

## 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-recurring tax expenses (benefits), and expenses associated with discontinued products, if any, from our GAAP net income (loss). Included in our non-recurring expenses in Q3 2019 and Q3 2018 are certain legal and consulting fees (if any) and employee severance expenses (if any). Non-cash expenses associated with discontinued products in Q3 2019 and Q3 2018 include depreciation on certain equipment undergoing reconfiguration. Other expenses associated with discontinued products in Q3 2019 and Q3 2018 include inventory obsolescence charges associated with materials used in the manufacture of these discontinued products.

Our non-GAAP earnings per share is calculated by dividing our non-GAAP net income by the fully diluted share count. 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 stock-based compensation expense and non-recurring expenses 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 to evaluate our overall operating performance.

A reconciliation of our GAAP net income (loss) and GAAP earnings per share for Q3 2019 to our non-GAAP net income (loss) and earnings per share is provided.

Non-GAAP measures should not be considered as an alternative to net income (loss), earnings 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 accessible 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**

	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019
<b>ASSETS</b>											
<b>CURRENT ASSETS</b>											
Cash and Cash Equivalents	59,672	74,825	70,930	82,936	82,251	76,190	62,402	55,646	74,930	81,070	69,994
Restricted Cash	861	1,054	1,072	1,012	1,048	1,753	1,695	2,358	2,529	2,917	2,382
Short term Investment	42	42	36	36	0	0	0	0	0	0	0
Total Cash, Cash Equivalents and Short Term Investments	60,575	75,921	72,038	83,984	83,299	77,943	64,097	58,004	77,459	83,987	72,376
Accounts Receivable, Net	66,759	73,759	73,029	59,850	53,655	48,668	32,028	30,534	32,123	28,406	29,709
Inventories	57,503	59,701	74,552	75,768	92,624	93,269	107,905	93,256	84,464	81,475	82,118
Notes Receivable	0	0	0	0	0	0	0	0	79	136	0
Prepaid Income Tax	0	0	0	1,394	1,326	638	763	1,188	1,423	1,312	759
Prepaid Expenses and Other Current Assets	9,385	9,131	10,448	8,665	10,921	10,070	10,377	11,293	7,726	5,719	5,685
<b>Total Current Assets</b>	<b>194,222</b>	<b>218,512</b>	<b>230,067</b>	<b>229,661</b>	<b>241,825</b>	<b>230,588</b>	<b>215,170</b>	<b>194,275</b>	<b>203,274</b>	<b>201,035</b>	<b>190,647</b>
Cash Restricted for Construction in Progress	0	0	0	0	0	0	0	0	0	0	0
Property, Plant And Equipment, Net	150,566	165,154	181,481	197,943	204,644	212,105	222,545	234,211	242,623	247,887	245,535
Land Use Rights, Net	777	786	797	804	6,448	6,096	5,832	5,814	5,894	5,743	5,551
Right of use asset	0	0	0	0	0	0	0	0	8,293	7,912	7,738
Intangible Assets, Net	3,984	4,007	4,041	4,007	4,015	3,978	3,971	3,977	4,001	4,028	4,072
Deferred Income Tax Assets	12,049	10,026	15,167	12,801	13,935	13,151	18,493	21,714	24,188	27,437	29,362
Other Assets	6,028	8,501	7,151	7,732	4,750	6,286	15,074	6,849	2,932	1,080	973
<b>TOTAL ASSETS</b>	<b>367,626</b>	<b>406,986</b>	<b>438,704</b>	<b>452,948</b>	<b>475,617</b>	<b>472,204</b>	<b>481,085</b>	<b>466,840</b>	<b>491,205</b>	<b>495,122</b>	<b>483,878</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>											
<b>CURRENT LIABILITIES</b>											
Accounts Payable	48,252	53,321	50,993	43,624	46,223	51,429	53,706	29,910	28,332	31,526	28,074
Accrued Income Taxes	4,113	4,947	5,459	7,422	7,588	464	0	0	0	0	0
Current Lease Liability									1,053	903	924
Accrued Expenses	10,535	13,850	16,801	19,103	13,358	16,651	20,723	19,291	12,424	13,986	15,542
Bank Acceptance Payable	0	0	0	0	0	0	0	4,628	5,198	2,532	4,080
Current Portion of Notes Payable and Long Term Debt	4,690	4,552	3,638	559	2,690	3,161	8,275	23,589	18,168	19,180	15,803
Total Current Liabilities	67,590	76,670	76,891	70,708	69,859	71,705	82,704	77,418	65,175	68,127	64,423
Notes Payable and Long Term Debt	23,863	22,814	37,371	48,964	62,464	57,868	62,896	60,328	17,535	30,468	32,373
Convertible Senior Notes									76,439	76,630	76,835
Non-Current Lease Liability									8,438	8,182	7,962
Other Long-Term Liabilities	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>91,453</b>	<b>99,484</b>	<b>114,262</b>	<b>119,672</b>	<b>132,323</b>	<b>129,573</b>	<b>145,600</b>	<b>137,746</b>	<b>167,587</b>	<b>183,407</b>	<b>181,593</b>
<b>STOCKHOLDERS' EQUITY</b>											
Common Stock	19	19	19	19	20	20	20	20	20	20	20
Additional Paid-in Capital	288,606	290,067	285,600	285,376	286,938	288,686	290,070	292,480	295,130	297,922	300,725
Cumulative Translation Adjustment	3,572	4,369	6,400	9,743	16,078	5,633	835	602	2,950	(379)	(3,832)
Retained Earnings (Accumulated Deficit)	(16,024)	13,047	32,423	38,138	40,258	48,292	44,560	35,992	25,518	14,152	5,372
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>276,173</b>	<b>307,502</b>	<b>324,442</b>	<b>333,276</b>	<b>343,294</b>	<b>342,631</b>	<b>335,485</b>	<b>329,094</b>	<b>323,618</b>	<b>311,715</b>	<b>302,285</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>367,626</b>	<b>406,986</b>	<b>438,704</b>	<b>452,948</b>	<b>475,617</b>	<b>472,204</b>	<b>481,085</b>	<b>466,840</b>	<b>491,205</b>	<b>495,122</b>	<b>483,878</b>

Applied Optoelectronics, Inc.  
Consolidated Statement of Operations

(In thousands, except percentages and per share data)

	1Q17	2Q17	3Q17	4Q17	CY2017	1Q18	2Q18	3Q18	4Q18	CY2018	1Q19	2Q19	3Q19	9MO2019
Revenue														
Datacenter	79,594	99,298	65,819	62,001	306,712	50,583	69,040	38,954	41,659	200,236	38,499	31,806	34,006	104,311
CATV	13,094	14,404	18,932	14,326	60,756	10,568	14,184	14,295	12,652	51,699	11,962	9,818	8,797	30,577
Telecom	3,171	3,077	3,474	3,177	12,899	3,586	4,157	2,656	2,760	13,159	1,738	1,630	2,868	6,236
FTTH	98	125	182	85	490	111	166	221	320	818	94	16	39	149
Other	267	467	472	266	1,472	391	275	260	627	1,553	426	141	374	941
<b>Total Revenues</b>	<b>96,224</b>	<b>117,371</b>	<b>88,879</b>	<b>79,855</b>	<b>382,329</b>	<b>65,239</b>	<b>87,822</b>	<b>56,386</b>	<b>58,018</b>	<b>267,465</b>	<b>52,719</b>	<b>43,411</b>	<b>46,084</b>	<b>142,214</b>
YOY Growth %	90.8%	112.4%	26.7%	-5.9%	46.6%	-32.2%	-25.2%	-36.6%	-27.3%	-30.0%	-19.2%	-50.6%	-18.3%	-32.1%
<b>Cost of Goods Sold</b>	<b>54,752</b>	<b>64,089</b>	<b>49,507</b>	<b>47,701</b>	<b>216,049</b>	<b>39,403</b>	<b>53,959</b>	<b>38,849</b>	<b>47,481</b>	<b>179,692</b>	<b>40,368</b>	<b>32,873</b>	<b>34,108</b>	<b>107,349</b>
COGS % of Revenue	56.9%	54.6%	55.7%	59.7%	56.5%	60.4%	61.4%	68.9%	81.8%	67.2%	76.6%	75.7%	74.0%	75.5%
<b>Gross Profit</b>	<b>41,472</b>	<b>53,282</b>	<b>39,372</b>	<b>32,154</b>	<b>166,280</b>	<b>25,836</b>	<b>33,863</b>	<b>17,537</b>	<b>10,537</b>	<b>87,773</b>	<b>12,351</b>	<b>10,538</b>	<b>11,976</b>	<b>34,865</b>
Gross Margin	43.1%	45.4%	44.3%	40.3%	43.5%	39.6%	38.6%	31.1%	18.2%	32.8%	23.4%	24.3%	26.0%	24.5%
Operating Expenses:														
Research and Development	7,432	8,073	9,190	10,670	35,365	11,736	12,645	14,180	11,342	49,903	11,185	11,151	10,466	32,802
R&D % of Revenue	7.7%	6.9%	10.3%	13.4%	9.2%	18.0%	14.4%	25.1%	19.5%	18.7%	21.2%	25.7%	22.7%	23.1%
Sales and Marketing	1,903	2,158	2,551	2,090	8,702	2,474	2,377	2,370	1,920	9,141	2,595	2,331	2,518	7,444
S&M % of Revenue	2.0%	1.8%	2.9%	2.6%	2.3%	3.8%	2.7%	4.2%	3.3%	3.4%	4.9%	5.4%	5.5%	5.2%
General and Administrative	7,822	8,786	9,580	9,074	35,262	9,456	9,898	10,591	9,552	39,497	10,440	10,884	9,988	31,312
G&A % of Revenue	8.1%	7.5%	10.8%	11.4%	9.2%	14.5%	11.3%	18.8%	16.5%	14.8%	19.8%	25.1%	21.7%	22.0%
<b>Total Operating Expenses</b>	<b>17,157</b>	<b>19,017</b>	<b>21,321</b>	<b>21,834</b>	<b>79,329</b>	<b>23,666</b>	<b>24,920</b>	<b>27,141</b>	<b>22,814</b>	<b>98,541</b>	<b>24,220</b>	<b>24,366</b>	<b>22,972</b>	<b>71,558</b>
Operating Expenses % of Revenue	17.8%	16.2%	24.0%	27.3%	20.7%	36.3%	28.4%	48.1%	39.3%	36.8%	45.9%	56.1%	49.8%	50.3%
<b>Operating Income (Loss)</b>	<b>24,315</b>	<b>34,265</b>	<b>18,051</b>	<b>10,320</b>	<b>86,951</b>	<b>2,170</b>	<b>8,943</b>	<b>(9,604)</b>	<b>(12,277)</b>	<b>(10,768)</b>	<b>(11,869)</b>	<b>(13,828)</b>	<b>(10,996)</b>	<b>(36,693)</b>
Operating Margin	25.3%	29.2%	20.3%	12.9%	22.7%	3.3%	10.2%	-17.0%	-21.2%	-4.0%	-22.5%	-31.9%	-23.9%	-25.8%
Other Income (Expense):														
Interest Income	35	70	61	55	221	52	85	86	59	282	72	310	347	729
Interest Expense	(299)	(245)	(248)	(66)	(858)	(71)	(279)	(274)	(482)	(1,106)	(996)	(1,490)	(1,517)	(4,003)
Other Income (Expense)	(36)	192	87	(20)	223	13	292	217	629	1,151	78	235	1,124	1,437
Foreign Exchange Gain (Loss)	(572)	(128)	(441)	(870)	(2,011)	(1,040)	1,289	549	(135)	663	(233)	216	322	305
<b>Total Other Income (Expense):</b>	<b>(872)</b>	<b>(111)</b>	<b>(541)</b>	<b>(901)</b>	<b>(2,425)</b>	<b>(1,046)</b>	<b>1,387</b>	<b>578</b>	<b>71</b>	<b>990</b>	<b>(1,079)</b>	<b>(729)</b>	<b>276</b>	<b>(1,532)</b>
Other Income % of Revenue	-0.9%	-0.1%	-0.6%	-1.1%	-0.6%	-1.6%	1.6%	1.0%	0.1%	0.4%	-2.0%	-1.7%	0.6%	-1.1%
<b>Net Income (Loss) before Income Taxes</b>	<b>23,443</b>	<b>34,154</b>	<b>17,510</b>	<b>9,419</b>	<b>84,526</b>	<b>1,124</b>	<b>10,330</b>	<b>(9,026)</b>	<b>(12,206)</b>	<b>(9,778)</b>	<b>(12,948)</b>	<b>(14,557)</b>	<b>(10,720)</b>	<b>(38,225)</b>
Net Margin	24.4%	29.1%	19.7%	11.8%	22.1%	1.7%	11.8%	-16.0%	-21.0%	-3.7%	-24.6%	-33.5%	-23.3%	-26.9%
Income Tax Benefit (Expense)	(3,654)	(5,083)	1,865	(3,703)	(10,575)	996	(2,296)	5,294	3,638	7,632	2,474	3,191	1,940	7,605
<b>Net Income (Loss)</b>	<b>19,789</b>	<b>29,071</b>	<b>19,375</b>	<b>5,716</b>	<b>73,951</b>	<b>2,120</b>	<b>8,034</b>	<b>(3,732)</b>	<b>(8,568)</b>	<b>(2,146)</b>	<b>(10,474)</b>	<b>(11,366)</b>	<b>(8,780)</b>	<b>(30,620)</b>
Net Margin after Taxes	20.6%	24.8%	21.8%	7.2%	19.3%	3.2%	9.1%	-6.6%	-14.8%	-0.8%	-19.9%	-26.2%	-19.1%	-21.5%
Earnings per share (Basic)	\$ 1.06	\$ 1.52	\$ 1.00	\$ 0.29	\$ 3.87	\$ 0.11	\$ 0.41	\$ (0.19)	\$ (0.43)	\$ (0.11)	\$ (0.53)	\$ (0.57)	\$ (0.44)	\$ (1.54)
Earnings per share (Diluted)	\$ 1.00	\$ 1.43	\$ 0.95	\$ 0.28	\$ 3.67	\$ 0.11	\$ 0.40	\$ (0.19)	\$ (0.43)	\$ (0.11)	\$ (0.53)	\$ (0.57)	\$ (0.44)	\$ (1.54)
Shares used to compute GAAP basic earnings per share	18,598	19,081	19,294	19,406	19,097	19,492	19,590	19,707	19,793	19,647	19,863	19,932	20,023	19,940
Shares used to compute GAAP diluted earnings per share	19,702	20,367	20,423	20,160	20,139	19,989	20,080	19,707	19,793	19,647	19,863	19,932	20,023	19,940

Applied Optoelectronics, Inc.  
Consolidated Statement of Operations

**NON GAAP**

(In thousands, except percentages and per share data)

Preliminary Unaudited

	1Q17	2Q17	3Q17	4Q17	CY2017	1Q18	2Q18	3Q18	4Q18	CY2018	1Q19	2Q19	3Q19	9MO2019
Revenue														
Datacenter	79,594	99,298	65,819	62,001	306,712	50,583	69,040	38,954	42,550	201,127	38,499	31,806	34,006	104,311
CATV	13,094	14,404	18,932	14,326	60,756	10,568	14,184	14,295	12,652	51,699	11,962	9,818	8,797	30,577
Telecom	3,171	3,077	3,474	3,177	12,899	3,586	4,157	2,656	2,760	13,159	1,738	1,630	2,868	6,236
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Other	267	467	472	266	1,472	391	275	260	627	1,553	426	141	374	941
<b>Total Revenues</b>	<b>96,224</b>	<b>117,371</b>	<b>88,879</b>	<b>79,855</b>	<b>382,329</b>	<b>65,239</b>	<b>87,822</b>	<b>56,386</b>	<b>58,909</b>	<b>268,356</b>	<b>52,719</b>	<b>43,411</b>	<b>46,084</b>	<b>142,214</b>
YOY Growth %	90.8%	112.4%	26.7%	-5.9%	46.6%	-32.2%	-25.2%	-36.6%	-26.2%	-29.8%	-19.2%	-50.6%	-18.3%	-32.1%
<b>Cost of Goods Sold</b>	<b>54,674</b>	<b>63,955</b>	<b>49,382</b>	<b>47,118</b>	<b>215,129</b>	<b>39,148</b>	<b>52,316</b>	<b>37,232</b>	<b>44,384</b>	<b>173,080</b>	<b>39,254</b>	<b>31,607</b>	<b>32,794</b>	<b>103,655</b>
COGS % of Revenue	56.8%	54.5%	55.6%	59.0%	56.3%	60.0%	59.6%	66.0%	75.3%	64.5%	74.5%	72.8%	71.2%	72.9%
<b>Gross Profit</b>	<b>41,550</b>	<b>53,416</b>	<b>39,497</b>	<b>32,737</b>	<b>167,200</b>	<b>26,091</b>	<b>35,506</b>	<b>19,154</b>	<b>14,525</b>	<b>95,276</b>	<b>13,465</b>	<b>11,804</b>	<b>13,290</b>	<b>38,559</b>
Gross Margin	43.2%	45.5%	44.4%	41.0%	43.7%	40.0%	40.4%	34.0%	24.7%	35.5%	25.5%	27.2%	28.8%	27.1%
Operating Expenses:														
Research and Development	7,167	7,632	8,790	9,630	33,219	10,409	10,922	12,698	10,512	44,541	10,545	10,494	9,819	30,858
R&D % of Revenue	7.4%	6.5%	9.9%	12.1%	8.7%	16.0%	12.4%	22.5%	17.8%	16.6%	20.0%	24.2%	21.3%	21.7%
Sales and Marketing	1,823	1,990	2,433	1,976	8,222	2,247	2,116	2,189	1,664	8,216	2,324	2,052	2,244	6,620
S&M % of Revenue	1.9%	1.7%	2.7%	2.5%	2.2%	3.4%	2.4%	3.9%	2.8%	3.1%	4.4%	4.7%	4.9%	4.7%
General and Administrative	6,520	6,859	7,641	7,342	28,362	7,458	7,732	7,896	6,545	29,631	7,381	6,938	6,309	20,628
G&A % of Revenue	6.8%	5.8%	8.6%	9.2%	7.4%	11.4%	8.8%	14.0%	11.1%	11.0%	14.0%	16.0%	13.7%	14.5%
<b>Total Operating Expenses</b>	<b>15,510</b>	<b>16,481</b>	<b>18,864</b>	<b>18,948</b>	<b>69,803</b>	<b>20,114</b>	<b>20,770</b>	<b>22,783</b>	<b>18,721</b>	<b>82,388</b>	<b>20,250</b>	<b>19,484</b>	<b>18,372</b>	<b>58,106</b>
Operating Expenses % of Revenue	16.1%	14.0%	21.2%	23.7%	18.3%	30.8%	23.7%	40.4%	31.8%	30.7%	38.4%	44.9%	39.9%	40.9%
<b>Operating Income (Loss)</b>	<b>26,040</b>	<b>36,935</b>	<b>20,633</b>	<b>13,789</b>	<b>97,397</b>	<b>5,977</b>	<b>14,736</b>	<b>(3,629)</b>	<b>(4,196)</b>	<b>12,888</b>	<b>(6,785)</b>	<b>(7,680)</b>	<b>(5,082)</b>	<b>(19,547)</b>
Operating Margin	27.1%	31.5%	23.2%	17.3%	25.5%	9.2%	16.8%	-6.4%	-7.1%	4.8%	-12.9%	-17.7%	-11.0%	-13.7%
Other Income (Expense):														
Interest Income	35	70	61	55	221	52	85	86	59	282	72	310	347	729
Interest Expense	(299)	(245)	(248)	(66)	(858)	(71)	(279)	(274)	(482)	(1,106)	(823)	(1,490)	(1,517)	(3,830)
Other Income (Expense)	(36)	194	87	(20)	225	13	292	217	636	1,158	78	235	1,124	1,437
Foreign Exchange Gain (Loss)	(324)	(229)	(381)	(129)	(1,063)	(1,243)	378	1,055	(127)	63	(460)	272	257	69
<b>Total Other Income (Expense):</b>	<b>(624)</b>	<b>(210)</b>	<b>(481)</b>	<b>(160)</b>	<b>(1,475)</b>	<b>(1,249)</b>	<b>476</b>	<b>1,084</b>	<b>86</b>	<b>397</b>	<b>(1,133)</b>	<b>(673)</b>	<b>211</b>	<b>(1,595)</b>
Other Income % of Revenue	-0.6%	-0.2%	-0.5%	-0.2%	-0.4%	-1.9%	0.5%	1.9%	0.1%	0.1%	-2.1%	-1.6%	0.5%	-1.1%
<b>Net Income (Loss) before Income Taxes</b>	<b>25,417</b>	<b>36,725</b>	<b>20,152</b>	<b>13,629</b>	<b>95,922</b>	<b>4,728</b>	<b>15,212</b>	<b>(2,545)</b>	<b>(4,110)</b>	<b>13,285</b>	<b>(7,918)</b>	<b>(8,353)</b>	<b>(4,871)</b>	<b>(21,142)</b>
Net Margin	26.4%	31.3%	22.7%	17.1%	25.1%	7.2%	17.3%	-4.5%	-7.0%	5.0%	-15.0%	-19.2%	-10.6%	-14.9%
Income Tax Benefit (Expense)	(3,654)	(5,403)	1,865	4,313	(2,879)	882	(2,344)	5,294	3,638	7,470	2,474	3,191	1,940	7,605
<b>Net Income (Loss)</b>	<b>21,763</b>	<b>31,322</b>	<b>22,017</b>	<b>17,942</b>	<b>93,043</b>	<b>5,610</b>	<b>12,868</b>	<b>2,749</b>	<b>(472)</b>	<b>20,755</b>	<b>(5,444)</b>	<b>(5,162)</b>	<b>(2,931)</b>	<b>(13,537)</b>
Net Margin after Income Tax	22.6%	26.7%	24.8%	22.5%	24.3%	8.6%	14.7%	4.9%	-0.8%	7.7%	-10.3%	-11.9%	-6.4%	-9.5%
Depreciation & Amortization	4,302	4,628	5,403	6,049	20,382	6,964	7,327	7,516	7,891	29,698	5,948	6,017	6,009	17,974
<b>Adjusted EBITDA</b>	<b>29,864</b>	<b>41,408</b>	<b>25,619</b>	<b>19,564</b>	<b>116,454</b>	<b>11,584</b>	<b>22,608</b>	<b>5,034</b>	<b>4,075</b>	<b>43,301</b>	<b>(2,366)</b>	<b>(2,405)</b>	<b>1,057</b>	<b>(3,714)</b>
EBITDA Margin	31.0%	35.3%	28.8%	24.5%	30.5%	17.8%	25.7%	8.9%	6.9%	16.1%	-4.5%	-5.5%	2.3%	-2.6%
Earnings per share (Basic)	\$ 1.17	\$ 1.64	\$ 1.14	\$ 0.92	\$ 4.87	\$ 0.29	\$ 0.66	\$ 0.14	\$ (0.02)	\$ 1.06	\$ (0.27)	\$ (0.26)	\$ (0.15)	\$ (0.68)
Earnings per share (Diluted)	\$ 1.10	\$ 1.54	\$ 1.08	\$ 0.89	\$ 4.62	\$ 0.28	\$ 0.64	\$ 0.14	\$ (0.02)	\$ 1.04	\$ (0.27)	\$ (0.26)	\$ (0.15)	\$ (0.68)
Shares used to compute Non-GAAP basic earnings per share	18,598	19,081	19,294	19,406	19,097	19,492	19,590	19,707	19,793	19,647	19,863	19,932	20,023	19,940
Shares used to compute Non-GAAP diluted earnings per share	19,702	20,367	20,423	20,160	20,139	19,989	20,080	20,185	19,793	20,027	19,863	19,932	20,023	19,940

Applied Optoelectronics, Inc.  
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(In thousands)

Preliminary Unaudited

	1Q17	2Q17	3Q17	4Q17	CY2017	1Q18	2Q18	3Q18	4Q18	CY2018	1Q19	2Q19	3Q19	9MO2019
GAAP revenue	96,224	117,371	88,879	79,855	382,329	65,239	87,822	56,386	58,018	267,465	52,719	43,411	46,084	142,214
Non-recurring customer credit	-	-	-	-	-	-	-	-	891	891	-	-	-	-
Non-GAAP revenue	96,224	117,371	88,879	79,855	382,329	65,239	87,822	56,386	58,909	268,356	52,719	43,411	46,084	142,214
GAAP total gross profit	41,472	53,282	39,372	32,154	166,280	25,836	33,863	17,537	10,537	87,773	12,351	10,538	11,976	34,865
Non-recurring customer credit	-	-	-	-	-	-	-	-	891	891	-	-	-	-
Share-based compensation expense	78	134	125	124	461	177	211	205	202	795	189	199	197	585
Non-recurring expense	-	-	-	-	-	7	-	-	43	50	-	-	-	-
Expenses associated with discontinued products	-	-	-	459	459	71	1,432	1,412	2,852	5,767	925	1,067	1,117	3,109
Non-GAAP income from gross profit	41,550	53,416	39,497	32,737	167,200	26,091	35,506	19,154	14,525	95,276	13,465	11,804	13,290	38,559
GAAP research and development expense	7,432	8,073	9,190	10,670	35,365	11,736	12,645	14,180	11,342	49,903	11,185	11,151	10,466	32,802
Share-based compensation expense	265	441	400	390	1,496	576	676	623	544	2,419	640	657	647	1,944
Non-recurring expense	-	-	-	-	-	-	43	-	13	56	-	-	-	-
Non-cash expenses associated with discontinued products	-	-	-	650	650	751	1,004	859	273	2,887	-	-	-	-
Non-GAAP research and development expense	7,167	7,632	8,790	9,630	33,219	10,409	10,922	12,698	10,512	44,541	10,545	10,494	9,819	30,858
GAAP sales and marketing expense	1,903	2,158	2,551	2,090	8,702	2,474	2,377	2,370	1,920	9,141	2,595	2,331	2,518	7,444
Share-based compensation expense	80	168	118	114	480	227	261	181	256	925	271	279	274	824
Non-GAAP sales and marketing expense	1,823	1,990	2,433	1,976	8,222	2,247	2,116	2,189	1,664	8,216	2,324	2,052	2,244	6,620
GAAP general and administrative expense	7,822	8,786	9,580	9,074	35,262	9,456	9,898	10,591	9,552	39,497	10,440	10,884	9,988	31,312
Share-based compensation expense	1,084	1,517	1,439	1,317	5,357	1,588	1,752	1,885	1,758	6,983	1,843	1,885	1,860	5,588
Amortization expense	118	120	122	125	485	126	127	125	128	506	130	133	137	400
Non-recurring expense	100	290	378	290	1,058	284	287	685	1,121	2,377	69	813	568	1,450
Non-cash expenses associated with discontinued products	-	-	-	-	-	-	-	-	-	-	1,017	1,115	1,114	3,246
Non-GAAP general and administrative expense	6,520	6,859	7,641	7,342	28,362	7,458	7,732	7,896	6,545	29,631	7,381	6,938	6,309	20,628
GAAP total operating expense	17,157	19,017	21,321	21,834	79,329	23,666	24,920	27,141	22,814	98,541	24,220	24,366	22,972	71,558
Share-based compensation expense	1,429	2,126	1,957	1,822	7,334	2,391	2,689	2,689	2,558	10,327	2,754	2,821	2,781	8,356
Amortization expense	118	120	122	125	485	126	127	125	128	506	130	133	137	400
Non-recurring expense	100	290	378	290	1,058	284	330	685	1,134	2,433	69	813	568	1,450
Non-cash expenses associated with discontinued products	-	-	-	650	650	751	1,004	859	273	2,887	1,017	1,115	1,114	3,246
Non-GAAP total operating expense	15,510	16,481	18,864	18,947	69,802	20,114	20,770	22,783	18,721	82,388	20,250	19,484	18,372	58,106
GAAP operating income (loss)	24,315	34,265	18,051	10,320	86,951	2,170	8,943	(9,604)	(12,277)	(10,768)	(11,869)	(13,828)	(10,996)	(36,693)
Non-recurring customer credit	-	-	-	-	-	-	-	-	891	891	-	-	0	0
Share-based compensation expense	1,507	2,260	2,082	1,946	7,795	2,569	2,900	2,894	2,757	11,120	2,943	3,020	2,978	8,941
Amortization expense	118	120	122	125	485	126	127	125	128	506	130	133	137	400
Non-recurring expense	100	290	378	290	1,058	290	330	685	1,180	2,485	69	813	568	1,450
Expenses associated with discontinued products	-	-	-	459	459	71	1,432	1,412	2,852	5,767	925	1,067	1,117	3,109
Non-cash expenses associated with discontinued products	-	-	-	650	650	751	1,004	859	273	2,887	1,017	1,115	1,114	3,246
Non-GAAP operating income (loss)	26,040	36,935	20,633	13,790	97,398	5,977	14,736	(3,629)	(4,196)	12,888	(6,785)	(7,680)	(5,082)	(19,547)
GAAP other income (loss)	(872)	(111)	(541)	(901)	(2,425)	(1,046)	1,387	578	71	990	(1,079)	(729)	276	(1,532)
Loss (gain) from disposal of idle assets	-	2	-	-	2	-	-	-	8	8	-	-	-	-
Unrealized exchange loss (gain)	248	(101)	60	741	948	(203)	(911)	506	7	(601)	(227)	56	(65)	(236)
Non-recurring expense	0	0	0	0	0	0	0	0	0	0	173	-	-	173
Non-GAAP other income (loss)	(624)	(210)	(481)	(160)	(1,475)	(1,249)	476	1,084	86	397	(1,133)	(673)	211	(1,595)

Applied Optoelectronics, Inc.  
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	1Q17	2Q17	3Q17	4Q17	CY2017	1Q18	2Q18	3Q18	4Q18	CY2018	1Q19	2Q19	3Q19	9MO2019
GAAP net income (loss)	19,789	29,071	19,375	5,716	73,951	2,120	8,034	(3,732)	(8,568)	(2,146)	(10,474)	(11,366)	(8,780)	(30,620)
Non-recurring customer credit									891	891	-	-	-	-
Amortization of intangible assets	118	120	122	125	485	126	127	125	128	506	130	133	137	400
Share-based compensation expense	1,507	2,260	2,082	1,946	7,795	2,569	2,900	2,894	2,757	11,120	2,943	3,020	2,978	8,941
Non Recurring charges	100	290	378	290	1,058	290	330	685	1,180	2,485	242	812	568	1,622
Expenses associated with discontinued products	-	-	-	459	459	71	1,432	1,412	2,852	5,767	925	1,067	1,117	3,109
Non-cash expenses associated with discontinued products	-	-	-	650	650	751	1,004	859	273	2,887	1,017	1,116	1,114	3,247
Loss (gain) from disposal of idle assets	-	2	-	-	2	-	-	-	8	8	-	-	-	-
Unrealized exchange loss (gain)	248	(101)	60	741	948	(203)	(911)	506	7	(601)	(227)	56	(65)	(236)
Non-recurring Tax Benefit	-	(320)	-	8,016	7,696	(114)	(48)	-	-	(162)	-	-	-	-
Non-GAAP net income (loss)	21,762	31,322	22,017	17,943	93,044	5,610	12,868	2,749	(472)	20,755	(5,444)	(5,162)	(2,931)	(13,537)
GAAP net income (loss)	19,789	29,071	19,375	5,716	73,951	2,120	8,034	(3,732)	(8,568)	(2,146)	(10,474)	(11,366)	(8,780)	(30,620)
Non-recurring customer credit									891	891	-	-	-	-
Amortization of intangible assets	118	120	122	125	485	126	127	125	128	506	130	133	137	400
Share-based compensation expense	1,507	2,260	2,082	1,946	7,795	2,569	2,900	2,894	2,757	11,120	2,943	3,020	2,978	8,941
Depreciation expense	4,184	4,507	5,280	5,924	19,895	6,837	7,202	7,391	7,762	29,192	5,817	5,883	5,872	17,572
Non-recurring charges	100	290	378	290	1,058	290	330	685	1,180	2,485	242	812	568	1,622
Expenses associated with discontinued products	-	-	-	459	459	71	1,432	1,412	1,603	4,518	925	1,067	1,117	3,109
Loss (gain) from disposal of idle assets	-	2	-	-	2	-	-	-	8	8	-	-	-	-
Unrealized exchange loss (gain)	248	(101)	60	741	948	(203)	(911)	506	7	(601)	(227)	56	(65)	(236)
Interest (income) expense, net	264	175	187	11	637	19	194	188	423	824	752	1,181	1,170	3,103
Tax (benefit) expense related to the above	3,654	5,083	(1,865)	3,703	10,575	(996)	2,296	(5,294)	(3,638)	(7,632)	(2,474)	(3,191)	(1,940)	(7,605)
Adjusted EBITDA	\$29,864	\$41,407	\$25,619	\$18,915	\$115,805	\$10,833	\$21,604	\$4,175	\$2,553	\$39,165	(2,366)	(2,405)	\$1,057	(3,714)
GAAP diluted net income (loss) per share	\$ 1.00	\$ 1.43	\$ 0.95	\$ 0.28	\$ 3.67	\$ 0.11	\$ 0.40	\$ (0.19)	\$ (0.43)	\$ (0.11)	\$ (0.53)	\$ (0.57)	\$ (0.44)	\$ (1.54)
Non-recurring customer credit									0.05	0.04	-	-	-	-
Amortization of intangible assets	0.01	0.01	0.01	(0.00)	0.02	0.01	0.01	0.01	0.01	0.03	0.01	0.01	0.01	0.02
Share-based compensation expense	0.08	0.11	0.10	0.10	0.39	0.13	0.14	0.14	0.15	0.56	0.15	0.15	0.15	0.45
Non Recurring charges	(0.00)	0.01	0.02	0.01	0.05	0.01	0.02	0.03	0.06	0.12	0.01	0.04	0.03	0.08
Expenses associated with discontinued products	-	-	-	0.02	0.02	0.00	0.07	0.07	0.14	0.29	0.05	0.05	0.06	0.16
Non-cash expenses associated with discontinued products	-	-	-	0.03	0.03	0.04	0.05	0.04	0.01	0.14	0.05	0.06	0.05	0.16
Loss (gain) from disposal of idle assets	0.00	0.00	-	-	0.00	-	-	-	0.00	0.00	-	-	-	-
Unrealized exchange loss (gain)	0.01	(0.00)	0.00	0.04	0.05	(0.01)	(0.05)	0.04	(0.01)	(0.03)	(0.01)	0.00	(0.01)	(0.01)
Non-recurring Tax Benefit	0.00	(0.02)	-	0.40	0.38	(0.01)	(0.00)	-	0.01	(0.00)	-	-	-	-
Non-GAAP diluted net income (loss) per share	\$ 1.10	\$ 1.54	\$ 1.08	\$ 0.89	\$ 4.62	\$ 0.28	\$ 0.64	\$ 0.14	\$ (0.02)	\$ 1.04	\$ (0.27)	\$ (0.26)	\$ (0.15)	\$ (0.68)
Shares used to compute diluted earnings per share	19,702	20,367	20,423	20,160	20,139	19,989	20,080	20,185	19,793	20,027	19,863	19,932	20,023	19,940