

Non-GAAP Financial Measures

We provide non-GAAP gross margin, non-GAAP net income (loss), and non-GAAP earnings per share to eliminate the impact of items that we do not consider indicative of our overall operating performance. To arrive at our non-GAAP gross margin, we exclude stock-based compensation expense, expenses associated with discontinued products, and non-recurring expenses, if any, from our GAAP gross margin. To arrive at our non-GAAP net income (loss), we exclude all amortization of intangible assets, stock-based compensation expense, non-recurring expenses, unrealized foreign exchange gain (loss), losses from the disposal of idle assets, if any, non-GAAP tax expenses (benefits), expenses associated with discontinued products, if any, and the effects of forgiveness of our PPP loan from our GAAP net income (loss). Included in our non-recurring expenses in Q2 2021 and Q2 2020 are certain one-time legal (if any) and consulting fees (if any) and employee severance expenses (if any). In computing our non-GAAP income tax expense (benefit), we have applied an estimate of our annual effective income tax rate and applied it to our net income before income taxes. Our non-GAAP earnings per share is calculated by dividing our non-GAAP net income by the fully diluted share count (for periods in which non-GAAP net income is positive) or basic share count (for periods in which our non-GAAP net income is negative). We believe that our non-GAAP measures are useful to investors in evaluating our operating performance for the following reasons:

Our non-GAAP earnings per share is calculated by dividing our non-GAAP net income by the fully diluted share count (for periods in which non-GAAP net income is positive) or basic share count (for periods in which our non-GAAP net income is negative). We believe that our non-GAAP measures are useful to investors in evaluating our operating performance for the following reasons:

- We believe that elimination of items such as amortization of intangible assets, stock-based compensation expense, non-recurring revenue and expenses, losses from the disposal of idle assets, unrealized foreign exchange gain or loss, unamortized debt issuance costs associated with the extinguishment of debt, and depreciation on certain equipment undergoing reconfiguration is appropriate because treatment of these items may vary for reasons unrelated to our overall operating performance;
- We believe that elimination of expenses associated with discontinued products, including depreciation and inventory obsolescence is appropriate because these expenses are not indicative of our ongoing operations;
- We believe that non-GAAP measures provide better comparability with our past financial performance, period-to-period results and with our peer companies, many of which also use similar non-GAAP financial measures; and
- We anticipate that investors and securities analysts will utilize non-GAAP measures as a supplement to GAAP measures to evaluate our overall operating performance.

A reconciliation of our GAAP net income (loss) and GAAP earnings (loss) per share for the quarter ended June 30, 2021 to our non-GAAP net income (loss) and earnings (loss) per share is provided below, together with corresponding reconciliations for the quarter period ended June 30, 2020.

Non-GAAP measures should not be considered as an alternative to net income (loss), earnings (loss) per share, or any other measure of financial performance calculated and presented in accordance with GAAP. Our non-GAAP measures may not be comparable to similarly titled measures of other organizations because other organizations may not calculate such other non-GAAP measures in the same manner. We have not reconciled the non-GAAP measures included in our guidance to the appropriate GAAP financial measures because the GAAP measures are not readily determinable on a forward-looking basis. GAAP measures that impact our non-GAAP financial measures may include stock-based compensation expense, non-recurring expenses, amortization of intangible assets, unrealized exchange loss (gain), asset impairment charges, and loss (gain) from disposal of idle assets. These GAAP measures cannot be reasonably predicted and may directly impact our non-GAAP gross margin, our non-GAAP net income and our non-GAAP fully-diluted earnings per share, although changes with respect to certain of these measures may offset other changes. In addition, certain of these measures are out of our control. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measures is not available without unreasonable effort.

Applied Optoelectronics, Inc.
Consolidated Balance Sheet

(In thousands)

Preliminary Unaudited

	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	81,070	69,994	59,977	55,908	52,181	46,772	43,425	45,482	44,013
Restricted Cash	2,917	2,382	7,051	6,609	6,728	11,296	6,689	3,856	6,486
Short term Investment	0	0	0	0	0	0	0	0	0
Total Cash, Cash Equivalents and Short Term Investments	83,987	72,376	67,028	62,517	58,909	58,068	50,114	49,338	50,499
Accounts Receivable									
Allowance for doubtful accounts									
Accounts Receivable, Net	28,406	29,709	34,655	25,783	50,029	51,453	43,042	47,570	48,404
Inventories	81,475	82,118	85,028	87,109	97,251	111,427	110,397	106,336	100,399
Notes Receivable	136	0	0	0	0	0	401	1,440	3,819
Prepaid Income Tax	1,312	759	224	375	210	177	2	2	2
Prepaid Expenses and Other Current Assets	5,719	5,685	5,869	6,904	6,610	8,805	5,213	5,169	5,101
Total Current Assets	201,035	190,647	192,804	182,688	213,009	229,930	209,169	209,855	208,224
Cash Restricted for Construction in Progress	0	0	0	0	0	0	0	0	0
Property, Plant And Equipment, Net	247,887	245,535	248,444	243,717	244,126	249,740	252,984	248,303	246,797
Land Use Rights, Net	5,743	5,551	5,598	5,481	5,455	5,640	5,854	5,780	5,846
Right of use asset	7,912	7,738	7,887	7,756	7,656	7,888	7,817	7,566	7,576
Intangible Assets, Net	4,028	4,072	4,081	4,051	4,006	4,031	3,999	3,943	3,888
Deferred Income Tax Assets	27,437	29,362	7,287	9,078	2,136	0	0	0	0
Other Assets	1,080	973	724	765	1,703	558	982	915	813
TOTAL ASSETS	495,122	483,878	466,825	453,536	478,091	497,787	480,805	476,362	473,144
LIABILITIES AND STOCKHOLDERS' EQUITY									
CURRENT LIABILITIES									
Accounts Payable	31,526	28,074	32,828	36,236	51,154	56,134	29,482	26,201	25,593
Accrued Income Taxes	0	0	0	0	0	0	0	0	0
Current Lease Liability	903	924	982	955	958	1,000	1,030	1,039	1,038
Accrued Expenses	13,986	15,542	17,864	10,678	15,557	17,526	18,511	14,028	15,509
Bank Acceptance Payable	2,532	4,080	6,310	9,550	9,866	13,366	15,860	6,344	6,469
Current Portion of Notes Payable and Long Term Debt	19,180	15,803	33,371	38,096	42,234	44,292	38,265	50,803	41,876
Total Current Liabilities	68,127	64,423	91,355	95,515	119,769	132,318	103,148	98,415	90,485
Notes Payable and Long Term Debt	30,468	32,373	16,552	15,315	15,542	14,564	13,904	13,686	19,360
Convertible Senior Notes	76,630	76,835	77,041	77,235	77,439	77,646	77,854	78,058	78,264
Non-Current Lease Liability	8,182	7,962	8,083	7,973	7,886	8,093	8,008	7,731	7,744
Other Long-Term Liabilities	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	183,407	181,593	193,031	196,038	220,636	232,621	202,914	197,890	195,853
STOCKHOLDERS' EQUITY									
Common Stock	20	20	20	20	22	23	25	27	27
Additional Paid-in Capital	297,922	300,725	303,401	306,305	323,405	335,035	354,685	371,920	375,312
Cumulative Translation Adjustment	(379)	(3,832)	430	(1,972)	(518)	5,178	11,690	10,656	14,286
Retained Earnings (Accumulated Deficit)	14,152	5,372	(30,057)	(46,855)	(65,454)	(75,070)	(88,509)	(104,131)	(112,334)
TOTAL STOCKHOLDERS' EQUITY	311,715	302,285	273,794	257,498	257,455	265,166	277,891	278,472	277,291
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	495,122	483,878	466,825	453,536	478,091	497,787	480,805	476,362	473,144

Applied Optoelectronics, Inc.
Consolidated Statement of Operations

(In thousands, except percentages and per share data)

	2Q19	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020	1Q21	2Q21
Revenue											
Datacenter	31,806	34,006	39,252	143,563	33,264	52,533	55,336	32,305	173,438	25,939	22,392
CATV	9,818	8,797	6,753	37,330	4,223	6,141	11,642	15,937	37,943	18,638	27,599
Telecom	1,630	2,868	2,193	8,429	2,560	6,170	8,870	3,492	21,092	4,479	3,333
FTTH	16	39	41	190	0	1	67	42	110	423	298
Other	141	374	419	1,360	420	377	693	550	2,040	222	567
Total Revenues	43,411	46,084	48,658	190,872	40,467	65,222	76,608	52,326	234,623	49,701	54,189
YOY Growth %	-50.6%	-18.3%	-16.1%	-28.6%	-23.2%	50.2%	76.5%	13.5%	22.9%	22.8%	-16.9%
Cost of Goods Sold	32,873	34,108	37,322	144,671	34,129	51,486	57,418	41,049	184,082	38,982	43,411
COGS % of Revenue	75.7%	74.0%	76.7%	75.8%	84.3%	78.9%	75.0%	78.4%	78.5%	78.4%	80.1%
Gross Profit	10,538	11,976	11,336	46,201	6,338	13,736	19,190	11,277	50,541	10,719	10,778
Gross Margin	24.3%	26.0%	23.3%	24.2%	15.7%	21.1%	25.0%	21.6%	21.5%	21.6%	19.9%
Operating Expenses:											
Research and Development	11,151	10,466	10,597	43,399	10,558	10,803	11,206	10,826	43,393	10,928	10,914
R&D % of Revenue	25.7%	22.7%	21.8%	22.7%	26.1%	16.6%	14.6%	20.7%	18.5%	22.0%	20.1%
Sales and Marketing	2,331	2,518	2,615	10,059	2,936	3,430	4,491	3,230	14,087	2,960	2,832
S&M % of Revenue	5.4%	5.5%	5.4%	5.3%	7.3%	5.3%	5.9%	6.2%	6.0%	6.0%	5.2%
General and Administrative	10,884	9,988	10,178	41,490	10,638	10,611	10,272	10,382	41,903	10,869	10,681
G&A % of Revenue	25.1%	21.7%	20.9%	21.7%	26.3%	16.3%	13.4%	19.8%	17.9%	21.9%	19.7%
Total Operating Expenses	24,366	22,972	23,390	94,948	24,132	24,844	25,969	24,438	99,383	24,757	24,427
Operating Expenses % of Revenue	56.1%	49.8%	48.1%	49.7%	59.6%	38.1%	33.9%	46.7%	42.4%	49.8%	45.1%
Operating Income (Loss)	(13,828)	(10,996)	(12,054)	(48,747)	(17,794)	(11,108)	(6,779)	(13,161)	(48,842)	(14,038)	(13,649)
Operating Margin	-31.9%	-23.9%	-24.8%	-25.5%	-44.0%	-17.0%	-8.8%	-25.2%	-20.8%	-28.2%	-25.2%
Other Income (Expense):											
Interest Income	310	347	196	925	147	47	26	35	255	16	16
Interest Expense	(1,490)	(1,517)	(1,402)	(5,405)	(1,455)	(1,489)	(1,480)	(1,211)	(5,635)	(1,431)	(1,367)
Other Income (Expense)	235	1,124	383	1,820	117	861	1,137	883	2,998	39	6,370
Foreign Exchange Gain (Loss)	216	322	(286)	19	139	113	(271)	19	0	(208)	427
Total Other Income (Expense):	(729)	276	(1,109)	(2,641)	(1,052)	(468)	(588)	(274)	(2,382)	(1,584)	5,446
Other Income % of Revenue	-1.7%	0.6%	-2.3%	-1.4%	-2.6%	-0.7%	-0.8%	-0.5%	-1.0%	-3.2%	10.1%
Net Income (Loss) before Income Taxes	(14,557)	(10,720)	(13,163)	(51,388)	(18,846)	(11,576)	(7,367)	(13,435)	(51,224)	(15,622)	(8,203)
Net Margin	-33.5%	-23.3%	-27.1%	-26.9%	-46.6%	-17.7%	-9.6%	-25.7%	-21.8%	-31.4%	-15.1%
Income Tax Benefit (Expense)	3,191	1,940	(22,267)	(14,662)	2,049	(7,024)	(2,249)	(4)	(7,228)	0	0
Net Income (Loss)	(11,366)	(8,780)	(35,430)	(66,050)	(16,797)	(18,600)	(9,616)	(13,439)	(58,452)	(15,622)	(8,203)
Net Margin after Taxes	-26.2%	-19.1%	-72.8%	-34.6%	-41.5%	-28.5%	-12.6%	-25.7%	-24.9%	-31.4%	-15.1%
Earnings per share (Basic)	\$ (0.57)	\$ (0.44)	\$ (1.76)	\$ (3.31)	\$ (0.83)	\$ (0.89)	\$ (0.42)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)
Earnings per share (Diluted)	\$ (0.57)	\$ (0.44)	\$ (1.76)	\$ (3.31)	\$ (0.83)	\$ (0.89)	\$ (0.42)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)
Shares used to compute GAAP basic earnings per share	19,932	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867	26,438	26,850
Shares used to compute GAAP diluted earnings per share	19,932	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867	26,438	26,850

Applied Optoelectronics, Inc.
Consolidated Statement of Operations

NON GAAP

(In thousands, except percentages and per share data)

Preliminary Unaudited

	2Q19	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020	1Q21	2Q21
Revenue											
Datacenter	31,806	34,006	39,252	143,563	33,264	52,533	55,336	32,754	173,887	25,939	22,392
CATV	9,818	8,797	6,753	37,330	4,223	6,141	11,642	15,937	37,943	18,638	27,599
Telecom	1,630	2,868	2,193	8,429	2,560	6,170	8,870	3,492	21,092	4,479	3,333
FTTH	16	39	41	190	0	1	67	42	110	423	298
Other	141	374	419	1,360	420	377	693	550	2,040	222	567
Total Revenues	43,411	46,084	48,658	190,872	40,467	65,222	76,608	52,775	235,072	49,701	54,189
YOY Growth %	-50.6%	-18.3%	-17.4%	-28.9%	-23.2%	50.2%	66.2%	8.5%	23.2%	22.8%	-16.9%
QOQ Growth %											
Cost of Goods Sold	31,607	32,794	35,242	138,897	32,559	50,171	55,623	38,239	176,592	37,474	40,667
COGS % of Revenue	72.8%	71.2%	72.4%	72.8%	80.5%	76.9%	72.6%	72.5%	75.1%	75.4%	75.0%
Gross Profit	11,804	13,290	13,416	51,975	7,908	15,051	20,985	14,536	58,480	12,227	13,522
Gross Margin	27.2%	28.8%	27.6%	27.2%	19.5%	23.1%	27.4%	27.5%	24.9%	24.6%	25.0%
Operating Expenses:											
Research and Development	10,494	9,819	9,983	40,841	9,658	10,099	10,500	10,112	40,369	10,297	10,284
R&D % of Revenue	24.2%	21.3%	20.5%	21.4%	23.9%	15.5%	13.7%	19.2%	17.2%	20.7%	19.0%
Sales and Marketing	2,052	2,244	2,370	8,990	2,627	3,133	4,192	2,922	12,874	2,668	2,503
S&M % of Revenue	4.7%	4.9%	4.9%	4.7%	6.5%	4.8%	5.5%	5.5%	5.5%	5.4%	4.6%
General and Administrative	6,938	6,309	7,061	27,689	7,158	7,380	7,579	7,567	29,684	7,625	7,231
G&A % of Revenue	16.0%	13.7%	14.5%	14.5%	17.7%	11.3%	9.9%	14.3%	12.6%	15.3%	13.3%
Total Operating Expenses	19,484	18,372	19,413	77,519	19,443	20,612	22,271	20,601	82,927	20,590	20,018
Operating Expenses % of Revenue	44.9%	39.9%	39.9%	40.6%	48.0%	31.6%	29.1%	39.0%	35.3%	41.4%	36.9%
Operating Income (Loss)	(7,680)	(5,082)	(5,998)	(25,545)	(11,535)	(5,561)	(1,286)	(6,065)	(24,447)	(8,363)	(6,496)
Operating Margin	-17.7%	-11.0%	-12.3%	-13.4%	-28.5%	-8.5%	-1.7%	-11.5%	-10.4%	-16.8%	-12.0%
Other Income (Expense):											
Interest Income	310	347	196	925	147	47	26	35	255	16	16
Interest Expense	(1,490)	(1,517)	(1,402)	(5,232)	(1,455)	(1,489)	(1,480)	(1,211)	(5,635)	(1,431)	(1,367)
Other Income (Expense)	235	1,124	383	1,820	117	326	83	778	1,304	40	71
Foreign Exchange Gain (Loss)	272	257	(207)	(138)	(30)	155	(332)	(650)	(857)	634	294
Total Other Income (Expense):	(673)	211	(1,030)	(2,625)	(1,221)	(961)	(1,703)	(1,048)	(4,933)	(741)	(986)
Other Income % of Revenue	-1.6%	0.5%	-2.1%	-1.4%	-3.0%	-1.5%	-2.2%	-2.0%	-2.1%	-1.5%	-1.8%
Net Income (Loss) before Income Taxes	(8,353)	(4,871)	(7,027)	(28,169)	(12,756)	(6,522)	(2,989)	(7,113)	(29,380)	(9,104)	(7,482)
Net Margin	-19.2%	-10.6%	-14.4%	-14.8%	-31.5%	-10.0%	-3.9%	-13.5%	-12.5%	-18.3%	-13.8%
Income Tax Benefit (Expense)	3,191	1,940	3,468	11,073	3,964	1,538	1,570	2,272	9,344	3,592	3,346
Net Income (Loss)	(5,162)	(2,931)	(3,559)	(17,096)	(8,792)	(4,984)	(1,419)	(4,841)	(20,036)	(5,512)	(4,136)
Net Margin after Income Tax	-11.9%	-6.4%	-7.3%	-9.0%	-21.7%	-7.6%	-1.9%	-9.2%	-8.5%	-11.1%	-7.6%
Depreciation & Amortization	6,017	6,018	6,038	24,021	6,031	6,123	6,196	6,383	24,733	6,444	6,426
Adjusted EBITDA	(2,405)	1,066	(992)	(4,524)	(6,815)	(52)	4,020	(365)	(3,212)	(2,610)	(1,070)
EBITDA Margin	-5.5%	2.3%	-2.0%	-2.4%	-16.8%	-0.1%	5.2%	-0.7%	-1.4%	-5.3%	-2.0%
Earnings per share (Basic)	\$ (0.26)	\$ (0.15)	\$ (0.18)	\$ (0.86)	\$ (0.44)	\$ (0.24)	\$ (0.06)	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)
Earnings per share (Diluted)	\$ (0.26)	\$ (0.15)	\$ (0.18)	\$ (0.86)	\$ (0.44)	\$ (0.24)	\$ (0.06)	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)
Shares used to compute Non-GAAP basic earnings per share	19,932	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867	26,438	26,850
Shares used to compute Non-GAAP diluted earnings per share	19,932	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867	26,438	26,850

Applied Optoelectronics, Inc.
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	2Q19	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020	1Q21	2Q21
GAAP revenue	43,411	46,084	48,658	190,872	40,467	65,222	76,608	52,326	234,623	49,701	54,189
Non-recurring customer credit	-	-	-	-	-	-	-	449	449	-	-
Non-GAAP revenue	43,411	46,084	48,658	190,872	40,467	65,222	76,608	52,775	235,072	49,701	54,189
GAAP total gross profit	10,538	11,976	11,336	46,201	6,338	13,736	19,190	11,277	50,541	10,719	10,778
Non-recurring customer credit	-	-	-	-	-	-	-	449	449	-	-
Share-based compensation expense	199	197	189	774	246	237	229	224	936	201	267
Non-recurring expense	-	-	-	-	970	1	-	-	971	18	16
Expenses associated with discontinued products	1,067	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583	1,289	2,461
Non-GAAP income from gross profit	11,804	13,290	13,416	51,975	7,908	15,051	20,985	14,536	58,481	12,227	13,522
GAAP research and development expense	11,151	10,466	10,597	43,399	10,558	10,803	11,206	10,826	43,393	10,928	10,914
Share-based compensation expense	657	647	614	2,558	688	704	706	714	2,812	563	630
Non-recurring expense	-	-	-	-	212	-	-	-	212	53	-
Non-cash expenses associated with discontinued products	-	-	-	-	-	-	-	-	-	15	-
Non-GAAP research and development expense	10,494	9,819	9,983	40,841	9,658	10,099	10,500	10,112	40,369	10,297	10,284
GAAP sales and marketing expense	2,331	2,518	2,615	10,059	2,936	3,430	4,491	3,230	14,087	2,960	2,832
Share-based compensation expense	279	274	245	1,069	291	295	298	307	1,191	219	329
Non-recurring expense	-	-	-	-	18	2	1	1	22	73	-
Non-GAAP sales and marketing expense	2,052	2,244	2,370	8,990	2,627	3,133	4,192	2,922	12,874	2,668	2,503
GAAP general and administrative expense	10,884	9,988	10,178	41,490	10,638	10,611	10,272	10,382	41,903	10,869	10,681
Share-based compensation expense	1,885	1,860	1,816	7,404	2,013	2,066	2,032	1,996	8,107	1,536	2,048
Amortization expense	133	137	140	540	141	143	146	149	579	151	152
Non-recurring expense	813	568	94	1,544	301	70	20	9	400	358	37
Non-cash expenses associated with discontinued products	1,115	1,114	1,067	4,313	1,025	952	495	661	3,133	1,199	1,213
Non-GAAP general and administrative expense	6,938	6,309	7,062	27,690	7,158	7,380	7,579	7,567	29,684	7,625	7,231
GAAP total operating expense	24,366	22,972	23,390	94,948	24,132	24,844	25,969	24,438	99,383	24,757	24,427
Share-based compensation expense	2,821	2,781	2,676	11,032	2,992	3,065	3,036	3,017	12,110	2,318	3,007
Amortization expense	133	137	140	540	141	143	146	149	579	151	152
Non-recurring expense	813	568	94	1,544	531	72	21	10	634	484	37
Non-cash expenses associated with discontinued products	1,115	1,114	1,067	4,313	1,025	952	495	661	3,133	1,214	1,213
Non-GAAP total operating expense	19,484	18,372	19,414	77,520	19,443	20,612	22,271	20,601	82,927	20,590	20,018
GAAP operating income (loss)	(13,828)	(10,996)	(12,054)	(48,747)	(17,794)	(11,108)	(6,779)	(13,161)	(48,842)	(14,038)	(13,649)
Non-recurring customer credit	-	0	0	0	-	-	-	449	449	-	-
Share-based compensation expense	3,020	2,978	2,864	11,805	3,238	3,302	3,265	3,241	13,046	2,519	3,274
Amortization expense	133	137	140	540	141	143	146	149	579	151	152
Non-recurring expense	813	568	94	1,544	1,501	73	21	10	1,605	502	53
Expenses associated with discontinued products	1,067	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583	1,289	2,461
Non-cash expenses associated with discontinued products	1,115	1,114	1,067	4,313	1,025	952	495	661	3,133	1,214	1,213
Non-GAAP operating income (loss)	(7,680)	(5,082)	(5,999)	(25,546)	(11,535)	(5,561)	(1,286)	(6,065)	(24,447)	(8,363)	(6,496)
GAAP other income (loss)	(729)	276	(1,109)	(2,641)	(1,052)	(468)	(588)	(274)	(2,382)	(1,584)	5,446
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	56	(65)	79	(157)	(169)	43	(61)	(669)	(856)	843	(133)
Non-recurring expense (income)	-	-	-	173	-	(536)	(1,054)	(105)	(1,695)	-	(6,299)
Non-GAAP other income (loss)	(673)	211	(1,030)	(2,625)	(1,221)	(961)	(1,703)	(1,048)	(4,933)	(741)	(986)

Applied Optoelectronics, Inc.
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	2Q19	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020	1Q21	2Q21
GAAP net income (loss)	(11,366)	(8,780)	(35,430)	(66,049)	(16,797)	(18,600)	(9,616)	(13,439)	(58,452)	(15,622)	(8,203)
Non-recurring customer credit	-	-	-	-	-	-	-	449	449	-	-
Amortization of intangible assets	133	137	140	540	141	143	146	149	579	151	152
Share-based compensation expense	3,020	2,978	2,864	11,804	3,238	3,302	3,265	3,241	13,046	2,519	3,274
Non-recurring expense (income)	812	568	94	1,716	1,501	(463)	(1,033)	(95)	(90)	502	(6,246)
Expenses associated with discontinued products	1,067	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583	1,289	2,461
Non-cash expenses associated with discontinued products	1,116	1,114	1,067	4,314	1,025	952	495	661	3,133	1,214	1,213
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	56	(65)	79	(157)	(169)	43	(61)	(669)	(856)	843	(133)
Non-GAAP Tax Benefit	-	-	25,736	25,736	1,915	8,562	3,819	2,276	16,572	3,592	3,346
Non-GAAP net income (loss)	(5,162)	(2,931)	(3,559)	(17,096)	(8,792)	(4,984)	(1,419)	(4,841)	(20,036)	(5,512)	(4,136)
GAAP net income (loss)	(11,366)	(8,780)	(35,430)	(66,049)	(16,797)	(18,600)	(9,616)	(13,439)	(58,452)	(15,622)	(8,203)
Non-recurring customer credit	-	-	-	-	-	-	-	449	449	-	-
Amortization of intangible assets	133	137	140	540	141	143	146	149	579	151	152
Share-based compensation expense	3,020	2,978	2,864	11,804	3,238	3,302	3,265	3,241	13,046	2,519	3,274
Depreciation expense	5,883	5,872	5,887	23,459	5,657	5,980	6,050	6,234	23,921	6,293	6,274
Non-recurring expense (income)	812	568	94	1,716	1,501	(463)	(1,033)	(95)	(90)	502	(6,246)
Expenses associated with discontinued products	1,067	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583	1,289	2,461
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	56	(65)	79	(157)	(169)	43	(61)	(669)	(856)	843	(133)
Interest (income) expense, net	1,181	1,170	1,206	4,309	1,308	1,441	1,454	1,175	5,378	1,415	1,351
Tax (benefit) expense related to the above	(3,191)	(1,940)	22,267	14,662	(2,048)	7,025	2,249	4	7,230	-	-
Adjusted EBITDA	(2,405)	\$1,057	(1,003)	(4,717)	(6,815)	(52)	\$4,020	(365)	(3,212)	(2,610)	(1,070)
GAAP diluted net income (loss) per share	\$ (0.57)	\$ (0.44)	\$ (1.76)	\$ (3.31)	\$ (0.83)	\$ (0.89)	\$ (0.42)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)
Non-recurring customer credit	-	-	-	-	-	-	-	0.02	0.02	-	-
Amortization of intangible assets	0.01	0.01	0.01	0.03	0.01	0.01	0.01	0.01	0.03	0.01	0.01
Share-based compensation expense	0.15	0.15	0.14	0.59	0.16	0.16	0.14	0.14	0.60	0.10	0.12
Non-recurring expense (income)	0.04	0.03	0.00	0.09	0.07	(0.02)	(0.05)	(0.01)	(0.01)	0.02	(0.23)
Expenses associated with discontinued products	0.05	0.06	0.09	0.25	0.02	0.05	0.07	0.11	0.26	0.05	0.09
Non-cash expenses associated with discontinued products	0.06	0.05	0.05	0.22	0.05	0.05	0.02	0.03	0.13	0.04	0.05
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	0.00	(0.01)	0.00	(0.01)	(0.01)	0.00	(0.00)	(0.03)	(0.04)	0.03	(0.00)
Non-GAAP Tax Benefit	-	-	1.29	1.30	0.09	0.41	0.17	0.10	0.76	0.13	0.12
Non-GAAP diluted net income (loss) per share	\$ (0.26)	\$ (0.15)	\$ (0.18)	\$ (0.86)	\$ (0.44)	\$ (0.24)	\$ (0.06)	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)
Shares used to compute diluted earnings per share	19,932	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867	26,438	26,850