

## 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

	(Unaudited) As Reported	Non-GAAP Adjustments		Pro forma
	Three Months Ended June 30, 2006	Acceleration of Depreciation and Moving Costs 2006	Equity Compensation Expense 2006	Three Months Ended June 30, 2006
Revenues:				
Net sales	\$ 12,453,607	\$ -	\$ -	\$ 12,453,607
Research and development	-	-	-	-
Royalty income	5,914,483	-	-	5,914,483
Total revenues	18,368,090	-	-	18,368,090
Operating costs and expenses:				
Cost of products sold	6,058,419	(291,162)	(53,271)	5,713,986
Research and development	4,491,249	(229,809)	(234,014)	4,027,426
Selling, general and administrative	4,813,807	(84,239)	(354,702)	4,374,866
Total operating costs and expenses	15,363,475	(605,210)	(641,987)	14,116,278
Income from operations	3,004,615	605,210	641,987	4,251,812
Interest and other income, net	190,006	-	-	190,006
Pre-tax income	3,194,621	605,210	641,987	4,441,818
Income tax expense	525,965	349,659	370,907	1,246,532
Net income	\$ 2,668,656	\$ 255,551	\$ 271,080	\$ 3,195,286
Basic earnings per share	\$ 0.23	\$ 0.02	\$ 0.02	\$ 0.28
Diluted earnings per share	\$ 0.21	\$ 0.02	\$ 0.02	\$ 0.26
Weighted average common shares outstanding	11,563,712	11,563,712	11,563,712	11,563,712
Diluted weighted average common shares outstanding	12,443,519	12,443,519	12,443,519	12,443,519

	(Unaudited) As Reported	Non-GAAP Adjustments		Pro forma
	Twelve Months Ended June 30, 2006	Acceleration of Depreciation and Moving Costs 2006	Equity Compensation Expense 2006	Twelve Months Ended June 30, 2006
Revenues:				
Net sales	\$ 37,878,054	\$ -	\$ -	\$ 37,878,054
Research and development	-	-	-	-
Royalty income	22,518,696	-	-	22,518,696
Total revenues	60,396,750	-	-	60,396,750
Operating costs and expenses:				
Cost of products sold	20,645,091	(2,512,043)	(179,156)	17,953,892
Research and development	18,990,301	(1,548,179)	(852,888)	16,589,234
Selling, general and administrative	17,259,158	(673,573)	(1,326,804)	15,258,781
Total operating costs and expenses	56,894,550	(4,733,795)	(2,358,848)	49,801,907
Income from operations	3,502,200	4,733,795	2,358,848	10,594,843
Interest and other income, net	1,053,935	-	-	1,053,935
Pre-tax income	4,556,135	4,733,795	2,358,848	11,648,778
Income tax expense	838,457	1,609,490	802,008	3,249,956
Net income	\$ 3,717,678	\$ 3,124,305	\$ 1,556,840	\$ 8,398,823
Basic earnings per share	\$ 0.32	\$ 0.27	\$ 0.14	\$ 0.73
Diluted earnings per share	\$ 0.30	\$ 0.25	\$ 0.13	\$ 0.68
Weighted average common shares outstanding	11,493,558	11,493,558	11,493,558	11,493,558
Diluted weighted average common shares outstanding	12,319,341	12,319,341	12,319,341	12,319,341

## Non-GAAP Financial Measures and Reconciliations (Continued)

	(Unaudited) As Reported	Non-GAAP Adjustments		Pro forma
	Three Months Ended June 30, <u>2005</u>	Acceleration of Depreciation and Moving Costs	Equity Compensation Expense	Three Months Ended June 30, <u>2005</u>
		<u>2005</u>	<u>2005</u>	
Revenues:				
Net sales	\$ 10,704,641	\$ -	\$ -	\$ 10,704,641
Research and development	-	-	-	-
Royalty income	5,582,344	-	-	5,582,344
Total revenues	<u>16,286,985</u>	<u>-</u>	<u>-</u>	<u>16,286,985</u>
Operating costs and expenses:				
Cost of products sold	5,447,383	(440,126)	-	5,007,257
Research and development	3,375,273	(301,827)	(50,595)	3,022,851
Selling, general and administrative	3,429,368	(70,962)	(52,865)	3,305,541
Total operating costs and expenses	<u>12,252,024</u>	<u>(812,915)</u>	<u>(103,460)</u>	<u>11,335,649</u>
Income from operations	4,034,961	812,915	103,460	4,951,336
Interest and other income, net	299,667	-	-	299,667
Pre-tax income	4,334,628	812,915	103,460	5,251,003
Income tax expense	1,032,617	193,657	24,647	1,250,920
Net income	<u>\$ 3,302,011</u>	<u>\$ 619,258</u>	<u>\$ 78,813</u>	<u>\$ 4,000,083</u>
Basic earnings per share	<u>\$ 0.29</u>	<u>\$ 0.05</u>	<u>\$ 0.01</u>	<u>\$ 0.35</u>
Diluted earnings per share	<u>\$ 0.27</u>	<u>\$ 0.05</u>	<u>\$ 0.01</u>	<u>\$ 0.33</u>
Weighted average common shares outstanding	<u>11,384,061</u>	<u>11,384,061</u>	<u>11,384,061</u>	<u>11,384,061</u>
Diluted weighted average common shares outstanding	<u>12,072,999</u>	<u>12,072,999</u>	<u>12,072,999</u>	<u>12,072,999</u>

	(Unaudited) As Reported	Non-GAAP Adjustments		Pro forma
	Twelve Months Ended June 30, <u>2005</u>	Acceleration of Depreciation and Moving Costs	Equity Compensation Expense	Twelve Months Ended June 30, <u>2005</u>
		<u>2005</u>	<u>2005</u>	
Revenues:				
Net sales	\$ 40,369,453	\$ -	\$ -	\$ 40,369,453
Research and development	253,292	-	-	253,292
Royalty income	20,753,169	-	-	20,753,169
Total revenues	<u>61,375,914</u>	<u>-</u>	<u>-</u>	<u>61,375,914</u>
Operating costs and expenses:				
Cost of products sold	17,654,147	(440,126)	-	17,214,021
Research and development	15,130,679	(301,827)	(241,800)	14,587,052
Selling, general and administrative	11,794,731	(70,962)	(522,827)	11,200,942
Total operating costs and expenses	<u>44,579,557</u>	<u>(812,915)</u>	<u>(764,627)</u>	<u>43,002,015</u>
Income from operations	16,796,357	812,915	764,627	18,373,899
Interest and other income, net	1,294,499	-	-	1,294,499
Pre-tax income	18,090,856	812,915	764,627	19,668,398
Income tax expense	5,159,486	231,842	218,071	5,609,399
Net income	<u>\$ 12,931,370</u>	<u>\$ 581,073</u>	<u>\$ 546,556</u>	<u>\$ 14,058,999</u>
Basic earnings per share	<u>\$ 1.13</u>	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 1.23</u>
Diluted earnings per share	<u>\$ 1.06</u>	<u>\$ 0.05</u>	<u>\$ 0.04</u>	<u>\$ 1.15</u>
Weighted average common shares outstanding	<u>11,412,025</u>	<u>11,412,025</u>	<u>11,412,025</u>	<u>11,412,025</u>
Diluted weighted average common shares outstanding	<u>12,184,949</u>	<u>12,184,949</u>	<u>12,184,949</u>	<u>12,184,949</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 and moving costs. 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 and moving costs related to the Company's move to a new facility in June 2006. For the period ending June 30, 2006 equity compensation has been and will continue to be included in the Company's consolidated results of operations. The acceleration of depreciation charge and moving costs began in May 2005 and were completed 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.