
**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): **May 3, 2006**

CRYOLIFE, INC.

(Exact name of registrant as specified in its charter)

Florida
(State or Other Jurisdiction
of Incorporation)

1-13165
(Commission File Number
Identification No.)

59-2417093
(IRS Employer)

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**

N/A
(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))
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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The information provided pursuant to this Item 2.02 is to be considered “filed” under the Securities and Exchange Act of 1934 (“Exchange Act”) and incorporated by reference into those filings of CryoLife, Inc. (“CryoLife”) that provide for the incorporation of all reports and documents filed by CryoLife under the Exchange Act.

On May 3, 2006, CryoLife issued a press release announcing its financial results for the quarter ended March 31, 2006. CryoLife hereby incorporates by reference herein the information set forth in the press release dated May 3, 2006, 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 its date and shall not create any implication that the affairs of CryoLife have continued unchanged since that date.

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 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 for the year ended December 31, 2005, as filed with the Securities and Exchange Commission (“SEC”) and any subsequent SEC filings. CryoLife disclaims any obligation or duty to update or modify these forward-looking statements.

Included in Exhibit 99.1, as attached, is the following non-GAAP financial measure:

- o Adjusted net loss excluding a \$244,000 charge related to stock based compensation, and a \$248,000 income tax charge for the adjustment of the income tax valuation related to foreign deferred tax liabilities.(1)
- (1) Adjusted net loss excluding a charge for stock based compensation and a charge for the adjustment of the income tax valuation related to foreign deferred tax liabilities is presented and deemed useful by management because the adjusted 2006 results are more comparable to 2005 results. The Company’s 2005 numbers do not include comparable charges.

ITEM 9.01 FINANCIAL STATEMENTS AND 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 May 3, 2006 |

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.

Dated: May 3, 2006

CryoLife, Inc.

By: /s/ D. Ashley Lee
Name: D. Ashley Lee
Title: Executive Vice president, Chief operating officer
and Chief Financial Officer

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---------------------------------|
| 99.1 | Press Release dated May 3, 2006 |



FOR IMMEDIATE RELEASE

Media Contacts:

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Chief Operating Officer
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CryoLife Reports First Quarter 2006 Financial Results
First quarter 2006 revenues increased 10 percent over first quarter 2005

ATLANTA, GA... (May 3, 2006)... CryoLife, Inc. (NYSE: CRY), a biomaterials and biosurgical device company, announced today that revenues for the first quarter of 2006 increased 10 percent to \$19.4 million compared to \$17.7 million in the first quarter of 2005. The net loss in the first quarter of 2006 was \$1.8 million, or \$0.08 per basic and fully diluted common share, compared to a net loss of \$1.4 million, or \$0.06 per basic and fully diluted common share in the first quarter of 2005.

Excluding a \$244,000 charge related to stock based compensation, and a \$248,000 income tax charge for the adjustment of the income tax valuation related to foreign deferred tax liabilities, the adjusted net loss for the first quarter of 2006 was \$1.3 million, or \$0.06 per basic and fully diluted common share.

Steven G. Anderson, President and CEO of CryoLife, Inc., stated, "We continue to see evidence of the Company's recovery in our top line performance and in improved tissue processing gross margins. With the anticipated improvement in BioGlue revenues, and with the expected continuation of favorable trends in the tissue processing area, we expect to be profitable in the first or second quarter of 2007."

BioGlue revenues were approximately \$9.8 million for the first quarter of 2006 compared to \$9.9 million in the first quarter of 2005, a decrease of one percent. U. S. BioGlue sales were \$7.4 million and \$7.7 million in the first quarter of 2006 and 2005, respectively. International BioGlue sales were \$2.4 million and \$2.2 million in the first quarter of 2006 and 2005, respectively.

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<http://www.cryolife.com>

Tissue processing revenues in the first quarter of 2006 increased 24 percent to \$9.3 million compared to \$7.5 million in the first quarter of 2005. Tissue processing revenues increased primarily due to an increase in tissue procurement and an improvement in processing yields, which resulted in an increased number of allografts available for distribution.

Total product and tissue processing gross margins were 55 percent in the first quarter of 2006 and 2005. Tissue processing gross margins in the first quarter of 2006 were 28 percent compared to 22 percent in the first quarter of 2005. Tissue processing gross margins improved in 2006 compared to 2005, primarily as a result of price increases and the improvement in tissue processing yields.

General, administrative and marketing expenses in the first quarter of 2006 were \$11.3 million compared to \$10.1 million in the first quarter of 2005. General, administrative and marketing expenses for the first quarter of 2006 include \$244,000 for stock based compensation.

R&D expenses were approximately \$900,000 in the first quarters of 2006 and 2005, respectively.

As of March 31, 2006, the Company had approximately \$11.3 million in cash, cash equivalents, marketable securities (at market) and restricted securities.

2006 Guidance

As previously announced, the Company has raised its revenue guidance from early January 2006. The Company expects tissue processing and product revenues to increase to between \$76.0 and \$80.0 million for the full year 2006. The Company expects BioGlue revenues to be \$39.0 to \$41.0 million, and tissue processing revenues to be \$36.0 to \$38.0 million for the full year 2006. Bioprosthetic cardiovascular and vascular device revenues are expected to be approximately \$1.0 million in 2006.

General, administrative and marketing expenses are expected to be \$44.0 to \$48.0 million for the full year of 2006. Research and development expenses are expected to be approximately \$5.0 to \$6.0 million for the full year 2006.

The Company will hold a teleconference call and live webcast at 11:15 a.m. Eastern Time, May 3, 2006, to discuss first quarter 2006 financial results, followed by a question and answer session hosted by Steven G. Anderson, President and Chief Executive Officer.

To listen to the live teleconference, please dial 201-689-8349 a few minutes prior to 11:15 a.m. A replay of the teleconference will be available May 3 through May 9 and can be accessed by calling (toll free) 877-660-6853 or 201-612-7415. The account number for the replay is 244 and the conference number is 200083.

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, Inc.

Founded in 1984, CryoLife, Inc. is a leader in the processing and distribution of implantable living human tissues for use in cardiovascular, vascular, and orthopaedic surgeries throughout the United States and Canada. The Company'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 and is CE marked in the European Community and approved in Canada for use in soft tissue repair and approved in Australia for use in vascular and pulmonary sealing and repair. The Company also distributes the CryoLife-O'Brien[®] stentless porcine heart valve and the SG Model #100 vascular graft, which are CE marked for distribution within the European Community.

Statements made in this press release that look forward in time or that express management's beliefs, expectations or hopes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include the anticipated improvement in the Company's BioGlue revenues and the continuation of favorable trends in the tissue processing area, the Company's expectation that it can be profitable in the first or second quarter of 2007 based on such anticipated improvement and trends, its anticipated revenues and expenses for 2006, anticipated increases in tissue processing gross margins during 2006, and expected results and timing of planned tissue process improvement initiatives. These future events may not occur as and when expected, if at all, and, together with the Company's business, are subject to various risks and uncertainties. These risks and uncertainties include that the Company's efforts to reinvigorate revenue growth may not be effective, since their effectiveness is subject to such factors as competitive pressures and tissue availability, that the Company's efforts to develop and introduce new products outside the U.S. may be unsuccessful, that the Company's efforts to improve procurement and tissue processing yields may not prove effective, the possibility that the FDA could impose additional restrictions on the Company's operations, require a recall, or prevent the Company from processing and distributing tissues or manufacturing and distributing other products, that products and services under development may not be commercially feasible, that the Company may not have sufficient borrowing or other capital availability to fund its business, that pending litigation cannot be settled on terms acceptable to the Company, that the Company may not have sufficient resources to pay punitive damages (which are not covered by insurance) or other liabilities in excess of available insurance, the possibility of severe decreases in the Company's revenues and working capital, that to the extent the Company does not have sufficient resources to pay the claims against it, it may be forced to cease operations or seek protection under applicable bankruptcy laws, changes in laws and regulations applicable to CryoLife, the possible accumulation of additional shares by existing significant stockholders or by others which may hinder the ability of the Company and its stockholders to realize the benefits of the rights; other efforts by existing stockholders or others to gain influence or control over CryoLife; existing or other potential litigation initiated by stockholders or others; possible litigation by CryoLife if stockholders or others make proposals or statements which CryoLife does not believe to be fair or accurate or in the best interests of its other shareholders and other risk factors detailed in CryoLife's Securities and Exchange Commission filings, including CryoLife's Form 10-K filing for the year ended December 31, 2005, its registration statement on Form S-3 (Reg. No. 333-121406), its most recent Form 10-Q, and the Company's other SEC filings. The Company does not undertake to update its forward-looking statements.

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

| | Three Months Ended March 31, | |
|--|---------------------------------|-------------------|
| | 2006 | 2005 |
| | (unaudited) | |
| Revenues: | | |
| Products | \$ 10,052 | \$ 10,127 |
| Human tissue preservation services | 9,339 | 7,538 |
| Research grants | 58 | — |
| Total revenues | <u>19,449</u> | <u>17,665</u> |
| Costs and expenses: | | |
| Products | 1,923 | 2,116 |
| Human tissue preservation services | 6,763 | 5,899 |
| General, administrative, and marketing | 11,312 | 10,056 |
| Research and development | 909 | 921 |
| Interest expense | 147 | 55 |
| Interest income | (107) | (75) |
| Change in valuation of derivative | 56 | (118) |
| Other (income) expense, net | (13) | 130 |
| Total costs and expenses | <u>20,990</u> | <u>18,984</u> |
| Loss before income taxes | (1,541) | (1,319) |
| Income tax expense | 239 | 38 |
| Net loss | <u>\$ (1,780)</u> | <u>\$ (1,357)</u> |
| Effect of preferred stock | (243) | (46) |
| Net loss applicable to common shares | <u>\$ (2,023)</u> | <u>\$ (1,403)</u> |
| Loss per common share: | | |
| Basic | <u>\$ (0.08)</u> | <u>\$ (0.06)</u> |
| Diluted | <u>\$ (0.08)</u> | <u>\$ (0.06)</u> |
| Weighted average common shares outstanding: | | |
| Basic | <u>24,758</u> | <u>23,440</u> |
| Diluted | <u>24,758</u> | <u>23,440</u> |
| Revenues from: | | |
| BioGlue | \$ 9,757 | \$ 9,871 |
| Bioprosthetic devices | 295 | 256 |
| Total Products | <u>10,052</u> | <u>10,127</u> |
| Cardiovascular | 3,573 | 3,750 |
| Vascular | 4,044 | 2,716 |
| Orthopaedic | 1,722 | 1,072 |
| Total preservation services | <u>9,339</u> | <u>7,538</u> |
| Other | 58 | — |
| Total revenues | <u>\$ 19,449</u> | <u>\$ 17,665</u> |
| Domestic revenues | \$ 16,642 | \$ 15,191 |
| International revenues | 2,807 | 2,474 |
| Total revenues | <u>\$ 19,449</u> | <u>\$ 17,665</u> |

CRYOLIFE, INC.
 Unaudited Reconciliation of Adjusted Net Loss
 (In thousands, except share data)

| | Three Months Ended March 31, | |
|---|---------------------------------|------------|
| | 2006 | 2005 |
| | (unaudited) | |
| Net loss — as reported | \$ (1,780) | \$ (1,357) |
| | 244 | — |
| Add back adjustments to net loss: | 248 | — |
| Stock based compensation | | |
| Income taxes | | |
| Adjusted net loss | \$ (1,288) | \$ (1,357) |
| Effect of preferred stock | (243) | (46) |
| Adjusted net loss applicable to common shares | \$ (1,531) | \$ (1,403) |
| Adjusted loss per common share: | | |
| Basic | \$ (0.06) | \$ (0.06) |
| Diluted | \$ (0.06) | \$ (0.06) |
| Weighted average common shares outstanding: | | |
| Basic | 24,758 | 23,440 |
| Diluted | 24,758 | 23,908 |

CRYOLIFE, INC.
Financial Highlights
(In thousands)

| | March 31, 2006 | (unaudited) | March 31, 2005 |
|---|-------------------|-------------|-------------------|
| Cash and cash equivalents, marketable securities, at market, and restricted securities | \$ 11,271 | | \$ 12,159 |
| Trade receivables, net | 10,818 | | 10,153 |
| Other receivables | 1,830 | | 1,934 |
| Deferred preservation costs, net | 15,802 | | 13,959 |
| Inventories | 4,605 | | 4,609 |
| Total assets | 77,082 | | 76,809 |
| Shareholders' equity | 48,966 | | 50,621 |

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

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