

Statement Regarding Use of Non-GAAP Financial Measures

The company's financial results and financial guidance are provided in accordance with accounting principles generally accepted in the United States (GAAP) and using certain non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating loss, and non-GAAP earnings (loss) per share. Management believes that presentation of operating results using these non-GAAP financial measures provides useful supplemental information to investors and facilitates the analysis of the company's core operating results and comparison of operating results across reporting periods, while excluding certain expenses that may not be indicative of the Company's recurring core business operating results. In addition, management believes these non-GAAP financial measures are useful to investors both because they (1) allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) are used by OraSure's institutional investors and the analysis community to help them analyze the health of OraSure's business. Management also uses non-GAAP financial measures to establish budgets and to manage the company's business. A reconciliation of the GAAP financial results to non-GAAP financial results is included in the schedules below and a description of the adjustments made to the GAAP financial measures is included at the end of the schedules.

The company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Non-GAAP financial results are reported in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Further, non-GAAP financial measures, even if similarly titled, may not be calculated in the same manner by all companies, and therefore should not be compared.

OraSure Technologies GAAP to Non-GAAP Reconciliation (\$ in 000's)

	Three Months Ended Mar 31,	Three Months Ended June 30,	Three Months Ended Mar 31,	Three Months Ended June 30,
	2022	2022	2021	2021
Revenue	\$ 67,707	\$ 80,231	\$ 58,582	\$ 57,607
GAAP Cost of Goods Sold	43,435	52,647	20,256	26,934
<i>GAAP Gross Margin</i>	<i>36%</i>	<i>34%</i>	<i>65%</i>	<i>53%</i>
Stock compensation	150	155	62	72
Amortization of acquisition-related intangible assets	132	132	132	132
Transformation related expenses	371	544	-	-
Inventory reserve for excess levels	575	3,794	-	-
Non-GAAP Cost of Goods Sold	42,207	48,022	20,062	26,730
<i>Non-GAAP Gross Margin</i>	<i>38%</i>	<i>40%</i>	<i>66%</i>	<i>54%</i>
GAAP Operating Income (Loss)	(15,978)	(21,289)	10,422	1,798
Stock compensation	2,062	2,447	1,464	1,474
Amortization of acquisition-related intangible assets	501	501	705	718
Inventory reserve for excess levels	575	3,794	-	-
Goodwill and long-lived assets impairment charges	-	10,542	-	-
Transformation related expenses	4,153	902	-	-
Severance expense	1,461	1,531	-	-
Strategic alternative costs	651	197	-	-
Change in fair value of acquisition-related contingent consideration	(36)	-	(806)	(220)
Non-GAAP Operating Income (Loss)	(6,611)	(1,375)	11,785	3,770
GAAP Net Income (Loss)	(19,967)	(18,802)	3,774	(1,364)
Stock compensation	2,062	2,447	1,464	1,474
Amortization of acquisition-related intangible assets	501	501	705	718
Inventory reserve for excess levels	575	3,794	-	-
Goodwill and long-lived assets impairment charges	-	10,542	-	-
Transformation related expenses	4,153	902	-	-
Severance expense	1,461	1,531	-	-
Strategic alternative costs	651	197	-	-
Change in fair value of acquisition-related contingent consideration	(36)	-	(806)	(220)
Tax effect of Non-GAAP adjustments	(89)	(1,156)	(80)	21
Non-GAAP Net Income (Loss)	\$ (10,689)	\$ (44)	\$ 5,057	\$ 629
GAAP Earnings (Loss) Per Share:	(\$0.28)	(\$0.26)	\$0.05	(\$0.02)
Non-GAAP Earnings (Loss) Per Share:	(\$0.15)	(\$0.00)	\$0.07	\$0.01
Diluted Shares Outstanding	72,194	72,496	72,766	71,983

Following is a description of the adjustments made to GAAP financial measures:

- Stock Compensation: non-cash equity-based compensation provided to OraSure employees and directors, excluding accelerated stock compensation as required under former employees' employment agreements.
- Amortization of acquisition-related intangible assets: represents recurring amortization charges resulting from the acquisition of intangible assets associated with our business combinations.
- Inventory reserve for excess levels: reserves recorded for inventory balances that are deemed excess based on current forecasts and expirations dates.
- Transformation related expenses: transitory costs such as consulting and professional fees related to transformation initiatives.
- Goodwill and long-live assets impairment charge: charges related to the write down of company assets including PP&E and Goodwill
- Strategic alternative costs: one-time expenses such as legal and banking fees tied to the company's strategic alternative process
- Severance expenses: one-time expenses tied to executive severance agreements including accelerated stock compensation

- Change in fair value of acquisition-related contingent consideration: changes in the fair value of contingent consideration liability associated with estimate changes in reaching contingent consideration metrics.
- Tax impact associated with non-GAAP adjustments – tax expense/(benefit) due to non-GAAP adjustments