AKAMAI TECHNOLOGIES INC
Form 424B5
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Registration No. 333-53906

Prospectus Supplement (to prospectus dated January 30, 2001)
Akamai Technologies, Inc.

12,000,000 Shares
Common Stock

This is a public offering of common stock of Akamai Technologies, Inc. We are offering 12,000,000 shares of our common stock. Our common stock is listed on the Nasdaq National Market under the symbol AKAM. On October 31, 2005, the last reported sale price of our common stock on the Nasdaq National Market was $17.34 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-10 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 17.00	$ 204,000,000
Underwriting discounts and commissions	$ 0.145	$ 1,740,000
Proceeds, before expenses, to Akamai Technologies, Inc.	$ 16.855	$ 202,260,000

We have granted Deutsche Bank Securities Inc. the right to purchase up to 1,800,000 additional shares of common stock to cover over-allotments.

Delivery of the shares of common stock will be made on or about November 3, 2005.

Deutsche Bank Securities

The date of this prospectus supplement is October 31, 2005.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of our common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part, the accompanying prospectus, provides more general information. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus or any document incorporated by reference therein filed prior to the date of this prospectus supplement, you should rely on the information in this prospectus supplement. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference in the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

You should rely only on the information contained in this prospectus supplement and contained, or incorporated by reference, in the accompanying prospectus. We have not authorized, and the underwriter has not authorized, anyone to provide you with information that is different. The information contained in this prospectus supplement and contained, or incorporated by reference, in the accompanying prospectus is accurate only as of the respective dates thereof, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our common stock. It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference therein, in making your investment decision. You should also read and consider the information in the documents to which we have referred you in the section entitled Where You Can Find More Information in this prospectus supplement.

We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of our common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about, and observe any restrictions relating to, the offering of our common stock and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement and the accompanying prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Unless otherwise stated, all references in this prospectus to we, us, our, Akamai, the Company and similar designations refer to Akamai Technologies, Inc. and its direct and indirect wholly-owned subsidiaries. Trademarks or service marks appearing in this prospectus are the property of their respective holders.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us and this offering. You should carefully read this entire prospectus supplement and the accompanying prospectus, including the Risk Factors section of this prospectus supplement and the financial statements and the other information incorporated by reference in the prospectus, before making an investment decision.

Overview

Akamai provides services for accelerating and improving the delivery of content and business processes over the Internet. Our solutions are designed to help businesses, government agencies and other enterprises enhance their revenue streams and reduce costs by maximizing the performance of their online businesses. By advancing the performance and reliability of their websites, our customers can improve visitor experiences and increase the effectiveness of Web-based campaigns and operations. Through the Akamai EdgePlatform, the technological platform of Akamai s business solutions, our customers are able to rely on Akamai s infrastructure and can reduce costs associated with internal infrastructure build-ups.

We began selling our content delivery services in 1999 under the trade name FreeFlow. Later that year, we added streaming media delivery services to our portfolio and introduced traffic management services that allow customers to monitor traffic patterns on their websites both on a continual basis and for specific events. In 2000, we began offering a software solution that identifies the geographic location and network origin from which end users access our customers websites, enabling content providers to customize content without compromising user privacy. In 2001, we commenced commercial sales of our EdgeSuite offering, a suite of services that allows for high-performance and dynamic delivery of web content. In 2003, we began offering on a commercial basis our EdgeComputing service, which allows for Web-based delivery of applications, such as store/dealer locators, promotional contests, search functionalities and user registration, over our network. In 2004, we packaged a number of services and specialized features to tailor solutions to the needs of specific vertical market segments such as media and entertainment, software demands and online commerce.

Meeting the Challenges of the Internet

The Internet has matured into a key tool for companies, public sector agencies and other entities to conduct business and reach the public. The Internet, however, is a complex system of networks that was not originally created to accommodate the volume or sophistication of today s business communication demands. As a result, information is frequently delayed or lost on its way through the Internet due to many challenges, including:

- bandwidth constraints between an end user and the end user s network provider, such as an Internet Service Provider, or ISP, cable provider or digital subscriber line provider;
- Internet traffic exceeding the capacity of routing equipment;
- inefficient or nonfunctioning peering points, or points of connection, between ISPs; and
- traffic congestion at data centers.

In addition to the challenges inherent in the Internet, companies and other entities face internal technology challenges. Driven by competition, globalization and cost-containment strategies, companies need an agile Internet-facing infrastructure that cost-effectively meets real-time strategic and business objectives. As public sector agencies migrate more and more of their processes from in-person, mail, or phone services to Internet-based applications, it has become essential that their websites be more reliable and that they deliver their content and applications more efficiently to their constituents. At the same time, budget limitations may preclude public sector agencies from developing their own infrastructure for Internet-facing applications. Enterprises of all types are confronted with the increasingly widespread use of broadband connectivity leading to more users requesting more different types of rich content. As a result, there is greater stress on centralized infrastructures.

Akamai meets these challenges in ways that are designed to help companies and government agencies increase revenues and reduce costs by improving the performance, reliability and security of their Internet facing operations.

Superior Performance. Customers seeking to remain competitive and meet the challenges of globalization look to Akamai s EdgePlatform for solutions designed to reduce or eliminate downtime and poor performance. Through a combination of people, processes and technology, Akamai offers solutions designed to achieve reliability, stability and predictability without the need for our customers to spend a lot of money to develop their own Internet-related infrastructure. Instead, we have a presence in hundreds of networks around the world so that content can be delivered from Akamai servers located closer to website visitors from what we call, the edge of the Internet. We are thus able to reduce the impact of traffic congestion, bandwidth constraints and capacity limitations. At the same time, our customers have access to control features to ensure that the content served to end users is always current and is delivered efficiently without the need for end users to traverse the Internet to the origin server.

Scalability. Many Akamai customers experience seasonal or erratic demand for access to their websites. On a larger scale, almost all websites experience demand peaks at different points during the day. In both instances, it can be difficult and expensive to plan for, and deploy solutions against, such peaks and valleys. The Akamai EdgePlatform has the robustness and flexibility to handle planned and unplanned peaks without additional hardware investment and configuration on the part of our customers. As a result, we provide an on demand solution to address our customers capacity needs in the face of unpredictable traffic spikes, which helps them avoid expensive over-investment in a centralized Internet-facing infrastructure.

Security. Security may be the most significant challenge facing use of the Internet for business and government processes today. That s because security threats in the form of attacks, viruses, worms and intrusions can impact every measure of performance, including speed, reliability, customer confidence and information security. Unlike traditional security strategies that can impact performance negatively, Akamai s EdgePlatform is designed to allow for proactive monitoring and rapid response to security incidents and anomalies. We rely on both built-in defense mechanisms and the ability to route traffic around potential security issues so performance is not compromised.

Our Solutions

The EdgePlatform is the foundation of Akamai s business solutions. We believe Akamai has deployed the world s largest globally distributed computing platform, with servers located in countries across the world. To make this wide-reaching deployment effective, the EdgePlatform includes specialized technologies, such as advanced routing, load balancing, data collection and monitoring. Through a combination of architecture and services, our EdgePlatform helps our customers implement their Web strategy quickly, without adding equipment, cost or complexity to their existing information technology, or IT, infrastructure.

The key to the EdgePlatform s effectiveness is its use of a distributed computing model in which both content and computing applications are delivered across a system of widely distributed networks of servers, and processed at the most efficient places within the network. With the EdgePlatform as our backbone we offer services and solutions for content and application delivery, application performance services, on demand managed services and business performance management services.

Content and Application Delivery Services

Akamai s EdgeSuite service and related content delivery offerings have represented the core of our business since we began our operations. Leveraging the EdgePlatform, our EdgeSuite service is designed to enable enterprises to improve the end-user experience, boost reliability and scalability and reduce the cost of their e-business infrastructure. By providing the benefits of distributed performance to an enterprise s entire website and all aspects of its applications, we are able to provide our customers with a more efficient way to implement and maintain a global Internet presence. While site owners maintain a control copy of their applications and content, we provide global delivery, load balancing and storage of these applications and content, enabling businesses to focus valuable resources on strategic matters, rather than technical infrastructure issues.

Customers of our EdgeSuite service also have access to advanced service features, such as:

Secure Content Distribution distribution of secure Internet-related content using Secure Sockets Layer transport, a protocol to secure transmittal of content over the Internet, to ensure that content is distributed privately and reliably between two communicating applications.

Site Fail Over delivery of default content in the event that the primary, or source, version of the website of an enterprise customer becomes unavailable.

Site Mirroring an economical way to mirror a website without the expense of investing in additional data centers to achieve redundancy.

Disaster Recovery a backup web presence if an unforeseen event causes a website to crash.

Site Maintenance fail-over service so that a website remains available to end users during updates and maintenance.

Net Storage an efficient solution for digital storage needs for all content types.

Global Traffic Management a solution that allows enterprises with geographically distributed Internet protocol infrastructures to improve the availability, responsiveness and reliability of a multi-location website.

Content Targeting a feature that enables content providers to deliver localized content, customized store-fronts, targeted advertising and adaptive marketing.

Streaming Services delivery of streaming audio and video content to Internet users.

Application Performance Services

Application performance services improve the performance of highly dynamic content common on corporate extranets and wide area networks. Traditionally, this market has been addressed primarily by hardware and software products. We believe our approach offers a most cost-effective and comprehensive solution in this area without customers having to make significant infrastructure investments.

On Demand Managed Services

Akamai s on demand managed services, including Akamai EdgeComputing^{SM} and net storage offerings, enable enterprises to dramatically reduce the need for an internal infrastructure to handle unpredictable levels of Internet traffic. With access to the EdgePlatform, customers are able to rapidly launch and deploy new applications worldwide, with on demand availability and scalability but on a cost-effective basis. For example, Akamai On Demand Events provides an on demand platform for running promotional websites through Macromedia Flash® promotions, site search, sweepstakes, polls, regional offers or other innovative applications that create a positive brand experience.

Business Performance Management Services

Akamai s offerings in this area include our network data feeds and our Web analytics offering, which provide customers with real time data about the performance of their content and applications over the Internet and on Akamai s platform. In addition, our business performance management services let business managers better understand their Web operations through relevant, timely information with tools that measure all aspects of an application s performance. For example, a customer could incorporate website data feeds from Akamai s customer portal into an executive management interface to assist in managing costs and budget. The core of these offerings lies in our EdgeControl tools, which provide comprehensive reporting and management capabilities.

Akamai Industry Solutions

Akamai s industry solutions leverage capabilities from all of our services offerings, but in a way that is specific to a particular industry:

Akamai Online Commerce is a secure, on demand business solution that helps retailers more efficiently conduct e-business transactions by meeting peak performance demands, thereby delivering a positive customer experience and facilitating transaction completion while reducing infrastructure build-out costs.

Akamai Media Delivery is designed to provide a solution to the challenges of media delivery by helping media industry clients to bypass traditional server and bandwidth limitations to better handle peak traffic conditions and large file sizes. This suite of services is particularly attractive for dynamic, scalable delivery of music, movies and games.

Akamai Electronic Software Delivery is a solution designed to leverage the EdgePlatform to provide capacity for the largest surges in traffic related to new software launches with a goal of improved customer experiences, increased use of electronic delivery and successful product launches, all at lower costs than would be possible through self-provisioning.

Custom Solutions

In addition to our core commercial services, we are able to leverage the expertise of our technology, networks and support personnel to provide custom solutions to both commercial and government customers. These solutions include replicating our core technologies to facilitate content delivery behind the firewall, combinations of our technology with that of other providers to create unique solutions for specific customers and support for mission critical applications that rely on the Internet and intranets. Additionally, numerous federal government agencies look to Akamai for information about traffic conditions and activity on the Internet and tailored solutions to their content delivery needs.

Recent Developments

Acquisition of Speedera Networks

On June 10, 2005, we acquired Speedera Networks, Inc., or Speedera, in exchange for approximately 10.6 million shares of Akamai common stock and 1.7 million Akamai stock options. Speedera provides distributed content delivery services. The purchase of Speedera is intended to enable us to better compete against larger managed services vendors and other content delivery providers by expanding our customer base and providing customers with a broader suite of services. Akamai and Speedera were involved in lawsuits against each other regarding patent infringement and false advertising and trade secrets. Upon completion of the acquisition of Speedera, all lawsuits between us were dismissed.

Redemption of 5^1/2% Subordinated Convertible Notes

On September 7, 2005, we redeemed all of our outstanding 5^1/2% convertible subordinated notes due July 2007 for a cash payment of $58.1 million. Under the terms of the indenture governing the 5^1/2% convertible subordinated notes, all of the $56.6 million principal amount was redeemed at a redemption price of 101.571%, plus accrued interest as of September 7, 2005.

Financial Results for the Third Quarter of 2005

Our revenue for the third quarter 2005 was $75.7 million, a 17 percent increase over second quarter 2005 revenue of $64.6 million and a 42 percent increase over third quarter 2004 revenue of $53.3 million.

Net income increased in the third quarter of 2005 to $272.3 million, or $1.71 per diluted share, including a benefit from the release of a tax valuation allowance of $255.3 million, as compared to net income in the second quarter of 2005 of $15.9 million, or $0.11 per diluted share, and net income in the third quarter of 2004 of $11.2 million, or $0.08 per diluted share.

Cash from operations was $19.5 million in the third quarter of 2005, as compared to $16.9 million in the second quarter of 2005 and $14.5 million in the third quarter of 2004.

Company Information

We are a Delaware corporation. Our principal offices are located at 8 Cambridge Center, Cambridge, Massachusetts 02142. The telephone number of our principal executive offices is 617-444-3000. Our Internet address is www.akamai.com. The information contained on our website is not incorporated by reference, and should not be considered as part of, this prospectus. Our website address is included in this prospectus as an inactive textual reference only.

THE OFFERING

Common stock offered	12,000,000 shares
Common stock to be outstanding after this offering	150,830,331 shares
Use of Proceeds	For general corporate purposes, including working capital, research and development expenditures, sales and marketing expenditures, capital expenditures, and potential acquisitions of new businesses, technologies or products that we believe can complement or expand our business. See Use of Proceeds.
Risk Factors	You should read the Risk Factors section of this prospectus supplement for a discussion of factors to consider before deciding to purchase shares of our common stock.
Nasdaq National Market Symbol	AKAM

The shares of our common stock to be outstanding after this offering is based on 138,830,331 shares outstanding as of June 30, 2005 and excludes:

- 13,465,911 shares of common stock issuable upon the exercise of outstanding stock options at a weighted-average exercise price of $7.38 per share;
- 243,700 shares of common stock issuable pursuant to the terms of outstanding deferred stock units;
- an aggregate of 9,829,752 additional shares of common stock reserved for future issuance under our Second Amended and Restated 1998 Stock Incentive Plan, 1999 Employee Stock Purchase Plan and 2001 Restricted Stock Plan; and
- 12,944,984 shares of common stock issuable upon the conversion of our 1.0% convertible senior notes due December 2033.

Except as otherwise noted, we have presented the information in this prospectus supplement assuming no exercise by the underwriter of the option to purchase up to 1,800,000 additional shares of our common stock in this offering.

SUMMARY CONSOLIDATED FINANCIAL DATA

The statement of operations data for each of the three years ended December 31, 2004 have been derived from our audited financial statements. The statement of operations data for the six months ended June 30, 2005 and 2004, and the balance sheet data as of June 30, 2005, are unaudited but include, in the opinion of management, all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of such data. You should read the data below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes incorporated by reference in this prospectus.

	Years Ended December 31,			Six Months Ended June 30,	
	2002	**2003**	**2004**	**2004**	**2005**
				(unaudited)	
	(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Revenue	$ 144,976	$ 161,259	$ 210,015	$ 99,153	$ 124,745
Cost of revenue	85,159	60,844	46,150	23,229	24,276
Research and development	21,766	12,971	12,132	5,566	8,136
Sales and marketing	64,765	47,583	55,663	27,681	35,108
General and administrative	98,136	57,259	47,055	21,718	23,180
Amortization of other intangible assets	11,930	2,234	48	24	532
Restructuring charges (benefit)	45,824	(8,521)			
Income (loss) from operations	(182,604)	(11,111)	48,967	20,935	33,513
Income (loss) from operations before income taxes	(203,945)	(28,652)	35,136	10,238	31,081
Income tax provision	492	629	772	514	1,102
Net income (loss)	$ (204,437)	$ (29,281)	$ 34,364	$ 9,724	$ 29,979
Basic net income (loss) per share	$ (1.81)	$ (0.25)	$ 0.28	$ 0.08	$ 0.23
Diluted net income (loss) per share	$ (1.81)	$ (0.25)	$ 0.25	$ 0.07	$ 0.21
Shares used in computing basic net income (loss) per share	112,766	118,075	124,407	122,875	128,585
Shares used in computing diluted net income (loss) per share	112,766	118,075	146,595	146,058	148,607

	As of June 30, 2004	As of June 30, 2005 (unaudited) (in thousands)	As Adjusted as of June 30, 2005(1) (unaudited)
Consolidated Balance Sheet Data:			
Cash, cash equivalents and marketable securities(2)	$ 122,126	$ 130,716	$ 332,746
Property, plant and equipment, net	20,596	39,308	39,308
Working capital(3)	55,467	91,869	293,899
Total assets	190,422	364,731	566,761
Accrued expenses and current deferred revenue	31,748	40,222	40,222
Total long-term obligations, less current portion	299,604	262,727	262,727
Total stockholders equity (deficit)	(156,702)	40,917	242,947

(1) The as adjusted balance sheet data as of June 30, 2005 gives effect to the sale by us to the underwriter of 12,000,000 shares of common stock offered by this prospectus supplement at a public offering price of $17.00 per share, after deducting underwriting discounts and commissions and $230,000 of estimated offering expenses payable by us.

(2) Cash, cash equivalents and marketable securities includes short-term, long-term and restricted marketable securities.

(3) Working capital is calculated as current assets, which includes cash, cash equivalents and short-term marketable securities, less current liabilities.

RISK FACTORS

Investing in our common stock involves risk. In deciding whether to invest in our common stock, you should carefully consider the following discussion of risks together with the other information included in this prospectus supplement and the accompanying prospectus. Important factors could cause our actual results to differ materially from those indicated or implied by forward-looking statements contained or incorporated by reference in this prospectus supplement. Such factors that could cause or contribute to such differences include those factors discussed below. If any of the following risks actually occur, our business, prospects, financial condition and operating results and the value of common stock purchased by you would likely suffer, possibly materially.

Risks Related to our Operating Results

The markets in which we operate are highly competitive, and we may be unable to compete successfully against new entrants and established companies with greater resources.

We compete in markets that are new, intensely competitive, highly fragmented and rapidly changing. We have experienced and expect to continue to experience increased competition. Many of our current competitors, as well as a number of our potential competitors, have longer operating histories, greater name recognition, broader customer relationships and industry alliances and substantially greater financial, technical and marketing resources than we do. Other competitors may attract customers by offering less-sophisticated versions of services we provide at lower prices than those we charge. Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. Some of our current or potential competitors may bundle their services with other services, software or hardware in a manner that may discourage website owners from purchasing any service we offer. In addition, potential customers may decide to purchase or develop their own hardware, software and other technology solutions rather than rely on an external provider like Akamai. Increased competition could result in price and revenue reductions, loss of customers and loss of market share, which could materially and adversely affect our business, financial condition and results of operations.

If we are unable to sell our services at acceptable prices related to our costs, our business and financial results are likely to suffer.

Prices we have been charging for some of our services have declined in recent years. We expect that this decline may continue in the future as a result of, among other things, existing and new competition in the markets we serve. Consequently, our historical revenue rates may not be indicative of future revenues based on comparable traffic volumes. If we are unable to sell our services at acceptable prices relative to our costs or if we are unsuccessful with our strategy of selling additional services and features to our existing EdgeSuite delivery customers, our revenues and gross margins will decrease, and our business and financial results will suffer.

Failure to increase our revenues and keep our expenses consistent with revenues could prevent us from maintaining profitability.

The year ended December 31, 2004 was the first fiscal year during which we achieved profitability as measured in accordance with accounting principles generally accepted in the United States of America. We have large fixed expenses, and we expect to continue to incur significant bandwidth, sales and marketing, product development, administrative and other expenses. Therefore, we will need to generate higher revenues to maintain profitability. There are numerous factors that could, alone or in combination with other factors, impede our ability to increase revenues and/or moderate expenses, including:

- failure to increase sales of our content delivery and other core services;

- significant increases in bandwidth costs or other operating expenses;
- loss of one or more of our large customers;
- inability to maintain our prices;
- failure to expand the market acceptance for our services due to continuing concerns about commercial use of the Internet, including security, reliability, speed, cost, ease of access, quality of service and regulatory initiatives;
- any failure of our current and planned services and software to operate as expected;
- unauthorized use or access to content delivered over our network or network failures;
- failure of a significant number of customers to pay our fees on a timely basis or at all or failure to continue to purchase our services in accordance with their contractual commitments; and
- inability to attract high-quality customers to purchase and implement our current and planned services and software.

If we are unable to develop new services and enhancements to existing services, and if we fail to predict and respond to emerging technological trends and customers changing needs, our operating results may suffer.

The market for our services is characterized by rapidly changing technology, evolving industry standards and new product and service introductions. Our operating results depend on our ability to develop and introduce new services into existing and emerging markets. The process of developing new technology is complex and uncertain, and if we fail to accurately predict customers changing needs and emerging technological trends, our business could be harmed. We must commit significant resources to developing new services or enhancements to our existing services before knowing whether our investments will result in services the market will accept. Furthermore, we may not execute successfully our technology initiatives because of errors in planning or timing, technical hurdles that we fail to overcome in a timely fashion, misunderstandings about market demand or a lack of appropriate resources. Failures in execution or market acceptance of new services we introduce could result in competitors providing those solutions before we do and loss of market share, revenues and earnings.

Any unplanned interruption in our network or services could lead to significant costs and disruptions that could reduce our revenues and harm our business, financial results and reputation.

Our business is dependent on providing our customers with fast, efficient and reliable distribution of application and content delivery services over the Internet. For our core services, we currently provide a standard guarantee that our networks will deliver Internet content 24 hours a day, seven days a week, 365 days a year. If we do not meet this standard, our customer does not pay for all or a part of its services on that day. Our network or services could be disrupted by numerous events, including natural disasters, failure or refusal of our third-party network providers to provide the necessary capacity, power losses, and intentional disruptions of our services, such as disruptions caused by software viruses or attacks by unauthorized users. Although we have taken steps to enhance our ability to prevent such disruptions, there can be no assurance that attacks by unauthorized users will not be attempted in the future, that our enhanced security measures will be effective or that a successful attack would not be damaging. Any widespread loss or interruption of our network or services would reduce our revenues and could harm our business, financial results and reputation.

As part of our business strategy, we have entered into and may enter into or seek to enter into business combinations and acquisitions that may be difficult to integrate, disrupt our business, dilute stockholder value or divert management attention.

In June 2005, we completed our acquisition of Speedera. We may seek to enter into additional business combinations or acquisitions in the future. Acquisitions are typically accompanied by a number of risks, including the difficulty of integrating the operations and personnel of the acquired companies, the potential disruption of our ongoing business, the potential distraction of management, expenses related to the acquisition and potential unknown liabilities associated with acquired businesses. We face all of these risks in connection with the Speedera acquisition. If we are not successful in completing acquisitions that we may pursue in the future, we may be required to reevaluate our business strategy, and we may incur substantial expenses and devote significant management time and resources without a productive result. In addition, with future acquisitions, we could use substantial portions of our available cash or, as in the Speedera merger transaction, make dilutive issuances of securities. Future acquisitions or attempted acquisitions could also have an adverse effect on our ability to remain profitable.

Because our services are complex and are deployed in complex environments, they may have errors or defects that could seriously harm our business.

Our services are highly complex and are designed to be deployed in and across numerous large and complex networks. From time to time, we have needed to correct errors and defects in our software. In the future, there may be additional errors and defects in our software that may adversely affect our services. We may not have in place adequate quality assurance procedures to ensure that we detect errors in our software in a timely manner. If we are unable to efficiently fix errors or other problems that may be identified, or if there are unidentified errors that allow persons to improperly access our services, we could experience loss of revenues and market share, damage to our reputation, increased expenses and legal actions by our customers.

We may have insufficient transmission capacity, which could result in interruptions in our services and loss of revenues.

Our operations are dependent in part upon transmission capacity provided by third-party telecommunications network providers. We believe that we have access to adequate capacity to provide our services; however, there can be no assurance that we are adequately prepared for unexpected increases in bandwidth demands by our customers. In addition, the bandwidth we have contracted to purchase may become unavailable for a variety of reasons including due to payment disputes or network providers going out of business. Any failure of these network providers to provide the capacity we require, due to financial or other reasons, may result in a reduction in, or interruption of, service to our customers. If we do not have access to third-party transmission capacity, we could lose customers. If we are unable to obtain transmission capacity on terms commercially acceptable to us or at all, our business and financial results could suffer. In addition, our telecommunications and network providers typically provide rack space for our servers. Damage or destruction of, or other denial of access to, a facility where our servers are housed could result in a reduction in, or interruption of, service to our customers.

If the estimates we make, and the assumptions on which we rely, in preparing our financial statements prove inaccurate, our actual results may be adversely affected.

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments about, among other things, taxes, revenue recognition, capitalization of internal-use software, contingent obligations, doubtful accounts and restructuring charges. These estimates and judgments affect the reported amounts of our assets, liabilities, revenues and expenses, the amounts of charges accrued by us, such as those made in connection with our restructuring charges, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. If our estimates or the assumptions underlying them are not correct, we may need to accrue additional charges that could adversely affect our results of operations, which in turn could adversely affect our stock price.

Our substantial leverage may impair our ability to maintain and grow operations, and any failure to meet our repayment obligations would damage our business.

We have long-term debt. As of September 30, 2005, our total long-term debt was $200.0 million. Our level of indebtedness could adversely affect our future operations by increasing our vulnerability to adverse changes in general economic and industry conditions and by limiting or prohibiting our ability to obtain additional financing for future capital expenditures, acquisitions and general corporate and other purposes. In addition, if we are unable to make interest or principal payments when due, we would be in default under the terms of our loans, which would result in all principal and interest becoming due and payable which, in turn, would seriously harm our business.

If our license agreement with MIT terminates, our business could be adversely affected.

We have licensed technology from MIT covered by various patents, patent applications and copyrights relating to Internet content delivery technology. Some of our core technology is based in part on the technology covered by these patents, patent applications and copyrights. Our license is effective for the life of the patents and patent applications; however, under limited circumstances, such as a cessation of our operations due to our insolvency or our material breach of the terms of the license agreement, MIT has the right to terminate our license. A termination of our license agreement with MIT could have a material adverse effect on our business.

We have incurred and could continue to incur substantial costs defending our intellectual property from infringement claims.

Other companies or individuals, including our competitors, may obtain patents or other proprietary rights that would prevent, limit or interfere with our ability to make, use or sell our services or develop new services, which could make it more difficult for us to increase revenues and improve profitability. Companies providing Internet-related products and services are increasingly bringing suits alleging infringement of their proprietary rights, particularly patent rights. Any litigation or claims, whether or not valid, could result in substantial costs and diversion of resources and require us to do one or more of the following:

- cease selling, incorporating or using products or services that incorporate the challenged intellectual property;
- pay substantial damages;
- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all; and
- redesign products or services.

If we are forced to take any of these actions, our business may be seriously harmed. In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology, our business and operating results could be materially adversely affected.

Our business will be adversely affected if we are unable to protect our intellectual property rights from third-party challenges.

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We have brought numerous lawsuits against entities that we believe are infringing on our intellectual property rights. These legal protections afford only limited protection. Monitoring unauthorized use of our services is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. Although we have licensed from other parties proprietary technology covered by patents, we cannot be certain that any such patents will not be challenged, invalidated or circumvented. Furthermore, we cannot be certain that any pending or future patent applications will be granted, that any future patent will not be challenged, invalidated or circumvented, or that rights granted under any patent that may be issued will provide competitive advantages to us.

If we are unable to retain our key employees and hire qualified sales and technical personnel, our ability to compete could be harmed.

Our future success depends upon the continued services of our executive officers and other key technology, sales, marketing and support personnel who have critical industry experience and relationships that they rely on in implementing our business plan. None of our officers or key employees is bound by an employment agreement for any specific term. The loss of the services of any of our key employees could delay the development and introduction of and negatively impact our ability to sell our services.

We face risks associated with international operations that could harm our business.

We have operations in several foreign countries and may continue to expand our sales and support organizations internationally. Such expansion could require us to make significant expenditures. We are increasingly subject to a number of risks associated with international business activities that may increase our costs, lengthen our sales cycle and require significant management attention. These risks include:

- lack of market acceptance of our software and services abroad;
- increased expenses associated with marketing services in foreign countries;
- general economic conditions in international markets;
- currency exchange rate fluctuations;
- unexpected changes in regulatory requirements resulting in unanticipated costs and delays;
- interpretations of laws or regulations that would subject us to regulatory supervision or, in the alternative, require us to exit a country which could have a negative impact on the quality of our services or our results of operations;
- tariffs, export controls and other trade barriers;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable; and
- potentially adverse tax consequences.

If we are required to seek additional funding, such funding may not be available on acceptable terms or at all.

If our revenues decrease or grow more slowly than we anticipate or if our operating expenses increase more than we expect or cannot be reduced in the event of lower revenues, we may need to obtain funding from outside sources. If we are unable to obtain this funding, our business would be materially and adversely affected. In addition, even if we were to find outside funding sources, we might be required to issue securities with greater rights than the securities we have outstanding today. We might also be required to take other actions that could lessen the value of our common stock, including borrowing money on terms that are not favorable to us, if at all.

Internet-related and other laws could adversely affect our business.

Laws and regulations that apply to communications and commerce over the Internet are becoming more prevalent. In particular, the growth and development of the market for online commerce has prompted calls for more stringent tax, consumer protection and privacy laws, both in the United States and abroad, that may impose additional burdens on companies conducting business online. This could negatively affect the businesses of our customers and reduce their demand for our services. Tax laws that might apply to our servers, which are located in many different jurisdictions, could require us to pay additional taxes that would adversely affect our continued profitability. Internet-related laws, however, remain largely unsettled, even in areas where there has been some legislative action. The adoption or modification of laws or regulations relating to the Internet or our operations, or interpretations of existing law, could adversely affect our business.

Provisions of our charter documents, our stockholder rights plan and Delaware law may have anti-takeover effects that could prevent a change in control even if the change in control would be beneficial to our stockholders.

Provisions of our amended and restated certificate of incorporation, amended and restated by-laws and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. In addition, our Board of Directors has adopted a stockholder rights plan the provisions of which could make it more difficult for a potential acquirer of Akamai to consummate an acquisition transaction without the approval of our Board of Directors.

A class action lawsuit has been filed against us that may be costly to defend and the outcome of which is uncertain and may harm our business.

We are named as a defendant in a purported class action lawsuit filed in 2001 alleging that the underwriters of our initial public offering received undisclosed compensation in connection with our initial public offering of common stock in violation of the Securities Act of 1933, as amended, which we refer to as the Securities Act and the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Any conclusion of these matters in a manner adverse to us could have a material adverse affect on our financial position and results of operations.

We may become involved in other litigation that may adversely affect us.

In the ordinary course of business, we may become involved in litigation, administrative proceedings and governmental proceedings. Such matters can be time-consuming, divert management s attention and resources and cause us to incur significant expenses. Furthermore, there can be no assurance that the results of any of these actions will not have a material adverse effect on our business, results of operations or financial condition.

Risks Related to an Investment in our Common Stock and this Offering

Fluctuation of our quarterly results may cause our stock price to decline, potentially resulting in losses to you.

Our quarterly operating results have fluctuated in the past and are likely to fluctuate in the future. A number of factors, many of which are not within our control, could subject our operating results and stock price to volatility, including:

- market acceptance of our products and services;
- technological advancements by us or our competitors;
- our ability to adequately protect out intellectual property rights; and
- general and industry-specific economic conditions that may affect our research and development expenditures.

Due to the possibility of significant fluctuations, we do not believe that quarterly comparisons of our operating results will necessarily be indicative of our future operating performance. If our quarterly operating results fail to meet the expectations of stock market analysts or investors, the price of our common stock may decline, potentially resulting in losses to you.

An investment in our common stock may decline in value as a result of announcements of business developments by us or our competitors.

The market price of our common stock is subject to substantial volatility as a result of announcements by us or other companies in our industry. As a result, purchasers of our common stock may not be able to sell their shares of common stock at or above the price at which they purchased such stock. Announcements which may subject the price of our common stock to substantial volatility include announcements regarding:

- the development of new technologies, product candidates or products by us or our competitors;
- regulatory or legislative actions with respect to Internet commerce;
- the initiation or conclusion of litigation to enforce or defend any of our intellectual property rights; and
- significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors.

We could be subject to class action litigation due to stock price volatility, which, if it occurs, will distract our management and could result in substantial costs or large judgments against us.

The stock market in general has recently experienced extreme price and volume fluctuations. In addition, the market prices of securities of companies in the information technology industry have been extremely volatile and have experienced fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. These fluctuations could adversely affect the market price of our common stock. In the past, securities class action litigation has often been brought against companies following periods of volatility in the market prices of their securities. We may be the target of similar litigation in the future. Securities litigation could result in substantial costs and divert our management s attention and resources, which could cause serious harm to our business, operating results and financial condition.