

Akamai Technologies, Inc.
Reconciliation of GAAP to 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, 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 it excludes 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 excluded 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 Akamai's guidance and future GAAP results.

Akamai's definitions of its non-GAAP financial measures are outlined below. The following annual reconciliations have not been revised to reflect the adoption of the new revenue recognition standard, which Akamai adopted on a retrospective basis on January 1, 2018. Refer to Akamai's *Quarterly Report on Form 10-Q* for the quarter ended March 31, 2018 for additional information.

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; benefit from adoption of software development activities; 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.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Income from operations	\$ 314,487	\$ 413,968	\$ 489,519	\$ 466,150	\$ 459,594	\$ 316,219
Stock-based compensation	90,585	95,884	111,996	126,677	144,506	164,308
Amortization of acquired intangible assets	20,962	21,547	32,057	27,067	26,642	30,904
Amortization of capitalized stock- based compensation and capitalized interest expense	7,680	8,077	10,506	13,618	15,439	19,953
Restructuring charges	406	1,843	1,189	767	10,301	54,884
Benefit from adoption of software development activities	—	—	(2,670)	—	—	—
Acquisition-related costs	5,787	1,853	4,807	865	1,064	23,374
Legal matter costs	—	—	285	3,291	890	—
Gain from divestiture of a business	—	(1,188)	—	—	—	—
Non-GAAP income from operations	<u>\$ 439,907</u>	<u>\$ 541,984</u>	<u>\$ 647,689</u>	<u>\$ 638,435</u>	<u>\$ 658,436</u>	<u>\$ 609,642</u>

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

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Revenue	\$ 1,373,947	\$ 1,577,922	\$ 1,963,874	\$ 2,197,448	\$ 2,340,049	\$ 2,502,996
Non-GAAP income from operations	439,907	541,984	647,689	638,435	658,436	609,642
Non-GAAP operating margin	<u>32%</u>	<u>34%</u>	<u>33%</u>	<u>29%</u>	<u>28%</u>	<u>24%</u>

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; 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; 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.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Net income	\$ 203,989	\$ 293,487	\$ 333,948	\$ 321,406	\$ 316,132	\$ 218,321
Stock-based compensation	90,585	95,884	111,996	126,677	144,506	164,308
Amortization of acquired intangible assets	20,962	21,547	32,057	27,067	26,642	30,904
Amortization of capitalized stock- based compensation and capitalized interest expense	7,680	8,077	10,506	13,618	15,439	19,953
Restructuring charges	406	1,843	1,189	767	10,301	54,884
Benefit from adoption of software development activities	—	—	(2,670)	—	—	—
Acquisition-related costs	5,787	1,853	4,807	865	1,064	23,374
Legal matter costs	—	—	285	3,291	890	—
Gain from divestiture of a business	—	(1,188)	—	—	—	—
Amortization of debt discount and issuance costs	—	—	15,463	18,525	18,638	18,839
Loss (gain) on investments	—	—	443	25	(4,807)	(450)
Income tax-effect of above non- GAAP adjustments and certain discrete tax items	(38,061)	(54,124)	(59,202)	(58,309)	(52,661)	(77,385)
Non-GAAP net income	<u>\$ 291,348</u>	<u>\$ 367,379</u>	<u>\$ 448,822</u>	<u>\$ 453,932</u>	<u>\$ 476,144</u>	<u>\$ 452,748</u>

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 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.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Non-GAAP net income	\$ 291,348	\$ 367,379	\$ 448,822	\$ 453,932	\$ 476,144	\$ 452,748
Non-GAAP net income per share:						
Basic	\$ 1.64	\$ 2.06	\$ 2.52	\$ 2.54	\$ 2.72	\$ 2.64
Diluted	\$ 1.60	\$ 2.02	\$ 2.48	\$ 2.52	\$ 2.70	\$ 2.62
Shares used in per share calculations (GAAP and non-GAAP):						
Basic	177,900	178,196	178,279	178,391	174,917	171,559
Diluted	181,749	181,783	181,186	180,415	176,215	172,711

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; benefit from adoption of software development activities; 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.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Net income	\$ 203,989	\$ 293,487	\$ 333,948	\$ 321,406	\$ 316,132	\$ 218,321
Interest income	(6,455)	(6,077)	(7,680)	(11,200)	(14,702)	(17,855)
Provision for income taxes.....	117,602	126,067	145,828	135,218	143,314	97,801
Depreciation and amortization	175,521	154,807	204,843	258,878	292,221	321,456
Amortization of acquired intangible assets	20,962	21,547	32,057	27,067	26,642	30,904
Amortization of capitalized stock- based compensation and capitalized interest expense.....	7,680	8,077	10,506	13,618	15,439	19,953
Stock-based compensation.....	90,585	95,884	111,996	126,677	144,506	164,308
Restructuring charges.....	406	1,843	1,189	767	10,301	54,884
Benefit from adoption of software development activities.....	—	—	(2,670)	—	—	—
Acquisition-related costs.....	5,787	1,853	4,807	865	1,064	23,374
Legal matter costs	—	—	285	3,291	890	—
Gain from divestiture of a business	—	(1,188)	—	—	—	—
Amortization of debt discount and issuance costs	—	—	15,463	18,525	18,638	18,839
Loss (gain) on investments	—	—	443	25	(4,807)	(450)
Other (income) expense, net	(649)	491	1,517	2,176	1,019	(437)
Adjusted EBITDA.....	<u>\$ 615,428</u>	<u>\$ 696,791</u>	<u>\$ 852,532</u>	<u>\$ 897,313</u>	<u>\$ 950,657</u>	<u>\$ 931,098</u>

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

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Revenue.....	\$ 1,373,947	\$ 1,577,922	\$ 1,963,874	\$ 2,197,448	\$ 2,340,049	\$ 2,502,996
Adjusted EBITDA.....	615,428	696,791	852,532	897,313	950,657	931,098
Adjusted EBITDA margin.....	<u>45%</u>	<u>44%</u>	<u>43%</u>	<u>41%</u>	<u>41%</u>	<u>37%</u>

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

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
GAAP cost of revenue.....	\$ 529,900	\$ 511,087	\$ 610,943	\$ 725,620	\$ 809,001	\$ 875,758
Less:						
Stock-based compensation	11,309	10,867	11,934	14,145	18,287	20,314
Depreciation and amortization ..	163,181	135,894	175,295	217,935	241,879	265,281
Cash cost of revenue	<u>\$ 355,410</u>	<u>\$ 364,326</u>	<u>\$ 423,714</u>	<u>\$ 493,540</u>	<u>\$ 548,835</u>	<u>\$ 590,163</u>

Cash gross profit – Revenue less cash cost of revenue.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Revenue.....	\$ 1,373,947	\$ 1,577,922	\$ 1,963,874	\$ 2,197,448	\$ 2,340,049	\$ 2,502,996
Cash cost of revenue	355,410	364,326	423,714	493,540	548,835	590,163
Cash gross profit	<u>\$ 1,018,537</u>	<u>\$ 1,213,596</u>	<u>\$ 1,540,160</u>	<u>\$ 1,703,908</u>	<u>\$ 1,791,214</u>	<u>\$ 1,912,833</u>

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

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Revenue.....	\$ 1,373,947	\$ 1,577,922	\$ 1,963,874	\$ 2,197,448	\$ 2,340,049	\$ 2,502,996
Cash gross profit	1,018,537	1,213,596	1,540,160	1,703,908	1,791,214	1,912,833
Cash gross margin	<u>74%</u>	<u>77%</u>	<u>78%</u>	<u>78%</u>	<u>77%</u>	<u>76%</u>

Non-GAAP R&D – GAAP research and development expenses, excluding stock-based compensation.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
GAAP R&D	\$ 74,744	\$ 93,879	\$ 125,286	\$ 148,591	\$ 167,628	\$ 222,434
Less:						
Stock-based compensation	17,275	17,472	19,341	23,927	29,739	38,864
Non-GAAP R&D	<u>\$ 57,469</u>	<u>\$ 76,407</u>	<u>\$ 105,945</u>	<u>\$ 124,664</u>	<u>\$ 137,889</u>	<u>\$ 183,570</u>

Non-GAAP S&M – GAAP sales and marketing expenses, excluding stock-based compensation and acquisition-related costs.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
GAAP S&M	\$ 223,348	\$ 280,380	\$ 379,035	\$ 440,988	\$ 426,967	\$ 493,632
Less:						
Stock-based compensation	34,322	39,290	47,570	53,542	55,407	60,246
Acquisition-related costs	—	—	896	309	36	1
Non-GAAP S&M	<u>\$ 189,026</u>	<u>\$ 241,090</u>	<u>\$ 330,569</u>	<u>\$ 387,137</u>	<u>\$ 371,524</u>	<u>\$ 433,385</u>

Non-GAAP G&A – GAAP general and administrative expenses, excluding stock-based compensation, depreciation and amortization, acquisition-related costs, 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 FCPA investigation.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
GAAP G&A	\$ 210,100	\$ 255,218	\$ 325,845	\$ 388,265	\$ 439,916	\$ 509,165
Less:						
Stock-based compensation	27,679	28,255	33,151	35,063	41,073	44,884
Depreciation and amortization	20,020	26,990	40,054	54,561	65,781	76,128
Acquisition-related costs	5,787	1,853	3,911	556	1,028	23,373
Benefit from adoption of software development activities	—	—	(2,670)	—	—	—
Gain from divestiture of a business	—	(1,188)	—	—	—	—
Legal matter costs	—	—	285	3,291	890	—
Non-GAAP G&A	<u>\$ 156,614</u>	<u>\$ 199,308</u>	<u>\$ 251,114</u>	<u>\$ 294,794</u>	<u>\$ 331,144</u>	<u>\$ 364,780</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; benefit from adoption of software development activities; 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.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
GAAP operating expenses	\$ 529,560	\$ 652,867	\$ 863,412	\$ 1,005,678	\$ 1,071,454	\$ 1,311,019
Less:						
Stock-based compensation	79,276	85,017	100,062	112,532	126,219	143,994
Amortization of acquired intangible assets.....	20,962	21,547	32,057	27,067	26,642	30,904
Depreciation and amortization .	20,020	26,990	40,054	54,561	65,781	76,128
Restructuring charges.....	406	1,843	1,189	767	10,301	54,884
Benefit from adoption of software development activities	—	—	(2,670)	—	—	—
Acquisition-related costs.....	5,787	1,853	4,807	865	1,064	23,374
Legal matter costs.....	—	—	285	3,291	890	—
Gain from divestiture of a business	—	(1,188)	—	—	—	—
Cash operating expenses	<u>\$ 403,109</u>	<u>\$ 516,805</u>	<u>\$ 687,628</u>	<u>\$ 806,595</u>	<u>\$ 840,557</u>	<u>\$ 981,735</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.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Cash provided by operating activities	\$ 553,035	\$ 586,709	\$ 690,308	\$ 793,452	\$ 871,812	\$ 800,983
Less:						
Purchases of property and equipment	166,773	187,964	207,159	311,676	180,949	254,146
Capitalization of internal-use software development costs.....	54,204	72,109	111,468	133,307	135,340	160,632
Free cash flow	<u>\$ 332,058</u>	<u>\$ 326,636</u>	<u>\$ 371,681</u>	<u>\$ 348,469</u>	<u>\$ 555,523</u>	<u>\$ 386,205</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.

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Purchases of property and equipment.....	\$ 166,246	\$ 183,146	\$ 223,565	\$ 289,591	\$ 196,771	\$ 234,493
Capitalization of internal-use software development costs	54,204	75,234	116,062	128,236	140,081	166,329
Capital expenditures, excluding stock-based compensation and interest expense	<u>\$ 220,450</u>	<u>\$ 258,380</u>	<u>\$ 339,627</u>	<u>\$ 417,827</u>	<u>\$ 336,852</u>	<u>\$ 400,822</u>

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

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Revenue.....	\$ 1,373,947	\$ 1,577,922	\$ 1,963,874	\$ 2,197,448	\$ 2,340,049	\$ 2,502,996
Capital expenditures, excluding stock-based compensation and interest expense	220,450	258,380	339,627	417,827	336,852	400,822
Capex as a percentage of revenue .	<u>16%</u>	<u>16%</u>	<u>17%</u>	<u>19%</u>	<u>14%</u>	<u>16%</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).

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
GAAP depreciation and amortization	\$ 204,163	\$ 184,431	\$ 247,406	\$ 299,563	\$ 334,302	\$ 372,313
Less:						
Capitalized stock-based compensation amortization	7,680	8,077	10,345	12,717	13,752	17,518
Capitalized interest amortization.....	—	—	161	901	1,687	2,435
Amortization of acquired intangible assets.....	20,962	21,547	32,057	27,067	26,642	30,904
Non-GAAP depreciation	<u>\$ 175,521</u>	<u>\$ 154,807</u>	<u>\$ 204,843</u>	<u>\$ 258,878</u>	<u>\$ 292,221</u>	<u>\$ 321,456</u>

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

	Year Ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
GAAP tax rate	37 %	30%	30%	30%	31 %	31 %
Income tax-effect of non-GAAP adjustments and certain discrete tax items	(2)%	3%	1%	—%	(2)%	(3)%
Non-GAAP tax rate	<u>35 %</u>	<u>33%</u>	<u>31%</u>	<u>30%</u>	<u>29 %</u>	<u>28 %</u>

The following quarterly reconciliations have been revised to reflect the adoption of the new revenue recognition standard, which Akamai adopted on a retrospective basis on January 1, 2018. Refer to Akamai's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 for additional information.

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; benefit from adoption of software development activities; 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			
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
Income from operations	\$ 85,593	\$ 91,253	\$ 32,109	\$ 68,557
Stock-based compensation.....	41,269	41,848	42,205	44,686
Amortization of acquired intangible assets.....	7,753	7,753	7,829	8,431
Amortization of capitalized stock-based compensation and capitalized interest expense	4,556	5,736	5,750	6,263
Restructuring charges	2,971	332	51,581	14,908
Acquisition-related costs	3,057	530	19,995	1,143
Legal and stockholder matter costs.....	—	—	—	23,091
Non-GAAP income from operations	<u>\$ 145,199</u>	<u>\$ 147,452</u>	<u>\$ 159,469</u>	<u>\$ 167,079</u>

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

	Three Months Ended			
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
Revenue	\$ 605,832	\$ 624,440	\$ 658,470	\$ 668,724
Non-GAAP income from operations	145,199	147,452	159,469	167,079
Non-GAAP operating margin	<u>24%</u>	<u>24%</u>	<u>24%</u>	<u>25%</u>

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 from professional service providers related to a non-routine stockholder matter; 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			
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
Net income.....	\$ 56,752	\$ 63,911	\$ 27,520	\$ 53,714
Interest income.....	(4,281)	(4,463)	(4,487)	(3,965)
Provision for income taxes	29,039	27,594	4,699	13,979
Depreciation and amortization.....	76,897	83,689	85,817	89,401
Amortization of capitalized stock-based compensation and capitalized interest expense	4,556	5,736	5,750	6,263
Amortization of acquired intangible assets.....	7,753	7,753	7,829	8,431
Stock-based compensation.....	41,269	41,848	42,205	44,686
Restructuring charges	2,971	332	51,581	14,908
Acquisition-related costs	3,057	530	19,995	1,143
Legal and stockholder matter costs.....	—	—	—	23,091
Amortization of debt discount and issuance costs.....	4,646	4,746	4,850	4,850
Gain on investments	—	—	(450)	—
Other income, net.....	(563)	(535)	(23)	(21)
Adjusted EBITDA	<u>\$ 222,096</u>	<u>\$ 231,141</u>	<u>\$ 245,286</u>	<u>\$ 256,480</u>

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

	Three Months Ended			
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
Revenue	\$ 605,832	\$ 624,440	\$ 658,470	\$ 668,724
Adjusted EBITDA	222,096	231,141	245,286	256,480
Adjusted EBITDA margin	<u>37%</u>	<u>37%</u>	<u>37%</u>	<u>38%</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 from professional service providers related to a non-routine stockholder matter; 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			
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
Net income.....	\$ 56,752	\$ 63,911	\$ 27,520	\$ 53,714
Stock-based compensation.....	41,269	41,848	42,205	44,686
Amortization of capitalized stock-based compensation and capitalized interest expense	4,556	5,736	5,750	6,263
Amortization of acquired intangible assets.....	7,753	7,753	7,829	8,431
Restructuring charges	2,971	332	51,581	14,908
Acquisition-related costs	3,057	530	19,995	1,143
Legal and shareholder matter costs.....	—	—	—	23,091
Amortization of debt discount and issuance costs.....	4,646	4,746	4,850	4,850
Gain on investments	—	—	(450)	—
Income tax-effect of above non-GAAP adjustments and certain discrete tax items	(13,974)	(14,802)	(38,574)	(21,283)
Non-GAAP net income.....	<u>\$ 107,030</u>	<u>\$ 110,054</u>	<u>\$ 120,706</u>	<u>\$ 135,803</u>

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 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			
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
Non-GAAP net income.....	\$ 107,030	\$ 110,054	\$ 120,706	\$ 135,803
Non-GAAP net income per share:				
Basic.....	\$ 0.62	\$ 0.64	\$ 0.71	\$ 0.80
Diluted.....	\$ 0.62	\$ 0.64	\$ 0.71	\$ 0.79
Shares used in per share calculations (GAAP and non-GAAP):				
Basic.....	172,674	170,976	169,429	170,116
Diluted.....	173,439	171,505	170,727	172,004

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.

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 and do not reflect Akamai's core operations.

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.

Benefit from adoption of software development activities – Akamai recognized a benefit to non-income related tax expense associated with the adoption of software development activities. Akamai excluded this item from its non-GAAP financial measures because transactions of this nature occur infrequently and are not considered part of its core business operations.

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 and shareholder matter costs – Akamai has incurred losses related to the settlement of legal matters, costs from professional service providers related to a non-routine stockholder matter and costs with respect to its internal U.S. Foreign Corrupt Practices Act ("FCPA") investigation. 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.

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 releasing 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.