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

FORM 8-K/A

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

Date of Report (Date of earliest event reported): December 1, 2017

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

As reported in a Current Report on Form 8-K filed with the Securities and Exchange Commission on December 1, 2017 (the “Original Filing Date”), on December 1, 2017 CryoLife, Inc. (the “Company”) completed its acquisition of JOTEC AG (“JOTEC”) and its subsidiaries. In the Original Filing, we stated that the required financial statements and pro forma financial information would be filed by amendment within 71 calendar days from the date that the Original Filing was required to be filed. This Current Report on Form 8-K/A is being filed to amend the Original Filing to provide the required financial statements and pro forma financial information described under Item 9.01 below.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

The audited consolidated financial statements of JOTEC AG and Subsidiaries for the years ended December 31, 2016 and December 31, 2015 are filed as Exhibit 99.1 to this Form 8-K/A and incorporated herein by reference.

The unaudited condensed consolidated financial statements of JOTEC AG and Subsidiaries for the nine months ended as of September 30, 2017 and 2016 are filed as Exhibit 99.2 to this Form 8-K/A and incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma financial information with respect to CryoLife, giving effect to the acquisition of JOTEC, is filed as Exhibit 99.3 to this Form 8-K/A and incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of KPMG AG Wirtschaftsprüfungsgesellschaft
99.1	Audited consolidated financial statements of JOTEC AG and Subsidiaries for the years ended as of December 31, 2016 and December 31, 2015
99.2	Unaudited condensed consolidated financial statements of JOTEC AG and Subsidiaries for the nine months ended as of September 30, 2017 and 2016
99.3	Unaudited combined condensed pro forma balance sheet as of September 30, 2017, unaudited combined condensed pro forma statement of income for the fiscal year ended December 31, 2016 and combined condensed pro forma statement of income for the nine month period ended September 30, 2017

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.

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

Date: February 16, 2018

Consent of Independent Auditor

The Management Board
JOTEC GmbH (formerly JOTEC AG):

We consent to the incorporation by reference in the registration statements (No. 333-206119) on Form S-3, (No. 333-182297) on Form S-4, (Nos. 333-197545, 333-182296, 333-167065, 333-159608, 333-119137, 333-104637) on Form S-8 of Cryolife, Inc. of our report dated February 16, 2018, with respect to the consolidated balance sheets of JOTEC AG and its subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2016, which report appears in the Form 8-K/A of CryoLife, Inc. dated February 16, 2018.

/s/ KPMG AG Wirtschaftsprüfungsgesellschaft

Munich, Germany
February 16, 2018

JOTEC AG AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the years ended December 31, 2016 and 2015

(With Independent Auditors' Report)

Independent Auditors' Report

The Management Board
JOTEC GmbH (formerly JOTEC AG):

We have audited the accompanying consolidated financial statements of JOTEC AG and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2016, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JOTEC AG and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2016 in accordance with U.S. generally accepted accounting principles.

/s/ KPMG AG Wirtschaftsprüfungsgesellschaft

Munich, Germany
February 16, 2018

JOTEC AG AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015
(in thousands of Euros (€), except share data)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	€ 2,910	€ 3,318
Trade receivables, net of allowance of €55 and €50, respectively	8,563	7,647
Income tax receivable	186	236
Inventories	10,472	8,072
Prepaid expenses and other current assets	594	662
Total current assets	**22,725**	**19,935**
Property, plant and equipment, net	8,416	8,717
Intangible assets, net	1,200	1,489
Deferred income taxes	2,357	3,078
Notes receivable	1,240	566
Total long term assets	**13,213**	**13,850**
Total assets	**€35,938**	**€33,785**

	December 31, 2016	December 31, 2015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade payables	€ 1,721	€ 1,347
Taxes payable	848	981
Other payables	242	158
Accrued expenses	548	590
Accrued compensation	852	1,137
Current portion of capital lease obligation	735	669
Current portion of long-term debt	285	222
Other current liabilities	1,909	1,826
Total current liabilities	**7,140**	**6,930**
Long-term debt	27,005	24,192
Long-term capital lease obligation	3,257	3,773
Retirement benefit obligation	125	98
Deferred income taxes	21	460
Government grants	239	299
Other long-term liabilities	1,006	1,120
Total long term liabilities	**31,653**	**29,942**
Total liabilities	**38,793**	**36,872**
Shareholders' equity:		
Common stock, 10 CHF par value, 108,000 shares authorized as of December 31, 2016 and 2015, 108,000 shares issued and outstanding as of December 31, 2016 and 2015	881	881
Capital surplus	16,666	16,645
Accumulated deficit	(18,906)	(19,184)
Accumulated other comprehensive income	(1,577)	(1,420)
Total JOTEC shareholders' equity	**(2,936)**	**(3,078)**
Non controlling interests	81	(9)
Total shareholders' equity	**(2,855)**	**(3,087)**
Total liabilities and shareholders' equity	**€ 35,938**	**€ 33,785**

See accompanying notes to consolidated financial statements

JOTEC AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands of Euros (€))

	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenue	€ 40,073	€ 34,786
Cost of goods sold	13,293	11,583
Gross profit	**26,780**	**23,203**
General, administrative, and marketing	19,080	15,807
Research and development	3,309	3,527
Total operating expenses	**22,389**	**19,334**
Operating Income	**4,391**	**3,869**
Interest expense	2,659	2,385
Interest income	(26)	(132)
Other expense, net	844	324
Income before income taxes	**914**	**1,292**
Income tax expense	612	678
Net income	**€ 302**	**€ 614**
Net income allocated to non controlling interests	**€ (24)**	**€ (33)**
Net income (loss) applicable to common stock	**€ 278**	**€ 581**
Other comprehensive income (loss)		
Exchange differences on translation of foreign operations	€ (157)	€ (594)
Total other comprehensive income (loss)	**(157)**	**(594)**
Comprehensive income	**€ 145**	**€ 20**

See accompanying notes to consolidated financial statements

JOTEC AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS SHAREHOLDERS' EQUITY
(in thousands of Euros (€), except share data)

	Attributable to Equity Holders of the Parent							
	Common Stock							
	Shares	Amount	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Equity Holders of the Parent	Non controlling Interests	Total Equity
Balance as of January 1, 2015	**108,000**	**€ 881**	**€16,546**	**€ (19,690)**	**€ (826)**	**€ (3,089)**	**€ (249)**	**€(3,338)**
Net income		—	—	581	—	581	33	614
Other comprehensive income (loss)		—	—	—	(594)	(594)	—	(594)
Share based compensation		—	95	—	—	95	—	95
Contribution to the capital surplus		—	4	—	—	4	—	4
Capital increase in subsidiary by non controlling interests		—	—	—	—	—	128	128
Acquisition of non controlling interests		—	—	(75)	—	(75)	75	—
Other		—	—	—	—	—	4	4
Balance as of December 31, 2015	**108,000**	**€ 881**	**€16,645**	**€ (19,184)**	**€ (1,420)**	**€ (3,078)**	**€ (9)**	**€(3,087)**
Net income		—	—	278	—	278	24	302
Other comprehensive income (loss)		—	—	—	(157)	(157)	—	(157)
Contribution to the capital surplus		—	21	—	—	21	—	21
Acquisition of non controlling interests		—	—	—	—	—	77	77
Other		—	—	—	—	—	(11)	(11)
Balance as of December 31, 2016	**108,000**	**€ 881**	**€16,666**	**€ (18,906)**	**€ (1,577)**	**€ (2,936)**	**€ 81**	**€(2,855)**

See accompanying notes to consolidated financial statements

JOTEC AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(in thousands of Euros (€))

	Year Ended December 31, 2016	Year Ended December 31, 2015
Cash flows from operating activities:		
Net income	€ 302	€ 614
Adjustments to reconcile net income to net cash provided by / used in operating activities		
Accrued interest expense	1,757	1,500
Share based compensation	—	95
Depreciation, amortization and impairment	1,739	1,605
Impairment of loans provided to at equity investment	803	582
Loss on disposal of non-current assets	104	120
Change in deferred taxes	282	289
Changes in operating assets and liabilities		
Provisions, accrued expenses and compensation	(301)	508
Inventories	(2,400)	(332)
Trade receivables	(916)	(2,877)
Other assets	68	(12)
Trade payables	374	(96)
Other liabilities	(8)	548
Net tax receivable / payable	(83)	(154)
Cash flows provided by operating activities	**1,721**	**2,390**
Cash flows from investing activities:		
Purchases of property, plant, equipment, and intangible assets	(1,035)	(1,075)
Proceeds from disposal of assets	17	176
Acquisition of non-controlling interests	(135)	—
Investment in notes receivable	(1,477)	(1,085)
Cash flows used in investing activities	**(2,630)**	**(1,984)**
Cash flows from financing activities:		
Repayment of capital lease obligations	(683)	(608)
Proceeds from bank debt	580	830
Repayments of bank debt	(222)	(167)
Proceeds from shareholder loans	800	923
Cash flows provided by financing activities	**475**	**978**
Cash and cash equivalents at the end of the period		
Net change in cash and cash equivalents	(434)	1,384
Effect of exchange rate changes on cash and cash equivalents	26	(541)
Cash and cash equivalents at the beginning of the period	3,318	2,475
Cash and cash equivalents at the end of the period	**€ 2,910**	**€ 3,318**
Supplementary information on cash flow		
Cash paid for income taxes	€ (466)	€ (571)
Cash paid for interest	€ (903)	€ (885)
Non-cash offset, non controlling interests with provided loans	€ —	€ 127

See accompanying notes to consolidated financial statements

1. Nature of Business and Corporate Information

Headquartered in Muri, Switzerland, JOTEC AG (the “Company” or the “parent”) and its subsidiaries (collectively, “JOTEC” or the “Group”) develops, produces, and markets medical devices for aortic and peripheral vascular disease. JOTEC’s product portfolio encompasses conventional vascular grafts and interventional implants for vascular and cardiac surgery and radiology and cardiology. Products can generally be divided into four main categories: Standard products represent the JOTEC developed and designed stent grafts, customized products (Eextra DESIGN ENGINEERING line—special ordered products designed by physicians to individual patients’ vascular specifications), OEMs (include stent graft delivery system components such as catheters) and, on a limited basis, third party supplies used in the installation of certain products. In addition, JOTEC provides limited consulting and training related to installation methods for stents. JOTEC sells products primarily in Europe, through direct sales channels supplemented by distributors in certain geographic locations. The largest direct sales market is Germany. Other direct sales entities service Poland, Spain, Italy, Switzerland and other smaller locations.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP) as issued by the Financial Accounting Standards Board (FASB), and include the accounts of the Company and all of its subsidiaries in which a controlling interest is maintained. All significant inter-company accounts and transactions have been eliminated in consolidation. For those consolidated subsidiaries where JOTEC ownership is less than 100%, the outside shareholders’ interests are shown as non-controlling interests in equity. A change in ownership of a subsidiary, without a change in control, is reflected in the financial statements on an equity investment basis.

Translation of Foreign Currencies

The Group’s consolidated financial statements are presented in Euros, which is also the functional currency of our largest subsidiary in Germany. The functional currency of the Group’s subsidiaries in the United Kingdom, Poland, Brazil and Switzerland is their local currency. All other subsidiaries have the Euro as their functional currency. On consolidation, the assets and liabilities of foreign currency operations are translated into Euros at the rate of exchange prevailing at the reporting date and their statements of operations and comprehensive income are translated at monthly average exchange rates. The exchange differences arising from the currency translation are recognized in other comprehensive income.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Estimates and assumptions are used when accounting for allowance for doubtful accounts, inventory, acquired assets or businesses, long-lived tangible and intangible assets, deferred income taxes, commitments and contingencies, stock-based compensation, certain accrued liabilities, contingent consideration liability, lease contracts, shareholder loans and other items as appropriate.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheets comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

Accounts and Notes Receivable and Allowance for Doubtful Accounts

The Company’s accounts receivable are primarily from hospitals and distributors that either use or distribute the Group’s products.

The Group assesses the likelihood of collection based on a number of factors, including past transaction history and the credit worthiness of the customer, as well as the increased risks related to international customers and large distributors. The Group determines the allowance for doubtful accounts based upon specific reserves for known collection issues, as well as a non-specific reserve based upon aging buckets. The Group charges off uncollectable amounts against the reserve in the period in which it determines they are uncollectible.

During the years ended December 31, 2016 and 2015 the Group has entered into factoring agreements for trade accounts receivable for the subsidiary in Poland. However, these factoring agreements do not result in an effective transfer of control and therefore the factored assets are not derecognized at the respective reporting dates.

The Group lends money from time-to-time through a note receivable, in conjunction with a strategic investment in NVT AG, Muri, Switzerland. The Group assesses the likelihood of collection of its notes receivable based on a number of factors, including past transaction history, credit worthiness, and the liquidity position of the recipient. See Note 13 for further discussion of the Group's note receivable from NVT AG ("NVT").

Credit Risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist of demand deposits with financial institutions and concentrations of credit risk in its accounts receivable. The Group believes there is minimal credit risk relative to its cash and cash equivalent accounts due to the dispersion of funds across multiple banks, the credit standing of these banks and government account protections in place. The Group believes its receivables risk is limited due to the number of companies included in the balance at any time, the historical collection experience with each customer and the geographic spread of the customer base. Generally, the Group does not require collateral or other securities to support its accounts receivable.

Inventories

Inventories are valued based on costs incurred in bringing each product to its present location and condition and are accounted for, as follows:

- Raw materials: purchase cost on a moving average basis
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs which approximates first in first out basis

At the end of each reporting period, the Company evaluates its inventory to determine if the costs are appropriately recorded at the lower of cost or market value. The Company also evaluates its inventory for costs not deemed to be recoverable, including inventory not expected to ship prior to its expiration. Inventory estimated not to be recoverable are fully reserved until disposition or disposal.

Property, Plant and Equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is provided over the estimated useful lives of the assets generally on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the remaining lease term at the time the assets are capitalized or the estimated useful lives of the assets, whichever is shorter. Useful lives of manufacturing and warehouse equipment range from 10 to 30 years and office equipment and furnishings range from 5 to 10 years.

Property, plant and equipment initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of operations and comprehensive income (loss) when the asset is derecognized. Loss on disposal of assets was €104,000 and €120,000 for the years ended December 31, 2016 and 2015, respectively. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible Assets

Intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.

The Group's intangible assets consist of customer relationships and other intangible assets. The Company amortizes its definite lived intangible assets over their expected useful lives using the straight-line method. For the key intangible asset categories customer relationships the Group used a useful life range from 5 to 10 years.

Impairments of Long-Lived Assets

The Group assesses the potential impairment of its long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

If JOTEC determines that an impairment review is necessary, the Group will evaluate its assets or asset groups by comparing their carrying values to the sum of the undiscounted future cash flows expected to result from their use and eventual disposition. If the carrying values exceed the future cash flows, then the asset or asset group is considered impaired, and the Group will write down the value of the asset or asset group. There were no impairment charges recorded for the years ended December 31, 2016 and 2015, respectively.

Revenue Recognition

Revenue is generally recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. For product sales, revenue is generally recognized upon shipment of the product to our customer in accordance with the title transfer terms of the sales agreement, generally Ex Works, per International Commercial Terms. In the case of consigned inventory, revenue is recognized when the end customer assumes ownership of the product, generally upon notification a product has been implanted in a patient. In instances where customer acceptance is required, revenue is deferred until all acceptance criteria have been met.

Shipping fees are immaterial and are recorded as an offset to shipping costs in general, administrative and marketing. Revenue is recognized net of value added taxes collected. Revenue is recorded net of discounts.

Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Currently the Group is receiving a government benefit in the way of low interest debt. The discounted interest benefit from this government funded debt is recorded as a government benefit and allocated via the effective interest method over the term of the respective debt. Accordingly the financial loans supported by the government are recorded with a value discounting all future cash outflows from the debt with a fair market interest rate. The accretion of the financial loans to their nominal amount at the respective repayment date also this fair market interest rate is applied.

Research and Development Costs

Research and development costs are expensed as incurred.

Advertising Costs

The costs to develop, produce, and communicate the Company's advertising are expensed as incurred and are classified as general, administrative, and marketing expenses.

Stock-Based Compensation

Certain key management employees of the Group have been granted stock option awards in the years 2007, 2009, 2012 and 2015. The awards vest immediately at the grant date and allow the holder to purchase shares in JOTEC AG for a specified price at any future date during the respective exercise period.

Equity-classified awards are measured at the grant date fair value of the award. The grant date fair value is equal to the intrinsic value of the award as they are immediately vested and exercisable at grant date.

The full value of an award is recognized at the date of grant as employee benefit expense, together with a corresponding increase in equity (capital surplus).

Fair Values of Financial Instruments

The Group's financial instruments include cash and cash equivalents, accounts receivable, notes receivable, other financial assets, accounts payable, debt obligations against shareholders and banks, and other financial liabilities.

The Company values financial assets and liabilities such as receivables, accounts payable, and other financial assets and liabilities at their carrying values, which approximate fair value due to their generally short-term duration.

The fair value measurement framework includes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair values in their broad levels. These levels from highest to lowest priority are as follows:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Quoted prices in active markets for similar assets or liabilities or observable prices that are based on inputs not quoted on active markets, but corroborated by market data; and
- Level 3: Unobservable inputs or valuation techniques that are used when little or no market data is available.

The determination of fair value and the assessment of a measurement's placement within the hierarchy require judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management's assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include: estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Group may also engage external advisors to assist in determining fair value, as appropriate.

Shareholder Loans

The Group's operation is primarily funded by shareholder loans. The shareholder loans were provided during the period 2007 to 2016 with fixed interest rates of 1.5 to 3.25%. The Group determined that the interest rates of the shareholder loans were less than those which the Group would have been able to negotiate with a third-party lender for debt with the same terms. For the fair value measurement of the financial debt, the nominal loan amount was reduced by the discounted interest benefit over the entire contractually agreed or expected term of the shareholder loan. The present value of the interest benefit at the inception of the loan was recorded as a capital surplus provided by the shareholders. The accretion impact from the interest difference between the fair market interest rate and the contractually agreed interest rate over the term of the loans is recorded as additional interest expense. See note 9 Long-term Debt.

Warranty Provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided to the customer and is limited to retained exposure under product liability insurance coverage. Initial recognition is based on historical experience, which has been immaterial, and is revised annually

Pensions and Other Post-Employment Benefits

The Group is obliged under a legal defined retirement benefit plan in Italy. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

The Group net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes changes in the net defined benefit obligation in the consolidated statements of profit or loss. The net interest expense or income for the respective period is included in the financial result of the Group.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Group recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment (including loans provided to the associate) is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the fair value of the associate or joint venture and the carrying value of the equity investment and the loans provided to the associate, and then recognizes the loss in the statement of operations and comprehensive income (loss).

New Accounting Pronouncements

Recently adopted

In November 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes". The standard requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted and the standard may be applied either retrospectively or on a prospective basis to all deferred tax assets and liabilities. We elected early adoption of ASU 2015-17 for our fiscal years ended December 31, 2016 and 2015 on a retrospective basis.

Not yet effective

In July 2015, the FASB issued ASU 2015-11, simplifying the Measurement of Inventory, which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 is effective for the Company for annual periods in fiscal years beginning after December 15, 2016, and the Company will adopt the new standard beginning January 1, 2017. The Company does not expect ASU 2015-11 to have a material effect on the Company's consolidated financial statements.

In February 2016, the Financial Accounting Standards Board ("FASB") amended its Accounting Standards Codification and created a new Topic 842, Leases. The final guidance requires lessees to recognize a right-of-use asset and a lease liability for all leases (with the exception of short-term leases) at the commencement date and recognize expenses on their income statements similar to the current Topic 840, Leases. It is effective for fiscal years and interim periods beginning after December 15, 2018, and early adoption is permitted. The Group is evaluating the impact the adoption of this standard will have on its financial position, results of operations, and cash flows.

In March 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-09, Improvements to Employee Share-Based Payment Accounting as part of its simplification initiative, which involves several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Group expects that the change will not have any impact on the Group's results of operations. In May 2014 the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. Since ASU 2014-09 was issued, several additional ASUs have been issued to clarify various elements of the guidance. These standards provide guidance on recognizing revenue, including a five-step model to determine when revenue recognition is appropriate. The standard requires that an entity recognize revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Adoption of the new standard is effective for reporting periods beginning after December 15, 2017, and early adoption is permitted. The standard permits the use of either the full retrospective or modified retrospective transition method. The Group is performing its initial evaluation of its standard arrangements with customers and its arrangements specific to certain of the Group's product lines or product offerings. The Group is continuing to evaluate the effect that ASU 2014-09 will have on its financial position, results of operations, cash flows, and related disclosures.

3. Trade Receivables, Net

(in thousands)	2016	2015
Trade receivables	€8,618	€7,697
Allowance for trade receivables	(55)	(50)
Trade receivables, net	**€8,563**	**€7,647**

4. Inventories

Inventories at December 31, 2016 and 2015 are comprised of the following:

(in thousands)	2016	2015
Raw materials and supplies	€ 2,569	€2,052
Work in progress	1,243	1,540
Finished goods	6,660	4,480
Total inventories	**€10,472**	**€8,072**

The Group recorded write-downs to inventory of €375,000 and €511,000 for the years ended December 31, 2016 and 2015, respectively. Inventory held on consignment was €2,254,000 and €1,669,000 at December 31, 2016 and 2015, respectively.

5. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment consist of the following:

(in thousands)	2016	2015
Building and land improvements	€ 6,605	€ 6,556
Technical equipment and machines	5,173	4,836
Other equipment, furniture and fixtures	3,659	3,321
Software	1,171	1,128
Payments on account and assets under construction	420	52
Total property, plant and equipment	**17,028**	**15,893**
Less accumulated depreciation	8,612	7,176
Total property, plant and equipment, net	**€ 8,416**	**€ 8,717**

6. Intangible Assets

As of December 31, 2016 and 2015 gross carrying values, accumulated amortization, and approximate amortization periods of the Company's definite lived intangible assets are as follows:

(in thousands)	Gross acquisition cost	Accumulated amortization
December 31, 2016		
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	€ 477	€ 453
Non-compete and other intangibles	1,506	330
Total	€ 1,983	€ 783

(in thousands)	Gross acquisition cost	Accumulated amortization
December 31, 2015		
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	€ 578	€ 430
Non-compete and other intangibles	1,506	165
Total	€ 2,084	€ 595

Amortization Expense

Amortization expense recorded in general, administrative, and marketing expenses for the years ended December 31 is as follows (in thousands):

(in thousands)	2016	2015
Amortization expense	€233	€237

As of December 31, 2016 scheduled amortization of intangible assets for the next five years and thereafter is as follows (in thousands):

(in thousands)	2017	2018	2019	2020	2021	Thereafter
Amortization expense	€165	€165	€165	€137	€137	€ 411

The non-compete and other intangibles relate to the acquisition of the Swiss customers from Fumedica AG, Muri, Switzerland (we refer for further details on this transaction to Note 11) and from the business combination of JOTEC UK Ltd. in 2014.

7. Retirement Benefits JOTEC Italy

In Italy, the JOTEC Group is subject to statutory termination/post-employment benefit expenses. The benefits depend on the duration of employment, number of years of service until termination of employment or retirement, salary trends and the general development of prices. The defined benefit plans are valued using the projected unit credit method.

Payroll related accruals for JOTEC Italy include the so-called employee's leaving indemnity or Trattamento di fine rapporto "TFR" liability. Each employee is granted a severance payment proportional to the length of service upon termination of the employment. The termination of the service may take place for resignation, dismissal or retirement.

The following tables summarize the components of net benefit expense recognized in the statement of comprehensive income and the funded status and amounts recognized in the statement of financial position for the respective legal requirements.

The following current service costs are recognized in personnel expenses and the following net interest component is recorded in interest expenses for the respective reporting period.

(in thousands)	2016	2015
Net interest component	€(14)	€(13)
Current service cost	36	(7)
Net benefit expense	**€ 22**	**€(20)**

The development of the defined benefit obligation during the last two reporting periods was as follows:

(in thousands)	2016	2015
Defined benefit obligation as of January 1,	€ 98	€ 78
Interest cost	14	13
Current service cost	36	7
Release due to settlement	(23)	—
Defined benefit obligation as of December 31,	**€125**	**€ 98**

The principal assumptions used in determining the retirement benefit obligations are disclosed below:

	2016	2015
Discount Rate	1.9%	2.4%
Assumed Annual Increase	1.8%	1.8%
Remaining Average Discount	—	—
Duration for Pensioners at Age 66	22 Years	22 Years

The discount rate applied is based on the rates used by the major actuary firms in Germany. A mixed population with an average duration of approximately 18 to 20 years was assumed. For the Italian TFR plan of JOTEC the duration of 22 years was noted assuming all employees will stay until retirement.

Due to low employee fluctuations in past years in JOTEC Italy expected cash payments for the next five years are not expected to be significant.

8. Capital Lease Obligation and Operating Lease Commitments

The Company leases buildings and equipment, primarily consisting of:

- the lease of two properties (land and buildings) in Lotzenäcker 23 and Lotzenäcker 25, Hechingen, Germany, which includes the company's production facility and corporate office buildings.
- lease of production equipment and machinery

The Company has capital leases with a shareholder (see note 14) for one building at the Group headquarters in Hechingen (building Lotzenäcker 23) and for several production machines and equipment. These leases have a renewal clause providing for annual 1 year auto renewals unless the lease is terminated, but no purchase options or escalation clauses.

Future minimum capital lease payments for buildings and equipment as of December 31 are:

(in thousands)	2016
Up to 1 Year	€ 867
1 to 2 Years	867
2 to 3 Years	890
3 to 4 Years	742
4 to 5 Years	702
More than 5 Years	327
Total	**4,395**
Less amount representing interest (at rates ranging from 2.0% to 4.0%)	(403)
Present value of net minimum capital lease payments	3,992
Less current portion of minimum lease payments	(735)
Long-term obligations under capital leases	€3,257

Capitalized costs of buildings under capitalized leases and accumulated depreciation are as follows:

(in thousands)	2016	2015
Historical costs capitalized	€5,600	€5,600
Cumulative depreciation	2,713	2,188
Carrying amount	**€2,887**	**€3,412**

Capitalized costs of machinery and production equipment under capitalized leases and accumulated depreciation as of December 31 are:

(in thousands)	2016	2015
Historical costs capitalized	€ 1,093	€859
Cumulative depreciation	311	149
Carrying amount	**€ 782**	**€710**

Operating lease commitments

The future minimum lease payments on non-cancellable operating lease agreements at December 31, are:

(in thousands)	2016
Within a year	€ 545
After a year but no more than five years	1,829
More than five years	2,530
Total minimum lease payments	€4,904

9. Long-Term Debt

Shareholder Loans

(in thousands)	EUR 2016	EUR 2015	Loan Repayment Date	Interest Rate
Original loan date				
12/31/2007	21,756	21,756	December 2020	2.00%
12/22/2008	220	220	December 2020	2.00%
12/30/2008	220	220	December 2020	2.00%
12/31/2008	1,340	1,340	December 2020	2.00%
2/20/2014	1,154	1,145	December 2019	3.25%
2/28/2015	466	461	December 2019	3.25%
3/23/2015	466	461	December 2019	3.25%
5/28/2016	800		December 2020	1.50%
Total Nominal Value	**26,422**	**25,603**		
Carrying Amount	**24,565**	**22,097**		

All shareholder loans are unsecured. As of December 31, 2015, a subordination agreement was provided for €23,536,000 of the shareholder loans. The subordinated portion of the total loan outstanding was reduced by agreement between the parties at the end of December 2016 to an amount of CHF 15,000,000 or €13,844,500. The shareholder loans were provided during the period 2007 to 2016 with fixed interest rates of 1.5 to 3.25%.

The Group determined that the rates of the shareholder loans were less than those which the Group would have been able to negotiate with a third-party lender for debt with the same terms. Accordingly, the Group has recorded the difference in the fair value of the loan, calculated using an imputed interest rate of 11%, and the stated loan contract value as additional paid in capital.

Government Supported Bank Debt

In June 2015, JOTEC GmbH obtained two below market interest rate loans from Sparkasse Zollernalb which are government sponsored by the Kreditanstalt für Wiederaufbau Bank (KFW). The KFW loans each have a term of 9 years and interest rates of 2.45% and 1.4%. These interest rates compare to a market interest rate of 3.8% for similar debt provided to the Group. The difference between the initial carrying value of the loan and the proceeds received is treated as a government grant. The benefit of the below market rate of interest was measured as the difference between the initial carrying value of the loan determined applying a market interest rate and the proceeds received. The benefit is recognized on a straight line basis as income over the term of the loan in Other expenses, net.

The total government grant recorded for the two KFW loan was €373,000, As of December 31, 2016 and 2015, the carrying value of these government grants was €299,000 and €349,000, respectively.

The nominal and carrying value of the KFW Loans as of December 31, 2016 and 2015 were as follows:

(in thousands)	Nominal Value (EUR) December 31, 2016	Carrying Value (EUR) December 31, 2016	Nominal Value (EUR) December 31, 2015	Carrying Value (EUR) December 31, 2015
Lendor				
Sparkasse Zollernalb (KFW Loan 1)	1,611	1,532	1,833	1,731
Sparkasse Zollernalb (KFW Loan 2)	1,410	1,190	830	583
Total	**3,021**	**2,722**	**2,663**	**2,314**

The KFW loans require quarterly principal installments of €55,500 beginning March 2015 and increasing to €63,000 beginning December 2017, plus interest at 2.45% and 1.4% on Loan 1 and Loan 2, respectively.

10. Income Taxes

The Group is subject to corporate income taxes in Germany, Switzerland, Italy, Spain, UK, Poland and Brazil. Taxes on income in the statements of operations and balance sheets reflect current and deferred taxes in these countries.

The current and deferred tax assets and liabilities of the Group are measured based on local tax rates. The income tax rates of Group´s subsidiaries having significant operations were as follows:

Country	Combined income tax rate
Germany	27.38%
Switzerland	15.08%
Italy	27.50%
Spain	25.00%
UK	19.00%
Poland	19.00%
Brazil	15.00%

For the years ended December 31, 2016 and 2015, income before taxes consists of the following:

	Germany		Other JOTEC Group entities		Total	
(in thousands)	2016	2015	2016	2015	2016	2015
Current income taxes	€274	€310	€ 56	€ 79	€330	€389
Deferred income taxes	623	494	(341)	(205)	282	289
Total	€897	€804	€ (285)	€ (126)	€612	€678

Estimated income tax expense using tax rates of the German subsidiary, the largest subsidiary of the Group, of 27.38% can be reconciled as follows to the income from income taxes as stated in the statement of comprehensive income:

(in thousands)	2016	2015
Profit before income tax	€ 914	€1,292
Tax rate of group entities in %	27.38%	27.38%
Expected tax expense	**€ 250**	**€ 354**
Increase (reduction) in income taxes resulting from:		
Unrecognized deferred tax loss carryforward during period	20	1
Non deductible expenses	36	37
Tax effect from differing tax rates	277	231
Other effects	29	55
Income tax expense	**€ 612**	**€ 678**

As of December 31, 2016 and December 31, 2015, the Group had the following significant tax loss carryforwards to reduce future taxable income:

(in thousands)	Time Limitations of tax loss carryforward	2016	2015
Jotec GmbH (corporate income tax)	None	€ 8,406	€10,829
Jotec GmbH (trade income tax)	None	6,581	9,187
Jotec Sales AG	7 Years	224	371
Jotec Cardiovascular S.I.	None	294	492
Jotec UK Ltd.	None	764	770
Total Tax Loss Carryforwards—Income and Trade		**€16,269**	**€21,649**

All tax loss carryforwards are included in the calculation of deferred tax assets and only for the tax loss carryforwards of JOTEC UK Ltd. a 100% valuation allowance was recognized for the tax loss carryforward balance exceeding taxable temporary differences.

If the Group were able to recognize all unrecognized deferred tax assets, profit would increase by €130,000 as of December 31, 2016 (December 31, 2015: €125,000).

Deferred taxes classified by their type of temporary differences and due to unused tax losses are presented below:

	2016	2015
Deferred tax assets		
Inventories	€ 424	€ 381
Notes receivable	—	306
Accrued expenses / compensation	37	34
Capital lease obligation	1,093	1,216
Government grants	82	95
Long-term debt	312	—
Other liabilities	233	211
Other differences	—	9
Tax loss carryforwards	2,343	3,100
Total gross deferred tax assets	**4,524**	**5,352**
Valuation allowance	(130)	(125)
Total net deferred tax assets	**€4,394**	**€5,227**

	2016	2015
Deferred tax liabilities		
Property,plant, and equipment	€1,429	€1,560
Intangible assets	173	198
Shares in intercompanies	214	212
Trade accounts receivable	55	15
Notes receivable	172	—
Long-term debt	—	624
Other differences	15	—
Total deferred tax liabilities	**€2,058**	**€2,609**
Deferred tax asset, net	**€2,336**	**€2,618**

Reconciliation to balance sheet amounts:

	2016	2015
Deferred tax asset, net		
Deferred tax asset	€2,357	€3,078
Deferred tax liabilities	21	460
Deferred tax asset, net	**€2,336**	**€2,618**

Deferred tax assets and deferred tax liabilities are offset against each other when the Group has an enforceable right to offset the current tax assets against the current tax liabilities and these assets and liabilities relate to income taxes levied by the same tax authority for the same taxable entity.

As of December 31, 2016 and as of December 31, 2015, no deferred tax liabilities were recognized for taxes that would be payable on non-transferred earnings of certain of the Group's subsidiaries. The Group decided that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

Other

The Group's tax years 2014 through 2016 generally remain open to examination by the major taxing jurisdictions to which the Group is subject. However, certain returns from years prior to 2014, in which net operating losses and some tax payments have arisen, are still open for examination by the tax authorities.

11. Other Long-Term Liabilities

Other long-term liabilities include the following obligation:

(in thousands)	2016	2015
Obligation Fumedica Swiss Agreement	€1,120	€1,295
Less current portion of long-term other liabilities	(114)	(175)
Other long-term liabilities	€1,006	€1,120

Until January 2014 Fumedica AG had the exclusive right to deliver and sell JOTEC products in the Swiss market. Starting in 2014 the Group established its own office entity to perform all sales activities in the Swiss market. In January 2014 the Group terminated the sales agreement with Fumedica. As part of the agreement Fumedica provides JOTEC a non-compete agreement, customer base data and existing inventory and future administrative services. In exchange, the parties agreed in January 2016 (but with retrospective date of the cancellation of the sales agreement in 2014) on a compensation payment to make by JOTEC, calculated as follows:

- 10% of future annual sales (net of VAT and after deductions) during the period January 2015 to December 2027
- maximum payment of CHF 1.8 million over the entire term
- minimum annual payment of CHF 125,000 (for 2017 and 2018), of CHF 150,000 (from 2019 to 2021) and of CHF 175,000 (from 2022 to 2027).

Based on this agreement the Group capitalized an intangible asset for the non-compete and other intangibles in the Swiss market and the present value of the future expected payments for the compensation is recorded as an obligation due to Fumedica AG. The intangibles are amortized over an expected useful life of 10 years (for further details refer also to Note 6). The obligation is accreted back to the nominal amount using an interest rate of 3.8% and is reduced by the annual payments (either 10% of the respective annual sales or the agreed minimum amounts, whatever is lower).

12. Stock Options

In 2007, the Company adopted a stock compensation plan (the Plan) pursuant to which the Company’s shareholders may grant stock options to key management. To date, the Company has only granted stock options which settle in shares of the Company. Stock options can be granted with an exercise price less than, equal to or greater than the share’s fair value at the date of grant. All awards vest and become fully exercisable at the date of grant.

The share options were originally offered for an option period until December 31, 2012, but were extended in 2012 until December 31 2016, and at September 22, 2016 the exercise period was again extended until December 31, 2020. All other conditions of the Plan remained unchanged at the respective extension date.

Stock option activity during the years ended December 31, 2016 and 2015 is as follows:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at January 1, 2016	**1,200**	**€ 438**	**€ 541**
Granted	—	—	—
Vested	—	—	—
Balance at December 31, 2016	**1,200**	**€ 438**	**€ 541**

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at January 1, 2015	**1,100**	**€ 430**	**€ 504**
Granted	100	€ 526	€ 952
Vested	100	€ 526	€ 952
Balance at December 31, 2015	**1,200**	**€ 438**	**€ 541**

13. Investment and Notes Receivable NVT

JOTEC AG owns a 24.51% share of the common stock of NVT which is accounted for under the equity method of accounting. The original purchase price of this investment amounts to CHF 125,000. As disclosed in note 14 the other shareholders of NVT are also shareholders in JOTEC AG.

NVT has historically generated losses and its equity includes a net retained deficit. Accordingly, the value of the Group's equity investment in NVT was reduced to a zero prior to 2015. Because JOTEC is not responsible for additional losses of NVT exceeding the historical investment, the negative equity balance of the investee was not recorded in the Group consolidated financial statements.

In addition to its equity investment in NVT, the Group also provided loans to NVT which are recorded in notes receivable. The loans include interest at a rate of 2%. Due to the financial condition of NVT, the interest due on the notes was waived by JOTEC AG to NVT for the year ended December 31, 2016 and 2015.

The nominal balance of these loans to NVT was €4,087,000 and €2,610,000 as of December 31, 2016 and 2015, respectively. As a result of NVT net operating losses the notes receivable were impaired. The net carrying value of these notes receivable after impairment charges was €1,240,000 and €566,000 as of December 31, 2016 and 2015, respectively. Impairment charges recorded in the years ended December 31, 2016 and 2015 were €803,000 and €582,000, respectively, and are reflected in Other expense, net in the Group consolidated statements of operations.

14. Related Party Disclosures

A member of the Company's Board of Directors and a shareholder of the Company with significant influence, Mr. Lars Sunnanväder, is the owner of the property Lotzenäcker 23 and Lotzenäcker 25 in Hechingen that is leased to JOTEC GmbH. The obligation of the lease contract for Lotzenäcker 23, Hechingen totaled €7,014,000 at the inception of the lease in 2012 and the lease payment for 2016 totaled €708,000 (€702,000 for 2015). The obligation of the lease contract for Lotzenäcker 25, Hechingen amounts to €3,917,000 at the inception of the lease in 2016 and the lease payment for 2016 was €261,000.

JOTEC AG has agreed with different shareholders respectively close relatives to shareholders in several shareholder loan agreements. Effectively for the majority of the loans JOTEC AG has agreed in an interest rate of 2% starting with the first loans agreed at the end of 2007 provided until 2015 and extended until 2019 and 2020 respectively. The total interest expenses paid to the shareholders and their close relatives in the years 2016 and 2015 amount to €538,000 and €569,000 respectively. For the open balance from these shareholder loans we refer to the table of nominal debt in note 9.

Some of the shareholders of NVT are also shareholders of JOTEC AG; however, NVT and the Group are not under common control. The Group has an investment in NVT of 24.51%. The Group also provides management and administration services to NVT. For these services the Group billed NVT €329,000 and €211,000 during the years ended December 31, 2016 and 2015, respectively.

In 2014, the Group agreed in the purchase of certain intangibles from Fumedica AG, Muri, Switzerland for a maximum amount of CHF 1,800,000; for further details regarding this agreement we refer to note 11. Fumedica AG is owned by a non-majority shareholder of JOTEC AG.

15 Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through February 16, 2018, the date at which the consolidated financial statements were available to be issued.

On December 1, 2017, 100% of the outstanding shares of JOTEC AG were acquired under terms of a securities purchase agreement, dated as of October 10, 2017, by and among CryoLife, Inc., certain of its subsidiaries, and the security holders of JOTEC AG. In conjunction with the acquisition, Cryolife acquired the outstanding shareholder loans, which were reclassified as intercompany loans from CryoLife as of that date.

EXHIBIT 99.2

JOTEC AG AND SUBSIDIARIES

Unaudited Condensed Consolidated Financial Statements

September 30, 2017 and 2016

JOTEC AG AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands except share data)

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	€ 2,234	€ 2,910
Trade receivables, net of allowance of €129 and €55, respectively	10,086	8,563
Income tax receivable	148	186
Inventories	12,836	10,472
Prepaid expenses and other current assets	561	594
Total current assets	**25,865**	**22,725**
Property, plant and equipment, net	11,256	8,416
Intangible assets, net	3,290	1,200
Deferred income taxes	1,570	2,357
Notes receivable	—	1,240
Total long term assets	**16,116**	**13,213**
Total assets	**€ 41,981**	**€ 35,938**

	September 30, 2017 (Unaudited)	December 31, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade payables	€ 1,448	€ 1,721
Taxes payable	921	848
Other payables	141	242
Accrued expenses	3,142	548
Accrued compensation	661	852
Current portion of capital lease obligation	776	735
Current portion of long-term debt	474	285
Other current liabilities	1,257	1,909
Total current liabilities	**8,820**	**7,140**
Long-term debt	25,137	27,005
Long-term capital lease obligation	5,565	3,257
Retirement benefit obligation	140	125
Deferred income taxes	329	21
Government benefits	194	239
Other long-term liabilities	892	1,006
Total long term liabilities	**32,257**	**31,653**
Total liabilities	**41,077**	**38,793**
Shareholders' equity:		
Common stock, 10 CHF par value, 108,000 shares authorized, issued and outstanding as of September 30, 2017 and as of December 31, 2016	881	881
Capital surplus	16,666	16,666
Accumulated deficit	(15,068)	(18,906)
Accumulated other comprehensive income	(1,658)	(1,577)
Total JOTEC shareholders' equity	**821**	**(2,936)**
Non controlling interests	83	81
Total shareholders' equity	**904**	**(2,855)**
Total liabilities and shareholders' equity	**€ 41,981**	**€ 35,938**

See accompanying notes to consolidated financial statements.

JOTEC AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
	(Unaudited)	
Revenue	€33,073	€29,615
Cost of goods sold	10,265	8,851
Gross profit	**22,808**	**20,764**
General, administrative, and marketing	15,858	13,978
Research and development	3,518	2,345
Total operating expenses	**19,376**	**16,323**
Operating Income	**3,432**	**4,440**
Interest expense	1,909	1,979
Interest income	(745)	(32)
Other expense, net	(3,233)	501
Income before income taxes	**5,501**	**1,992**
Income tax expense	1,658	1,027
Net income	**€ 3,843**	**€ 965**
Net income allocated to non controlling interests	**€ (5)**	**€ (3)**
Net income (loss) applicable to common stock	**€ 3,838**	**€ 962**
Other comprehensive income		
Exchange differences on translation of foreign operations	(81)	23
Total other comprehensive income	**(81)**	**23**
Comprehensive income	**€ 3,762**	**€ 988**

See accompanying notes to consolidated financial statements.

JOTEC AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS SHAREHOLDERS' EQUITY
(in thousands)

	Attributable to equity holders of the parent							
	Common Stock							
	Shares	Amount	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Equity Holders of the Parent	Non Controlling Interests	Total Equity
Balance as of January 1, 2016	**108,000**	**€ 881**	**€ 16,645**	**€ (19,184)**	**€ (1,420)**	**€ (3,078)**	**€ (9)**	**€(3,087)**
Net income	—	—	—	278	—	278	24	302
Other comprehensive income (loss)	—	—	—	—	(157)	(157)	—	(157)
Contribution to the capital surplus	—	—	21	—	—	21	—	21
Acquisition of non controlling interests	—	—	—	—	—	—	77	77
Other	—	—	—	—	—	—	(11)	(11)
Balance as of September 30, 2016	**108,000**	**€ 881**	**€ 16,666**	**€ (18,906)**	**€ (1,577)**	**€ (2,936)**	**€ 81**	**€(2,855)**
(Unaudited)								
Net income	—	—	—	3,838	—	3,838	5	3,843
Other comprehensive income (loss)					(81)	(81)	—	(81)
Other	—	—	—	—	—	—	(3)	(3)
Balance as of September 30, 2017	**108,000**	**€ 881**	**€ 16,666**	**€ (15,068)**	**€ (1,658)**	**€ 821**	**€ 83**	**€ 904**

See accompanying notes to consolidated financial statements.

JOTEC AG AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(in thousands)

	Nine Months Ended September 30, 2017	2016
	(Unaudited)	
Cash flows from operating activities:		
Net income	€ 3,843	€ 965
Adjustments to reconcile net income to net cash provided by / used in operating activities		
Interest income receivable	(237)	—
Accrued interest	1,626	1,347
Depreciation, amortization and impairment	1,515	1,275
(Reversal of impairment) impairment of loans provided to equity investment	(2,846)	803
Loss on disposal of non-current assets	4	3
Change in deferred taxes	1,094	618
Changes in operating assets and liabilities		
Provisions, accrued expenses and compensation	2,419	(292)
Inventories	(2,364)	(2,540)
Trade receivables	(1,523)	(1,837)
Other assets	32	(283)
Trade payables	(274)	(416)
Other liabilities	(913)	(69)
Net tax receivable / payable	112	100
Cash flows provided by (used in) operating activities	**2,488**	**(326)**
Cash flows from investing activities:		
Purchases of property, plant, equipment, and intangible assets	(6,574)	(580)
Proceeds from disposal of assets	111	—
Collection of (investment in) notes receivable	4,087	(1,256)
Cash flows used in investing activities	**(2,376)**	**(1,836)**
Cash flows from financing activities:		
Capital lease obligation	2,829	—
Repayment of capital lease obligations	(543)	(581)
Proceeds from bank debt	590	580
Repayments of bank debt	(167)	(125)
Repayments on shareholder loans	(4,459)	—
Proceeds from shareholder loans	1,200	800
Cash flows (used in) provided by financing activities	**(550)**	**674**
Cash and cash equivalents at the end of the period		
Net change in cash and cash equivalents	(438)	(1,488)
Effect of exchange rate changes on cash and cash equivalents	(238)	(23)
Cash and cash equivalents at the beginning of the period	2,910	3,318
Cash and cash equivalents at the end of the period	**€ 2,234**	**€ 1,807**
Supplementary information on cash flow		
Cash paid for income taxes	€ 428	€ (309)
Cash paid for interest	€ 283	€ (632)

See accompanying notes to consolidated financial statements.

1. Nature of Business and Corporate Information

The accompanying consolidated financial statements of JOTEC AG (the Company) and its subsidiaries (collectively, "JOTEC" or the "Group") have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP) as issued by the Financial Accounting Standards Board (FASB), and include the accounts of the Company and all of its subsidiaries in which a controlling interest is maintained. All significant inter-company accounts and transactions have been eliminated in consolidation. For those consolidated subsidiaries where JOTEC ownership is less than 100%, the outside shareholders' interests are shown as non-controlling interests in equity.

The accompanying Summary Consolidated Balance Sheet as of December 31, 2016 has been derived from audited financial statements. The accompanying unaudited summary consolidated financial statements as of, and for the nine months ended, September 30, 2017 and 2016 have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information. Accordingly, such statements do not include all of the information and disclosures required by accounting principles generally accepted in the U.S. for a complete presentation of financial statements. In the opinion of management, all adjustments (including those of a normal, recurring nature) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. These summary consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in JOTEC consolidated financial statements for the year ended December 31, 2016.

New Accounting Pronouncements

Recently adopted

In July 2015, the FASB issued ASU 2015-11, simplifying the Measurement of Inventory, which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 is effective for the Company for annual periods in fiscal years beginning after December 15, 2016. The Company adopted the new standard beginning January 1, 2017, and determined that the adoption did not have a material effect on the Group's consolidated financial statements.

Not yet effective

In July 2015, the FASB issued ASU 2015-11, simplifying the Measurement of Inventory, which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 is effective for the Company for annual periods in fiscal years beginning after December 15, 2016. The Company concluded that adoption of the new standard effective January 1, 2017 did not have a material effect on the Company's consolidated financial statements.

In February 2016, the Financial Accounting Standards Board ("FASB") amended its Accounting Standards Codification and created a new Topic 842, Leases. The final guidance requires lessees to recognize a right-of-use asset and a lease liability for all leases (with the exception of short-term leases) at the commencement date and recognize expenses on their income statements similar to the current Topic 840, Leases. It is effective for fiscal years and interim periods beginning after December 15, 2018, and early adoption is permitted. The Group is evaluating the impact the adoption of this standard will have on its financial position, results of operations, and cash flows.

In March 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-09, Improvements to Employee Share-Based Payment Accounting as part of its simplification initiative, which involves several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Group expects that the change will not have any impact on the Group's results of operations.

In May 2014 the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. Since ASU 2014-09 was issued, several additional ASUs have been issued to clarify various elements of the guidance. These standards provide guidance on recognizing revenue, including a five-step model to determine when revenue recognition is appropriate. The standard requires that an entity recognize revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Adoption of the new standard is effective for reporting periods beginning after December 15, 2017, and early adoption is permitted. The standard permits the use of either the full retrospective or modified retrospective transition method. The Group is performing its initial evaluation of its standard arrangements with customers and its arrangements specific to certain of the Group's product lines or product offerings. The Group is continuing to evaluate the effect that ASU 2014-09 will have on its financial position, results of operations, cash flows, and related disclosures.

2. Acquisition of Non-Compete and Other Intangibles

On March 9, 2017 JOTEC AG, JOTEC do Brazil and Neomex Hospitalar LTDA., Campinas, Brazil entered in a master purchase agreement whereby the Company acquired a non-compete and other intangibles for JOTEC products in the Brazilian market from the former sales agent Neomex. The purchase price for these intangibles was €2,500,000 with an obligation for additional purchase price consideration under certain circumstances.

3. Inventories

Inventories at September 30, 2017 and December 31, 2016 are comprised of the following (in thousands):

	September 30, 2017	December 31, 2016
Raw materials and supplies	€ 2,458	€ 2,569
Unfinished goods and work in progress	2,217	1,243
Finished goods	8,161	6,660
Total inventories	**€ 12,836**	**€ 10,472**

The Group recorded write-downs to inventory of €729,000 and €437,000 for the nine months ended September 30, 2017 and 2016, respectively. Inventory held on consignment was €2,544,000 and €2,254,000 at September 30, 2017 and December 31, 2016.

4. Property, Plant and Equipment and Intangibles

Property, plant and equipment consist of the following (in thousands):

	September 30, 2017	December 31, 2016
Building and land improvements	€ 6,809	€ 6,605
Technical equipment and machines	5,417	5,173
Other equipment, furniture and fixtures	3,664	3,659
Software	1,219	1,171
Payments on account and assets under construction	527	420
Total property, plant and equipment	**17,636**	**17,028**
Less accumulated depreciation	6,380	8,612
Total property, plant and equipment, net	**€ 11,256**	**€ 8,416**

Intangible Assets

As of September 30, 2017 and December 31, 2016 gross carrying values, accumulated amortization, and approximate amortization periods of the Company's definite lived intangible assets are as follows (in thousands):

	Gross acquisition cost	Accumulated amortization
September 30, 2017		
Purchased franchises and licenses in industrial and similar rights and assets	€ 466	€ 451
Non-compete and other intangibles	3,946	671
	€ 4,412	€ 1,122

	Gross acquisition cost	Accumulated amortization
December 31, 2016		
Purchased franchises and licenses in industrial and similar rights and assets	€ 477	€ 453
Non-compete and other intangibles	1,506	330
	€ 1,983	€ 783

Amortization Expense

Amortization expense recorded in general, administrative, and marketing expenses for the nine months ended September 30 is as follows (in thousands):

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Amortization expense	€ 341	€ 175

As of September 30, 2017 scheduled amortization of intangible assets is as follows (in thousands):

	Remainder of 2017	2018	2019	2020	2021	Thereafter
Amortization expense	€ 99	€ 415	€ 415	€ 387	€ 387	€ 1,565

5. Capital Lease Obligation and Operating Lease Commitments

The Company leases buildings and equipment, primarily consisting of:

- the lease of two properties (land and buildings) in Lotzenäcker 23 and Lotzenäcker 25, Hechingen, Germany, which includes the company’s production facility or corporate office buildings.
- lease of production equipment and machinery

The Company has capital leases for one building at the Group headquarters in Hechingen (building Lotzenäcker 23) with a shareholder (see note 10) and for several production machines and equipment. These leases have renewal clause providing for annual 1 year auto renewals unless the lease is terminated, but no purchase options and escalation clauses.

Future minimum capital lease payments for buildings and equipment are as follows (in thousands):

	September 30, 2017
Up to 1 Year	€ 867
1 to 2 Years	884
2 to 3 Years	779
3 to 4 Years	712
4 to 5 Years	654
More than 5 Years	5,406
Total	**€ 9,302**
Less amount representing interest (at rates ranging from 2.0% to 4.0%)	(2,961)
Present value of net minimum capital lease payments	6,341
Less current portion of minimum lease payments	(776)
Long-term obligations under capital leases	€ 5,565

Building and production equipment capitalized values and accumulated amortization are as follows (in thousands):

	September 30, 2017	December 31, 2016
Historical costs capitalized	€ 6,882	€ 6,693
Cumulative depreciation	3,582	3,024
Carrying amount	**€ 3,300**	**€ 3,669**

On June 19, 2017, the lease agreement for the property Lotzenäcker 23 in Hechingen was extended between the owner of the property and shareholder Lars Sunnanväder and JOTEC GmbH from June 2017 until December 31, 2030. All other terms of the lease agreement remained unchanged. Due to this modification, the accounting for the capital lease of the building Lotzenäcker 23 was adjusted in June 2017, resulting in an increase of the capital lease obligation by €2,829,000, an increase of the carrying value of the leased building asset by €3,163,000, and in income from the modification for the leased asset in the amount of €336,000.

The future minimum lease payments on non-cancellable operating lease agreements at September 30, are:

	2017
Within a year	€ 533
After a year but no more than five years	1,699
More than five years	2,721
	€4,953

6. Shareholder Loans

(in thousands)	September 30, 2017	December 31, 2016	Loan Repayment Date	Interest Rate
Original loan date				
12/31/2007	€ 17,880	€ 21,756	December 2020	2.00%
12/22/2008	220	220	December 2020	2.00%
12/30/2008	220	220	December 2020	2.00%
12/31/2008	1,340	1,340	December 2020	2.00%
2/20/2014	1,154	1,154	December 2019	3.25%
2/28/2015	466	466	December 2019	3.25%
3/23/2015	466	466	December 2019	3.25%
5/28/2016	800	800	December 2020	1.50%
Nominal amount	**€ 22,546**	**€ 26,422**		
Carrying value	**€ 22,412**	**€ 24,565**		

All shareholder loans are unsecured. As of December 31, 2016, a subordination agreement was provided for €13,845,000 of the shareholder loans. The subordinated portion of the outstanding loan balance was reduced through an agreement in January 2017, resulting in a subordinated amount of CHF 8,000,000 or €7,339,000 at September 30, 2017. The shareholder loans were provided during the period 2007 to 2016 with fixed interest rates of 1.5 to 3.25%. The Group determined that the rates of the shareholder loans were less than those which the Group would have been able to negotiate with a third-party lender for debt with the same terms. Accordingly, the group has recorded the difference in the fair value of the loan, calculated using an imputed interest rate of 11%, and the stated loan contract value as additional paid in capital.

Government Supported Bank Debt

In June 2015, JOTEC GmbH obtained two loans of Sparkasse Zollernalb, which are government sponsored by the Kreditanstalt für Wiederaufbau Bank (KFW). Both KFW loans have a term of 9 years and the interest rates are 2.45% and 1.4%. These interest rates compare to a market interest rate of 3.8% for similar debt provided to the Group. The difference between the initial carrying value of the loan and the proceeds received is treated as a government grant. The benefit of the below market rate of interest was measured as the difference between the initial carrying value of the loan determined applying a market interest rate and the proceeds received.

The total government grant value for the first KFW loan is €124,000 and €249,000 for the second KFW loan. The remaining balance of this government grant was €254,000 and €299,000 as of September 30, 2017 and December 31, 2016, respectively. Other operating income for the nine months ended September 30, 2017 and 2016 includes €45,000 and €38,000, respectively from the straight-line recognition of this government grant.

	Nominal Value (EUR) September 30, 2017	Carrying Value (EUR) September 30, 2017	Nominal Value (EUR) December 31, 2016	Carrying Value (EUR) December 31, 2016
Lendor				
Sparkasse Zollernalb (KFW Loan 1)	1,444	1,381	1,611	1,532
Sparkasse Zollernalb (KFW Loan 2)	2,000	1,810	1,410	1,190
Total	**3,444**	**3,191**	**3,021**	**2,722**

The KFW loans require quarterly principal installments of €119,000, plus interest at 1.4% and 2.45% on Loan 1 and Loan 2, respectively.

7. Income Taxes

Our effective income tax rate was 30% and 48% for the nine months ended September 30, 2017 and 2016, respectively. Our income tax rate for the nine months ended September 30, 2017 was impacted by differing tax rates for certain subsidiaries and no recognition of deferred tax assets for losses incurred by JOTEC UK. Our income tax rate for the nine months ended September 30, 2016 was impacted by unrecognized deferred tax loss carryforwards of €17,000, tax effects due to differing tax rates of €337,000 and other effects of €53,000.

Deferred Income Taxes

As of September 30, 2017 we maintained a total of €241,000 in valuation allowances against deferred tax assets, related to tax loss carryforward of the JOTEC UK subsidiary, and had a net deferred tax asset of € 1,570,000. As of December 31, 2016 we had a total of €130,000 in valuation allowances against deferred tax assets, related to net operating loss carryforwards, and a net deferred tax asset of €2,336,000.

8. Other Long-Term Liabilities

Other long-term liabilities include the following obligation (in thousands):

	September 30, 2017	December 31, 2016
Obligation Fumedica Swiss Agreement	€ 1,042	€ 1,120
Less current portion of long-term other liabilities	(150)	(114)
Other long-term liabilities	€ 892	€ 1,006

Until January 2014 Fumedica AG had the exclusive right to deliver and sell JOTEC products in the Swiss market. Starting in 2014 the Group established its own office entity to perform all sales activities in the Swiss market. In January 2014 the Group terminated the sales agreement with Fumedica. As part of the agreement Fumedica provides JOTEC a non-compete agreement, customer base data, and existing inventory and future adminstrative services. In exchange, the parties agreed in January 2016 (but with retrospective date of the cancellation of the sales agreement in 2014) on a compensation payment to make by JOTEC, calculated as follows:

- 10% of future annual sales (net of VAT and after deductions) during the period January 2015 to December 2027

- maximum payment of CHF 1.8 million over the entire term
- minimum annual payment of CHF 125,000 (for 2017 and 2018), of CHF 150,000 (from 2019 to 2021) and of CHF 175,000 (from 2022 to 2027).

Based on this agreement the Group capitalized an intangible asset for the non-compete and other intangibles in the Swiss market and the present value of the future expected payments for the compensation is recorded as an obligation due to Fumedica AG. The intangibles are amortized over an expected useful life of 10 years. The obligation is accreted back to the nominal amount using an interest rate of 3.8% and is reduced by the annual payments (either 10% of the respective annual sales or the agreed minimum amounts, whatever is lower).

9. Sale of Investment and Notes Receivable NVT

JOTEC AG owned a 24.51% share of the common stock of NVT. The historical cost of this investment was CHF 125,000 which was subsequently reduced to a zero carrying value due to the accumulated losses of NVT exceeding the historical investment. This investment in NVT was sold to other NVT AG investors in March 2017 for CHF 539,000, resulting in a gain.

JOTEC AG extended loans to NVT during the years after initial investment, which were included in Notes receivable in the Group consolidated financial statements. The carrying value of these loans to NVT were €1,240,000 after impairment, nominal value of €4,087,000, in March 2017 when the notes receivable were sold to other NVT investors at the nominal value. The resulting gain is included in Other expense, net in the statements of operations and comprehensive income (loss).

10. Related Party Disclosures

A member of the Company’s Board of Directors and a shareholder of the Company with significant influence, Mr. Lars Sunnanväder, is the owner of the property Lotzenäcker 23 and Lotzenäcker 25 in Hechingen that is rented to JOTEC GmbH. The obligation of the Lease contract for Lotzenäcker 23, Hechingen amounts to €7,014,000 at the inception of the Lease in 2011 and the lease payment for the nine months ended September 30, 2017 and twelve months ended December 31, 2016 were €531,000 and €708,000, respectively. The obligation of the Lease contract for Lotzenäcker 25, Hechingen amounts to €3,918,000 at the inception of the Lease and the lease payment for the nine months ended September 30, 2017 and twelve months ended December 31, 2016 were €196,000 and €261,000, respectively.

JOTEC AG has outstanding shareholder loan agreements with shareholders and their close relatives. The total interest expenses paid to the shareholders and their close relatives for the nine months ended September 30, 2017 and twelve months ended December 31, 2016 were €301,000 and €538,000 respectively. For the open balance and interest rates from these shareholder loans we refer to the table in note 6.

NVT has the same shareholder as JOTEC AG. JOTEC is providing management and administration services to NVT Group. For these services the Group charged NVT Group fees for the nine months ended September 30, 2017 and twelve months ended December 31, 2016 of €259,000 and €329,000 respectively.

In January 2016 the Group agreed in the purchase of certain intangibles from Fumedica AG, Muri, Switzerland for a maximum amount of CHF 1,800,000; for further details regarding this agreement we refer to note 8. The open balance from this contractual obligation amounts to €1,042,000 and to €1,120,000 at September 30, 2017 and December 31, 2016, respectively.

11. Subsequent Events

On December 1, 2017, 100% of the outstanding shares of JOTEC AG were acquired under terms of a securities purchase agreement, dated as of October 10, 2017, by and among CryoLife, Inc., certain of its subsidiaries, and the security holders of JOTEC AG. In conjunction with the acquisition, Cryolife acquired the outstanding shareholder loans, which were reclassified as intercompany loans from CryoLife as of that date.

UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma combined condensed consolidated financial statements are based upon the historical consolidated financial statements of CryoLife, Inc. and its subsidiaries ("CryoLife" or the "Company") and JOTEC AG, a Swiss public limited corporation and its subsidiaries ("JOTEC") and have been prepared to illustrate the effect of CryoLife's acquisition of JOTEC for approximately $225.0 million, subject to certain adjustments. Per the Company's preliminary analysis, the purchase price of the transaction totaled approximately $221.9 million in cash and stock.

The unaudited pro forma combined condensed consolidated balance sheet combines the historical consolidated balance sheets of CryoLife and JOTEC as of September 30, 2017 and reflects the pro forma effect as if the acquisition of JOTEC had occurred on that date. The unaudited pro forma combined condensed consolidated statements of operations for the nine months ended September 30, 2017 and the year ended December 31, 2016 combine the historical statements of operations of CryoLife and JOTEC, adjusted to reflect the pro forma effect as if the acquisition of JOTEC had occurred on January 1, 2016 (the first day of the Company's 2016 fiscal year). The historical consolidated financial statements referred to above for CryoLife were included in its Quarterly Report on Form 10-Q for the nine months ended September 30, 2017 and Annual Report on Form 10-K for the year ended December 31, 2016. The historical financial statements referred to above for JOTEC for the comparable periods are included in this Current Report on Form 8-K. The accompanying unaudited pro forma combined condensed consolidated financial information and the historical consolidated financial information presented therein should be read in conjunction with the historical consolidated financial statements and notes thereto for CryoLife described above. The historical financial statements of JOTEC have been adjusted to reflect certain reclassifications to conform to the Company's financial statement presentation.

The unaudited pro forma combined condensed consolidated balance sheet and statements of operations include pro forma adjustments which reflect transactions and events that (a) are directly attributable to the acquisition, (b) are factually supportable, and (c) with respect to the statement of operations, are expected to have a continuing impact on consolidated results. The pro forma adjustments are described in the accompanying combined notes to the unaudited pro forma combined condensed consolidated financial statements.

The unaudited pro forma combined condensed consolidated financial information does not reflect future events that may occur after the acquisition, including potential general and administrative savings. The unaudited pro forma combined condensed consolidated financial information is provided for informational purposes only and is not necessarily indicative of the results of operations that would have occurred if the acquisition of JOTEC had occurred on January 1, 2016 nor is it necessarily indicative of the Company's future operating results. The pro forma adjustments are preliminary estimates subject to change and are based upon currently available information.

CRYOLIFE, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED BALANCE SHEET
September 30, 2017
(in thousands)

	CryoLife	Jotec	Pro Forma Adjustments	Pro Forma
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 54,242	$ 2,626	$ (20,496)(b)	$ 36,372
Restricted securities	771	—	—	771
Receivables, net	33,659	12,031	—	45,690
Inventories	27,763	15,089	3,777(c)	46,630
Deferred preservation costs	35,008	—	—	35,008
Prepaid expenses and other	4,142	659	—	4,801
Total current assets	**155,585**	**30,406**	**(16,719)**	**169,272**
Property and equipment, net	20,607	13,232	(374)(d)	33,465
Goodwill	78,294	—	112,692(g)	190,986
Patents, net	827	—	—	827
Trade Name	—	—	6,513(e)	6,513
Customer Relationships and Other Intangibles	—	3,868	(661)(e)	3,207
Developed Technology	62,454	—	92,584(e)	155,038
IP Developed Technology	—	—	13,747(e)	13,747
Deferred income taxes	1,190	1,846	—	3,036
Investment in company owned life insurance	4,360	—	—	4,360
Other	2,823	—	912(b)	3,735
Total Assets	**$326,140**	**$49,351**	**$ 208,694**	**$584,185**

CRYOLIFE, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED BALANCE SHEET
September 30, 2017
(in thousands)

	CryoLife	Jotec	Pro Forma Adjustments	Pro Forma
Current liabilities:				
Accounts payable	$ 5,066	$ 1,702	$ —	$ 6,768
Accrued expenses and other	17,813	7,197	1,087(a)	26,097
Current portion of indebtedness, net	3,234	1,173	(984)(b)	3,423
Total current liabilities	**26,113**	**10,072**	**103**	**36,289**
Long-term debt and Capital Lease Obligation	64,835	36,388	123,828(b)	225,051
Deferred compensation liability	3,753	—	—	3,753
Deferred rent obligations	2,982	—	—	2,982
Deferred Income Taxes	—	—	32,706(f)	32,706
Other	5,101	1,828	—	6,929
Total liabilities	**102,784**	**48,288**	**156,638**	**307,710**
Shareholders' equity:				
Preferred stock	—	—	—	—
Common stock	348	1,036	(1,009)(a),(b)	375
Additional paid-in capital	194,958	19,592	33,500(a),(b)	248,050
Retained earnings (deficit)	40,616	(17,713)	17,713(a),(b)	40,616
Accumulated other comprehensive income	153	(1,949)	1,949(a),(b)	153
Non controlling Interests	—	98	(98)(a),(b)	—
Treasury stock at cost	(12,719)	—	—	(12,719)
Total shareholders' equity	**223,356**	**1,063**	**52,056**	**276,475**
Total liabilities and shareholders' equity	**$326,140**	**$ 49,351**	**$ 208,694**	**$584,185**

CRYOLIFE, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Nine Months Ended September 30, 2017
(in thousands except per share data)

	CryoLife	Jotec	Pro Forma Adjustments	Pro Forma
Products	$ 84,519	$36,239	$ —	$120,758
Preservation Services	52,357	—	—	52,357
Total revenues	**136,876**	**36,239**	**—**	**173,115**
Cost of Products	21,196	11,248	378(i)	32,821
Cost of Preservation Services	23,401	—	—	23,401
Total costs	**44,597**	**11,248**	**378**	**56,222**
Gross margin	**92,279**	**24,992**	**(378)**	**116,893**
General, administrative, and marketing	71,016	17,376	978 (j),(k)	89,370
Research and development	13,098	3,855	—	16,953
Operating expenses	84,114	21,231	978	106,323
Operating income (loss)	**8,165**	**3,761**	**(1,355)**	**10,570**
Interest expense	2,486	2,092	8,336 (l)	12,914
Interest income	(159)	(816)	—	(975)
Other expense (income), net	(70)	(3,543)	—	(3,613)
Total other (income) expenses	2,257	(2,267)	8,336	8,326
Income (loss) before income taxes	**5,908**	**6,028**	**(9,691)**	**2,245**
Income tax expense (benefit)	(803)	1,817	(3,439)(m)	(2,425)
Net Income (loss)	**$ 6,711**	**$ 4,211**	**$ (6,252)**	**$ 4,670**
Income Per Common Share—Basic	**$ 0.20**		**$ (0.06)**	**$ 0.13**
Income Per Common Share—Diluted	**$ 0.19**		**$ (0.06)**	**$ 0.13**
Weighted Average Common Shares Outstanding				
Basic	32,665		2,012 (n)	34,677
Diluted	33,851		2,012 (n)	35,863

CRYOLIFE, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Twelve Months Ended December 31, 2016
(in thousands except per share data)

	CryoLife	Jotec	Pro Forma Adjustments	Pro Forma
Products	$113,992	$44,516	$ —	$158,508
Preservation Services	66,388	—	—	66,388
Total revenues	**180,380**	**44,516**	**—**	**224,896**
Cost of Products	28,033	14,767	3,399(i)	46,199
Cost of Preservation Services	33,448	—	—	33,448
Total costs	**61,481**	**14,767**	**3,399**	**79,647**
Gross margin	**118,899**	**29,749**	**(3,399)**	**145,249**
General, administrative, and marketing	91,548	21,195	1,471(j),(k)	114,214
Research and development	13,446	3,676	—	17,122
Operating expenses	104,994	24,871	1,471	131,336
Gain from sale of business components	(7,915)	—	—	(7,915)
Operating income (loss)	**21,820**	**4,878**	**(4,870)**	**21,828**
Interest expense	3,043	2,954	11,196(l)	17,193
Interest income	(72)	(29)	—	(101)
Other expense (income), net	437	938	—	1,375
Total other (income) expenses	3,408	3,862	11,196	18,467
Income (loss) before income taxes	**18,412**	**1,015**	**(16,066)**	**3,361**
Income tax expense (benefit)	7,634	680	(5,774)(m)	2,539
Net Income (loss)	**$ 10,778**	**$ 335**	**$ (10,292)**	**$ 822**
Income Per Common Share—Basic	**$ 0.33**		**$ (0.30)**	**$ 0.02**
Income Per Common Share—Diluted	**$ 0.32**		**$ (0.30)**	**$ 0.02**
Weighted Average Common Shares Outstanding				
Basic	31,855		2,683(n)	34,538
Diluted	32,822		2,683(n)	35,505

Description of Transaction and Basis of Presentation

The unaudited pro forma combined condensed consolidated financial statements are based upon the historical consolidated financial statements of CryoLife, Inc. and its subsidiaries ("CryoLife" or the "Company,") which were included in its Quarterly Report on Form 10-Q for the nine months ended September 30, 2017 and Annual Report on Form 10-K for the year ended December 31, 2016 and JOTEC AG and its subsidiaries ("JOTEC") financial statements for these periods which are included in this Current Report on Form 8-K/A. The unaudited pro forma combined condensed consolidated statements of operations reflect the acquisition of JOTEC as if it had occurred on January 1, 2016 (the first day of the Company's 2016 fiscal year). The unaudited pro forma combined condensed consolidated balance sheet as of September 30, 2017 reflects such acquisition as if it had occurred on that date.

In accordance with generally accepted accounting principles in the United States, the acquisition of JOTEC is being accounted for using the purchase method of accounting. As a result, the unaudited pro forma combined condensed consolidated balance sheet has been adjusted to reflect the preliminary allocation of the purchase price to identifiable net assets acquired based primarily on the Company's fair value assessment and the excess purchase price to goodwill. The purchase price allocation in these unaudited pro forma combined condensed consolidated financial statements is based upon a purchase price of approximately $221.9 million, including debt and cash acquired. Total purchase consideration, net of debt and cash acquired is approximately $194.0 million.

Pro Forma Adjustments

On December 1, 2017 CryoLife completed its acquisition of 100% of the outstanding equity of JOTEC, a Swiss public limited corporation ("the Acquisition"), for $168.8 million in cash and 2,682,754 shares of CryoLife common stock, with an estimated value of $53.1 million as determined on the date of the closing, for a total purchase price of approximately $221.9 million. In connection with the closing of the JOTEC acquisition, CryoLife entered into a Credit and Guaranty Agreement ("Credit Agreement") with certain financial institutions as lenders, and Deutsche Bank AG New York Branch, as administrative and collateral agent, a senior secured credit facility in an aggregate principal amount of $255.0 million, which includes a $225.0 million term loan and a $30.0 million revolving credit facility. CryoLife borrowed the entire $225.0 million available under the term loan, the proceeds of which were used along with cash on hand and shares of CryoLife's common stock, to (i) fund the Acquisition, (ii) pay certain fees and expenses related to the Acquisition and the Credit Agreement and (iii) pay off CryoLife's existing credit facility under the Third Amended and Restated Credit Agreement with Capital One, National Association; Healthcare Financial Solutions, LLC; Fifth Third Bank; and Citizens Bank National Association. CryoLife operates JOTEC as a wholly owned subsidiary.

The historical financial information of JOTEC was prepared in accordance with GAAP and presented in Euros. The historical financial information was translated from Euros to US dollars using the following historical exchange rates: Condensed Consolidated Balance Sheet – 1.18 EUR/USD exchange rate as of September 30, 2017 Condensed Consolidated Statements of Operations – 1.11 EUR/USD average exchange rate for the year ended December 31, 2016 and 1.10 EUR/USD average exchange rate for the nine months ended September 30, 2017.

CRYOLIFE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands)

The following pro forma adjustments are included in the unaudited pro forma combined condensed consolidated balance sheet and/or the unaudited pro forma combined condensed consolidated statements of operations:

(a) The elimination of JOTEC non-retained assets, liabilities, and equity.

(b) The reduction in cash, issuance of debt, and issuance of CryoLife common stock representing the total purchase price consideration paid in the acquisition.

(c) Estimated fair value adjustment to inventories.

(d) Estimated fair value adjustment to property and equipment.

(e) Estimated fair value of intangible assets acquired and liabilities assumed.

(f) Estimated deferred tax assets and liabilities acquired.

(g) Goodwill is the estimated excess of the purchase price over the tangible assets acquired as of the unaudited pro forma combined condensed consolidated balance sheet date.

(h) The preliminary allocation of purchase price and estimated goodwill as of December 1, 2017, the date of the transaction, is summarized below:

Total purchase consideration	$221,868
Assets acquired:	
Cash and cash equivalents	4,089
Receivables	13,204
Inventories	17,341
Other current assets	2,210
PP&E	12,921
Intangible assets	115,820
Other assets	1,646
	167,231
Debt Acquired	(3,770)
Liabilities assumed	(52,045)
Goodwill (preliminary estimate)	$110,452

(i) The effect of fair value adjustment to inventories on cost of products.

(j) The effect of additional depreciation included in cost of products resulting from the fair value adjustment to property and equipment.

(k) Net increase in amortization of intangible assets acquired.

(l) Net increase in interest expense as a result of the debt issued as a result of the transaction.

(m) The effect of the pro forma income statement adjustments on income taxes as calculated using an estimated combined U.S. federal, state and international statutory tax rate of 36.8% .

(n) The change in weighted average common shares outstanding as a result of the common shares issued as a result of the transaction.