

**Akamai Technologies, Inc.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
**December 31, 2016**

In addition to providing financial measurements based on generally accepted accounting principles in the United States of America (GAAP), Akamai provides additional financial metrics that are not prepared in accordance with GAAP (non-GAAP). Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes, to measure executive compensation and to evaluate Akamai's financial performance. These non-GAAP financial measures are non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income, non-GAAP net income per share, Adjusted EBITDA, Adjusted EBITDA margin, capital expenditures and impact of foreign currency exchange rates, as discussed below.

Management believes that these non-GAAP financial measures reflect Akamai's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-GAAP financial measures enable investors to evaluate Akamai's operating results and future prospects in the same manner as management. These non-GAAP financial measures may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of Akamai's ongoing operating results.

The non-GAAP financial measures do not replace the presentation of Akamai's GAAP financial results and should only be used as a supplement to, not as a substitute for, Akamai's financial results presented in accordance with GAAP. Akamai has provided a reconciliation of each non-GAAP financial measure used in its financial reporting and investor presentations to the most directly comparable GAAP financial measure. This reconciliation captioned "Reconciliation of GAAP to Non-GAAP Financial Measures" can be found on the Investor Relations section of Akamai's website.

*Akamai's definitions of its non-GAAP financial measures are outlined below:*

**Non-GAAP income from operations** – GAAP income from operations adjusted for the following items: amortization of acquired intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; amortization of capitalized interest expense; acquisition-related costs; restructuring charges; benefit from adoption of software development activities; gains and other activity related to divestiture of a business; gains and losses on legal settlements; costs incurred with respect to Akamai's internal FCPA investigation; and other non-recurring or unusual items that may arise from time to time.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Income from operations .....	\$ 314,487	\$ 413,968	\$ 489,519	\$ 466,150	\$ 459,594
Stock-based compensation.....	90,585	95,884	111,996	126,677	144,506
Amortization of acquired intangible assets.....	20,962	21,547	32,057	27,067	26,642
Amortization of capitalized stock-based compensation and capitalized interest expense.....	7,680	8,077	10,506	13,618	15,439
Restructuring charges.....	406	1,843	1,189	767	10,301
Benefit from adoption of software development activities .....	—	—	(2,670)	—	—
Acquisition-related costs.....	5,787	1,853	4,807	865	1,064
Legal matter costs .....	—	—	285	3,291	890
Gain from divestiture of a business .....	—	(1,188)	—	—	—
Non-GAAP income from operations .....	<u>\$ 439,907</u>	<u>\$ 541,984</u>	<u>\$ 647,689</u>	<u>\$ 638,435</u>	<u>\$ 658,436</u>

**Non-GAAP operating margin** – Non-GAAP income from operations stated as a percentage of revenue.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Revenue.....	\$ 1,373,947	\$ 1,577,922	\$ 1,963,874	\$ 2,197,448	\$ 2,340,049
Non-GAAP income from operations .....	439,907	541,984	647,689	638,435	658,436
Non-GAAP operating margin .....	<u>32%</u>	<u>34%</u>	<u>33%</u>	<u>29%</u>	<u>28%</u>

**Non-GAAP net income** – GAAP net income adjusted for the following tax-affected items: amortization of acquired intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; acquisition-related costs; restructuring charges; benefit from adoption of software development activities; gains and other activity related to divestiture of a business; gains and losses on legal settlements; costs incurred with respect to Akamai's internal FCPA investigation; loss on early extinguishment of debt; amortization of debt discount and issuance costs; amortization of capitalized interest expense; certain gains and losses on investments; and other non-recurring or unusual items that may arise from time to time.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Net income .....	\$ 203,989	\$ 293,487	\$ 333,948	\$ 321,406	\$ 316,132
Stock-based compensation.....	90,585	95,884	111,996	126,677	144,506
Amortization of acquired intangible assets.....	20,962	21,547	32,057	27,067	26,642
Amortization of capitalized stock-based compensation and capitalized interest expense..	7,680	8,077	10,506	13,618	15,439
Restructuring charges.....	406	1,843	1,189	767	10,301
Benefit from adoption of software development activities .....	—	—	(2,670)	—	—
Acquisition-related costs.....	5,787	1,853	4,807	865	1,064
Legal matter costs .....	—	—	285	3,291	890
Gain from divestiture of a business .....	—	(1,188)	—	—	—
Amortization of debt discount and issuance costs.....	—	—	15,463	18,525	18,638
Loss (gain) on investments .....	—	—	443	25	(4,807)
Income tax-effect of above non-GAAP adjustments and certain discrete tax items.....	(38,061)	(54,124)	(59,202)	(58,309)	(52,661)
Non-GAAP net income.....	<u>\$ 291,348</u>	<u>\$ 367,379</u>	<u>\$ 448,822</u>	<u>\$ 453,932</u>	<u>\$ 476,144</u>

**Non-GAAP net income per share** – Non-GAAP net income divided by basic weighted average or diluted common shares outstanding. Basic weighted average shares outstanding are those used in GAAP net income per share calculations. Diluted weighted average shares outstanding are adjusted in non-GAAP per share calculations for the shares that would be delivered to Akamai pursuant to the note hedge transaction entered into in connection with the issuance of \$690 million of convertible senior notes due 2019. Under GAAP, shares delivered under hedge transactions are not considered offsetting shares in the fully-diluted share calculation until they are delivered. However, the company would receive a benefit from the note hedge transaction and would not allow the dilution to occur, so management believes that adjusting for this benefit provides a meaningful view of operating performance. Unless and until Akamai's weighted average stock price is greater than \$89.56, the initial conversion price, there will be no difference between GAAP and non-GAAP diluted weighted average common shares outstanding.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Non-GAAP net income.....	\$ 291,348	\$ 367,379	\$ 448,822	\$ 453,932	\$ 476,144
Non-GAAP net income per share:					
Basic.....	\$ 1.64	\$ 2.06	\$ 2.52	\$ 2.54	\$ 2.72
Diluted.....	\$ 1.60	\$ 2.02	\$ 2.48	\$ 2.52	\$ 2.70
Shares used in per share calculations (GAAP and non-GAAP):					
Basic.....	177,900	178,196	178,279	178,391	174,917
Diluted.....	181,749	181,783	181,186	180,415	176,215

**Adjusted EBITDA** – GAAP net income excluding the following items: interest income; income taxes; depreciation and amortization of tangible and intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; acquisition-related costs; restructuring charges; benefit from adoption of software development activities; gains and other activity related to divestiture of a business; gains and losses on legal settlements; costs incurred with respect to Akamai's internal FCPA investigation; foreign exchange gains and losses; loss on early extinguishment of debt; amortization of debt discount and issuance costs; amortization of capitalized interest expense; certain gains and losses on investments; and other non-recurring or unusual items that may arise from time to time.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Net income .....	\$ 203,989	\$ 293,487	\$ 333,948	\$ 321,406	\$ 316,132
Interest income .....	(6,455)	(6,077)	(7,680)	(11,200)	(14,702)
Provision for income taxes .....	117,602	126,067	145,828	135,218	143,314
Depreciation and amortization .....	175,521	154,807	204,843	258,878	292,221
Amortization of acquired intangible assets .....	20,962	21,547	32,057	27,067	26,642
Amortization of capitalized stock-based compensation and capitalized interest expense..	7,680	8,077	10,506	13,618	15,439
Stock-based compensation .....	90,585	95,884	111,996	126,677	144,506
Restructuring charges .....	406	1,843	1,189	767	10,301
Benefit from adoption of software development activities .....	—	—	(2,670)	—	—
Acquisition-related costs .....	5,787	1,853	4,807	865	1,064
Legal matter costs .....	—	—	285	3,291	890
Gain from divestiture of a business .....	—	(1,188)	—	—	—
Amortization of debt discount and issuance costs .....	—	—	15,463	18,525	18,638
Loss (gain) on investments .....	—	—	443	25	(4,807)
Other (income) expense, net .....	(649)	491	1,517	2,176	1,019
Adjusted EBITDA .....	<u>\$ 615,428</u>	<u>\$ 696,791</u>	<u>\$ 852,532</u>	<u>\$ 897,313</u>	<u>\$ 950,657</u>

**Adjusted EBITDA margin** – Adjusted EBITDA stated as a percentage of revenue.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Revenue .....	\$ 1,373,947	\$ 1,577,922	\$ 1,963,874	\$ 2,197,448	\$ 2,340,049
Adjusted EBITDA .....	615,428	696,791	852,532	897,313	950,657
Adjusted EBITDA margin .....	<u>45%</u>	<u>44%</u>	<u>43%</u>	<u>41%</u>	<u>41%</u>

**Cash operating expenses (cash opex)** – GAAP operating expenses (consisting of research and development, sales and marketing, general and administrative, amortization of acquired intangible assets and restructuring charges), excluding stock-based compensation; amortization of acquired intangible assets; depreciation and amortization; acquisition-related costs; restructuring charges; benefit from adoption of software development activities; gains and other activity related to divestiture of a business; gains and losses on legal settlements; costs incurred with respect to Akamai's internal FCPA investigation; and other non-recurring or unusual items that may arise from time to time.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
GAAP operating expenses .....	\$ 529,560	\$ 652,867	\$ 863,412	\$ 1,005,678	\$ 1,071,454
Less:					
Stock-based compensation .....	79,276	85,017	100,062	112,532	126,219
Amortization of acquired intangible assets .....	20,962	21,547	32,057	27,067	26,642
Depreciation and amortization .....	20,020	26,990	40,054	54,561	65,781
Restructuring charges .....	406	1,843	1,189	767	10,301
Benefit from adoption of software development activities .....	—	—	(2,670)	—	—
Acquisition-related costs .....	5,787	1,853	4,807	865	1,064
Legal matter costs .....	—	—	285	3,291	890
Gain from divestiture of a business .....	—	(1,188)	—	—	—
Cash operating expenses .....	<u>\$ 403,109</u>	<u>\$ 516,805</u>	<u>\$ 687,628</u>	<u>\$ 806,595</u>	<u>\$ 840,557</u>

**Cash cost of revenue** – GAAP cost of revenue, excluding stock-based compensation and depreciation and amortization.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
GAAP cost of revenue .....	\$ 529,900	\$ 511,087	\$ 610,943	\$ 725,620	\$ 809,001
Less:					
Stock-based compensation .....	11,309	10,867	11,934	14,145	18,287
Depreciation and amortization .....	163,181	135,894	175,295	217,935	241,879
Cash cost of revenue .....	<u>\$ 355,410</u>	<u>\$ 364,326</u>	<u>\$ 423,714</u>	<u>\$ 493,540</u>	<u>\$ 548,835</u>

**Cash gross profit** – Revenue less cash cost of revenue.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Revenue .....	\$ 1,373,947	\$ 1,577,922	\$ 1,963,874	\$ 2,197,448	\$ 2,340,049
Cash cost of revenue .....	355,410	364,326	423,714	493,540	548,835
Cash gross profit .....	<u>\$ 1,018,537</u>	<u>\$ 1,213,596</u>	<u>\$ 1,540,160</u>	<u>\$ 1,703,908</u>	<u>\$ 1,791,214</u>

**Cash gross margin** – Revenue less GAAP cost of revenue, excluding stock-based compensation and depreciation and amortization, stated as a percentage of revenue.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Revenue.....	\$ 1,373,947	\$ 1,577,922	\$ 1,963,874	\$ 2,197,448	\$ 2,340,049
Cash gross profit .....	1,018,537	1,213,596	1,540,160	1,703,908	1,791,214
Cash gross margin.....	<u>74%</u>	<u>77%</u>	<u>78%</u>	<u>78%</u>	<u>77%</u>

**Free cash flow** – Cash flows from operations less purchases of property and equipment and capitalization of internal-use software development costs included in the statements of cash flows.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Cash provided by operating activities.....	\$ 530,020	\$ 563,908	\$ 658,070	\$ 764,151	\$ 866,298
Less: .....					
Purchases of property and equipment .....	166,773	187,964	207,159	311,676	180,949
Capitalization of internal-use software development costs .....	54,204	72,109	111,468	133,307	135,340
Free cash flow .....	<u>\$ 309,043</u>	<u>\$ 303,835</u>	<u>\$ 339,443</u>	<u>\$ 319,168</u>	<u>\$ 550,009</u>

**Capital expenditures, or capex, excluding stock-based compensation and interest expense** – Purchases of property and equipment and capitalization of internal-use software development costs presented on an accrual basis, which differs from the cash-basis presentation included in the statements of cash flows. The primary difference between the two is the change in purchases of property and equipment and capitalization of internal-use software development costs accrued for, but not paid, at period end.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Purchases of property and equipment.....	\$ 166,246	\$ 183,146	\$ 223,565	\$ 289,591	\$ 196,771
Capitalization of internal-use software development costs.....	54,204	75,234	116,062	128,236	140,081
Capital expenditures, excluding stock-based compensation and interest expense.....	<u>\$ 220,450</u>	<u>\$ 258,380</u>	<u>\$ 339,627</u>	<u>\$ 417,827</u>	<u>\$ 336,852</u>

**Capex as a percentage of revenue** – Capital expenditures, or capex, excluding stock-based compensation and interest expense, stated as a percentage of revenue.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Revenue.....	\$ 1,373,947	\$ 1,577,922	\$ 1,963,874	\$ 2,197,448	\$ 2,340,049
Capital expenditures, excluding stock-based compensation and interest expense.....	220,450	258,380	339,627	417,827	336,852
Capex as a percentage of revenue.....	<u>16%</u>	<u>16%</u>	<u>17%</u>	<u>19%</u>	<u>14%</u>

**Non-GAAP depreciation** – GAAP depreciation and amortization (which consists of depreciation and amortization of property and equipment, capitalized stock-based compensation, capitalized interest and acquired intangible assets), less depreciation and amortization excluded from non-GAAP results (which consists of depreciation and amortization of capitalized stock-based compensation, capitalized interest and acquired intangible assets).

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
GAAP depreciation and amortization.....	\$ 204,163	\$ 184,431	\$ 247,406	\$ 299,563	\$ 334,302
Less:					
Capitalized stock-based compensation amortization .....	7,680	8,077	10,345	12,717	13,752
Capitalized interest amortization .....	—	—	161	901	1,687
Amortization of acquired intangible assets.....	20,962	21,547	32,057	27,067	26,642
Non-GAAP depreciation.....	<u>\$ 175,521</u>	<u>\$ 154,807</u>	<u>\$ 204,843</u>	<u>\$ 258,878</u>	<u>\$ 292,221</u>

**Non-GAAP tax rate** – GAAP tax rate excluding the tax effect of non-GAAP adjustments and certain discrete tax items.

	Year Ended				
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
GAAP tax rate.....	37 %	30%	30%	30%	31 %
Income tax-effect of non-GAAP adjustments and certain discrete tax items.....	(2)%	3%	1%	—%	(2)%
Non-GAAP tax rate.....	<u>35 %</u>	<u>33%</u>	<u>31%</u>	<u>30%</u>	<u>29 %</u>

**Impact of Foreign Currency Exchange Rates** – Revenue and earnings from international operations have historically been an important contributor to Akamai's financial results. Consequently, Akamai's financial results have been impacted, and management expects they will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, when the local currencies of our foreign subsidiaries weaken, our consolidated results stated in U.S. dollars are negatively impacted. Because exchange rates are a meaningful factor in understanding period-to-period comparisons, management believes the presentation of the impact of foreign currency exchange rates on revenue and earnings enhances the understanding of our financial results and evaluation of performance in comparison to prior periods. The dollar impact of changes in foreign currency exchange rates presented is calculated by translating current period results using monthly average foreign currency exchange rates from the comparative period and comparing them to the reported amount. The percentage change at constant currency presented is calculated by comparing the prior period amounts as reported and the current period amounts translated using the same monthly average foreign currency exchange rates from the comparative period.

*The non-GAAP adjustments, and Akamai's basis for excluding them from non-GAAP financial measures, are outlined below:*

**Amortization of acquired intangible assets** – Akamai has incurred amortization of intangible assets, included in its GAAP financial statements, related to various acquisitions Akamai has made. The amount of an acquisition's purchase price allocated to intangible assets and term of its related amortization can vary significantly and are unique to each acquisition; therefore, Akamai excludes amortization of acquired intangible assets from its non-GAAP financial measures to provide investors with a consistent basis for comparing pre- and post-acquisition operating results.

**Stock-based compensation and amortization of capitalized stock-based compensation** – Although stock-based compensation is an important aspect of the compensation paid to Akamai's employees, the grant date fair value varies based on the stock price at the time of grant, varying valuation methodologies, subjective assumptions and the variety of award types. This makes the comparison of Akamai's current financial results to previous and future periods difficult to interpret; therefore, Akamai believes it is useful to exclude stock-based compensation and amortization of capitalized stock-based compensation from its non-GAAP financial measures in order to highlight the performance of Akamai's core business and to be consistent with the way many investors evaluate its performance and compare its operating results to peer companies.

**Acquisition-related costs** – Acquisition-related costs include transaction fees, advisory fees, due diligence costs and other direct costs associated with strategic activities. In addition, subsequent adjustments to Akamai's initial estimated amounts of contingent consideration and indemnification associated with specific acquisitions are included within acquisition-related costs. These amounts are impacted by the timing and size of the acquisitions. Akamai excludes acquisition-related costs from its non-GAAP financial measures to provide a useful comparison of Akamai's operating results to prior periods and to its peer companies because such amounts vary significantly based on the magnitude of the acquisition transactions.

**Restructuring charges** – Akamai has incurred restructuring charges that are included in its GAAP financial statements, primarily related to workforce reductions and estimated costs of exiting facility lease commitments. Akamai excludes these items from its non-GAAP financial measures when evaluating its continuing business performance as such items vary significantly based on the magnitude of the restructuring action and do not reflect expected future operating expenses. In addition, these charges do not necessarily provide meaningful insight into the fundamentals of current or past operations of its business.

**Benefit from adoption of software development activities** – Akamai recognized a benefit to non-income-related tax expense associated with the adoption of software development activities. Akamai excluded this item from its non-GAAP financial measures because transactions of this nature occur infrequently and not considered part of its core business operations.

**Amortization of debt discount and issuance costs and amortization of capitalized interest expense** – In February 2014, Akamai issued \$690 million of convertible senior notes due 2019 with a coupon interest rate of 0%. The imputed interest rate of the convertible senior notes was approximately 3.2%. This is a result of the debt discount recorded for the conversion feature that is required to be separately accounted for as equity under GAAP, thereby reducing the carrying value of the convertible debt instrument. The debt discount is amortized as interest expense together with the issuance costs of the debt. All of Akamai's interest expense is comprised of these non-cash components and is excluded from management's assessment of the company's operating performance because management believes the non-cash expense is not representative of ongoing operating performance.

**Gains and losses on investments** – Akamai has recorded gains and losses from the disposition and impairment of certain investments. Akamai believes excluding these amounts from its non-GAAP financial measures is useful to investors as the types of events giving rise to them occur infrequently and are not representative of Akamai's core business operations and ongoing operating performance.

**Legal matter costs** – Akamai has incurred losses from the settlement of legal matters and costs with respect to its internal U.S. Foreign Corrupt Practices Act ("FCPA") investigation in addition to the disgorgement Akamai was required to pay to resolve it. Akamai believes excluding these amounts from its non-GAAP financial measures is useful to investors as the types of events giving rise to them are not representative of Akamai's core business operations.



**Income tax effect of non-GAAP adjustments and certain discrete tax items** – The non-GAAP adjustments described above are reported on a pre-tax basis. The income tax effect of non-GAAP adjustments is the difference between GAAP and non-GAAP income tax expense. Non-GAAP income tax expense is computed on non-GAAP pre-tax income (GAAP pre-tax income adjusted for non-GAAP adjustments) and excludes certain discrete tax items (such as recording or releasing of valuation allowances), if any. Akamai believes that applying the non-GAAP adjustments and their related income tax effect allows Akamai to highlight income attributable to its core operations.