Investor Presentation

Third QUARTER 2022

Nasdaq: AAOI

APPLIED OPTOELECTRONICS

SAFE HARBOR STATEMENT

This presentation contains forward-looking statements. The statements contained in this presentation that are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act, as amended. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "could," "would," "target," "seek," "aim," "predicts," "think," "objectives," "optimistic," "new," "goal," "strategy," "potential," "is likely," "will," "expect," "plan" "project," "permit" or by other similar expressions that convey uncertainty of future events or outcomes. These statements include management's beliefs and expectations related to our outlook for the fourth quarter of 2022. Such forward-looking statements reflect the views of management at the time such statements are made. These forward-looking statements involve risks and uncertainties, as well as assumptions and current expectations, which could cause the company's actual results to differ materially from those anticipated in such forward-looking statements. These risks and uncertainties include but are not limited to: the impact of the COVID-19 pandemic on our business and financial results; reduction in the size or quantity of customer orders; change in demand for the company's products due to industry conditions; changes in manufacturing operations; volatility in manufacturing costs; delays in shipments of products; disruptions in the supply chain; change in the rate of design wins or the rate of customer acceptance of new products; the company's reliance on a small number of customers for a substantial portion of its revenues; potential pricing pressure; a decline in demand for our customers' products or their rate of deployment of their products; general conditions in the internet datacenter, cable television (CATV) broadband, telecom, or fiber-to-the-home (FTTH) markets; changes in the world economy (particularly in the United States and China); changes in the regulation and taxation of international trade, including the imposition of tariffs; changes in currency exchange rates; the negative effects of seasonality; and other risks and uncertainties described more fully in the company's documents filed with or furnished to the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2021. More information about these and other risks that may impact the company's business are set forth in the "Risk Factors" section of the company's quarterly and annual reports on file with the Securities and Exchange Commission. You should not rely on forward-looking statements as predictions of future events. All forward-looking statements in this presentation are based upon information available to us as of the date hereof, and qualified in their entirety by this cautionary statement. Except as required by law, we assume no obligation to update forward-looking statements for any reason after the date of this presentation to conform these statements to actual results or to changes in the company's expectations.

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.

For a reconciliation of GAAP measures to our non-GAAP measures, please see the Appendix to this presentation.

This presentation shall not constitute an offer to sell or the solicitation of an offer to buy securities of the company, nor shall there be any sale of the any securities of the company in any state or jurisdiction in which such offer, solicitation or sale would be unlawful. Any offer, if at all, will be made only pursuant to Rule 144A or Regulation S under the Securities Act.

Investment

HIGHLIGHTS

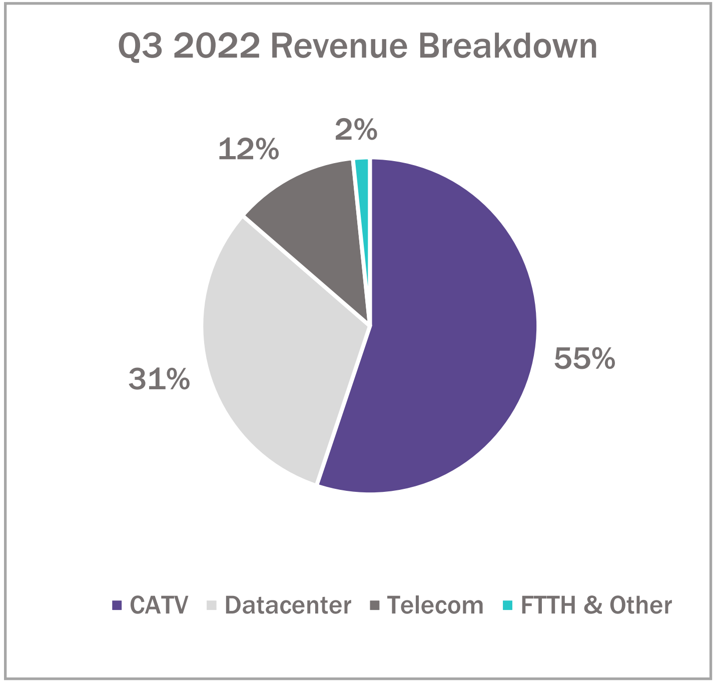
- A Leader in Advanced Optics
- Dynamic Markets
- Marquee Customers
- Proprietary Manufacturing
- Diversifying Customer Base

A leading provider of optical access products that enable the gigabit age

Q3 2022 Highlights and Q4 2022 Outlook

Highest Quarterly CATV Revenue in Company's History

- Revenue of $56.7 million, up 6% y/y, below guidance due to a faster than anticipated decline in 40G sales
- Non-GAAP Gross Margin of 18.0% vs. 19.9% in Q3 2021, in line with guidance
- 1 new design win in the Telecom segment
  - Continue to have a robust pipeline for new qualifications which are expected to be completed in next few quarters
- Fourth Quarter 2022 Guidance
  - Revenue in the range of $58 million to $64 million
  - Non-GAAP gross margin in the range of 17.5% to 19.5%
  - Non-GAAP net loss in the range of $8.1 million to $9.8 million, and non-GAAP loss per share in the range of $0.28 to $0.34 using approximately 28.7 million shares



Transaction Overview

AOI ANNOUNCED DEFINITIVE AGREEMENT TO SELL ITS CHINESE MANUFACTURING FACILITIES AND CERTAIN ASSETS RELATED TO ITS TRANSCEIVER BUSINESS FOR $150 MILLION

AOI announced on September 15, 2022 that it has entered into a definitive agreement with Yuhan Optoelectronic Technology (Shanghai) Co., Ltd. (the "Purchaser" or "Yuhan") for the sale of its manufacturing facilities located in the People's Republic of China and certain assets related to its transceiver business and multi-channel optical sub-assembly products for the internet datacenter, telecom, and FTTH markets for a purchase price of $150 million, less a holdback amount.

Transaction Rationale

- *Positions the Company to Focus on Higher Margin and Higher Growth Opportunities*
- AOI will have a focused portfolio composed of lasers.
- The Company will retain its manufacturing facilities in Taiwan and Sugar Land, Texas.
- Opens up new opportunities for customer expansion with AOI's existing datacenter laser business.
- Transaction has been unanimously approved by the Board of Directors of the Company.
- Expected to close in 2023.

Product Supply Agreement & Contract Manufacturing Agreement

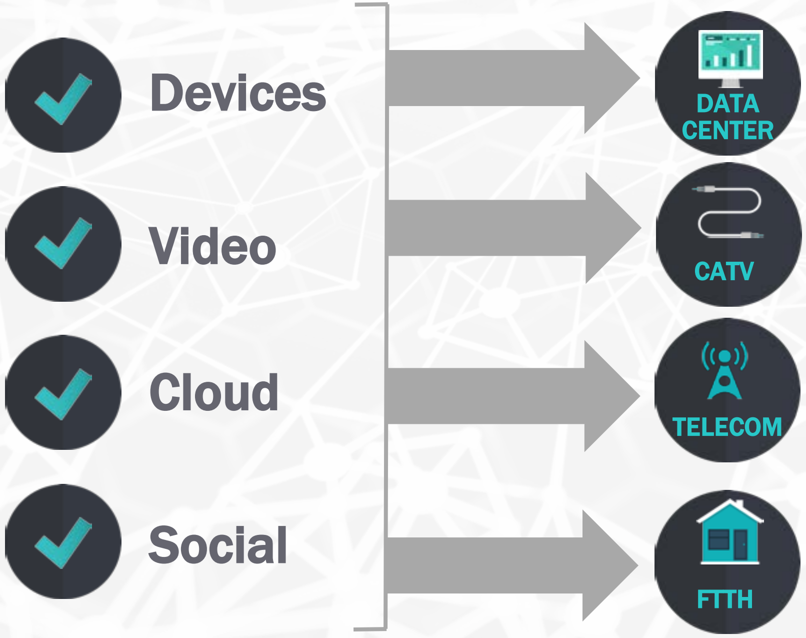
- Yuhan Optoelectronic Technology expects to utilize AOI's lasers in the production of their datacenter transceiver products. Additionally, AOI expects to continue to use the manufacturing facilities in China on a contract basis to produce certain CATV products.

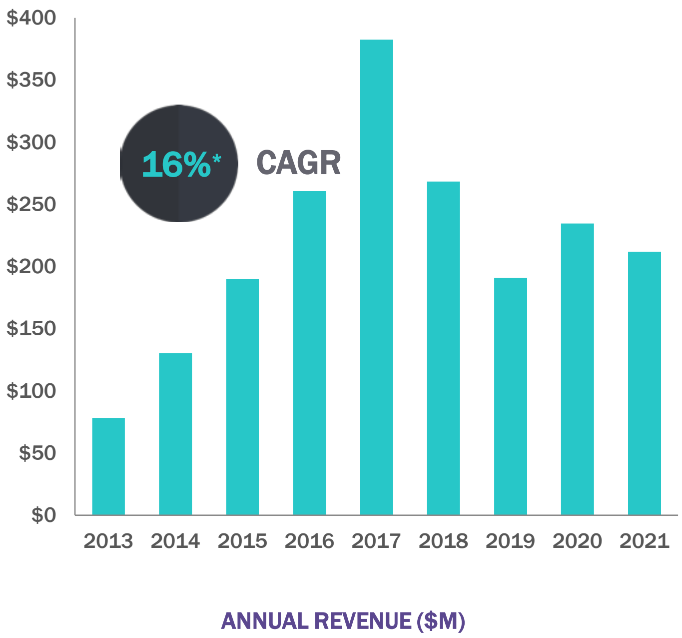
Use of Proceeds

- Anticipates investing 4% - 10% of the estimated proceeds from the transaction in exchange for a 10% equity interest in the Purchaser.
- Remainder of the net proceeds would be used for general working capital purposes.

* For more information please reference the press release published on Sept. 15, 2022 and the corresponding Business Update Call.

Bandwidth Demand Drives Revenue





* CAGR calculated from 2013 through 2021.

Four End-Markets With Strong Demand Drivers

Datacenter

- Increasing size of datacenters
- Higher-speed interconnect - *1G to (10G/40G/100G/200G/400G)*
- Continuous need to expand, refresh and replenish

Cable Television

- DOCSIS 3.1 & upgrade cycle
- International market opportunities
- Continued outsourcing of design and production

Telecommunications

- 5G LTE deployment
- Backbone network for datacenter interconnect
- Aging access networks in need of rebuild

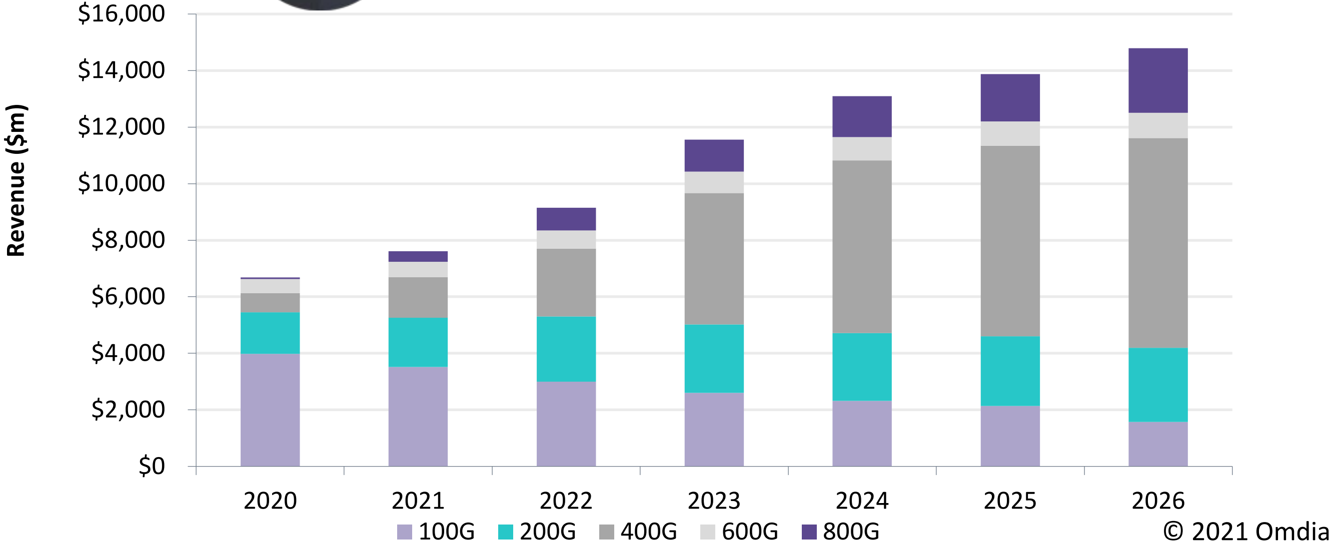
Fiber-to-the-Home

- 10/25 Gbps FTTH networks to replace 2.5Gbps
- Telecom carriers need to fiberize to compete with CATV, new entrants
- Greenfield economics favor fiber deployment

Growth Expected in Datacenter Market

Total High-Speed (100G or greater) Market to Exceed $9 Billion in 2022

33% 400G CAGR 2021-2025



- Source: High-Speed Optical Components Forecast Report, 2020 - 2026 – Omdia | 2021
- Historical and future data is estimated, based upon a methodology developed by Omdia reseach

APPLIED OPTOELECTRONICS AOI

DATACENTER MARKET CHARACTERISTICS DIFFER FROM CHARACTERISTICS OF TELECOM OPTICAL COMPONENT MARKET

Vertical Integration & In-house Manufacturing Optimal

DATACENTER MARKET

- Rapid product development cycles favor controlling a substantial part of the manufacturing process
- Large production volume/relatively low diversity enables rapid ROI on factory equipment
- Integration of manufacturing process enhances efficiency

TELECOM MARKET

- Telecom applications have much longer production cycles
- Small volume/high diversity favors outsourcing
- Initial costs of integration are high, and only economical with high production volume

100G Datacenter Transceiver Use Cases

	100G Technology	Lasers	# Fibers	Transceiver Cost*	Fiber Cost/m*	Optimal Distance (d)
Intra-Datacenter	Short-Reach (SR) AOC	4xVCSEL	8	$	$$	<150m
	Long-Reach, PSM-4	4x1310-nm DFB (AOI) OR 1x1310-nm high power + modulators (SiPh)	8	$$	$$$$$	150m<d<500m
	Long-Reach, CWDM (CWDM-4, CLR-4)	4xCWDM DFB	2	$$$	$$$	500m<d<2km
Interconnect	Extended Reach, 4WDM-10	4xCWDM	2	$$$$	$$$	2km<d<10km
	100G-BASE-LR4	4xWDM (cooled)	2	$$$$$$	$$$	2km<d<10km
	Coherent (DP-QPSK)	1x1550 (tunable, narrow linewidth)	2	$$$$$$$$$$	$$$	>80km

* Symbols represent relative costs and are based on Company estimates

400G: Multiple Standards to Meet Multiple Use Cases

400G intra-datacenter electrical/optical standards currently in existence or being developed:

Reach Distance	Data Center Unique Spec	IEEE Standards	100G single Lambda MSA
70m for OM3, 100m for OM4	-	400G SR8*	-
70m for OM3, 100m for OM4	-	400G SR4.2	-
500m	-	100G DR*	-
500m	-	400G DR4*	-
2km	-	-	100G FR*
2km	-	-	400G FR4*
10km	400G DR4+*	-	-

* In development by AOI for customer sampling

Current 400G Transceiver Form-factors

Considerations for Designers:

- Backward Compatibility
- Connector Termination
- Latch Mechanism
- Mating Process
- Protruding area safety
- Electrical/optical breakout
- Thermal dissipation
- Common management interface specification


SFP-DD


QSFP-DD


OSFP


COBO

Dimensions (mm)	SFP-DD	QSFP-DD	OSFP	COBO
Width	14	19	22.93	36
Length (overall)	64.15	93	100.4	40
Length inside cage	54.15	49.6	82.48	-
Thickness	8.55	8.5	13.00	9.35
Electrical Channel	2x	8x	8x	8x, 16x
Thermal Capability	1 - 3.5W	7 - 14W	12 - 16W	15 - 20W

5G Requirements for Front/Mid-Haul Optics

Small-Cell Proliferation and C-RAN Evolution Is Expected to Create Need for New Optical Solutions

25 Gbps/50 Gbps/100 Gbps transceivers needed

Front-Haul:

- Link remote radio head (RRH) to base station
- Distances typically several km
- 25 Gbps in SFP-28 form factor
- Outdoor RRH may require high-temperature optics

Mid-Haul:

- Longer distances typical in C-RAN (Cloud-Radio Access Network)
- 50 Gbps/100Gbps over 10+ km
- Typically standard commercial temperature range

Vertical Integration

A KEY DIFFERENTIATOR

- Faster time to market
- Cost advantages
- High yield manufacturing
- Flexible capacity support
- Rapid response to customer & market demand

A Closer Look...

CRYSTAL GROWTH (Epitaxy)	AUTOMATION	LIGHT ENGINE ASSEMBLY
AOI's Differentiation: Combination of proprietary MBE and MOCVD processes	AOI's Differentiation: Custom-designed and proprietary production machinery	AOI's Differentiation: Robust silicon optical bench platform technology leveraged across 40G, 100G, 200G and 400G products

Crystal Growth (Epitaxy)

- Improved high-temp and high-speed performance
- Improved laser yield (low cost)
- DFB performance adequate for many applications where competitors use EMLs
- EMLs for long-distance inter-DC/telecom

Automation

- Decreased per-chip testing cost
- Lower scrap rate = higher yield
- Scalable

Light Engine Assembly

- Flexible manufacturing line between 40G /100G/200G/400G products
- More efficient R&D spend
- Decreased scrap rate
- Lower equipment depreciation

Automated Manufacturing Process

Automated Robotic Test Stations Increase Throughput, Decrease Human Error in Handling

Automated Receiver Sub-Assembly Decreased Labor by 58% and Improved Quality Control

Automated Light Engine Final Assembly Decreased Labor by 85% and Improved Process Control and Quality

Vertical Integration replicated across markets

In-house production and development of advanced laser diodes and light engines speeds time to market

CATV

DATA CENTER

FTTH

TELECOM

SUBSYSTEM EQUIPMENT | MODULES/TRANSCEIVERS

OPTICAL PACKAGED DEVICES | OPTICAL SUBASSEMBLY

CHIPS | PROCESSED WAFER | EPITAXY WAFER

LOCATION	MANUFACTURING	R&D
Houston, TX 324 Employees*	• Wafer Fab • Laser chips • Laser Packaging • Silicon Photonics • FTTH Transceivers	✓

LOCATION	MANUFACTURING	R&D
Ningbo, China 1,491 Employees*	• CATV Equipment • Laser & Detector packaging • Light Engine • Transceivers	✓

LOCATION	MANUFACTURING	R&D
Taipei, Taiwan 475 Employees*	• Laser packaging • Light Engine • Silicon Photonics • Transceivers	✓

RESEARCH & DEVELOPMENT

- Excellent laser technology
- Proprietary Silicon Photonics Technology
- Strong R&D teams in all 3 sites from lasers, transceivers to equipment
- Customer NRE reimbursements

MANUFACTURING & OPERATIONS

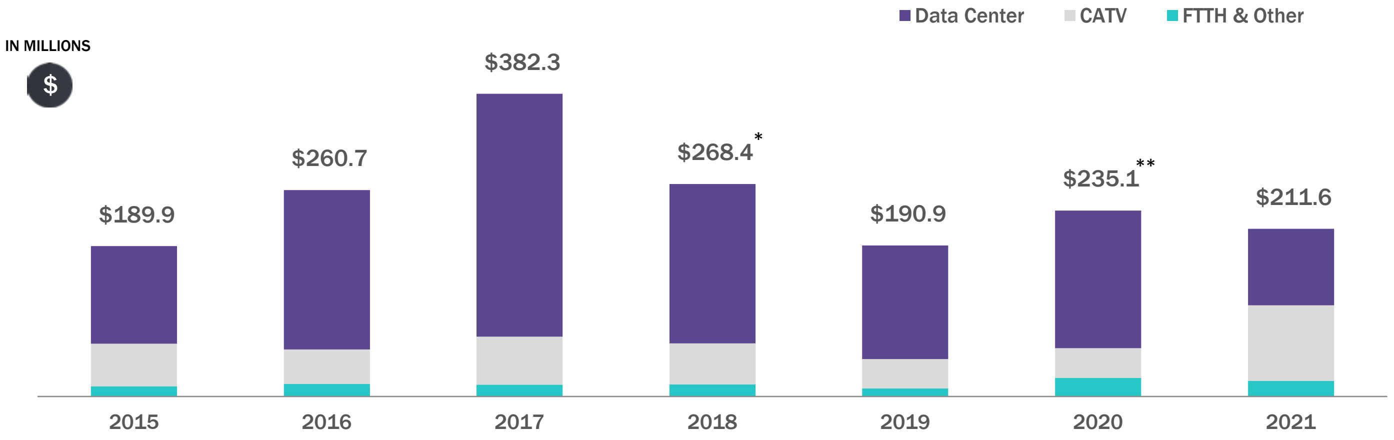
- Experienced in high-volume manufacture
- Efficient supply chain
- Vertical integration from laser chips to transceivers to equipment with cost advantages

* As of 9/30/2022

Financial Review

Data Center Drives Revenue

ANNUAL REVENUE BY END MARKET



YOY GROWTH

2015	2016	2017	2018	2019	2020	2021
46%	37%	47%	(30)%	(29)%	23%	(10)%

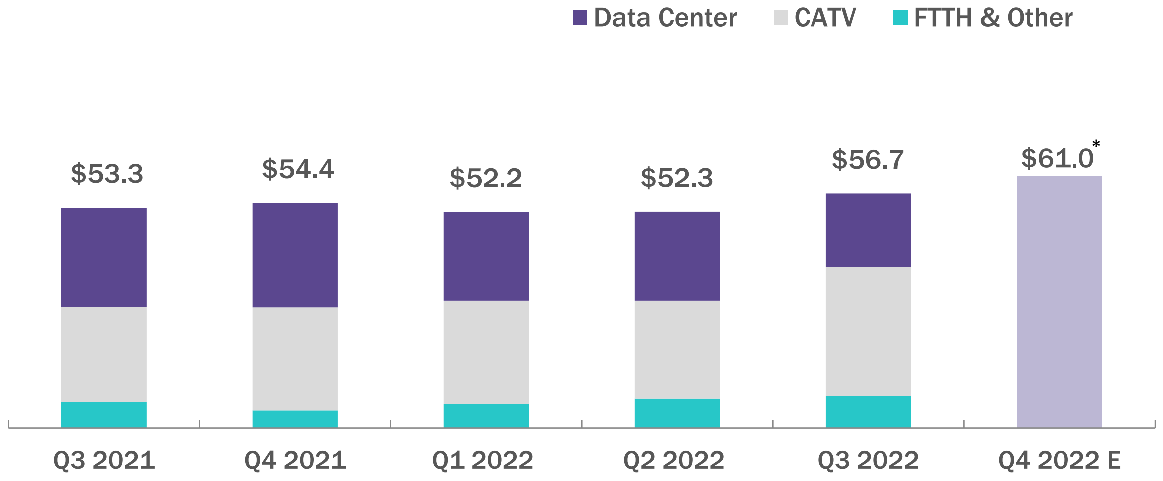
* Reflects a $900 thousand credit issued to a customer, which is adjusted out of our non-GAAP revenue in Q4/2018. All other revenue is on a GAAP basis.
** Reflects a $449 thousand credit issued to a customer, which is adjusted out of our non-GAAP revenue in Q4/2020. All other revenue is on a GAAP basis.

Recent Financial Performance

QUARTERLY REVENUE BY END MARKET

IN MILLIONS

$



* Reflects midpoint of Q4 2022 guidance of $58 million to $64 million provided in Q3 2022 earnings press release on 11/3/22

Q3/22 Results

NON-GAAP*

IN MILLIONS EXCEPT %	Q3/22
TOTAL REVENUE	$ 56.7
DATACENTER	$ 17.7
TELECOM	$ 6.8
CATV	$ 31.3
GROSS MARGIN	18.0%
OPERATING LOSS	$ 9.3
NET LOSS	$7.1
CASH**	$ 34.6

* Please refer to the Safe Harbor statement on the use of Non-GAAP metrics, as well as the attached GAAP-non-GAAP reconciliation
** Cash: Cash, cash equivalents, short-term investments, and restricted cash.

Balance Sheet Highlights

$ IN MILLIONS	9/30/2020	9/30/2021	9/30/2022
CASH[1]	$58	$49	$35
WORKING CAPITAL[2]	$98	$107	$57
PROPERTY, PLANT & EQUIPMENT, NET	$250	$242	$212
TOTAL ASSETS	$498	$463	$414
TOTAL DEBT[3]	$72	$67	$65
STOCKHOLDERS' EQUITY	$265	$264	$199

(1) Cash: Cash, cash equivalents, short-term investments, and restricted cash.
(2) Working Capital: Total current assets less total current liabilities.
(3) Total Debt: Short-term loans, notes and bank acceptances payable and total long-term debt. Convertible notes outstanding are expected to be settled in common stock, not cash, so are excluded from total debt.

Investment

SUMMARY

- A leader In Advanced Optics
- Focus on fast growing markets including hyperscale datacenters
- Marquee global customers
- Extensive internally developed technology
- Manufacturing expertise creates differentiation & sustains margin
- Operating model provides significant leverage

Questions

Appendix

MANAGEMENT TEAM

Dr. Thompson Lin
FOUNDER, PRESIDENT & CEO
26+ YEARS

Dr. Stefan Murry
CFO & CSO
26+ YEARS

Dr. Fred Chang
COMPONENT BU HEAD
21+ YEARS

Dr. Alex Anselm
SEMICONDUCTOR PRODUCTS DIVISION HEAD
23+ YEARS

Jessica Hung
VP OF FINANCE & CORPORATE CONTROLLER
15+ YEARS

Joshua Yeh
ASIA GM
17+ YEARS

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.

A reconciliation of our GAAP net income (loss) and GAAP earnings (loss) per share for the quarter ended December 31, 2021 to our non-GAAP net income (loss) and earnings (loss) per share is provided below, together with corresponding reconciliations for the annual period ended December 31, 2021.

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.

NON-GAAP RECONCILIATION

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)

NON-GAAP RECONCILIATION

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