

## Non-GAAP Financial Measures and Reconciliations

We use various numerical measures in conference calls, investor meetings and other forums which are or may be considered "Non-GAAP financial measures" under Regulation G. We have provided below for your reference supplemental financial disclosure for these measures, including the most directly comparable GAAP measure and an associated reconciliation.

### Kensey Nash Corporation Non-GAAP Financial Measures and Reconciliations Adjusted Income and Earnings Per Share Reconciliation

	As Reported Three Months Ended March 31, <u>2006</u>	Non-GAAP Adjustments Acceleration of Depreciation and Moving Costs <u>2006</u>	Equity Compensation Expense <u>2006</u>	Pro forma Three Months Ended March 31, <u>2006</u>
Revenues:				
Net sales	\$ 9,963,727	\$ -	\$ -	\$ 9,963,727
Research and development	-	-	-	-
Royalty income	5,711,798	-	-	5,711,798
Total revenues	<u>15,675,525</u>	<u>-</u>	<u>-</u>	<u>15,675,525</u>
Operating costs and expenses:				
Cost of products sold	4,545,175	(268,014)	(46,409)	4,230,752
Research and development	4,635,501	(169,998)	(241,134)	4,224,369
Selling, general and administrative	4,301,450	(74,335)	(361,776)	3,865,339
Total operating costs and expenses	<u>13,482,126</u>	<u>(512,347)</u>	<u>(649,319)</u>	<u>12,320,460</u>
Income from operations	2,193,399	512,347	649,319	3,355,065
Interest and other income, net	244,055	-	-	244,055
Pre-tax income	2,437,454	512,347	649,319	3,599,120
Income tax expense	649,820	158,483	200,852	1,009,155
Net income	<u>\$ 1,787,634</u>	<u>\$ 353,864</u>	<u>\$ 448,467</u>	<u>\$ 2,589,965</u>
Basic earnings per share	<u>\$ 0.16</u>	<u>\$ 0.03</u>	<u>\$ 0.04</u>	<u>\$ 0.23</u>
Diluted earnings per share	<u>\$ 0.15</u>	<u>\$ 0.03</u>	<u>\$ 0.04</u>	<u>\$ 0.21</u>
Weighted average common shares outstanding	<u>11,477,601</u>	<u>11,477,601</u>	<u>11,477,601</u>	<u>11,477,601</u>
Diluted weighted average common shares outstanding	<u>12,263,183</u>	<u>12,263,183</u>	<u>12,263,183</u>	<u>12,263,183</u>

**Note:** To supplement our consolidated financial statements presented in accordance with GAAP, Kensey Nash Corporation uses non-GAAP measures of pro forma net income and earnings per share, which are adjusted from our GAAP results to exclude certain expenses. These non-GAAP adjustments are provided to enhance the user's overall understanding of our historical and current financial performance and our prospects for the future. We believe the non-GAAP results provide useful information to both management and investors by excluding certain expenses that we believe are not indicative of our core operating results.

We have adjusted our GAAP results for equity compensation expense and an acceleration of depreciation charge. The Company has excluded the impact of equity compensation related to adopting Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, which became effective for the Company July 1, 2005 and the impact of the acceleration of depreciation charge related to the Company's move to a new facility expected in June 2006. For the period ending March 31, 2006 equity compensation has been and will continue to be included in the Company's consolidated results of operations. The acceleration of depreciation charge began in May 2005 and will be complete by June 2006. Both of these non-GAAP measures are non-cash charges and will have no impact on the cash flows of the Company.

These non-GAAP measures will provide investors and management with an alternative method for assessing Kensey Nash's operating results in a manner consistent with the presentation prior to the adoption of FAS 123(R) and the acceleration of depreciation charge related to the transition to the new facility. Further, these non-GAAP results are one of the primary indicators management uses for planning and forecasting in future periods. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States.