

PANDORA[®]

Historical Financial Results

SEPTEMBER 30, 2015

Safe Harbor

These slides may contain forward-looking statements. All statements other than statements of historical facts contained in these slides, including statements regarding Pandora Media'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 listener base and listener hours, our ability to continue operating under existing laws and licensing regimes 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 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 FISCAL YEAR-END CHANGE OVERVIEW

We transitioned from a January 31st based fiscal year-end to a December 31st based fiscal year-end, effective with the year ended December 31, 2013, in order to align our business calendar with the advertising industry's standard cycle.

The following list of financial statements are available in this workbook: 2013 (recast), 2014 and Q1-Q3 2015.

[Income Statement](#)

[Balance Sheet](#)

[Cash Flow](#)

[RPM Summary](#)

[Non-GAAP Reconciliation](#)

[Quarterly Metrics](#)

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

	Three months ended				Year ended	Three months ended				Year ended	Three months ended		
	3/31/2013 (unaudited) (recast)	6/30/2013 (unaudited) (recast)	9/30/2013 (unaudited) (recast)	12/31/2013 (unaudited) (recast)	12/31/2013 (unaudited) (recast)	3/31/2014 (unaudited)	6/30/2014 (unaudited)	9/30/2014 (unaudited)	12/31/2014 (unaudited)	12/31/2014 (audited)	3/31/2015 (unaudited)	6/30/2015 (unaudited)	9/30/2015 (unaudited)
Revenue													
Advertising	\$ 96,714	\$ 127,555	\$ 134,963	\$ 162,007	\$ 521,239	\$ 140,634	\$ 177,324	\$ 194,293	\$ 220,087	\$ 732,338	\$ 178,739	\$ 230,921	\$ 254,656
Subscription and other	18,410	25,549	34,340	38,355	116,654	53,681	41,570	45,300	47,913	188,464	52,025	54,639	56,906
Total revenue	115,124	153,104	169,303	200,362	637,893	194,315	218,894	239,593	268,000	920,802	230,764	285,560	311,562
Cost of revenue													
Cost of revenue - Content acquisition costs	85,823	79,828	83,535	93,698	342,884	108,275	111,461	111,315	115,326	446,377	126,023	130,134	211,272
Cost of revenue - Other (1)	9,776	10,847	12,126	12,758	45,507	14,979	13,989	15,453	17,206	61,627	16,233	20,043	21,414
Total cost of revenue	95,599	90,675	95,661	106,456	388,391	123,254	125,450	126,768	132,532	508,004	142,256	150,177	232,686
Gross profit	19,525	62,429	73,642	93,906	249,502	71,061	93,444	112,825	135,468	412,798	88,508	135,383	78,876
Operating expenses													
Product development (1)	6,667	7,895	9,099	9,632	33,293	11,831	13,076	13,381	14,865	53,153	15,875	18,742	21,849
Sales and marketing (1)	38,045	44,371	47,049	52,701	182,166	61,864	66,232	72,320	76,914	277,330	84,274	94,035	107,286
General and administrative (1)	13,355	16,931	21,397	22,448	74,131	26,361	25,865	29,143	31,074	112,443	36,754	38,812	35,603
Total operating expenses	58,067	69,197	77,545	84,781	289,590	100,056	105,173	114,844	122,853	442,926	136,903	151,589	164,738
Income (loss) from operations	(38,542)	(6,768)	(3,903)	9,125	(40,088)	(28,995)	(11,729)	(2,019)	12,615	(30,128)	(48,395)	(16,206)	(85,862)
Other income (expense), net	(127)	(122)	(173)	(93)	(515)	92	100	44	70	306	197	256	(36)
Income (loss) before provision for income taxes	(38,669)	(6,890)	(4,076)	9,032	(40,603)	(28,903)	(11,629)	(1,975)	12,685	(29,822)	(48,198)	(15,950)	(85,898)
Provision for income taxes	(17)	(12)	(16)	(55)	(100)	(28)	(99)	(50)	(407)	(584)	(59)	(115)	(32)
Net income (loss)	\$ (38,686)	\$ (6,902)	\$ (4,092)	\$ 8,977	\$ (40,703)	\$ (28,931)	\$ (11,728)	\$ (2,025)	\$ 12,278	\$ (30,406)	\$ (48,257)	\$ (16,065)	\$ (85,930)
Basic net income (loss) per share	\$ (0.22)	\$ (0.04)	\$ (0.02)	\$ 0.05	\$ (0.23)	\$ (0.14)	\$ (0.06)	\$ (0.01)	\$ 0.06	\$ (0.15)	\$ (0.23)	\$ (0.08)	\$ (0.40)
Weighted-average basic shares	172,733	174,789	178,635	194,429	180,201	199,857	205,706	206,982	208,434	205,273	209,928	211,742	212,760
Diluted net income (loss) per share	\$ (0.22)	\$ (0.04)	\$ (0.02)	\$ 0.04	\$ (0.23)	\$ (0.14)	\$ (0.06)	\$ (0.01)	\$ 0.06	\$ (0.15)	\$ (0.23)	\$ (0.08)	\$ (0.40)
Weighted-average diluted shares	172,733	174,789	178,635	218,468	180,201	199,857	205,706	206,982	217,567	205,273	209,928	211,742	212,760
(1) Amounts include stock-based compensation expenses as follows:													
Cost of revenue - Other	\$ 413	\$ 482	\$ 540	\$ 618	\$ 2,053	\$ 881	\$ 1,032	\$ 1,063	\$ 1,438	\$ 4,414	\$ 1,207	\$ 1,406	\$ 1,427
Product development	1,445	2,394	2,610	2,743	9,192	3,461	4,426	4,402	5,257	17,546	4,605	5,354	6,189
Sales and marketing	4,421	5,027	5,754	6,187	21,389	8,311	9,922	10,442	13,490	42,165	11,344	13,327	13,732
General and administrative	245	2,235	3,260	3,886	9,626	4,739	5,233	6,204	6,754	22,930	6,039	7,397	7,446
Total stock-based compensation expenses	\$ 6,524	\$ 10,138	\$ 12,164	\$ 13,434	\$ 42,260	\$ 17,392	\$ 20,613	\$ 22,111	\$ 26,939	\$ 87,055	\$ 23,195	\$ 27,484	\$ 28,794

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

	<u>3/31/2013</u> <u>(unaudited)</u> <u>(recast)</u>	<u>6/30/2013</u> <u>(unaudited)</u> <u>(recast)</u>	<u>9/30/2013</u> <u>(unaudited)</u> <u>(recast)</u>	<u>12/31/2013</u> <u>(audited)</u>	<u>3/31/2014</u> <u>(unaudited)</u>	<u>6/30/2014</u> <u>(unaudited)</u>	<u>9/30/2014</u> <u>(unaudited)</u>	<u>12/31/2014</u> <u>(audited)</u>	<u>3/31/2015</u> <u>(unaudited)</u>	<u>6/30/2015</u> <u>(unaudited)</u>	<u>9/30/2015</u> <u>(unaudited)</u>
Assets											
Current assets											
Cash and cash equivalents	\$ 52,236	\$ 40,113	\$ 437,082	\$ 245,755	\$ 160,796	\$ 157,848	\$ 148,884	\$ 175,957	\$ 221,014	\$ 204,103	\$ 242,981
Short-term investments	20,474	19,656	6,249	98,662	180,496	166,429	167,510	178,631	160,566	168,339	120,614
Accounts receivable, net	106,579	124,286	137,284	164,023	148,320	177,218	197,516	218,437	188,470	233,715	262,910
Prepaid expenses and other current assets	5,857	8,950	10,895	10,343	15,481	10,512	11,135	15,389	19,441	16,664	17,163
Total current assets	<u>185,146</u>	<u>193,005</u>	<u>591,510</u>	<u>518,783</u>	<u>505,093</u>	<u>512,007</u>	<u>525,045</u>	<u>588,414</u>	<u>589,491</u>	<u>622,821</u>	<u>643,668</u>
Long-term investments	-	-	-	105,686	104,569	113,647	120,944	104,243	99,704	89,013	78,982
Property and equipment, net	20,149	23,039	24,350	35,151	38,697	40,147	42,292	42,921	46,718	54,741	56,424
Goodwill	-	-	-	-	-	-	-	-	-	407	23,052
Intangible assets, net	-	8,000	7,818	7,636	7,455	7,273	7,091	6,939	6,756	6,766	9,138
Other long-term assets	2,377	5,251	2,480	6,079	6,405	6,428	6,895	6,773	7,201	6,684	9,479
Total assets	<u>\$ 207,672</u>	<u>\$ 229,295</u>	<u>\$ 626,158</u>	<u>\$ 673,335</u>	<u>\$ 662,219</u>	<u>\$ 679,502</u>	<u>\$ 702,267</u>	<u>\$ 749,290</u>	<u>\$ 749,870</u>	<u>\$ 780,432</u>	<u>\$ 820,743</u>
Liabilities and stockholders' equity											
Current liabilities											
Accounts payable	\$ 5,718	\$ 8,172	\$ 9,570	\$ 14,413	\$ 10,087	\$ 11,395	\$ 13,001	\$ 10,825	\$ 14,879	\$ 16,386	\$ 20,131
Accrued liabilities (1)	8,968	17,179	11,700	14,881	13,929	13,147	14,993	15,754	21,789	25,006	37,099
Accrued royalties	60,700	55,097	59,250	66,110	74,698	72,259	71,509	73,693	80,574	81,351	163,047
Deferred revenue	36,939	42,369	43,223	42,650	28,123	22,763	18,243	14,412	26,740	27,097	22,682
Accrued compensation (1)	9,980	14,591	11,599	17,952	18,924	31,102	31,353	34,476	27,968	39,905	36,856
Total current liabilities	<u>122,305</u>	<u>137,408</u>	<u>135,342</u>	<u>156,006</u>	<u>145,761</u>	<u>150,666</u>	<u>149,099</u>	<u>149,160</u>	<u>171,950</u>	<u>189,745</u>	<u>279,815</u>
Other long-term liabilities	3,759	3,705	8,114	9,098	9,826	10,374	10,814	16,773	15,246	15,177	18,270
Total liabilities	<u>126,064</u>	<u>141,113</u>	<u>143,456</u>	<u>165,104</u>	<u>155,587</u>	<u>161,040</u>	<u>159,913</u>	<u>165,933</u>	<u>187,196</u>	<u>204,922</u>	<u>298,085</u>
Stockholders' equity											
Common stock	17	18	19	20	21	21	21	21	21	21	21
Additional paid-in capital	246,169	259,696	658,290	675,103	702,301	725,776	752,048	781,009	808,124	837,356	870,511
Accumulated deficit	(164,574)	(171,476)	(175,568)	(166,591)	(195,522)	(207,250)	(209,275)	(196,997)	(245,254)	(261,319)	(347,249)
Accumulated other comprehensive loss	(4)	(56)	(39)	(301)	(168)	(85)	(440)	(676)	(217)	(548)	(625)
Total stockholders' equity	<u>81,608</u>	<u>88,182</u>	<u>482,702</u>	<u>508,231</u>	<u>506,632</u>	<u>518,462</u>	<u>542,354</u>	<u>583,357</u>	<u>562,674</u>	<u>575,510</u>	<u>522,658</u>
Total liabilities and stockholders' equity	<u>\$ 207,672</u>	<u>\$ 229,295</u>	<u>\$ 626,158</u>	<u>\$ 673,335</u>	<u>\$ 662,219</u>	<u>\$ 679,502</u>	<u>\$ 702,267</u>	<u>\$ 749,290</u>	<u>\$ 749,870</u>	<u>\$ 780,432</u>	<u>\$ 820,743</u>

(1) Certain changes in presentation have been made to conform the prior period presentation to current period reporting. We have reclassified goodwill and intangible assets from the other long-term assets line item to the goodwill and intangible assets, net line items. In addition, we have reclassified certain compensation-related amounts from the accrued liabilities line item to the accrued compensation line item.

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

	Three months ended				Year ended 12/31/2013 (unaudited) (recast)	Three months ended				Year ended 12/31/2014 (audited)	Three months ended		
	3/31/2013 (unaudited) (recast)	6/30/2013 (unaudited) (recast)	9/30/2013 (unaudited) (recast)	12/31/2013 (unaudited) (recast)		3/31/2014 (unaudited)	6/30/2014 (unaudited)	9/30/2014 (unaudited)	12/31/2014 (unaudited)		3/31/2015 (unaudited)	6/30/2015 (unaudited)	9/30/2015 (unaudited)
Operating Activities													
Net income (loss)	\$ (38,686)	\$ (6,902)	\$ (4,092)	\$ 8,977	\$ (40,703)	\$ (28,931)	\$ (11,728)	\$ (2,025)	\$ 12,278	\$ (30,406)	\$ (48,257)	\$ (16,065)	\$ (85,930)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities													
Depreciation and amortization	2,034	2,501	3,183	3,063	10,781	3,346	3,763	4,115	4,207	15,431	4,340	5,025	5,829
Stock-based compensation	6,524	10,138	12,164	13,434	42,260	17,392	20,613	22,111	26,939	87,055	23,195	27,484	28,794
Amortization of premium on investments, net	60	20	7	179	266	694	686	726	727	2,833	619	610	483
Other operating activities	185	(68)	910	331	1,358	123	323	351	569	1,366	834	110	666
Excess tax benefit from stock-based awards	-	-	-	-	-	-	-	-	(348)	(348)	-	-	-
Changes in operating assets and liabilities													
Accounts receivable	3,528	(17,573)	(13,848)	(27,021)	(54,914)	15,629	(29,171)	(20,600)	(21,336)	(55,478)	29,182	(45,305)	(29,673)
Prepaid expenses and other assets	(1,143)	(9,459)	3,656	(2,850)	(9,796)	(5,099)	1,846	(750)	(5,216)	(9,219)	(5,076)	2,972	(4,460)
Accounts payable and accrued liabilities (1)	1,911	12,127	190	3,571	17,799	1,401	(306)	4,712	6,713	12,520	6,562	3,801	20,738
Accrued royalties	9,353	(5,603)	4,153	6,860	14,763	8,585	(2,440)	(729)	2,192	7,608	6,896	801	81,726
Accrued compensation (1)	(4,065)	4,486	(2,666)	6,357	4,112	(735)	11,483	1,831	4,157	13,736	(4,390)	10,287	(1,564)
Deferred revenue	7,422	5,431	854	(573)	13,134	(14,527)	(5,360)	(4,520)	(3,831)	(28,238)	12,328	357	(4,996)
Reimbursement of cost of leasehold improvements	-	276	1,279	-	1,555	-	3,161	-	1,008	4,169	749	-	265
Net cash provided by (used in) operating activities	(12,877)	(4,626)	5,790	12,328	615	(2,122)	(7,130)	5,222	25,059	21,029	26,982	(9,923)	11,878
Investing Activities													
Purchases of property and equipment	(4,318)	(6,693)	(4,380)	(7,482)	(22,873)	(11,887)	(4,537)	(7,055)	(6,560)	(30,039)	(5,931)	(12,016)	(9,386)
Purchases of patents	-	-	(8,000)	-	(8,000)	-	-	-	-	-	-	-	-
Changes in restricted cash	-	(3,200)	3,200	-	-	-	-	-	-	-	-	-	-
Purchases of investments	(13,365)	(10,069)	(1,200)	(205,522)	(230,156)	(115,589)	(78,533)	(79,305)	(67,252)	(340,679)	(56,790)	(54,751)	(27,180)
Proceeds from maturities of investments	18,830	10,860	14,600	6,250	50,540	34,010	82,821	69,836	71,851	258,518	78,489	53,630	47,680
Proceeds from sale of investments	-	-	-	-	-	-	-	-	-	-	640	3,022	37,655
Payments related to acquisition, net of cash acquired	-	(400)	-	-	(400)	-	-	-	-	-	-	(200)	(22,828)
Net cash provided by (used in) investing activities	1,147	(9,502)	4,220	(206,754)	(210,889)	(93,466)	(249)	(16,524)	(1,961)	(112,200)	16,408	(10,315)	25,941
Financing Activities													
Borrowings under debt arrangements	-	-	10,000	-	10,000	-	-	-	-	-	-	-	-
Repayments of debt	-	-	(10,000)	-	(10,000)	-	-	-	-	-	-	-	-
Payment of debt issuance costs in connection with the debt refinancing	-	-	(450)	-	(450)	-	-	-	-	-	-	-	-
Proceeds from follow-on offering, net of offering costs	-	-	379,309	(653)	378,656	-	-	-	-	-	-	-	-
Proceeds from employee stock purchase plan	-	-	-	-	-	863	1,619	1,906	2,050	6,438	1,619	1,656	1,814
Proceeds from exercise of stock options	4,033	2,053	8,554	3,764	18,404	9,751	2,811	2,606	1,726	16,894	1,094	1,768	856
Tax payments from net share settlements of restricted stock units	-	-	(480)	-	(480)	-	-	(1,986)	(33)	(2,019)	(888)	(19)	(1,388)
Excess tax benefit from stock-based awards	-	-	-	-	-	-	-	-	348	348	-	-	-
Net cash provided by financing activities	4,033	2,053	386,933	3,111	396,130	10,614	4,430	2,526	4,091	21,661	1,825	3,405	1,282
Effect of exchange rate changes on cash and cash equivalents	(6)	(48)	26	(12)	(40)	15	1	(188)	(116)	(288)	(158)	(78)	(223)
Net increase (decrease) in cash and cash equivalents	(7,703)	(12,123)	396,969	(191,327)	185,816	(84,959)	(2,948)	(8,964)	27,073	(69,798)	45,057	(16,911)	38,878
Cash and cash equivalents at beginning of period	59,939	52,236	40,113	437,082	59,939	245,755	160,796	157,848	148,884	245,755	175,957	221,014	204,103
Cash and cash equivalents at end of period	\$ 52,236	\$ 40,113	\$ 437,082	\$ 245,755	\$ 245,755	\$ 160,796	\$ 157,848	\$ 148,884	\$ 175,957	\$ 175,957	\$ 221,014	\$ 204,103	\$ 242,981

(1) Certain changes in presentation have been made to conform the prior period presentation to current period reporting. We have reclassified certain compensation-related amounts from the change in accounts payable and accrued liabilities line item to the change in accrued compensation line item. In addition, we have reclassified certain non-cash amounts from the amortization of debt issuance costs, the change in accounts receivable and loss on the retirement of fixed assets line items to the other operating activities line item.

Pandora Media Inc.
RPMs and Revenue by Platform
(unaudited)

	Three months ended				Year ended	Three months ended				Year ended	Three months ended		
	3/31/2013 (recast)	6/30/2013 (recast)	9/30/2013 (recast)	12/31/2013 (recast)	12/31/2013 (recast)	3/31/2014	6/30/2014	9/30/2014	12/31/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015
Advertising RPMs													
Computer	\$ 44.63	\$ 58.53	\$ 58.44	\$ 61.92	\$ 55.84	\$ 52.75	\$ 62.43	\$ 64.13	\$ 68.83	\$ 62.00	\$ 58.04	\$ 74.35	\$ 71.88
Mobile and other connected devices	20.43	32.56	35.31	36.20	30.93	29.46	36.00	40.82	44.37	37.84	34.92	46.15	54.31
Total	\$ 24.85	\$ 37.89	\$ 39.68	\$ 40.95	\$ 35.66	\$ 33.40	\$ 40.11	\$ 44.35	\$ 48.19	\$ 41.66	\$ 38.30	\$ 49.94	\$ 56.84
Total RPMs													
Computer	\$ 45.17	\$ 56.73	\$ 57.50	\$ 61.28	\$ 55.18	\$ 54.42	\$ 61.01	\$ 63.67	\$ 68.06	\$ 61.74	\$ 60.13	\$ 73.48	\$ 72.14
Mobile and other connected devices	22.41	34.37	38.75	39.99	33.89	37.43	39.88	44.96	48.27	42.77	40.47	50.63	58.44
Total	\$ 26.96	\$ 39.17	\$ 42.49	\$ 44.14	\$ 38.19	\$ 40.51	\$ 43.41	\$ 48.00	\$ 51.54	\$ 45.97	\$ 43.53	\$ 53.91	\$ 60.52
Total RPMs based on non-GAAP revenue													
Computer	\$ 45.36	\$ 57.09	\$ 57.68	\$ 61.32	\$ 55.37	\$ 52.92	\$ 61.01	\$ 63.67	\$ 68.06	\$ 61.36	\$ 60.13	\$ 73.48	\$ 72.14
Mobile and other connected devices	22.92	36.01	39.32	40.10	34.57	34.15	39.88	44.96	48.27	41.99	40.47	50.63	58.44
Total	\$ 27.41	\$ 40.53	\$ 42.98	\$ 44.23	\$ 38.77	\$ 37.55	\$ 43.41	\$ 48.00	\$ 51.54	\$ 45.26	\$ 43.53	\$ 53.91	\$ 60.52

	Three months ended				Year ended	Three months ended				Year ended	Three months ended		
	3/31/2013 (recast)	6/30/2013 (recast)	9/30/2013 (recast)	12/31/2013 (recast)	12/31/2013 (recast)	3/31/2014	6/30/2014	9/30/2014	12/31/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015
Total revenue by platform													
Computer	\$ 38,566	\$ 47,588	\$ 45,676	\$ 54,220	\$ 186,050	\$ 47,323	\$ 51,432	\$ 51,614	\$ 58,457	\$ 208,826	\$ 49,644	\$ 55,840	\$ 56,357
Mobile and other connected devices	76,558	105,516	123,627	146,142	451,843	146,992	167,462	187,979	209,543	711,976	181,120	229,720	255,205
Total	\$ 115,124	\$ 153,104	\$ 169,303	\$ 200,362	\$ 637,893	\$ 194,315	\$ 218,894	\$ 239,593	\$ 268,000	\$ 920,802	\$ 230,764	\$ 285,560	\$ 311,562
Total non-GAAP revenue by platform													
Computer	\$ 38,731	\$ 47,893	\$ 45,820	\$ 54,256	\$ 186,700	\$ 46,018	\$ 51,432	\$ 51,614	\$ 58,457	\$ 207,521	\$ 49,644	\$ 55,840	\$ 56,357
Mobile and other connected devices	78,310	110,542	125,433	146,533	460,818	134,111	167,462	187,979	209,543	699,095	181,120	229,720	255,205
Total	\$ 117,041	\$ 158,435	\$ 171,253	\$ 200,789	\$ 647,518	\$ 180,129	\$ 218,894	\$ 239,593	\$ 268,000	\$ 906,616	\$ 230,764	\$ 285,560	\$ 311,562

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

	Three months ended				Year ended	Three months ended				Year ended	Three months ended		
	3/31/2013 (recast)	6/30/2013 (recast)	9/30/2013 (recast)	12/31/2013 (recast)	12/31/2013 (recast)	3/31/2014	6/30/2014	9/30/2014	12/31/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015
Revenue													
GAAP total revenue	\$ 115,124	\$ 153,104	\$ 169,303	\$ 200,362	\$ 637,893	\$ 194,315	\$ 218,894	\$ 239,593	\$ 268,000	\$ 920,802	\$ 230,764	\$ 285,560	\$ 311,562
Subscription return reserve (1)	1,917	5,331	1,950	427	9,625	(14,186)	-	-	-	(14,186)	-	-	-
Non-GAAP total revenue	\$ 117,041	\$ 158,435	\$ 171,253	\$ 200,789	\$ 647,518	\$ 180,129	\$ 218,894	\$ 239,593	\$ 268,000	\$ 906,616	\$ 230,764	\$ 285,560	\$ 311,562
Gross profit													
GAAP gross profit	\$ 19,525	\$ 62,429	\$ 73,642	\$ 93,906	\$ 249,502	\$ 71,061	\$ 93,444	\$ 112,825	\$ 135,468	\$ 412,798	\$ 88,508	\$ 135,383	\$ 78,876
Subscription return reserve (1)	1,917	5,331	1,950	427	9,625	(14,186)	-	-	-	(14,186)	-	-	-
Stock-based compensation: Cost of revenue - Other	413	482	540	618	2,053	881	1,032	1,063	1,438	4,414	1,207	1,406	1,427
Pre-1972 sound recordings settlement	-	-	-	-	-	-	-	-	-	-	-	-	57,947
RMLC publisher royalty charge	-	-	-	-	-	-	-	-	-	-	-	-	23,934
Non-GAAP gross profit	\$ 21,855	\$ 68,242	\$ 76,132	\$ 94,951	\$ 261,180	\$ 57,756	\$ 94,476	\$ 113,888	\$ 136,906	\$ 403,026	\$ 89,715	\$ 136,789	\$ 162,184
Net income (loss)													
GAAP net income (loss)	\$ (38,686)	\$ (6,902)	\$ (4,092)	\$ 8,977	\$ (40,703)	\$ (28,931)	\$ (11,728)	\$ (2,025)	\$ 12,278	\$ (30,406)	\$ (48,257)	\$ (16,065)	\$ (85,930)
Subscription return reserve (1)	1,917	5,331	1,950	427	9,625	(14,186)	-	-	-	(14,186)	-	-	-
Amortization of intangibles	-	-	182	182	364	182	182	182	181	727	183	183	438
Stock-based compensation	6,524	10,138	12,164	13,434	42,260	17,392	20,613	22,111	26,939	87,055	23,195	27,484	28,794
Pre-1972 sound recordings settlement	-	-	-	-	-	-	-	-	-	-	-	-	57,947
RMLC publisher royalty charge	-	-	-	-	-	-	-	-	-	-	-	-	23,934
Income tax effects of non-GAAP adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(2,332)
Non-GAAP net income (loss)	\$ (30,245)	\$ 8,567	\$ 10,204	\$ 23,020	\$ 11,546	\$ (25,543)	\$ 9,067	\$ 20,268	\$ 39,398	\$ 43,190	\$ (24,879)	\$ 11,602	\$ 22,851
Non-GAAP EPS - basic	\$ (0.18)	\$ 0.05	\$ 0.06	\$ 0.12	\$ 0.06	\$ (0.13)	\$ 0.04	\$ 0.10	\$ 0.19	\$ 0.21	\$ (0.12)	\$ 0.05	\$ 0.11
Non-GAAP EPS - diluted	\$ (0.18)	\$ 0.04	\$ 0.05	\$ 0.11	\$ 0.06	\$ (0.13)	\$ 0.04	\$ 0.09	\$ 0.18	\$ 0.20	\$ (0.12)	\$ 0.05	\$ 0.10
Weighted average basic shares	172,733	174,789	178,635	194,429	180,201	199,857	205,706	206,982	208,434	205,273	209,928	211,742	212,760
Weighted average diluted shares	172,733	195,487	201,191	218,468	202,001	199,857	218,602	219,273	217,567	218,939	209,928	221,260	222,899
Adjusted EBITDA													
GAAP net income (loss)	\$ (38,686)	\$ (6,902)	\$ (4,092)	\$ 8,977	\$ (40,703)	\$ (28,931)	\$ (11,728)	\$ (2,025)	\$ 12,278	\$ (30,406)	\$ (48,257)	\$ (16,065)	\$ (85,930)
Subscription return reserve (1)	1,917	5,331	1,950	427	9,625	(14,186)	-	-	-	(14,186)	-	-	-
Depreciation and amortization	2,034	2,501	3,183	3,063	10,781	3,346	3,763	4,115	4,207	15,431	4,340	5,025	5,829
Stock-based compensation	6,524	10,138	12,164	13,434	42,260	17,392	20,613	22,111	26,939	87,055	23,195	27,484	28,794
Other (income) expense, net	127	122	173	93	515	(92)	(100)	(44)	(70)	(306)	(197)	(256)	36
Provision for income taxes	17	12	16	55	100	28	99	50	407	584	59	115	32
Pre-1972 sound recordings settlement	-	-	-	-	-	-	-	-	-	-	-	-	57,947
RMLC publisher royalty charge	-	-	-	-	-	-	-	-	-	-	-	-	23,934
Adjusted EBITDA	\$ (28,067)	\$ 11,202	\$ 13,394	\$ 26,049	\$ 22,578	\$ (22,443)	\$ 12,647	\$ 24,207	\$ 43,761	\$ 58,172	\$ (20,860)	\$ 16,303	\$ 30,642

(1) Prior to the first quarter of 2014, the Company recognized revenue on a non-GAAP basis from a subscription return reserve, which consisted of revenue that was deferred on a GAAP basis because the Company had limited operating history with certain mobile subscription refund rights. The Company was required to defer all revenue until the refund rights lapsed or until it developed sufficient operating history to estimate a reserve. In periods prior to the first quarter of 2014, the subscription return reserve was excluded from the subscription and other revenue line of our GAAP presentation and included in this line of our non-GAAP presentation. In the first quarter of 2014, the Company established sufficient operating history to estimate a reserve for these mobile subscription refund rights. As such, the GAAP revenue results for the first quarter of 2014 included a one-time reversal of substantially all of the deferred revenue related to the subscription return reserve in the amount of \$14.2 million. This reversal was excluded from our non-GAAP revenue in the first quarter of 2014.

Pandora Media Inc.
Quarterly Metrics

Calendar Year	Calendar Quarter	Active Users (MM)	Listener Hours (B)	US Radio Share (%) 28-day Avg	Employees
2013	Q1	69.5	4.26	8.05	820
	Q2	71.1	3.91	7.04	935
	Q3	72.7	3.99	7.77	1021
	Q4	76.2	4.54	8.60	1067
2014	Q1	75.3	4.80	9.11	1205
	Q2	76.4	5.04	8.90	1305
	Q3	76.5	4.99	9.06	1380
	Q4	81.5	5.20	9.70	1414
2015	Q1	79.2	5.30	10.00	1624
	Q2	79.4	5.30	9.47	1746
	Q3	78.1	5.14	9.49	1879

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