

Reconciliation of non-GAAP to GAAP financial measures

Akamai Technologies Inc.
September 30, 2004

The company has historically provided financial metrics, some of which are based on GAAP and others that are not prepared in accordance with GAAP (non-GAAP). Recent legislative and regulatory changes encourage the use of GAAP financial metrics and require companies to explain why non-GAAP financial metrics are relevant to management and investors.

Adjusted EBITDA - defined as net income (loss) before interest, taxes, depreciation, amortization, equity-related compensation, restructuring charges and benefits, certain gains and losses on equity investments, foreign exchange gains and losses, and loss on early extinguishment of debt

Adjusted-EBITDA	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Net income (loss)	\$ 11,249	\$ 6,803	\$ 2,921	\$ (3,909)	\$ (14,646)	\$ (8,647)
Interest expense, net	1,533	2,045	3,158	4,343	4,268	4,228
Provision for income taxes	71	430	84	82	123	73
Depreciation	4,148	4,831	6,044	10,757	13,385	15,248
Amortization of intangible assets	12	12	12	12	12	2,198
Restructuring charges (benefits)	-	-	-	-	1,299	(9,820)
Equity-related compensation	249	274	533	2,056	3,268	2,971
Loss on early extinguishment of debt	634	3,264	2,018	-	-	-
Loss (gain) on investments, net	79	-	(11)	(1,637)	-	15
Other (income) expense, net	(101)	85	138	(31)	(92)	295
Adjusted-EBITDA	\$ 17,874	\$ 17,744	\$ 14,897	\$ 11,673	\$ 7,617	\$ 6,561

Adjusted Gross EBITDA margin - defined as the percent of Adjusted EBITDA over revenue

Adjusted-EBITDA gross margin	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Revenue	\$ 53,286	\$ 50,786	\$ 48,367	\$ 41,767	\$ 37,759	\$ 36,564
Adjusted-EBITDA	17,874	17,744	14,897	11,673	7,617	6,561
Adjusted-EBITDA gross margin	34%	35%	31%	28%	20%	18%

Normalized net income (loss) - defined as net income (loss) before amortization on intangible assets, equity-related compensation, restructuring charges, benefits and certain gains and losses on equity investments, and loss on early extinguishment of debt

Normalized net income (loss)	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Net income (loss)	\$ 11,249	\$ 6,803	\$ 2,921	\$ (3,909)	\$ (14,646)	\$ (8,647)
Amortization of intangible assets	12	12	12	12	12	2,198
Restructuring benefits	-	-	-	-	1,299	(9,820)
Equity-related compensation	249	274	533	2,056	3,268	2,971
Loss on early extinguishment of debt	634	3,264	2,018	-	-	-
Loss (gain) on investments, net	79	-	(11)	(1,637)	-	15
Normalized net income (loss)	\$ 12,223	\$ 10,353	\$ 5,473	\$ (3,478)	\$ (10,067)	\$ (13,283)

Normalized net income (loss) per share - defined as normalized net income (loss) divided by the basic weighted average or diluted common shares outstanding.

Normalized net income (loss) per share	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Normalized net income (loss)	\$ 12,223	\$ 10,353	\$ 5,473	\$ (3,478)	\$ (10,067)	\$ (13,283)
Normalized net income (loss) per share:						
Basic	\$ 0.10	\$ 0.08	\$ 0.04	\$ (0.03)	\$ (0.09)	\$ (0.11)
Diluted	\$ 0.09	\$ 0.08	\$ 0.04	\$ (0.03)	\$ (0.09)	\$ (0.11)
Shares used in per share calculations:						
Basic	125,618	123,645	122,104	118,596	117,109	116,398
Diluted	134,349	133,463	133,825	118,596	117,109	116,398

Cash cost of revenue or Network costs (excluding depreciation, amortization and equity related compensation) - defined as cost of revenue less depreciation, amortization and equity-related compensation

Network costs (excluding depreciation, amortization and equity-related compensation)	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Cost of revenue	\$ 11,748	\$ 11,083	\$ 12,146	\$ 14,207	\$ 15,764	\$ 17,818
Less: Depreciation and impairment of network-related equipment and amortization of internal-use software	3,124	3,725	4,450	7,419	9,078	10,823
Less: Equity-related compensation for employees who operate the network	-	1	3	51	135	129
Network costs (excluding depreciation, amortization and equity-related compensation)	\$ 8,624	\$ 7,357	\$ 7,693	\$ 6,737	\$ 6,551	\$ 6,866

Cash gross profit - defined as gross profit before network-related depreciation, amortization of internal-use software and equity-related compensation

Cash gross profit	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Revenue	\$ 53,286	\$ 50,786	\$ 48,367	\$ 41,767	\$ 37,759	\$ 36,564
Less: Network costs, excluding depreciation, amortization and equity-related compensation	8,624	7,357	7,693	6,737	6,551	6,866
Cash gross profit	\$ 44,662	\$ 43,429	\$ 40,674	\$ 35,030	\$ 31,208	\$ 29,698

Cash gross margin - defined as the percent of cash gross profit over revenue

Cash gross margin	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Revenue	\$ 53,286	\$ 50,786	\$ 48,367	\$ 41,767	\$ 37,759	\$ 36,564
Cash gross profit	44,662	43,429	40,674	35,030	31,208	29,698
Cash gross margin	84%	86%	84%	84%	83%	81%

Research and development cash expenses - defined as Research and Development expenses excluding equity-related compensation

Research and development cash expenses (excluding equity-related compensation)	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Research and development	\$ 3,222	\$ 2,872	\$ 2,694	\$ 3,595	\$ 2,995	\$ 3,472
Less: Equity-related compensation	27	40	38	588	768	1,027
Research and development cash expenses (excluding equity-related compensation)	\$ 3,195	\$ 2,832	\$ 2,656	\$ 3,007	\$ 2,227	\$ 2,445

Sales and marketing cash expenses - defined as Sales and Marketing expenses excluding equity-related compensation

Sales and marketing cash expenses (excluding equity-related compensation)	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Sales and marketing	\$ 12,965	\$ 13,671	\$ 14,010	\$ 11,787	\$ 12,049	\$ 11,089
Less: Equity-related compensation	48	123	329	762	667	980
Sales and marketing cash expenses (excluding equity-related compensation)	\$ 12,917	\$ 13,548	\$ 13,681	\$ 11,025	\$ 11,382	\$ 10,109

General and administrative cash expenses - defined as General and Administrative expenses excluding depreciation, amortization and equity-related compensation

General and administrative cash expenses (excluding depreciation, amortization and equity-related compensation)	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
General and administrative	\$ 11,874	\$ 10,521	\$ 11,197	\$ 13,318	\$ 15,987	\$ 15,843
Less: Depreciation and amortization	1,024	1,106	1,594	3,338	4,307	4,425
Less: Equity-related compensation	174	110	163	655	1,698	835
General and administrative cash expenses (excluding depreciation, amortization and equity-related compensation)	<u>\$ 10,676</u>	<u>\$ 9,305</u>	<u>\$ 9,440</u>	<u>\$ 9,325</u>	<u>\$ 9,982</u>	<u>\$ 10,583</u>

Cash operating expenses - defined as the sum of Research and Development, Sales and Marketing, and General and Administrative expenses, excluding depreciation, amortization and equity-related compensation

Cash operating expenses (excluding equity-related compensation, amortization and depreciation allocation)	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Operating expenses:						
Research and development	\$ 3,195	\$ 2,832	\$ 2,656	\$ 3,007	\$ 2,227	\$ 2,445
Sales and marketing	12,917	13,548	13,681	11,025	11,382	10,109
General and administrative	10,676	9,305	9,440	9,325	9,982	10,583
Cash operating expenses	<u>\$ 26,788</u>	<u>\$ 25,685</u>	<u>\$ 25,777</u>	<u>\$ 23,357</u>	<u>\$ 23,591</u>	<u>\$ 23,137</u>
Cash gross profit	\$ 44,662	\$ 43,429	\$ 40,674	\$ 35,030	\$ 31,208	\$ 29,698
Less: Cash operating expenses	26,788	25,685	25,777	23,357	23,591	23,137
Adjusted-EBITDA	<u>\$ 17,874</u>	<u>\$ 17,744</u>	<u>\$ 14,897</u>	<u>\$ 11,673</u>	<u>\$ 7,617</u>	<u>\$ 6,561</u>

Capex or Capital expenditures - defined as purchases of property and equipment and capitalization of internal-use software development costs

Capex or Capital Expenditures	Three months ended					
	September 30, 2004	June 30, 2004	March 31, 2004	September 30, 2003	June 30, 2003	March 31, 2003
Purchases of property and equipment and capitalization of internal-use software	<u>\$ 5,346</u>	<u>\$ 4,575</u>	<u>\$ 3,042</u>	<u>\$ 2,110</u>	<u>\$ 1,857</u>	<u>\$ 2,202</u>