

## 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 (income) 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 loss (gain), losses from the disposal of idle assets, if any, non-GAAP tax benefit (expenses), and expenses associated with discontinued products, from our GAAP net income (loss). Included in our non-recurring expenses in Q3 2022 and Q3 2021 are certain non-recurring expenses related to extreme weather and pandemic events and non-recurring tax expenses or benefits (if any), and employee severance expenses (if any). In computing our non-GAAP income tax benefit (expense), 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 diluted net loss per share is calculated by dividing our non-GAAP net loss 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, 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 estimating non-GAAP income taxes allows comparison with prior periods and provides additional information regarding the generation of potential future deferred tax assets;
- 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.

Applied Optoelectronics, Inc.  
Consolidated Balance Sheet

(In thousands)

Preliminary Unaudited

	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and Cash Equivalents	46,772	43,425	45,482	44,013	43,534	34,656	31,980	33,667	26,268
Restricted Cash	11,296	6,689	3,856	6,486	5,363	6,480	8,128	6,983	8,307
Total Cash, Cash Equivalents and Short Term Investments	58,068	50,114	49,338	50,499	48,897	41,136	40,108	40,650	34,575
Accounts Receivable									
Allowance for doubtful accounts									
Accounts Receivable, Net	51,453	43,042	47,570	48,404	43,942	47,944	54,218	49,139	52,823
Notes Receivable	111,427	110,397	1,440	3,819	8,505	8,148	1,195	212	9
Inventories	0	401	106,336	100,399	94,507	92,516	92,007	98,181	94,261
Prepaid Income Tax	177	2	2	2	2	1	-	-	-
Prepaid Expenses and Other Current Assets	8,805	5,213	5,169	5,101	4,717	4,334	5,711	6,235	6,132
<b>Total Current Assets</b>	<b>229,930</b>	<b>209,169</b>	<b>209,855</b>	<b>208,224</b>	<b>200,570</b>	<b>194,079</b>	<b>193,239</b>	<b>194,417</b>	<b>187,800</b>
Cash Restricted for Construction in Progress	0	0	0	0	0	0	0	0	0
Property, Plant And Equipment, Net	249,740	252,984	248,303	246,797	242,452	243,035	236,774	224,349	211,586
Land Use Rights, Net	5,640	5,854	5,780	5,846	5,790	5,856	5,848	5,500	5,168
Right of use asset	7,888	7,817	7,566	7,576	7,342	7,135	6,672	6,206	5,634
Intangible Assets, Net	4,031	3,999	3,943	3,888	3,877	3,836	3,792	3,763	3,740
Deferred Income Tax Assets	-	-	-	-	-	-	-	-	-
Other Assets	558	982	915	813	2,493	518	428	520	415
<b>TOTAL ASSETS</b>	<b>497,787</b>	<b>480,805</b>	<b>476,362</b>	<b>473,144</b>	<b>462,524</b>	<b>454,459</b>	<b>446,753</b>	<b>434,755</b>	<b>414,343</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>									
<b>CURRENT LIABILITIES</b>									
Accounts Payable	56,134	29,482	26,201	25,593	28,333	34,402	40,044	52,496	52,311
Bank Acceptance Payable	13,366	15,860	6,344	6,469	6,481	8,198	9,955	10,273	13,760
Accrued Expenses	17,526	18,511	14,028	15,509	16,204	15,587	13,237	12,440	12,444
Current Lease Liability	1,000	1,030	1,039	1,038	1,063	1,081	1,065	1,042	1,017
Current Portion of Notes Payable and Long Term Debt	44,292	38,265	50,803	41,876	41,254	49,689	52,233	53,565	51,357
<b>Total Current Liabilities</b>	<b>132,318</b>	<b>103,148</b>	<b>98,415</b>	<b>90,485</b>	<b>93,335</b>	<b>108,957</b>	<b>116,534</b>	<b>129,815</b>	<b>130,889</b>
Notes Payable and Long Term Debt	14,564	13,904	13,686	19,360	19,271	5,000	5,000	-	-
Convertible Senior Notes	77,646	77,854	78,058	78,264	78,472	78,680	78,884	79,090	79,298
Other Long-Term Liabilities	8,093	8,008	7,731	7,744	7,478	7,252	6,758	6,255	5,618
<b>TOTAL LIABILITIES</b>	<b>232,621</b>	<b>202,914</b>	<b>197,890</b>	<b>195,853</b>	<b>198,556</b>	<b>199,889</b>	<b>207,176</b>	<b>215,161</b>	<b>215,805</b>
<b>STOCKHOLDERS' EQUITY</b>									
Common Stock	23	25	27	27	27	27	27	28	28
Additional Paid-in Capital	335,035	354,685	371,920	375,312	378,207	381,143	383,474	385,531	388,316
Cumulative Translation Adjustment	5,178	11,690	10,656	14,286	13,865	16,071	14,809	7,226	(988)
Retained Earnings (Accumulated Deficit)	(75,070)	(88,509)	(104,131)	(112,334)	(128,131)	(142,671)	(158,733)	(173,191)	(188,818)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>265,166</b>	<b>277,891</b>	<b>278,472</b>	<b>277,291</b>	<b>263,968</b>	<b>254,570</b>	<b>239,577</b>	<b>219,594</b>	<b>198,538</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>497,787</b>	<b>480,805</b>	<b>476,362</b>	<b>473,144</b>	<b>462,524</b>	<b>454,459</b>	<b>446,753</b>	<b>434,755</b>	<b>414,343</b>

Applied Optoelectronics, Inc.  
Consolidated Statement of Operations

(In thousands, except percentages and per share data)

	3Q20	4Q20	CY2020	1Q21	2Q21	3Q21	4Q21	CY2021	1Q22	2Q22	3Q22
Revenue											
CATV	11,642	15,937	37,943	18,638	27,599	23,101	25,200	94,538	24,980	23,713	31,260
Datacenter	55,336	32,305	173,438	25,939	22,392	23,929	24,928	97,188	21,415	21,497	17,697
Telecom	8,870	3,492	21,092	4,479	3,333	5,148	3,288	16,248	5,265	6,276	6,821
FTTH	67	42	110	423	298	62	173	956	98	27	-
Other	693	550	2,040	222	567	1,027	819	2,635	484	786	915
<b>Total Revenues</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>	<b>54,408</b>	<b>211,565</b>	<b>52,242</b>	<b>52,299</b>	<b>56,693</b>
YOY Growth %	76.5%	13.5%	22.9%	22.8%	-16.9%	-30.5%	4.0%	-9.8%	5.1%	-3.5%	6.4%
<b>Cost of Goods Sold</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>	<b>46,314</b>	<b>173,850</b>	<b>43,217</b>	<b>43,671</b>	<b>46,944</b>
COGS % of Revenue	75.0%	78.4%	78.5%	78.4%	80.1%	84.7%	85.1%	82.2%	82.7%	83.5%	82.8%
<b>Gross Profit</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>	<b>8,094</b>	<b>37,715</b>	<b>9,025</b>	<b>8,628</b>	<b>9,749</b>
<b>Gross Margin</b>	<b>25.0%</b>	<b>21.6%</b>	<b>21.5%</b>	<b>21.6%</b>	<b>19.9%</b>	<b>15.3%</b>	<b>14.9%</b>	<b>17.8%</b>	<b>17.3%</b>	<b>16.5%</b>	<b>17.2%</b>
Operating Expenses:											
Research and Development	11,206	10,826	43,393	10,928	10,914	10,149	9,229	41,220	9,486	8,328	9,206
R&D % of Revenue	14.6%	20.7%	18.5%	22.0%	20.1%	19.1%	17.0%	19.5%	18.2%	15.9%	16.2%
Sales and Marketing	4,491	3,230	14,087	2,960	2,832	2,783	2,324	10,899	2,558	2,164	2,385
S&M % of Revenue	5.9%	6.2%	6.0%	6.0%	5.2%	5.2%	4.3%	5.2%	4.9%	4.1%	4.2%
General and Administrative	10,272	10,382	41,903	10,869	10,681	10,645	10,167	42,362	11,220	11,035	11,654
G&A % of Revenue	13.4%	19.8%	17.9%	21.9%	19.7%	20.0%	18.7%	20.0%	21.5%	21.1%	20.6%
<b>Total Operating Expenses</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>	<b>21,720</b>	<b>94,481</b>	<b>23,264</b>	<b>21,527</b>	<b>23,245</b>
<b>Operating Expenses % of Revenue</b>	<b>33.9%</b>	<b>46.7%</b>	<b>42.4%</b>	<b>49.8%</b>	<b>45.1%</b>	<b>44.3%</b>	<b>39.9%</b>	<b>44.7%</b>	<b>44.5%</b>	<b>41.2%</b>	<b>41.0%</b>
<b>Operating Income (Loss)</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>	<b>(13,626)</b>	<b>(56,766)</b>	<b>(14,239)</b>	<b>(12,899)</b>	<b>(13,496)</b>
<b>Operating Margin</b>	<b>-8.8%</b>	<b>-25.2%</b>	<b>-20.8%</b>	<b>-28.2%</b>	<b>-25.2%</b>	<b>-29.0%</b>	<b>-25.0%</b>	<b>-26.8%</b>	<b>-27.3%</b>	<b>-24.7%</b>	<b>-23.8%</b>
Other Income (Expense):											
Interest Income	26	35	255	16	16	17	21	70	28	31	31
Interest Expense	(1,480)	(1,211)	(5,635)	(1,431)	(1,367)	(1,359)	(1,462)	(5,619)	(1,401)	(1,408)	(1,621)
Other Income (Expense)	866	902	2,998	(169)	6,797	998	529	8,155	(450)	(180)	(541)
<b>Total Other Income (Expense):</b>	<b>(588)</b>	<b>(274)</b>	<b>(2,382)</b>	<b>(1,584)</b>	<b>5,446</b>	<b>(344)</b>	<b>(912)</b>	<b>2,606</b>	<b>(1,823)</b>	<b>(1,557)</b>	<b>(2,131)</b>
<b>Other Income % of Revenue</b>	<b>-0.8%</b>	<b>-0.5%</b>	<b>-1.0%</b>	<b>-3.2%</b>	<b>10.1%</b>	<b>-0.6%</b>	<b>-1.7%</b>	<b>1.2%</b>	<b>-3.5%</b>	<b>-3.0%</b>	<b>-3.8%</b>
<b>Net Income (Loss) before Income Taxes</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>	<b>(14,538)</b>	<b>(54,160)</b>	<b>(16,062)</b>	<b>(14,456)</b>	<b>(15,627)</b>
<b>Net Margin</b>	<b>-9.6%</b>	<b>-25.7%</b>	<b>-21.8%</b>	<b>-31.4%</b>	<b>-15.1%</b>	<b>-29.7%</b>	<b>-26.7%</b>	<b>-25.6%</b>	<b>-30.7%</b>	<b>-27.6%</b>	<b>-27.6%</b>
Income Tax Benefit (Expense)	(2,249)	(4)	(7,228)	-	-	-	(2)	(2)	-	-	-
<b>Net Income (Loss)</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>	<b>(14,540)</b>	<b>(54,162)</b>	<b>(16,062)</b>	<b>(14,456)</b>	<b>(15,627)</b>
<b>Net Margin after Taxes</b>	<b>-12.6%</b>	<b>-25.7%</b>	<b>-24.9%</b>	<b>-31.4%</b>	<b>-15.1%</b>	<b>-29.7%</b>	<b>-26.7%</b>	<b>-25.6%</b>	<b>-30.7%</b>	<b>-27.6%</b>	<b>-27.6%</b>
Earnings per share (Basic)	\$ (0.42)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)	\$ (0.58)	\$ (0.54)	\$ (2.01)	\$ (0.58)	\$ (0.52)	\$ (0.56)
Earnings per share (Diluted)	\$ (0.42)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)	\$ (0.58)	\$ (0.54)	\$ (2.01)	\$ (0.58)	\$ (0.52)	\$ (0.56)
Shares used to compute GAAP basic earnings per share	22,744	23,626	21,867	26,438	26,850	27,097	27,173	26,912	27,463	27,612	27,839
Shares used to compute GAAP diluted earnings per share	22,744	23,626	21,867	26,438	26,850	27,097	27,173	26,912	27,463	27,612	27,839

**NON GAAP**

(In thousands, except percentages and per share data)

Preliminary Unaudited

	3Q20	4Q20	CY2020	1Q21	2Q21	3Q21	4Q21	CY2021	1Q22	2Q22	3Q22
Revenue											
CATV	11,642	15,937	37,943	18,638	27,599	23,101	25,200	94,538	24,980	23,713	31,259
Datacenter	55,336	32,754	173,887	25,939	22,392	23,929	24,928	97,188	21,415	21,497	17,697
Telecom	8,870	3,492	21,092	4,479	3,333	5,148	3,288	16,248	5,265	6,276	6,821
FTTH	67	42	110	423	298	62	173	956	98	27	-
Other	693	550	2,040	222	567	1,027	819	2,635	484	786	916
<b>Total Revenues</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>	<b>54,408</b>	<b>211,565</b>	<b>52,242</b>	<b>52,299</b>	<b>56,693</b>
YOY Growth %	66.2%	8.5%	23.2%	22.8%	-16.9%	-30.5%	3.1%	-10.0%	5.1%	-3.5%	6.4%
<b>Cost of Goods Sold</b>	<b>55,623</b>	<b>38,239</b>	176,592	<b>37,474</b>	<b>40,667</b>	<b>42,649</b>	<b>44,844</b>	<b>165,634</b>	<b>43,081</b>	<b>43,557</b>	<b>46,511</b>
COGS % of Revenue	72.6%	72.5%	75.1%	75.4%	75.0%	80.1%	82.4%	78.3%	82.5%	83.3%	82.0%
<b>Gross Profit</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>9,564</b>	<b>45,931</b>	<b>9,161</b>	<b>8,742</b>	<b>10,182</b>
Gross Margin	27.4%	27.5%	24.9%	24.6%	25.0%	19.9%	17.6%	21.7%	17.5%	16.7%	18.0%
Operating Expenses:											
Research and Development	10,500	10,112	40,369	10,297	10,284	9,659	8,311	38,551	9,115	8,017	8,861
R&D % of Revenue	13.7%	19.2%	17.2%	20.7%	19.0%	18.1%	15.3%	18.2%	17.4%	15.3%	15.6%
Sales and Marketing	4,192	2,922	12,874	2,668	2,503	2,511	2,029	9,711	2,328	1,978	2,152
S&M % of Revenue	5.5%	5.5%	5.5%	5.4%	4.6%	4.7%	3.7%	4.6%	4.5%	3.8%	3.8%
General and Administrative	7,579	7,567	29,684	7,625	7,231	7,154	6,554	28,564	8,145	8,237	8,434
G&A % of Revenue	9.9%	14.3%	12.6%	15.3%	13.3%	13.4%	12.0%	13.5%	15.6%	15.7%	14.9%
<b>Total Operating Expenses</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>16,894</b>	<b>76,826</b>	<b>19,588</b>	<b>18,232</b>	<b>19,447</b>
Operating Expenses % of Revenue	29.1%	39.0%	35.3%	41.4%	36.9%	36.3%	31.1%	36.3%	37.5%	34.9%	34.3%
<b>Operating Income (Loss)</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>(7,330)</b>	<b>(30,895)</b>	<b>(10,427)</b>	<b>(9,490)</b>	<b>(9,265)</b>
Operating Margin	-1.7%	-11.5%	-10.4%	-16.8%	-12.0%	-16.3%	-13.5%	-14.6%	-20.0%	-18.1%	-16.3%
Other Income (Expense):											
Interest Income	26	35	255	16	16	17	21	70	28	31	31
Interest Expense	(1,480)	(1,211)	(5,635)	(1,431)	(1,367)	(1,359)	(1,462)	(5,619)	(1,401)	(1,408)	(1,621)
Other Income (Expense)	(249)	128	447	674	365	1,330	190	2,559	534	119	423
<b>Total Other Income (Expense):</b>	<b>(1,703)</b>	<b>(1,048)</b>	<b>(4,933)</b>	<b>(741)</b>	<b>(986)</b>	<b>(12)</b>	<b>(1,251)</b>	<b>(2,990)</b>	<b>(839)</b>	<b>(1,258)</b>	<b>(1,167)</b>
Other Income % of Revenue	-2.2%	-2.0%	-2.1%	-1.5%	-1.8%	0.0%	-2.3%	-1.4%	-1.6%	-2.4%	-2.1%
<b>Net Income (Loss) before Income Taxes</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>(8,581)</b>	<b>(33,885)</b>	<b>(11,266)</b>	<b>(10,748)</b>	<b>(10,432)</b>
Net Margin	-3.9%	-13.5%	-12.5%	-18.3%	-13.8%	-16.4%	-15.8%	-16.0%	-21.6%	-20.6%	-18.4%
Income Tax Benefit (Expense)	1,570	2,272	9,344	3,592	3,369	3,427	3,099	13,487	3,394	3,151	3,300
<b>Net Income (Loss)</b>	<b>(1,419)</b>	<b>(4,841)</b>	<b>(20,036)</b>	<b>(5,512)</b>	<b>(4,113)</b>	<b>(5,291)</b>	<b>(5,482)</b>	<b>(20,398)</b>	<b>(7,872)</b>	<b>(7,597)</b>	<b>(7,132)</b>
Net Margin after Income Tax	-1.9%	-9.2%	-8.5%	-11.1%	-7.6%	-9.9%	-10.1%	-9.6%	-15.1%	-14.5%	-12.7%
Interest Income (Expense)	(1,454)	(1,176)	(5,380)	(1,415)	(1,351)	(1,342)	(1,441)	(5,549)	(1,373)	(1,377)	(1,590)
Depreciation and Amortization	5,555	5,573	20,789	5,080	5,061	4,936	4,846	19,922	4,790	4,631	4,339
<b>Adjusted EBITDA</b>	<b>4,020</b>	<b>(364)</b>	<b>(3,211)</b>	<b>(2,609)</b>	<b>(1,070)</b>	<b>(2,440)</b>	<b>(2,294)</b>	<b>(8,414)</b>	<b>(5,103)</b>	<b>(4,740)</b>	<b>(4,503)</b>
EBITDA Margin	5.2%	-0.7%	-1.4%	-5.2%	-2.0%	-4.6%	-4.2%	-4.0%	-9.8%	-9.1%	-7.9%
Earnings per share (Basic)	\$ (0.06)	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)	\$ (0.20)	\$ (0.20)	\$ (0.76)	\$ (0.29)	\$ (0.28)	\$ (0.26)
Earnings per share (Diluted)	\$ (0.06)	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)	\$ (0.20)	\$ (0.20)	\$ (0.76)	\$ (0.29)	\$ (0.28)	\$ (0.26)
Shares used to compute Non-GAAP basic earnings per share	22,744	23,626	21,867	26,438	26,850	27,097	27,173	26,912	27,463	27,612	27,839
Shares used to compute Non-GAAP diluted earnings per share	22,744	23,626	21,867	26,438	26,850	27,097	27,173	26,912	27,463	27,612	27,839

Applied Optoelectronics, Inc.  
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	3Q20	4Q20	CY2020	1Q21	2Q21	3Q21	4Q21	CY2021	1Q22	2Q22	3Q22
GAAP revenue	76,608	52,326	234,623	49,701	54,189	53,267	54,408	211,565	52,242	52,299	56,693
Non-recurring customer credit	-	449	449	-	-	-	-	-	-	-	-
Non-GAAP revenue	76,608	52,775	235,072	49,701	54,189	53,267	54,408	211,565	52,242	52,299	56,693
GAAP total gross profit	19,190	11,277	50,541	10,719	10,778	8,124	8,094	37,715	9,025	8,628	9,749
Non-recurring customer credit	-	449	449	-	-	-	-	-	-	-	-
Share-based compensation expense	229	225	937	201	267	222	196	886	136	114	121
Non-recurring expense	-	-	971	18	16	52	32	118	-	-	256
Expenses associated with discontinued products	1,566	2,586	5,583	1,289	2,461	2,220	1,242	7,212	-	-	56
Non-GAAP income from gross profit	20,985	14,537	58,481	12,227	13,522	10,618	9,564	45,931	9,161	8,742	10,182
GAAP research and development expense	11,206	10,826	43,393	10,928	10,914	10,149	9,229	41,220	9,486	8,328	9,206
Share-based compensation expense	706	714	2,812	563	630	490	491	2,174	365	310	343
Non-recurring expense	-	-	212	53	-	-	427	480	6	1	2
Non-cash expenses associated with discontinued products	-	-	-	15	-	-	-	15	-	-	-
Non-GAAP research and development expense	10,500	10,112	40,369	10,297	10,284	9,659	8,311	38,551	9,115	8,017	8,861
GAAP sales and marketing expense	4,491	3,230	14,087	2,960	2,832	2,783	2,324	10,899	2,558	2,164	2,385
Share-based compensation expense	298	307	1,191	219	329	272	295	1,115	226	186	230
Non-recurring expense	1	1	22	73	-	-	-	73	4	-	3
Non-GAAP sales and marketing expense	4,192	2,922	12,874	2,668	2,503	2,511	2,029	9,711	2,328	1,978	2,152
GAAP general and administrative expense	10,272	10,382	41,903	10,869	10,681	10,645	10,167	42,362	11,220	11,035	11,654
Share-based compensation expense	2,032	1,996	8,107	1,536	2,048	2,147	2,217	7,948	1,745	1,534	1,933
Amortization expense	146	149	579	151	152	146	151	600	152	153	154
Non-recurring expense	20	9	400	358	37	(13)	72	454	12	7	16
Non-cash expenses associated with discontinued products	495	661	3,133	1,199	1,213	1,211	1,173	4,796	1,166	1,103	1,117
Non-GAAP general and administrative expense	7,579	7,567	29,684	7,625	7,231	7,154	6,554	28,564	8,145	8,236,875	8,434
GAAP total operating expense	25,969	24,438	99,383	24,757	24,427	23,577	21,720	94,481	23,264	21,527	23,245
Share-based compensation expense	3,036	3,017	12,110	2,318	3,007	2,909	3,003	11,237	2,336	2,030	2,506
Amortization expense	146	149	579	151	152	146	151	600	152	153	154
Non-recurring expense	21	10	634	484	37	(13)	499	1,007	22	9	21
Non-cash expenses associated with discontinued products	495	661	3,133	1,214	1,213	1,211	1,173	4,811	1,166	1,103	1,117
Non-GAAP total operating expense	22,271	20,601	82,927	20,590	20,018	19,324	16,894	76,826	19,588	18,232	19,447
GAAP operating income (loss)	(6,779)	(13,161)	(48,842)	(14,038)	(13,649)	(15,453)	(13,626)	(56,766)	(14,239)	(12,899)	(13,496)
Non-recurring customer credit	-	449	449	-	-	-	-	-	-	-	-
Share-based compensation expense	3,265	3,242	13,047	2,519	3,274	3,131	3,199	12,123	2,472	2,144	2,627
Amortization expense	146	149	579	151	152	146	151	600	152	153	154
Non-recurring expense	21	10	1,605	502	53	39	531	1,125	22	9	276
Expenses associated with discontinued products	1,566	2,586	5,583	1,289	2,461	2,220	1,242	7,212	-	-	57
Non-cash expenses associated with discontinued products	495	661	3,133	1,214	1,213	1,211	1,173	4,811	1,166	1,103	1,117
Non-GAAP operating income (loss)	(1,286)	(6,064)	(24,446)	(8,363)	(6,496)	(8,706)	(7,330)	(30,895)	(10,427)	(9,490)	(9,265)
GAAP other income (loss)	(588)	(274)	(2,382)	(1,584)	5,446	(344)	(912)	2,606	(1,823)	(1,557)	(2,131)
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	(61)	(669)	(856)	843	(133)	332	(339)	703	981	298	964
Non-recurring expense (income)	(1,054)	(105)	(1,695)	-	(6,299)	-	-	(6,299)	3	-	-
Non-GAAP other income (loss)	(1,703)	(1,048)	(4,933)	(741)	(986)	(12)	(1,251)	(2,990)	(839)	(1,259)	(1,167)

Applied Optoelectronics, Inc.  
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	3Q20	4Q20	CY2020	1Q21	2Q21	3Q21	4Q21	CY2021	1Q22	2Q22	3Q22
GAAP net income (loss)	(9,616)	(13,439)	(58,452)	(15,622)	(8,203)	(15,797)	(14,540)	(54,162)	(16,062)	(14,456)	(15,627)
Non-recurring customer credit	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation expense	3,265	3,242	13,047	2,519	3,274	3,131	3,199	12,123	2,472	2,144	2,627
Expenses associated with discontinued products	1,566	2,586	5,583	1,289	2,461	2,220	1,242	7,212	-	-	57
Non-cash expenses associated with discontinued products	495	661	3,133	1,214	1,213	1,235	1,173	4,835	1,166	1,103	1,209
Amortization of intangible assets	146	149	579	151	152	146	151	600	152	153	154
Non-recurring expense (income)	(1,033)	(95)	(90)	502	(6,246)	17	531	(5,196)	25	9	185
Unrealized exchange loss (gain)	(61)	(669)	(856)	843	(133)	332	(339)	703	981	298	963
Non-GAAP Tax Benefit	3,819	2,276	16,572	3,592	3,369	3,427	3,101	13,489	3,394	3,151	3,300
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP net income (loss)	(1,419)	(5,289)	(20,484)	(5,512)	(4,113)	(5,289)	(5,482)	(20,396)	(7,872)	(7,598)	(7,132)
GAAP net income (loss)	(9,616)	(13,439)	(58,452)	(15,622)	(8,203)	(15,797)	(14,540)	(54,162)	(16,062)	(14,456)	(15,627)
Non-recurring customer credit	-	449	449	-	-	-	-	-	-	-	-
Share-based compensation expense	3,265	3,242	13,047	2,519	3,274	3,130	3,199	12,123	2,472	2,144	2,627
Expenses associated with discontinued products	1,566	2,586	5,583	1,289	2,461	2,220	1,242	7,212	-	-	56
Non-cash expenses associated with discontinued products	495	661	3,133	1,214	1,213	1,235	1,186	4,849	1,166	1,103	1,209
Amortization of intangible assets	146	149	579	151	152	146	151	600	152	153	154
Non-recurring expense (income)	(1,033)	(95)	(90)	502	(6,246)	17	518	(5,209)	25	9	185
Unrealized exchange loss (gain)	(61)	(669)	(856)	843	(133)	331	(339)	702	981	298	964
Tax (benefit) expense related to the above	2,249	4	7,230	-	-	-	2	-	-	-	-
Depreciation expense	5,555	5,573	20,789	5,080	5,061	4,936	4,846	19,922	4,790	4,631	4,339
Interest (income) expense, net	1,454	1,175	5,378	1,415	1,351	1,342	1,441	5,549	1,373	1,377	1,590
Adjusted EBITDA	4,020	(364)	(3,210)	(2,609)	(1,070)	(2,440)	(2,294)	(8,414)	(5,103)	(4,741)	(4,503)
GAAP diluted net income (loss) per share	\$ (0.42)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)	\$ (0.58)	\$ (0.54)	\$ (2.01)	\$ (0.58)	\$ (0.52)	\$ (0.56)
Non-recurring customer credit	-	0.02	0.02	-	-	-	-	-	-	-	-
Share-based compensation expense	0.14	0.14	0.60	0.10	0.12	0.11	0.12	0.45	0.09	0.08	0.09
Expenses associated with discontinued products	0.07	0.11	0.26	0.05	0.09	0.08	0.05	0.27	-	-	-
Non-cash expenses associated with discontinued products	0.02	0.03	0.13	0.04	0.05	0.05	0.04	0.18	0.04	0.04	0.04
Amortization of intangible assets	0.01	0.01	0.03	0.01	0.01	0.01	0.01	0.02	0.01	0.01	0.01
Non-recurring expense (income)	(0.05)	(0.01)	(0.01)	0.02	(0.23)	-	0.02	(0.19)	-	-	0.01
Unrealized exchange loss (gain)	-	(0.03)	(0.04)	0.03	-	0.01	(0.01)	0.03	0.04	0.01	0.03
Non-GAAP Tax Benefit	0.17	0.10	0.76	0.13	0.12	0.13	0.11	0.49	0.12	0.11	0.12
Non-GAAP diluted net income (loss) per share	\$ (0.06)	\$ (0.21)	\$ (0.93)	\$ (0.23)	\$ (0.16)	\$ (0.21)	\$ (0.20)	\$ (0.76)	\$ (0.29)	\$ (0.28)	\$ (0.26)
Shares used to compute diluted earnings per share	22,744	23,626	21,867	26,438	26,850	27,097	27,173	26,912	27,463	27,612	27,839