

## 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**  
**Royalty Income, Revenue, Adjusted Income and Earnings Per Share Reconciliation**  
*(In Millions, except per share data)*

	Fiscal Year Ended June 30,							
	1996	1997	1998	1999	2000	2001	2002	2003
<b>Royalty Income</b>								
Royalty income, as reported	\$ 0.1	\$ 0.4	\$ 3.0	\$ 7.2	\$ 6.6	\$ 8.2	\$ 10.8	\$ 16.3
Exclude Non-Recurring royalty payment	-	-	-	(1.5)	-	-	-	-
Adjusted Royalty Income	<u>\$ 0.1</u>	<u>\$ 0.4</u>	<u>\$ 3.0</u>	<u>\$ 5.7</u>	<u>\$ 6.6</u>	<u>\$ 8.2</u>	<u>\$ 10.8</u>	<u>\$ 16.3</u>
<b>Revenue</b>								
Revenue	\$ 3.0	\$ 7.9	\$ 11.3	\$ 16.2	\$ 19.8	\$ 23.2	\$ 29.0	\$ 44.4
Exclude Non-Recurring royalty payment	-	-	-	(1.5)	-	-	-	-
Adjusted Revenue	<u>\$ 3.0</u>	<u>\$ 7.9</u>	<u>\$ 11.3</u>	<u>\$ 14.7</u>	<u>\$ 19.8</u>	<u>\$ 23.2</u>	<u>\$ 29.0</u>	<u>\$ 44.4</u>
<b>Adjusted Income</b>								
Net Income, as reported	\$ (5.9)	\$ 0.3	\$ 0.4	\$ 3.2	\$ 4.7	\$ 3.6	\$ 4.6	\$ 8.8
Exclude:								
One-time insurance settlement	(0.9)	(0.9)	-	-	-	-	-	-
Non-Recurring royalty payment	-	-	-	(1.5)	-	-	-	-
IP R&D Charge	-	-	-	-	-	7.6	-	-
Tax Benefit from IP R&D Charge	-	-	-	-	-	(4.1)	-	-
R&D Tax Credit	-	-	-	-	-	-	-	(1.5)
R&D Tax Credit Engagement Fees	-	-	-	-	-	-	-	0.3
Include:								
Tax Effected at 34.5% After Adjustments	-	-	0.1	0.6	1.6	2.5	-	-
Net Income, as adjusted	<u>\$ (6.8)</u>	<u>\$ (0.6)</u>	<u>\$ 0.3</u>	<u>\$ 1.1</u>	<u>\$ 3.1</u>	<u>\$ 4.7</u>	<u>\$ 4.6</u>	<u>\$ 7.6</u>
<b>Diluted Earnings Per Share</b>								
Earnings Per Share, as reported	\$ (1.00)	\$ (0.04)	\$ 0.05	\$ 0.43	\$ 0.60	\$ 0.34	\$ 0.41	\$ 0.76
Exclude:								
One-time insurance settlement	(0.16)	(0.13)	-	-	-	-	-	-
Non-Recurring royalty payment	-	-	-	(0.20)	-	-	-	-
IP R&D Charge	-	-	-	-	-	0.72	-	-
Tax Benefit from IP R&D Charge	-	-	-	-	-	(0.39)	-	-
R&D Tax Credit	-	-	-	-	-	-	-	(0.13)
R&D Tax Credit Engagement Fees	-	-	-	-	-	-	-	0.03
Include:								
Tax Effected at 34.5%	-	-	0.02	0.08	0.21	0.23	-	-
Earnings Per Share, as adjusted	<u>\$ (1.16)</u>	<u>\$ (0.17)</u>	<u>\$ 0.03</u>	<u>\$ 0.15</u>	<u>\$ 0.39</u>	<u>\$ 0.44</u>	<u>\$ 0.41</u>	<u>\$ 0.66</u>
Diluted weighted average common shares outstanding	5.927	7.182	7.552	7.477	7.975	10.591	11.256	11.498

**Note:** To supplement our consolidated financial statements presented in accordance with GAAP, Kensey Nash Corporation uses non-GAAP measures of pro forma royalty income, revenue net income, and earnings per share, which are adjusted from our GAAP results to exclude certain expenses and credits. 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 and credits that we believe are not indicative of our core operating results.

The non-GAAP measures are included to provide investors and management with an alternative method for assessing Kensey Nash's operating results in a manner that is focused on the performance of Kensey Nash's ongoing operations and to provide a more consistent basis for comparison between years. 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.