

## Non-GAAP Financial Measures

We provide non-GAAP gross margin, non-GAAP net income (loss), and non-GAAP loss 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 and related expenses, 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 cash and non-cash expenses associated with discontinued products, if any, from our GAAP net income (loss). Included in our non-recurring expenses in Q4 2024, Q4 2023, and Q3 2024 are employee severance expenses, legal expenses associated with litigation and certain legal and advisory expenses associated with purchase termination or patent protection (if any), also included in our non-recurring income (expenses) in Q4 2024 and Q4 2023, are certain non-recurring expenses related to the debt extinguishment loss on our convertible notes. 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 adjusted EBITDA is calculated by excluding depreciation expense, non-GAAP tax benefit (expense), and interest (income) expense, as well as the items excluded from non-GAAP net income (loss), from our GAAP net loss. 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 elimination of items such as amortization of intangible assets, stock-based compensation expense, non-recurring revenue and expenses, including non-recurring expenses from debt extinguishment and losses on convertible note exchange, 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**

	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024	12/31/2024
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and Cash Equivalents	24,685	16,103	21,578	21,940	45,366	8,433	10,653	34,124	67,428
Restricted Cash	10,902	10,845	7,034	9,301	9,731	8,972	5,465	7,243	11,705
Total Cash, Cash Equivalents and Short Term Investments	35,587	26,948	28,612	31,241	55,097	17,405	16,118	41,367	79,133
Accounts Receivable, Net	61,175	56,799	42,598	60,751	48,071	57,476	57,661	75,154	116,801
Notes Receivable	339	1,079	782	0	219	352	435	47	0
Inventories	79,679	70,186	66,321	67,533	63,866	54,322	54,322	64,382	88,135
Prepaid Income Tax	-	-	2	2	3	2	4	4	4
Prepaid Expenses and Other Current Assets	6,384	6,517	6,231	4,871	5,349	4,078	4,429	7,409	17,195
<b>Total Current Assets</b>	<b>183,164</b>	<b>161,529</b>	<b>144,546</b>	<b>164,398</b>	<b>172,605</b>	<b>133,635</b>	<b>132,969</b>	<b>188,363</b>	<b>301,268</b>
Property, Plant And Equipment, Net	210,184	207,171	197,879	193,828	200,317	199,941	197,781	205,303	219,235
Land Use Rights, Net	5,238	5,278	4,990	4,992	5,030	4,991	4,939	4,993	4,837
Right of use asset	5,592	5,399	5,306	4,995	5,026	4,552	4,249	4,102	9,646
Intangible Assets, Net	3,699	3,655	3,625	3,626	3,628	3,610	3,616	3,663	3,680
Other Assets	386	519	531	1,953	2,580	4,187	4,486	3,548	8,366
<b>TOTAL ASSETS</b>	<b>408,263</b>	<b>383,551</b>	<b>356,877</b>	<b>373,792</b>	<b>389,186</b>	<b>350,916</b>	<b>348,040</b>	<b>409,972</b>	<b>547,032</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>									
<b>CURRENT LIABILITIES</b>									
Accounts Payable	47,845	38,419	35,111	34,854	32,892	23,639	33,518	55,991	104,969
Bank Acceptance Payable	12,337	19,196	8,637	14,383	15,482	10,712	5,048	9,934	19,259
Accrued Expenses	17,222	13,505	14,702	16,383	18,549	13,345	17,210	19,140	22,091
Accrued Income Taxes	-	-	-	-	-	-	-	-	-
Deferred Revenue	3,000	2,763	10,720	10,073	1,803	1,689	1,570	1,439	-
Current Lease Liability	1,104	1,093	1,108	1,108	1,149	1,095	1,087	1,115	1,380
Current Portion of Notes Payable and Long Term Debt	57,074	50,921	37,276	31,323	23,197	24,129	22,506	29,483	22,370
Current - convertible notes payable	-	79,710	79,916	80,124	286	-	-	-	-
<b>Total Current Liabilities</b>	<b>138,582</b>	<b>205,607</b>	<b>187,470</b>	<b>188,248</b>	<b>93,358</b>	<b>74,609</b>	<b>80,939</b>	<b>117,102</b>	<b>170,069</b>
Deferred Revenue, net of current portion	-	-	1,000	2,424	-	-	-	-	-
Notes Payable and Long Term Debt	-	-	-	-	-	-	-	-	-
Convertible Senior Notes	79,506	-	-	-	76,233	76,331	76,690	77,053	134,497
Other Long-Term Liabilities	5,505	5,307	5,148	4,767	4,726	4,250	3,917	3,731	13,354
<b>TOTAL LIABILITIES</b>	<b>223,593</b>	<b>210,914</b>	<b>193,618</b>	<b>195,439</b>	<b>174,317</b>	<b>155,190</b>	<b>161,546</b>	<b>197,886</b>	<b>317,920</b>
<b>STOCKHOLDERS' EQUITY</b>									
Common Stock	29	29	32	34	38	39	41	45	49
Additional Paid-in Capital	391,526	394,147	407,003	431,766	478,972	484,663	502,387	543,492	683,462
Cumulative Translation Adjustment	2,183	3,823	(1,470)	(2,188)	975	(688)	(1,531)	709	(2,548)
Retained Earnings (Accumulated Deficit)	(209,068)	(225,362)	(242,306)	(251,259)	(265,116)	(288,288)	(314,403)	(332,160)	(451,851)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>184,670</b>	<b>172,637</b>	<b>163,259</b>	<b>178,353</b>	<b>214,869</b>	<b>195,726</b>	<b>186,494</b>	<b>212,086</b>	<b>229,112</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>408,263</b>	<b>383,551</b>	<b>356,877</b>	<b>373,792</b>	<b>389,186</b>	<b>350,916</b>	<b>348,040</b>	<b>409,972</b>	<b>547,032</b>

Applied Optoelectronics, Inc.  
Consolidated Statement of Operations

(In thousands, except percentages and per share data)

	4Q22	CY2022	1Q23	2Q23	3Q23	4Q23	CY2023	1Q24	2Q24	3Q24	4Q24	CY2024
Revenue												
CATV	38,216	118,169	27,779	9,343	10,268	12,551	59,941	8,736	5,818	20,947	52,212	87,713
Datacenter	16,485	77,094	20,353	27,571	48,807	44,481	141,213	28,986	34,352	40,945	44,242	148,525
Telecom	6,365	24,727	3,707	4,231	3,074	2,818	13,831	2,269	2,379	2,798	3,535	10,981
FTTH	4	129	2	55	-	-	57	-	-	-	3	3
Other	514	2,699	1,189	415	398	603	2,604	682	721	461	279	2,143
<b>Total Revenues</b>	<b>61,584</b>	<b>222,818</b>	<b>53,030</b>	<b>41,615</b>	<b>62,547</b>	<b>60,453</b>	<b>217,646</b>	<b>40,673</b>	<b>43,270</b>	<b>65,151</b>	<b>100,271</b>	<b>249,365</b>
YOY Growth %	13.2%	5.3%	1.5%	-20.4%	10.3%	-1.8%	-2.3%	-23.3%	4.0%	4.2%	65.9%	14.6%
<b>Cost of Goods Sold</b>	<b>55,359</b>	<b>189,191</b>	<b>43,786</b>	<b>33,717</b>	<b>42,373</b>	<b>38,849</b>	<b>158,725</b>	<b>33,082</b>	<b>33,708</b>	<b>49,234</b>	<b>71,542</b>	<b>187,565</b>
COGS % of Revenue	89.9%	84.9%	82.6%	81.0%	67.7%	64.3%	72.9%	81.3%	77.9%	75.6%	71.3%	75.2%
<b>Gross Profit</b>	<b>6,225</b>	<b>33,627</b>	<b>9,244</b>	<b>7,898</b>	<b>20,174</b>	<b>21,604</b>	<b>58,921</b>	<b>7,591</b>	<b>9,562</b>	<b>15,917</b>	<b>28,729</b>	<b>61,800</b>
<b>Gross Margin</b>	<b>10.1%</b>	<b>15.1%</b>	<b>17.4%</b>	<b>19.0%</b>	<b>32.3%</b>	<b>35.7%</b>	<b>27.1%</b>	<b>18.7%</b>	<b>22.1%</b>	<b>24.4%</b>	<b>28.7%</b>	<b>24.8%</b>
Operating Expenses:												
Research and Development	9,224	36,244	8,536	8,640	9,457	9,341	35,975	11,712	13,078	13,428	16,737	54,954
R&D % of Revenue	15.0%	16.3%	16.1%	20.8%	15.1%	15.5%	16.5%	28.8%	30.2%	20.6%	16.7%	22.0%
Sales and Marketing	2,616	9,723	2,327	2,269	3,035	3,438	11,069	3,798	5,910	4,796	3,652	18,154
S&M % of Revenue	4.2%	4.4%	4.4%	5.5%	4.9%	5.7%	5.1%	9.3%	13.7%	7.4%	3.6%	7.3%
General and Administrative	12,749	46,658	12,548	12,954	14,368	13,356	53,225	13,727	16,818	14,240	14,813	59,600
G&A % of Revenue	20.7%	20.9%	23.7%	31.1%	23.0%	22.1%	24.5%	33.7%	38.9%	21.8%	14.8%	23.9%
<b>Total Operating Expenses</b>	<b>24,589</b>	<b>92,625</b>	<b>23,411</b>	<b>23,863</b>	<b>26,860</b>	<b>26,135</b>	<b>100,269</b>	<b>29,237</b>	<b>35,806</b>	<b>32,464</b>	<b>35,202</b>	<b>132,708</b>
<b>Operating Expenses % of Revenue</b>	<b>39.9%</b>	<b>41.6%</b>	<b>44.1%</b>	<b>57.3%</b>	<b>42.9%</b>	<b>43.2%</b>	<b>46.1%</b>	<b>71.8%</b>	<b>82.8%</b>	<b>49.8%</b>	<b>35.1%</b>	<b>53.2%</b>
<b>Operating Income (Loss)</b>	<b>(18,364)</b>	<b>(58,998)</b>	<b>(14,167)</b>	<b>(15,965)</b>	<b>(6,686)</b>	<b>(4,531)</b>	<b>(41,348)</b>	<b>(21,646)</b>	<b>(26,244)</b>	<b>(16,547)</b>	<b>(6,473)</b>	<b>(70,908)</b>
<b>Operating Margin</b>	<b>-29.8%</b>	<b>-26.5%</b>	<b>-26.7%</b>	<b>-38.4%</b>	<b>-10.7%</b>	<b>-7.5%</b>	<b>-19.0%</b>	<b>-53.2%</b>	<b>-60.7%</b>	<b>-25.4%</b>	<b>-6.5%</b>	<b>-28.4%</b>
Other Income (Expense):												
Interest Income	36	126	33	37	65	475	609	260	93	156	365	873
Interest Expense	(1,888)	(6,319)	(2,137)	(2,175)	(1,989)	(3,127)	(9,428)	(1,676)	(1,693)	(1,702)	(1,754)	(6,825)
Other Income (Expense)	(34)	(1,205)	(21)	1,167	(343)	(6,674)	(5,872)	(108)	1,729	336	(111,828)	(109,871)
<b>Total Other Income (Expense):</b>	<b>(1,886)</b>	<b>(7,398)</b>	<b>(2,125)</b>	<b>(971)</b>	<b>(2,267)</b>	<b>(9,326)</b>	<b>(14,691)</b>	<b>(1,524)</b>	<b>129</b>	<b>(1,210)</b>	<b>(113,217)</b>	<b>(115,823)</b>
<b>Other Income % of Revenue</b>	<b>-3.1%</b>	<b>-3.3%</b>	<b>-4.0%</b>	<b>-2.3%</b>	<b>-3.6%</b>	<b>-15.4%</b>	<b>-6.7%</b>	<b>-3.7%</b>	<b>0.3%</b>	<b>-1.9%</b>	<b>-112.9%</b>	<b>-46.4%</b>
<b>Net Income (Loss) before Income Taxes</b>	<b>(20,250)</b>	<b>(66,396)</b>	<b>(16,292)</b>	<b>(16,936)</b>	<b>(8,953)</b>	<b>(13,857)</b>	<b>(56,039)</b>	<b>(23,170)</b>	<b>(26,115)</b>	<b>(17,757)</b>	<b>(119,690)</b>	<b>(186,731)</b>
<b>Net Margin</b>	<b>-32.9%</b>	<b>-29.8%</b>	<b>-30.7%</b>	<b>-40.7%</b>	<b>-14.3%</b>	<b>-22.9%</b>	<b>-25.7%</b>	<b>-57.0%</b>	<b>-60.4%</b>	<b>-27.3%</b>	<b>-119.4%</b>	<b>-74.9%</b>
Income Tax Benefit (Expense)	(1)	(1)	-	(8)	-	(1)	(9)	-	-	-	(2)	(2)
<b>Net Income (Loss)</b>	<b>(20,251)</b>	<b>(66,397)</b>	<b>(16,292)</b>	<b>(16,944)</b>	<b>(8,953)</b>	<b>(13,858)</b>	<b>(56,048)</b>	<b>(23,170)</b>	<b>(26,115)</b>	<b>(17,757)</b>	<b>(119,692)</b>	<b>(186,733)</b>
<b>Net Margin after Taxes</b>	<b>-32.9%</b>	<b>-29.8%</b>	<b>-30.7%</b>	<b>-40.7%</b>	<b>-14.3%</b>	<b>-22.9%</b>	<b>-25.8%</b>	<b>-57.0%</b>	<b>-60.4%</b>	<b>-27.3%</b>	<b>-119.4%</b>	<b>-74.9%</b>
Earnings per share (Basic)	\$ (0.71)	\$ (2.38)	\$ (0.56)	\$ (0.57)	\$ (0.27)	\$ (0.38)	\$ (1.75)	\$ (0.60)	\$ (0.66)	\$ (0.42)	\$ (2.60)	\$ (4.50)
Earnings per share (Diluted)	\$ (0.71)	\$ (2.38)	\$ (0.56)	\$ (0.57)	\$ (0.27)	\$ (0.38)	\$ (1.75)	\$ (0.60)	\$ (0.66)	\$ (0.42)	\$ (2.60)	\$ (4.50)
Shares used to compute GAAP basic earnings per share	28,460	27,846	28,872	29,489	32,774	36,549	31,944	38,362	38,864	42,312	46,057	41,539
Shares used to compute GAAP diluted earnings per share	28,460	27,846	28,872	29,489	32,774	36,549	31,944	38,362	38,864	42,312	46,057	41,539

Applied Optoelectronics, Inc.  
Consolidated Statement of Operations

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

	4Q22	CY2022	1Q23	2Q23	3Q23	4Q23	CY2023	1Q24	2Q24	3Q24	4Q24	CY2024
Revenue												
CATV	38,216	118,169	27,779	9,343	10,268	12,551	59,941	8,736	5,818	20,947	52,212	87,713
Datacenter	16,485	77,094	20,353	27,571	48,807	44,481	141,213	28,986	34,352	40,945	44,242	148,525
Telecom	6,365	24,727	3,707	4,231	3,074	2,818	13,831	2,269	2,379	2,798	3,535	10,981
FTTH	4	129	2	55	-	-	57	-	-	-	3	3
Other	514	2,699	1,189	415	398	603	2,604	682	721	461	279	2,143
<b>Total Revenues</b>	<b>61,584</b>	<b>222,818</b>	<b>53,030</b>	<b>41,615</b>	<b>62,547</b>	<b>60,453</b>	<b>217,646</b>	<b>40,673</b>	<b>43,270</b>	<b>65,151</b>	<b>100,271</b>	<b>249,365</b>
YOY Growth %	13.2%	5.3%	1.4%	-20.4%	10.3%	-1.8%	-2.3%	-23.3%	4.0%	4.2%	65.9%	14.6%
<b>Cost of Goods Sold</b>	<b>48,434</b>	<b>181,583</b>	<b>40,710</b>	<b>31,307</b>	<b>42,220</b>	<b>38,443</b>	<b>152,681</b>	<b>32,974</b>	<b>33,539</b>	<b>48,887</b>	<b>71,310</b>	<b>186,710</b>
COGS % of Revenue	78.6%	81.5%	76.8%	75.2%	67.5%	63.6%	70.2%	81.1%	77.5%	75.0%	71.1%	74.9%
<b>Gross Profit</b>	<b>13,150</b>	<b>41,235</b>	<b>12,320</b>	<b>10,308</b>	<b>20,327</b>	<b>22,010</b>	<b>64,965</b>	<b>7,699</b>	<b>9,731</b>	<b>16,264</b>	<b>28,961</b>	<b>62,655</b>
Gross Margin	21.4%	18.5%	23.2%	24.8%	32.5%	36.4%	29.8%	18.9%	22.5%	25.0%	28.9%	25.1%
Operating Expenses:												
Research and Development	8,907	34,900	8,238	8,160	9,099	8,985	34,483	11,429	12,516	13,072	16,366	53,383
R&D % of Revenue	14.5%	15.7%	15.5%	19.6%	14.5%	14.9%	15.8%	28.1%	28.9%	20.1%	16.3%	21.4%
Sales and Marketing	2,400	8,858	2,132	1,977	2,735	3,114	9,959	3,512	3,527	4,441	4,325	15,805
S&M % of Revenue	3.9%	4.0%	4.0%	4.8%	4.4%	5.2%	4.6%	8.6%	8.2%	6.8%	4.3%	6.3%
General and Administrative	9,730	34,547	9,185	8,908	9,539	9,487	37,118	9,885	9,937	10,429	10,789	41,037
G&A % of Revenue	15.8%	15.5%	17.3%	21.4%	15.3%	15.7%	17.1%	24.3%	23.0%	16.0%	10.8%	16.5%
<b>Total Operating Expenses</b>	<b>21,037</b>	<b>78,305</b>	<b>19,555</b>	<b>19,045</b>	<b>21,373</b>	<b>21,586</b>	<b>81,560</b>	<b>24,826</b>	<b>25,980</b>	<b>27,942</b>	<b>31,480</b>	<b>110,225</b>
Operating Expenses % of Revenue	34.2%	35.1%	36.9%	45.8%	34.2%	35.7%	37.5%	61.0%	60.0%	42.9%	31.4%	44.2%
<b>Operating Income (Loss)</b>	<b>(7,887)</b>	<b>(37,070)</b>	<b>(7,235)</b>	<b>(8,737)</b>	<b>(1,046)</b>	<b>424</b>	<b>(16,595)</b>	<b>(17,127)</b>	<b>(16,249)</b>	<b>(11,678)</b>	<b>(2,519)</b>	<b>(47,570)</b>
Operating Margin	-12.8%	-16.6%	-13.6%	-21.0%	-1.7%	0.7%	-7.6%	-42.1%	-37.6%	-17.9%	-2.5%	-19.1%
Other Income (Expense):												
Interest Income	36	126	33	37	65	475	609	261	93	156	365	874
Interest Expense	(1,887)	(6,317)	(2,137)	(2,175)	(1,989)	(1,681)	(7,982)	(1,676)	(1,693)	(1,702)	(1,754)	(6,825)
Other Income (Expense)	(469)	606	(1,131)	1,101	81	451	502	274	422	(63)	710	1,343
<b>Total Other Income (Expense):</b>	<b>(2,320)</b>	<b>(5,585)</b>	<b>(3,235)</b>	<b>(1,037)</b>	<b>(1,843)</b>	<b>(755)</b>	<b>(6,871)</b>	<b>(1,141)</b>	<b>(1,178)</b>	<b>(1,609)</b>	<b>(679)</b>	<b>(4,608)</b>
Other Income % of Revenue	-3.8%	-2.5%	-6.1%	-2.5%	-2.9%	-1.2%	-3.2%	-2.8%	-2.7%	-2.5%	-0.7%	-1.8%
<b>Net Income (Loss) before Income Taxes</b>	<b>(10,207)</b>	<b>(42,655)</b>	<b>(10,470)</b>	<b>(9,774)</b>	<b>(2,890)</b>	<b>(331)</b>	<b>(23,466)</b>	<b>(18,268)</b>	<b>(17,427)</b>	<b>(13,287)</b>	<b>(3,197)</b>	<b>(52,178)</b>
Net Margin	-16.6%	-19.1%	-19.7%	-23.5%	-4.6%	-0.5%	-10.8%	-44.9%	-40.3%	-20.4%	-3.2%	-20.9%
Income Tax Benefit (Expense)	4,793	14,640	3,327	3,702	1,200	1,909	10,137	6,236	6,571	4,505	2,150	19,462
<b>Net Income (Loss)</b>	<b>(5,414)</b>	<b>(28,015)</b>	<b>(7,143)</b>	<b>(6,072)</b>	<b>(1,690)</b>	<b>1,578</b>	<b>(13,329)</b>	<b>(12,032)</b>	<b>(10,856)</b>	<b>(8,782)</b>	<b>(1,047)</b>	<b>(32,716)</b>
Net Margin after Income Tax	-9.6%	-12.8%	-13.5%	-14.6%	-2.7%	2.6%	-6.1%	-29.6%	-25.1%	-13.5%	-1.0%	-13.1%
Interest Income (Expense)	(1,852)	(6,192)	(2,104)	(2,138)	(1,924)	(1,206)	(7,373)	(1,416)	(1,600)	(1,547)	(1,389)	(5,952)
Depreciation and Amortization	4,200	17,960	4,007	3,882	3,946	3,893	15,729	3,837	3,907	4,055	4,212	16,010
<b>Adjusted EBITDA</b>	<b>(4,155)</b>	<b>(18,503)</b>	<b>(4,359)</b>	<b>(3,754)</b>	<b>2,980</b>	<b>4,768</b>	<b>(364)</b>	<b>(13,015)</b>	<b>(11,920)</b>	<b>(7,685)</b>	<b>2,404</b>	<b>(30,216)</b>
EBITDA Margin	-6.7%	-8.3%	-8.2%	-9.0%	4.8%	7.9%	-0.2%	-32.0%	-27.5%	-11.8%	2.4%	-12.1%
Earnings per share (Basic)	\$ (0.19)	\$ (1.01)	\$ (0.25)	\$ (0.21)	\$ (0.05)	\$ 0.04	\$ (0.42)	\$ (0.31)	\$ (0.28)	\$ (0.21)	\$ (0.02)	\$ (0.79)
Earnings per share (Diluted)	\$ (0.19)	\$ (1.01)	\$ (0.25)	\$ (0.21)	\$ (0.05)	\$ 0.04	\$ (0.42)	\$ (0.31)	\$ (0.28)	\$ (0.21)	\$ (0.02)	\$ (0.79)
Shares used to compute Non-GAAP basic earnings per share	28,460	27,846	28,872	29,489	32,774	36,549	31,944	38,362	39,365	42,312	46,057	41,539
Shares used to compute Non-GAAP diluted earnings per share	28,460	27,846	28,872	29,489	32,774	44,778	31,944	38,362	39,365	42,312	46,057	41,539

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

**Preliminary Unaudited**

	4Q22	CY2022	1Q23	2Q23	3Q23	4Q23	CY2023	1Q 2024	2Q 2024	3Q 2024	4Q2024	CY2024
GAAP revenue	61,584	222,818	53,030	41,615	62,547	60,453	217,646	40,673	43,270	65,151	100,271	249,365
Non-recurring customer credit	-	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP revenue	61,584	222,818	53,030	41,615	62,547	60,453	217,646	40,673	43,270	65,151	100,271	249,365
GAAP total gross profit	6,225	33,627	9,244	7,898	20,174	21,604	58,921	7,591	9,562	15,917	28,729	61,799
Non-recurring customer credit	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation expense	118	489	114	156	124	131	524	102	137	116	118	473
Non-recurring expense	5	169	-	-	-	-	-	6	32	29	15	82
Non-cash expenses associated with discontinued products	-	92	-	-	-	-	-	-	-	202	-	202
Expenses associated with discontinued products	6,802	6,858	2,962	2,254	29	275	5,520	-	-	-	99	99
Non-GAAP income from gross profit	13,150	41,235	12,320	10,308	20,327	22,010	64,965	7,699	9,731	16,264	28,961	62,655
GAAP research and development expense	9,224	36,244	8,536	8,640	9,457	9,341	35,975	11,712	13,078	13,428	16,737	54,955
Share-based compensation expense	313	1,331	297	480	358	356	1,492	280	478	356	341	1,455
Non-recurring expense	4	13	-	-	-	-	-	3	84	-	30	117
Non-cash expenses associated with discontinued products	-	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP research and development expense	8,907	34,900	8,239	8,160	9,099	8,985	34,483	11,429	12,516	13,072	16,366	53,383
GAAP sales and marketing expense	2,616	9,723	2,327	2,269	3,035	3,438	11,069	3,798	5,910	4,796	3,652	18,156
Share-based compensation expense	214	856	195	291	300	324	1,110	286	541	335	352	1,514
Non-recurring expense	2	9	-	-	-	-	-	-	1,842	20	(1,025)	837
Non-GAAP sales and marketing expense	2,400	8,858	2,132	1,978	2,735	3,114	9,959	3,512	3,527	4,441	4,325	15,805
GAAP general and administrative expense	12,749	46,658	12,548	12,954	14,368	13,356	53,226	13,727	16,818	14,240	14,813	59,598
Share-based compensation expense	1,712	6,924	1,684	2,135	2,454	2,486	8,759	2,173	4,902	2,137	2,137	11,349
Amortization expense	157	616	159	162	167	171	659	129	100	103	106	438
Non-recurring expense	3	38	357	602	1,344	396	2,699	513	818	498	743	2,572
Non-cash expenses associated with discontinued products	1,147	4,533	1,162	1,148	864	816	3,991	1,028	1,061	1,074	1,038	4,201
Non-GAAP general and administrative expense	9,730	34,547	9,186	8,907	9,539	9,487	37,118	9,884	9,937	10,428	10,789	41,037
GAAP total operating expense	24,589	92,625	23,411	23,863	26,860	26,135	100,269	29,237	35,806	32,464	35,202	132,709
Share-based compensation expense	2,239	9,111	2,176	2,906	3,112	3,166	11,360	2,738	5,921	2,828	2,830	14,317
Amortization expense	157	616	159	162	167	171	659	129	100	103	106	438
Non-recurring expense	9	60	357	602	1,344	396	2,699	516	2,744	518	(252)	3,526
Non-cash expenses associated with discontinued products	1,147	4,533	1,162	1,148	864	816	3,991	1,028	1,061	1,074	1,039	4,202
Non-GAAP total operating expense	21,037	78,305	19,557	19,045	21,373	21,586	81,560	24,826	25,980	27,941	31,479	110,225
GAAP operating income (loss)	(18,364)	(58,998)	(14,167)	(15,965)	(6,686)	(4,531)	(41,348)	(21,646)	(26,244)	(16,547)	(6,473)	(70,910)
Non-recurring customer credit	-	-	-	-	-	-	-	-	-	-	-	0
Share-based compensation expense	2,357	9,600	2,290	3,062	3,236	3,297	11,885	2,840	6,058	2,944	2,949	14,791
Amortization expense	157	615	159	162	167	171	659	129	100	103	106	438
Non-recurring expense	14	229	357	602	1,344	396	2,699	522	2,776	547	(237)	3,608
Expenses associated with discontinued products	6,802	6,859	2,962	2,254	29	275	5,520	-	-	202	98	300
Non-cash expenses associated with discontinued products	1,147	4,625	1,162	1,148	864	816	3,990	1,028	1,061	1,074	1,039	4,202
Non-GAAP operating income (loss)	(7,887)	(37,070)	(7,237)	(8,737)	(1,046)	424	(16,595)	(17,127)	(16,249)	(11,677)	(2,518)	(47,570)
GAAP other income (loss)	(1,886)	(7,398)	(2,125)	(971)	(2,267)	(9,326)	(14,691)	(1,524)	129	(1,210)	(113,217)	(115,822)
Loss (gain) from disposal of idle assets	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	(434)	1,810	(1,109)	(66)	423	(635)	(1,386)	383	-107	-260	576	592
Non-recurring expense (income)	-	3	-	-	-	-	9,206	9,206	(1,200)	(139)	111,962	110,623
Non-GAAP other income (loss)	(2,320)	(5,585)	(3,234)	(1,037)	(1,844)	(755)	(6,871)	(1,141)	(1,178)	(1,609)	(679)	(4,608)

GAAP net income (loss)	(20,251)	(66,397)	(16,292)	(16,944)	(8,953)	(13,858)	(56,048)	(23,170)	(26,115)	(17,757)	(119,692)	(186,734)
Share-based compensation expense	2,357	9,601	2,290	3,062	3,236	3,297	11,885	2,840	6,058	2,944	2,949	14,791
Expenses associated with discontinued products	6,802	6,859	2,962	2,254	29	274	5,519	-	-	202	98	300
Non-cash expenses associated with discontinued products	1,147	4,624	1,162	1,148	864	816	3,990	1,028	1,061	1,074	1,039	4,202
Amortization of intangible assets	157	616	159	162	167	171	659	129	100	103	106	438
Non-recurring expense (income)	15	233	358	602	1,344	9,603	11,907	522	1,576	408	111,725	114,231
Unrealized exchange loss (gain)	(434)	1,809	(1,109)	(66)	423	(635)	(1,387)	383	(107)	(260)	576	592
Non-GAAP Tax Benefit	4,793	14,640	3,327	3,710	1,200	1,909	10,146	6,236	6,571	4,504	2,152	19,463
Non-GAAP net income (loss)	(5,414)	(28,015)	(7,143)	(6,072)	(1,690)	1,577	(13,329)	(12,032)	(10,856)	(8,782)	(1,047)	(32,717)
GAAP net income (loss)	(20,251)	(66,397)	(16,292)	(16,944)	(8,953)	(13,858)	(56,048)	(23,170)	(26,115)	(17,757)	(119,692)	(186,734)
Non-recurring customer credit	-	-	-	-	-	-	-	-	-	-	-	0
Share-based compensation expense	2,358	9,603	2,290	3,062	3,236	3,297	11,885	2,840	6,058	2,944	2,949	14,791
Expenses associated with discontinued products	6,802	6,859	2,962	2,254	29	274	5,519	-	-	202	98	300
Non-cash expenses associated with discontinued products	1,147	4,625	1,162	1,148	864	816	3,990	1,028	1,061	1,074	1,039	4,202
Amortization of intangible assets	158	617	159	162	167	171	659	129	100	103	106	438
Non-recurring expense (income)	14	232	358	602	1,344	9,603	11,907	522	1,576	408	111,725	114,231
Unrealized exchange loss (gain)	(434)	1,807	(1,109)	(66)	423	(635)	(1,387)	383	(107)	(260)	576	592
Tax (benefit) expense related to the above	(1)	(1)	-	8	-	-	8	-	-	-	-	0
Depreciation expense	4,200	17,960	4,008	3,882	3,946	3,894	15,730	3,837	3,907	4,055	4,213	16,012
Loss (gain) from disposal of idle assets	-	0	-	-	-	-	-	-	-	-	-	0
Interest (income) expense, net	1,852	6,192	2,104	2,138	1,924	1,206	7,373	1,416	1,600	1,546	1,390	5,952
Adjusted EBITDA	(4,155)	(18,503)	(4,358)	(3,754)	2,980	4,768	(364)	(13,015)	(11,920)	(7,685)	2,404	(30,216)
GAAP diluted net income (loss) per share	\$ (0.71)	\$ (2.38)	\$ (0.56)	\$ (0.57)	\$ (0.27)	\$ (0.31)	\$ (1.75)	\$ (0.60)	\$ (0.66)	\$ (0.42)	\$ (2.60)	\$ (4.50)
Non-recurring customer credit	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation expense	0.08	0.34	0.08	0.10	0.10	0.07	0.4	0.07	0.15	0.07	0.06	0.36
Expenses associated with discontinued products	0.24	0.24	0.01	0.08	0.00	0.01	0.2	0.00	0.00	0.00	0.00	0.01
Non-cash expenses associated with discontinued products	0.04	0.17	0.01	0.04	0.03	0.02	0.12	0.03	0.02	0.03	0.02	0.10
Amortization of intangible assets	0.01	0.02	0.10	0.01	0.01	0.00	0.02	0.01	0.00	0.00	0.00	0.01
Non-recurring expense (income)	-	0.01	0.04	0.02	0.04	0.21	0.37	0.01	0.04	0.01	2.43	2.75
Unrealized exchange loss (gain)	(0.02)	0.07	(0.04)	(0.01)	0.01	(0.01)	(0.04)	0.01	0.00	(0.01)	0.01	0.01
Non-GAAP Tax Benefit	0.17	0.52	0.12	0.12	0.03	0.04	0.32	0.16	0.17	0.11	0.06	0.47
Non-GAAP diluted net income (loss) per share	\$ (0.19)	\$ (1.01)	\$ (0.25)	\$ (0.21)	\$ (0.05)	\$ 0.04	\$ (0.42)	\$ (0.31)	\$ (0.28)	\$ (0.21)	\$ (0.02)	\$ (0.79)
Shares used to compute diluted earnings per share	28,460	27,846	28,872	29,489	32,774	44,778	31,944	38,362	39,365	42,312	46,057	41,539