

Akamai Technologies, Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
September 30, 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			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Income from operations	\$ 85,877	\$ 87,211	\$ 111,765	\$ 288,316	\$ 336,064
Amortization of acquired intangible assets.....	7,753	7,753	6,598	23,075	20,025
Stock-based compensation.....	41,848	41,269	38,652	122,103	105,304
Amortization of capitalized stock-based compensation and capitalized interest expense.....	5,736	4,556	3,983	14,203	11,662
Restructuring charges.....	332	2,971	2,948	3,303	10,236
Acquisition-related costs.....	530	3,057	241	3,379	523
Legal matter costs	—	—	—	—	890
Non-GAAP income from operations	<u>\$ 142,076</u>	<u>\$ 146,817</u>	<u>\$ 164,187</u>	<u>\$ 454,379</u>	<u>\$ 484,704</u>

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

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenue.....	\$ 621,399	\$ 608,908	\$ 584,065	\$ 1,839,544	\$ 1,723,925
Non-GAAP income from operations	142,076	146,817	164,187	454,379	484,704
Non-GAAP operating margin.....	<u>23%</u>	<u>24%</u>	<u>28%</u>	<u>25%</u>	<u>28%</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; 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			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net income	\$ 60,512	\$ 57,772	\$ 76,000	\$ 199,214	\$ 224,493
Amortization of acquired intangible assets.....	7,753	7,753	6,598	23,075	20,025
Stock-based compensation.....	41,848	41,269	38,652	122,103	105,304
Amortization of capitalized stock-based compensation and capitalized interest expense.....	5,736	4,556	3,983	14,203	11,662
Restructuring charges.....	332	2,971	2,948	3,303	10,236
Acquisition-related costs.....	530	3,057	241	3,379	523
Legal matter costs	—	—	—	—	890
Amortization of debt discount and issuance costs ..	4,746	4,646	4,666	13,989	13,958
Income tax-effect of above non-GAAP adjustments and certain discrete tax items.....	(14,802)	(13,974)	(12,939)	(44,243)	(37,094)
Non-GAAP net income.....	<u>\$ 106,655</u>	<u>\$ 108,050</u>	<u>\$ 120,149</u>	<u>\$ 335,023</u>	<u>\$ 349,997</u>

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			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
GAAP net income per diluted share	\$ 0.35	\$ 0.33	\$ 0.43	\$ 1.15	\$ 1.27
Amortization of acquired intangible assets.....	0.05	0.04	0.04	0.13	0.11
Stock-based compensation.....	0.24	0.24	0.22	0.70	0.60
Amortization of capitalized stock-based compensation and capitalized interest expense.....	0.03	0.03	0.02	0.08	0.07
Restructuring charges.....	—	0.02	0.02	0.02	0.06
Acquisition-related costs.....	—	0.02	—	0.02	—
Legal matter costs	—	—	—	—	0.01
Amortization of debt discount and issuance costs ...	0.03	0.03	0.03	0.08	0.08
Income tax effect of above non-GAAP adjustments and certain discrete tax items.....	(0.09)	(0.08)	(0.07)	(0.26)	(0.21)
Non-GAAP net income per diluted share.....	<u>\$ 0.62</u>	<u>\$ 0.62</u>	<u>\$ 0.68</u>	<u>\$ 1.93</u>	<u>\$ 1.98</u>
Shares used in diluted per share calculations.....	171,505	173,439	175,617	173,371	176,525

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			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net income	\$ 60,512	\$ 57,772	\$ 76,000	\$ 199,214	\$ 224,493
Interest income	(4,463)	(4,281)	(3,809)	(13,368)	(10,522)
Provision for income taxes	25,617	29,637	35,686	88,895	109,139
Depreciation and amortization	83,689	76,897	73,930	235,639	218,607
Amortization of capitalized stock-based compensation and capitalized interest expense	5,736	4,556	3,983	14,203	11,662
Amortization of acquired intangible assets	7,753	7,753	6,598	23,075	20,025
Stock-based compensation	41,848	41,269	38,652	122,103	105,304
Restructuring charges	332	2,971	2,948	3,303	10,236
Acquisition-related costs	530	3,057	241	3,379	523
Legal matter costs	—	—	—	—	890
Amortization of debt discount and issuance costs	4,746	4,646	4,666	13,989	13,958
Other income, net	(535)	(563)	(778)	(414)	(1,004)
Adjusted EBITDA	<u>\$ 225,765</u>	<u>\$ 223,714</u>	<u>\$ 238,117</u>	<u>\$ 690,018</u>	<u>\$ 703,311</u>

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

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenue	\$ 621,399	\$ 608,908	\$ 584,065	\$ 1,839,544	\$ 1,723,925
Adjusted EBITDA	225,765	223,714	238,117	690,018	703,311
Adjusted EBITDA margin	<u>36%</u>	<u>37%</u>	<u>41%</u>	<u>38%</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; 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			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
GAAP operating expenses	\$ 310,054	\$ 307,047	\$ 267,833	\$ 905,407	\$ 782,335
Less:					
Stock-based compensation.....	36,552	36,195	33,951	107,048	92,080
Amortization of acquired intangible assets.....	7,753	7,753	6,598	23,075	20,025
Depreciation and amortization	19,686	18,069	16,688	56,283	48,081
Restructuring charges.....	332	2,971	2,948	3,303	10,236
Acquisition-related costs.....	530	3,057	241	3,379	523
Legal matter costs	—	—	—	—	890
Cash operating expenses	<u>\$ 245,201</u>	<u>\$ 239,002</u>	<u>\$ 207,407</u>	<u>\$ 712,319</u>	<u>\$ 610,500</u>

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

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
GAAP cost of revenue	\$ 225,468	\$ 214,650	\$ 204,467	\$ 645,821	\$ 605,526
Less:					
Stock-based compensation.....	5,296	5,074	4,701	15,055	13,224
Depreciation and amortization	69,739	63,384	61,225	193,559	182,188
Cash cost of revenue	<u>\$ 150,433</u>	<u>\$ 146,192</u>	<u>\$ 138,541</u>	<u>\$ 437,207</u>	<u>\$ 410,114</u>

Cash gross profit – Revenue less cash cost of revenue.

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenue.....	\$ 621,399	\$ 608,908	\$ 584,065	\$ 1,839,544	\$ 1,723,925
Cash cost of revenue	150,433	146,192	138,541	437,207	410,114
Cash gross profit	<u>\$ 470,966</u>	<u>\$ 462,716</u>	<u>\$ 445,524</u>	<u>\$ 1,402,337</u>	<u>\$ 1,313,811</u>

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			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenue.....	\$ 621,399	\$ 608,908	\$ 584,065	\$ 1,839,544	\$ 1,723,925
Cash gross profit	470,966	462,716	445,524	1,402,337	1,313,811
Cash gross margin.....	<u>76%</u>	<u>76%</u>	<u>76%</u>	<u>76%</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			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Cash provided by operating activities.....	\$ 236,291	\$ 224,633	\$ 251,848	\$ 603,542	\$ 687,590
Less:					
Purchases of property and equipment	80,585	59,657	48,054	185,466	134,874
Capitalization of internal-use software development costs	39,155	37,348	31,816	122,460	105,477
Free cash flow	<u>\$ 116,551</u>	<u>\$ 127,628</u>	<u>\$ 171,978</u>	<u>\$ 295,616</u>	<u>\$ 447,239</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.

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Purchases of property and equipment.....	\$ 62,755	\$ 64,522	\$ 51,332	\$ 183,777	\$ 152,125
Capitalization of internal-use software development costs.....	45,213	40,957	35,507	123,255	106,967
Capital expenditures, excluding stock-based compensation and interest expense.....	<u>\$ 107,968</u>	<u>\$ 105,479</u>	<u>\$ 86,839</u>	<u>\$ 307,032</u>	<u>\$ 259,092</u>

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			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenue.....	\$ 621,399	\$ 608,908	\$ 584,065	\$ 1,839,544	\$ 1,723,925
Capital expenditures, excluding stock-based compensation and interest expense.....	107,968	105,479	86,839	307,032	259,092
Capex as a percentage of revenue.....	<u>17%</u>	<u>17%</u>	<u>15%</u>	<u>17%</u>	<u>15%</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).

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
GAAP depreciation and amortization.....	\$ 97,178	\$ 89,206	\$ 84,511	\$ 272,917	\$ 250,294
Less:					
Capitalized stock-based compensation amortization	5,046	3,972	3,544	12,489	10,429
Capitalized interest amortization	690	584	439	1,714	1,233
Amortization of acquired intangible assets.....	7,753	7,753	6,598	23,075	20,025
Non-GAAP depreciation.....	<u>\$ 83,689</u>	<u>\$ 76,897</u>	<u>\$ 73,930</u>	<u>\$ 235,639</u>	<u>\$ 218,607</u>

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

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
GAAP tax rate.....	30%	34%	32%	31 %	33 %
Income tax-effect of non-GAAP adjustments and certain discrete tax items.....	(3)	(5)	(3)	(3)%	(4)%
Non-GAAP tax rate.....	<u>27%</u>	<u>29%</u>	<u>29%</u>	<u>28 %</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.

EPS growth rates, adjusted for the Soasta acquisition – Earnings per share adjusted for the April 6, 2017 acquisition of Soasta, Inc.

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.