

pandora<sup>®</sup>

Historical Financial Results

**JUNE 30, 2018**

# Safe Harbor

THESE SLIDES MAY CONTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING ESTABLISHED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS CONTAINED IN THESE SLIDES, INCLUDING STATEMENTS REGARDING PANDORA MEDIA, INC.'S ("PANDORA" OR THE "COMPANY") FUTURE OPERATIONS, FUTURE FINANCIAL POSITION, FUTURE REVENUE, PROJECTED EXPENSES, OPPORTUNITIES, PROSPECTS AND PLANS AND OBJECTIVES OF MANAGEMENT ARE FORWARD-LOOKING STATEMENTS. IN SOME CASES, YOU CAN IDENTIFY FORWARD-LOOKING STATEMENTS BY TERMS SUCH AS "ANTICIPATE," "BELIEVE," "ESTIMATE," "EXPECT," "INTENT," "MAY," "MIGHT," "PLAN," "PROJECT," "WILL," "WOULD," "SHOULD," "COULD," "CAN," "PREDICT," "POTENTIAL," "CONTINUE," "OBJECTIVE," OR THE NEGATIVE OF THESE TERMS OR SIMILAR EXPRESSIONS. THE COMPANY BASES FORWARD-LOOKING STATEMENTS LARGELY ON ITS ESTIMATES OF ITS FINANCIAL RESULTS AND ITS CURRENT EXPECTATIONS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS THAT IT BELIEVES MAY AFFECT ITS FINANCIAL CONDITION, RESULTS OF OPERATIONS, BUSINESS STRATEGY, SHORT TERM AND LONG-TERM BUSINESS OPERATIONS AND OBJECTIVES AND FINANCIAL NEEDS. FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING, BUT NOT LIMITED TO, OUR OPERATION IN AN EMERGING MARKET AND OUR RELATIVELY NEW AND EVOLVING BUSINESS MODEL, OUR ABILITY TO EVALUATE OUR CURRENT AND FUTURE PROSPECTS, OUR ABILITY TO GENERATE ADDITIONAL REVENUE ON A COST-EFFECTIVE BASIS, OUR ABILITY TO ATTRACT AND RETAIN ADVERTISERS, OUR ABILITY TO INCREASE OUR NUMBER OF SUBSCRIBERS, LISTENER BASE AND LISTENER HOURS, OUR ABILITY TO CONTINUE OPERATING UNDER EXISTING LAWS AND LICENSING REGIMES, OUR ABILITY TO ENTER INTO AND MAINTAIN COMMERCIALLY VIABLE DIRECT LICENSES WITH RECORD LABELS AND PUBLISHERS FOR THE RIGHT TO REPRODUCE AND PUBLICLY PERFORM SOUND RECORDINGS AND THE UNDERLYING MUSICAL WORKS CONTAINED THEREIN ON OUR SERVICE, AND A NUMBER OF OTHER FACTORS OUTSIDE OF OUR CONTROL. FURTHER INFORMATION ON THESE FACTORS AND OTHER RISKS THAT MAY AFFECT OUR BUSINESS IS INCLUDED IN FILINGS WE MAKE WITH THE SECURITIES AND EXCHANGE COMMISSION FROM TIME TO TIME, INCLUDING OUR ANNUAL REPORT ON FORM 10-K AND OUR QUARTERLY REPORTS ON FORM 10-Q, PARTICULARLY UNDER THE HEADING "RISK FACTORS." MOREOVER, THE COMPANY OPERATES IN A VERY COMPETITIVE AND RAPIDLY CHANGING ENVIRONMENT. NEW RISKS EMERGE FROM TIME TO TIME. IT IS NOT POSSIBLE FOR COMPANY MANAGEMENT TO PREDICT ALL RISKS, NOR CAN THE COMPANY ASSESS THE IMPACT OF ALL FACTORS ON ITS BUSINESS OR THE EXTENT TO WHICH ANY FACTOR, OR COMBINATION OF FACTORS, MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENTS THE COMPANY MAY MAKE. IN LIGHT OF THESE RISKS, UNCERTAINTIES AND ASSUMPTIONS, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES AND THE ACCOMPANYING ORAL PRESENTATION MAY NOT OCCUR AND ACTUAL RESULTS COULD DIFFER MATERIALLY AND ADVERSELY FROM THOSE ANTICIPATED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS. YOU SHOULD NOT RELY UPON FORWARD-LOOKING STATEMENTS AS PREDICTIONS OF FUTURE EVENTS. ALTHOUGH THE COMPANY BELIEVES THAT THE EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, THE COMPANY CANNOT GUARANTEE THAT THE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR EVENTS AND CIRCUMSTANCES REFLECTED IN THE FORWARD-LOOKING STATEMENTS WILL BE ACHIEVED OR OCCUR. MOREOVER, NEITHER THE COMPANY NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE FORWARD-LOOKING STATEMENTS. ANY FORWARD-LOOKING STATEMENT SPEAKS ONLY AS OF ITS DATE. EXCEPT AS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE PUBLICLY ANY FORWARD-LOOKING STATEMENTS FOR ANY REASON AFTER THE DATE OF THIS PRESENTATION, TO CONFORM THESE STATEMENTS TO ACTUAL RESULTS OR TO CHANGES IN THE COMPANY'S EXPECTATIONS.

**Pandora Media Inc.**  
**Consolidated Statements of Operations**  
**Year Ended December 31**  
(in thousands, except per share amounts)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended	
	3/31/2016 (unaudited)	6/30/2016 (unaudited)	9/30/2016 (unaudited)	12/31/2016 (unaudited)	12/31/2016 (audited)	3/31/2017 (unaudited)	6/30/2017 (unaudited)	9/30/2017 (unaudited)	12/31/2017 (unaudited)	12/31/2017 (audited)	3/31/2018 (unaudited)	6/30/2018 (unaudited)
Revenue												
Advertising	\$ 220,308	\$ 265,126	\$ 273,716	\$ 313,340	\$ 1,072,490	\$ 223,308	\$ 278,204	\$ 275,741	\$ 297,674	\$ 1,074,927	\$ 214,568	\$ 271,056
Subscription and other	54,732	55,125	56,100	59,829	225,786	64,878	68,900	84,414	97,661	315,853	104,665	113,738
Ticketing service (1)	22,265	22,771	22,085	19,429	86,550	27,818	29,730	18,484	-	76,032	-	-
Total revenue	<b>297,305</b>	<b>343,022</b>	<b>351,901</b>	<b>392,598</b>	<b>1,384,826</b>	<b>316,004</b>	<b>376,834</b>	<b>378,639</b>	<b>395,335</b>	<b>1,466,812</b>	<b>319,233</b>	<b>384,794</b>
Cost of revenue												
Cost of revenue - Content acquisition costs	171,264	176,633	174,334	212,122	734,353	187,420	195,875	204,222	216,515	804,032	217,580	226,860
Cost of revenue - Other (2) (3)	21,195	25,106	25,896	30,520	102,717	25,532	27,440	27,287	32,379	112,638	26,849	32,727
Cost of revenue - Ticketing service (1) (3)	14,646	15,259	15,318	14,057	59,280	18,618	20,510	11,269	-	50,397	-	-
Total cost of revenue	<b>207,105</b>	<b>216,998</b>	<b>215,548</b>	<b>256,699</b>	<b>896,350</b>	<b>231,570</b>	<b>243,825</b>	<b>242,778</b>	<b>248,894</b>	<b>967,067</b>	<b>244,429</b>	<b>259,587</b>
Gross profit	<b>90,200</b>	<b>126,024</b>	<b>136,353</b>	<b>135,899</b>	<b>488,476</b>	<b>84,434</b>	<b>133,009</b>	<b>135,861</b>	<b>146,441</b>	<b>499,745</b>	<b>74,804</b>	<b>125,207</b>
Gross margin	<b>30%</b>	<b>37%</b>	<b>39%</b>	<b>35%</b>	<b>35%</b>	<b>27%</b>	<b>35%</b>	<b>36%</b>	<b>37%</b>	<b>34%</b>	<b>23%</b>	<b>33%</b>
Operating expenses												
Product development (2) (3)	35,611	33,560	33,560	37,976	140,707	39,588	41,233	39,469	34,035	154,325	35,884	40,351
Sales and marketing (2) (3)	117,433	123,589	116,091	133,251	490,364	125,102	145,891	107,588	113,961	492,542	124,216	125,375
General and administrative (2) (3)	46,524	40,760	41,909	46,971	176,164	44,525	57,954	48,171	40,061	190,711	41,631	53,617
Goodwill impairment	-	-	-	-	-	-	131,997	-	-	131,997	-	-
Contract termination fees (benefit)	-	-	-	-	-	-	23,467	(423)	-	23,044	-	-
Total operating expenses	<b>199,568</b>	<b>197,909</b>	<b>191,560</b>	<b>218,198</b>	<b>807,235</b>	<b>209,215</b>	<b>400,542</b>	<b>194,805</b>	<b>188,057</b>	<b>992,619</b>	<b>201,731</b>	<b>219,343</b>
Loss from operations	<b>(109,368)</b>	<b>(71,885)</b>	<b>(55,207)</b>	<b>(82,299)</b>	<b>(318,759)</b>	<b>(124,781)</b>	<b>(267,533)</b>	<b>(58,944)</b>	<b>(41,616)</b>	<b>(492,874)</b>	<b>(126,927)</b>	<b>(94,136)</b>
Interest expense	(6,175)	(6,247)	(6,494)	(7,228)	(26,144)	(7,381)	(7,404)	(7,592)	(6,958)	(29,335)	(7,286)	(6,745)
Other income, net	862	255	579	1	1,697	229	78	559	2,158	3,024	2,582	1,767
Total other expense, net	<b>(5,313)</b>	<b>(5,992)</b>	<b>(5,915)</b>	<b>(7,227)</b>	<b>(24,447)</b>	<b>(7,152)</b>	<b>(7,326)</b>	<b>(7,033)</b>	<b>(4,800)</b>	<b>(26,311)</b>	<b>(4,704)</b>	<b>(4,978)</b>
Loss before (provision for) benefit from income taxes	<b>(114,681)</b>	<b>(77,877)</b>	<b>(61,122)</b>	<b>(89,526)</b>	<b>(343,206)</b>	<b>(131,933)</b>	<b>(274,859)</b>	<b>(65,977)</b>	<b>(46,416)</b>	<b>(519,185)</b>	<b>(131,631)</b>	<b>(99,114)</b>
(Provision for) benefit from income taxes	(421)	1,544	(412)	(483)	228	(334)	(277)	(266)	1,667	790	(74)	7,132
Net loss	<b>\$ (115,102)</b>	<b>\$ (76,333)</b>	<b>\$ (61,534)</b>	<b>\$ (90,009)</b>	<b>\$ (342,978)</b>	<b>\$ (132,267)</b>	<b>\$ (275,136)</b>	<b>\$ (66,243)</b>	<b>\$ (44,749)</b>	<b>\$ (518,395)</b>	<b>\$ (131,705)</b>	<b>\$ (91,982)</b>
Net loss available to common stockholders	<b>\$ (115,102)</b>	<b>\$ (76,333)</b>	<b>\$ (61,534)</b>	<b>\$ (90,009)</b>	<b>\$ (342,978)</b>	<b>\$ (132,267)</b>	<b>\$ (289,664)</b>	<b>\$ (84,562)</b>	<b>\$ (52,068)</b>	<b>\$ (558,561)</b>	<b>\$ (139,068)</b>	<b>\$ (99,455)</b>
Basic and diluted net loss per common share	\$ (0.51)	\$ (0.33)	\$ (0.27)	\$ (0.38)	\$ (1.49)	\$ (0.56)	\$ (1.20)	\$ (0.34)	\$ (0.21)	\$ (2.29)	\$ (0.55)	\$ (0.38)
Weighted-average basic and diluted common shares	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637	252,934	259,822

(1) The year ended December 31, 2017 consists of Ticketfly activity through the disposition date of September 1, 2017.

(2) Certain changes in presentation have been made to conform the prior period presentation to current period reporting. We have reclassified amortization of internal use-software costs from the product development and sales and marketing line items to the cost of revenue—other and general and administrative line items.

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended	
	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	3/31/2018	6/30/2018
(3) Includes stock-based compensation expense as follows:												
Cost of revenue - Other	\$ 1,477	\$ 1,544	\$ 1,538	\$ 1,549	\$ 6,108	\$ 815	\$ 814	\$ 803	\$ 817	\$ 3,249	\$ 742	\$ 800
Cost of revenue - Ticketing service	60	67	27	34	188	29	34	6	-	69	-	-
Product development	8,501	7,243	7,347	7,884	30,975	7,915	9,422	8,428	7,478	33,243	6,417	8,028
Sales and marketing	13,613	15,128	14,932	14,445	58,118	13,496	15,102	14,059	13,459	56,116	11,817	11,092
General and administrative	15,004	8,450	8,910	10,705	43,069	7,363	13,236	6,805	8,350	35,754	7,460	7,608
Total stock-based compensation expenses	<b>\$ 38,655</b>	<b>\$ 32,432</b>	<b>\$ 32,754</b>	<b>\$ 34,617</b>	<b>\$ 138,458</b>	<b>\$ 29,618</b>	<b>\$ 38,608</b>	<b>\$ 30,101</b>	<b>\$ 30,104</b>	<b>\$ 128,431</b>	<b>\$ 26,436</b>	<b>\$ 27,528</b>

**Pandora Media Inc.**  
**Consolidated Statements of Operations (excluding Ticketfly, Australia and New Zealand)**  
**Year Ended December 31**  
(in thousands, except per share amounts)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended	
	3/31/2016 (unaudited)	6/30/2016 (unaudited)	9/30/2016 (unaudited)	12/31/2016 (unaudited)	12/31/2016 (audited)	3/31/2017 (unaudited)	6/30/2017 (unaudited)	9/30/2017 (unaudited)	12/31/2017 (unaudited)	12/31/2017 (audited)	3/31/2018 (unaudited)	6/30/2018 (unaudited)
Revenue												
Advertising	\$ 218,482	\$ 263,150	\$ 271,747	\$ 311,351	\$ 1,064,730	\$ 221,137	\$ 276,221	\$ 275,755	\$ 297,675	\$ 1,070,788	\$ 214,568	\$ 271,013
Subscription and other	54,157	54,437	55,466	59,144	223,204	64,187	68,237	84,158	97,694	314,276	104,665	\$ 113,738
Total revenue	<u>272,639</u>	<u>317,587</u>	<u>327,213</u>	<u>370,495</u>	<u>1,287,934</u>	<u>285,324</u>	<u>344,458</u>	<u>359,913</u>	<u>395,369</u>	<u>1,385,064</u>	<u>319,233</u>	<u>384,751</u>
Cost of revenue												
Cost of revenue - Content acquisition costs	170,768	176,094	172,235	209,768	728,865	185,461	193,344	203,432	216,643	798,880	217,764	226,849
Cost of revenue - Other (1) (2)	21,019	24,914	25,722	30,293	101,948	25,394	27,112	27,172	32,375	112,053	26,838	32,723
Total cost of revenue	<u>191,787</u>	<u>201,008</u>	<u>197,957</u>	<u>240,061</u>	<u>830,813</u>	<u>210,855</u>	<u>220,456</u>	<u>230,604</u>	<u>249,018</u>	<u>910,933</u>	<u>244,602</u>	<u>259,572</u>
Gross profit	<u>80,852</u>	<u>116,579</u>	<u>129,256</u>	<u>130,434</u>	<u>457,121</u>	<u>74,469</u>	<u>124,002</u>	<u>129,309</u>	<u>146,351</u>	<u>474,131</u>	<u>74,631</u>	<u>125,179</u>
Gross margin	30%	37%	40%	35%	35%	26%	36%	36%	37%	34%	23%	33%
Operating expenses												
Product development (1) (2)	31,349	29,873	28,759	33,065	123,046	34,271	35,833	36,801	34,035	140,940	35,884	40,351
Sales and marketing (1) (2)	108,076	112,532	104,507	121,870	446,985	112,449	133,621	103,270	113,980	463,320	124,166	125,375
General and administrative (1) (2)	42,309	36,192	37,334	42,740	158,575	40,175	45,792	45,138	39,659	170,764	41,791	53,593
Goodwill impairment	-	-	-	-	-	-	300	-	-	300	-	-
Contract termination fees (benefit)	-	-	-	-	-	-	23,467	(423)	-	23,044	-	-
Total operating expenses	<u>181,734</u>	<u>178,597</u>	<u>170,600</u>	<u>197,675</u>	<u>728,606</u>	<u>186,895</u>	<u>239,013</u>	<u>184,786</u>	<u>187,674</u>	<u>798,368</u>	<u>201,841</u>	<u>219,319</u>
Loss from operations	<u>(100,882)</u>	<u>(62,018)</u>	<u>(41,344)</u>	<u>(67,241)</u>	<u>(271,485)</u>	<u>(112,426)</u>	<u>(115,011)</u>	<u>(55,477)</u>	<u>(41,323)</u>	<u>(324,237)</u>	<u>(127,210)</u>	<u>(94,140)</u>
Interest expense	(6,174)	(6,242)	(6,494)	(7,228)	(26,138)	(7,381)	(7,404)	(7,592)	(6,950)	(29,327)	(7,286)	(6,745)
Other income, net	248	289	406	228	1,171	81	186	754	2,147	3,168	2,656	1,786
Total other expense, net	<u>(5,926)</u>	<u>(5,953)</u>	<u>(6,088)</u>	<u>(7,000)</u>	<u>(24,967)</u>	<u>(7,300)</u>	<u>(7,218)</u>	<u>(6,838)</u>	<u>(4,803)</u>	<u>(26,159)</u>	<u>(4,630)</u>	<u>(4,959)</u>
Loss before (provision for) benefit from income taxes	<u>(106,808)</u>	<u>(67,971)</u>	<u>(47,432)</u>	<u>(74,241)</u>	<u>(296,452)</u>	<u>(119,726)</u>	<u>(122,229)</u>	<u>(62,315)</u>	<u>(46,126)</u>	<u>(350,396)</u>	<u>(131,840)</u>	<u>(99,099)</u>
(Provision for) benefit from income taxes	(326)	1,625	(322)	(329)	648	(295)	(3,998)	(254)	1,667	(2,880)	(66)	7,132
Net loss	<u>\$ (107,134)</u>	<u>\$ (66,346)</u>	<u>\$ (47,754)</u>	<u>\$ (74,570)</u>	<u>\$ (295,804)</u>	<u>\$ (120,021)</u>	<u>\$ (126,227)</u>	<u>\$ (62,569)</u>	<u>\$ (44,459)</u>	<u>\$ (353,276)</u>	<u>\$ (131,906)</u>	<u>\$ (91,967)</u>
Net loss available to common stockholders	<u>\$ (107,134)</u>	<u>\$ (66,346)</u>	<u>\$ (47,754)</u>	<u>\$ (74,570)</u>	<u>\$ (295,804)</u>	<u>\$ (120,021)</u>	<u>\$ (140,755)</u>	<u>\$ (80,888)</u>	<u>\$ (51,778)</u>	<u>\$ (393,442)</u>	<u>\$ (139,269)</u>	<u>\$ (99,440)</u>
Basic and diluted net loss per common share	\$ (0.47)	\$ (0.29)	\$ (0.21)	\$ (0.32)	\$ (1.28)	\$ (0.51)	\$ (0.58)	\$ (0.33)	\$ (0.21)	\$ (1.61)	\$ (0.55)	\$ (0.38)
Weighted-average basic and diluted common shares	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637	252,934	259,822

(1) Certain changes in presentation have been made to conform the prior period presentation to current period reporting. We have reclassified amortization of internal use-software costs from the product development and sales and marketing line items to the cost of revenue—other and general and administrative line items.

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended	
	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	3/31/2018	6/30/2018
(2) Includes stock-based compensation expense as follows:												
Cost of revenue - Other	\$ 1,477	\$ 1,544	\$ 1,538	\$ 1,549	\$ 6,108	\$ 815	\$ 814	\$ 803	\$ 817	\$ 3,249	\$ 742	\$ 800
Product development	7,815	6,468	6,519	6,956	27,758	6,915	8,403	8,560	7,478	31,356	6,417	8,028
Sales and marketing	13,138	14,528	14,287	13,810	55,763	12,918	14,461	14,038	13,459	54,876	11,817	11,092
General and administrative	14,345	7,534	8,135	9,799	39,813	6,465	12,251	6,644	8,350	33,710	7,460	7,608
Total stock-based compensation expenses	<u>\$ 36,775</u>	<u>\$ 30,074</u>	<u>\$ 30,479</u>	<u>\$ 32,114</u>	<u>\$ 129,442</u>	<u>\$ 27,113</u>	<u>\$ 35,929</u>	<u>\$ 30,045</u>	<u>\$ 30,104</u>	<u>\$ 123,191</u>	<u>\$ 26,436</u>	<u>\$ 27,528</u>

**Pandora Media Inc.**  
**Consolidated Balance Sheets**  
**Year Ended December 31**  
**(in thousands)**

	<u>3/31/2016</u> <u>(unaudited)</u>	<u>6/30/2016</u> <u>(unaudited)</u>	<u>9/30/2016</u> <u>(unaudited)</u>	<u>12/31/2016</u> <u>(audited)</u>	<u>3/31/2017</u> <u>(unaudited)</u>	<u>6/30/2017</u> <u>(unaudited)</u>	<u>9/30/2017</u> <u>(unaudited)</u>	<u>12/31/2017</u> <u>(audited)</u>	<u>3/31/2018</u> <u>(unaudited)</u>	<u>6/30/2018</u> <u>(unaudited)</u>
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents	\$ 303,454	\$ 238,367	\$ 207,695	\$ 199,944	\$ 170,881	\$ 209,581	\$ 493,181	\$ 499,597	\$ 454,923	\$ 292,996
Short-term investments	45,805	54,800	50,052	37,109	32,123	18,056	6,249	1,250	89,482	127,791
Accounts receivable, net	237,760	263,654	282,802	309,267	262,934	288,347	312,277	336,429	269,584	339,592
Prepaid content acquisition costs (1)	18,874	9,370	102,623	46,310	48,542	39,869	80,152	55,668	35,901	24,379
Prepaid expenses and other current assets (1)	29,308	33,916	34,166	33,191	29,422	18,188	20,294	19,220	20,074	21,799
Assets held for sale	-	-	-	-	-	227,844	-	-	-	-
<b>Total current assets</b>	<b>635,201</b>	<b>600,107</b>	<b>677,338</b>	<b>625,821</b>	<b>543,902</b>	<b>801,885</b>	<b>912,153</b>	<b>912,164</b>	<b>869,964</b>	<b>806,557</b>
Convertible promissory note receivable	-	-	-	-	-	-	34,132	35,471	-	-
Long-term investments	33,238	18,153	6,273	6,252	-	-	-	-	-	-
Property and equipment, net	81,412	102,016	118,453	124,088	128,815	120,792	117,700	116,742	114,487	110,583
Goodwill	304,787	306,715	306,706	306,691	306,421	71,243	71,243	71,243	71,243	178,917
Intangible assets, net	105,843	100,705	95,565	90,425	85,289	23,235	21,304	19,409	17,891	59,863
Other long-term assets	31,860	31,478	32,528	31,533	33,721	13,490	8,999	11,293	11,285	12,023
<b>Total assets</b>	<b>\$ 1,192,341</b>	<b>\$ 1,159,174</b>	<b>\$ 1,236,863</b>	<b>\$ 1,184,810</b>	<b>\$ 1,098,148</b>	<b>\$ 1,030,645</b>	<b>\$ 1,165,531</b>	<b>\$ 1,166,322</b>	<b>\$ 1,084,870</b>	<b>\$ 1,167,943</b>
<b>Liabilities, redeemable convertible preferred stock and stockholders' equity</b>										
<b>Current liabilities</b>										
Accounts payable	\$ 9,922	\$ 6,132	\$ 13,983	\$ 15,224	\$ 21,152	\$ 12,780	\$ 8,444	\$ 14,896	\$ 15,762	\$ 17,704
Accrued liabilities	35,375	29,723	33,968	35,465	33,878	43,601	33,180	34,535	37,655	60,047
Accrued content acquisition costs	111,554	123,583	106,275	93,723	89,972	88,260	99,798	97,751	106,254	125,791
Accrued compensation	43,938	48,971	52,089	60,353	43,871	45,580	42,753	47,635	42,908	48,184
Deferred revenue	27,579	28,751	31,971	28,359	32,355	32,475	33,977	31,464	37,681	43,512
Other current liabilities	23,044	17,432	20,739	20,993	32,848	-	-	-	-	-
Liabilities held for sale	-	-	-	-	-	43,059	-	-	-	-
<b>Total current liabilities</b>	<b>251,412</b>	<b>254,592</b>	<b>259,025</b>	<b>254,117</b>	<b>254,076</b>	<b>265,755</b>	<b>218,152</b>	<b>226,281</b>	<b>240,260</b>	<b>295,238</b>
Long-term debt, net	239,011	243,483	337,429	342,247	347,223	352,157	267,396	273,014	278,410	250,267
Other long-term liabilities	31,521	32,804	33,402	34,187	33,946	25,701	27,068	23,500	22,714	25,919
<b>Total liabilities</b>	<b>521,944</b>	<b>530,879</b>	<b>629,856</b>	<b>630,551</b>	<b>635,245</b>	<b>643,613</b>	<b>512,616</b>	<b>522,795</b>	<b>541,384</b>	<b>571,424</b>
Redeemable convertible preferred stock	-	-	-	-	-	173,095	483,588	490,849	498,211	505,684
<b>Stockholders' equity</b>										
Common stock	23	23	23	24	24	24	25	25	26	27
Additional paid-in capital	1,152,577	1,186,777	1,227,197	1,264,693	1,306,532	1,347,285	1,387,957	1,422,221	1,453,915	1,598,905
Accumulated deficit	(481,760)	(558,093)	(619,627)	(709,636)	(843,057)	(1,132,721)	(1,217,283)	(1,269,351)	(1,408,419)	(1,507,874)
Accumulated other comprehensive loss	(443)	(412)	(586)	(822)	(596)	(651)	(1,372)	(217)	(247)	(223)
<b>Total stockholders' equity</b>	<b>670,397</b>	<b>628,295</b>	<b>607,007</b>	<b>554,259</b>	<b>462,903</b>	<b>213,937</b>	<b>169,327</b>	<b>152,678</b>	<b>45,275</b>	<b>90,835</b>
<b>Total liabilities, redeemable convertible preferred stock and stockholders' equity</b>	<b>\$ 1,192,341</b>	<b>\$ 1,159,174</b>	<b>\$ 1,236,863</b>	<b>\$ 1,184,810</b>	<b>\$ 1,098,148</b>	<b>\$ 1,030,645</b>	<b>\$ 1,165,531</b>	<b>\$ 1,166,322</b>	<b>\$ 1,084,870</b>	<b>\$ 1,167,943</b>

(1) Certain changes in presentation have been made to conform the prior period presentation to current period reporting. We have reclassified prepaid content acquisition costs from the prepaid expenses and other assets line item to the prepaid content acquisition costs line item.

**Pandora Media Inc.**  
**Consolidated Statements of Cash Flows**  
**Year Ended December 31**  
**(in thousands)**

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended	
	3/31/2016 (unaudited)	6/30/2016 (unaudited)	9/30/2016 (unaudited)	12/31/2016 (unaudited)	12/31/2016 (audited)	3/31/2017 (unaudited)	6/30/2017 (unaudited)	9/30/2017 (unaudited)	12/31/2017 (unaudited)	12/31/2017 (audited)	3/31/2018 (unaudited)	6/30/2018 (unaudited)
Operating Activities												
Net loss	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)	\$ (132,267)	\$ (275,136)	\$ (66,243)	\$ (44,749)	\$ (518,395)	\$ (131,705)	\$ (91,982)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities												
Goodwill impairment	-	-	-	-	-	-	131,997	-	-	131,997	-	-
Loss (gain) on dispositions	-	-	-	-	-	-	-	9,459	(81)	9,378	2,173	-
Loss on extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	14,600
Depreciation and amortization	13,277	14,360	15,843	17,277	60,757	17,680	17,435	14,006	13,827	62,948	13,779	14,283
Stock-based compensation	38,655	32,432	32,754	34,617	138,458	29,618	38,608	30,101	30,104	128,431	26,436	27,528
Amortization of premium on investments, net	140	107	92	66	405	53	20	5	3	81	(118)	(552)
Accretion of discount on convertible promissory note receivable	-	-	-	-	-	-	-	(171)	(516)	(687)	(534)	-
Other operating activities (1)	83	96	90	612	881	365	(179)	104	157	447	65	166
Amortization of debt discount	4,434	4,504	4,649	4,728	18,315	4,886	4,913	5,135	5,219	20,153	5,396	5,022
Interest income	-	-	-	-	-	-	-	(258)	(823)	(1,081)	(810)	-
Provision for (recoveries of) bad debt (1)	812	483	1,320	907	3,522	1,390	7,884	1,577	1,360	12,211	(315)	1,831
Changes in operating assets and liabilities												
Accounts receivable	38,514	(26,375)	(20,477)	(27,372)	(35,710)	44,941	(32,347)	(23,888)	(25,466)	(36,760)	67,160	(51,049)
Prepaid content acquisition costs (1)	(16,775)	9,504	(93,253)	56,313	(44,211)	(2,232)	8,673	(40,283)	24,484	(9,358)	19,767	11,522
Prepaid expenses and other assets (1)	(2,967)	(5,902)	(3,786)	325	(12,330)	(5,579)	(3,567)	(8,809)	1,389	(16,566)	(1,588)	242
Accounts payable, accrued and other current liabilities	(3,467)	(13,942)	12,419	10,284	5,294	13,192	1,880	(15,329)	9,310	9,053	4,749	(1,148)
Accrued content acquisition costs	14,152	12,025	(17,302)	(12,543)	(3,668)	(3,762)	(1,713)	11,538	(2,047)	4,016	8,503	19,537
Accrued compensation	2,597	2,900	4,873	4,994	15,364	(13,207)	16	545	1,967	(10,679)	(1,347)	2,517
Other long-term liabilities	659	(658)	597	786	1,384	(244)	420	(708)	(2,475)	(3,007)	(786)	(8,241)
Deferred revenue	7,640	1,172	3,220	(3,612)	8,420	3,996	120	1,502	(2,513)	3,105	6,217	5,830
Reimbursement of cost of leasehold improvements	4,244	153	-	-	4,397	5,236	-	-	25	5,261	357	537
Net cash (used in) provided by operating activities	<b>(13,104)</b>	<b>(45,474)</b>	<b>(120,495)</b>	<b>(2,627)</b>	<b>(181,700)</b>	<b>(35,934)</b>	<b>(100,976)</b>	<b>(81,717)</b>	<b>9,175</b>	<b>(209,452)</b>	<b>17,399</b>	<b>(49,357)</b>
Investing Activities												
Purchases of property and equipment (1)	(14,371)	(20,193)	(11,836)	(13,369)	(59,769)	(1,980)	(6,561)	(4,320)	(2,795)	(15,656)	(3,410)	(1,580)
Internal-use software costs (1)	(7,177)	(7,133)	(8,029)	(7,871)	(30,210)	(7,765)	(3,129)	(3,054)	(6,209)	(20,157)	(5,489)	(5,089)
Purchases of investments	(4,993)	(6,098)	(1,322)	-	(12,413)	-	-	-	-	-	(89,341)	(75,245)
Proceeds from maturities of investments	8,332	11,675	14,809	12,840	47,656	11,220	14,054	11,810	4,998	42,082	1,250	37,500
Proceeds from sales of investments	-	500	3,007	-	3,507	-	-	-	-	-	-	-
Proceeds from cancellation of convertible promissory note receivable	-	-	-	-	-	-	-	-	-	-	34,742	-
Proceeds from sales of subsidiaries (payments for), net of cash	-	-	-	-	-	-	-	122,912	(1,111)	121,801	-	-
Payments related to acquisitions, net of cash acquired	(676)	-	-	-	(676)	-	-	-	-	-	-	(66,924)
Net cash (used in) provided by investing activities	<b>(18,885)</b>	<b>(21,249)</b>	<b>(3,371)</b>	<b>(8,400)</b>	<b>(51,905)</b>	<b>1,475</b>	<b>4,364</b>	<b>127,348</b>	<b>(5,117)</b>	<b>128,070</b>	<b>(62,248)</b>	<b>(111,338)</b>
Financing Activities												
Proceeds from issuance of redeemable convertible preferred stock	-	-	-	-	-	-	172,500	307,500	-	480,000	-	-
Payments of issuance costs	-	(32)	-	-	(32)	-	(12,625)	(16,659)	(1,227)	(30,511)	-	(4,516)
Repayment of debt arrangements	-	-	-	-	-	-	-	(90,000)	-	(90,000)	-	-
Borrowings under debt arrangements	-	-	90,000	-	90,000	-	-	-	-	-	-	-
Proceeds from employee stock purchase plan	1,687	2,150	2,558	3,306	9,701	2,798	3,348	1,866	2,914	10,926	37	2,237
Proceeds from exercise of stock options	520	1,353	1,138	446	3,457	2,388	750	4,698	1,942	9,778	248	175
Tax payments from net share settlements of restricted stock units	(1,294)	(1,467)	(365)	(243)	(3,369)	-	-	-	-	-	(287)	(190)
Net cash provided by (used in) financing activities	<b>913</b>	<b>2,004</b>	<b>93,331</b>	<b>3,509</b>	<b>99,757</b>	<b>5,186</b>	<b>163,973</b>	<b>207,405</b>	<b>3,629</b>	<b>380,193</b>	<b>(2)</b>	<b>(2,294)</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(137)	(118)	(137)	(242)	(634)	210	82	(55)	(14)	223	(8)	(10)
Net (decrease) increase in cash, cash equivalents and restricted cash	(31,213)	(64,837)	(30,672)	(7,760)	(134,482)	(29,063)	67,443	252,981	7,673	299,034	(44,859)	(162,999)
Cash, cash equivalents and restricted cash at beginning of period	336,302	305,089	240,252	209,580	336,302	201,820	172,757	212,099	493,181	201,820	500,854	455,995
Less: (Increase) decrease in cash and restricted cash held for sale	-	-	-	-	-	-	(28,101)	28,101	-	-	-	-
Cash, cash equivalents and restricted cash at end of period (1)	<b>\$ 305,089</b>	<b>\$ 240,252</b>	<b>\$ 209,580</b>	<b>\$ 201,820</b>	<b>\$ 201,820</b>	<b>\$ 172,757</b>	<b>\$ 212,099</b>	<b>\$ 493,181</b>	<b>\$ 500,854</b>	<b>\$ 500,854</b>	<b>\$ 455,995</b>	<b>\$ 292,996</b>

(1) Certain changes in presentation have been made to conform the prior period presentation to current period reporting. We have reclassified internal-use software costs from purchases of property and equipment to the internal-use software costs line item. We have reclassified the change in prepaid content acquisition costs from the change in prepaid expenses and other assets line item to the change in prepaid content acquisition costs line item. We have reclassified bad debt from the other operating activities line item to the bad debt line item. Lastly, per ASU 2016-18, we have updated the presentation to reconcile to total cash, cash equivalents and restricted cash.

**Pandora Media Inc.**  
**Reconciliation of GAAP to Non-GAAP Measures**  
(in thousands, except per share amounts)  
(unaudited)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended	
	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	3/31/2018	6/30/2018
Gross profit												
GAAP gross profit	\$ 90,200	\$ 126,024	\$ 136,353	\$ 135,899	\$ 488,476	\$ 84,434	\$ 133,009	\$ 135,861	\$ 146,441	\$ 499,745	\$ 74,804	\$ 125,207
Stock-based compensation - Cost of revenue	1,537	1,611	1,565	1,583	6,296	844	848	809	817	3,318	742	800
Amortization of intangibles - Cost of revenue	1,417	1,419	1,420	1,419	5,675	1,419	2,514	1,567	1,532	7,032	1,155	1,951
Expense associated with the restructurings	-	-	-	-	-	312	78	-	-	390	-	-
Non-GAAP gross profit	<u>\$ 93,154</u>	<u>\$ 129,054</u>	<u>\$ 139,338</u>	<u>\$ 138,901</u>	<u>\$ 500,447</u>	<u>\$ 87,009</u>	<u>\$ 136,449</u>	<u>\$ 138,237</u>	<u>\$ 148,790</u>	<u>\$ 510,485</u>	<u>\$ 76,701</u>	<u>\$ 127,958</u>
Non-GAAP gross margin	31%	38%	40%	35%	36%	28%	36%	37%	38%	35%	24%	33%
Adjusted EBITDA and non-GAAP net loss												
GAAP net loss	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)	\$ (132,267)	\$ (275,136)	\$ (66,243)	\$ (44,749)	\$ (518,395)	\$ (131,705)	\$ (91,982)
Depreciation and amortization	13,277	14,360	15,843	17,277	60,757	17,680	17,435	14,006	13,827	62,948	13,779	14,283
Stock-based compensation	38,655	32,432	32,754	34,617	138,458	29,618	38,608	30,101	30,104	128,431	26,436	27,528
Other expense, net	5,313	5,992	5,915	7,227	24,447	7,152	7,326	7,033	4,800	26,311	4,704	4,978
Provision for (benefit from) income taxes	421	(1,544)	412	483	(228)	334	277	266	(1,667)	(790)	74	(7,132)
Expense associated with the restructurings	-	-	-	-	-	6,180	1,733	520	3,599	12,032	8,868	1,379
Goodwill impairment	-	-	-	-	-	-	131,997	-	-	131,997	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-	2,359	1,700
Loss (gain) on dispositions	-	-	-	-	-	-	-	9,459	(81)	9,378	2,173	-
Loss on extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	14,600
Contract termination fees (benefit)	-	-	-	-	-	-	23,467	(423)	-	23,044	-	-
Adjusted EBITDA	<u>\$ (57,436)</u>	<u>\$ (25,093)</u>	<u>\$ (6,610)</u>	<u>\$ (30,405)</u>	<u>\$ (119,544)</u>	<u>\$ (71,303)</u>	<u>\$ (54,293)</u>	<u>\$ (5,281)</u>	<u>\$ 5,833</u>	<u>\$ (125,044)</u>	<u>\$ (73,312)</u>	<u>\$ (34,646)</u>
Income tax effects of non-GAAP pre-tax loss	24,936	10,700	5,889	19,018	60,543	32,158	23,596	8,483	(42,674)	21,563	21,750	5,247
Other expense, net	(5,313)	(5,992)	(5,915)	(7,227)	(24,447)	(7,152)	(7,326)	(7,033)	(4,800)	(26,311)	(4,704)	(4,978)
(Provision for) benefit from income taxes	(421)	1,544	(412)	(483)	228	(334)	(277)	(266)	1,667	790	(74)	7,132
Depreciation	(6,982)	(7,942)	(9,009)	(10,558)	(34,491)	(10,557)	(11,821)	(11,845)	(11,932)	(46,155)	(12,261)	(11,655)
Non-GAAP net loss	<u>\$ (45,216)</u>	<u>\$ (26,783)</u>	<u>\$ (16,057)</u>	<u>\$ (29,655)</u>	<u>\$ (117,711)</u>	<u>\$ (57,188)</u>	<u>\$ (50,121)</u>	<u>\$ (15,942)</u>	<u>\$ (51,906)</u>	<u>\$ (175,157)</u>	<u>\$ (68,601)</u>	<u>\$ (38,900)</u>
Non-GAAP net loss per common share - basic and diluted	\$ (0.20)	\$ (0.12)	\$ (0.07)	\$ (0.13)	\$ (0.51)	\$ (0.24)	\$ (0.21)	\$ (0.06)	\$ (0.21)	\$ (0.72)	\$ (0.27)	\$ (0.15)
Weighted average basic and diluted common shares	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637	252,934	259,822
Product development												
GAAP product development	\$ 35,611	\$ 33,560	\$ 33,560	\$ 37,976	\$ 140,707	\$ 39,588	\$ 41,233	\$ 39,469	\$ 34,035	\$ 154,325	\$ 35,884	\$ 40,351
Stock-based compensation	(8,501)	(7,243)	(7,347)	(7,884)	(30,975)	(7,915)	(9,422)	(8,428)	(7,478)	(33,243)	(6,417)	(8,028)
Amortization of intangibles	(1,822)	(1,823)	(1,822)	(1,822)	(7,289)	(1,822)	(254)	(97)	(97)	(2,270)	(97)	(97)
Expense associated with the restructurings	-	-	-	-	-	(702)	(8)	(23)	-	(733)	(622)	-
Non-GAAP product development	<u>\$ 25,288</u>	<u>\$ 24,494</u>	<u>\$ 24,391</u>	<u>\$ 28,270</u>	<u>\$ 102,443</u>	<u>\$ 29,149</u>	<u>\$ 31,549</u>	<u>\$ 30,921</u>	<u>\$ 26,460</u>	<u>\$ 118,079</u>	<u>\$ 28,748</u>	<u>\$ 32,226</u>
Sales and marketing												
GAAP sales and marketing	\$ 117,433	\$ 123,589	\$ 116,091	\$ 133,251	\$ 490,364	\$ 125,102	\$ 145,891	\$ 107,588	\$ 113,961	\$ 492,542	\$ 124,216	\$ 125,375
Stock-based compensation	(13,613)	(15,128)	(14,932)	(14,445)	(58,118)	(13,496)	(15,102)	(14,059)	(13,459)	(56,116)	(11,817)	(11,092)
Amortization of intangibles	(1,711)	(1,713)	(1,713)	(1,713)	(6,850)	(1,713)	(1,170)	(83)	(83)	(3,049)	(83)	(397)
Amortization of non-recoupable ticketing contract advances	(1,162)	(1,280)	(1,696)	(1,582)	(5,720)	(1,986)	(1,493)	(230)	-	(3,709)	-	-
Loss on sales of subsidiaries	-	-	-	-	-	-	-	(75)	-	(75)	(100)	-
Expense associated with the restructurings	-	-	-	-	-	(3,656)	(1,551)	(286)	-	(5,493)	(4,608)	-
Non-GAAP sales and marketing	<u>\$ 100,947</u>	<u>\$ 105,468</u>	<u>\$ 97,750</u>	<u>\$ 115,511</u>	<u>\$ 419,676</u>	<u>\$ 104,251</u>	<u>\$ 126,575</u>	<u>\$ 92,855</u>	<u>\$ 100,419</u>	<u>\$ 424,100</u>	<u>\$ 107,608</u>	<u>\$ 113,886</u>
General and administrative												
GAAP general and administrative	\$ 46,524	\$ 40,760	\$ 41,909	\$ 46,971	\$ 176,164	\$ 44,525	\$ 57,954	\$ 48,171	\$ 40,061	\$ 190,711	\$ 41,631	\$ 53,617
Stock-based compensation	(15,004)	(8,450)	(8,910)	(10,705)	(43,069)	(7,363)	(13,236)	(6,805)	(8,350)	(35,754)	(7,460)	(7,608)
Amortization of intangibles	(183)	(183)	(183)	(183)	(732)	(183)	(183)	(184)	(183)	(733)	(183)	(183)
Transaction costs	-	-	-	-	-	-	-	-	-	-	(2,359)	(1,700)
(Loss) gain on dispositions	-	-	-	-	-	-	-	(9,384)	81	(9,303)	(2,073)	-
Loss on extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	(14,600)
Expense associated with the restructurings	-	-	-	-	-	(1,510)	(96)	(211)	(3,599)	(5,416)	(3,638)	(1,379)
Non-GAAP general and administrative	<u>\$ 31,337</u>	<u>\$ 32,127</u>	<u>\$ 32,816</u>	<u>\$ 36,083</u>	<u>\$ 132,363</u>	<u>\$ 35,469</u>	<u>\$ 44,439</u>	<u>\$ 31,587</u>	<u>\$ 28,010</u>	<u>\$ 139,505</u>	<u>\$ 25,918</u>	<u>\$ 28,147</u>

**Pandora Media Inc.**  
**Reconciliation of GAAP to Non-GAAP Measures excluding Ticketfly, Australia and New Zealand**  
(in thousands, except per share amounts)  
(unaudited)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended	
	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	3/31/2018	6/30/2018
Gross profit												
GAAP gross profit	\$ 80,852	\$ 116,579	\$ 129,256	\$ 130,434	\$ 457,121	\$ 74,469	\$ 124,002	\$ 129,309	\$ 146,351	\$ 474,131	\$ 74,631	\$ 125,179
Stock-based compensation - Cost of revenue	1,477	1,544	1,538	1,549	6,108	815	814	803	817	3,249	742	800
Amortization of intangibles - Cost of revenue	-	-	-	-	-	-	1,568	1,567	1,532	4,667	1,155	1,951
Expense associated with the restructurings	-	-	-	-	-	312	-	-	-	-	-	-
Non-GAAP gross profit	<u>\$ 82,329</u>	<u>\$ 118,123</u>	<u>\$ 130,794</u>	<u>\$ 131,983</u>	<u>\$ 463,229</u>	<u>\$ 75,596</u>	<u>\$ 126,384</u>	<u>\$ 131,679</u>	<u>\$ 148,700</u>	<u>\$ 482,359</u>	<u>\$ 76,528</u>	<u>\$ 127,930</u>
Non-GAAP gross margin	<u>30%</u>	<u>37%</u>	<u>40%</u>	<u>36%</u>	<u>36%</u>	<u>26%</u>	<u>37%</u>	<u>37%</u>	<u>38%</u>	<u>35%</u>	<u>24%</u>	<u>33%</u>
Adjusted EBITDA and non-GAAP net loss												
GAAP net loss	\$ (107,134)	\$ (66,346)	\$ (47,754)	\$ (74,570)	\$ (295,804)	\$ (120,021)	\$ (126,227)	\$ (62,569)	\$ (44,459)	\$ (353,276)	\$ (131,906)	\$ (91,967)
Depreciation and amortization	8,602	9,537	10,552	12,069	40,760	12,088	13,527	13,771	13,827	53,213	13,779	14,283
Stock-based compensation	36,775	30,074	30,479	32,114	129,442	27,113	35,929	30,045	30,104	123,191	26,436	27,528
Other expense, net	5,926	5,953	6,088	7,000	24,967	7,300	7,218	6,838	4,803	26,159	4,630	4,959
Provision for (benefit from) income taxes	326	(1,625)	322	329	(648)	295	3,998	254	(1,667)	2,880	66	(7,132)
Expense associated with the restructurings	-	-	-	-	-	6,180	(133)	-	3,599	9,646	8,868	1,379
Goodwill impairment	-	-	-	-	-	-	300	-	-	300	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-	2,359	1,700
Loss (gain) on dispositions	-	-	-	-	-	-	-	9,459	(81)	9,378	2,173	-
Loss on extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	14,600
Contract termination fees (benefit)	-	-	-	-	-	-	23,467	(423)	-	23,044	-	-
Adjusted EBITDA	<u>\$ (55,505)</u>	<u>\$ (22,407)</u>	<u>\$ (313)</u>	<u>\$ (23,058)</u>	<u>\$ (101,283)</u>	<u>\$ (67,045)</u>	<u>\$ (41,921)</u>	<u>\$ (2,625)</u>	<u>\$ 6,126</u>	<u>\$ (105,465)</u>	<u>\$ (73,595)</u>	<u>\$ (34,650)</u>
Income tax effects of non-GAAP pre-tax loss	25,031	10,781	5,979	19,172	60,963	32,197	19,875	8,495	(42,674)	17,893	21,758	5,247
Other expense, net	(5,926)	(5,953)	(6,088)	(7,000)	(24,967)	(7,300)	(7,218)	(6,838)	(4,803)	(26,159)	(4,630)	(4,959)
(Provision for) benefit from income taxes	(326)	1,625	(322)	(329)	648	(295)	(3,998)	(254)	1,667	(2,880)	(66)	7,132
Depreciation	(6,514)	(7,447)	(8,465)	(9,980)	(32,406)	(10,000)	(11,438)	(11,840)	(11,932)	(45,210)	(12,261)	(11,655)
Non-GAAP net loss	<u>\$ (43,240)</u>	<u>\$ (23,401)</u>	<u>\$ (9,209)</u>	<u>\$ (21,195)</u>	<u>\$ (97,045)</u>	<u>\$ (52,443)</u>	<u>\$ (44,700)</u>	<u>\$ (13,062)</u>	<u>\$ (51,616)</u>	<u>\$ (161,821)</u>	<u>\$ (68,794)</u>	<u>\$ (38,885)</u>
Non-GAAP net loss per common share - basic and diluted	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>	<u>\$ (0.42)</u>	<u>\$ (0.22)</u>	<u>\$ (0.19)</u>	<u>\$ (0.05)</u>	<u>\$ (0.21)</u>	<u>\$ (0.66)</u>	<u>\$ (0.27)</u>	<u>\$ (0.15)</u>
Weighted average basic and diluted common shares	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637	252,934	259,822
Product development												
GAAP product development	\$ 31,349	\$ 29,873	\$ 28,759	\$ 33,065	\$ 123,046	\$ 34,271	\$ 35,833	\$ 36,801	\$ 34,035	\$ 140,940	\$ 35,884	\$ 40,351
Stock-based compensation	(7,815)	(6,468)	(6,519)	(6,956)	(27,758)	(6,915)	(8,403)	(8,560)	(7,478)	(31,356)	(6,417)	(8,028)
Amortization of intangibles	(1,821)	(1,823)	(1,821)	(1,822)	(7,287)	(1,822)	(254)	(97)	(97)	(2,270)	(97)	(97)
Expense associated with the restructurings	-	-	-	-	-	(702)	-	-	-	(702)	(622)	-
Non-GAAP product development	<u>\$ 21,713</u>	<u>\$ 21,582</u>	<u>\$ 20,419</u>	<u>\$ 24,287</u>	<u>\$ 88,001</u>	<u>\$ 24,832</u>	<u>\$ 27,176</u>	<u>\$ 28,144</u>	<u>\$ 26,460</u>	<u>\$ 106,612</u>	<u>\$ 28,748</u>	<u>\$ 32,226</u>
Sales and marketing												
GAAP sales and marketing	\$ 108,076	\$ 112,532	\$ 104,507	\$ 121,870	\$ 446,985	\$ 112,449	\$ 133,621	\$ 103,270	\$ 113,980	\$ 463,320	\$ 124,166	\$ 125,375
Stock-based compensation	(13,138)	(14,528)	(14,287)	(13,810)	(55,763)	(12,918)	(14,461)	(14,038)	(13,459)	(54,876)	(11,817)	(11,092)
Amortization of intangibles	(84)	(84)	(83)	(84)	(335)	(83)	(84)	(83)	(83)	(333)	(83)	(397)
Loss on sales of subsidiaries	-	-	-	-	-	-	-	(75)	-	(75)	(100)	-
Expense associated with the restructurings	-	-	-	-	-	(3,656)	-	-	-	(3,656)	(4,608)	-
Non-GAAP sales and marketing	<u>\$ 94,854</u>	<u>\$ 97,920</u>	<u>\$ 90,137</u>	<u>\$ 107,976</u>	<u>\$ 390,887</u>	<u>\$ 95,792</u>	<u>\$ 119,076</u>	<u>\$ 89,074</u>	<u>\$ 100,438</u>	<u>\$ 404,380</u>	<u>\$ 107,558</u>	<u>\$ 113,886</u>
General and administrative												
GAAP general and administrative	\$ 42,309	\$ 36,192	\$ 37,334	\$ 42,740	\$ 158,575	\$ 40,175	\$ 45,792	\$ 45,138	\$ 39,659	\$ 170,764	\$ 41,791	\$ 53,593
Stock-based compensation	(14,345)	(7,534)	(8,135)	(9,799)	(39,813)	(6,465)	(12,251)	(6,644)	(8,350)	(33,710)	(7,460)	(7,608)
Amortization of intangibles	(183)	(183)	(183)	(183)	(732)	(183)	(183)	(184)	(183)	(733)	(183)	(183)
Transaction costs	-	-	-	-	-	-	-	-	-	-	(2,359)	(1,700)
(Loss) gain on dispositions	-	-	-	-	-	-	-	(9,384)	81	(9,303)	(2,073)	-
Loss on extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	(14,600)
Expense associated with the restructurings	-	-	-	-	-	(1,510)	133	-	(3,599)	(4,976)	(3,638)	(1,379)
Non-GAAP general and administrative	<u>\$ 27,781</u>	<u>\$ 28,475</u>	<u>\$ 29,016</u>	<u>\$ 32,758</u>	<u>\$ 118,030</u>	<u>\$ 32,017</u>	<u>\$ 33,491</u>	<u>\$ 28,926</u>	<u>\$ 27,608</u>	<u>\$ 122,042</u>	<u>\$ 26,078</u>	<u>\$ 28,123</u>

**Pandora Media Inc.**  
**Quarterly Metrics (4)**  
(unaudited)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended	
	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	3/31/2018	6/30/2018
<b>Overall Listener Metrics:</b>												
Active users (MM)	79.4	78.1	77.9	81.0	81.0	76.7	76.0	73.7	74.7	74.7	72.3	71.4
Total listener hours (B)	5.52	5.66	5.40	5.38	21.96	5.21	5.22	5.15	5.03	20.61	4.96	5.09
<b>Advertising Metrics:</b>												
Advertising listener hours (B)	4.85	4.97	4.71	4.64	19.17	4.38	4.19	3.91	3.93	16.41	3.85	3.86
Advertising RPM (1)	\$ 45.47	\$ 53.34	\$ 58.10	\$ 67.43	\$ 55.94	\$ 50.87	\$ 66.15	\$ 70.27	\$ 75.65	\$ 65.32	\$ 55.52	\$ 68.75
Advertising LPM (1)	\$ 30.48	\$ 30.65	\$ 31.60	\$ 37.07	\$ 32.40	\$ 33.44	\$ 35.84	\$ 37.01	\$ 36.77	\$ 35.70	\$ 36.35	\$ 36.87
<b>Subscription Metrics:</b>												
Paid subscribers (MM) (2)	N/A	N/A	N/A	4.39	\$ 4.39	4.71	4.86	5.19	5.48	5.48	5.63	5.98
Subscription listener hours (B)	0.67	0.69	0.69	0.74	2.79	0.83	1.03	1.24	1.10	4.20	1.11	1.23
Subscription ARPU (3)	N/A	N/A	N/A	\$ 4.73	N/A	\$ 4.76	\$ 4.82	\$ 5.58	\$ 6.08	\$ 5.34	\$ 6.30	\$ 6.52
Subscription LPU (3)	N/A	N/A	N/A	\$ 3.12	N/A	\$ 2.96	\$ 3.11	\$ 3.87	\$ 4.41	\$ 3.62	\$ 4.65	\$ 4.78
<b>Other Metrics:</b>												
Employees	2,269	2,334	2,421	2,488	2,488	2,303	2,312	1,967	1,938	1,938	1,833	1,967

(1) Starting in the three months ended December 31, 2016, we will no longer present total RPM, total LPM, subscription RPM nor subscription LPM, as neither revenue nor costs are driven by listening hours for subscriptions given the terms of our license agreements for recorded music with major and independent labels, distributors and publishers.

(2) Paid subscribers are defined as the number of distinct users that have current, paid access to our subscription service. Starting in Q4 2016, we track paid subscribers because it is a key indicator of the growth of

(3) Subscription ARPU ("ARPU") is defined as average monthly revenue per paid subscriber on our subscription services. Subscription LPU ("LPU") is defined as average monthly content acquisition costs per paid subscriber on our subscription services. We believe ARPU to be the central top-line indicator for evaluating the results of our monetization efforts on our subscription services. We track LPU because it is a key measure of our ability to manage costs for our subscription services.

(4) All metrics include Australia and New Zealand. Excluding Australia and New Zealand, Active Users were down 4.6% and ad hours were down 6.7%.

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