

pandora[®]

Historical Financial Results

DECEMBER 31, 2017

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
	3/31/2015	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	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue															
Advertising	\$ 178,739	\$ 230,921	\$ 254,656	\$ 268,989	\$ 933,305	\$ 220,308	\$ 265,126	\$ 273,716	\$ 313,340	\$ 1,072,490	\$ 223,308	\$ 278,204	\$ 275,741	\$ 297,674	\$ 1,074,927
Subscription and other	52,025	54,639	56,906	57,001	220,571	54,732	55,125	56,100	59,829	225,786	64,878	68,900	84,414	97,661	315,853
Ticketing service (1)	-	-	-	10,167	10,167	22,265	22,771	22,085	19,429	86,550	27,818	29,730	18,484	-	76,032
Total revenue	230,764	285,560	311,562	336,157	1,164,043	297,305	343,022	351,901	392,598	1,384,826	316,004	376,834	378,639	395,335	1,466,812
Cost of revenue															
Cost of revenue - Content acquisition costs	126,023	130,134	211,272	142,933	610,362	171,264	176,633	174,334	212,122	734,353	187,420	195,875	204,222	216,515	804,032
Cost of revenue - Other (2) (3)	16,226	20,073	21,448	22,225	79,972	21,195	25,106	25,896	30,520	102,717	25,532	27,440	27,287	32,379	112,638
Cost of revenue - Ticketing service (1) (3)	-	-	-	7,121	7,121	14,646	15,259	15,318	14,057	59,280	18,618	20,510	11,269	-	50,397
Total cost of revenue	142,249	150,207	232,720	172,279	697,455	207,105	216,998	215,548	256,699	896,350	231,570	243,825	242,778	248,894	967,067
Gross profit	88,515	135,353	78,842	163,878	466,588	90,200	126,024	136,353	135,899	488,476	84,434	133,009	135,861	146,441	499,745
Operating expenses															
Product development (2) (3)	15,807	18,648	21,734	27,946	84,135	35,611	33,560	33,560	37,976	140,707	39,588	41,233	39,469	34,035	154,325
Sales and marketing (2) (3)	84,194	93,932	107,210	112,506	397,842	117,433	123,589	116,091	133,251	490,364	125,102	145,891	107,588	113,961	492,542
General and administrative (2) (3)	36,909	38,979	35,760	42,954	154,602	46,524	40,760	41,909	46,971	176,164	44,525	57,954	48,171	40,061	190,711
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	131,997	-	-	131,997
Contract termination fees (benefit)	-	-	-	-	-	-	-	-	-	-	-	23,467	(423)	-	23,044
Total operating expenses	136,910	151,559	164,704	183,406	636,579	199,568	197,909	191,560	218,198	807,235	209,215	400,542	194,805	188,057	992,619
Loss from operations	(48,395)	(16,206)	(85,862)	(19,528)	(169,991)	(109,368)	(71,885)	(55,207)	(82,299)	(318,759)	(124,781)	(267,533)	(58,944)	(41,616)	(492,874)
Interest expense	(131)	(124)	(131)	(1,590)	(1,976)	(6,175)	(6,247)	(6,494)	(7,228)	(26,144)	(7,381)	(7,404)	(7,592)	(6,958)	(29,335)
Other income (expense), net	328	380	95	(47)	756	862	255	579	1	1,697	229	78	559	2,158	3,024
Total other income (expense), net	197	256	(36)	(1,637)	(1,220)	(5,313)	(5,992)	(5,915)	(7,227)	(24,447)	(7,152)	(7,326)	(7,033)	(4,800)	(26,311)
Loss before (provision for) benefit from income taxes	(48,198)	(15,950)	(85,898)	(21,165)	(171,211)	(114,681)	(77,877)	(61,122)	(89,526)	(343,206)	(131,933)	(274,859)	(65,977)	(46,416)	(519,185)
(Provision for) benefit from income taxes	(59)	(115)	(32)	1,756	1,550	(421)	1,544	(412)	(483)	228	(334)	(277)	(266)	1,667	790
Net loss	\$ (48,257)	\$ (16,065)	\$ (85,930)	\$ (19,409)	\$ (169,661)	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)	\$ (132,267)	\$ (275,136)	\$ (66,243)	\$ (44,749)	\$ (518,395)
Net loss available to common stockholders	\$ (48,257)	\$ (16,065)	\$ (85,930)	\$ (19,409)	\$ (169,661)	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)	\$ (132,267)	\$ (289,664)	\$ (84,562)	\$ (52,068)	\$ (558,561)
Basic and diluted net loss per common share	\$ (0.23)	\$ (0.08)	\$ (0.40)	\$ (0.09)	\$ (0.79)	\$ (0.51)	\$ (0.33)	\$ (0.27)	\$ (0.38)	\$ (1.49)	\$ (0.56)	\$ (1.20)	\$ (0.34)	\$ (0.21)	\$ (2.29)
Weighted-average basic and diluted common shares	209,928	211,742	212,760	220,625	213,790	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637

(1) The quarter and year ended December 31, 2015 consists of two months of Ticketfly activity from the acquisition date of October 31, 2015 to December 31, 2015. 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				Year ended
	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	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017
(3) Includes stock-based compensation expense as follows:															
Cost of revenue - Other	\$ 1,207	\$ 1,406	\$ 1,427	\$ 1,491	\$ 5,531	\$ 1,477	\$ 1,544	\$ 1,538	\$ 1,549	\$ 6,108	\$ 815	\$ 814	\$ 803	\$ 817	\$ 3,249
Cost of revenue - Ticketing service	-	-	-	40	40	60	67	27	34	188	29	34	6	-	69
Product development	4,605	5,354	6,189	7,523	23,671	8,501	7,243	7,347	7,884	30,975	7,915	9,422	8,428	7,478	33,243
Sales and marketing	11,344	13,327	13,732	14,344	52,747	13,613	15,128	14,932	14,445	58,118	13,496	15,102	14,059	13,459	56,116
General and administrative	6,039	7,397	7,446	8,774	29,656	15,004	8,450	8,910	10,705	43,069	7,363	13,236	6,805	8,350	35,754
Total stock-based compensation expenses	\$ 23,195	\$ 27,484	\$ 28,794	\$ 32,172	\$ 111,645	\$ 38,655	\$ 32,432	\$ 32,754	\$ 34,617	\$ 138,458	\$ 29,618	\$ 38,608	\$ 30,101	\$ 30,104	\$ 128,431

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

	<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>	<u>3/31/2017</u>	<u>6/30/2017</u>	<u>9/30/2017</u>	<u>12/31/2017</u>
	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Assets												
Current assets												
Cash and cash equivalents	\$ 221,014	\$ 204,103	\$ 242,981	\$ 334,667	\$ 303,454	\$ 238,367	\$ 207,695	\$ 199,944	\$ 170,881	\$ 209,581	\$ 493,181	\$ 499,597
Short-term investments	160,566	168,339	120,614	35,844	45,805	54,800	50,052	37,109	32,123	18,056	6,249	1,250
Accounts receivable, net	188,470	233,715	262,910	277,075	237,760	263,654	282,802	309,267	262,934	288,347	312,277	336,429
Prepaid content acquisition costs (1)	4,851	3,147	867	2,099	18,874	9,370	102,623	46,310	48,542	39,869	80,152	55,668
Prepaid expenses and other current assets (1)	14,590	13,517	16,296	33,821	29,308	33,916	34,166	33,191	29,422	18,188	20,294	19,220
Assets held for sale	-	-	-	-	-	-	-	-	-	227,844	-	-
Total current assets	589,491	622,821	643,668	683,506	635,201	600,107	677,338	625,821	543,902	801,885	912,153	912,164
Convertible promissory note receivable	-	-	-	-	-	-	-	-	-	-	34,132	35,471
Long-term investments	99,704	89,013	78,982	46,369	33,238	18,153	6,273	6,252	-	-	-	-
Property and equipment, net	46,718	54,741	56,424	66,370	81,412	102,016	118,453	124,088	128,815	120,792	117,700	116,742
Goodwill	-	407	23,052	303,875	304,787	306,715	306,706	306,691	306,421	71,243	71,243	71,243
Intangible assets, net	6,756	6,766	9,138	110,745	105,843	100,705	95,565	90,425	85,289	23,235	21,304	19,409
Other long-term assets	7,201	6,684	9,479	29,792	31,860	31,478	32,528	31,533	33,721	13,490	8,999	11,293
Total assets	\$ 749,870	\$ 780,432	\$ 820,743	\$ 1,240,657	\$ 1,192,341	\$ 1,159,174	\$ 1,236,863	\$ 1,184,810	\$ 1,098,148	\$ 1,030,645	\$ 1,165,531	\$ 1,166,322
Liabilities, redeemable convertible preferred stock and stockholders' equity												
Current liabilities												
Accounts payable	\$ 14,879	\$ 16,386	\$ 20,131	\$ 17,897	\$ 9,922	\$ 6,132	\$ 13,983	\$ 15,224	\$ 21,152	\$ 12,780	\$ 8,444	\$ 14,896
Accrued liabilities	21,789	25,006	37,099	37,185	35,375	29,723	33,968	35,465	33,878	43,601	33,180	34,535
Accrued content acquisition costs	80,574	81,351	163,047	97,390	111,554	123,583	106,275	93,723	89,972	88,260	99,798	97,751
Accrued compensation	27,968	39,905	36,856	43,788	43,938	48,971	52,089	60,353	43,871	45,580	42,753	47,635
Deferred revenue	26,740	27,097	22,682	19,939	27,579	28,751	31,971	28,359	32,355	32,475	33,977	31,464
Other current liabilities	-	-	-	15,632	23,044	17,432	20,739	20,993	32,848	-	-	-
Liabilities held for sale	-	-	-	-	-	-	-	-	-	43,059	-	-
Total current liabilities	171,950	189,745	279,815	231,831	251,412	254,592	259,025	254,117	254,076	265,755	218,152	226,281
Long-term debt, net	-	-	-	234,577	239,011	243,483	337,429	342,247	347,223	352,157	267,396	273,014
Other long-term liabilities	15,246	15,177	18,270	30,862	31,521	32,804	33,402	34,187	33,946	25,701	27,068	23,500
Total liabilities	187,196	204,922	298,085	497,270	521,944	530,879	629,856	630,551	635,245	643,613	512,616	522,795
Redeemable convertible preferred stock	-	-	-	-	-	-	-	-	-	173,095	483,588	490,849
Stockholders' equity												
Common stock	21	21	21	23	23	23	23	24	24	24	25	25
Additional paid-in capital	808,124	837,356	870,511	1,110,539	1,152,577	1,186,777	1,227,197	1,264,693	1,306,532	1,347,285	1,387,957	1,422,221
Accumulated deficit	(245,254)	(261,319)	(347,249)	(366,658)	(481,760)	(558,093)	(619,627)	(709,636)	(843,057)	(1,132,721)	(1,217,283)	(1,269,351)
Accumulated other comprehensive loss	(217)	(548)	(625)	(517)	(443)	(412)	(586)	(822)	(596)	(651)	(1,372)	(217)
Total stockholders' equity	562,674	575,510	522,658	743,387	670,397	628,295	607,007	554,259	462,903	213,937	169,327	152,678
Total liabilities, redeemable convertible preferred stock and stockholders' equity	\$ 749,870	\$ 780,432	\$ 820,743	\$ 1,240,657	\$ 1,192,341	\$ 1,159,174	\$ 1,236,863	\$ 1,184,810	\$ 1,098,148	\$ 1,030,645	\$ 1,165,531	\$ 1,166,322

(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				Year ended
	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 (audited)	3/31/2017 (unaudited)	6/30/2017 (unaudited)	9/30/2017 (unaudited)	12/31/2017 (unaudited)	12/31/2017 (unaudited)
Operating Activities															
Net loss	\$ (48,257)	\$ (16,065)	\$ (85,930)	\$ (19,409)	\$ (169,661)	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)	\$ (132,267)	\$ (275,136)	\$ (66,243)	\$ (44,749)	\$ (518,395)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities															
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	131,997	-	-	131,997
Loss (gain) on sales of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	9,459	(81)	9,378
Depreciation and amortization	4,340	5,025	5,829	9,264	24,458	13,277	14,360	15,843	17,277	60,757	17,680	17,435	14,006	13,827	62,948
Stock-based compensation	23,195	27,484	28,794	32,172	111,645	38,655	32,432	32,754	34,617	138,458	29,618	38,608	30,101	30,104	128,431
Amortization of premium on investments, net	619	610	483	199	1,911	140	107	92	66	405	53	20	5	3	81
Accretion of discount on convertible promissory note receivable	-	-	-	-	-	-	-	-	-	-	-	-	(171)	(516)	(687)
Other operating activities (1)	49	49	49	49	196	83	96	90	612	881	365	(179)	104	157	447
Amortization of debt discount	-	-	-	1,084	1,084	4,434	4,504	4,649	4,728	18,315	4,886	4,913	5,135	5,219	20,153
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	(258)	(823)	(1,081)
Provision for bad debt (1)	785	61	617	475	1,938	812	483	1,320	907	3,522	1,390	7,884	1,577	1,360	12,211
Changes in restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,257)	(1,257)
Changes in operating assets and liabilities															
Accounts receivable	29,182	(45,305)	(29,673)	(10,108)	(55,904)	38,514	(26,375)	(20,477)	(27,372)	(35,710)	44,941	(32,347)	(23,888)	(25,466)	(36,760)
Prepaid content acquisition costs (1)	(4,151)	1,704	2,280	(1,232)	(1,399)	(16,775)	9,504	(93,253)	56,313	(44,211)	(2,232)	8,673	(40,283)	24,484	(9,358)
Prepaid expenses and other assets (1)	(925)	1,268	(6,740)	(11,122)	(17,519)	(2,967)	(5,902)	(3,786)	334	(12,321)	(5,579)	(6,085)	(6,291)	1,389	(16,566)
Accounts payable, accrued and other current liabilities	8,087	3,872	17,642	(11,521)	18,080	(3,467)	(13,942)	12,419	10,284	5,294	13,192	1,880	(15,329)	9,310	9,053
Accrued content acquisition costs	6,896	801	81,726	(65,687)	23,736	14,152	12,025	(17,302)	(12,543)	(3,668)	(3,762)	(1,713)	11,538	(2,047)	4,016
Accrued compensation	(4,390)	10,287	(1,564)	3,045	7,378	2,597	2,900	4,873	4,994	15,364	(13,207)	16	545	1,967	(10,679)
Other long-term liabilities	(1,526)	(70)	3,096	4,505	6,005	659	(658)	597	786	1,384	(244)	420	(708)	(2,475)	(3,007)
Deferred revenue	12,328	357	(4,996)	(2,743)	4,946	7,640	1,172	3,220	(3,612)	8,420	3,996	120	1,502	(2,513)	3,105
Reimbursement of cost of leasehold improvements	749	-	265	10	1,024	4,244	153	-	-	4,397	5,236	-	-	25	5,261
Net cash provided by (used in) operating activities	26,981	(9,922)	11,878	(71,019)	(42,082)	(13,104)	(45,474)	(120,495)	(2,618)	(181,691)	(35,934)	(103,494)	(79,199)	7,918	(210,709)
Investing Activities															
Purchases of property and equipment (1)	(4,339)	(10,239)	(6,758)	(2,176)	(23,512)	(14,371)	(20,193)	(11,836)	(13,369)	(59,769)	(1,980)	(6,561)	(4,320)	(2,795)	(15,656)
Internal-use software costs (1)	(1,592)	(1,777)	(2,628)	(2,565)	(8,562)	(7,177)	(7,133)	(8,029)	(7,871)	(30,210)	(7,765)	(3,129)	(3,054)	(6,209)	(20,157)
Changes in restricted cash	-	-	-	-	-	-	(250)	-	-	(250)	-	(642)	-	-	(642)
Purchases of investments	(56,790)	(54,751)	(27,180)	(2,259)	(140,980)	(4,993)	(6,098)	(1,322)	-	(12,413)	-	-	-	-	-
Proceeds from maturities of investments	78,489	53,630	47,680	49,199	228,998	8,332	11,675	14,809	12,840	47,656	11,220	14,054	11,810	4,998	42,082
Proceeds from sales of investments	640	3,022	37,655	70,039	111,356	-	500	3,007	-	3,507	-	-	-	-	-
Proceeds from (payments for) sales of subsidiaries, net of cash	-	-	-	-	-	-	-	-	-	-	-	-	125,430	(1,111)	124,319
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	16,408	(10,315)	25,941	(134,300)	(102,266)	(18,885)	(21,499)	(3,371)	(8,400)	(52,155)	1,475	3,722	129,866	(5,117)	129,946
Financing Activities															
Proceeds from issuance of redeemable convertible preferred stock	-	-	-	-	-	-	-	-	-	-	-	172,500	307,500	-	480,000
Payments of issuance costs	-	-	-	(8,909)	(8,909)	-	(32)	-	-	(32)	-	(12,625)	(16,659)	(1,227)	(30,511)
Proceeds from issuance of convertible notes	-	-	-	345,000	345,000	-	-	-	-	-	-	-	-	-	-
Payments for purchase of capped call	-	-	-	(43,160)	(43,160)	-	-	-	-	-	-	-	-	-	-
Repayment of debt arrangements	-	-	-	-	-	-	-	-	-	-	-	-	(90,000)	-	(90,000)
Borrowings under debt arrangements	-	-	-	-	-	-	-	90,000	-	90,000	-	-	-	-	-
Proceeds from employee stock purchase plan	1,619	1,656	1,814	2,463	7,552	1,687	2,150	2,558	3,306	9,701	2,798	3,348	1,866	2,914	10,926
Proceeds from exercise of stock options	1,094	1,768	856	1,474	5,192	520	1,353	1,138	446	3,457	2,388	750	4,698	1,942	9,778
Tax payments from net share settlements of restricted stock units	(888)	(19)	(1,388)	(245)	(2,540)	(1,294)	(1,467)	(365)	(243)	(3,369)	-	-	-	-	-
Net cash provided by financing activities	1,825	3,405	1,282	296,623	303,135	913	2,004	93,331	3,509	99,757	5,186	163,973	207,405	3,629	380,193
Effect of exchange rate changes on cash and cash equivalents	(157)	(79)	(223)	382	(77)	(137)	(118)	(137)	(242)	(634)	210	82	(55)	(14)	223
Net increase (decrease) in cash and cash equivalents	45,057	(16,911)	38,878	91,686	158,710	(31,213)	(65,087)	(30,672)	(7,751)	(134,723)	(29,063)	64,283	258,017	6,416	299,653
Cash and cash equivalents at beginning of period	175,957	221,014	204,103	242,981	175,957	334,667	303,454	238,367	207,695	334,667	199,944	170,881	209,581	493,181	199,944
Less: (Increase) decrease in cash held for sale	-	-	-	-	-	-	-	-	-	-	-	(25,583)	25,583	-	-
Cash and cash equivalents at end of period	\$ 221,014	\$ 204,103	\$ 242,981	\$ 334,667	\$ 334,667	\$ 303,454	\$ 238,367	\$ 207,695	\$ 199,944	\$ 199,944	\$ 170,881	\$ 209,581	\$ 493,181	\$ 499,597	\$ 499,597

(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. Lastly, we have reclassified bad debt from the other operating activities line item to the bad debt 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
	3/31/2015	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	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017
Gross profit															
GAAP gross profit	\$ 88,515	\$ 135,353	\$ 78,842	\$ 163,878	\$ 466,588	\$ 90,200	\$ 126,024	\$ 136,353	\$ 135,899	\$ 488,476	\$ 84,434	\$ 133,009	\$ 135,861	\$ 146,441	\$ 499,745
Stock-based compensation - Cost of revenue	1,207	1,406	1,427	1,531	5,571	1,537	1,611	1,565	1,583	6,296	844	848	809	817	3,318
Amortization of intangibles - Cost of revenue	-	-	-	937	937	1,417	1,419	1,420	1,419	5,675	1,419	2,514	1,567	1,532	7,032
Pre-1972 sound recordings settlement	-	-	57,947	-	57,947	-	-	-	-	-	-	-	-	-	-
RMLC publisher royalty charge	-	-	23,934	-	23,934	-	-	-	-	-	-	-	-	-	-
Expense associated with the restructurings	-	-	-	-	-	-	-	-	-	-	312	78	-	-	390
Non-GAAP gross profit	\$ 89,722	\$ 136,759	\$ 162,150	\$ 166,346	\$ 554,977	\$ 93,154	\$ 129,054	\$ 139,338	\$ 138,901	\$ 500,447	\$ 87,009	\$ 136,449	\$ 138,237	\$ 148,790	\$ 510,485
Adjusted EBITDA and non-GAAP net loss															
GAAP net loss	\$ (48,257)	\$ (16,065)	\$ (85,930)	\$ (19,409)	\$ (169,661)	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)	\$ (132,267)	\$ (275,136)	\$ (66,243)	\$ (44,749)	\$ (518,395)
Depreciation and amortization	4,340	5,025	5,829	9,264	24,458	13,277	14,360	15,843	17,277	60,757	17,680	17,435	14,006	13,827	62,948
Stock-based compensation	23,195	27,484	28,794	32,172	111,645	38,655	32,432	32,754	34,617	138,458	29,618	38,608	30,101	30,104	128,431
Transaction costs related to Ticketfly and Rdio acquisitions	-	-	809	2,853	3,662	-	-	-	-	-	-	-	-	-	-
Other (income) expense, net	(197)	(256)	36	1,637	1,220	5,313	5,992	5,915	7,227	24,447	7,152	7,326	7,033	4,800	26,311
Provision for (benefit from) income taxes	59	115	32	(1,756)	(1,550)	421	(1,544)	412	483	(228)	334	277	266	(1,667)	(790)
Pre-1972 sound recordings settlement	-	-	57,947	-	57,947	-	-	-	-	-	-	-	-	-	-
RMLC publisher royalty charge	-	-	23,934	-	23,934	-	-	-	-	-	-	-	-	-	-
Expense associated with the restructurings	-	-	-	-	-	-	-	-	-	-	6,180	1,733	520	3,599	12,032
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	131,997	-	-	131,997
Loss (gain) on sales of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	9,459	(81)	9,378
Contract termination fees (benefit)	-	-	-	-	-	-	-	-	-	-	-	23,467	(423)	-	23,044
Adjusted EBITDA	\$ (20,860)	\$ 16,303	\$ 31,451	\$ 24,761	\$ 51,655	\$ (57,436)	\$ (25,093)	\$ (6,610)	\$ (30,405)	\$ (119,544)	\$ (71,303)	\$ (54,293)	\$ (5,281)	\$ 5,833	\$ (125,044)
Income tax effects of non-GAAP pre-tax loss	-	-	(2,332)	(8,697)	(11,029)	24,936	10,700	5,889	19,018	60,543	32,158	23,596	8,483	(42,674)	21,563
Other income (expense), net	197	256	(36)	(1,637)	(1,220)	(5,313)	(5,992)	(5,915)	(7,227)	(24,447)	(7,152)	(7,326)	(7,033)	(4,800)	(26,311)
(Provision for) benefit from income taxes	(59)	(115)	(32)	1,756	1,550	(421)	1,544	(412)	(483)	228	(334)	(277)	(266)	1,667	790
Depreciation	(4,157)	(4,842)	(5,391)	(5,975)	(20,365)	(6,982)	(7,942)	(9,009)	(10,558)	(34,491)	(10,557)	(11,821)	(11,845)	(11,932)	(46,155)
Non-GAAP net (loss) income	\$ (24,879)	\$ 11,602	\$ 23,660	\$ 10,208	\$ 20,591	\$ (45,216)	\$ (26,783)	\$ (16,057)	\$ (29,655)	\$ (117,711)	\$ (57,188)	\$ (50,121)	\$ (15,942)	\$ (51,906)	\$ (175,157)
Non-GAAP net (loss) income per common share - basic	\$ (0.12)	\$ 0.05	\$ 0.11	\$ 0.05	\$ 0.10	\$ (0.20)	\$ (0.12)	\$ (0.07)	\$ (0.13)	\$ (0.51)	\$ (0.24)	\$ (0.21)	\$ (0.06)	\$ (0.21)	\$ (0.72)
Non-GAAP net (loss) income per common share - diluted	\$ (0.12)	\$ 0.05	\$ 0.11	\$ 0.04	\$ 0.09	\$ (0.20)	\$ (0.12)	\$ (0.07)	\$ (0.13)	\$ (0.51)	\$ (0.24)	\$ (0.21)	\$ (0.06)	\$ (0.21)	\$ (0.72)
Weighted average basic common shares	209,928	211,742	212,760	220,625	213,790	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637
Weighted average diluted common shares	209,928	221,260	222,899	229,408	222,743	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637
Cost of revenue - content acquisition costs															
GAAP cost of revenue - content acquisition costs	\$ 126,023	\$ 130,134	\$ 211,272	\$ 142,933	\$ 610,362	\$ 171,264	\$ 176,633	\$ 174,334	\$ 212,122	\$ 734,353	\$ 187,420	\$ 195,875	\$ 204,222	\$ 216,515	\$ 804,032
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	\$ 126,023	\$ 130,134	\$ 129,391	\$ 142,933	\$ 528,481	\$ 171,264	\$ 176,633	\$ 174,334	\$ 212,122	\$ 734,353	\$ 187,420	\$ 195,875	\$ 204,222	\$ 216,515	\$ 804,032
Product development															
GAAP product development	\$ 15,807	\$ 18,648	\$ 21,734	\$ 27,946	\$ 84,135	\$ 35,611	\$ 33,560	\$ 33,560	\$ 37,976	\$ 140,707	\$ 39,588	\$ 41,233	\$ 39,469	\$ 34,035	\$ 154,325
Stock-based compensation	(4,605)	(5,354)	(6,189)	(7,523)	(23,671)	(8,501)	(7,243)	(7,347)	(7,884)	(30,975)	(7,915)	(9,422)	(8,428)	(7,478)	(33,243)
Amortization of intangibles	-	-	-	(390)	(390)	(1,822)	(1,823)	(1,822)	(1,822)	(7,289)	(1,822)	(254)	(97)	(97)	(2,270)
Expense associated with the restructurings	-	-	-	-	-	-	-	-	-	-	(702)	(8)	(23)	-	(733)
Non-GAAP product development	\$ 11,202	\$ 13,294	\$ 15,545	\$ 20,033	\$ 60,074	\$ 25,288	\$ 24,494	\$ 24,391	\$ 28,270	\$ 102,443	\$ 29,149	\$ 31,549	\$ 30,921	\$ 26,460	\$ 118,079
Sales and marketing															
GAAP sales and marketing	\$ 84,194	\$ 93,932	\$ 107,210	\$ 112,506	\$ 397,842	\$ 117,433	\$ 123,589	\$ 116,091	\$ 133,251	\$ 490,364	\$ 125,102	\$ 145,891	\$ 107,588	\$ 113,961	\$ 492,542
Stock-based compensation	(11,344)	(13,327)	(13,732)	(14,344)	(52,747)	(13,613)	(15,128)	(14,932)	(14,445)	(58,118)	(13,496)	(15,102)	(14,059)	(13,459)	(56,116)
Amortization of intangibles	-	-	(255)	(1,083)	(1,338)	(1,711)	(1,713)	(1,713)	(1,713)	(6,850)	(1,713)	(1,170)	(83)	(83)	(3,049)
Amortization of non-recoupable ticketing contract advances	-	-	-	(696)	(696)	(1,162)	(1,280)	(1,696)	(1,582)	(5,720)	(1,986)	(1,493)	(230)	-	(3,709)
Loss on sales of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(75)	-	(75)
Expense associated with the restructurings	-	-	-	-	-	-	-	-	-	-	(3,656)	(1,551)	(286)	-	(5,493)
Non-GAAP sales and marketing	\$ 72,850	\$ 80,605	\$ 93,223	\$ 96,383	\$ 343,061	\$ 100,947	\$ 105,468	\$ 97,750	\$ 115,511	\$ 419,676	\$ 104,251	\$ 126,575	\$ 92,855	\$ 100,419	\$ 424,100
General and administrative															
GAAP general and administrative	\$ 36,909	\$ 38,979	\$ 35,760	\$ 42,954	\$ 154,602	\$ 46,524	\$ 40,760	\$ 41,909	\$ 46,971	\$ 176,164	\$ 44,525	\$ 57,954	\$ 48,171	\$ 40,061	\$ 190,711
Stock-based compensation	(6,039)	(7,397)	(7,446)	(8,774)	(29,656)	(15,004)	(8,450)	(8,910)	(10,705)	(43,069)	(7,363)	(13,236)	(6,805)	(8,350)	(35,754)
Amortization of intangibles	(183)	(183)	(183)	(183)	(732)	(183)	(183)	(183)	(183)	(732)	(183)	(183)	(184)	(183)	(733)
(Loss) gain on sales of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(9,384)	81	(9,303)
Transaction costs related to Ticketfly and Rdio acquisitions	-	-	(809)	(2,853)	(3,662)	-	-	-	-	-	-	-	-	-	-
Expense associated with the restructurings	-	-	-	-	-	-	-	-	-	-	(1,510)	(96)	(211)	(3,599)	(5,416)
Non-GAAP general and administrative	\$ 30,687	\$ 31,399	\$ 27,322	\$ 31,144	\$ 120,552	\$ 31,337	\$ 32,127	\$ 32,816	\$ 36,083	\$ 132,363	\$ 35,469	\$ 44,439	\$ 31,587	\$ 28,010	\$ 139,505

Pandora Media Inc.
Quarterly Metrics
(unaudited)

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended				Year ended
	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	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017
Overall Listener Metrics:															
Active users (MM)	79.2	79.4	78.1	81.1	81.1	79.4	78.1	77.9	81.0	81.0	76.7	76.0	73.7	74.7	74.7
Total listener hours (B)	5.30	5.30	5.14	5.37	21.11	5.52	5.66	5.40	5.38	21.96	5.21	5.22	5.15	5.03	20.61
US Radio Share (%)	10.00	9.47	9.49	10.03	10.03	10.34	10.11	9.72	9.69	9.69	9.75	9.61	9.41	9.43	9.43
Advertising Metrics:															
Advertising listener hours (B)	4.68	4.63	4.48	4.68	18.47	4.85	4.97	4.71	4.64	19.17	4.38	4.19	3.91	3.93	16.41
Advertising RPM (1) (2)	\$ 38.30	\$ 49.94	\$ 56.84	\$ 57.20	\$ 50.52	\$ 45.47	\$ 53.34	\$ 58.10	\$ 67.43	\$ 55.94	\$ 50.87	\$ 66.15	\$ 70.27	\$ 75.65	\$ 65.32
Advertising LPM (1) (2)	\$ 21.72	\$ 22.54	\$ 36.46	\$ 24.21	\$ 26.13	\$ 30.48	\$ 30.65	\$ 31.60	\$ 37.07	\$ 32.40	\$ 33.44	\$ 35.84	\$ 37.01	\$ 36.77	\$ 35.70
Subscription Metrics:															
Paid subscribers (MM) (3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.39	\$ 4.39	4.71	4.86	5.19	5.48	5.48
Subscription listener hours (B)	0.62	0.67	0.66	0.69	2.64	0.67	0.69	0.69	0.74	2.79	0.83	1.03	1.24	1.10	4.20
Subscription ARPU (4)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 4.73	N/A	\$ 4.76	\$ 4.82	\$ 5.58	\$ 6.08	\$ 5.34
Subscription LPU (4)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 3.12	N/A	\$ 2.96	\$ 3.11	\$ 3.87	\$ 4.41	\$ 3.62
Other Metrics:															
Employees	1,624	1,746	1,879	2,219	2,219	2,269	2,334	2,421	2,488	2,488	2,303	2,312	1,967	1,938	1,938

(1) Starting in the three months ended March 31, 2016, we will no longer present disaggregated RPM or LPM 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 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.

(3) 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.

(4) 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.

pandora[®]