

## 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, from our GAAP net income (loss). Included in our non-recurring expenses in Q3 2021 and Q3 2020 are certain one-time legal (if any) and consulting fees (if any) and employee severance expenses (if any). Also included in our non-recurring (income) expenses in Q3 of 2020, but not in 2021, were a one-time customer reimbursement of certain incurred expenses, and non-recurring government subsidy income in our Taiwan subsidiary due to COVID-19. 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 September 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 September 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**

	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and Cash Equivalents	69,994	59,977	55,908	52,181	46,772	43,425	45,482	44,013	43,534
Restricted Cash	2,382	7,051	6,609	6,728	11,296	6,689	3,856	6,486	5,363
Short term Investment	0	0	0	0	0	0	0	0	0
Total Cash, Cash Equivalents and Short Term Investments	72,376	67,028	62,517	58,909	58,068	50,114	49,338	50,499	48,897
Accounts Receivable									
Allowance for doubtful accounts									
Accounts Receivable, Net	29,709	34,655	25,783	50,029	51,453	43,042	47,570	48,404	43,942
Inventories	82,118	85,028	87,109	97,251	111,427	110,397	106,336	100,399	94,507
Notes Receivable	0	0	0	0	0	401	1,440	3,819	8,505
Prepaid Income Tax	759	224	375	210	177	2	2	2	2
Prepaid Expenses and Other Current Assets	5,685	5,869	6,904	6,610	8,805	5,213	5,169	5,101	4,717
<b>Total Current Assets</b>	<b>190,647</b>	<b>192,804</b>	<b>182,688</b>	<b>213,009</b>	<b>229,930</b>	<b>209,169</b>	<b>209,855</b>	<b>208,224</b>	<b>200,570</b>
Cash Restricted for Construction in Progress	0	0	0	0	0	0	0	0	0
Property, Plant And Equipment, Net	245,535	248,444	243,717	244,126	249,740	252,984	248,303	246,797	242,452
Land Use Rights, Net	5,551	5,598	5,481	5,455	5,640	5,854	5,780	5,846	5,790
Right of use asset	7,738	7,887	7,756	7,656	7,888	7,817	7,566	7,576	7,342
Intangible Assets, Net	4,072	4,081	4,051	4,006	4,031	3,999	3,943	3,888	3,877
Deferred Income Tax Assets	29,362	7,287	9,078	2,136	0	0	0	0	0
Other Assets	973	724	765	1,703	558	982	915	813	2,493
<b>TOTAL ASSETS</b>	<b>483,878</b>	<b>466,825</b>	<b>453,536</b>	<b>478,091</b>	<b>497,787</b>	<b>480,805</b>	<b>476,362</b>	<b>473,144</b>	<b>462,524</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>									
<b>CURRENT LIABILITIES</b>									
Accounts Payable	28,074	32,828	36,236	51,154	56,134	29,482	26,201	25,593	28,333
Accrued Income Taxes	0	0	0	0	0	0	0	0	0
Current Lease Liability	924	982	955	958	1,000	1,030	1,039	1,038	1,063
Accrued Expenses	15,542	17,864	10,678	15,557	17,526	18,511	14,028	15,509	16,204
Bank Acceptance Payable	4,080	6,310	9,550	9,866	13,366	15,860	6,344	6,469	6,481
Current Portion of Notes Payable and Long Term Debt	15,803	33,371	38,096	42,234	44,292	38,265	50,803	41,876	41,254
<b>Total Current Liabilities</b>	<b>64,423</b>	<b>91,355</b>	<b>95,515</b>	<b>119,769</b>	<b>132,318</b>	<b>103,148</b>	<b>98,415</b>	<b>90,485</b>	<b>93,335</b>
Notes Payable and Long Term Debt	32,373	16,552	15,315	15,542	14,564	13,904	13,686	19,360	19,271
Convertible Senior Notes	76,835	77,041	77,235	77,439	77,646	77,854	78,058	78,264	78,472
Non-Current Lease Liability	7,962	8,083	7,973	7,886	8,093	8,008	7,731	7,744	7,478
Other Long-Term Liabilities	0	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>181,593</b>	<b>193,031</b>	<b>196,038</b>	<b>220,636</b>	<b>232,621</b>	<b>202,914</b>	<b>197,890</b>	<b>195,853</b>	<b>198,556</b>
<b>STOCKHOLDERS' EQUITY</b>									
Common Stock	20	20	20	22	23	25	27	27	27
Additional Paid-in Capital	300,725	303,401	306,305	323,405	335,035	354,685	371,920	375,312	378,207
Cumulative Translation Adjustment	(3,832)	430	(1,972)	(518)	5,178	11,690	10,656	14,286	13,865
Retained Earnings (Accumulated Deficit)	5,372	(30,057)	(46,855)	(65,454)	(75,070)	(88,509)	(104,131)	(112,334)	(128,131)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>302,285</b>	<b>273,794</b>	<b>257,498</b>	<b>257,455</b>	<b>265,166</b>	<b>277,891</b>	<b>278,472</b>	<b>277,291</b>	<b>263,968</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>483,878</b>	<b>466,825</b>	<b>453,536</b>	<b>478,091</b>	<b>497,787</b>	<b>480,805</b>	<b>476,362</b>	<b>473,144</b>	<b>462,524</b>

Applied Optoelectronics, Inc.  
Consolidated Statement of Operations

(In thousands, except percentages and per share data)

	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020	1Q21	2Q21	3Q21
Revenue											
Datacenter	34,006	39,252	143,563	33,264	52,533	55,336	32,305	173,438	25,939	22,392	23,929
CATV	8,797	6,753	37,330	4,223	6,141	11,642	15,937	37,943	18,638	27,599	23,101
Telecom	2,868	2,193	8,429	2,560	6,170	8,870	3,492	21,092	4,479	3,333	5,148
FTTH	39	41	190	0	1	67	42	110	423	298	62
Other	374	419	1,360	420	377	693	550	2,040	222	567	1,027
<b>Total Revenues</b>	<b>46,084</b>	<b>48,658</b>	<b>190,872</b>	<b>40,467</b>	<b>65,222</b>	<b>76,608</b>	<b>52,326</b>	<b>234,623</b>	<b>49,701</b>	<b>54,189</b>	<b>53,267</b>
YOY Growth %	-18.3%	-16.1%	-28.6%	-23.2%	50.2%	76.5%	13.5%	22.9%	22.8%	-16.9%	-30.5%
<b>Cost of Goods Sold</b>	<b>34,108</b>	<b>37,322</b>	<b>144,671</b>	<b>34,129</b>	<b>51,486</b>	<b>57,418</b>	<b>41,049</b>	<b>184,082</b>	<b>38,982</b>	<b>43,411</b>	<b>45,143</b>
COGS % of Revenue	74.0%	76.7%	75.8%	84.3%	78.9%	75.0%	78.4%	78.5%	78.4%	80.1%	84.7%
<b>Gross Profit</b>	<b>11,976</b>	<b>11,336</b>	<b>46,201</b>	<b>6,338</b>	<b>13,736</b>	<b>19,190</b>	<b>11,277</b>	<b>50,541</b>	<b>10,719</b>	<b>10,778</b>	<b>8,124</b>
Gross Margin	26.0%	23.3%	24.2%	15.7%	21.1%	25.0%	21.6%	21.5%	21.6%	19.9%	15.3%
Operating Expenses:											
Research and Development	10,466	10,597	43,399	10,558	10,803	11,206	10,826	43,393	10,928	10,914	10,149
R&D % of Revenue	22.7%	21.8%	22.7%	26.1%	16.6%	14.6%	20.7%	18.5%	22.0%	20.1%	19.1%
Sales and Marketing	2,518	2,615	10,059	2,936	3,430	4,491	3,230	14,087	2,960	2,832	2,783
S&M % of Revenue	5.5%	5.4%	5.3%	7.3%	5.3%	5.9%	6.2%	6.0%	6.0%	5.2%	5.2%
General and Administrative	9,988	10,178	41,490	10,638	10,611	10,272	10,382	41,903	10,869	10,681	10,645
G&A % of Revenue	21.7%	20.9%	21.7%	26.3%	16.3%	13.4%	19.8%	17.9%	21.9%	19.7%	20.0%
<b>Total Operating Expenses</b>	<b>22,972</b>	<b>23,390</b>	<b>94,948</b>	<b>24,132</b>	<b>24,844</b>	<b>25,969</b>	<b>24,438</b>	<b>99,383</b>	<b>24,757</b>	<b>24,427</b>	<b>23,577</b>
Operating Expenses % of Revenue	49.8%	48.1%	49.7%	59.6%	38.1%	33.9%	46.7%	42.4%	49.8%	45.1%	44.3%
<b>Operating Income (Loss)</b>	<b>(10,996)</b>	<b>(12,054)</b>	<b>(48,747)</b>	<b>(17,794)</b>	<b>(11,108)</b>	<b>(6,779)</b>	<b>(13,161)</b>	<b>(48,842)</b>	<b>(14,038)</b>	<b>(13,649)</b>	<b>(15,453)</b>
Operating Margin	-23.9%	-24.8%	-25.5%	-44.0%	-17.0%	-8.8%	-25.2%	-20.8%	-28.2%	-25.2%	-29.0%
Other Income (Expense):											
Interest Income	347	196	925	147	47	26	35	255	16	16	17
Interest Expense	(1,517)	(1,402)	(5,405)	(1,455)	(1,489)	(1,480)	(1,211)	(5,635)	(1,431)	(1,367)	(1,359)
Other Income (Expense)	1,124	383	1,820	117	861	1,137	883	2,998	39	6,370	781
Foreign Exchange Gain (Loss)	322	(286)	19	139	113	(271)	19	0	(208)	427	217
<b>Total Other Income (Expense):</b>	<b>276</b>	<b>(1,109)</b>	<b>(2,641)</b>	<b>(1,052)</b>	<b>(468)</b>	<b>(588)</b>	<b>(274)</b>	<b>(2,382)</b>	<b>(1,584)</b>	<b>5,446</b>	<b>(344)</b>
Other Income % of Revenue	0.6%	-2.3%	-1.4%	-2.6%	-0.7%	-0.8%	-0.5%	-1.0%	-3.2%	10.1%	-0.6%
<b>Net Income (Loss) before Income Taxes</b>	<b>(10,720)</b>	<b>(13,163)</b>	<b>(51,388)</b>	<b>(18,846)</b>	<b>(11,576)</b>	<b>(7,367)</b>	<b>(13,435)</b>	<b>(51,224)</b>	<b>(15,622)</b>	<b>(8,203)</b>	<b>(15,797)</b>
Net Margin	-23.3%	-27.1%	-26.9%	-46.6%	-17.7%	-9.6%	-25.7%	-21.8%	-31.4%	-15.1%	-29.7%
Income Tax Benefit (Expense)	1,940	(22,267)	(14,662)	2,049	(7,024)	(2,249)	(4)	(7,228)	0	0	0
<b>Net Income (Loss)</b>	<b>(8,780)</b>	<b>(35,430)</b>	<b>(66,050)</b>	<b>(16,797)</b>	<b>(18,600)</b>	<b>(9,616)</b>	<b>(13,439)</b>	<b>(58,452)</b>	<b>(15,622)</b>	<b>(8,203)</b>	<b>(15,797)</b>
Net Margin after Taxes	-19.1%	-72.8%	-34.6%	-41.5%	-28.5%	-12.6%	-25.7%	-24.9%	-31.4%	-15.1%	-29.7%
Earnings per share (Basic)	\$ (0.44)	\$ (1.76)	\$ (3.31)	\$ (0.83)	\$ (0.89)	\$ (0.42)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)	\$ (0.58)
Earnings per share (Diluted)	\$ (0.44)	\$ (1.76)	\$ (3.31)	\$ (0.83)	\$ (0.89)	\$ (0.42)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)	\$ (0.58)
Shares used to compute GAAP basic earnings per share	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867	26,438	26,850	27,097
Shares used to compute GAAP diluted earnings per share	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867	26,438	26,850	27,097

**NON GAAP**

(In thousands, except percentages and per share data)

Preliminary Unaudited

	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020	1Q21	2Q21	3Q21
Revenue											
Datacenter	34,006	39,252	143,563	33,264	52,533	55,336	32,754	173,887	25,939	22,392	23,100
CATV	8,797	6,753	37,330	4,223	6,141	11,642	15,937	37,943	18,638	27,599	23,929
Telecom	2,868	2,193	8,429	2,560	6,170	8,870	3,492	21,092	4,479	3,333	62
FTTH	39	41	190	0	1	67	42	110	423	298	5,148
Other	374	419	1,360	420	377	693	550	2,040	222	567	1,028
<b>Total Revenues</b>	<b>46,084</b>	<b>48,658</b>	<b>190,872</b>	<b>40,467</b>	<b>65,222</b>	<b>76,608</b>	<b>52,775</b>	<b>235,072</b>	<b>49,701</b>	<b>54,189</b>	<b>53,267</b>
YOY Growth %	-18.3%	-17.4%	-28.9%	-23.2%	50.2%	66.2%	8.5%	23.2%	22.8%	-16.9%	-30.5%
QOQ Growth %											
<b>Cost of Goods Sold</b>	<b>32,794</b>	<b>35,242</b>	<b>138,897</b>	<b>32,559</b>	<b>50,171</b>	<b>55,623</b>	<b>38,239</b>	<b>176,592</b>	<b>37,474</b>	<b>40,667</b>	<b>42,649</b>
COGS % of Revenue	71.2%	72.4%	72.8%	80.5%	76.9%	72.6%	72.5%	75.1%	75.4%	75.0%	80.1%
<b>Gross Profit</b>	<b>13,290</b>	<b>13,416</b>	<b>51,975</b>	<b>7,908</b>	<b>15,051</b>	<b>20,985</b>	<b>14,536</b>	<b>58,480</b>	<b>12,227</b>	<b>13,522</b>	<b>10,618</b>
<b>Gross Margin</b>	<b>28.8%</b>	<b>27.6%</b>	<b>27.2%</b>	<b>19.5%</b>	<b>23.1%</b>	<b>27.4%</b>	<b>27.5%</b>	<b>24.9%</b>	<b>24.6%</b>	<b>25.0%</b>	<b>19.9%</b>
Operating Expenses:											
Research and Development	9,819	9,983	40,841	9,658	10,099	10,500	10,112	40,369	10,297	10,284	9,659
R&D % of Revenue	21.3%	20.5%	21.4%	23.9%	15.5%	13.7%	19.2%	17.2%	20.7%	19.0%	18.1%
Sales and Marketing	2,244	2,370	8,990	2,627	3,133	4,192	2,922	12,874	2,668	2,503	2,511
S&M % of Revenue	4.9%	4.9%	4.7%	6.5%	4.8%	5.5%	5.5%	5.5%	5.4%	4.6%	4.7%
General and Administrative	6,309	7,061	27,689	7,158	7,380	7,579	7,567	29,684	7,625	7,231	7,154
G&A % of Revenue	13.7%	14.5%	14.5%	17.7%	11.3%	9.9%	14.3%	12.6%	15.3%	13.3%	13.4%
<b>Total Operating Expenses</b>	<b>18,372</b>	<b>19,413</b>	<b>77,519</b>	<b>19,443</b>	<b>20,612</b>	<b>22,271</b>	<b>20,601</b>	<b>82,927</b>	<b>20,590</b>	<b>20,018</b>	<b>19,324</b>
<b>Operating Expenses % of Revenue</b>	<b>39.9%</b>	<b>39.9%</b>	<b>40.6%</b>	<b>48.0%</b>	<b>31.6%</b>	<b>29.1%</b>	<b>39.0%</b>	<b>35.3%</b>	<b>41.4%</b>	<b>36.9%</b>	<b>36.3%</b>
<b>Operating Income (Loss)</b>	<b>(5,082)</b>	<b>(5,998)</b>	<b>(25,545)</b>	<b>(11,535)</b>	<b>(5,561)</b>	<b>(1,286)</b>	<b>(6,065)</b>	<b>(24,447)</b>	<b>(8,363)</b>	<b>(6,496)</b>	<b>(8,706)</b>
<b>Operating Margin</b>	<b>-11.0%</b>	<b>-12.3%</b>	<b>-13.4%</b>	<b>-28.5%</b>	<b>-8.5%</b>	<b>-1.7%</b>	<b>-11.5%</b>	<b>-10.4%</b>	<b>-16.8%</b>	<b>-12.0%</b>	<b>-16.3%</b>
Other Income (Expense):											
Interest Income	347	196	925	147	47	26	35	255	16	16	17
Interest Expense	(1,517)	(1,402)	(5,232)	(1,455)	(1,489)	(1,480)	(1,211)	(5,635)	(1,431)	(1,367)	(1,359)
Other Income (Expense)	1,124	383	1,820	117	326	83	778	1,304	40	71	1,000
Foreign Exchange Gain (Loss)	257	(207)	(138)	(30)	155	(332)	(650)	(857)	634	294	330
<b>Total Other Income (Expense):</b>	<b>211</b>	<b>(1,030)</b>	<b>(2,625)</b>	<b>(1,221)</b>	<b>(961)</b>	<b>(1,703)</b>	<b>(1,048)</b>	<b>(4,933)</b>	<b>(741)</b>	<b>(986)</b>	<b>(12)</b>
<b>Other Income % of Revenue</b>	<b>0.5%</b>	<b>-2.1%</b>	<b>-1.4%</b>	<b>-3.0%</b>	<b>-1.5%</b>	<b>-2.2%</b>	<b>-2.0%</b>	<b>-2.1%</b>	<b>-1.5%</b>	<b>-1.8%</b>	<b>0.0%</b>
<b>Net Income (Loss) before Income Taxes</b>	<b>(4,871)</b>	<b>(7,027)</b>	<b>(28,169)</b>	<b>(12,756)</b>	<b>(6,522)</b>	<b>(2,989)</b>	<b>(7,113)</b>	<b>(29,380)</b>	<b>(9,104)</b>	<b>(7,482)</b>	<b>(8,718)</b>
<b>Net Margin</b>	<b>-10.6%</b>	<b>-14.4%</b>	<b>-14.8%</b>	<b>-31.5%</b>	<b>-10.0%</b>	<b>-3.9%</b>	<b>-13.5%</b>	<b>-12.5%</b>	<b>-18.3%</b>	<b>-13.8%</b>	<b>-16.4%</b>
Income Tax Benefit (Expense)	1,940	3,468	11,073	3,964	1,538	1,570	2,272	9,344	3,592	3,346	3,427
<b>Net Income (Loss)</b>	<b>(2,931)</b>	<b>(3,559)</b>	<b>(17,096)</b>	<b>(8,792)</b>	<b>(4,984)</b>	<b>(1,419)</b>	<b>(4,841)</b>	<b>(20,036)</b>	<b>(5,512)</b>	<b>(4,136)</b>	<b>(5,291)</b>
<b>Net Margin after Income Tax</b>	<b>-6.4%</b>	<b>-7.3%</b>	<b>-9.0%</b>	<b>-21.7%</b>	<b>-7.6%</b>	<b>-1.9%</b>	<b>-9.2%</b>	<b>-8.5%</b>	<b>-11.1%</b>	<b>-7.6%</b>	<b>-9.9%</b>
Depreciation & Amortization	6,018	6,038	24,021	6,031	6,123	6,196	6,383	24,733	6,444	6,426	6,318
<b>Adjusted EBITDA</b>	<b>1,066</b>	<b>(992)</b>	<b>(4,524)</b>	<b>(6,815)</b>	<b>(52)</b>	<b>4,020</b>	<b>(365)</b>	<b>(3,212)</b>	<b>(2,610)</b>	<b>(1,070)</b>	<b>(2,440)</b>
<b>EBITDA Margin</b>	<b>2.3%</b>	<b>-2.0%</b>	<b>-2.4%</b>	<b>-16.8%</b>	<b>-0.1%</b>	<b>5.2%</b>	<b>-0.7%</b>	<b>-1.4%</b>	<b>-5.3%</b>	<b>-2.0%</b>	<b>-4.6%</b>
Earnings per share (Basic)	\$ (0.15)	\$ (0.18)	\$ (0.86)	\$ (0.44)	\$ (0.24)	\$ (0.06)	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)	\$ (0.20)
Earnings per share (Diluted)	\$ (0.15)	\$ (0.18)	\$ (0.86)	\$ (0.44)	\$ (0.24)	\$ (0.06)	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)	\$ (0.20)
Shares used to compute Non-GAAP basic earnings per share	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867	26,438	26,850	27,097
Shares used to compute Non-GAAP diluted earnings per share	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867	26,438	26,850	27,097

Applied Optoelectronics, Inc.  
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020	1Q21	2Q21	3Q21
GAAP revenue	46,084	48,658	190,872	40,467	65,222	76,608	52,326	234,623	49,701	54,189	53,267
Non-recurring customer credit	-	-	-	-	-	-	449	449	-	-	-
Non-GAAP revenue	46,084	48,658	190,872	40,467	65,222	76,608	52,775	235,072	49,701	54,189	53,267
GAAP total gross profit	11,976	11,336	46,201	6,338	13,736	19,190	11,277	50,541	10,719	10,778	8,124
Non-recurring customer credit	-	-	-	-	-	-	449	449	-	-	-
Share-based compensation expense	197	189	774	246	237	229	224	936	201	267	222
Non-recurring expense	-	-	-	970	1	-	-	971	18	16	52
Expenses associated with discontinued products	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583	1,289	2,461	2,220
Non-GAAP income from gross profit	13,290	13,416	51,975	7,908	15,051	20,985	14,536	58,481	12,227	13,522	10,618
GAAP research and development expense	10,466	10,597	43,399	10,558	10,803	11,206	10,826	43,393	10,928	10,914	10,149
Share-based compensation expense	647	614	2,558	688	704	706	714	2,812	563	630	489
Non-recurring expense	-	-	-	212	-	-	-	212	53	-	-
Non-cash expenses associated with discontinued products	-	-	-	-	-	-	-	-	15	-	-
Non-GAAP research and development expense	9,819	9,983	40,841	9,658	10,099	10,500	10,112	40,369	10,297	10,284	9,660
GAAP sales and marketing expense	2,518	2,615	10,059	2,936	3,430	4,491	3,230	14,087	2,960	2,832	2,783
Share-based compensation expense	274	245	1,069	291	295	298	307	1,191	219	329	272
Non-recurring expense	-	-	-	18	2	1	1	22	73	-	-
Non-GAAP sales and marketing expense	2,244	2,370	8,990	2,627	3,133	4,192	2,922	12,874	2,668	2,503	2,511
GAAP general and administrative expense	9,988	10,178	41,490	10,638	10,611	10,272	10,382	41,903	10,869	10,681	10,645
Share-based compensation expense	1,860	1,816	7,404	2,013	2,066	2,032	1,996	8,107	1,536	2,048	2,147
Amortization expense	137	140	540	141	143	146	149	579	151	152	146
Non-recurring expense	568	94	1,544	301	70	20	9	400	358	37	(12)
Non-cash expenses associated with discontinued products	1,114	1,067	4,313	1,025	952	495	661	3,133	1,199	1,213	1,211
Non-GAAP general and administrative expense	6,309	7,062	27,690	7,158	7,380	7,579	7,567	29,684	7,625	7,231	7,153
GAAP total operating expense	22,972	23,390	94,948	24,132	24,844	25,969	24,438	99,383	24,757	24,427	23,577
Share-based compensation expense	2,781	2,676	11,032	2,992	3,065	3,036	3,017	12,110	2,318	3,007	2,908
Amortization expense	137	140	540	141	143	146	149	579	151	152	146
Non-recurring expense	568	94	1,544	531	72	21	10	634	484	37	(12)
Non-cash expenses associated with discontinued products	1,114	1,067	4,313	1,025	952	495	661	3,133	1,214	1,213	1,211
Non-GAAP total operating expense	18,372	19,414	77,520	19,443	20,612	22,271	20,601	82,927	20,590	20,018	19,324
GAAP operating income (loss)	(10,996)	(12,054)	(48,747)	(17,794)	(11,108)	(6,779)	(13,161)	(48,842)	(14,038)	(13,649)	(15,453)
Non-recurring customer credit	0	0	0	-	-	-	449	449	-	-	-
Share-based compensation expense	2,978	2,864	11,805	3,238	3,302	3,265	3,241	13,046	2,519	3,274	3,130
Amortization expense	137	140	540	141	143	146	149	579	151	152	146
Non-recurring expense	568	94	1,544	1,501	73	21	10	1,605	502	53	40
Expenses associated with discontinued products	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583	1,289	2,461	2,220
Non-cash expenses associated with discontinued products	1,114	1,067	4,313	1,025	952	495	661	3,133	1,214	1,213	1,211
Non-GAAP operating income (loss)	(5,082)	(5,999)	(25,546)	(11,535)	(5,561)	(1,286)	(6,065)	(24,447)	(8,363)	(6,496)	(8,706)
GAAP other income (loss)	276	(1,109)	(2,641)	(1,052)	(468)	(588)	(274)	(2,382)	(1,584)	5,446	(344)
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	(65)	79	(157)	(169)	43	(61)	(669)	(856)	843	(133)	332
Non-recurring expense (income)	-	-	173	-	(536)	(1,054)	(105)	(1,695)	-	(6,299)	-
Non-GAAP other income (loss)	211	(1,030)	(2,625)	(1,221)	(961)	(1,703)	(1,048)	(4,933)	(741)	(986)	(12)

Applied Optoelectronics, Inc.  
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020	1Q21	2Q21	3Q21
GAAP net income (loss)	(8,780)	(35,430)	(66,049)	(16,797)	(18,600)	(9,616)	(13,439)	(58,452)	(15,622)	(8,203)	(15,797)
Non-recurring customer credit	-	-	-	-	-	-	449	449	-	-	-
Amortization of intangible assets	137	140	540	141	143	146	149	579	151	152	146
Share-based compensation expense	2,978	2,864	11,804	3,238	3,302	3,265	3,241	13,046	2,519	3,274	3,130
Non-recurring expense (income)	568	94	1,716	1,501	(463)	(1,033)	(95)	(90)	502	(6,246)	40
Expenses associated with discontinued products	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583	1,289	2,461	2,220
Non-cash expenses associated with discontinued products	1,114	1,067	4,314	1,025	952	495	661	3,133	1,214	1,213	1,211
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	(65)	79	(157)	(169)	43	(61)	(669)	(856)	843	(133)	332
Non-GAAP Tax Benefit	-	25,736	25,736	1,915	8,562	3,819	2,276	16,572	3,592	3,346	3,427
Non-GAAP net income (loss)	(2,931)	(3,559)	(17,096)	(8,792)	(4,984)	(1,419)	(4,841)	(20,036)	(5,512)	(4,136)	(5,291)
	\$233										
GAAP net income (loss)	(8,780)	(35,430)	(66,049)	(16,797)	(18,600)	(9,616)	(13,439)	(58,452)	(15,622)	(8,203)	(15,797)
Non-recurring customer credit	-	-	-	-	-	-	449	449	-	-	-
Amortization of intangible assets	137	140	540	141	143	146	149	579	151	152	146
Share-based compensation expense	2,978	2,864	11,804	3,238	3,302	3,265	3,241	13,046	2,519	3,274	3,130
Depreciation expense	5,872	5,887	23,459	5,657	5,980	6,050	6,234	23,921	6,293	6,274	6,147
Non-recurring expense (income)	568	94	1,716	1,501	(463)	(1,033)	(95)	(90)	502	(6,246)	40
Expenses associated with discontinued products	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583	1,289	2,461	2,220
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	(65)	79	(157)	(169)	43	(61)	(669)	(856)	843	(133)	332
Interest (income) expense, net	1,170	1,206	4,309	1,308	1,441	1,454	1,175	5,378	1,415	1,351	1,342
Tax (benefit) expense related to the above	(1,940)	22,267	14,662	(2,048)	7,025	2,249	4	7,230	-	-	-
Adjusted EBITDA	\$1,057	(1,003)	(4,717)	(6,815)	(52)	\$4,020	(365)	(3,212)	(2,610)	(1,070)	(2,440)
GAAP diluted net income (loss) per share	\$ (0.44)	\$ (1.76)	\$ (3.31)	\$ (0.83)	\$ (0.89)	\$ (0.42)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)	\$ (0.58)
Non-recurring customer credit	-	-	-	-	-	-	0.02	0.02	-	-	-
Amortization of intangible assets	0.01	0.01	0.03	0.01	0.01	0.01	0.01	0.03	0.01	0.01	0.01
Share-based compensation expense	0.15	0.14	0.59	0.16	0.16	0.14	0.14	0.60	0.10	0.12	0.11
Non-recurring expense (income)	0.03	0.00	0.09	0.07	(0.02)	(0.05)	(0.01)	(0.01)	0.02	(0.23)	0.00
Expenses associated with discontinued products	0.06	0.09	0.25	0.02	0.05	0.07	0.11	0.26	0.05	0.09	0.08
Non-cash expenses associated with discontinued products	0.05	0.05	0.22	0.05	0.05	0.02	0.03	0.13	0.04	0.05	0.04
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	(0.01)	0.00	(0.01)	(0.01)	0.00	(0.00)	(0.03)	(0.04)	0.03	(0.00)	0.01
Non-GAAP Tax Benefit	-	1.29	1.30	0.09	0.41	0.17	0.10	0.76	0.13	0.12	0.13
Non-GAAP diluted net income (loss) per share	\$ (0.15)	\$ (0.18)	\$ (0.86)	\$ (0.44)	\$ (0.24)	\$ (0.06)	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)	\$ (0.20)
Shares used to compute diluted earnings per share	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867	26,438	26,850	27,097