Akamai Technologies, Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
December 31, 2017

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 provides forward-looking statements in the form of guidance during its quarterly earnings conference calls. This guidance is provided on a non-GAAP basis and cannot be reconciled to the closest GAAP measures without unreasonable effort because of the unpredictability of the amounts and timing of events affecting the items we exclude from non-GAAP measures. For example, stock-based compensation is unpredictable for Akamai’s performance-based awards, which can fluctuate significantly based on current expectations of future achievement of performance-based targets. Amortization of intangible assets, acquisition-related costs and restructuring costs are all impacted by the timing and size of potential future actions, which are difficult to predict. In addition, from time to time, Akamai excludes certain items that occur infrequently, which are also inherently difficult to predict and estimate. It is also difficult to predict the tax effect of the items we exclude and to estimate certain discrete tax items, like the resolution of tax audits or changes to tax laws. As such, the costs that are being excluded from non-GAAP guidance are difficult to predict and a reconciliation or a range of results could lead to disclosure that would be imprecise or potentially misleading. Material changes to any one of the exclusions could have a significant effect on our guidance and future GAAP results.

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; 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.

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Income from operations	$ 27,903	$ 85,877	$ 123,530	$ 316,219	$ 459,594
Amortization of acquired intangible assets	7,829	7,753	6,617	30,904	26,642
Stock-based compensation	42,205	41,848	39,202	164,308	144,506
Amortization of capitalized stock-based compensation and capitalized interest expense	5,750	5,736	3,777	19,953	15,439
Restructuring charges	51,581	332	65	54,884	10,301
Acquisition-related costs	19,995	530	541	23,374	1,064
Legal matter costs	—	—	—	—	890
Non-GAAP income from operations	$ 155,263	$ 142,076	$ 173,732	$ 609,642	$ 658,436

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

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenue	$ 663,452	$ 621,399	$ 616,124	$ 2,502,996	$ 2,340,049
Non-GAAP income from operations	155,263	142,076	173,732	609,642	658,436
Non-GAAP operating margin	23%	23%	28%	24%	28%

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; acquisition-related costs; restructuring charges; 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.

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net income	$ 19,107	$ 60,512	$ 91,639	$ 218,321	$ 316,132
Amortization of acquired intangible assets	7,829	7,753	6,617	30,904	26,642
Stock-based compensation	42,205	41,848	39,202	164,308	144,506
Amortization of capitalized stock-based compensation and capitalized interest expense	5,750	5,736	3,777	19,953	15,439
Restructuring charges	51,581	332	65	54,884	10,301
Acquisition-related costs	19,995	530	541	23,374	1,064
Legal matter costs	—	—	—	—	890
Amortization of debt discount and issuance costs	4,850	4,746	4,680	18,839	18,638
Gain on investments	(450)	—	(4,807)	(450)	(4,807)
Income tax-effect of above non-GAAP adjustments and certain discrete tax items	(33,142)	(14,802)	(15,567)	(77,385)	(52,661)
Non-GAAP net income	$ 117,725	$ 106,655	$ 126,147	$ 452,748	$ 476,144

Non-GAAP net income per diluted share – Non-GAAP net income divided by 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.

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
GAAP net income per diluted share	$ 0.11	$ 0.35	$ 0.52	$ 1.26	$ 1.79
Amortization of acquired intangible assets	0.05	0.05	0.04	0.18	0.15
Stock-based compensation	0.25	0.24	0.22	0.95	0.82
Amortization of capitalized stock-based compensation and capitalized interest expense	0.03	0.03	0.02	0.12	0.09
Restructuring charges	0.30	—	—	0.32	0.06
Acquisition-related costs	0.12	—	—	0.14	0.01
Legal matter costs	—	—	—	—	0.01
Amortization of debt discount and issuance costs	0.03	0.03	0.03	0.11	0.11
Gain on investments	—	—	(0.03)	—	(0.03)
Income tax effect of above non-GAAP adjustments and certain discrete tax items	(0.19)	(0.09)	(0.09)	(0.45)	(0.30)
Non-GAAP net income per diluted share	$ 0.69	$ 0.62	$ 0.72	$ 2.62	$ 2.70
Shares used in diluted per share calculations	170,727	171,505	175,284	172,711	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; 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.

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net income	$ 19,107	$ 60,512	$ 91,639	$ 218,321	$ 316,132
Interest income	(4,487)	(4,463)	(4,180)	(17,855)	(14,702)
Provision for income taxes	8,906	25,617	34,175	97,801	143,314
Depreciation and amortization	85,817	83,689	73,614	321,456	292,221
Amortization of capitalized stock-based compensation and capitalized interest expense	5,750	5,736	3,777	19,953	15,439
Amortization of acquired intangible assets	7,829	7,753	6,617	30,904	26,642
Stock-based compensation	42,205	41,848	39,202	164,308	144,506
Restructuring charges	51,581	332	65	54,884	10,301
Acquisition-related costs	19,995	530	541	23,374	1,064
Legal matter costs	—	—	—	—	890
Amortization of debt discount and issuance costs	4,850	4,746	4,680	18,839	18,638
Gain on investments	(450)	—	(4,807)	(450)	(4,807)
Other (income) expense, net	(23)	(535)	2,023	(437)	1,019
Adjusted EBITDA	$ 241,080	$ 225,765	$ 247,346	$ 931,098	$ 950,657

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

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenue	$ 663,452	$ 621,399	$ 616,124	$ 2,502,996	$ 2,340,049
Adjusted EBITDA	241,080	225,765	247,346	931,098	950,657
Adjusted EBITDA margin	36%	36%	40%	37%	41%

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; 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.

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
GAAP operating expenses	$ 405,612	$ 310,054	$ 289,119	$ 1,311,019	$ 1,071,454
Less:					
Stock-based compensation	36,946	36,552	34,139	143,994	126,219
Amortization of acquired intangible assets	7,829	7,753	6,617	30,904	26,642
Depreciation and amortization	19,845	19,686	17,700	76,128	65,781
Restructuring charges	51,581	332	65	54,884	10,301
Acquisition-related costs	19,995	530	541	23,374	1,064
Legal matter costs	—	—	—	—	890
Cash operating expenses	$ 269,416	$ 245,201	$ 230,057	$ 981,735	$ 840,557

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

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
GAAP cost of revenue	$ 229,937	$ 225,468	$ 203,475	$ 875,758	$ 809,001
Less:					
Stock-based compensation	5,259	5,296	5,063	20,314	18,287
Depreciation and amortization	71,722	69,739	59,691	265,281	241,879
Cash cost of revenue	$ 152,956	$ 150,433	$ 138,721	$ 590,163	$ 548,835

Cash gross profit – Revenue less cash cost of revenue.

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenue	$ 663,452	$ 621,399	$ 616,124	$ 2,502,996	$ 2,340,049
Cash cost of revenue	152,956	150,433	138,721	590,163	548,835
Cash gross profit	$ 510,496	$ 470,966	$ 477,403	$ 1,912,833	$ 1,791,214

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

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenue	$ 663,452	$ 621,399	$ 616,124	$ 2,502,996	$ 2,340,049
Cash gross profit	510,496	470,966	477,403	1,912,833	1,791,214
Cash gross margin	77%	76%	77%	76%	77%

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			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Cash provided by operating activities	$ 197,441	$ 236,291	$ 184,222	$ 800,983	$ 871,812
Less:					
Purchases of property and equipment	68,680	80,585	46,075	254,146	180,949
Capitalization of internal-use software development costs	38,172	39,155	29,863	160,632	135,340
Free cash flow	$ 90,589	$ 116,551	$ 108,284	$ 386,205	$ 555,523

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.

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Purchases of property and equipment	$ 50,716	$ 62,755	$ 44,646	$ 234,493	$ 196,771
Capitalization of internal-use software development costs	43,074	45,213	33,114	166,329	140,081
Capital expenditures, excluding stock-based compensation and interest expense	$ 93,790	$ 107,968	$ 77,760	$ 400,822	$ 336,852

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

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenue	$ 663,452	$ 621,399	$ 616,124	$ 2,502,996	$ 2,340,049
Capital expenditures, excluding stock-based compensation and interest expense	93,790	107,968	77,760	400,822	336,852
Capex margin	14%	17%	13%	16%	14%

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).

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
GAAP depreciation and amortization	$ 99,396	$ 97,178	$ 84,008	$ 372,313	$ 334,302
Less:					
Capitalized stock-based compensation amortization	5,029	5,046	3,323	17,518	13,752
Capitalized interest amortization	721	690	454	2,435	1,687
Amortization of acquired intangible assets	7,829	7,753	6,617	30,904	26,642
Non-GAAP depreciation	$ 85,817	$ 83,689	$ 73,614	$ 321,456	$ 292,221

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

	Three Months Ended			Year Ended	
	December 31, 2017	September 30, 2017	December 31, 2016	December 31, 2017	December 31, 2016
GAAP tax rate	32 %	30 %	27%	31 %	31 %
Income tax-effect of non-GAAP adjustments and certain discrete tax items	(6)%	(3)%	1%	(3)%	(2)%
Non-GAAP tax rate	26 %	27 %	28%	28 %	29 %

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.

Impact to EPS growth rates as a result of the acquisitions of Soasta and Nominum – The acquisitions of Soasta, Inc. on April 6, 2017 and Nominum, Inc. on November 27, 2017 are dilutive to the Company's financial results. In order to calculate the impact the acquisitions had on earnings per share, the earnings of each of the acquired companies is divided by the Company's weighted-average shares outstanding.

Impact to Adjusted EBITDA margin as a result of the acquisitions of Soasta and Nominum – The acquisitions of Soasta, Inc. on April 6, 2017 and Nominum, Inc. on November 27, 2017 are dilutive to the Company's financial results. In order to calculate the impact the acquisitions had on Adjusted EBITDA margin, the Adjusted EBITDA of each of the acquired companies is divided by the Company's consolidated revenue.

Impact to GAAP EPS per diluted share from provisional charges associated with US tax reform – Provisional charges recorded in the fourth quarter of 2017, as a result of US tax reform, impacted the Company's earnings per share. To calculate the per share impact, the one-time $26 million net charge is divided by diluted weighted-average shares outstanding for the corresponding 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.

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.