

## 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 Q4 2022 and Q4 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**

	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and Cash Equivalents	43,425	45,482	44,013	43,534	34,656	31,980	33,667	26,268	24,685
Restricted Cash	6,689	3,856	6,486	5,363	6,480	8,128	6,983	8,307	10,902
Total Cash, Cash Equivalents and Short	50,114	49,338	50,499	48,897	41,136	40,108	40,650	34,575	35,587
Accounts Receivable, Net	43,042	47,570	48,404	43,942	47,944	54,218	49,139	52,823	61,175
Notes Receivable	110,397	1,440	3,819	8,505	8,148	1,195	212	9	339
Inventories	401	106,336	100,399	94,507	92,516	92,007	98,181	94,261	79,679
Prepaid Income Tax	2	2	2	2	1	-	-	-	-
Prepaid Expenses and Other Current As	5,213	5,169	5,101	4,717	4,334	5,711	6,235	6,132	6,384
<b>Total Current Assets</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>	<b>183,164</b>
Property, Plant And Equipment, Net	252,984	248,303	246,797	242,452	243,035	236,774	224,349	211,586	210,184
Land Use Rights, Net	5,854	5,780	5,846	5,790	5,856	5,848	5,500	5,168	5,238
Right of use asset	7,817	7,566	7,576	7,342	7,135	6,672	6,206	5,634	5,592
Intangible Assets, Net	3,999	3,943	3,888	3,877	3,836	3,792	3,763	3,740	3,699
Deferred Income Tax Assets	-	-	-	-	-	-	-	-	-
Other Assets	982	915	813	2,493	518	428	520	415	386
<b>TOTAL ASSETS</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>408,263</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>									
<b>CURRENT LIABILITIES</b>									
Accounts Payable	29,482	26,201	25,593	28,333	34,402	40,044	52,496	52,311	47,845
Bank Acceptance Payable	15,860	6,344	6,469	6,481	8,198	9,955	10,273	13,760	12,337
Accrued Expenses	18,511	14,028	15,509	16,204	15,587	13,237	12,440	12,444	17,222
Deferred Revenue	-	-	-	-	-	-	-	-	3,000
Current Lease Liability	1,030	1,039	1,038	1,063	1,081	1,065	1,042	1,017	1,104
Current Portion of Notes Payable ar	38,265	50,803	41,876	41,254	49,689	52,233	53,565	51,357	57,074
<b>Total Current Liabilities</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>	<b>138,582</b>
Notes Payable and Long Term Debt	13,904	13,686	19,360	19,271	5,000	5,000	-	-	-
Convertible Senior Notes	77,854	78,058	78,264	78,472	78,680	78,884	79,090	79,298	79,506
Other Long-Term Liabilities	8,008	7,731	7,744	7,478	7,252	6,758	6,255	5,618	5,505
<b>TOTAL LIABILITIES</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>223,593</b>
<b>STOCKHOLDERS' EQUITY</b>									
Common Stock	25	27	27	27	27	27	28	28	29
Additional Paid-in Capital	354,685	371,920	375,312	378,207	381,143	383,474	385,531	388,316	391,526
Cumulative Translation Adjustment	11,690	10,656	14,286	13,865	16,071	14,809	7,226	(988)	2,183
Retained Earnings (Accumulated Deficit)	(88,509)	(104,131)	(112,334)	(128,131)	(142,671)	(158,733)	(173,191)	(188,818)	(209,068)
<b>TOTAL STOCKHOLDERS' EQUITY</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>184,670</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</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>408,263</b>

Applied Optoelectronics, Inc.  
Consolidated Statement of Operations

(In thousands, except percentages and per share data)

	4Q20	CY2020	1Q21	2Q21	3Q21	4Q21	CY2021	1Q22	2Q22	3Q22	4Q22	CY2022
Revenue												
CATV	15,937	37,943	18,638	27,599	23,101	24,928	94,538	24,980	23,713	31,260	38,216	118,169
Datacenter	32,305	173,438	25,939	22,392	23,929	25,200	97,188	21,415	21,497	17,697	16,485	77,094
Telecom	3,492	21,092	4,479	3,333	5,148	3,288	16,248	5,265	6,276	6,821	6,365	24,727
FTTH	42	110	423	298	62	173	956	98	27	-	4	129
Other	550	2,040	222	567	1,027	819	2,635	484	786	915	514	2,699
<b>Total Revenues</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>	<b>61,584</b>	<b>222,818</b>
YOY Growth %	13.5%	22.9%	22.8%	-16.9%	-30.5%	4.0%	-9.8%	5.1%	-3.5%	6.4%	13.2%	5.3%
<b>Cost of Goods Sold</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>	<b>55,359</b>	<b>189,191</b>
COGS % of Revenue	78.4%	78.5%	78.4%	80.1%	84.7%	85.1%	82.2%	82.7%	83.5%	82.8%	89.9%	84.9%
<b>Gross Profit</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>6,225</b>	<b>33,627</b>
<b>Gross Margin</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>	<b>10.1%</b>	<b>15.1%</b>
Operating Expenses:												
Research and Development	10,826	43,393	10,928	10,914	10,149	9,229	41,220	9,486	8,328	9,206	9,224	36,244
R&D % of Revenue	20.7%	18.5%	22.0%	20.1%	19.1%	17.0%	19.5%	18.2%	15.9%	16.2%	15.0%	16.3%
Sales and Marketing	3,230	14,087	2,960	2,832	2,783	2,324	10,899	2,558	2,164	2,385	2,616	9,723
S&M % of Revenue	6.2%	6.0%	6.0%	5.2%	5.2%	4.3%	5.2%	4.9%	4.1%	4.2%	4.2%	4.4%
General and Administrative	10,382	41,903	10,869	10,681	10,645	10,167	42,362	11,220	11,035	11,654	12,749	46,658
G&A % of Revenue	19.8%	17.9%	21.9%	19.7%	20.0%	18.7%	20.0%	21.5%	21.1%	20.6%	20.7%	20.9%
<b>Total Operating Expenses</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>24,589</b>	<b>92,625</b>
<b>Operating Expenses % of Revenue</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>39.9%</b>	<b>41.6%</b>
<b>Operating Income (Loss)</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>(18,364)</b>	<b>(58,998)</b>
<b>Operating Margin</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>	<b>-29.8%</b>	<b>-26.5%</b>
Other Income (Expense):												
Interest Income	35	255	16	16	17	21	70	28	31	31	36	126
Interest Expense	(1,211)	(5,635)	(1,431)	(1,367)	(1,359)	(1,462)	(5,619)	(1,401)	(1,408)	(1,621)	(1,888)	(6,319)
Other Income (Expense)	902	2,998	(169)	6,797	998	529	8,155	(450)	(180)	(541)	(34)	(1,205)
<b>Total Other Income (Expense):</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>(1,886)</b>	<b>(7,398)</b>
<b>Other Income % of Revenue</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>-3.1%</b>	<b>-3.3%</b>
<b>Net Income (Loss) before Income Taxes</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>(20,250)</b>	<b>(66,396)</b>
<b>Net Margin</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>	<b>-32.9%</b>	<b>-29.8%</b>
Income Tax Benefit (Expense)	(4)	(7,228)	-	-	-	(2)	(2)	-	-	-	(1)	(1)
<b>Net Income (Loss)</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>(20,251)</b>	<b>(66,397)</b>
<b>Net Margin after Taxes</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>	<b>-32.9%</b>	<b>-29.8%</b>
Earnings per share (Basic)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)	\$ (0.58)	\$ (0.54)	\$ (2.01)	\$ (0.58)	\$ (0.52)	\$ (0.56)	\$ (0.71)	\$ (2.38)
Earnings per share (Diluted)	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)	\$ (0.58)	\$ (0.54)	\$ (2.01)	\$ (0.58)	\$ (0.52)	\$ (0.56)	\$ (0.71)	\$ (2.38)
Shares used to compute GAAP basic earnings per share	23,626	21,867	26,438	26,850	27,097	27,173	26,912	27,463	27,612	27,839	28,460	27,846
Shares used to compute GAAP diluted earnings per share	23,626	21,867	26,438	26,850	27,097	27,173	26,912	27,463	27,612	27,839	28,460	27,846

Applied Optoelectronics, Inc.  
Consolidated Statement of Operations

NON GAAP  
(In thousands, except percentages and per share data)  
Preliminary Unaudited

	4Q20	CY2020	1Q21	2Q21	3Q21	4Q21	CY2021	1Q22	2Q22	3Q22	4Q22	CY2022
Revenue												
CATV	15,937	37,943	18,638	27,599	23,101	24,928	94,538	24,980	23,713	31,260	38,216	118,169
Datacenter	32,754	173,887	25,939	22,392	23,929	25,200	97,188	21,415	21,497	17,697	16,485	77,094
Telecom	3,492	21,092	4,479	3,333	5,148	3,288	16,248	5,265	6,276	6,821	6,365	24,727
FTTH	42	110	423	298	62	173	956	98	27	-	4	129
Other	550	2,040	222	567	1,027	819	2,635	484	786	915	514	2,699
<b>Total Revenues</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>	<b>61,584</b>	<b>222,818</b>
YOY Growth %	8.5%	23.2%	22.8%	-16.9%	-30.5%	3.1%	-10.0%	5.1%	-3.5%	6.4%	13.2%	5.3%
<b>Cost of Goods Sold</b>	<b>38,239</b>	<b>176,592</b>	<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>	<b>48,434</b>	<b>181,583</b>
COGS % of Revenue	72.5%	75.1%	75.4%	75.0%	80.1%	82.4%	78.3%	82.5%	83.3%	82.0%	78.6%	81.5%
<b>Gross Profit</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>	<b>13,150</b>	<b>41,235</b>
Gross Margin	27.5%	24.9%	24.6%	25.0%	19.9%	17.6%	21.7%	17.5%	16.7%	18.0%	21.4%	18.5%
Operating Expenses:												
Research and Development	10,112	40,369	10,297	10,284	9,659	8,311	38,551	9,115	8,017	8,861	8,907	34,900
R&D % of Revenue	19.2%	17.2%	20.7%	19.0%	18.1%	15.3%	18.2%	17.4%	15.3%	15.6%	14.5%	15.7%
Sales and Marketing	2,922	12,874	2,668	2,503	2,511	2,029	9,711	2,328	1,978	2,152	2,400	8,858
S&M % of Revenue	5.5%	5.5%	5.4%	4.6%	4.7%	3.7%	4.6%	4.5%	3.8%	3.8%	3.9%	4.0%
General and Administrative	7,567	29,684	7,625	7,231	7,154	6,554	28,564	8,145	8,238	8,434	9,730	34,547
G&A % of Revenue	14.3%	12.6%	15.3%	13.3%	13.4%	12.0%	13.5%	15.6%	15.7%	14.9%	15.8%	15.5%
<b>Total Operating Expenses</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>18,233</b>	<b>19,447</b>	<b>21,037</b>	<b>78,305</b>
Operating Expenses % of Revenue	39.0%	35.3%	41.4%	36.9%	36.3%	31.1%	36.3%	37.5%	34.9%	34.3%	34.2%	35.1%
<b>Operating Income (Loss)</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>(9,491)</b>	<b>(9,265)</b>	<b>(7,887)</b>	<b>(37,070)</b>
Operating Margin	-11.5%	-10.4%	-16.8%	-12.0%	-16.3%	-13.5%	-14.6%	-20.0%	-18.1%	-16.3%	-12.8%	-16.6%
Other Income (Expense):												
Interest Income	35	255	16	16	17	21	70	28	31	31	36	126
Interest Expense	(1,211)	(5,635)	(1,431)	(1,367)	(1,359)	(1,462)	(5,619)	(1,401)	(1,408)	(1,621)	(1,887)	(6,317)
Other Income (Expense)	128	447	674	365	1,330	190	2,559	534	118	423	(469)	606
<b>Total Other Income (Expense):</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>(1,259)</b>	<b>(1,167)</b>	<b>(2,320)</b>	<b>(5,585)</b>
Other Income % of Revenue	-2.0%	-2.1%	-1.5%	-1.8%	0.0%	-2.3%	-1.4%	-1.6%	-2.4%	-2.1%	-3.8%	-2.5%
<b>Net Income (Loss) before Income Taxes</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>(10,750)</b>	<b>(10,432)</b>	<b>(10,207)</b>	<b>(42,655)</b>
Net Margin	-13.5%	-12.5%	-18.3%	-13.8%	-16.4%	-15.8%	-16.0%	-21.6%	-20.6%	-18.4%	-16.6%	-19.1%
Income Tax Benefit (Expense)	2,272	9,344	3,592	3,369	3,427	3,099	13,487	3,394	3,151	3,302	4,793	14,640
<b>Net Income (Loss)</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>(7,599)</b>	<b>(7,130)</b>	<b>(5,414)</b>	<b>(28,015)</b>
Net Margin after Income Tax	-9.2%	-8.5%	-11.1%	-7.6%	-9.9%	-10.1%	-9.6%	-15.1%	-14.5%	-12.7%	-9.6%	-12.8%
Interest Income (Expense)	(1,176)	(5,380)	(1,415)	(1,351)	(1,342)	(1,441)	(5,549)	(1,373)	(1,377)	(1,590)	(1,852)	(6,192)
Depreciation and Amortization	5,573	20,789	5,080	5,061	4,936	4,846	19,922	4,790	4,631	4,339	4,200	17,960
<b>Adjusted EBITDA</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>(4,742)</b>	<b>(4,503)</b>	<b>(4,155)</b>	<b>(18,503)</b>
EBITDA Margin	-0.7%	-1.4%	-5.2%	-2.0%	-4.6%	-4.2%	-4.0%	-9.8%	-9.1%	-7.9%	-6.7%	-8.3%
Earnings per share (Basic)	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)	\$ (0.20)	\$ (0.20)	\$ (0.76)	\$ (0.29)	\$ (0.28)	\$ (0.26)	\$ (0.19)	\$ (1.01)
Earnings per share (Diluted)	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)	\$ (0.20)	\$ (0.20)	\$ (0.76)	\$ (0.29)	\$ (0.28)	\$ (0.26)	\$ (0.19)	\$ (1.01)
Shares used to compute Non-GAAP basic earnings per share	24	21,867	26,438	27	27	27	27	27,463	27,612	27,839	28,460	27,846
Shares used to compute Non-GAAP diluted earnings per share	24	21,867	26,438	27	27	27	27	27,463	27,612	27,839	28,460	27,846

**Applied Optoelectronics, Inc.**  
**GAAP to Non-GAAP Reconciliation**  
(In thousands)

**Preliminary Unaudited**

	4Q20	CY2020	1Q21	2Q21	3Q21	4Q21	CY2021	1Q22	2Q22	3Q22	4Q22	CY2022
GAAP revenue	52,326	234,623	49,701	54,189	53,267	54,408	211,565	52,242	52,299	56,693	61,584	222,818
Non-recurring customer credit	449	449	-	-	-	-	-	-	-	-	-	-
Non-GAAP revenue	52,775	235,072	49,701	54,189	53,267	54,408	211,565	52,242	52,299	56,693	61,584	222,818
GAAP total gross profit	11,277	50,541	10,719	10,778	8,124	8,094	37,715	9,025	8,628	9,749	6,225	33,627
Non-recurring customer credit	449	449	-	-	-	-	-	-	-	-	-	-
Share-based compensation expense	225	937	201	267	222	196	886	136	114	121	118	489
Non-recurring expense	-	971	18	16	52	32	118	-	-	164	5	169
Non-cash expenses associated with discontinued products	-	-	-	-	-	-	-	-	-	92	-	92
Expenses associated with discontinued products	2,586	5,583	1,289	2,461	2,220	1,242	7,212	-	-	56	6,802	6,858
Non-GAAP income from gross profit	14,536	58,480	12,227	13,522	10,618	9,564	45,931	9,161	8,742	10,182	13,150	41,235
GAAP research and development expense	10,826	43,393	10,928	10,914	10,149	9,229	41,220	9,486	8,328	9,206	9,224	36,244
Share-based compensation expense	714	2,812	563	630	490	491	2,174	365	310	343	313	1,331
Non-recurring expense	-	212	53	-	-	427	480	6	1	2	4	13
Non-cash expenses associated with discontinued products	-	-	15	-	-	-	15	-	-	-	-	-
Non-GAAP research and development expense	10,112	40,369	10,297	10,284	9,659	8,311	38,551	9,115	8,017	8,861	8,907	34,900
GAAP sales and marketing expense	3,230	14,087	2,960	2,832	2,783	2,324	10,899	2,558	2,164	2,385	2,616	9,723
Share-based compensation expense	307	1,191	219	329	272	295	1,115	226	186	230	214	856
Non-recurring expense	1	22	73	-	-	-	73	4	-	3	2	9
Non-GAAP sales and marketing expense	2,922	12,874	2,668	2,503	2,511	2,029	9,711	2,328	1,978	2,152	2,400	8,858
GAAP general and administrative expense	10,382	41,903	10,869	10,681	10,645	10,167	42,362	11,220	11,035	11,654	12,749	46,658
Share-based compensation expense	1,996	8,107	1,536	2,048	2,147	2,217	7,948	1,745	1,534	1,933	1,712	6,924
Amortization expense	149	579	151	152	146	151	600	152	153	154	157	616
Non-recurring expense	9	400	358	37	(13)	72	454	12	7	16	3	38
Non-cash expenses associated with discontinued products	661	3,133	1,199	1,213	1,211	1,173	4,796	1,166	1,103	1,117	1,147	4,533
Non-GAAP general and administrative expense	7,567	29,684	7,625	7,231	7,154	6,554	28,564	8,145	8,238	8,434	9,730	34,547
GAAP total operating expense	24,438	99,383	24,757	24,427	23,577	21,720	94,481	23,264	21,527	23,245	24,589	92,625
Share-based compensation expense	3,017	12,110	2,318	3,007	2,909	3,003	11,237	2,336	2,030	2,506	2,239	9,111
Amortization expense	149	579	151	152	146	151	600	152	153	154	157	616
Non-recurring expense	10	634	484	37	(13)	499	1,007	22	8	21	9	60
Non-cash expenses associated with discontinued products	661	3,133	1,214	1,213	1,211	1,173	4,811	1,166	1,103	1,117	1,147	4,533
Non-GAAP total operating expense	20,601	82,927	20,590	20,018	19,324	16,894	76,826	19,588	18,233	19,447	21,037	78,305
GAAP operating income (loss)	(13,161)	(48,842)	(14,038)	(13,649)	(15,453)	(13,626)	(56,766)	(14,239)	(12,899)	(13,496)	(18,364)	(58,998)
Non-recurring customer credit	449	449	-	-	-	-	-	-	-	-	-	-
Share-based compensation expense	3,242	13,047	2,519	3,274	3,131	3,199	12,123	2,472	2,145	2,626	2,357	9,600
Amortization expense	149	579	151	152	146	151	600	152	152	154	157	615
Non-recurring expense	10	1,605	502	53	39	531	1,125	22	8	185	14	229
Expenses associated with discontinued products	2,586	5,583	1,289	2,461	2,220	1,242	7,212	-	-	57	6,802	6,859
Non-cash expenses associated with discontinued products	661	3,133	1,214	1,213	1,211	1,173	4,811	1,166	1,103	1,209	1,147	4,625
Non-GAAP operating income (loss)	(6,065)	(24,447)	(8,363)	(6,496)	(8,706)	(7,330)	(30,895)	(10,427)	(9,491)	(9,265)	(7,887)	(37,070)
GAAP other income (loss)	(274)	(2,382)	(1,584)	5,446	(344)	(912)	2,606	(1,823)	(1,557)	(2,131)	(1,886)	(7,398)
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	(669)	(856)	843	(133)	332	(339)	703	982	298	964	(434)	1,810
Non-recurring expense (income)	(105)	(1,695)	-	(6,299)	-	-	(6,299)	3	-	-	-	3
Non-GAAP other income (loss)	(1,048)	(4,933)	(741)	(986)	(12)	(1,251)	(2,990)	(838)	(1,259)	(1,167)	(2,320)	(5,585)

**Applied Optoelectronics, Inc.**  
**GAAP to Non-GAAP Reconciliation**  
(In thousands)

**Preliminary Unaudited**

	4Q20	CY2020	1Q21	2Q21	3Q21	4Q21	CY2021	1Q22	2Q22	3Q22	4Q22	CY2022
GAAP net income (loss)	(13,439)	(58,452)	(15,622)	(8,203)	(15,797)	(14,540)	(54,162)	(16,062)	(14,456)	(15,627)	(20,251)	(66,397)
Non-recurring customer credit	449	449	-	-	-	-	-	-	-	-	-	-
Share-based compensation expense	3,242	13,047	2,519	3,274	3,131	3,199	12,123	2,473	2,143	2,628	2,357	9,601
Expenses associated with discontinued products	2,586	5,583	1,289	2,461	2,220	1,242	7,212	-	-	57	6,802	6,859
Non-cash expenses associated with discontinued products	661	3,133	1,214	1,213	1,211	1,173	4,811	1,166	1,102	1,209	1,147	4,624
Amortization of intangible assets	149	579	151	152	146	151	600	152	153	154	157	616
Non-recurring expense (income)	(95)	(90)	502	(6,246)	39	531	(5,174)	25	8	185	15	233
Unrealized exchange loss (gain)	(669)	(856)	843	(133)	332	(339)	703	981	298	964	(434)	1,809
Non-GAAP Tax Benefit	2,276	16,572	3,592	3,369	3,427	3,101	13,489	3,394	3,151	3,302	4,793	14,640
Non-GAAP net income (loss)	(4,841)	(20,036)	(6,512)	(4,113)	(5,291)	(5,482)	(20,398)	(7,871)	(7,601)	(7,128)	(5,414)	(28,015)
GAAP net income (loss)	(13,439)	(58,452)	(15,622)	(8,203)	(15,797)	(14,540)	(54,162)	(16,062)	(14,456)	(15,627)	(20,251)	(66,397)
Non-recurring customer credit	449	449	-	-	-	-	-	-	-	-	-	-
Share-based compensation expense	3,242	13,047	2,519	3,274	3,131	3,199	12,123	2,472	2,144	2,629	2,358	9,603
Expenses associated with discontinued products	2,586	5,583	1,289	2,461	2,220	1,242	7,212	-	-	57	6,802	6,859
Non-cash expenses associated with discontinued products	661	3,133	1,214	1,213	1,211	1,173	4,811	1,166	1,103	1,209	1,147	4,625
Amortization of intangible assets	149	579	151	152	146	151	600	152	153	154	158	617
Non-recurring expense (income)	(95)	(90)	502	(6,246)	39	531	(5,174)	25	8	185	14	232
Unrealized exchange loss (gain)	(669)	(856)	843	(133)	332	(339)	703	981	298	962	(434)	1,807
Tax (benefit) expense related to the above	4	7,228	-	-	-	2	2	-	-	-	(1)	(1)
Depreciation expense	5,573	20,789	5,080	5,061	4,936	4,846	19,922	4,790	4,631	4,339	4,200	17,960
Interest (income) expense, net	1,176	5,380	1,415	1,351	1,342	1,441	5,549	1,373	1,377	1,590	1,852	6,192
Adjusted EBITDA	(364)	(3,211)	(2,609)	(1,070)	(2,440)	(2,294)	(8,414)	(5,103)	(4,742)	(4,502)	(4,155)	(18,503)
GAAP diluted net income (loss) per share	\$ (0.57)	\$ (2.67)	\$ (0.59)	\$ (0.31)	\$ (0.58)	\$ (0.54)	\$ (2.01)	\$ (0.58)	\$ (0.52)	\$ (0.56)	\$ (0.71)	\$ (2.38)
Non-recurring customer credit	0.02	0.02	-	-	-	-	-	-	-	-	-	-
Share-based compensation expense	0.14	0.60	0.10	0.12	0.12	0.12	0.45	0.09	0.08	0.09	0.08	0.34
Expenses associated with discontinued products	0.11	0.26	0.05	0.09	0.08	0.05	0.27	-	-	-	0.24	0.24
Non-cash expenses associated with discontinued products	0.03	0.14	0.05	0.05	0.04	0.04	0.18	0.04	0.04	0.04	0.04	0.17
Amortization of intangible assets	0.01	0.03	0.01	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.02
Non-recurring expense (income)	-	-	0.02	(0.23)	-	0.02	(0.19)	-	-	0.01	-	0.01
Unrealized exchange loss (gain)	(0.03)	(0.04)	0.03	(0.00)	0.01	(0.01)	0.03	0.04	0.01	0.03	(0.02)	0.07
Non-GAAP Tax Benefit	0.10	0.76	0.14	0.13	0.13	0.11	0.50	0.12	0.11	0.12	0.17	0.52
Non-GAAP diluted net income (loss) per share	\$ (0.20)	\$ (0.92)	\$ (0.21)	\$ (0.15)	\$ (0.20)	\$ (0.20)	\$ (0.76)	\$ (0.29)	\$ (0.28)	\$ (0.25)	\$ (0.19)	\$ (1.01)
Shares used to compute diluted earnings per share	23,626	21,867	26,438	26,850	27,097	27,173	26,912	27,463	27,612	27,839	28,460	27,846

Applied Optoelectronics, Inc.  
GAAP to Non-GAAP Reconciliation  
(In thousands)  
Preliminary Unaudited

<u>4Q20</u>	<u>CY2020</u>	<u>1Q21</u>	<u>2Q21</u>	<u>3Q21</u>	<u>4Q21</u>	<u>CY2021</u>	<u>1Q22</u>	<u>2Q22</u>	<u>3Q22</u>	<u>4Q22</u>	<u>CY2022</u>
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