

Annual  
Report

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**Kensey Nash**

# Letter to our Shareholders

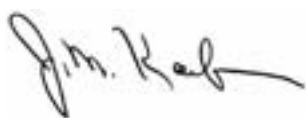
Fiscal year 2002 was another high performance year for Kensey Nash Corporation. We established new records for revenue, sales and royalties. Our biomaterials business continued to expand with sales increasing 20% over last year. Royalties from the Angio-Seal increased 30% as St. Jude Medical, Inc., our licensee, captured the number one worldwide market share with another strong year. Although our earnings declined 7% for the year related to development, clinical and marketing costs of the TriActiv™ system, which added \$4.6 million to our operating expense for the year, we believe this commitment will provide the foundation for future revenue and earnings growth along with product and market diversity. Additionally, we generated \$4.5 million in cash for the year to further strengthen our balance sheet. In a very difficult capital market, we are well positioned to continue our growth in the coming year and beyond.

Our TriActiv™ system is at the forefront of distal protection technology, one of the most exciting markets in cardiology today. In Europe, we received CE Mark approval in January 2002 and commercially launched the product in May of 2002. Developing a sales force is a new endeavor for Kensey Nash but we are confident our European team will be successful. The team has already established relationships with some of the top hospitals in Germany, where we will be selling the product direct to the market, and has been successful in entering distributor agreements in the UK, Ireland, Switzerland and Austria. In the United States, we are well underway in our pursuit of FDA approval with the PRIDE clinical study. We are very encouraged by the initial clinical results from our European pilot study, which demonstrated the TriActiv™ system reduces the risk of complication during the treatment of saphenous vein graft disease.

Evolving from the development of the Angio-Seal, our biomaterials business continues to be a source of emerging medical technologies. Along with our demonstrated success in the orthopedics and cardiology markets, our team remains committed to bringing the marketplace new and exciting products. Our past investments in absorbable biomaterials continue to provide not only growth today but also exciting opportunities for the future. We have built a solid foundation with our capabilities in collagen and polymer processing technology that is second to none. Our research and development, manufacturing and quality assurance teams have enabled us to produce record sales and expand our technology into new markets and applications. Today we have over 80 products in markets ranging from cardiology, orthopedics and sports medicine to surgery and drug delivery. We will continue to invest in absorbable biomaterials for the future.

Last, but certainly not least, our Angio-Seal royalties continue to set new records. With the launch of the new STS platform by St. Jude Medical, the Angio-Seal jumped into the worldwide leadership position in the vascular closure device market in fiscal 2002. We are proud, as the original developers of the Angio-Seal, to be associated with both the product and St. Jude Medical. Over two million Angio-Seal devices have been sold since the product was launched in 1995.

In our time of unparalleled development of sophisticated medical technology, to be recognized as a leader requires commitment to ingenuity and excellence that is as much curiosity as it is dedication. A willingness to try new ideas and a desire to provide true improvements to today's medical standards of care are the foundation of Kensey Nash's development of unique and innovative medical products.



Joseph W. Kaufmann



Douglas G. Evans



Wendy F. DiCicco

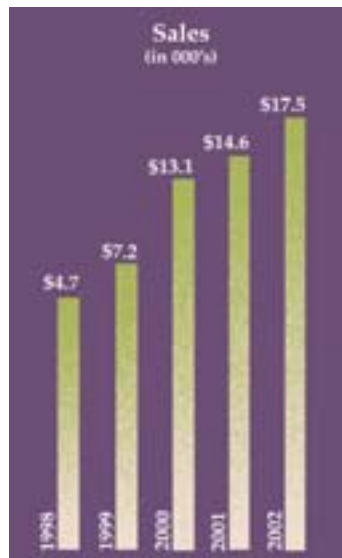
# 2002 Achievements

## Company

- Initiated the PRIDE [Protection during saphenous vein graft Intervention to prevent Distal Embolization] randomized clinical trial for the TriActiv™ Balloon Protected Flush Extraction System in the United States.
- Received CE Mark approval for the TriActiv™ system, clearing the way for commercialization of the product in Europe.
- Established a subsidiary in Germany for the sales and marketing of the TriActiv™ system throughout Europe.
- Entered into worldwide distribution agreements for our proprietary periodontal products, Epi-Guide® periodontal membrane and DRILAC® surgical dressing.
- Awarded a \$1.9 million National Institute of Standards and Technology grant for the development of a small diameter synthetic vascular graft.
- Added to the Russell 2000® and Russell 3000® stock indices.
- Recognized by Fortune Small Business as one of the 100 fastest growing publicly held small companies in America for 2001.

## Financial

- Achieved record total revenue, sales and royalty income. Increased total revenue 25% to \$29.0 million.
- Maintained five-year compounded annual revenue growth of 27%.
- Increased biomaterials sales 20% to \$17.5 million.
- Improved gross margin on net sales, which increased to 53% from 49% in FY 2001.



(1) Excludes non-recurring \$1.5 million supplemental royalty payment

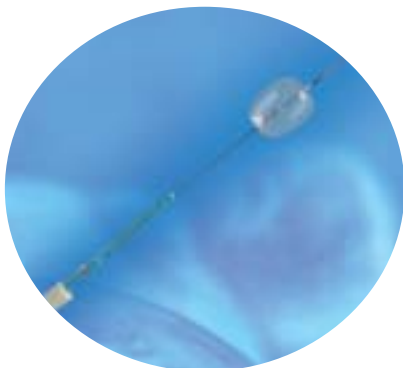
(2) Excludes non-recurring \$7.6 million IP R&D charge and \$4.1 million tax benefit

(3) Fiscal years 1998, 1999, 2000, and 2001 have been tax effected at 34.5%

# Focus on Cardiology

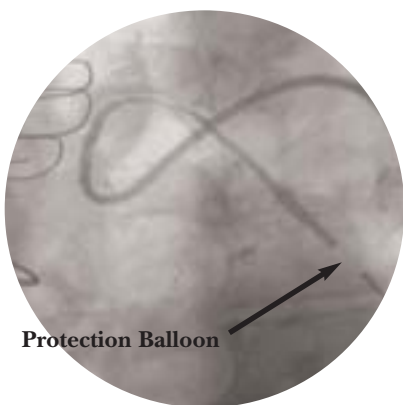
Kensey Nash's continued focus on and innovation in cardiovascular development brought many advances in the area of cardiology, specifically distal protection, during the past year. Distal protection is a segment of interventional cardiology which is rapidly gaining acceptance and could become the standard of care for use during the placement of stents. Our TriActiv™ system offers a unique solution in providing protection from embolic debris which can become dislodged during certain coronary interventions. Our initial treatment indication is for saphenous vein graft interventions. However, we believe additional opportunities for our technology exist with carotid stenting and acute myocardial infarctions (heart attacks).

The TriActiv™ system provides temporary total occlusion of the bypass graft, via the balloon, providing protection from debris loosened during the stenting treatment procedure which could potentially cause serious adverse complications. The TriActiv™ system consists of three unique features:



“This device is another leap in the technology of active embolic protection.”

G. Roubin, MD  
Lenox Hill Hospital  
New York, NY



1. Distal Protection Balloon
2. Active Flush Catheter
3. Debris Extraction System

Kensey Nash is committed to maintaining its technological edge in interventional cardiology. With our blue-ribbon advisory board which is comprised of the top interventional cardiologists in the United States, state of the art innovation is paired with unparalleled medical knowledge. “The collaboration of this group of innovative cardiologists with a dynamic and responsive company such as Kensey Nash should lead to new and imaginative solutions to current challenges in percutaneous coronary intervention,” said Dr. Jeffrey Moses of New York's Lenox Hill Hospital.



“Balloon protection devices offer the best hope of complete embolus protection.”

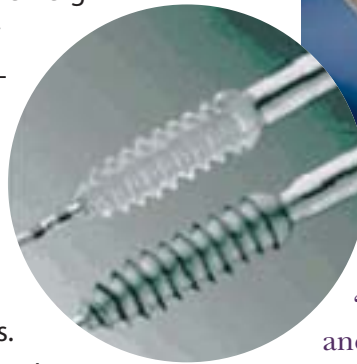
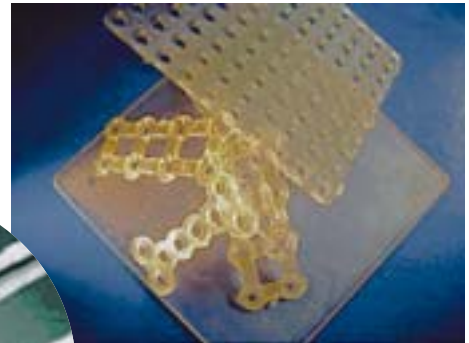
J. Carrozza, MD  
Beth Israel Deaconess  
Medical Center  
Boston, MA

**triactiv™**  
BALLOON PROTECTED FLUSH EXTRACTION SYSTEM

# Focus on Biomaterials

Product applications of biomaterials throughout the medical industry have increased dramatically over the past 10 years. Where previous standards of care never encompassed the use of bioabsorbable materials, many are now redefined by products utilizing this technology. Kensey Nash has extensive experience with developing biomaterial implants for harnessing the body's inherent ability to repair damage caused by disease, trauma or age. We are considered a technology leader in the field of absorbable biomaterial technology and are capitalizing on our experience and exploring new opportunities across all fields of use. We participate in a wide range of markets including orthopedics, cardiology, drugs/biologics delivery, wound care, general surgery, periodontics and urology. The most significant contributors to our current biomaterials platform are orthopedics and cardiology.

An increasingly active population is spurring the overall growth in the orthopedics markets today, which is estimated at 10-15% annually. Adoption trends for products made of existing and emerging biomaterials are exceeding this overall industry growth as new products emerge and existing products evolve from metallic materials to absorbable biomaterials. Kensey Nash is participating in the success of biomaterials in the orthopedics industry through the supply of absorbable products to our customers including fixation and soft tissue repair products and growth factor delivery matrices. We are also developing proprietary innovative technology in joint replacement and cartilage regeneration.



“The future of orthopedic surgery is directed at achieving the most anatomic and “natural” resolution to trauma and degenerative bone and joint disease.”

Med Pro Month; The Future of Orthopedic Surgery; April 2001



Our flagship product, the Angio-Seal<sup>®</sup> Vascular Closure Device, which is now manufactured, marketed and sold worldwide by St. Jude Medical, Inc., our licensing partner, has gained the number one position in the worldwide puncture closure device market with an estimated share between 45% and 50%. In addition to the royalties we earned on Angio-Seal sales, we also experienced strong growth in our cardiology biomaterials sales through the supply of the key absorbable components for the Angio-Seal, the absorbable polymer anchor and collagen plug.



The company's business today is concentrated in key markets but we believe the strength of our biomaterials platform will enable us to continue to strengthen our current position in existing markets and continue to diversify into new markets.



## Executive Officers

Joseph W. Kaufmann  
*President and Chief Executive Officer*

Douglas G. Evans, P.E.  
*Chief Operating Officer*

Wendy F. DiCicco, CPA  
*Chief Financial Officer*

John E. Nash, P.E.  
*Founder and Vice President of New Technologies*

## Senior Management

Iulian Cioanta, Ph.D.  
*Director of Development Engineering*

Donald L. Daveler  
*Vice President of Quality Assurance/Quality Control*

Todd M. DeWitt  
*Vice President of Biomaterials*

Robin M. Fatzinger  
*Director of Clinical and Regulatory Affairs*

Holly C. Harrity  
*Vice President of Business Development*

Jeff C. Kelly  
*Director of Legal Affairs*

Russell T. Kronengold, Ph.D.  
*Director of Biomaterials Research*

James (Ted) Rauth, P.E.  
*Vice President of Operations*

June E. Sheets  
*Director of Human Resources*

Gregory A. Walters  
*Vice President of Product Development*

## Board of Directors

Robert J. Bobb (1,3)  
*Private Investor*

Harold N. Chefitz (1,2)  
*Chairman and Chief Executive Officer, GliaMed*

Douglas G. Evans, P.E. (4)  
*Chief Operating Officer*

Joseph W. Kaufmann (2,4)  
*President and Chief Executive Officer*

Steven J. Lee (3)  
*Former Chief Executive Officer, PolyMedica Corporation*

Walter R. Maupay, Jr. (1,2,3)  
*Retired President, Calgon Vestal Laboratories,  
a division of Bristol Myers Squibb*

C. McCollister Evarts, M.D. (2,3)  
*Retired Chief Executive Officer,  
Milton S. Hershey Medical Center  
and Senior Vice President, Health Affairs and Dean,  
Pennsylvania State University College of Medicine*

John E. Nash, P.E. (4)  
*Founder and Vice President of New Technologies*

- (1) Member of Compensation Committee  
(2) Member of Executive Committee  
(3) Member of Audit Committee  
(4) Internal Director

## Trademark

Angio-Seal® is a registered trademark of St. Jude Medical, Inc.

TriActiv™ Balloon Protected Flush Extraction System is a trademark of Kensey Nash Corporation.

Epi-Guide® is a trademark of Kensey Nash Corporation.

DRILAC® is a trademark of Kensey Nash Corporation.

## Independent Accountants

Deloitte & Touche LLP  
Philadelphia, Pennsylvania

## Common Stock

The Company's Common Stock trades on the Nasdaq National Market System under the symbol KNSY. The Company has not paid any dividends since its inception and does not intend to pay any dividends in the foreseeable future. The range of high and low closing sale prices for the Common Stock is as follows:

Fiscal Year Ended	High	Low
June 30, 2001		
First Quarter	\$13.94	\$9.25
Second Quarter	12.94	9.25
Third Quarter	11.69	9.50
Fourth Quarter	17.45	9.50
June 30, 2002		
First Quarter	\$23.70	\$15.41
Second Quarter	22.00	17.05
Third Quarter	22.11	15.98
Fourth Quarter	19.66	13.87

## Shareholder Information

The Company's 2002 annual report on Form 10-K, as filed with the Securities and Exchange Commission, can be viewed on the Company's web site [www.kenseynash.com](http://www.kenseynash.com) or can be obtained without charge by contacting:

Kensey Nash Corporation  
Investor Relations  
55 East Uwchlan Avenue  
Exton, PA 19341  
Telephone: (610) 524-0188  
Facsimile: (610) 524-0265

## Shareholders

As of September 20, 2002, there were 61 holders of record and approximately 3,289 beneficial shareholders of the Company's Common Stock.

## Annual Meeting

The Annual Meeting of Shareholders of Kensey Nash Corporation will be held at the Top of the Tower, 1717 Arch Street, 51st Floor, Philadelphia, PA on Wednesday, December 4, 2002, at 10:00 AM.

## Transfer Agent and Registrar

Computershare Trust Company, Inc. Golden, Colorado