

FOR IMMEDIATE RELEASE

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AKAMAI REPORTS THIRD QUARTER 2016 FINANCIAL RESULTS

- **Revenue of \$584 million, up 6% year-over-year and up 5% when adjusted for foreign exchange***
- **Revenue excluding Internet Platform Customers⁽¹⁾ up 15% year-over-year and up 15% when adjusted for foreign exchange***
- **GAAP EPS of \$0.43 per diluted share, down 12% year-over-year and down 15% when adjusted for foreign exchange***
- **Non-GAAP EPS of \$0.68 per diluted share, up 10% year-over-year and up 7% when adjusted for foreign exchange***

CAMBRIDGE, Mass. – October 25, 2016 – Akamai Technologies, Inc. (NASDAQ: AKAM), the global leader in Content Delivery Network (CDN) services, today reported financial results for the third quarter ended September 30, 2016.

“Akamai’s strong third quarter revenue and earnings performance was primarily driven by accelerated growth in both our Cloud Security and Web Performance Solutions,” said Dr. Tom Leighton, Chief Executive Officer. “As the cyber-attacks from last week demonstrate, enterprises need solutions capable of defending against massive botnets that are exploiting millions of online devices. This is an area where Akamai’s unique architecture and ongoing investments in global scale and security innovation continue to make a critical difference.”

Akamai delivered the following financial results for the third quarter ended September 30, 2016:

Revenue: Revenue was \$584 million, a 6% increase over third quarter 2015 revenue of \$551 million and a 5% increase when adjusted for foreign exchange.*

Revenue by Solution Category⁽²⁾:

- Performance and Security Solutions revenue was \$345 million, up 19% year-over-year and also up 19% when adjusted for foreign exchange*
- Cloud Security Solutions revenue, a component of Performance and Security, was \$95 million, up 46% year-over-year and also up 46% when adjusted for foreign exchange*
- Media Delivery Solutions revenue was \$188 million, down 14% year-over-year and down 15% when adjusted for foreign exchange*
- Services and Support Solutions revenue was \$51 million, up 17% year-over-year and up 16% when adjusted for foreign exchange*

Revenue by Geography:

- U.S. revenue was \$404 million, up 1% year-over-year
- International revenue was \$180 million, up 20% year-over-year and up 17% when adjusted for foreign exchange*

Customer Revenue by Division⁽³⁾:

Effective in the second quarter of 2016, the Company is now managing the business in a new division structure. Revenue from customers in the Company's three major divisions is reported below.

- Media Division revenue was \$284 million, down 4% year-over-year and down 5% when adjusted for foreign exchange*
- Web Division revenue was \$285 million, up 17% year-over-year and up 16% when adjusted for foreign exchange*
- Enterprise and Carrier Division revenue was \$15 million, up 43% year-over-year and also up 43% when adjusted for foreign exchange*

Revenue from Internet Platform Customers⁽¹⁾:

- Revenue from Internet Platform Customers was \$58 million, down 39% year-over-year and down 40% when adjusted for foreign exchange.*
- Revenue excluding Internet Platform Customers was \$526 million, up 15% year-over-year and also up 15% when adjusted for foreign exchange.*

Income from operations: GAAP income from operations was \$112 million, a 3% decrease from third quarter 2015. GAAP operating margin for the third quarter was 19%, down 2 percentage points from the same period last year.

Non-GAAP income from operations* was \$164 million, a 4% increase from third quarter 2015. Non-GAAP operating margin* for the third quarter was 28%, down a percentage point from the same period last year.

Net income: GAAP net income was \$76 million, a 14% decrease from third quarter 2015. Non-GAAP net income* was \$120 million, a 7% increase from third quarter 2015.

EPS: GAAP EPS was \$0.43 per diluted share, a 12% decrease from third quarter 2015 and a 15% decrease when adjusted for foreign exchange.* Non-GAAP EPS was \$0.68 per diluted share, a 10% increase from third quarter 2015 and a 7% increase when adjusted for foreign exchange.*

Adjusted EBITDA*: Adjusted EBITDA was \$238 million, a 7% increase from third quarter 2015. Adjusted EBITDA margin* was 41%, up a percentage point from the third quarter of 2015.

Other third quarter 2016 results included:

- Cash from operations was \$251 million, or 43% of revenue
- Cash, cash equivalents and marketable securities as of September 30, 2016 was \$1.7 billion
- The Company spent \$95 million to repurchase 1.8 million shares of its common stock at an average price of \$53.33 per share
- The Company had approximately 174 million shares of common stock outstanding as of September 30, 2016

* See Use of Non-GAAP Financial Measures below for definitions

- (1) Internet Platform Customers – Six customers that are large Internet platform companies: Amazon, Apple, Facebook, Google, Microsoft and Netflix
- (2) Revenue by solution category – A product-focused reporting view that reflects revenue by solution purchased
- (3) Customer revenue by division – A customer-focused reporting view that reflects revenue from customers that are managed by the division.

Quarterly Conference Call

Akamai will host a conference call today at 4:30 p.m. ET that can be accessed through 1-844-578-9671 (or 1-508-637-5655 for international calls) and using passcode 86580404. A live webcast of the call may be accessed at www.akamai.com in the Investor section. In addition, a replay of the call will be available for two weeks following the conference by calling 1-855-859-2056 (or 1-404-537-3406 for international calls) and using passcode No. 86580404. The archived webcast of this event may be accessed through the Akamai website.

About Akamai

As the global leader in Content Delivery Network (CDN) services, Akamai makes the Internet fast, reliable and secure for its customers. The company's advanced web performance, mobile performance, cloud security and media delivery solutions are revolutionizing how businesses optimize consumer, enterprise and entertainment experiences for any device, anywhere. To learn how Akamai solutions and its team of Internet experts are helping businesses move *faster forward*, please visit www.akamai.com or blogs.akamai.com, and follow @Akamai on Twitter.

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

| <i>(in thousands)</i> | September 30, 2016 | December 31, 2015 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 381,803 | \$ 289,473 |
| Marketable securities | 529,416 | 460,088 |
| Accounts receivable, net | 357,997 | 380,399 |
| Prepaid expenses and other current assets | 117,748 | 123,228 |
| Total current assets | 1,386,964 | 1,253,188 |
| Property and equipment, net | 797,923 | 753,180 |
| Marketable securities | 767,691 | 774,674 |
| Goodwill | 1,151,216 | 1,150,244 |
| Acquired intangible assets, net | 138,870 | 156,095 |
| Deferred income tax assets | 21,156 | 4,700 |
| Other assets | 89,815 | 89,603 |
| Total assets | <u>\$ 4,353,635</u> | <u>\$ 4,181,684</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 74,328 | \$ 61,982 |
| Accrued expenses | 291,101 | 216,166 |
| Deferred revenue | 61,292 | 54,154 |
| Other current liabilities | 4,815 | 138 |
| Total current liabilities | 431,536 | 332,440 |
| Deferred revenue | 4,134 | 4,163 |
| Deferred income tax liabilities | 8,963 | 12,888 |
| Convertible senior notes | 634,504 | 618,047 |
| Other liabilities | 105,567 | 93,268 |
| Total liabilities | 1,184,704 | 1,060,806 |
| Total stockholders' equity | 3,168,931 | 3,120,878 |
| Total liabilities and stockholders' equity | <u>\$ 4,353,635</u> | <u>\$ 4,181,684</u> |

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended | | | Nine Months Ended | |
|--|-----------------------|------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2016 | June 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| <i>(in thousands, except per share data)</i> | | | | | |
| Revenue | \$ 584,065 | \$ 572,135 | \$ 551,030 | \$ 1,723,925 | \$ 1,618,289 |
| Costs and operating expenses: | | | | | |
| Cost of revenue ⁽¹⁾⁽²⁾ | 204,467 | 206,323 | 183,204 | 605,526 | 532,408 |
| Research and development ⁽¹⁾ | 42,341 | 37,690 | 38,396 | 120,873 | 110,917 |
| Sales and marketing ⁽¹⁾ | 102,626 | 103,223 | 107,426 | 308,060 | 322,406 |
| General and administrative ⁽¹⁾⁽²⁾ | 113,320 | 107,538 | 99,543 | 323,141 | 288,287 |
| Amortization of acquired intangible assets | 6,598 | 6,711 | 6,752 | 20,025 | 20,284 |
| Restructuring charges | 2,948 | 470 | 20 | 10,236 | 517 |
| Total costs and operating expenses | 472,300 | 461,955 | 435,341 | 1,387,861 | 1,274,819 |
| Income from operations | 111,765 | 110,180 | 115,689 | 336,064 | 343,470 |
| Interest income | 3,809 | 3,393 | 2,723 | 10,522 | 8,265 |
| Interest expense | (4,666) | (4,639) | (4,630) | (13,958) | (13,884) |
| Other income (expense), net | 778 | 415 | 204 | 1,004 | (1,702) |
| Income before provision for income taxes | 111,686 | 109,349 | 113,986 | 333,632 | 336,149 |
| Provision for income taxes | 35,686 | 35,714 | 25,946 | 109,139 | 103,163 |
| Net income | \$ 76,000 | \$ 73,635 | \$ 88,040 | \$ 224,493 | \$ 232,986 |
| Net income per share: | | | | | |
| Basic | \$ 0.44 | \$ 0.42 | \$ 0.49 | \$ 1.28 | \$ 1.30 |
| Diluted | \$ 0.43 | \$ 0.42 | \$ 0.49 | \$ 1.27 | \$ 1.29 |
| Shares used in per share calculations: | | | | | |
| Basic | 174,429 | 175,499 | 178,547 | 175,444 | 178,591 |
| Diluted | 175,617 | 176,420 | 180,364 | 176,525 | 180,642 |

(1) Includes stock-based compensation (see supplemental table for figures)

(2) Includes depreciation and amortization (see supplemental table for figures)

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| <i>(in thousands)</i> | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|---------------|--------------------|--------------------|--------------------|
| | September 30, 2016 | June 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Cash flows from operating activities: | | | | | |
| Net income | \$ 76,000 | \$ 73,635 | \$ 88,040 | \$ 224,493 | \$ 232,986 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 84,511 | 85,114 | 74,785 | 250,294 | 219,234 |
| Stock-based compensation | 38,652 | 34,911 | 31,046 | 105,304 | 92,966 |
| Excess tax benefits from stock-based compensation | (448) | (1,497) | (2,114) | (3,080) | (24,851) |
| (Benefit) provision for deferred income taxes | (16,646) | 1,713 | (1,666) | (13,861) | (17,941) |
| Amortization of debt discount and issuance costs | 4,666 | 4,639 | 4,630 | 13,958 | 13,884 |
| Other non-cash reconciling items, net | 4,866 | 749 | 2,126 | 8,367 | 3,271 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | | | | |
| Accounts receivable | 4,691 | 1,880 | (26,415) | 22,477 | (40,707) |
| Prepaid expenses and other current assets | 15,005 | (7,510) | 4,097 | 4,014 | 16,119 |
| Accounts payable and accrued expenses | 42,610 | 44,659 | (5,575) | 54,892 | 26,098 |
| Deferred revenue | (5,241) | 1,473 | (115) | 6,885 | 6,908 |
| Other current liabilities | (2,301) | 95 | (53) | 4,670 | 146 |
| Other non-current assets and liabilities | 5,035 | 3,011 | 13,822 | 6,097 | 18,247 |
| Net cash provided by operating activities | 251,400 | 242,872 | 182,608 | 684,510 | 546,360 |
| Cash flows from investing activities: | | | | | |
| Cash paid for acquired businesses, net of cash acquired | (2,936) | — | 500 | (2,936) | (122,445) |
| Purchases of property and equipment and capitalization of internal-use software development costs | (79,870) | (78,141) | (133,064) | (240,351) | (366,146) |
| Purchases of short- and long-term marketable securities | (230,223) | (288,742) | (178,200) | (614,808) | (584,189) |
| Proceeds from sales and maturities of short- and long-term marketable securities | 204,190 | 227,234 | 197,440 | 556,533 | 727,125 |
| Other non-current assets and liabilities | (1,633) | 842 | (1,128) | (3,145) | (3,037) |
| Net cash used in investing activities | (110,472) | (138,807) | (114,452) | (304,707) | (348,692) |
| Cash flows from financing activities: | | | | | |
| Proceeds from the issuance of common stock under stock plans | 15,244 | 8,745 | 17,776 | 42,339 | 54,288 |
| Excess tax benefits from stock-based compensation | 448 | 1,497 | 2,114 | 3,080 | 24,851 |
| Employee taxes paid related to net share settlement of stock-based awards | (6,150) | (5,914) | (7,817) | (38,560) | (47,171) |
| Repurchases of common stock | (95,157) | (90,985) | (76,358) | (294,867) | (202,426) |
| Other non-current assets and liabilities | — | — | (800) | — | (2,050) |
| Net cash used in financing activities | (85,615) | (86,657) | (65,085) | (288,008) | (172,508) |
| Effects of exchange rate changes on cash and cash equivalents | (154) | (3,676) | (4,048) | 535 | (7,339) |
| Net increase (decrease) in cash and cash equivalents | 55,159 | 13,732 | (977) | 92,330 | 17,821 |
| Cash and cash equivalents at beginning of period | 326,644 | 312,912 | 257,448 | 289,473 | 238,650 |
| Cash and cash equivalents at end of period | \$ 381,803 | \$ 326,644 | \$ 256,471 | \$ 381,803 | \$ 256,471 |

AKAMAI TECHNOLOGIES, INC.
RECONCILIATION OF GAAP TO NON-GAAP INCOME FROM OPERATIONS, NET INCOME AND ADJUSTED EBITDA

| | Three Months Ended | | | Nine Months Ended | |
|---|-----------------------|------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2016 | June 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| <i>(in thousands, except per share data)</i> | | | | | |
| Income from operations | \$ 111,765 | \$ 110,180 | \$ 115,689 | \$ 336,064 | \$ 343,470 |
| GAAP operating margin | 19% | 19% | 21% | 19% | 21% |
| Amortization of acquired intangible assets | 6,598 | 6,711 | 6,752 | 20,025 | 20,284 |
| Stock-based compensation | 38,652 | 34,911 | 31,046 | 105,304 | 92,966 |
| Amortization of capitalized stock-based compensation and capitalized interest expense | 3,983 | 4,071 | 3,152 | 11,662 | 9,896 |
| Restructuring charges | 2,948 | 470 | 20 | 10,236 | 517 |
| Acquisition-related costs | 241 | 361 | 258 | 523 | 124 |
| Legal matter costs | — | 101 | 430 | 890 | 3,215 |
| Operating adjustments | 52,422 | 46,625 | 41,658 | 148,640 | 127,002 |
| Non-GAAP income from operations | \$ 164,187 | \$ 156,805 | \$ 157,347 | \$ 484,704 | \$ 470,472 |
| Non-GAAP operating margin | 28% | 27% | 29% | 28% | 29% |
| Net income | \$ 76,000 | \$ 73,635 | \$ 88,040 | \$ 224,493 | \$ 232,986 |
| Operating adjustments (from above) | 52,422 | 46,625 | 41,658 | 148,640 | 127,002 |
| Amortization of debt discount and issuance costs | 4,666 | 4,639 | 4,630 | 13,958 | 13,884 |
| Loss on investments | — | — | — | — | 25 |
| Income tax-effect of above non-GAAP adjustments and certain discrete tax items | (12,939) | (12,832) | (22,453) | (37,094) | (48,678) |
| Non-GAAP net income | 120,149 | 112,067 | 111,875 | 349,997 | 325,219 |
| Depreciation and amortization | 73,930 | 74,332 | 64,881 | 218,607 | 189,054 |
| Interest income | (3,809) | (3,393) | (2,723) | (10,522) | (8,265) |
| Other (income) expense, net | (778) | (415) | (204) | (1,004) | 1,677 |
| Provision for GAAP income taxes | 35,686 | 35,714 | 25,946 | 109,139 | 103,163 |
| Income tax-effect of above non-GAAP adjustments and certain discrete tax items | 12,939 | 12,832 | 22,453 | 37,094 | 48,678 |
| Adjusted EBITDA | \$ 238,117 | \$ 231,137 | \$ 222,228 | \$ 703,311 | \$ 659,526 |
| Adjusted EBITDA margin | 41% | 40% | 40% | 41% | 41% |
| Non-GAAP net income per share: | | | | | |
| Basic | \$ 0.69 | \$ 0.64 | \$ 0.63 | \$ 1.99 | \$ 1.82 |
| Diluted | \$ 0.68 | \$ 0.64 | \$ 0.62 | \$ 1.98 | \$ 1.80 |
| Shares used in non-GAAP per share calculations: | | | | | |
| Basic | 174,429 | 175,499 | 178,547 | 175,444 | 178,591 |
| Diluted | 175,617 | 176,420 | 180,364 | 176,525 | 180,642 |

AKAMAI TECHNOLOGIES, INC.
SUPPLEMENTAL REVENUE DATA BY SOLUTION CATEGORY

| <i>(in thousands)</i> | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|-------------------|--------------------|---------------------|---------------------|
| | September 30, 2016 | June 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Revenue by solution category⁽¹⁾: | | | | | |
| Performance and Security Solutions | \$ 345,118 | \$ 326,642 | \$ 289,046 | \$ 987,623 | \$ 843,396 |
| Media Delivery Solutions | 188,075 | 197,077 | 218,537 | 591,091 | 650,553 |
| Services and Support Solutions | 50,872 | 48,416 | 43,447 | 145,211 | 124,340 |
| Total revenue | <u>\$ 584,065</u> | <u>\$ 572,135</u> | <u>\$ 551,030</u> | <u>\$ 1,723,925</u> | <u>\$ 1,618,289</u> |
| <i>Cloud Security Solutions revenue</i> | <u>\$ 95,232</u> | <u>\$ 86,980</u> | <u>\$ 65,212</u> | <u>\$ 262,872</u> | <u>\$ 181,857</u> |

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Revenue growth rates year-over-year: | | | | | |
| Performance and Security Solutions | 19% | 16% | 14% | 17% | 15% |
| Media Delivery Solutions | (14) | (9) | 6 | (9) | 10 |
| Services and Support Solutions | 17 | 18 | 19 | 17 | 15 |
| Total revenue | <u>6%</u> | <u>6%</u> | <u>11%</u> | <u>7%</u> | <u>13%</u> |
| <i>Cloud Security Solutions revenue growth rates</i> | <u>46%</u> | <u>42%</u> | <u>40%</u> | <u>45%</u> | <u>51%</u> |

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates⁽²⁾: | | | | | |
| Performance and Security Solutions | 19% | 16% | 18% | 17% | 19% |
| Media Delivery Solutions | (15) | (10) | 10 | (9) | 15 |
| Services and Support Solutions | 16 | 17 | 24 | 17 | 19 |
| Total revenue | <u>5%</u> | <u>6%</u> | <u>15%</u> | <u>7%</u> | <u>17%</u> |
| <i>Cloud Security Solutions revenue growth rates⁽²⁾</i> | <u>46%</u> | <u>42%</u> | <u>45%</u> | <u>45%</u> | <u>56%</u> |

AKAMAI TECHNOLOGIES, INC.
SUPPLEMENTAL REVENUE DATA BY GEOGRAPHY

| <i>(in thousands)</i> | Three Months Ended | | | Nine Months Ended | |
|------------------------------|--------------------|-------------------|--------------------|---------------------|---------------------|
| | September 30, 2016 | June 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Revenue by geography: | | | | | |
| U.S. | \$ 404,065 | \$ 395,085 | \$ 400,581 | \$ 1,196,433 | \$ 1,188,657 |
| International | 180,000 | 177,050 | 150,449 | 527,492 | 429,632 |
| Total revenue | <u>\$ 584,065</u> | <u>\$ 572,135</u> | <u>\$ 551,030</u> | <u>\$ 1,723,925</u> | <u>\$ 1,618,289</u> |

| | | | | | |
|---|-----------|-----------|------------|-----------|------------|
| Revenue growth rates year-over-year: | | | | | |
| U.S. | 1% | (1)% | 10% | 1% | 15% |
| International | 20 | 25 | 12 | 23 | 9 |
| Total revenue | <u>6%</u> | <u>6%</u> | <u>11%</u> | <u>7%</u> | <u>13%</u> |

| | | | | | |
|--|-----------|-----------|------------|-----------|------------|
| Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates⁽²⁾: | | | | | |
| U.S. | 1% | (1)% | 10% | 1% | 15% |
| International | 17 | 24 | 27 | 23 | 23 |
| Total revenue | <u>5%</u> | <u>6%</u> | <u>15%</u> | <u>7%</u> | <u>17%</u> |

(1) See customer revenue by solution category definition in press release

(2) See Use of Non-GAAP Financial Measures below for a definition

AKAMAI TECHNOLOGIES, INC.
SUPPLEMENTAL REVENUE DATA BY DIVISION

| <i>(in thousands)</i> | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|-------------------|--------------------|--------------------|---------------------|
| | September 30, 2016 | June 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Customer revenue by division⁽¹⁾: | | | | | |
| Media Division | \$ 284,107 | \$ 288,432 | \$ 296,848 | \$ 864,472 | \$ 885,365 |
| Web Division | 284,629 | 271,327 | 243,430 | 819,699 | 703,687 |
| Enterprise and Carrier Division | 15,329 | 12,376 | 10,752 | 39,754 | 29,237 |
| Total revenue | <u>\$ 584,065</u> | <u>\$ 572,135</u> | <u>\$ 551,030</u> | <u>\$1,723,925</u> | <u>\$ 1,618,289</u> |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Revenue growth rates year-over-year: | | | | | |
| Media Division | (4)% | (2)% | 5% | (2)% | 10% |
| Web Division | 17 | 15 | 17 | 16 | 18 |
| Enterprise and Carrier Division | 43 | 22 | 40 | 36 | 33 |
| Total revenue | <u>6 %</u> | <u>6 %</u> | <u>11%</u> | <u>7 %</u> | <u>13%</u> |

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates⁽²⁾: | | | | | |
| Media Division | (5)% | (2)% | 9% | (2)% | 13% |
| Web Division | 16 | 15 | 22 | 16 | 22 |
| Enterprise and Carrier Division | 43 | 22 | 41 | 36 | 34 |
| Total revenue | <u>5 %</u> | <u>6 %</u> | <u>15%</u> | <u>7 %</u> | <u>17%</u> |

AKAMAI TECHNOLOGIES, INC.
SUPPLEMENTAL REVENUE DATA FOR INTERNET PLATFORM CUSTOMERS

| <i>(in thousands)</i> | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|-------------------|--------------------|--------------------|---------------------|
| | September 30, 2016 | June 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Revenue from Internet Platform Customers ⁽³⁾ | \$ 58,012 | \$ 61,497 | \$ 95,264 | \$ 192,014 | \$ 287,612 |
| Revenue excluding Internet Platform Customers | 526,053 | 510,638 | 455,766 | 1,531,911 | 1,330,677 |
| Total revenue | <u>\$ 584,065</u> | <u>\$ 572,135</u> | <u>\$ 551,030</u> | <u>\$1,723,925</u> | <u>\$ 1,618,289</u> |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Revenue growth rates year-over-year: | | | | | |
| Revenue from Internet Platform Customers | (39)% | (36)% | —% | (33)% | 14% |
| Revenue excluding Internet Platform Customers | 15 | 15 | 13 | 15 | 13 |
| Total revenue | <u>6 %</u> | <u>6 %</u> | <u>11%</u> | <u>7 %</u> | <u>13%</u> |

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates⁽²⁾: | | | | | |
| Revenue from Internet Platform Customers | (40)% | (36)% | 1% | (33)% | 15% |
| Revenue excluding Internet Platform Customers | 15 | 15 | 18 | 15 | 18 |
| Total revenue | <u>5 %</u> | <u>6 %</u> | <u>15%</u> | <u>7 %</u> | <u>17%</u> |

(1) See customer revenue by division definition in press release

(2) See Use of Non-GAAP Financial Measures below for a definition

(3) See Internet Platform Customers definition in press release

AKAMAI TECHNOLOGIES, INC.
OTHER SUPPLEMENTAL FINANCIAL DATA

| | Three Months Ended | | | Nine Months Ended | |
|---|-----------------------|------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2016 | June 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| <i>(in thousands, except end of period statistics)</i> | | | | | |
| Stock-based compensation: | | | | | |
| Cost of revenue | \$ 4,701 | \$ 4,553 | \$ 3,579 | \$ 13,224 | \$ 10,244 |
| Research and development | 7,727 | 6,752 | 5,982 | 20,917 | 17,357 |
| Sales and marketing | 14,729 | 13,259 | 13,465 | 40,340 | 39,295 |
| General and administrative | 11,495 | 10,347 | 8,020 | 30,823 | 26,070 |
| Total stock-based compensation | <u>\$ 38,652</u> | <u>\$ 34,911</u> | <u>\$ 31,046</u> | <u>\$ 105,304</u> | <u>\$ 92,966</u> |
| Depreciation and amortization: | | | | | |
| Network-related depreciation | \$ 57,521 | \$ 58,615 | \$ 50,937 | \$ 171,310 | \$ 150,070 |
| Other depreciation and amortization | 16,409 | 15,717 | 13,944 | 47,297 | 38,984 |
| Depreciation of property and equipment | 73,930 | 74,332 | 64,881 | 218,607 | 189,054 |
| Capitalized stock-based compensation amortization | 3,544 | 3,628 | 2,916 | 10,429 | 9,303 |
| Capitalized interest expense amortization | 439 | 443 | 236 | 1,233 | 593 |
| Amortization of acquired intangible assets | 6,598 | 6,711 | 6,752 | 20,025 | 20,284 |
| Total depreciation and amortization | <u>\$ 84,511</u> | <u>\$ 85,114</u> | <u>\$ 74,785</u> | <u>\$ 250,294</u> | <u>\$ 219,234</u> |
| Capital expenditures⁽¹⁾⁽²⁾: | | | | | |
| Purchases of property and equipment | \$ 51,332 | \$ 50,726 | \$ 65,429 | \$ 152,125 | \$ 231,050 |
| Capitalized internal-use software development costs | 35,507 | 36,288 | 33,401 | 106,967 | 98,219 |
| Capitalized stock-based compensation | 5,662 | 6,209 | 4,518 | 17,074 | 13,133 |
| Capitalized interest expense | 887 | 868 | 760 | 2,540 | 2,054 |
| Total capital expenditures | <u>\$ 93,388</u> | <u>\$ 94,091</u> | <u>\$ 104,108</u> | <u>\$ 278,706</u> | <u>\$ 344,456</u> |
| Net increase (decrease) in cash, cash equivalents and marketable securities | \$ 78,972 | \$ 76,706 | \$ (20,082) | \$ 154,675 | \$ (123,411) |
| End of period statistics: | | | | | |
| Number of employees | 6,334 | 6,263 | 5,943 | | |
| Number of deployed servers | 222,906 | 219,595 | 199,962 | | |

(1) Capital expenditures presented in this table are reported on an accrual basis, which differs from the cash-basis presentation 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.

(2) See Use of Non-GAAP Financial Measures below for a definition

Use of 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.

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.
- **Loss on investments and legal matter costs** – Akamai has incurred losses from the impairment of certain investments and the settlement of legal matters. Akamai has also incurred 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 occur infrequently and 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.

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.

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

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; 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.

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.

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.

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

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

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.

Akamai Statement Under the Private Securities Litigation Reform Act

This release and/or our quarterly earnings conference call scheduled for later today contain information about future expectations, plans and prospects of Akamai's management that constitute forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995, including statements about potential areas for future investment. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors including, but not limited to, inability to increase our revenue at the same rate as in the past and keep our expenses from increasing at a greater rate than our revenues; delay in developing or failure to develop new service offerings or functionalities, and if developed, lack of market acceptance of such service offerings and functionalities or failure of such solutions to operate as expected, and other factors that are discussed in the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, and other documents periodically filed with the SEC.

In addition, the statements in this press release and on such call represent Akamai's expectations and beliefs as of the date of this press release. Akamai anticipates that subsequent events and developments may cause these expectations and beliefs to change. However, while Akamai may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Akamai's expectations or beliefs as of any date subsequent to the date of this press release.