

pandora[®]

Historical Financial Results

DECEMBER 31, 2016

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				Year ended
	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)	12/31/2015 (unaudited)	12/31/2015 (audited)	3/31/2016 (unaudited)	6/30/2016 (unaudited)	9/30/2016 (unaudited)	12/31/2016 (unaudited)	12/31/2016 (unaudited)
Revenue															
Advertising	\$ 140,634	\$ 177,324	\$ 194,293	\$ 220,087	\$ 732,338	\$ 178,739	\$ 230,921	\$ 254,656	\$ 268,989	\$ 933,305	\$ 220,308	\$ 265,126	\$ 273,716	\$ 313,340	\$ 1,072,490
Subscription and other	53,681	41,570	45,300	47,913	188,464	52,025	54,639	56,906	57,001	220,571	54,732	55,125	56,100	59,829	225,786
Ticketing service (1)	-	-	-	-	-	-	-	-	10,167	10,167	22,265	22,771	22,085	19,429	86,550
Total revenue	<u>194,315</u>	<u>218,894</u>	<u>239,593</u>	<u>268,000</u>	<u>920,802</u>	<u>230,764</u>	<u>285,560</u>	<u>311,562</u>	<u>336,157</u>	<u>1,164,043</u>	<u>297,305</u>	<u>343,022</u>	<u>351,901</u>	<u>392,598</u>	<u>1,384,826</u>
Cost of revenue															
Cost of revenue - Content acquisition costs	108,275	111,461	111,315	115,326	446,377	126,023	130,134	211,272	142,933	610,362	171,264	176,633	174,334	212,122	734,353
Cost of revenue - Other (2)	14,979	13,989	15,453	17,206	61,627	16,233	20,043	21,414	22,168	79,858	20,999	24,833	25,556	29,901	101,289
Cost of revenue - Ticketing service (1) (2)	-	-	-	-	-	-	-	-	7,121	7,121	14,646	15,259	15,318	14,057	59,280
Total cost of revenue	<u>123,254</u>	<u>125,450</u>	<u>126,768</u>	<u>132,532</u>	<u>508,004</u>	<u>142,256</u>	<u>150,177</u>	<u>232,686</u>	<u>172,222</u>	<u>697,341</u>	<u>206,909</u>	<u>216,725</u>	<u>215,208</u>	<u>256,080</u>	<u>894,922</u>
Gross profit	<u>71,061</u>	<u>93,444</u>	<u>112,825</u>	<u>135,468</u>	<u>412,798</u>	<u>88,508</u>	<u>135,383</u>	<u>78,876</u>	<u>163,935</u>	<u>466,702</u>	<u>90,396</u>	<u>126,297</u>	<u>136,693</u>	<u>136,518</u>	<u>489,904</u>
Operating expenses															
Product development (2)	11,831	13,076	13,381	14,865	53,153	15,875	18,742	21,849	28,115	84,581	35,846	33,808	33,657	38,325	141,636
Sales and marketing (2)	61,864	66,232	72,320	76,914	277,330	84,274	94,035	107,286	112,574	398,169	117,622	123,812	116,475	133,546	491,455
General and administrative (2)	26,361	25,865	29,143	31,074	112,443	36,754	38,812	35,603	42,774	153,943	46,296	40,562	41,768	46,946	175,572
Total operating expenses	<u>100,056</u>	<u>105,173</u>	<u>114,844</u>	<u>122,853</u>	<u>442,926</u>	<u>136,903</u>	<u>151,589</u>	<u>164,738</u>	<u>183,463</u>	<u>636,693</u>	<u>199,764</u>	<u>198,182</u>	<u>191,900</u>	<u>218,817</u>	<u>808,663</u>
Income (loss) from operations	<u>(28,995)</u>	<u>(11,729)</u>	<u>(2,019)</u>	<u>12,615</u>	<u>(30,128)</u>	<u>(48,395)</u>	<u>(16,206)</u>	<u>(85,862)</u>	<u>(19,528)</u>	<u>(169,991)</u>	<u>(109,368)</u>	<u>(71,885)</u>	<u>(55,207)</u>	<u>(82,299)</u>	<u>(318,759)</u>
Interest expense	(129)	(138)	(130)	(131)	(528)	(131)	(124)	(131)	(1,590)	(1,976)	(6,175)	(6,247)	(6,494)	(7,228)	(26,144)
Other income (expense), net	221	238	174	201	834	328	380	95	(47)	756	862	255	579	1	1,697
Income (loss) before benefit from (provision for) income taxes	<u>(28,903)</u>	<u>(11,629)</u>	<u>(1,975)</u>	<u>12,685</u>	<u>(29,822)</u>	<u>(48,198)</u>	<u>(15,950)</u>	<u>(85,898)</u>	<u>(21,165)</u>	<u>(171,211)</u>	<u>(114,681)</u>	<u>(77,877)</u>	<u>(61,122)</u>	<u>(89,526)</u>	<u>(343,206)</u>
Benefit from (provision for) income taxes	(28)	(99)	(50)	(407)	(584)	(59)	(115)	(32)	1,756	1,550	(421)	1,544	(412)	(483)	228
Net income (loss)	<u>\$ (28,931)</u>	<u>\$ (11,728)</u>	<u>\$ (2,025)</u>	<u>\$ 12,278</u>	<u>\$ (30,406)</u>	<u>\$ (48,257)</u>	<u>\$ (16,065)</u>	<u>\$ (85,930)</u>	<u>\$ (19,409)</u>	<u>\$ (169,661)</u>	<u>\$ (115,102)</u>	<u>\$ (76,333)</u>	<u>\$ (61,534)</u>	<u>\$ (90,009)</u>	<u>\$ (342,978)</u>
Basic net income (loss) per share	\$ (0.14)	\$ (0.06)	\$ (0.01)	\$ 0.06	\$ (0.15)	\$ (0.23)	\$ (0.08)	\$ (0.40)	\$ (0.09)	\$ (0.79)	\$ (0.51)	\$ (0.33)	\$ (0.27)	\$ (0.38)	\$ (1.49)
Weighted-average basic shares	199,857	205,706	206,982	208,434	205,273	209,928	211,742	212,760	220,625	213,790	226,659	229,745	232,139	234,173	230,693
Diluted net income (loss) per share	\$ (0.14)	\$ (0.06)	\$ (0.01)	\$ 0.06	\$ (0.15)	\$ (0.23)	\$ (0.08)	\$ (0.40)	\$ (0.09)	\$ (0.79)	\$ (0.51)	\$ (0.33)	\$ (0.27)	\$ (0.38)	\$ (1.49)
Weighted-average diluted shares	199,857	205,706	206,982	217,567	205,273	209,928	211,742	212,760	220,625	213,790	226,659	229,745	232,139	234,173	230,693

(1) The quarter and year ended 12/31/15 consists of two months of Ticketfly activity from the acquisition date of October 31, 2015 to December 31, 2015.

(2) Includes stock-based compensation expense as follows:

	3/31/2014	6/30/2014	9/30/2014	12/31/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016
Cost of revenue - Other	\$ 881	\$ 1,032	\$ 1,063	\$ 1,438	\$ 4,414	\$ 1,207	\$ 1,406	\$ 1,427	\$ 1,491	\$ 5,531	\$ 1,477	\$ 1,544	\$ 1,538	\$ 1,549	\$ 6,108
Cost of revenue - Ticketing service	-	-	-	-	-	-	-	-	40	40	60	67	27	34	188
Product development	3,461	4,426	4,402	5,257	17,546	4,605	5,354	6,189	7,523	23,671	8,501	7,243	7,347	7,884	30,975
Sales and marketing	8,311	9,922	10,442	13,490	42,165	11,344	13,327	13,732	14,344	52,747	13,613	15,128	14,932	14,445	58,118
General and administrative	4,739	5,233	6,204	6,754	22,930	6,039	7,397	7,446	8,774	29,656	15,004	8,450	8,910	10,705	43,069
Total stock-based compensation expenses	<u>\$ 17,392</u>	<u>\$ 20,613</u>	<u>\$ 22,111</u>	<u>\$ 26,939</u>	<u>\$ 87,055</u>	<u>\$ 23,195</u>	<u>\$ 27,484</u>	<u>\$ 28,794</u>	<u>\$ 32,172</u>	<u>\$ 111,645</u>	<u>\$ 38,655</u>	<u>\$ 32,432</u>	<u>\$ 32,754</u>	<u>\$ 34,617</u>	<u>\$ 138,458</u>

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

	<u>3/31/2014</u>	<u>6/30/2014</u>	<u>9/30/2014</u>	<u>12/31/2014</u>	<u>3/31/2015</u>	<u>6/30/2015</u>	<u>9/30/2015</u>	<u>12/31/2015</u>	<u>3/31/2016</u>	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>12/31/2016</u>
	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Assets												
Current assets												
Cash and cash equivalents	\$ 160,796	\$ 157,848	\$ 148,884	\$ 175,957	\$ 221,014	\$ 204,103	\$ 242,981	\$ 334,667	\$ 303,454	\$ 238,367	\$ 207,695	\$ 199,944
Short-term investments	180,496	166,429	167,510	178,631	160,566	168,339	120,614	35,844	45,805	54,800	50,052	37,109
Accounts receivable, net	148,320	177,218	197,516	218,437	188,470	233,715	262,910	277,075	237,760	263,654	282,802	309,267
Prepaid content acquisition costs (1)	3,750	2,360	1,437	700	4,851	3,147	867	2,099	18,874	9,370	102,623	46,310
Prepaid expenses and other current assets (1)	11,731	8,152	9,698	14,689	14,590	13,517	16,296	33,821	29,308	33,916	34,166	33,191
Total current assets	505,093	512,007	525,045	588,414	589,491	622,821	643,668	683,506	635,201	600,107	677,338	625,821
Long-term investments	104,569	113,647	120,944	104,243	99,704	89,013	78,982	46,369	33,238	18,153	6,273	6,252
Property and equipment, net	38,697	40,147	42,292	42,921	46,718	54,741	56,424	66,370	81,412	102,016	118,453	124,088
Goodwill	-	-	-	-	-	407	23,052	303,875	304,787	306,715	306,706	306,691
Intangible assets, net	7,455	7,273	7,091	6,939	6,756	6,766	9,138	110,745	105,843	100,705	95,565	90,425
Other long-term assets	6,405	6,428	6,895	6,773	7,201	6,684	9,479	29,792	31,860	31,478	32,528	31,533
Total assets	\$ 662,219	\$ 679,502	\$ 702,267	\$ 749,290	\$ 749,870	\$ 780,432	\$ 820,743	\$ 1,240,657	\$ 1,192,341	\$ 1,159,174	\$ 1,236,863	\$ 1,184,810
Liabilities and stockholders' equity												
Current liabilities												
Accounts payable	\$ 10,087	\$ 11,395	\$ 13,001	\$ 10,825	\$ 14,879	\$ 16,386	\$ 20,131	\$ 17,897	\$ 9,922	\$ 6,132	\$ 13,983	\$ 15,224
Accrued liabilities (1)	13,929	13,147	14,993	15,754	21,789	25,006	37,099	37,185	35,375	29,723	33,968	35,465
Accrued content acquisition costs	74,698	72,259	71,509	73,693	80,574	81,351	163,047	97,390	111,554	123,583	106,275	93,723
Accrued compensation (1)	18,924	31,102	31,353	34,476	27,968	39,905	36,856	43,788	43,938	48,971	52,089	60,353
Deferred revenue	28,123	22,763	18,243	14,412	26,740	27,097	22,682	19,939	27,579	28,751	31,971	28,359
Other current liabilities	-	-	-	-	-	-	-	15,632	23,044	17,432	20,739	20,993
Total current liabilities	145,761	150,666	149,099	149,160	171,950	189,745	279,815	231,831	251,412	254,592	259,025	254,117
Long-term debt, net	-	-	-	-	-	-	-	234,577	239,011	243,483	337,429	342,247
Other long-term liabilities	9,826	10,374	10,814	16,773	15,246	15,177	18,270	30,862	31,521	32,804	33,402	34,187
Total liabilities	155,587	161,040	159,913	165,933	187,196	204,922	298,085	497,270	521,944	530,879	629,856	630,551
Stockholders' equity												
Common stock	21	21	21	21	21	21	21	23	23	23	23	24
Additional paid-in capital	702,301	725,776	752,048	781,009	808,124	837,356	870,511	1,110,539	1,152,577	1,186,777	1,227,197	1,264,693
Accumulated deficit	(195,522)	(207,250)	(209,275)	(196,997)	(245,254)	(261,319)	(347,249)	(366,658)	(481,760)	(558,093)	(619,627)	(709,636)
Accumulated other comprehensive loss	(168)	(85)	(440)	(676)	(217)	(548)	(625)	(517)	(443)	(412)	(586)	(822)
Total stockholders' equity	506,632	518,462	542,354	583,357	562,674	575,510	522,658	743,387	670,397	628,295	607,007	554,259
Total liabilities and stockholders' equity	\$ 662,219	\$ 679,502	\$ 702,267	\$ 749,290	\$ 749,870	\$ 780,432	\$ 820,743	\$ 1,240,657	\$ 1,192,341	\$ 1,159,174	\$ 1,236,863	\$ 1,184,810

(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. We have also 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				Year ended
	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)	12/31/2015 (unaudited)	12/31/2015 (audited)	3/31/2016 (unaudited)	6/30/2016 (unaudited)	9/30/2016 (unaudited)	12/31/2016 (unaudited)	12/31/2016 (unaudited)
Operating Activities															
Net income (loss)	\$ (28,931)	\$ (11,728)	\$ (2,025)	\$ 12,278	\$ (30,406)	\$ (48,257)	\$ (16,065)	\$ (85,930)	\$ (19,409)	\$ (169,661)	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities															
Depreciation and amortization	3,346	3,763	4,115	4,207	15,431	4,340	5,025	5,829	9,264	24,458	13,277	14,360	15,843	17,277	60,757
Stock-based compensation	17,392	20,613	22,111	26,939	87,055	23,195	27,484	28,794	32,172	111,645	38,655	32,432	32,754	34,617	138,458
Amortization of premium on investments, net	694	686	726	727	2,833	619	610	483	199	1,911	140	107	92	66	405
Other operating activities (1)	123	323	351	569	1,366	834	110	666	524	2,134	895	579	1,410	1,519	4,403
Amortization of debt discount	-	-	-	-	-	-	-	-	1,084	1,084	4,434	4,504	4,649	4,728	18,315
Excess tax benefit from stock-based awards	-	-	-	(348)	(348)	-	-	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities															
Accounts receivable (1)	15,629	(29,171)	(20,600)	(21,336)	(55,478)	29,182	(45,305)	(29,673)	(10,108)	(55,904)	38,514	(26,375)	(20,477)	(27,372)	(35,710)
Prepaid content acquisition costs (1)	(3,750)	1,390	923	737	(700)	(4,151)	1,704	2,280	(1,232)	(1,399)	(16,775)	9,504	(93,253)	56,313	(44,211)
Prepaid expenses and other assets (1)	(1,349)	456	(1,673)	(5,953)	(8,519)	(925)	1,268	(6,740)	(11,122)	(17,519)	(2,967)	(5,902)	(3,786)	334	(12,321)
Accounts payable, accrued and other current liabilities (1)	657	(854)	4,270	757	4,830	8,087	3,872	17,642	(11,521)	18,080	(3,467)	(13,942)	12,419	10,284	5,294
Accrued content acquisition costs	8,585	(2,440)	(729)	2,192	7,608	6,896	801	81,726	(65,687)	23,736	14,152	12,025	(17,302)	(12,543)	(3,668)
Accrued compensation (1)	(735)	11,483	1,831	1,157	13,736	(4,390)	10,287	(1,564)	3,045	7,378	2,597	2,900	4,873	4,994	15,364
Other long-term liabilities (1)	744	548	442	5,956	7,690	(1,526)	(70)	3,096	4,505	6,005	659	(658)	597	786	1,384
Deferred revenue	(14,527)	(5,360)	(4,520)	(3,831)	(28,238)	12,328	357	(4,996)	(2,743)	4,946	7,640	1,172	3,220	(3,612)	8,420
Reimbursement of cost of leasehold improvements	-	3,161	-	1,008	4,169	749	-	265	10	1,024	4,244	153	-	-	4,397
Net cash provided by (used in) operating activities	(2,122)	(7,130)	5,222	25,059	21,029	26,981	(9,922)	11,878	(71,019)	(42,082)	(13,104)	(45,474)	(120,495)	(2,618)	(181,691)
Investing Activities															
Purchases of property and equipment (1)	(10,711)	(3,684)	(5,939)	(5,131)	(25,465)	(4,339)	(10,239)	(6,758)	(2,176)	(23,512)	(14,371)	(20,193)	(11,836)	(13,369)	(59,769)
Internal-use software costs (1)	(1,176)	(853)	(1,116)	(1,429)	(4,574)	(1,592)	(1,777)	(2,628)	(2,565)	(8,562)	(7,177)	(7,133)	(8,029)	(7,871)	(30,210)
Changes in restricted cash	-	-	-	-	-	-	-	-	-	-	-	(250)	-	-	(250)
Purchases of investments	(115,589)	(78,533)	(79,305)	(67,252)	(340,679)	(56,790)	(54,751)	(27,180)	(2,259)	(140,980)	(4,993)	(6,098)	(1,322)	-	(12,413)
Proceeds from maturities of investments	34,010	82,821	69,836	71,851	258,518	78,489	53,630	47,680	49,199	228,998	8,332	11,675	14,809	12,840	47,656
Proceeds from sales of investments	-	-	-	-	-	640	3,022	37,655	70,039	111,356	-	500	3,007	-	3,507
Payments related to acquisitions, net of cash acquired	-	-	-	-	-	-	(200)	(22,828)	(246,538)	(269,566)	(676)	-	-	-	(676)
Net cash provided by (used in) investing activities	(93,466)	(249)	(16,524)	(1,961)	(112,200)	16,408	(10,315)	25,941	(134,300)	(102,266)	(18,885)	(21,499)	(3,371)	(8,400)	(52,155)
Financing Activities															
Proceeds from issuance of convertible notes	-	-	-	-	-	-	-	-	345,000	345,000	-	-	-	-	-
Payments for purchase of capped call	-	-	-	-	-	-	-	-	(43,160)	(43,160)	-	-	-	-	-
Payment of debt issuance costs	-	-	-	-	-	-	-	-	(8,909)	(8,909)	-	(32)	-	-	(32)
Borrowings under debt arrangements	-	-	-	-	-	-	-	-	-	-	-	-	90,000	-	90,000
Proceeds from employee stock purchase plan	863	1,619	1,906	2,050	6,438	1,619	1,656	1,814	2,463	7,552	1,687	2,150	2,558	3,306	9,701
Proceeds from exercise of stock options	9,751	2,811	2,606	1,726	16,894	1,094	1,768	856	1,474	5,192	520	1,353	1,138	446	3,457
Tax payments from net share settlements of restricted stock units	-	-	(1,986)	(33)	(2,019)	(888)	(19)	(1,388)	(245)	(2,540)	(1,294)	(1,467)	(365)	(243)	(3,369)
Excess tax benefit from stock-based awards	-	-	-	348	348	-	-	-	-	-	-	-	-	-	-
Net cash provided by financing activities	10,614	4,430	2,526	4,091	21,661	1,825	3,405	1,282	296,623	303,135	913	2,004	93,331	3,509	99,757
Effect of exchange rate changes on cash and cash equivalents	15	1	(188)	(116)	(288)	(157)	(79)	(223)	382	(77)	(137)	(118)	(137)	(242)	(634)
Net increase (decrease) in cash and cash equivalents	(84,959)	(2,948)	(8,964)	27,073	(69,798)	45,057	(16,911)	38,878	91,686	158,710	(31,213)	(65,087)	(30,672)	(7,751)	(134,723)
Cash and cash equivalents at beginning of period	245,755	160,796	157,848	148,884	245,755	175,957	221,014	204,103	242,981	175,957	334,667	303,454	238,367	207,695	334,667
Cash and cash equivalents at end of period	\$ 160,796	\$ 157,848	\$ 148,884	\$ 175,957	\$ 175,957	\$ 221,014	\$ 204,103	\$ 242,981	\$ 334,667	\$ 334,667	\$ 303,454	\$ 238,367	\$ 207,695	\$ 199,944	\$ 199,944

(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, accrued and other current 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. We have also reclassified certain non-cash amounts from the purchases of property and equipment line item to the change in prepaid expenses and other assets line item. In addition, we have reclassified internal-use software costs from purchases of property and equipment to the internal-use software costs line item. Lastly, 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.

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				Year ended
	3/31/2014	6/30/2014	9/30/2014	12/31/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016
Revenue															
GAAP total revenue	\$ 194,315	\$ 218,894	\$ 239,593	\$ 268,000	\$ 920,802	\$ 230,764	\$ 285,560	\$ 311,562	\$ 336,157	\$ 1,164,043	\$ 297,305	\$ 343,022	\$ 351,901	\$ 392,598	\$ 1,384,826
Subscription return reserve (1)	(14,186)	-	-	-	(14,186)	-	-	-	-	-	-	-	-	-	-
Non-GAAP total revenue	\$ 180,129	\$ 218,894	\$ 239,593	\$ 268,000	\$ 906,616	\$ 230,764	\$ 285,560	\$ 311,562	\$ 336,157	\$ 1,164,043	\$ 297,305	\$ 343,022	\$ 351,901	\$ 392,598	\$ 1,384,826
Gross profit															
GAAP gross profit	\$ 71,061	\$ 93,444	\$ 112,825	\$ 135,468	\$ 412,798	\$ 88,508	\$ 135,383	\$ 78,876	\$ 163,935	\$ 466,702	\$ 90,396	\$ 126,297	\$ 136,693	\$ 136,518	\$ 489,904
Subscription return reserve (1)	(14,186)	-	-	-	(14,186)	-	-	-	-	-	-	-	-	-	-
Stock-based compensation: Cost of revenue - Other	881	1,032	1,063	1,438	4,414	1,207	1,406	1,427	1,491	5,531	1,477	1,544	1,538	1,549	6,108
Stock-based compensation: Cost of revenue - Ticketing service	-	-	-	-	-	-	-	-	40	40	60	67	27	34	188
Amortization of intangibles - Cost of revenue - Ticketing service	-	-	-	-	-	-	-	-	937	937	1,417	1,419	1,420	1,419	5,675
Pre-1972 sound recordings settlement	-	-	-	-	-	-	-	57,947	-	57,947	-	-	-	-	-
RMLC publisher royalty charge	-	-	-	-	-	-	-	23,934	-	23,934	-	-	-	-	-
Non-GAAP gross profit	\$ 57,756	\$ 94,476	\$ 113,888	\$ 136,906	\$ 403,026	\$ 89,715	\$ 136,789	\$ 162,184	\$ 166,403	\$ 555,091	\$ 93,350	\$ 129,327	\$ 139,678	\$ 139,520	\$ 501,875
Net income (loss)															
GAAP net income (loss)	\$ (28,931)	\$ (11,728)	\$ (2,025)	\$ 12,278	\$ (30,406)	\$ (48,257)	\$ (16,065)	\$ (85,930)	\$ (19,409)	\$ (169,661)	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)
Subscription return reserve (1)	(14,186)	-	-	-	(14,186)	-	-	-	-	-	-	-	-	-	-
Amortization of intangibles	182	182	182	181	727	183	183	438	2,593	3,397	5,133	5,138	5,138	5,137	20,546
Amortization of non-recoupable ticketing contract advances	-	-	-	-	-	-	-	-	696	696	1,162	1,280	1,696	1,582	5,720
Stock-based compensation	17,392	20,613	22,111	26,939	87,055	23,195	27,484	28,794	32,172	111,645	38,655	32,432	32,754	34,617	138,458
Pre-1972 sound recordings settlement	-	-	-	-	-	-	-	57,947	-	57,947	-	-	-	-	-
RMLC publisher royalty charge	-	-	-	-	-	-	-	23,934	-	23,934	-	-	-	-	-
Ticketfly and Rdio transaction costs	-	-	-	-	-	-	-	809	2,853	3,662	-	-	-	-	-
Income tax effects of non-GAAP net loss before provision for income taxes and the related non-GAAP adjustments	-	-	-	-	-	-	-	(2,332)	(8,697)	(11,029)	24,936	10,700	5,889	19,018	60,543
Non-GAAP net income (loss)	\$ (25,543)	\$ 9,067	\$ 20,268	\$ 39,398	\$ 43,190	\$ (24,879)	\$ 11,602	\$ 23,660	\$ 10,208	\$ 20,591	\$ (45,216)	\$ (26,783)	\$ (16,057)	\$ (29,655)	\$ (117,711)
Non-GAAP EPS - basic	\$ (0.13)	\$ 0.04	\$ 0.10	\$ 0.19	\$ 0.21	\$ (0.12)	\$ 0.05	\$ 0.11	\$ 0.05	\$ 0.10	\$ (0.20)	\$ (0.12)	\$ (0.07)	\$ (0.13)	\$ (0.51)
Non-GAAP EPS - diluted	\$ (0.13)	\$ 0.04	\$ 0.09	\$ 0.18	\$ 0.20	\$ (0.12)	\$ 0.05	\$ 0.11	\$ 0.04	\$ 0.09	\$ (0.20)	\$ (0.12)	\$ (0.07)	\$ (0.13)	\$ (0.51)
Weighted average basic shares	199,857	205,706	206,982	208,434	205,273	209,928	211,742	212,760	220,625	213,790	226,659	229,745	232,139	234,173	230,693
Weighted average diluted shares	199,857	218,602	219,273	217,567	218,939	209,928	221,260	222,899	229,408	222,743	226,659	229,745	232,139	234,173	230,693
Adjusted EBITDA															
GAAP net income (loss)	\$ (28,931)	\$ (11,728)	\$ (2,025)	\$ 12,278	\$ (30,406)	\$ (48,257)	\$ (16,065)	\$ (85,930)	\$ (19,409)	\$ (169,661)	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)
Subscription return reserve (1)	(14,186)	-	-	-	(14,186)	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	3,346	3,763	4,115	4,207	15,431	4,340	5,025	5,829	9,264	24,458	13,277	14,360	15,843	17,277	60,757
Stock-based compensation	17,392	20,613	22,111	26,939	87,055	23,195	27,484	28,794	32,172	111,645	38,655	32,432	32,754	34,617	138,458
Ticketfly and Rdio transaction costs	-	-	-	-	-	-	-	809	2,853	3,662	-	-	-	-	-
Other expense (income), net	(92)	(100)	(44)	(70)	(306)	(197)	(256)	36	1,637	1,220	5,313	5,992	5,915	7,227	24,447
Provision for (benefit from) income taxes	28	99	50	407	584	59	115	32	(1,756)	(1,550)	421	(1,544)	412	483	(228)
Pre-1972 sound recordings settlement	-	-	-	-	-	-	-	57,947	-	57,947	-	-	-	-	-
RMLC publisher royalty charge	-	-	-	-	-	-	-	23,934	-	23,934	-	-	-	-	-
Adjusted EBITDA	\$ (22,443)	\$ 12,647	\$ 24,207	\$ 43,761	\$ 58,172	\$ (20,860)	\$ 16,303	\$ 31,451	\$ 24,761	\$ 51,655	\$ (57,436)	\$ (25,093)	\$ (6,610)	\$ (30,405)	\$ (119,544)
Cost of revenue - content acquisition costs															
GAAP cost of revenue - content acquisition costs	\$ 108,275	\$ 111,461	\$ 111,315	\$ 115,326	\$ 446,377	\$ 126,023	\$ 130,134	\$ 211,272	\$ 142,933	\$ 610,362	\$ 171,264	\$ 176,633	\$ 174,334	\$ 212,122	\$ 734,353
Pre-1972 sound recordings settlement	-	-	-	-	-	-	-	(57,947)	-	(57,947)	-	-	-	-	-
RMLC publisher royalty charge	-	-	-	-	-	-	-	(23,934)	-	(23,934)	-	-	-	-	-
Non-GAAP cost of revenue - content acquisition costs	\$ 108,275	\$ 111,461	\$ 111,315	\$ 115,326	\$ 446,377	\$ 126,023	\$ 130,134	\$ 129,391	\$ 142,933	\$ 528,481	\$ 171,264	\$ 176,633	\$ 174,334	\$ 212,122	\$ 734,353

(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.
Advertising Metrics
(unaudited)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended				Year ended
	3/31/2014	6/30/2014	9/30/2014	12/31/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016
Advertising RPMs	\$ 33.40	\$ 40.11	\$ 44.35	\$ 48.19	\$ 41.66	\$ 38.30	\$ 49.94	\$ 56.84	\$ 57.20	\$ 50.52	\$ 45.47	\$ 53.34	\$ 58.10	\$ 67.43	\$ 55.94
Advertising LPMs	\$ 20.22	\$ 20.21	\$ 20.37	\$ 20.42	\$ 20.31	\$ 21.72	\$ 22.54	\$ 36.46	\$ 24.21	\$ 26.13	\$ 30.48	\$ 30.65	\$ 31.60	\$ 37.07	\$ 32.40

(1) Starting in the three months ended March 31, 2016, we will no longer present disaggregated RPMs or LPMs for our computer or mobile and other connected devices platforms. Previously, we had provided this information in order to demonstrate the potential monetization expansion opportunity as mobile and other connected devices markets matured. Revenue and listener hours for mobile and other connected devices have since grown to represent the significant majority of our total revenue and listener hours. In addition, we currently manage the business to optimize revenue across our device platforms and thus we no longer assess our performance on a disaggregated basis. As such, we no longer believe this disaggregation is relevant.

(2) Starting in the three months ended December 31, 2016, we will no longer present total RPMs or LPMs or subscription RPMs or LPMs, 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.

Pandora Media, Inc.
Subscription Metrics
(unaudited)

	<u>Quarter ended</u>	
	<u>12/31/2016</u>	
Subscription ARPU (1)	\$	4.73
Subscription LPU (1)	\$	3.12

(1) 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. Starting in Q4 2016, we track LPU because it is a key measure of our ability to manage costs for our subscription services.

**Pandora Media Inc.
Quarterly Metrics**

**Ticketfly Inc.
Quarterly Metrics**

Calendar Year	Calendar Quarter	Active Users (MM)	Listener Hours (B)	Paid Subscribers (MM) (2)	US Radio Share (%) 28-day Avg	Employees	Penetration Rate (%) (3)	Tickets processed (excluding box office) (MM)	Live events on sale (thousands)	Gross transaction value (excluding box office) (MM)	Unique ticket buyers (MM)
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	-	-	-	-	-
	Q4 (1)	81.1	5.37	-	10.03	2219	-	3.0	32	100	1.3
2016	Q1	79.4	5.52	-	10.34	2269	-	3.8	35	170	1.6
	Q2	78.1	5.66	-	10.11	2334	-	3.7	38	160	1.6
	Q3	77.9	5.40	-	9.72	2421	-	3.9	40	155	1.7
	Q4	81.0	5.38	4.39	9.69	2488	5.4	3.8	40	130	1.6

(1) Ticketfly Q4 2015 metrics include the three months of Q4 2015, whereas the Q4 2015 financial results only include Ticketfly results from October 31, 2015, which is the date the acquisition was completed.

(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 our subscription services.

(3) Penetration rate is defined as paid subscribers divided by total trailing 30-day active users. Starting in Q4 2016, we track penetration rate as it is an indicator of the relative scale of our subscriber base.

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