

# PANDORA<sup>®</sup>

## Historical Financial Results

December 31, 2014

# 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. As a result of this change, our prior fiscal year was an eleven-month transition period ended on December 31, 2013.

The following list of financial statements are available in this workbook: 2012 (recast), 2013 (recast) and 2014.

[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)  
(unaudited)

	Three months ended				Year ended	Three months ended				Year ended	Three months ended				Year ended
	3/31/2012 (recast)	6/30/2012 (recast)	9/30/2012 (recast)	12/31/2012 (recast)	12/31/2012 (recast)	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
<b>Revenue</b>															
Advertising	\$ 61,716	\$ 87,058	\$ 95,797	\$ 116,144	\$ 360,715	\$ 96,714	\$ 127,555	\$ 134,963	\$ 162,007	\$ 521,239	\$ 140,634	\$ 177,324	\$ 194,293	\$ 220,087	\$ 732,338
Subscription and other	9,696	11,233	13,010	15,355	49,294	18,410	25,549	34,340	38,355	116,654	53,681	41,570	45,300	47,913	188,464
Total revenue	<u>71,412</u>	<u>98,291</u>	<u>108,807</u>	<u>131,499</u>	<u>410,009</u>	<u>115,124</u>	<u>153,104</u>	<u>169,303</u>	<u>200,362</u>	<u>637,893</u>	<u>194,315</u>	<u>218,894</u>	<u>239,593</u>	<u>268,000</u>	<u>920,802</u>
<b>Cost of revenue</b>															
Cost of revenue - Content acquisition costs	54,262	59,021	63,272	71,758	248,313	85,823	79,828	83,535	93,698	342,884	108,275	111,461	111,315	115,326	446,377
Cost of revenue - Other (1)	6,819	7,262	8,168	8,863	31,112	9,776	10,847	12,126	12,758	45,507	14,979	13,989	15,453	17,206	61,627
Total cost of revenue	<u>61,081</u>	<u>66,283</u>	<u>71,440</u>	<u>80,621</u>	<u>279,425</u>	<u>95,599</u>	<u>90,675</u>	<u>95,661</u>	<u>106,456</u>	<u>388,391</u>	<u>123,254</u>	<u>125,450</u>	<u>126,768</u>	<u>132,532</u>	<u>508,004</u>
Gross profit	<u>10,331</u>	<u>32,008</u>	<u>37,367</u>	<u>50,878</u>	<u>130,584</u>	<u>19,525</u>	<u>62,429</u>	<u>73,642</u>	<u>93,906</u>	<u>249,502</u>	<u>71,061</u>	<u>93,444</u>	<u>112,825</u>	<u>135,468</u>	<u>412,798</u>
<b>Operating expenses</b>															
Product development (1)	4,220	4,468	4,665	4,902	18,255	6,667	7,895	9,099	9,632	33,293	11,831	13,076	13,381	14,865	53,153
Sales and marketing (1)	22,092	23,488	24,776	30,825	101,181	38,045	44,371	47,049	52,701	182,166	61,864	66,232	72,320	76,914	277,330
General and administrative (1)	10,228	10,867	11,863	13,398	46,356	13,355	16,931	21,397	22,448	74,131	26,361	25,865	29,143	31,074	112,443
Total operating expenses	<u>36,540</u>	<u>38,823</u>	<u>41,304</u>	<u>49,125</u>	<u>165,792</u>	<u>58,067</u>	<u>69,197</u>	<u>77,545</u>	<u>84,781</u>	<u>289,590</u>	<u>100,056</u>	<u>105,173</u>	<u>114,844</u>	<u>122,853</u>	<u>442,926</u>
Income (loss) from operations	<u>(26,209)</u>	<u>(6,815)</u>	<u>(3,937)</u>	<u>1,753</u>	<u>(35,208)</u>	<u>(38,542)</u>	<u>(6,768)</u>	<u>(3,903)</u>	<u>9,125</u>	<u>(40,088)</u>	<u>(28,995)</u>	<u>(11,729)</u>	<u>(2,019)</u>	<u>12,615</u>	<u>(30,128)</u>
Other income (expense), net	(92)	(102)	(112)	(125)	(431)	(127)	(122)	(173)	(93)	(515)	92	100	44	70	306
Income (loss) before provision for income taxes	<u>(26,301)</u>	<u>(6,917)</u>	<u>(4,049)</u>	<u>1,628</u>	<u>(35,639)</u>	<u>(38,669)</u>	<u>(6,890)</u>	<u>(4,076)</u>	<u>9,032</u>	<u>(40,603)</u>	<u>(28,903)</u>	<u>(11,629)</u>	<u>(1,975)</u>	<u>12,685</u>	<u>(29,822)</u>
Provision for income taxes	22	(1)	(2)	-	19	(17)	(12)	(16)	(55)	(100)	(28)	(99)	(50)	(407)	(584)
Net income (loss)	<u>\$ (26,279)</u>	<u>\$ (6,918)</u>	<u>\$ (4,051)</u>	<u>\$ 1,628</u>	<u>\$ (35,620)</u>	<u>\$ (38,686)</u>	<u>\$ (6,902)</u>	<u>\$ (4,092)</u>	<u>\$ 8,977</u>	<u>\$ (40,703)</u>	<u>\$ (28,931)</u>	<u>\$ (11,728)</u>	<u>\$ (2,025)</u>	<u>\$ 12,278</u>	<u>\$ (30,406)</u>
Basic net income (loss) per share	\$ (0.16)	\$ (0.04)	\$ (0.02)	\$ 0.01	\$ (0.21)	\$ (0.22)	\$ (0.04)	\$ (0.02)	\$ 0.05	\$ (0.23)	\$ (0.14)	\$ (0.06)	\$ (0.01)	\$ 0.06	\$ (0.15)
Weighted-average basic shares	164,385	166,818	168,807	170,196	167,568	172,733	174,789	178,635	194,429	180,201	199,857	205,706	206,982	208,434	205,273
Diluted net income (loss) per share	\$ (0.16)	\$ (0.04)	\$ (0.02)	\$ 0.01	\$ (0.21)	\$ (0.22)	\$ (0.04)	\$ (0.02)	\$ 0.04	\$ (0.23)	\$ (0.14)	\$ (0.06)	\$ (0.01)	\$ 0.06	\$ (0.15)
Weighted-average diluted shares	164,385	166,818	168,807	189,937	167,568	172,733	174,789	178,635	218,468	180,201	199,857	205,706	206,982	217,567	205,273
(1) Amounts include stock-based compensation expenses as follows:															
Cost of revenue - Other	\$ 230	\$ 308	\$ 328	\$ 308	\$ 1,174	\$ 413	\$ 482	\$ 540	\$ 618	\$ 2,053	\$ 881	\$ 1,032	\$ 1,063	\$ 1,438	\$ 4,414
Product development	872	1,154	1,197	1,152	4,375	1,445	2,394	2,610	2,743	9,192	3,461	4,426	4,402	5,257	17,546
Sales and marketing	2,515	2,873	3,203	3,230	11,821	4,421	5,027	5,754	6,187	21,389	8,311	9,922	10,442	13,490	42,165
General and administrative	1,162	1,774	2,393	2,021	7,350	245	2,235	3,260	3,886	9,626	4,739	5,233	6,204	6,754	22,930
Total stock-based compensation expenses	<u>\$ 4,779</u>	<u>\$ 6,109</u>	<u>\$ 7,121</u>	<u>\$ 6,711</u>	<u>\$ 24,720</u>	<u>\$ 6,524</u>	<u>\$ 10,138</u>	<u>\$ 12,164</u>	<u>\$ 13,434</u>	<u>\$ 42,260</u>	<u>\$ 17,392</u>	<u>\$ 20,613</u>	<u>\$ 22,111</u>	<u>\$ 26,939</u>	<u>\$ 87,055</u>

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

	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014
	(recast)	(recast)	(recast)	(recast)	(recast)	(recast)	(recast)	(audited)				
<b>Assets</b>												
Current assets												
Cash and cash equivalents	\$ 47,666	\$ 47,269	\$ 55,727	\$ 59,939	\$ 52,236	\$ 40,113	\$ 437,082	\$ 245,755	\$ 160,796	\$ 157,848	\$ 148,884	\$ 175,957
Short-term investments	40,399	31,475	21,259	26,006	20,474	19,656	6,249	98,662	180,496	166,429	167,510	178,631
Accounts receivable, net	64,217	82,414	91,961	110,225	106,579	124,286	137,284	164,023	148,320	177,218	197,516	218,437
Prepaid expenses and other current assets	2,752	3,692	3,967	4,614	5,857	8,950	10,895	10,343	15,481	10,512	11,135	15,389
Total current assets	<u>155,034</u>	<u>164,850</u>	<u>172,914</u>	<u>200,784</u>	<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>
Long-term investments	-	-	-	-	-	-	-	105,686	104,569	113,647	120,944	104,243
Property and equipment, net	15,251	16,074	16,407	16,606	20,149	23,039	24,350	35,151	38,697	40,147	42,292	42,921
Other long-term assets	2,286	2,178	2,295	2,531	2,377	13,251	10,298	13,715	13,860	13,701	13,986	13,712
Total assets	<u>\$ 172,571</u>	<u>\$ 183,102</u>	<u>\$ 191,616</u>	<u>\$ 219,921</u>	<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>
<b>Liabilities and stockholders' equity</b>												
Current liabilities												
Accounts payable	\$ 1,062	\$ 2,751	\$ 2,568	\$ 3,974	\$ 5,718	\$ 8,172	\$ 9,570	\$ 14,413	\$ 10,087	\$ 11,395	\$ 13,001	\$ 10,825
Accrued liabilities (1)	4,728	4,943	5,362	7,425	8,968	17,179	11,700	14,881	13,929	13,147	14,993	15,754
Accrued royalties	38,012	42,064	45,014	51,347	60,700	55,097	59,250	66,110	74,698	72,259	71,509	73,693
Deferred revenue	21,503	23,721	26,406	29,517	36,939	42,369	43,223	42,650	28,123	22,763	18,243	14,412
Accrued compensation (1)	9,390	10,788	8,967	14,047	9,980	14,591	11,599	17,952	18,924	31,102	31,353	34,476
Total current liabilities	<u>74,695</u>	<u>84,267</u>	<u>88,317</u>	<u>106,310</u>	<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>
Other long-term liabilities	3,454	3,297	3,230	3,979	3,759	3,705	8,114	9,098	9,826	10,374	10,814	16,773
Total liabilities	<u>78,149</u>	<u>87,564</u>	<u>91,547</u>	<u>110,289</u>	<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>
<b>Stockholders' equity</b>												
Common stock	16	17	17	17	17	18	19	20	21	21	21	21
Additional paid-in capital	210,959	218,993	227,568	235,506	246,169	259,696	658,290	675,103	702,301	725,776	752,048	781,009
Accumulated deficit	(116,547)	(123,465)	(127,516)	(125,888)	(164,574)	(171,476)	(175,568)	(166,591)	(195,522)	(207,250)	(209,275)	(196,997)
Accumulated other comprehensive loss	(6)	(7)	-	(3)	(4)	(56)	(39)	(301)	(168)	(85)	(440)	(676)
Total stockholders' equity	<u>94,422</u>	<u>95,538</u>	<u>100,069</u>	<u>109,632</u>	<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>
Total liabilities, preferred stock and stockholders' equity	<u>\$ 172,571</u>	<u>\$ 183,102</u>	<u>\$ 191,616</u>	<u>\$ 219,921</u>	<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>

(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 Accrued liabilities line item to the Accrued compensation line item.

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

	Three months ended				Year ended	Three months ended				Year ended	Three months ended				Year ended
	3/31/2012 (recast)	6/30/2012 (recast)	9/30/2012 (recast)	12/31/2012 (recast)	12/31/2012 (recast)	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
<b>Operating Activities</b>															
Net income (loss)	\$ (26,279)	\$ (6,918)	\$ (4,051)	\$ 1,628	\$ (35,620)	\$ (38,686)	\$ (6,902)	\$ (4,092)	\$ 8,977	\$ (40,703)	\$ (28,931)	\$ (11,728)	\$ (2,025)	\$ 12,278	\$ (30,406)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:															
operating activities:															
Depreciation and amortization	1,534	1,733	1,764	1,886	6,917	2,034	2,501	3,183	3,063	10,781	3,346	3,763	4,115	4,207	15,431
Loss on retirement of fixed assets	-	38	45	-	83	-	-	-	-	-	-	-	-	105	105
Stock-based compensation	4,779	6,109	7,121	6,711	24,720	6,524	10,138	12,164	13,434	42,260	17,392	20,613	22,111	26,939	87,055
Amortization of premium on investments	121	86	97	79	383	60	20	7	179	266	694	686	726	727	2,833
Amortization of debt issuance costs and debt discount	66	66	66	66	264	66	66	60	49	241	49	50	49	49	197
Excess tax benefit from stock-based awards	-	-	-	-	-	-	-	-	-	-	-	-	-	(348)	(348)
Changes in assets and liabilities:															
Accounts receivable	9,409	(18,197)	(9,547)	(18,264)	(36,599)	3,647	(17,707)	(12,998)	(26,739)	(53,797)	15,703	(28,898)	(20,298)	(20,921)	(54,414)
Prepaid expenses and other assets	(501)	(856)	(439)	(936)	(2,732)	(1,143)	(9,459)	3,656	(2,850)	(9,796)	(5,099)	1,846	(750)	(5,216)	(9,219)
Accounts payable and accrued liabilities (1)	616	1,462	484	3,949	6,511	1,911	12,127	190	3,571	17,799	1,401	(306)	4,712	6,713	12,520
Accrued royalties	5,349	4,052	2,950	6,333	18,684	9,353	(5,603)	4,153	6,860	14,763	8,585	(2,440)	(729)	2,192	7,608
Accrued compensation (1)	(1,363)	1,398	(1,821)	5,080	3,294	(4,065)	4,486	(2,666)	6,357	4,112	(735)	11,483	1,831	1,157	13,736
Deferred revenue	2,083	2,218	2,685	3,112	10,098	7,422	5,431	854	(573)	13,134	(14,527)	(5,360)	(4,520)	(3,831)	(28,238)
Reimbursement of cost of leasehold improvements	1,484	-	-	-	1,484	-	276	1,279	-	1,555	-	3,161	-	1,008	4,169
Net cash provided by (used in) operating activities	(2,702)	(8,809)	(646)	9,644	(2,513)	(12,877)	(4,626)	5,790	12,328	615	(2,122)	(7,130)	5,222	25,059	21,209
<b>Investing Activities</b>															
Purchases of property and equipment	(1,871)	(2,202)	(2,347)	(1,704)	(8,124)	(4,318)	(6,693)	(4,380)	(7,482)	(22,873)	(11,887)	(4,537)	(7,055)	(6,560)	(30,039)
Purchases of patents	-	-	-	-	-	-	-	(8,000)	-	(8,000)	-	-	-	-	-
Changes in restricted cash	-	-	-	-	-	-	(3,200)	3,200	-	-	-	-	-	-	-
Proceeds from investments	(20,131)	(17,716)	(13,242)	(15,741)	(66,830)	(13,365)	(10,069)	(1,200)	(205,522)	(230,156)	(115,589)	(78,533)	(79,305)	(67,252)	(340,679)
Proceeds from maturities of investments	24,431	26,510	23,350	10,893	85,184	18,830	10,860	14,600	6,250	50,540	34,010	82,821	69,836	71,851	258,518
Payments related to acquisition	-	-	-	-	-	-	(400)	-	-	(400)	-	-	-	-	-
Net cash provided by (used in) investing activities	2,429	6,592	7,761	(6,552)	10,230	1,147	(9,502)	4,220	(206,754)	(210,889)	(93,466)	(249)	(16,524)	(1,961)	(112,200)
<b>Financing Activities</b>															
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 exercise of stock options	1,836	1,820	1,347	1,120	6,123	4,033	2,053	8,554	3,764	18,404	9,751	2,811	2,606	1,726	16,894
Tax payments from net share settlements of restricted stock units	-	-	-	-	-	-	-	(480)	-	(480)	-	-	(1,986)	(33)	(2,019)
Excess tax benefit from stock-based awards	-	-	-	-	-	-	-	-	-	-	-	-	-	348	348
Proceeds from employee stock purchase plan	-	-	-	-	-	-	-	-	-	-	863	1,619	1,906	2,050	6,438
Net cash provided by financing activities	1,836	1,820	1,347	1,120	6,123	4,033	2,053	386,933	3,111	396,130	10,614	4,430	2,526	4,091	21,661
Effects of foreign currency translation on cash and cash equivalents	-	-	(4)	-	(4)	(6)	(48)	26	(12)	(40)	15	1	(188)	(116)	(288)
Net increase (decrease) in cash and cash equivalents	1,563	(397)	8,458	4,212	13,836	(7,703)	(12,123)	396,969	(191,327)	185,816	(84,959)	(2,948)	(8,964)	27,073	(69,798)
Cash and cash equivalents at beginning of period	46,103	47,666	47,269	55,727	46,103	59,939	52,236	40,113	437,082	59,939	245,755	160,796	157,848	148,884	245,755
Cash and cash equivalents at end of period	<u>\$ 47,666</u>	<u>\$ 47,269</u>	<u>\$ 55,727</u>	<u>\$ 59,939</u>	<u>\$ 59,939</u>	<u>\$ 52,236</u>	<u>\$ 40,113</u>	<u>\$ 437,082</u>	<u>\$ 245,755</u>	<u>\$ 245,755</u>	<u>\$ 160,796</u>	<u>\$ 157,848</u>	<u>\$ 148,884</u>	<u>\$ 175,957</u>	<u>\$ 175,957</u>

(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.

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

	Three months ended				Year ended	Three months ended				Year ended	Three months ended				Year ended
	3/31/2012 (recast)	6/30/2012 (recast)	9/30/2012 (recast)	12/31/2012 (recast)	12/31/2012 (recast)	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
<b>Advertising RPMs</b>															
Computer	\$ 43.23	\$ 53.99	\$ 57.06	\$ 59.31	\$ 53.47	\$ 44.63	\$ 58.53	\$ 58.44	\$ 61.92	\$ 55.84	\$ 52.75	\$ 62.43	\$ 64.13	\$ 68.83	\$ 62.00
Mobile and other connected devices	15.73	22.25	23.51	25.52	22.15	20.43	32.56	35.31	36.20	30.93	29.46	36.00	40.82	44.37	37.84
<b>Total</b>	<b>\$ 22.45</b>	<b>\$ 29.33</b>	<b>\$ 30.30</b>	<b>\$ 32.33</b>	<b>\$ 28.92</b>	<b>\$ 24.85</b>	<b>\$ 37.89</b>	<b>\$ 39.68</b>	<b>\$ 40.95</b>	<b>\$ 35.66</b>	<b>\$ 33.40</b>	<b>\$ 40.11</b>	<b>\$ 44.35</b>	<b>\$ 48.19</b>	<b>\$ 41.66</b>
<b>Total RPMs</b>															
Computer	\$ 42.80	\$ 52.07	\$ 55.51	\$ 57.67	\$ 52.01	\$ 45.17	\$ 56.73	\$ 57.50	\$ 61.28	\$ 55.18	\$ 54.42	\$ 61.01	\$ 63.67	\$ 68.06	\$ 61.74
Mobile and other connected devices	16.68	23.25	24.87	26.93	23.38	22.41	34.37	38.75	39.99	33.89	37.43	39.88	44.96	48.27	42.77
<b>Total</b>	<b>\$ 23.86</b>	<b>\$ 30.40</b>	<b>\$ 31.70</b>	<b>\$ 33.68</b>	<b>\$ 30.23</b>	<b>\$ 26.96</b>	<b>\$ 39.17</b>	<b>\$ 42.49</b>	<b>\$ 44.14</b>	<b>\$ 38.19</b>	<b>\$ 40.51</b>	<b>\$ 43.41</b>	<b>\$ 48.00</b>	<b>\$ 51.54</b>	<b>\$ 45.97</b>
<b>Total RPMs based on non-GAAP revenue</b>															
Computer	\$ 42.92	\$ 52.20	\$ 55.64	\$ 57.83	\$ 52.15	\$ 45.36	\$ 57.09	\$ 57.68	\$ 61.32	\$ 55.37	\$ 52.92	\$ 61.01	\$ 63.67	\$ 68.06	\$ 61.36
Mobile and other connected devices	17.06	23.65	25.20	27.34	23.76	22.92	36.01	39.32	40.10	34.57	34.15	39.88	44.96	48.27	41.99
<b>Total</b>	<b>\$ 24.16</b>	<b>\$ 30.74</b>	<b>\$ 31.98</b>	<b>\$ 34.03</b>	<b>\$ 30.55</b>	<b>\$ 27.41</b>	<b>\$ 40.53</b>	<b>\$ 42.98</b>	<b>\$ 44.23</b>	<b>\$ 38.77</b>	<b>\$ 37.55</b>	<b>\$ 43.41</b>	<b>\$ 48.00</b>	<b>\$ 51.54</b>	<b>\$ 45.26</b>

	Three months ended				Year ended	Three months ended				Year ended	Three months ended				Year ended
	3/31/2012 (recast)	6/30/2012 (recast)	9/30/2012 (recast)	12/31/2012 (recast)	12/31/2012 (recast)	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
<b>Total revenue by platform</b>															
Computer	\$ 35,190	\$ 41,756	\$ 42,460	\$ 49,415	\$ 168,821	\$ 38,566	\$ 47,588	\$ 45,676	\$ 54,220	\$ 186,050	\$ 47,323	\$ 51,432	\$ 51,614	\$ 58,457	\$ 208,826
Mobile and other connected devices	36,222	56,535	66,347	82,084	241,188	76,558	105,516	123,627	146,142	451,843	146,992	167,462	187,979	209,543	711,976
<b>Total</b>	<b>\$ 71,412</b>	<b>\$ 98,291</b>	<b>\$ 108,807</b>	<b>\$ 131,499</b>	<b>\$ 410,009</b>	<b>\$ 115,124</b>	<b>\$ 153,104</b>	<b>\$ 169,303</b>	<b>\$ 200,362</b>	<b>\$ 637,893</b>	<b>\$ 194,315</b>	<b>\$ 218,894</b>	<b>\$ 239,593</b>	<b>\$ 268,000</b>	<b>\$ 920,802</b>
<b>Total non-GAAP revenue by platform</b>															
Computer	\$ 35,289	\$ 41,862	\$ 42,553	\$ 49,551	\$ 169,255	\$ 38,731	\$ 47,893	\$ 45,820	\$ 54,256	\$ 186,700	\$ 46,018	\$ 51,432	\$ 51,614	\$ 58,457	\$ 207,521
Mobile and other connected devices	37,046	57,507	67,233	83,326	245,112	78,310	110,542	125,433	146,533	460,818	134,111	167,462	187,979	209,543	699,095
<b>Total</b>	<b>\$ 72,335</b>	<b>\$ 99,369</b>	<b>\$ 109,786</b>	<b>\$ 132,877</b>	<b>\$ 414,367</b>	<b>\$ 117,041</b>	<b>\$ 158,435</b>	<b>\$ 171,253</b>	<b>\$ 200,789</b>	<b>\$ 647,518</b>	<b>\$ 180,129</b>	<b>\$ 218,894</b>	<b>\$ 239,593</b>	<b>\$ 268,000</b>	<b>\$ 906,616</b>

**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				Year ended
	3/31/2012	6/30/2012	9/30/2012	12/31/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	12/31/2014
	(recast)	(recast)	(recast)	(recast)	(recast)	(recast)	(recast)	(recast)	(recast)	(recast)					
<b>Revenue</b>															
GAAP total revenue	\$ 71,412	\$ 98,291	\$ 108,807	\$ 131,499	\$ 410,009	\$ 115,124	\$ 153,104	\$ 169,303	\$ 200,362	\$ 637,893	\$ 194,315	\$ 218,894	\$ 239,593	\$ 268,000	\$ 920,802
Subscription return reserve (1)	923	1,078	979	1,378	4,358	1,917	5,331	1,950	427	9,625	(14,186)	-	-	-	(14,186)
Non-GAAP total revenue	<b>\$ 72,335</b>	<b>\$ 99,369</b>	<b>\$ 109,786</b>	<b>\$ 132,877</b>	<b>\$ 414,367</b>	<b>\$ 117,041</b>	<b>\$ 158,435</b>	<b>\$ 171,253</b>	<b>\$ 200,789</b>	<b>\$ 647,518</b>	<b>\$ 180,129</b>	<b>\$ 218,894</b>	<b>\$ 239,593</b>	<b>\$ 268,000</b>	<b>\$ 906,616</b>
<b>Gross profit</b>															
GAAP gross profit	\$ 10,331	\$ 32,008	\$ 37,367	\$ 50,878	\$ 130,584	\$ 19,525	\$ 62,429	\$ 73,642	\$ 93,906	\$ 249,502	\$ 71,061	\$ 93,444	\$ 112,825	\$ 135,468	\$ 412,798
Subscription return reserve (1)	923	1,078	979	1,378	4,358	1,917	5,331	1,950	427	9,625	(14,186)	-	-	-	(14,186)
Stock-based compensation: Cost of revenue - Other	230	308	328	308	1,174	413	482	540	618	2,053	881	1,032	1,063	1,438	4,414
Non-GAAP gross profit	<b>\$ 11,484</b>	<b>\$ 33,394</b>	<b>\$ 38,674</b>	<b>\$ 52,564</b>	<b>\$ 136,116</b>	<b>\$ 21,855</b>	<b>\$ 68,242</b>	<b>\$ 76,132</b>	<b>\$ 94,951</b>	<b>\$ 261,180</b>	<b>\$ 57,756</b>	<b>\$ 94,476</b>	<b>\$ 113,888</b>	<b>\$ 136,906</b>	<b>\$ 403,026</b>
<b>Net income (loss)</b>															
GAAP net income (loss)	\$ (26,279)	\$ (6,918)	\$ (4,051)	\$ 1,628	\$ (35,620)	\$ (38,686)	\$ (6,902)	\$ (4,092)	\$ 8,977	\$ (40,703)	\$ (28,931)	\$ (11,728)	\$ (2,025)	\$ 12,278	\$ (30,406)
Subscription return reserve (1)	923	1,078	979	1,378	4,358	1,917	5,331	1,950	427	9,625	(14,186)	-	-	-	(14,186)
Amortization of intangibles	-	-	-	-	-	-	-	182	182	364	182	182	182	181	727
Stock-based compensation & warrant remeasurement	4,779	6,109	7,121	6,711	24,720	6,524	10,138	12,164	13,434	42,260	17,392	20,613	22,111	26,939	87,055
Non-GAAP net income (loss)	<b>\$ (20,577)</b>	<b>\$ 269</b>	<b>\$ 4,049</b>	<b>\$ 9,717</b>	<b>\$ (6,542)</b>	<b>\$ (30,245)</b>	<b>\$ 8,567</b>	<b>\$ 10,204</b>	<b>\$ 23,020</b>	<b>\$ 11,546</b>	<b>\$ (25,543)</b>	<b>\$ 9,067</b>	<b>\$ 20,268</b>	<b>\$ 39,398</b>	<b>\$ 43,190</b>
Non-GAAP EPS - basic	<b>\$ (0.13)</b>	<b>\$ -</b>	<b>\$ 0.02</b>	<b>\$ 0.06</b>	<b>\$ (0.04)</b>	<b>\$ (0.18)</b>	<b>\$ 0.05</b>	<b>\$ 0.06</b>	<b>\$ 0.12</b>	<b>\$ 0.06</b>	<b>\$ (0.13)</b>	<b>\$ 0.04</b>	<b>\$ 0.10</b>	<b>\$ 0.19</b>	<b>\$ 0.21</b>
Non-GAAP EPS - diluted	<b>\$ (0.13)</b>	<b>\$ -</b>	<b>\$ 0.02</b>	<b>\$ 0.05</b>	<b>\$ (0.04)</b>	<b>\$ (0.18)</b>	<b>\$ 0.04</b>	<b>\$ 0.05</b>	<b>\$ 0.11</b>	<b>\$ 0.06</b>	<b>\$ (0.13)</b>	<b>\$ 0.04</b>	<b>\$ 0.09</b>	<b>\$ 0.18</b>	<b>\$ 0.20</b>
Weighted average basic shares	164,385	166,818	168,807	170,196	167,568	172,733	174,789	178,635	194,429	180,201	199,857	205,706	206,982	208,434	205,273
Weighted average diluted shares	164,385	189,796	190,273	189,937	167,568	172,733	195,487	201,191	218,468	202,001	199,857	218,602	219,273	217,567	218,939
<b>Adjusted EBITDA</b>															
GAAP net income (loss)	\$ (26,279)	\$ (6,918)	\$ (4,051)	\$ 1,628	\$ (35,620)	\$ (38,686)	\$ (6,902)	\$ (4,092)	\$ 8,977	\$ (40,703)	\$ (28,931)	\$ (11,728)	\$ (2,025)	\$ 12,278	\$ (30,406)
Subscription return reserve (1)	923	1,078	979	1,378	4,358	1,917	5,331	1,950	427	9,625	(14,186)	-	-	-	(14,186)
Depreciation and amortization	1,534	1,733	1,764	1,886	6,917	2,034	2,501	3,183	3,063	10,781	3,346	3,763	4,115	4,207	15,431
Stock-based compensation	4,779	6,109	7,121	6,711	24,720	6,524	10,138	12,164	13,434	42,260	17,392	20,613	22,111	26,939	87,055
Other (income) expense, net	92	102	112	125	431	127	122	173	93	515	(92)	(100)	(44)	(70)	(306)
Provision for income taxes	(22)	1	2	-	(19)	17	12	16	55	100	28	99	50	407	584
Adjusted EBITDA	<b>\$ (18,973)</b>	<b>\$ 2,105</b>	<b>\$ 5,927</b>	<b>\$ 11,728</b>	<b>\$ 787</b>	<b>\$ (28,067)</b>	<b>\$ 11,202</b>	<b>\$ 13,394</b>	<b>\$ 26,049</b>	<b>\$ 22,578</b>	<b>\$ (22,443)</b>	<b>\$ 12,647</b>	<b>\$ 24,207</b>	<b>\$ 43,761</b>	<b>\$ 58,172</b>

(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. This reversal was excluded from non-GAAP revenue.



**Pandora Media Inc.**  
**Quarterly Metrics**

<b>Calendar Year</b>	<b>Calendar Quarter</b>	<b>Registered Users (MM)</b>	<b>Active Users (MM)</b>	<b>Listener Hours (B)</b>	<b>Internet Radio Share (%) (1)</b>	<b>US Radio Share (%) 28-day Avg</b>	<b>Employees</b>
2012	Q1	125+	51.0	2.93	69.8	5.73	559
	Q2	150+	54.5	3.24	72.2	5.92	571
	Q3	150+	58.3	3.43	73.7	6.38	631
	Q4	175+	67.1	3.91	73.5	7.58	698
2013	Q1	200+	69.5	4.26	75.2	8.05	820
	Q2	200+	71.1	3.91	71.7	7.04	935
	Q3	200+	72.7	3.99	73.3	7.77	1021
	Q4	200+	76.2	4.54	74.4	8.60	1067
2014	Q1	250+	75.3	4.80	77.1	9.11	1205
	Q2	250+	76.4	5.04	77.6	8.90	1305
	Q3	250+	76.5	4.99	78.2	9.06	1380
	Q4	250+	81.5	5.20	77.9	9.70	1414

(1) This metric is defined as our share of internet radio among the top 20 stations and networks in the United States.



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