

FOR IMMEDIATE RELEASE

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AKAMAI REPORTS SECOND QUARTER 2015 FINANCIAL RESULTS

- **Revenue of \$541 million, up 14% year-over-year and up 18% adjusted for foreign exchange***
- **GAAP EPS of \$0.37 per diluted share, down 8% year-over-year and down 2% adjusted for foreign exchange***
- **Non-GAAP EPS of \$0.57 per diluted share, down 2% year-over-year and up 3% adjusted for foreign exchange***

CAMBRIDGE, Mass. – July 28, 2015 – Akamai Technologies, Inc. (NASDAQ: AKAM), the global leader in Content Delivery Network (CDN) services, today reported financial results for the second quarter ended June 30, 2015.

“Akamai delivered a solid second quarter with strong revenue growth across every geography and solution category, with particularly strong growth in our Cloud Security Solutions,” said Dr. Tom Leighton, Chief Executive Officer. “We are continuing to make major investments in innovation and the expansion of our platform to develop new products and to accommodate the potential for substantially increased OTT traffic in 2016.”

Akamai delivered the following results for the second quarter ended June 30, 2015:

Revenue: Revenue was \$541 million, a 14% increase over second quarter 2014 revenue of \$476 million and an 18% increase when adjusted for foreign exchange*.

Revenue by Solution Category:

- Media Delivery Solutions revenue was \$244 million, up 12% year-over-year and up 17% when adjusted for foreign exchange*
- Performance and Security Solutions revenue was \$256 million, up 15% year-over-year and up 19% when adjusted for foreign exchange*, which includes Cloud Security Solutions revenue of \$61 million, up 39% year-over-year and up 44% when adjusted for foreign exchange*
- Service and Support Solutions revenue was \$41 million, up 14% year-over-year and up 18% when adjusted for foreign exchange*

Revenue by Geography:

- U.S. revenue was \$399 million, a 16% increase over second quarter 2014
- International revenue was \$142 million, a 7% increase over second quarter 2014 and a 22% increase when adjusted for foreign exchange*

Income from operations: GAAP income from operations was \$106 million, a decrease over second quarter 2014 GAAP income from operations of \$112 million. GAAP operating margin for the second quarter of 2015 was 20%, down four percentage points from the same period last year.

Non-GAAP income from operations* was \$150 million, a decrease from \$156 million in the second quarter 2014. Non-GAAP operating margin* for the second quarter of 2015 was 28%, down five percentage points from the same period last year.

Net income: GAAP net income was \$67 million, an 8% decrease over second quarter 2014 GAAP net income of \$73 million. Non-GAAP net income* was \$102 million, a 3% decrease over second quarter 2014 non-GAAP net income of \$106 million.

EPS: GAAP EPS was \$0.37 per diluted share, an 8% decrease over second quarter 2014 GAAP EPS of \$0.40, and down 2% when adjusted for foreign exchange*.

Non-GAAP EPS was \$0.57 per diluted share, a 2% decrease over second quarter 2014 non-GAAP EPS of \$0.58 and up 3% when adjusted for foreign exchange*.

Adjusted EBITDA*: Adjusted EBITDA was \$214 million, up from \$204 million in the second quarter of 2014. Adjusted EBITDA margin* for the second quarter of 2015 was 40%, down three percentage points from the same period last year.

Other second quarter 2015 results included:

- Cash from operations was \$264 million, or 49% of revenue
- Cash, cash equivalents and marketable securities as of June 30, 2015 was \$1.5 billion
- The Company spent \$63 million to repurchase 0.9 million shares of its common stock at an average price of \$74.12 per share
- The Company had approximately 179 million shares of common stock outstanding as of June 30, 2015

*See Use of Non-GAAP Financial Measures below for definitions.

Quarterly Conference Call

Akamai will host a conference call today at 4:30 p.m. ET that can be accessed through 1-877-703-6102 (or 1-857-244-7301 for international calls) and using passcode No. 86468839. A live webcast of the call may be accessed at www.akamai.com in the Investor section. In addition, a replay of the call will be available for one week following the conference through the Akamai website or by calling 1-888-286-8010 (or 1-617-801-6888 for international calls) and using passcode No. 51036774.

About Akamai

As the global leader in Content Delivery Network (CDN) services, Akamai makes the Internet fast, reliable and secure for its customers. The company's advanced web performance, mobile performance, cloud security and media delivery solutions are revolutionizing how businesses optimize consumer, enterprise and entertainment experiences for any device, anywhere. To learn how Akamai solutions and its team of Internet experts are helping businesses move *faster forward*, please visit www.akamai.com or blogs.akamai.com, and follow @Akamai on Twitter.

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

| <i>(in thousands)</i> | June 30, 2015 | December 31, 2014 |
|--|---------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 257,448 | \$ 238,650 |
| Marketable securities | 386,055 | 519,642 |
| Accounts receivable, net | 342,930 | 329,578 |
| Prepaid expenses and other current assets | 119,365 | 128,981 |
| Deferred income tax assets | 45,678 | 45,704 |
| Current assets | <u>1,151,476</u> | <u>1,262,555</u> |
| Property and equipment, net | 704,571 | 601,591 |
| Marketable securities | 881,452 | 869,992 |
| Goodwill and acquired intangible assets, net | 1,301,677 | 1,183,706 |
| Deferred income tax assets | 1,890 | 1,955 |
| Other assets | 90,039 | 81,747 |
| Total assets | <u>\$ 4,131,105</u> | <u>\$ 4,001,546</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable and accrued expenses | \$ 290,684 | \$ 282,098 |
| Other current liabilities | 57,558 | 51,913 |
| Current liabilities | <u>348,242</u> | <u>334,011</u> |
| Deferred income tax liabilities | 38,833 | 39,299 |
| Convertible senior notes | 614,484 | 604,851 |
| Other liabilities | 84,234 | 78,050 |
| Total liabilities | <u>1,085,793</u> | <u>1,056,211</u> |
| Stockholders' equity | 3,045,312 | 2,945,335 |
| Total liabilities and stockholders' equity | <u>\$ 4,131,105</u> | <u>\$ 4,001,546</u> |

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| <i>(in thousands, except per share data)</i> | | | | | |
| Revenue | \$ 540,723 | \$ 526,536 | \$ 476,035 | \$ 1,067,259 | \$ 929,537 |
| Costs and operating expenses: | | | | | |
| Cost of revenue ⁽¹⁾⁽²⁾ | 179,910 | 169,294 | 149,318 | 349,204 | 288,930 |
| Research and development ⁽¹⁾ | 36,693 | 35,828 | 32,052 | 72,521 | 60,286 |
| Sales and marketing ⁽¹⁾ | 111,501 | 103,479 | 91,462 | 214,980 | 172,527 |
| General and administrative ⁽¹⁾⁽²⁾ | 99,152 | 89,592 | 81,880 | 188,744 | 158,041 |
| Amortization of acquired intangible assets | 6,752 | 6,780 | 8,403 | 13,532 | 15,251 |
| Restructuring charges | 455 | 42 | 569 | 497 | 1,304 |
| Total costs and operating expenses | 434,463 | 405,015 | 363,684 | 839,478 | 696,339 |
| Income from operations | 106,260 | 121,521 | 112,351 | 227,781 | 233,198 |
| Interest income | 2,541 | 3,001 | 1,740 | 5,542 | 3,379 |
| Interest expense | (4,678) | (4,576) | (4,516) | (9,254) | (6,457) |
| Other expense, net | (1,605) | (301) | (899) | (1,906) | (1,780) |
| Income before provision for income taxes | 102,518 | 119,645 | 108,676 | 222,163 | 228,340 |
| Provision for income taxes | 35,318 | 41,899 | 35,790 | 77,217 | 82,654 |
| Net income | \$ 67,200 | \$ 77,746 | \$ 72,886 | \$ 144,946 | \$ 145,686 |
| Net income per share: | | | | | |
| Basic | \$ 0.38 | \$ 0.44 | \$ 0.41 | \$ 0.81 | \$ 0.82 |
| Diluted | \$ 0.37 | \$ 0.43 | \$ 0.40 | \$ 0.80 | \$ 0.80 |
| Shares used in per share calculations: | | | | | |
| Basic | 178,682 | 178,545 | 178,081 | 178,614 | 178,393 |
| Diluted | 180,738 | 180,825 | 180,841 | 180,782 | 181,439 |

(1) Includes stock-based compensation (see supplemental table for figures)

(2) Includes depreciation and amortization (see supplemental table for figures)

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| <i>(in thousands)</i> | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| Cash flows from operating activities: | | | | | |
| Net income | \$ 67,200 | \$ 77,746 | \$ 72,886 | \$ 144,946 | \$ 145,686 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 73,989 | 70,460 | 58,712 | 144,449 | 112,228 |
| Stock-based compensation | 32,251 | 29,669 | 31,678 | 61,920 | 56,792 |
| Excess tax benefits from stock-based compensation | (9,609) | (13,128) | (4,483) | (22,737) | (19,661) |
| (Benefit) provision for deferred income taxes | (24,580) | 8,305 | 20,180 | (16,275) | 21,840 |
| Amortization of debt discount and issuance costs | 4,677 | 4,576 | 4,516 | 9,253 | 6,457 |
| Other non-cash reconciling items, net | 703 | 443 | 893 | 1,146 | 1,195 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | | | | |
| Accounts receivable | 18,260 | (32,552) | (23,117) | (14,292) | (41,254) |
| Prepaid expenses and other current assets | 13,839 | (1,817) | 7,963 | 12,022 | (12,998) |
| Accounts payable and accrued expenses | 84,376 | (52,703) | 43,970 | 31,673 | 21,459 |
| Deferred revenue | 76 | 6,947 | (409) | 7,023 | 4,750 |
| Other current liabilities | 157 | 42 | 132 | 199 | 1,419 |
| Other non-current assets and liabilities | 2,684 | 1,741 | (12,697) | 4,425 | (8,666) |
| Net cash provided by operating activities | 264,023 | 99,729 | 200,224 | 363,752 | 289,247 |
| Cash flows from investing activities: | | | | | |
| Cash paid for acquired businesses, net of cash acquired | (106,883) | (16,062) | 115 | (122,945) | (386,532) |
| Purchases of property and equipment and capitalization of internal-use software development costs | (96,013) | (137,069) | (70,519) | (233,082) | (154,525) |
| Purchases of short- and long-term marketable securities | (308,685) | (97,304) | (204,648) | (405,989) | (863,591) |
| Proceeds from sales and maturities of short- and long-term marketable securities | 222,030 | 307,655 | 138,152 | 529,685 | 538,122 |
| Other non-current assets and liabilities | (1,827) | (82) | 2,860 | (1,909) | 2,028 |
| Net cash (used in) provided by investing activities | (291,378) | 57,138 | (134,040) | (234,240) | (864,498) |

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

| <i>(in thousands)</i> | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| Cash flows from financing activities: | | | | | |
| Proceeds from the issuance of convertible senior notes, net | — | — | (868) | — | 678,735 |
| Proceeds from the issuance of warrants | — | — | — | — | 77,970 |
| Payment for bond hedge | — | — | — | — | (101,292) |
| Repayment of acquired debt and capital leases | — | — | — | — | (17,862) |
| Proceeds from the issuance of common stock under stock plans | 12,072 | 24,440 | 13,670 | 36,512 | 57,999 |
| Excess tax benefits from stock-based compensation | 9,609 | 13,128 | 4,483 | 22,737 | 19,661 |
| Employee taxes paid related to net share settlement of stock-based awards | (8,253) | (31,101) | (7,977) | (39,354) | (34,248) |
| Repurchases of common stock | (63,388) | (62,680) | (71,344) | (126,068) | (187,491) |
| Other non-current assets and liabilities | (1,250) | — | — | (1,250) | — |
| Net cash (used in) provided by financing activities | (51,210) | (56,213) | (62,036) | (107,423) | 493,472 |
| Effects of exchange rate changes on cash and cash equivalents | 3,456 | (6,747) | 1,291 | (3,291) | 2,053 |
| Net (decrease) increase in cash and cash equivalents | (75,109) | 93,907 | 5,439 | 18,798 | (79,726) |
| Cash and cash equivalents at beginning of period | 332,557 | 238,650 | 248,726 | 238,650 | 333,891 |
| Cash and cash equivalents at end of period | <u>\$ 257,448</u> | <u>\$ 332,557</u> | <u>\$ 254,165</u> | <u>\$ 257,448</u> | <u>\$ 254,165</u> |

AKAMAI TECHNOLOGIES, INC.
RECONCILIATION OF GAAP TO NON-GAAP INCOME FROM OPERATIONS, NET INCOME AND ADJUSTED EBITDA

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| <i>(in thousands, except per share data)</i> | | | | | |
| Income from operations | \$ 106,260 | \$ 121,521 | \$ 112,351 | \$ 227,781 | \$ 233,198 |
| <i>GAAP operating margin</i> | 20% | 23% | 24% | | |
| Amortization of acquired intangible assets | 6,752 | 6,780 | 8,403 | 13,532 | 15,251 |
| Stock-based compensation | 32,251 | 29,669 | 31,678 | 61,920 | 56,792 |
| Amortization of capitalized stock-based compensation and capitalized interest expense | 3,636 | 3,108 | 2,034 | 6,744 | 3,962 |
| Other operating expenses ⁽¹⁾ | 1,439 | 1,709 | 1,361 | 3,148 | 5,488 |
| Operating adjustments | 44,078 | 41,266 | 43,476 | 85,344 | 81,493 |
| Non-GAAP income from operations | \$ 150,338 | \$ 162,787 | \$ 155,827 | \$ 313,125 | \$ 314,691 |
| <i>Non-GAAP operating margin</i> | 28% | 31% | 33% | 29% | 34% |
| Net income | \$ 67,200 | \$ 77,746 | \$ 72,886 | \$ 144,946 | \$ 145,686 |
| Operating adjustments (from above) | 44,078 | 41,266 | 43,476 | 85,344 | 81,493 |
| Amortization of debt discount and issuance costs | 4,678 | 4,576 | 4,516 | 9,254 | 6,457 |
| Loss on investments | — | 25 | 393 | 25 | 393 |
| Income tax-effect of above non-GAAP adjustments and certain discrete tax items | (13,788) | (12,437) | (15,721) | (26,225) | (23,562) |
| Non-GAAP net income | 102,168 | 111,176 | 105,550 | 213,344 | 210,467 |
| Depreciation and amortization | 63,601 | 60,572 | 48,275 | 124,173 | 93,015 |
| Interest income | (2,541) | (3,001) | (1,740) | (5,542) | (3,379) |
| Other expense, net | 1,605 | 276 | 506 | 1,881 | 1,387 |
| Provision for GAAP income taxes | 35,318 | 41,899 | 35,790 | 77,217 | 82,654 |
| Income tax-effect of above non-GAAP adjustments and certain discrete tax items | 13,788 | 12,437 | 15,721 | 26,225 | 23,562 |
| Adjusted EBITDA | \$ 213,939 | \$ 223,359 | \$ 204,102 | \$ 437,298 | \$ 407,706 |
| <i>Adjusted EBITDA margin</i> | 40% | 42% | 43% | 41% | 44% |
| Non-GAAP net income per share: | | | | | |
| Basic | \$ 0.57 | \$ 0.62 | \$ 0.59 | \$ 1.19 | \$ 1.18 |
| Diluted | \$ 0.57 | \$ 0.61 | \$ 0.58 | \$ 1.18 | \$ 1.16 |
| Shares used in non-GAAP per share calculations: | | | | | |
| Basic | 178,682 | 178,545 | 178,081 | 178,614 | 178,393 |
| Diluted | 180,738 | 180,825 | 180,841 | 180,782 | 181,439 |

(1) Other operating expenses excluded from non-GAAP results include: acquisition-related costs, restructuring charges and certain legal matter costs. See the non-GAAP adjustment definitions below for additional information.

AKAMAI TECHNOLOGIES, INC.
SUPPLEMENTAL REVENUE DATA BY SOLUTION CATEGORY

| <i>(in thousands)</i> | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|---------------------|-------------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| Revenue by solution category | | | | | |
| Media Delivery Solutions | \$ 243,503 | \$ 241,842 | \$ 217,600 | \$ 485,345 | \$ 433,489 |
| Performance and Security Solutions | 256,039 | 244,982 | 222,162 | 501,021 | 424,341 |
| Service and Support Solutions | 41,181 | 39,712 | 36,273 | 80,893 | 71,707 |
| Total revenue | <u>\$ 540,723</u> | <u>\$ 526,536</u> | <u>\$ 476,035</u> | <u>\$ 1,067,259</u> | <u>\$ 929,537</u> |
| <i>Cloud Security Solutions revenue</i> | <u>\$ 60,973</u> | <u>\$ 55,040</u> | <u>\$ 43,724</u> | <u>\$ 116,013</u> | <u>\$ 73,887</u> |

Revenue growth rates year-over-year⁽¹⁾:

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Media Delivery Solutions | 12% | 12% | 21% | 12% | 20% |
| Performance and Security Solutions | 15 | 21 | 31 | 18 | 30 |
| Service and Support Solutions | 14 | 12 | 24 | 13 | 30 |
| Total revenue | <u>14%</u> | <u>16%</u> | <u>26%</u> | <u>15%</u> | <u>25%</u> |
| <i>Cloud Security Solutions revenue growth rates</i> | <u>39%</u> | <u>82%</u> | | <u>57%</u> | |

Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates⁽¹⁾⁽²⁾:

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Media Delivery Solutions | 17% | 16% | 20% | 16% | 20% |
| Performance and Security Solutions | 19 | 25 | 30 | 22 | 30 |
| Service and Support Solutions | 18 | 16 | 24 | 17 | 30 |
| Total revenue | <u>18%</u> | <u>20%</u> | <u>25%</u> | <u>19%</u> | <u>24%</u> |
| <i>Cloud Security Solutions revenue growth rates⁽²⁾</i> | <u>44%</u> | <u>87%</u> | | <u>62%</u> | |

AKAMAI TECHNOLOGIES, INC.
SUPPLEMENTAL REVENUE DATA BY GEOGRAPHY

| <i>(in thousands)</i> | Three Months Ended | | | Six Months Ended | |
|-----------------------------|--------------------|-------------------|-------------------|---------------------|-------------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| Revenue by geography | | | | | |
| U.S. | \$ 399,103 | \$ 388,973 | \$ 343,228 | \$ 788,076 | \$ 668,412 |
| International | 141,620 | 137,563 | 132,807 | 279,183 | 261,125 |
| Total revenue | <u>\$ 540,723</u> | <u>\$ 526,536</u> | <u>\$ 476,035</u> | <u>\$ 1,067,259</u> | <u>\$ 929,537</u> |

Revenue growth rates year-over-year⁽¹⁾:

| | | | | | |
|---------------|------------|------------|------------|------------|------------|
| U.S. | 16% | 20% | 25% | 18% | 24% |
| International | 7 | 7 | 27 | 7 | 26 |
| Total revenue | <u>14%</u> | <u>16%</u> | <u>26%</u> | <u>15%</u> | <u>25%</u> |

Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates⁽¹⁾⁽²⁾:

| | | | | | |
|---------------|------------|------------|------------|------------|------------|
| U.S. | 16% | 20% | 25% | 18% | 24% |
| International | 22 | 21 | 24 | 21 | 25 |
| Total revenue | <u>18%</u> | <u>20%</u> | <u>25%</u> | <u>19%</u> | <u>24%</u> |

(1) Growth rates for the six months ended June 30, 2014 exclude the impact of revenue from the Advertising Decision Solutions (ADS) business that was divested during the three months ended March 31, 2013

(2) See Use of Non-GAAP Financial Measures below for a definition

AKAMAI TECHNOLOGIES, INC.
OTHER SUPPLEMENTAL FINANCIAL DATA

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-------------------|------------------|-------------------|-------------------|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| <i>(in thousands, except end of period statistics)</i> | | | | | |
| Stock-based compensation: | | | | | |
| Cost of revenue | \$ 3,502 | \$ 3,163 | \$ 3,076 | \$ 6,665 | \$ 5,871 |
| Research and development | 6,009 | 5,366 | 5,061 | 11,375 | 9,538 |
| Sales and marketing | 12,847 | 12,983 | 12,796 | 25,830 | 23,328 |
| General and administrative | 9,893 | 8,157 | 10,745 | 18,050 | 18,055 |
| Total stock-based compensation | <u>\$ 32,251</u> | <u>\$ 29,669</u> | <u>\$ 31,678</u> | <u>\$ 61,920</u> | <u>\$ 56,792</u> |
| Depreciation and amortization: | | | | | |
| Network-related depreciation | \$ 50,145 | \$ 48,988 | \$ 38,496 | \$ 99,133 | \$ 75,161 |
| Other depreciation and amortization | 13,456 | 11,584 | 9,779 | 25,040 | 17,854 |
| Depreciation of property and equipment | 63,601 | 60,572 | 48,275 | 124,173 | 93,015 |
| Capitalized stock-based compensation amortization | 3,435 | 2,952 | 2,016 | 6,387 | 3,944 |
| Capitalized interest expense amortization | 201 | 156 | 18 | 357 | 18 |
| Amortization of acquired intangible assets | 6,752 | 6,780 | 8,403 | 13,532 | 15,251 |
| Total depreciation and amortization | <u>\$ 73,989</u> | <u>\$ 70,460</u> | <u>\$ 58,712</u> | <u>\$ 144,449</u> | <u>\$ 112,228</u> |
| Capital expenditures⁽¹⁾: | | | | | |
| Purchases of property and equipment | \$ 76,492 | \$ 89,129 | \$ 50,963 | \$ 165,621 | \$ 110,246 |
| Capitalized internal-use software development costs | 30,835 | 33,983 | 28,265 | 64,818 | 52,966 |
| Capitalized stock-based compensation | 4,471 | 4,144 | 3,943 | 8,615 | 7,727 |
| Capitalized interest expense | 619 | 675 | 597 | 1,294 | 834 |
| Total capital expenditures | <u>\$ 112,417</u> | <u>\$ 127,931</u> | <u>\$ 83,768</u> | <u>\$ 240,348</u> | <u>\$ 171,773</u> |
| Net increase (decrease) in cash, cash equivalents and marketable securities | \$ 9,816 | \$ (113,145) | \$ 73,001 | \$ (103,329) | \$ 245,480 |
| End of period statistics: | | | | | |
| Number of employees | 5,733 | 5,409 | 4,558 | | |
| Number of deployed servers | 189,136 | 175,094 | 154,079 | | |

(1) See Use of Non-GAAP Financial Measures below for a definition

Use of Non-GAAP Financial Measures

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 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, revenue adjusted for ADS divestiture 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 its business, as they exclude expenses and gains that may be infrequent, unusual in nature or not reflective of Akamai's ongoing operating results. 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 facilitate comparing financial results across accounting periods and to those of peer companies.

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 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.

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 and executives, 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 investors evaluate its performance and compare its operating results to peer companies.
- **Acquisition-related costs** – Acquisition-related costs include transaction 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 are not consistently recurring and do not reflect expected future operating expense, nor provide meaningful insight into the fundamentals of current or past operations of its business.

- **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, 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 which are recorded as an asset in the consolidated balance sheet. 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 indicative of ongoing operating performance.
- **Loss on investments and legal matters** – Akamai has incurred losses from the impairment of certain investments and the settlement of legal matters. In addition, Akamai has incurred costs with respect to its internal investigation relating to sales practices in a country outside the U.S. 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.
- **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 release 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.

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; other operating expenses (comprised of 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; and costs incurred with respect to Akamai's internal investigation relating to sales practices in a country outside the U.S.); and other non-recurring or unusual items that may arise from time to time.

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

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; other operating expenses (comprised of 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, and costs incurred with respect to Akamai's internal investigation relating to sales practices in a country outside the U.S.); 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.

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 net income per share. 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.

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; other operating expenses (comprised of 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; and costs incurred with respect to Akamai's internal investigation relating to sales practices in a country outside the U.S.); 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.

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

Capital expenditures – Purchases of property and equipment, capitalization of internal-use software development costs, capitalization of stock-based compensation and capitalization of interest expense.

Revenue, adjusted for ADS divestiture – Revenue excluding the impact of Akamai's Advertising Decision Solutions (ADS) divestiture.

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 Akamai's foreign subsidiaries weaken, 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 financial results and evaluation of performance in comparison to prior periods. The information presented is calculated by translating current period results using the same average foreign currency exchange rates per month from the comparative period.

Akamai Statement Under the Private Securities Litigation Reform Act

This release contains information about future expectations, plans and prospects of Akamai's management that constitute forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995, including statements about future business plans and opportunities. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors including, but not limited to, effects of increased competition including potential failure to maintain the prices we charge for our services and loss of significant customers; failure of the markets we address or plan to address to develop as we expect or at all; inability to increase our revenue at the same rate as in the past and keep our expenses from increasing at a greater rate than our revenues; a failure of Akamai's services or network infrastructure; delay in developing or failure to develop new service offerings or functionalities, and if developed, lack of market acceptance of such service offerings and functionalities or failure of such solutions to operate as expected, and other factors that are discussed in the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, and other documents periodically filed with the SEC.

In addition, the statements in this press release represent Akamai's expectations and beliefs as of the date of this press release. Akamai anticipates that subsequent events and developments may cause these expectations and beliefs to change. However, while Akamai may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Akamai's expectations or beliefs as of any date subsequent to the date of this press release.