market and U.S. and European market opportunity for HeRO Graft, expectations regarding clinical studies and regulatory approvals for HeRO Graft, and beliefs regarding the market for the aortic valve business in the U.S. and the European Union. These statements also include our anticipated performance and expected effective income tax rate for 2013. The risks and uncertainties impacting these statements include that market opportunities and potential growth related to any of our products, including PerClot, HeRO Graft and business related to our Hemosphere acquisition, and business related to our investment in ValveXchange, are subject to factors beyond our control, including general economic conditions, physician and patient acceptance of our products, our potential inability to maintain reimbursement approvals and maintain and expand reimbursement rates, and regulatory approval. Competing products may be introduced into the market that may materially impact sales growth for our products. Gross margins for any of our products, including PerClot manufactured at CryoLife, are impacted by various factors, including cost of supplies and materials and the volume of the product that we are able to sell. We may be unsuccessful in our efforts to leverage our existing sales force and cross-sell our products, and integration efforts may be more costly and take longer than currently anticipated. Our anticipated performance and expected effective income tax rate for the full year of fiscal 2013 is subject to the general risks associated with our business, which, in addition to those discussed above, include that we are significantly dependent on our revenues from BioGlue and are subject to a variety of risks affecting this product, including the risk that BioGlue may be the subject of adverse developments with regard to its safety, efficacy, or reimbursement practices, our BioGlue patent has expired in the U.S., and will expire in the rest of the world in mid-2013, and competitors have obtained FDA approval for indications in which BioGlue has been used off-label and for which we cannot market BioGlue, our tissues and products are subject to many significant risks, and we have received a warning letter from the FDA relating to our processing, preservation, and distribution of human tissue and the manufacture of medical devices and our failure to adequately address the concerns raised by the FDA in the warning letter could result in additional action being taken by the FDA, including without limitation, a recall, injunction or legal action, which could adversely impact our revenues, profits and liquidity, our investment in our distribution and license and manufacturing agreements with Starch Medical, Inc. is subject to significant risks, and our ability to fully realize our investment is dependent on our ability to sell PerClot in the U.S., if we sell PerClot in the U.S., we will likely be sued for patent infringement, which will be expensive, and if we lose, we may be prohibited from selling PerClot or may have to pay substantial royalties or damages when we sell PerClot, after receiving the FDA's response to our application, we filed a revised IDE application for PerClot and we received questions from the FDA related to this filing, we are working to address the questions, but there is no guarantee that we can obtain FDA approval when anticipated, if at all, we have inherited certain risks and uncertainties related to Cardiogenesis' and Hemosphere's businesses, including that may be unable to maintain revenues and achieve growth in revenues from either party's technologies in the future due to our dependence upon physician awareness of each technology as a safe, efficacious, and appropriate treatment for their patients, will continue to purchase product components for each acquisition from single suppliers, and the loss of these suppliers could prevent or delay shipments of our products, delay the timing of our planned clinical trials, or otherwise adversely affect our business, if Cardiogenesis' independent contract manufacturers, which manufacture at locations that are at risk from earthquakes or other natural disasters, fail to timely deliver sufficient quantities of some of Cardiogenesis' products and components, our Cardiogenesis operations may be harmed, Cardiogenesis and Hemosphere may have liability for actions that occurred prior to our acquisition, which could adversely affect us, and either company's internal controls over financial reporting may not have been effective prior to the merger, which could impact the value of our investment in either company and potentially lead to lawsuits from former shareholders of those companies, which could have a significant, adverse effect on us, the receipt of impaired materials or supplies that do not meet our standards, the recall of materials or supplies by our vendors or suppliers, or our ability to obtain materials and supplies could have a material, adverse impact on our business, if ValveXchange is unable to adequately fund its business or develop its products, our investment in ValveXchange may be further impaired, or our loan to ValveXchange may become uncollectible, which*

*could have a material, adverse impact on our business, we continue to evaluate expansion through acquisitions, licenses, investments, and other distribution arrangements in other companies or technologies, which contain significant risks, our sales are impacted by challenging domestic and international economic conditions and their constraining effect on hospital budgets, and demand for our tissues and products, could decrease in the future, which could have a material, adverse impact on our business, healthcare policy changes, including recent federal legislation to reform the U.S. healthcare system, may have a material, adverse impact on our business, key growth strategies may not generate the anticipated benefits, we may not be successful in obtaining necessary clinical results and regulatory approvals for services and products in development, and our new services and products may not achieve market acceptance, uncertainties related to patents and protection of proprietary technology may adversely impact the value of our intellectual property or may result in our payment of significant monetary damages and/or royalty payments, negatively impacting our ability to sell current or future products, or prohibit us from enforcing our patent and other proprietary technology rights against others, our investment in Medafor has been impaired, and our investment could be further impaired by risks associated with Medafor's business, including the risk to Medafor if PerClot is not found to infringe the Medafor patent, or by Medafor's actions, which could have a material, adverse impact on our financial condition and profitability, intense competition may impact our ability to operate profitably, if we are not successful in expanding our business activities in international markets, it could have a material, adverse impact on our revenues, financial condition, profitability and cash flows, we are dependent on the availability of sufficient quantities of tissue from human donors, consolidation in the healthcare industry could continue to result in demands for price concessions, limits on the use of our tissues and products, and limitations on our ability to sell certain of our significant market segments, the success of many of our tissues and products depends upon strong relationships with physicians, our existing insurance policies may not be sufficient, and we may be unable to obtain insurance in the future, our credit facility, which expires in October 2014, limits our ability to pursue significant acquisitions and also may limit our ability to borrow, continued fluctuation of foreign currencies relative to the U.S. dollar could materially, adversely impact our business, rapid technological change could cause our services and products to become obsolete, and we are dependent on key personnel. Our expectations regarding earnings per share for 2013 include anticipated 2013 expenses for research and development and the anticipated impact of the U.S. medical device tax. In the event that research and development expenses are higher and/or the impact of the medical device tax is greater than expected, our actual 2013 earnings per share would be lower than projected. These risks and uncertainties include the risk factors detailed in our Securities and Exchange Commission filings, including our Form 10-K to be filed for the year ended December 31, 2011, and our subsequent filings with the SEC, including our Form 10-K to be filed on or around February 15, 2013 for the year ended December 31, 2012. CryoLife does not undertake to update its forward-looking statements.*

For additional information about CryoLife, visit CryoLife's website, www.cryolife.com.

**CRYOLIFE, INC. AND SUBSIDIARIES**
**Financial Highlights**
**(In thousands, except per share data)**

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (Unaudited) | | (Audited) | |
| **Revenues:** | | | | |
| Preservation services | $15,232 | $14,775 | $ 63,603 | $ 59,793 |
| Products | 17,453 | 15,455 | 67,496 | 59,387 |
| Other | 115 | 167 | 619 | 446 |
| **Total revenues** | **32,800** | **30,397** | **131,718** | **119,626** |
| **Cost of preservation services and products:** | | | | |
| Preservation services | 8,675 | 8,631 | 35,320 | 34,340 |
| Products | 3,080 | 2,391 | 11,380 | 9,442 |
| **Total cost of preservation services and products** | **11,755** | **11,022** | **46,700** | **43,782** |
| **Gross margin** | **21,045** | **19,375** | **85,018** | **75,844** |
| **Operating expenses:** | | | | |
| General, administrative, and marketing | 16,775 | 14,626 | 65,149 | 57,302 |
| Research and development | 2,065 | 1,800 | 7,257 | 6,899 |
| **Total operating expenses** | **18,840** | **16,426** | **72,406** | **64,201** |
| **Operating income** | **2,205** | **2,949** | **12,612** | **11,643** |
| Interest expense | 20 | 26 | 179 | 142 |
| Interest income | (2) | (1) | (6) | (14) |
| Other than temporary investment impairment | — | — | 340 | — |
| Other (income) expense, net | (55) | 61 | 47 | 49 |
| **Income before income taxes** | **2,242** | **2,863** | **12,052** | **11,466** |
| Income tax expense | 159 | 997 | 4,106 | 4,095 |
| **Net income** | **$ 2,083** | **$ 1,866** | **$ 7,946** | **$ 7,371** |
| **Income per common share:** | | | | |
| **Basic** | **$ 0.08** | **$ 0.07** | **$ 0.29** | **$ 0.26** |
| **Diluted** | **$ 0.07** | **$ 0.07** | **$ 0.28** | **$ 0.26** |
| **Dividends declared per share** | **$ 0.025** | **$ —** | **$ 0.050** | **$ —** |
| **Weighted-average common shares outstanding:** | | | | |
| Basic | 26,820 | 27,469 | 26,967 | 27,441 |
| Diluted | 27,357 | 27,745 | 27,411 | 27,759 |

**CRYOLIFE, INC. AND SUBSIDIARIES**
**Financial Highlights**
**(In thousands)**

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (Unaudited) | | (Audited) | |
| **Preservation Services:** | | | | |
| Cardiac tissue | $ 7,094 | $ 6,629 | $ 29,756 | $ 26,618 |
| Vascular tissue | 8,138 | 8,146 | 33,847 | 33,175 |
| **Total preservation services** | **15,232** | **14,775** | **63,603** | **59,793** |
| **Products:** | | | | |
| BioGlue and BioFoam | 13,353 | 12,519 | 53,211 | 49,455 |
| PerClot | 1,009 | 917 | 3,078 | 2,528 |
| HemoStase | — | (96) | — | 1,699 |
| Revascularization technologies | 1,985 | 2,415 | 8,092 | 5,705 |
| HeRO Graft | 1,106 | — | 3,115 | — |
| **Total products** | **17,453** | **15,455** | **67,496** | **59,387** |
| Other | 115 | 167 | 619 | 446 |
| **Total revenues** | **$32,800** | **$30,397** | **$131,718** | **$119,626** |
| **Revenues:** | | | | |
| U.S. | $25,771 | $24,475 | $103,804 | $ 95,975 |
| International | 7,029 | 5,922 | 27,914 | 23,651 |
| **Total revenues** | **$32,800** | **$30,397** | **$131,718** | **$119,626** |

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| | (Audited) | (Audited) |
| Cash, cash equivalents, and restricted cash and securities | $ 18,332 | $ 27,017 |
| Total current assets | 77,503 | 83,870 |
| Total assets | 157,156 | 147,864 |
| Total current liabilities | 21,430 | 21,457 |
| Total liabilities | 29,044 | 26,326 |
| Shareholders' equity | 128,112 | 121,538 |

**CRYOLIFE, INC. AND SUBSIDIARIES**
**Unaudited Reconciliation of**
**Non-GAAP Adjusted Net Income and Adjusted Income per Common Share – Diluted**
**(In thousands, except per share data)**

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| ***GAAP:*** | | | | |
| **Income before income taxes** | **$ 2,242** | **$ 2,863** | **$12,052** | **$11,466** |
| Income tax expense | 159 | 997 | 4,106 | 4,095 |
| **Net income** | **$ 2,083** | **$ 1,866** | **$ 7,946** | **$ 7,371** |
| **Diluted income per common share:** | **$ 0.07** | **$ 0.07** | **$ 0.28** | **$ 0.26** |
| Diluted weighted-average common shares outstanding: | 27,357 | 27,745 | 27,411 | 27,759 |
| ***Reconciliation excluding items:*** | | | | |
| **Income before income taxes, GAAP** | **$ 2,242** | **$ 2,863** | **$12,052** | **$11,466** |
| Excluding: | | | | |
| Benefit related to settlement of the litigation with Medafor | — | — | (4,672) | — |
| Charge related to settlement of the litigation with CardioFocus | — | — | 4,050 | — |
| Litigation expenses | 171 | 1,398 | 3,896 | 3,191 |
| Reimbursement of certain litigation expenses from insurance carriers | — | (555) | (3,396) | (1,312) |
| Charges for business development and integration | 790 | 144 | 2,689 | 4,210 |
| **Adjusted income before income taxes, non-GAAP** | **3,203** | **3,850** | **14,619** | **17,555** |
| Income tax expense calculated at 2012 effective tax rate of 34% for the three and twelve months | 1,089 | 1,309 | 4,970 | 5,969 |
| **Adjusted net income, non-GAAP** | **$ 2,114** | **$ 2,541** | **$ 9,649** | **$11,586** |
| Adjusted net income, non-GAAP allocated to participating securities – diluted | 48 | 53 | 216 | 232 |
| **Adjusted net income, non-GAAP applicable to common shareholders – diluted** | **$ 2,066** | **$ 2,488** | **$ 9,433** | **$11,354** |
| **Diluted adjusted income per common share, non-GAAP:** | **$ 0.08** | **$ 0.09** | **$ 0.34** | **$ 0.41** |
| Diluted-weighted average common shares outstanding: | 27,357 | 27,745 | 27,411 | 27,759 |

Investors should consider this non-GAAP information in addition to, and not as a substitute for, financial measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial information may not be the same as similar measures presented by other companies. Non-GAAP adjusted net income and adjusted income per common share exclude litigation expenses and benefits, insurance reimbursements for litigation, and expenses for business development activities, including the Company's transaction and integration costs primarily associated with the acquisitions of Hemosphere and Cardiogenesis. The Company believes that this non-GAAP presentation provides useful information to investors regarding the operating expense structure of the Company's existing and recently acquired operations without regard to recently settled litigation, its ongoing efforts to acquire additional complementary products and businesses, and the transaction costs incurred in connection with recently acquired businesses. The Company does, however, expect to incur similar types of business development expenses and may incur significant litigation expenses in the future, and this non-GAAP financial information should not be viewed as a promise or indication that these types of expenses will not recur.