

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 Q1 2019 and Q1 2018 are certain legal and consulting fees (if any) and employee severance expenses (if any). Also included in our non-recurring expenses in Q1 2018, but not Q1 2019, were tax benefits associated with income tax rate changes in Taiwan. Non-cash expenses associated with discontinued products in Q1 2019 and Q1 2018 include depreciation on certain equipment undergoing reconfiguration. Other expenses associated with discontinued products in Q1 2019 and Q1 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 Q4 2018 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

	3/31/2016	6/30/2016	9/30/2016	12/31/2016	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
ASSETS													
CURRENT ASSETS													
Cash and Cash Equivalents	45,528	42,289	55,907	50,224	59,672	74,825	70,930	82,936	82,251	76,190	62,402	55,646	74,930
Restricted Cash	5,006	4,932	4,285	1,732	861	1,054	1,072	1,012	1,048	1,753	1,695	2,358	2,529
Short term Investment	7,960	47	47	44	42	42	36	36	0	0	0	0	0
Total Cash, Cash Equivalents and Short Term Investments	58,494	47,268	60,239	52,000	60,575	75,921	72,038	83,984	83,299	77,943	64,097	58,004	77,459
Accounts Receivable, Net	34,868	41,536	44,242	49,766	66,759	73,759	73,029	59,850	53,655	48,668	32,028	30,534	32,123
Inventories	60,258	59,833	54,919	51,817	57,503	59,701	74,552	75,768	92,624	93,269	107,905	93,256	84,464
Notes Receivable	0	0	0	0	0	0	0	0	0	0	0	0	79
Prepaid Income Tax	0	0	0	0	0	0	0	1,394	1,326	638	763	1,188	1,423
Prepaid Expenses and Other Current Assets	6,859	5,074	4,761	3,969	9,385	9,131	10,448	8,665	10,921	10,070	10,377	11,293	7,726
Total Current Assets	160,479	153,711	164,161	157,552	194,222	218,512	230,067	229,661	241,825	230,588	215,170	194,275	203,274
Cash Restricted for Construction in Progress	0	0	847	8	0	0	0	0	0	0	0	0	0
Property, Plant And Equipment, Net	123,656	136,828	140,516	144,098	150,566	165,154	181,481	197,943	204,644	212,105	222,545	234,211	242,623
Land Use Rights, Net	852	825	814	778	777	786	797	804	6,448	6,096	5,832	5,814	5,894
Right of use asset	0	0	0	0	0	0	0	0	0	0	0	0	8,293
Intangible Assets, Net	3,959	3,962	4,004	3,993	3,984	4,007	4,041	4,007	4,015	3,978	3,971	3,977	4,001
Deferred Income Tax Assets	0	0	11,856	11,421	12,049	10,026	15,167	12,801	13,935	13,151	18,493	21,714	24,188
Other Assets	6,915	6,040	4,593	4,468	6,028	8,501	7,151	7,732	4,750	6,286	15,074	6,849	2,932
TOTAL ASSETS	295,861	301,366	326,791	322,318	367,626	406,986	438,704	452,948	475,617	472,204	481,085	466,840	491,205
LIABILITIES AND STOCKHOLDERS' EQUITY													
CURRENT LIABILITIES													
Accounts Payable	25,113	33,130	32,413	36,375	48,252	53,321	50,993	43,624	46,223	51,429	53,706	29,910	28,332
Accrued Income Taxes	0	0	0	974	4,113	4,947	5,459	7,422	7,588	464	0	0	0
Current Lease Liability													1,053
Accrued Expenses	9,308	13,762	11,316	14,452	10,535	13,850	16,801	19,103	13,358	16,651	20,723	19,291	12,424
Bank Acceptance Payable	2,411	2,435	3,231	307	0	0	0	0	0	0	0	4,628	5,198
Bank Loan-Short Term	33,902	21,525	17,346	0	0	0	0	0	0	0	3,276	15,458	13,842
Current Portion of Long Term Debt	7,070	7,303	7,746	7,865	4,690	4,552	3,638	559	2,690	3,161	4,999	8,131	4,326
Total Current Liabilities	77,804	78,155	72,052	59,973	67,590	76,670	76,891	70,708	69,859	71,705	82,704	77,418	65,175
Notes Payable and Long Term Debt	52,178	56,040	67,201	34,961	23,863	22,814	37,371	48,964	62,464	57,868	62,896	60,328	17,535
Convertible Senior Notes													76,439
Non-Current Lease Liability													8,438
Other Long-Term Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	129,982	134,195	139,253	94,934	91,453	99,484	114,262	119,672	132,323	129,573	145,600	137,746	167,587
STOCKHOLDERS' EQUITY													
Common Stock	17	17	17	18	19	19	19	19	20	20	20	20	20
Additional Paid-in Capital	234,229	235,338	236,646	265,264	288,606	290,067	285,600	285,376	286,938	288,686	290,070	292,480	295,130
Cumulative Translation Adjustment	1,210	790	2,113	(885)	3,572	4,369	6,400	9,743	16,078	5,633	835	602	2,950
Retained Earnings (Accumulated Deficit)	(69,577)	(68,974)	(51,238)	(37,013)	(16,024)	13,047	32,423	38,138	40,258	48,292	44,560	35,992	25,518
TOTAL STOCKHOLDERS' EQUITY	165,879	167,171	187,538	227,384	276,173	307,502	324,442	333,276	343,294	342,631	335,485	329,094	323,618
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	295,861	301,366	326,791	322,318	367,626	406,986	438,704	452,948	475,617	472,204	481,085	466,840	491,205

Applied Optoelectronics, Inc.
Consolidated Statement of Operations

(In thousands, except percentages and per share data)

	1Q16	2Q16	3Q16	4Q16	CY2016	1Q17	2Q17	3Q17	4Q17	CY2017	1Q18	2Q18	3Q18	4Q18	CY2018	1Q19
Revenue																
Datacenter	38,980	41,280	52,949	68,105	201,314	79,594	99,298	65,819	62,001	306,712	50,583	69,040	38,954	41,659	200,236	38,499
CATV	7,731	9,521	12,891	13,424	43,567	13,094	14,404	18,932	14,326	60,756	10,568	14,184	14,295	12,652	51,699	11,962
Telecom	3,078	3,563	3,441	2,856	12,938	3,171	3,077	3,474	3,177	12,899	3,586	4,157	2,656	2,760	13,159	1,738
FTTH	421	436	476	234	1,567	98	125	182	85	490	111	166	221	320	818	94
Other	212	454	380	281	1,327	267	467	472	266	1,472	391	275	260	627	1,553	426
Total Revenues	50,422	55,254	70,137	84,900	260,713	96,224	117,371	88,879	79,855	382,329	65,239	87,822	56,386	58,018	267,465	52,719
YOY Growth %	66.8%	11.3%	22.9%	60.3%	37.3%	90.8%	112.4%	26.7%	-5.9%	46.6%	-32.2%	-25.2%	-36.6%	-27.3%	-30.0%	-19.2%
Cost of Goods Sold	36,169	37,952	46,976	52,662	173,759	54,752	64,089	49,507	47,701	216,049	39,403	53,959	38,849	47,481	179,692	40,368
COGS % of Revenue	71.7%	68.7%	67.0%	62.0%	66.6%	56.9%	54.6%	55.7%	59.7%	56.5%	60.4%	61.4%	68.9%	81.8%	67.2%	76.6%
Gross Profit	14,253	17,302	23,161	32,238	86,954	41,472	53,282	39,372	32,154	166,280	25,836	33,863	17,537	10,537	87,773	12,351
Gross Margin	28.3%	31.3%	33.0%	38.0%	33.4%	43.1%	45.4%	44.3%	40.3%	43.5%	39.6%	38.6%	31.1%	18.2%	32.8%	23.4%
Operating Expenses:																
Research and Development	8,396	7,814	8,362	7,208	31,780	7,432	8,073	9,190	10,670	35,365	11,736	12,645	14,180	11,342	49,903	11,185
R&D % of Revenue	16.7%	14.1%	11.9%	8.5%	12.2%	7.7%	6.9%	10.3%	13.4%	9.2%	18.0%	14.4%	25.1%	19.5%	18.7%	21.2%
Sales and Marketing	1,680	1,610	1,594	1,743	6,627	1,903	2,158	2,551	2,090	8,702	2,474	2,377	2,370	1,920	9,141	2,595
S&M % of Revenue	3.3%	2.9%	2.3%	2.1%	2.5%	2.0%	1.8%	2.9%	2.6%	2.3%	3.8%	2.7%	4.2%	3.3%	3.4%	4.9%
General and Administrative	5,733	5,906	6,445	7,443	25,527	7,822	8,786	9,580	9,074	35,262	9,456	9,898	10,591	9,552	39,497	10,440
G&A % of Revenue	11.4%	10.7%	9.2%	8.8%	9.8%	8.1%	7.5%	10.8%	11.4%	9.2%	14.5%	11.3%	18.8%	16.5%	14.8%	19.8%
Total Operating Expenses	15,809	15,330	16,401	16,394	63,934	17,157	19,017	21,321	21,834	79,329	23,666	24,920	27,141	22,814	98,541	24,220
Operating Expenses % of Revenue	31.4%	27.7%	23.4%	19.3%	24.5%	17.8%	16.2%	24.0%	27.3%	20.7%	36.3%	28.4%	48.1%	39.3%	36.8%	45.9%
Operating Income (Loss)	(1,556)	1,972	6,760	15,844	23,020	24,315	34,265	18,051	10,320	86,951	2,170	8,943	(9,604)	(12,277)	(10,768)	(11,869)
Operating Margin	-3.1%	3.6%	9.6%	18.7%	8.8%	25.3%	29.2%	20.3%	12.9%	22.7%	3.3%	10.2%	-17.0%	-21.2%	-4.0%	-22.5%
Other Income (Expense):																
Interest Income	101	65	40	41	247	35	70	61	55	221	52	85	86	59	282	72
Interest Expense	(401)	(450)	(462)	(404)	(1,717)	(299)	(245)	(248)	(66)	(858)	(71)	(279)	(274)	(482)	(1,106)	(996)
Other Income (Expense)	2	(55)	135	(12)	70	(36)	192	87	(20)	223	13	292	217	629	1,151	78
Foreign Exchange Gain (Loss)	332	(877)	(69)	(3)	(617)	(572)	(128)	(441)	(870)	(2,011)	(1,040)	1,289	549	(135)	663	(233)
Total Other Income (Expense):	34	(1,317)	(356)	(378)	(2,017)	(872)	(111)	(541)	(901)	(2,425)	(1,046)	1,387	578	71	990	(1,079)
Other Income % of Revenue	0.1%	-2.4%	-0.5%	-0.4%	-0.8%	-0.9%	-0.1%	-0.6%	-1.1%	-0.6%	-1.6%	1.6%	1.0%	0.1%	0.4%	-2.0%
Net Income (Loss) before Income Taxes	(1,522)	655	6,404	15,466	21,003	23,443	34,154	17,510	9,419	84,526	1,124	10,330	(9,026)	(12,206)	(9,778)	(12,948)
Net Margin	-3.0%	1.2%	9.1%	18.2%	8.1%	24.4%	29.1%	19.7%	11.8%	22.1%	1.7%	11.8%	-16.0%	-21.0%	-3.7%	-24.6%
Income Tax Benefit (Expense)	192	(52)	11,332	(1,241)	10,231	(3,654)	(5,083)	1,865	(3,703)	(10,575)	996	(2,296)	5,294	3,638	7,632	2,474
Net Income (Loss)	(1,330)	603	17,736	14,225	31,234	19,789	29,071	19,375	5,716	73,951	2,120	8,034	(3,732)	(8,568)	(2,146)	(10,474)
Net Margin after Taxes	-2.6%	1.1%	25.3%	16.8%	12.0%	20.6%	24.8%	21.8%	7.2%	19.3%	3.2%	9.1%	-6.6%	-14.8%	-0.8%	-19.9%
Earnings per share (Basic)	\$ (0.08)	\$ 0.04	\$ 1.03	\$ 0.81	\$ 1.82	\$ 1.06	\$ 1.52	\$ 1.00	\$ 0.29	\$ 3.87	\$ 0.11	\$ 0.41	\$ (0.19)	\$ (0.43)	\$ (0.11)	\$ (0.53)
Earnings per share (Diluted)	\$ (0.08)	\$ 0.03	\$ 0.97	\$ 0.77	\$ 1.76	\$ 1.00	\$ 1.43	\$ 0.95	\$ 0.28	\$ 3.67	\$ 0.11	\$ 0.40	\$ (0.19)	\$ (0.43)	\$ (0.11)	\$ (0.53)
Shares used to compute GAAP basic earnings per share	16,930	17,091	17,151	17,631	17,202	18,598	19,081	19,294	19,406	19,097	19,492	19,590	19,707	19,793	19,647	19,863
Shares used to compute GAAP diluted earnings per share	16,930	17,455	18,361	18,513	17,713	19,702	20,367	20,423	20,160	20,139	19,989	20,080	19,707	19,793	19,647	19,863

Applied Optoelectronics, Inc.
Consolidated Statement of Operations

NON GAAP

(In thousands, except percentages and per share data)

Preliminary Unaudited

	1Q16	2Q16	3Q16	4Q16	CY2016	1Q17	2Q17	3Q17	4Q17	CY2017	1Q18	2Q18	3Q18	4Q18	CY2018	1Q19
Revenue																
Datacenter	38,980	41,280	52,949	68,105	201,314	79,594	99,298	65,819	62,001	306,712	50,583	69,040	38,954	42,550	201,127	38,499
CATV	7,731	9,521	12,891	13,424	43,567	13,094	14,404	18,932	14,326	60,756	10,568	14,184	14,295	12,652	51,699	11,962
Telecom	3,078	3,563	3,441	2,856	12,938	3,171	3,077	3,474	3,177	12,899	3,586	4,157	2,656	2,760	13,159	1,738
FTTH	421	436	476	234	1,567	98	125	182	85	490	111	166	221	320	818	94
Other	212	454	380	281	1,327	267	467	472	266	1,472	391	275	260	627	1,553	426
Total Revenues	50,422	55,254	70,137	84,900	260,713	96,224	117,371	88,879	79,855	382,329	65,239	87,822	56,386	58,909	268,356	52,719
YOY Growth %	66.8%	11.3%	22.9%	60.3%	37.3%	90.8%	112.4%	26.7%	-5.9%	46.6%	-32.2%	-25.2%	-36.6%	-26.2%	-29.8%	-19.2%
Cost of Goods Sold	36,132	37,902	46,924	52,611	173,569	54,674	63,955	49,382	47,118	215,129	39,148	52,316	37,232	44,384	173,080	39,254
COGS % of Revenue	71.7%	68.6%	66.9%	62.0%	66.6%	56.8%	54.5%	55.6%	59.0%	56.3%	60.0%	59.6%	66.0%	75.3%	64.5%	74.5%
Gross Profit	14,290	17,352	23,213	32,289	87,144	41,550	53,416	39,497	32,737	167,200	26,091	35,506	19,154	14,525	95,276	13,465
Gross Margin	28.3%	31.4%	33.1%	38.0%	33.4%	43.2%	45.5%	44.4%	41.0%	43.7%	40.0%	40.4%	34.0%	24.7%	35.5%	25.5%
Operating Expenses:																
Research and Development	8,278	7,660	8,197	7,054	31,189	7,167	7,632	8,790	9,630	33,219	10,409	10,922	12,698	10,512	44,541	10,545
R&D % of Revenue	16.4%	13.9%	11.7%	8.3%	12.0%	7.4%	6.5%	9.9%	12.1%	8.7%	16.0%	12.4%	22.5%	17.8%	16.6%	20.0%
Sales and Marketing	1,607	1,515	1,497	1,650	6,269	1,823	1,990	2,433	1,976	8,222	2,247	2,116	2,189	1,664	8,216	2,324
S&M % of Revenue	3.2%	2.7%	2.1%	1.9%	2.4%	1.9%	1.7%	2.7%	2.5%	2.2%	3.4%	2.4%	3.9%	2.8%	3.1%	4.4%
General and Administrative	4,870	4,703	5,464	6,568	21,605	6,520	6,859	7,641	7,342	28,362	7,458	7,732	7,896	6,545	29,631	7,381
G&A % of Revenue	9.7%	8.5%	7.8%	7.7%	8.3%	6.8%	5.8%	8.6%	9.2%	7.4%	11.4%	8.8%	14.0%	11.1%	11.0%	14.0%
Total Operating Expenses	14,755	13,878	15,158	15,272	59,063	15,510	16,481	18,864	18,948	69,803	20,114	20,770	22,783	18,721	82,388	20,250
Operating Expenses % of Revenue	29.3%	25.1%	21.6%	18.0%	22.7%	16.1%	14.0%	21.2%	23.7%	18.3%	30.8%	23.7%	40.4%	31.8%	30.7%	38.4%
Operating Income (Loss)	(465)	3,474	8,055	17,017	28,081	26,040	36,935	20,633	13,789	97,397	5,977	14,736	(3,629)	(4,196)	12,888	(6,785)
Operating Margin	-0.9%	6.3%	11%	20%	10.8%	27.1%	31.5%	23.2%	17.3%	25.5%	9.2%	16.8%	-6.4%	-7.1%	4.8%	-12.9%
Other Income (Expense):																
Interest Income	101	65	40	41	247	35	70	61	55	221	52	85	86	59	282	72
Interest Expense	(401)	(450)	(462)	(404)	(1,717)	(299)	(245)	(248)	(66)	(858)	(71)	(279)	(274)	(482)	(1,106)	(823)
Other Income (Expense)	39	(15)	139	25	188	(36)	194	87	(20)	225	13	292	217	636	1,158	78
Foreign Exchange Gain (Loss)	(115)	(193)	(292)	43	(557)	(324)	(229)	(381)	(129)	(1,063)	(1,243)	378	1,055	(127)	63	(460)
Total Other Income (Expense):	(376)	(593)	(575)	(295)	(1,839)	(624)	(210)	(481)	(160)	(1,475)	(1,249)	476	1,084	86	397	(1,133)
Other Income % of Revenue	-0.7%	-1.1%	-0.8%	-0.3%	-0.7%	-0.6%	-0.2%	-0.5%	-0.2%	-0.4%	-1.9%	0.5%	1.9%	0.1%	0.1%	-2.1%
Net Income (Loss) before Income Taxes	(841)	2,881	7,480	16,722	26,242	25,417	36,725	20,152	13,629	95,922	4,728	15,212	(2,545)	(4,110)	13,285	(7,918)
Net Margin	-1.7%	5.2%	10.7%	19.7%	10.1%	26.4%	31.3%	22.7%	17.1%	25.1%	7.2%	17.3%	-4.5%	-7.0%	5.0%	-15.0%
Income Tax Benefit (Expense)	192	(52)	(524)	(1,241)	(1,625)	(3,654)	(5,403)	1,865	4,313	(2,879)	882	(2,344)	5,294	3,638	7,470	2,474
Net Income (Loss)	(649)	2,829	6,956	15,481	24,617	21,763	31,322	22,017	17,942	93,043	5,610	12,868	2,749	(472)	20,755	(5,444)
Net Margin after Income Tax	-1.3%	5.1%	9.9%	18.2%	9.4%	22.6%	26.7%	24.8%	22.5%	24.3%	8.6%	14.7%	4.9%	-0.8%	7.7%	-10.3%
Depreciation & Amortization	2,957	3,284	3,685	4,263	14,189	4,302	4,628	5,403	6,049	20,382	6,964	7,327	7,516	7,891	29,698	5,817
Adjusted EBITDA	2,306	6,438	11,471	21,231	41,446	29,864	41,408	25,619	19,564	116,454	11,584	22,608	5,034	4,075	43,301	(2,366)
EBITDA Margin	4.6%	11.7%	16.4%	25.0%	15.9%	31.0%	35.3%	28.8%	24.5%	30.5%	17.8%	25.7%	8.9%	6.9%	16.1%	-4.5%
Earnings per share (Basic)	\$ (0.04)	\$ 0.17	\$ 0.41	\$ 0.88	\$ 1.43	\$ 1.17	\$ 1.64	\$ 1.14	\$ 0.92	\$ 4.87	\$ 0.29	\$ 0.66	\$ 0.14	\$ (0.02)	\$ 1.06	\$ (0.27)
Earnings per share (Diluted)	\$ (0.04)	\$ 0.16	\$ 0.38	\$ 0.84	\$ 1.39	\$ 1.10	\$ 1.54	\$ 1.08	\$ 0.89	\$ 4.62	\$ 0.28	\$ 0.64	\$ 0.14	\$ (0.02)	\$ 1.04	\$ (0.27)
Shares used to compute Non-GAAP basic earnings per share	16,930	17,091	17,151	17,631	17,202	18,598	19,081	19,294	19,406	19,097	19,492	19,590	19,707	19,793	19,647	19,863
Shares used to compute Non-GAAP diluted earnings per share	16,930	17,455	18,361	18,513	17,713	19,702	20,367	20,423	20,160	20,139	19,989	20,080	20,185	19,793	20,027	19,863

Applied Optoelectronics, Inc.
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	1Q16	2Q16	3Q16	4Q16	CY2016	1Q17	2Q17	3Q17	4Q17	CY2017	1Q18	2Q18	3Q18	4Q18	CY2018	1Q19
GAAP revenue	50,422	55,254	70,137	84,900	260,713	96,224	117,371	88,879	79,855	382,329	65,239	87,822	56,386	58,018	267,465	52,719
Non-recurring customer credit	-	-	-	-	-	-	-	-	-	-	-	-	-	891	891	-
Non-GAAP revenue	50,422	55,254	70,137	84,900	260,713	96,224	117,371	88,879	79,855	382,329	65,239	87,822	56,386	58,909	268,356	52,719
GAAP total gross profit	14,253	17,302	23,161	32,238	86,954	41,472	53,282	39,372	32,154	166,280	25,836	33,863	17,537	10,537	87,773	12,351
Non-recurring customer credit	-	-	-	-	-	-	-	-	-	-	-	-	-	891	891	-
Share-based compensation expense	37	50	52	51	190	78	134	125	124	461	177	211	205	202	795	189
Non-recurring expense	-	-	-	-	-	-	-	-	-	-	7	-	-	43	50	-
Expenses associated with discontinued products	-	-	-	-	-	-	-	-	459	459	71	1,432	1,412	2,852	5,767	925
Non-GAAP income from gross profit	14,290	17,352	23,213	32,289	87,144	41,550	53,416	39,497	32,737	167,200	26,091	35,506	19,154	14,525	95,276	13,465
GAAP research and development expense	8,396	7,814	8,362	7,208	31,780	7,432	8,073	9,190	10,670	35,365	11,736	12,645	14,180	11,342	49,903	11,185
Share-based compensation expense	118	154	165	154	591	265	441	400	390	1,496	576	676	623	544	2,419	640
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	8,278	7,660	8,197	7,054	31,189	7,167	7,632	8,790	9,630	33,219	10,409	10,922	12,698	10,512	44,541	10,545
GAAP sales and marketing expense	1,680	1,610	1,594	1,743	6,627	1,903	2,158	2,551	2,090	8,702	2,474	2,377	2,370	1,920	9,141	2,595
Share-based compensation expense	73	95	97	93	358	80	168	118	114	480	227	261	181	256	925	271
Non-GAAP sales and marketing expense	1,607	1,515	1,497	1,650	6,269	1,823	1,990	2,433	1,976	8,222	2,247	2,116	2,189	1,664	8,216	2,324
GAAP general and administrative expense	5,733	5,906	6,445	7,443	25,527	7,822	8,786	9,580	9,074	35,262	9,456	9,898	10,591	9,552	39,497	10,440
Share-based compensation expense	580	676	732	705	2,693	1,084	1,517	1,439	1,317	5,357	1,588	1,752	1,885	1,758	6,983	1,843
Amortization expense	110	112	115	117	454	118	120	122	125	485	126	127	125	128	506	130
Non-recurring expense	173	415	134	53	775	100	290	378	290	1,058	284	287	685	1,121	2,377	1,086
Non-GAAP general and administrative expense	4,870	4,703	5,464	6,568	21,605	6,520	6,859	7,641	7,342	28,362	7,458	7,732	7,896	6,545	29,631	7,381
GAAP total operating expense	15,809	15,330	16,401	16,394	63,934	17,157	19,017	21,321	21,834	79,329	23,666	24,920	27,141	22,814	98,541	24,220
Share-based compensation expense	771	925	994	952	3,642	1,429	2,126	1,957	1,822	7,334	2,391	2,689	2,689	2,558	10,327	2,754
Amortization expense	110	112	115	117	454	118	120	122	125	485	126	127	125	128	506	130
Non-recurring expense	173	415	134	53	775	100	290	378	289	1,057	284	330	685	1,134	2,433	1,086
Non-cash expenses associated with discontinued products	-	-	-	-	-	-	-	-	650	650	751	1,004	859	273	2,887	0
Non-GAAP total operating expense	14,755	13,878	15,158	15,272	59,063	15,510	16,481	18,864	18,948	69,803	20,114	20,770	22,783	18,721	82,388	20,250
GAAP operating income (loss)	(1,556)	1,972	6,760	15,844	23,020	24,315	34,265	18,051	10,320	86,951	2,170	8,943	(9,604)	(12,277)	(10,768)	(11,869)
Non-recurring customer credit	-	-	-	-	-	-	-	-	-	-	-	-	-	891	891	-
Share-based compensation expense	808	975	1,046	1,003	3,832	1,507	2,260	2,082	1,946	7,795	2,569	2,900	2,894	2,757	11,120	2,943
Amortization expense	110	112	115	117	454	118	120	122	125	485	126	127	125	128	506	130
Non-recurring expense	173	415	134	53	775	100	290	378	289	1,057	290	330	685	1,180	2,485	1,086
Expenses associated with discontinued products	-	-	-	-	-	-	-	-	459	459	71	1,432	1,412	2,852	5,767	925
Non-cash expenses associated with discontinued products	-	-	-	-	-	-	-	-	650	650	751	1,004	859	273	2,887	0
Non-GAAP operating income (loss)	(465)	3,474	8,055	17,017	28,081	26,040	36,935	20,633	13,789	97,397	5,977	14,736	(3,629)	(4,196)	12,888	(6,785)
GAAP other income (loss)	34	(1,317)	(356)	(378)	(2,017)	(872)	(111)	(541)	(901)	(2,425)	(1,046)	1,387	578	71	990	(1,079)
Loss (gain) from disposal of idle assets	-	40	4	37	81	-	2	-	-	2	-	-	-	8	8	-
Unrealized exchange loss (gain)	(410)	42	(624)	46	(946)	248	(101)	60	741	948	(203)	(911)	506	7	(601)	(227)
Non-recurring expense	0	642	401	-	1,043	0	0	0	0	0	0	0	0	0	0	173
Non-GAAP other income (loss)	(376)	(593)	(575)	(295)	(1,839)	(624)	(210)	(481)	(160)	(1,475)	(1,249)	476	1,084	86	397	(1,133)

Applied Optoelectronics, Inc.
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	1Q16	2Q16	3Q16	4Q16	CY2016	1Q17	2Q17	3Q17	4Q17	CY2017	1Q18	2Q18	3Q18	4Q18	CY2018	1Q19
GAAP net income (loss)	(1,330)	603	17,736	14,225	31,234	19,789	29,071	19,375	5,716	73,951	2,120	8,034	(3,732)	(8,568)	(2,146)	(10,474)
Non-recurring customer credit														891	891	-
Amortization of intangible assets	110	112	115	117	454	118	120	122	125	485	126	127	125	128	506	130
Share-based compensation expense	808	975	1,046	1,003	3,832	1,507	2,260	2,082	1,946	7,795	2,569	2,900	2,894	2,757	11,120	2,943
Non Recurring charges	173	415	134	53	775	100	290	378	289	1,057	290	330	685	1,180	2,485	1,259
Expenses associated with discontinued products	-	-	-	-	-	-	-	-	459	459	71	1,432	1,412	2,852	5,767	925
Non-cash expenses associated with discontinued products	-	-	-	-	-	-	-	-	650	650	751	1,004	859	273	2,887	-
Loss (gain) from disposal of idle assets	-	40	4	37	81	-	2	-	-	2	-	-	-	8	8	-
Unrealized exchange loss (gain)	(410)	42	(624)	46	(946)	248	(101)	60	741	948	(203)	(911)	506	7	(601)	(227)
Non-recurring Tax Benefit	-	-	(11,856)	-	(11,856)	-	(320)	-	8,016	7,696	(114)	(48)	-	-	(162)	-
Non-GAAP net income (loss)	(649)	2,187	6,555	15,481	23,574	21,762	31,322	22,017	17,942	93,043	5,610	12,868	2,749	(472)	20,755	(5,444)
GAAP net income (loss)	(1,330)	603	17,736	14,225	31,234	19,789	29,071	19,375	5,716	73,951	2,120	8,034	(3,732)	(8,568)	(2,146)	(10,474)
Non-recurring customer credit														891	891	-
Amortization of intangible assets	110	112	115	117	454	118	120	122	125	485	126	127	125	128	506	130
Share-based compensation expense	808	975	1,046	1,003	3,832	1,507	2,260	2,082	1,946	7,795	2,569	2,900	2,894	2,757	11,120	2,943
Depreciation expense	2,847	3,172	3,569	4,146	13,734	4,184	4,507	5,280	5,924	19,895	6,837	7,202	7,391	7,762	29,192	5,817
Non-recurring charges	173	415	134	53	775	100	290	378	289	1,057	290	330	685	1,180	2,485	242
Expenses associated with discontinued products	-	-	-	-	-	-	-	-	459	459	71	1,432	1,412	1,603	4,518	925
Loss (gain) from disposal of idle assets	-	40	4	37	81	-	2	-	-	2	-	-	-	8	8	-
Unrealized exchange loss (gain)	(410)	42	(624)	46	(946)	248	(101)	60	741	948	(203)	(911)	506	7	(601)	(227)
Interest (income) expense, net	300	385	422	363	1,470	264	175	187	11	637	19	194	188	423	824	752
Tax (benefit) expense related to the above	(192)	52	(11,332)	1,241	(10,231)	3,654	5,083	(1,865)	3,703	10,575	(996)	2,296	(5,294)	(3,638)	(7,632)	(2,474)
Adjusted EBITDA	\$2,306	\$5,796	\$11,070	\$21,231	\$40,403	\$29,864	\$41,407	\$25,619	\$18,914	\$115,804	\$10,833	\$21,604	\$4,175	\$2,553	\$39,165	(2,366)
GAAP diluted net income (loss) per share	\$ (0.08)	\$ 0.03	\$ 0.97	\$ 0.77	\$ 1.76	\$ 1.00	\$ 1.43	\$ 0.95	\$ 0.28	\$ 3.67	\$ 0.11	\$ 0.40	\$ (0.19)	\$ (0.43)	\$ (0.11)	\$ (0.53)
Non-recurring customer credit														0.05	0.04	-
Amortization of intangible assets	0.01	0.01	0.01	0.01	0.03	0.01	0.01	0.01	(0.00)	0.02	0.01	0.01	0.01	0.01	0.03	0.01
Share-based compensation expense	0.05	0.06	0.05	0.06	0.22	0.08	0.11	0.10	0.10	0.39	0.13	0.14	0.14	0.15	0.56	0.15
Non Recurring charges	0.01	0.02	0.01	0.00	0.04	(0.00)	0.01	0.02	0.01	0.05	0.01	0.02	0.03	0.06	0.12	0.06
Expenses associated with discontinued products	-	-	-	-	-	-	-	-	0.02	0.02	0.00	0.07	0.07	0.14	0.29	0.05
Non-cash expenses associated with discontinued products	-	-	-	-	-	-	-	-	0.03	0.03	0.04	0.05	0.04	0.01	0.14	-
Loss (gain) from disposal of idle assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	-	0.00	-	-	-	0.00	0.00	-
Unrealized exchange loss (gain)	(0.03)	0.00	(0.03)	0.00	(0.05)	0.01	(0.00)	0.00	0.04	0.05	(0.01)	(0.05)	0.04	(0.01)	(0.03)	(0.01)
Non-recurring Tax Benefit	0.00	0.00	(0.65)	0.00	(0.67)	0.00	(0.02)	-	0.40	0.38	(0.01)	(0.00)	-	0.01	(0.00)	-
Non-GAAP diluted net income (loss) per share	\$ (0.04)	\$ 0.16	\$ 0.38	\$ 0.84	\$ 1.39	\$ 1.10	\$ 1.54	\$ 1.08	\$ 0.89	\$ 4.62	\$ 0.28	\$ 0.64	\$ 0.14	\$ (0.02)	\$ 1.04	\$ (0.27)
Shares used to compute diluted earnings per share	16,930	17,455	18,361	18,513	17,713	19,702	20,367	20,423	20,160	20,139	19,989	20,080	20,185	19,793	20,027	19,863