

Akamai Technologies, Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
June 30, 2014

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.

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 and not reflective of Akamai's ongoing operating results. Management also believes that these non-GAAP financial measures provide useful information to investors in understanding and evaluating Akamai's operating results and future prospects in the same manner as management and in 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.

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

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; restructuring charges; acquisition-related costs; certain gains and losses on investments; gains and other activity related to divestiture of a business; foreign exchange gains and losses; loss on early extinguishment of debt; amortization of debt discount and issuance costs; amortization of capitalized interest expense; gains and losses on legal settlements and other non-recurring or unusual items that may arise from time to time.

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net income	\$ 72,886	\$ 72,800	\$ 61,895	\$ 145,686	\$ 133,382
Interest income	(1,740)	(1,639)	(1,477)	(3,379)	(3,085)
Provision for income taxes	35,790	46,864	37,426	82,654	68,603
Depreciation and amortization	48,275	44,740	36,414	93,015	70,828
Amortization of capitalized stock-based compensation	2,016	1,928	1,978	3,944	3,879
Amortization of capitalized interest expense	18	—	—	18	—
Amortization of acquired intangible assets	8,403	6,848	5,734	15,251	11,794
Stock-based compensation	31,678	25,114	24,801	56,792	47,732
Restructuring charges	569	735	391	1,304	822
Acquisition-related costs	792	3,392	31	4,184	368
Gain and other activity related to divestiture of a business	—	—	(1,093)	—	(2,281)
Amortization of debt discount and issuance costs	4,516	1,941	—	6,457	—
Other expense (income), net	899	881	(341)	1,780	(209)
Adjusted EBITDA	<u>\$ 204,102</u>	<u>\$ 203,604</u>	<u>\$ 165,759</u>	<u>\$ 407,706</u>	<u>\$ 331,833</u>

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

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue.....	\$ 476,035	\$ 453,502	\$ 378,106	\$ 929,537	\$ 746,152
Adjusted EBITDA.....	204,102	203,604	165,759	407,706	331,833
Adjusted EBITDA margin	<u>43%</u>	<u>45%</u>	<u>44%</u>	<u>44%</u>	<u>44%</u>

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; restructuring charges; acquisition-related costs; gains and other activity related to divestiture of a business; gains and losses on legal settlements and other non-recurring or unusual items that may arise from time to time.

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Income from operations	\$ 112,351	\$ 120,847	\$ 97,503	\$ 233,198	\$ 198,691
Amortization of acquired intangible assets.....	8,403	6,848	5,734	15,251	11,794
Stock-based compensation.....	31,678	25,114	24,801	56,792	47,732
Amortization of capitalized stock-based compensation	2,016	1,928	1,978	3,944	3,879
Amortization of capitalized interest expense.....	18	—	—	18	—
Restructuring charges.....	569	735	391	1,304	822
Acquisition-related costs.....	792	3,392	31	4,184	368
Gain and other activity related to divestiture of a business .	—	—	(1,093)	—	(2,281)
Non-GAAP income from operations	<u>\$ 155,827</u>	<u>\$ 158,864</u>	<u>\$ 129,345</u>	<u>\$ 314,691</u>	<u>\$ 261,005</u>

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

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue.....	\$ 476,035	\$ 453,502	\$ 378,106	\$ 929,537	\$ 746,152
Non-GAAP income from operations	155,827	158,864	129,345	314,691	261,005
Non-GAAP operating margin	<u>33%</u>	<u>35%</u>	<u>34%</u>	<u>34%</u>	<u>35%</u>

Non-GAAP net income – GAAP net income adjusted for the following tax-effected items: amortization of acquired intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; restructuring charges; acquisition-related costs; certain gains and losses on investments; gains and other activity related to divestiture of a business; loss on early extinguishment of debt; amortization of debt discount and issuance costs; amortization of capitalized interest expense; gains and losses on legal settlements and other non-recurring or unusual items that may arise from time to time.

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net income	\$ 72,886	\$ 72,800	\$ 61,895	\$ 145,686	\$ 133,382
Amortization of acquired intangible assets	8,403	6,848	5,734	15,251	11,794
Stock-based compensation	31,678	25,114	24,801	56,792	47,732
Amortization of capitalized stock-based compensation	2,016	1,928	1,978	3,944	3,879
Amortization of capitalized interest expense	18	—	—	18	—
Restructuring charges	569	735	391	1,304	822
Acquisition-related costs	792	3,392	31	4,184	368
Gain and other activity related to divestiture of a business	—	—	(1,093)	—	(2,281)
Amortization of debt discount and issuance costs	4,516	1,941	—	6,457	—
Loss on investments	393	—	—	393	—
Income tax-effect of above non-GAAP adjustments and certain discrete tax items	(15,721)	(7,841)	(9,726)	(23,562)	(18,452)
Non-GAAP net income	<u>\$ 105,550</u>	<u>\$ 104,917</u>	<u>\$ 84,011</u>	<u>\$ 210,467</u>	<u>\$ 177,244</u>

Non-GAAP net income per share (Non-GAAP EPS) – 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.

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Non-GAAP net income	\$ 105,550	\$ 104,917	\$ 84,011	\$ 210,467	\$ 177,244
Non-GAAP net income per share:					
Basic	\$ 0.59	\$ 0.59	\$ 0.47	\$ 1.18	\$ 1.00
Diluted	\$ 0.58	\$ 0.58	\$ 0.46	\$ 1.16	\$ 0.98
Shares used in per share calculations (GAAP and non-GAAP):					
Basic	178,081	178,705	177,891	178,393	177,895
Diluted	180,841	182,038	181,388	181,439	181,475

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, restructuring charges, acquisition-related costs and gains and other activity related to divestiture of a business.

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
GAAP operating expenses	\$ 214,366	\$ 193,043	\$ 155,898	\$ 407,409	\$ 302,364
Less:					
Stock-based compensation	28,602	22,319	22,083	50,921	42,387
Amortization of acquired intangible assets	8,403	6,848	5,734	15,251	11,794
Depreciation and amortization	9,876	8,173	6,227	18,049	11,803
Restructuring charges	569	735	391	1,304	822
Acquisition-related costs	792	3,392	31	4,184	368
Gain and other activity related to divestiture of a business	—	—	(1,093)	—	(2,281)
Cash operating expenses	<u>\$ 166,124</u>	<u>\$ 151,576</u>	<u>\$ 122,525</u>	<u>\$ 317,700</u>	<u>\$ 237,471</u>

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

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
GAAP cost of revenue	\$ 149,318	\$ 139,612	\$ 124,705	\$ 288,930	\$ 245,097
Less:					
Stock-based compensation	3,076	2,795	2,718	5,871	5,345
Depreciation and amortization	40,433	38,495	32,165	78,928	62,904
Cash cost of revenue	<u>\$ 105,809</u>	<u>\$ 98,322</u>	<u>\$ 89,822</u>	<u>\$ 204,131</u>	<u>\$ 176,848</u>

Cash gross profit – Revenue less cash cost of revenue.

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue	\$ 476,035	\$ 453,502	\$ 378,106	\$ 929,537	\$ 746,152
Cash cost of revenue	105,809	98,322	89,822	204,131	176,848
Cash gross profit	<u>\$ 370,226</u>	<u>\$ 355,180</u>	<u>\$ 288,284</u>	<u>\$ 725,406</u>	<u>\$ 569,304</u>

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

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue.....	\$ 476,035	\$ 453,502	\$ 378,106	\$ 929,537	\$ 746,152
Cash gross profit	370,226	355,180	288,284	725,406	569,304
Cash gross margin.....	<u>78%</u>	<u>78%</u>	<u>76%</u>	<u>78%</u>	<u>76%</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.

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Cash provided by operating activities.....	\$ 200,224	\$ 89,023	\$ 141,064	\$ 289,247	\$ 234,288
Purchases of property and equipment	(45,981)	(52,011)	(58,391)	(97,992)	(102,222)
Capitalization of internal-use software development costs .	(24,538)	(31,995)	(18,129)	(56,533)	(35,127)
Free cash flow	<u>\$ 129,705</u>	<u>\$ 5,017</u>	<u>\$ 64,544</u>	<u>\$ 134,722</u>	<u>\$ 96,939</u>

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

	Three Months Ended			Six Months Ended	
	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Purchases of property and equipment.....	\$ 50,963	\$ 59,283	\$ 54,369	\$ 110,246	\$ 100,847
Capitalization of internal-use software development costs .	28,265	24,701	18,129	52,966	35,127
Capitalization of stock-based compensation.....	3,943	3,784	3,245	7,727	6,183
Capitalization of interest expense	597	237	—	834	—
Capital expenditures.....	<u>\$ 83,768</u>	<u>\$ 88,005</u>	<u>\$ 75,743</u>	<u>\$ 171,773</u>	<u>\$ 142,157</u>

Capex margin – Capital expenditures, or capex, as a percentage of revenue.

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

Impact of Foreign Currency Exchange Rates on Revenue – Revenue from international operations has historically been an important contributor to Akamai's total revenue. Consequently, Akamai's revenue 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 enhances the understanding of revenue 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.

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 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 to Akamai's employees and executives, the expense varies with changes in the stock price and market conditions 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 in order to better understand the performance of Akamai's core business performance and to be consistent with the way investors evaluate its performance and comparison of its operating results to peer companies.

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 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 and past operations of its business.

Acquisition-related costs – Acquisition-related costs include transaction fees, due diligence costs and other one-time direct costs associated with strategic activities. In addition, subsequent adjustments to Akamai's initial estimated amount of contingent consideration 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 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 its acquisition transactions.

Gains and other activity related to divestiture of a business – Akamai recognized a gain and other activity related to the divestiture of its Advertising Decision Solutions business. Akamai excludes gains and other activity related to divestiture of a business from non-GAAP financial measures because transactions of this nature occur infrequently and are not considered part of Akamai's core business operations.

Amortization of debt discount and issuance costs and amortization of capitalized interest expense – 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.

Legal settlements, gains and losses on investments and losses on early extinguishment of debt – Akamai has incurred gains and losses associated with the resolution of certain legal actions, the impairment of certain investments and with the early extinguishment of convertible debt. Akamai believes excluding these amounts from non-GAAP financial measures is useful to investors as these actions occur infrequently, are not representative of Akamai's core business operations or meaningful in evaluating Akamai's business results.

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 more properly reflect the income attributable to its core operations.