

**Akamai Technologies, Inc.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
**December 31, 2016**

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'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; 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			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Income from operations .....	\$ 123,530	\$ 111,765	\$ 122,680	\$ 459,594	\$ 466,150
Amortization of acquired intangible assets .....	6,617	6,598	6,783	26,642	27,067
Stock-based compensation .....	39,202	38,652	33,711	144,506	126,677
Amortization of capitalized stock-based compensation and capitalized interest expense .....	3,777	3,983	3,722	15,439	13,618
Restructuring charges .....	65	2,948	250	10,301	767
Acquisition-related costs .....	541	241	741	1,064	865
Legal matter costs .....	—	—	76	890	3,291
Non-GAAP income from operations .....	<u>\$ 173,732</u>	<u>\$ 164,187</u>	<u>\$ 167,963</u>	<u>\$ 658,436</u>	<u>\$ 638,435</u>

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

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenue.....	\$ 616,124	\$ 584,065	\$ 579,159	\$ 2,340,049	\$ 2,197,448
Non-GAAP income from operations .....	173,732	164,187	167,963	658,436	638,435
Non-GAAP operating margin .....	<u>28%</u>	<u>28%</u>	<u>29%</u>	<u>28%</u>	<u>29%</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.

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net income .....	\$ 91,639	\$ 76,000	\$ 88,420	\$ 316,132	\$ 321,406
Amortization of acquired intangible assets.....	6,617	6,598	6,783	26,642	27,067
Stock-based compensation.....	39,202	38,652	33,711	144,506	126,677
Amortization of capitalized stock-based compensation and capitalized interest expense..	3,777	3,983	3,722	15,439	13,618
Restructuring charges.....	65	2,948	250	10,301	767
Acquisition-related costs.....	541	241	741	1,064	865
Legal matter costs .....	—	—	76	890	3,291
Amortization of debt discount and issuance costs.....	4,680	4,666	4,641	18,638	18,525
(Gain) loss on investments.....	(4,807)	—	—	(4,807)	25
Income tax-effect of above non-GAAP adjustments and certain discrete tax items.....	(15,567)	(12,939)	(9,631)	(52,661)	(58,309)
Non-GAAP net income.....	<u>\$ 126,147</u>	<u>\$ 120,149</u>	<u>\$ 128,713</u>	<u>\$ 476,144</u>	<u>\$ 453,932</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			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Non-GAAP net income.....	\$ 126,147	\$ 120,149	\$ 128,713	\$ 476,144	\$ 453,932
Non-GAAP net income per share:					
Basic.....	\$ 0.73	\$ 0.69	\$ 0.72	\$ 2.72	\$ 2.54
Diluted.....	\$ 0.72	\$ 0.68	\$ 0.72	\$ 2.70	\$ 2.52
Shares used in per share calculations (GAAP and non-GAAP):					
Basic.....	173,337	174,429	177,788	174,917	178,391
Diluted.....	175,284	175,617	179,732	176,215	180,415

**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.

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net income .....	\$ 91,639	\$ 76,000	\$ 88,420	\$ 316,132	\$ 321,406
Interest income .....	(4,180)	(3,809)	(2,935)	(14,702)	(11,200)
Provision for income taxes .....	34,175	35,686	32,055	143,314	135,218
Depreciation and amortization .....	73,614	73,930	69,824	292,221	258,878
Amortization of capitalized stock-based compensation and capitalized interest expense ..	3,777	3,983	3,722	15,439	13,618
Amortization of acquired intangible assets .....	6,617	6,598	6,783	26,642	27,067
Stock-based compensation .....	39,202	38,652	33,711	144,506	126,677
Restructuring charges .....	65	2,948	250	10,301	767
Acquisition-related costs .....	541	241	741	1,064	865
Legal matter costs .....	—	—	76	890	3,291
Amortization of debt discount and issuance costs .....	4,680	4,666	4,641	18,638	18,525
(Gain) loss on investments .....	(4,807)	—	—	(4,807)	25
Other expense (income), net .....	2,023	(778)	499	1,019	2,176
Adjusted EBITDA .....	<u>\$ 247,346</u>	<u>\$ 238,117</u>	<u>\$ 237,787</u>	<u>\$ 950,657</u>	<u>\$ 897,313</u>

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

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenue .....	\$ 616,124	\$ 584,065	\$ 579,159	\$ 2,340,049	\$ 2,197,448
Adjusted EBITDA .....	247,346	238,117	237,787	950,657	897,313
Adjusted EBITDA margin .....	<u>40%</u>	<u>41%</u>	<u>41%</u>	<u>41%</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; 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			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
GAAP operating expenses .....	\$ 289,119	\$ 267,833	\$ 263,267	\$ 1,071,454	\$ 1,005,678
Less:					
Stock-based compensation .....	34,139	33,951	29,810	126,219	112,532
Amortization of acquired intangible assets ...	6,617	6,598	6,783	26,642	27,067
Depreciation and amortization .....	17,700	16,688	15,094	65,781	54,561
Restructuring charges .....	65	2,948	250	10,301	767
Acquisition-related costs .....	541	241	741	1,064	865
Legal matter costs .....	—	—	76	890	3,291
Cash operating expenses .....	<u>\$ 230,057</u>	<u>\$ 207,407</u>	<u>\$ 210,513</u>	<u>\$ 840,557</u>	<u>\$ 806,595</u>

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

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
GAAP cost of revenue .....	\$ 203,475	\$ 204,467	\$ 193,212	\$ 809,001	\$ 725,620
Less:					
Stock-based compensation .....	5,063	4,701	3,901	18,287	14,145
Depreciation and amortization .....	59,691	61,225	58,452	241,879	217,935
Cash cost of revenue .....	<u>\$ 138,721</u>	<u>\$ 138,541</u>	<u>\$ 130,859</u>	<u>\$ 548,835</u>	<u>\$ 493,540</u>

**Cash gross profit** – Revenue less cash cost of revenue.

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenue .....	\$ 616,124	\$ 584,065	\$ 579,159	\$ 2,340,049	\$ 2,197,448
Cash cost of revenue .....	138,721	138,541	130,859	548,835	493,540
Cash gross profit .....	<u>\$ 477,403</u>	<u>\$ 445,524</u>	<u>\$ 448,300</u>	<u>\$ 1,791,214</u>	<u>\$ 1,703,908</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			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenue.....	\$ 616,124	\$ 584,065	\$ 579,159	\$ 2,340,049	\$ 2,197,448
Cash gross profit .....	477,403	445,524	448,300	1,791,214	1,703,908
Cash gross margin.....	<u>77%</u>	<u>76%</u>	<u>77%</u>	<u>77%</u>	<u>78%</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			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Cash provided by operating activities.....	\$ 181,788	\$ 251,400	\$ 217,791	\$ 866,298	\$ 764,151
Less: .....					
Purchases of property and equipment .....	46,075	48,054	49,272	180,949	311,676
Capitalization of internal-use software development costs .....	29,863	31,816	29,565	135,340	133,307
Free cash flow .....	<u>\$ 105,850</u>	<u>\$ 171,530</u>	<u>\$ 138,954</u>	<u>\$ 550,009</u>	<u>\$ 319,168</u>

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

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Purchases of property and equipment .....	\$ 44,646	\$ 51,332	\$ 58,541	\$ 196,771	\$ 289,591
Capitalization of internal-use software development costs .....	33,114	35,507	30,017	140,081	128,236
Capitalization of stock-based compensation.....	6,007	5,662	5,199	23,081	18,332
Capitalization of interest expense .....	938	887	791	3,478	2,845
Capital expenditure .....	<u>\$ 84,705</u>	<u>\$ 93,388</u>	<u>\$ 94,548</u>	<u>\$ 363,411</u>	<u>\$ 439,004</u>

**Capex margin** – Capital expenditures, or capex, as a percentage of revenue.

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenue.....	\$ 616,124	\$ 584,065	\$ 579,159	\$ 2,340,049	\$ 2,197,448
Capital expenditures.....	84,705	93,388	94,548	363,411	439,004
Capex margin.....	<u>14%</u>	<u>16%</u>	<u>16%</u>	<u>16%</u>	<u>20%</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			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
GAAP depreciation and amortization.....	\$ 84,008	\$ 84,511	\$ 80,329	\$ 334,302	\$ 299,563
Less:					
Capitalized stock-based compensation amortization .....	3,323	3,544	3,414	13,752	12,717
Capitalized interest amortization .....	454	439	308	1,687	901
Amortization of acquired intangible assets.....	6,617	6,598	6,783	26,642	27,067
Non-GAAP depreciation.....	<u>\$ 73,614</u>	<u>\$ 73,930</u>	<u>\$ 69,824</u>	<u>\$ 292,221</u>	<u>\$ 258,878</u>

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

	Three Months Ended			Year Ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
GAAP tax rate.....	27%	32 %	27 %	31 %	30%
Income tax-effect of non-GAAP adjustments and certain discrete tax items.....	1%	(3)%	(3)%	(2)%	—%
Non-GAAP tax rate.....	<u>28%</u>	<u>29 %</u>	<u>24 %</u>	<u>29 %</u>	<u>30%</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.

*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.

**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 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 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.



**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.