

pandora<sup>®</sup>

Historical Financial Results

**SEPTEMBER 30, 2018**

# Important Additional Information and where to Find It

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THIS COMMUNICATION IS BEING MADE IN RESPECT OF THE PROPOSED MERGER TRANSACTION INVOLVING SIRIUS XM HOLDINGS INC. (“SIRIUS”) AND PANDORA MEDIA, INC. (“PANDORA”). SIRIUS HAS FILED A REGISTRATION STATEMENT ON FORM S-4 WITH THE SEC, WHICH INCLUDES A PROXY STATEMENT OF PANDORA AND A PROSPECTUS OF SIRIUS AND EACH PARTY WILL FILE OTHER DOCUMENTS REGARDING THE PROPOSED TRANSACTION WITH THE SEC. ANY DEFINITIVE PROXY STATEMENT(S)/PROSPECTUS(ES) WILL ALSO BE SENT TO THE STOCKHOLDERS OF PANDORA SEEKING ANY REQUIRED STOCKHOLDER APPROVAL. THIS COMMUNICATION DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OR A SOLICITATION OF ANY VOTE OR APPROVAL. **BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, INVESTORS AND STOCKHOLDERS OF PANDORA ARE URGED TO CAREFULLY READ THE ENTIRE REGISTRATION STATEMENT THAT HAS BEEN FILED WITH THE SEC AND THE DEFINITIVE PROXY STATEMENT/PROSPECTUS, WHEN THEY BECOME AVAILABLE, AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** THE DOCUMENTS FILED BY SIRIUS AND PANDORA WITH THE SEC MAY BE OBTAINED FREE OF CHARGE AT THE SEC’S WEBSITE AT WWW.SEC.GOV. IN ADDITION, THE DOCUMENTS FILED BY SIRIUS MAY BE OBTAINED FREE OF CHARGE FROM SIRIUS AT WWW.SIRIUSXM.COM, AND THE DOCUMENTS FILED BY PANDORA MAY BE OBTAINED FREE OF CHARGE FROM PANDORA AT INVESTOR.PANDORA.COM. ALTERNATIVELY, THESE DOCUMENTS, WHEN AVAILABLE, CAN BE OBTAINED FREE OF CHARGE FROM SIRIUS UPON WRITTEN REQUEST TO SIRIUS, 1290 AVENUE OF THE AMERICAS, 11TH FLOOR, NEW YORK, NEW YORK 10104, ATTN: INVESTOR RELATIONS, OR BY CALLING (212) 584-5100, OR FROM PANDORA UPON WRITTEN REQUEST TO PANDORA, 2100 FRANKLIN STREET, SUITE 700, OAKLAND, CALIFORNIA 94612 ATTN: INVESTOR RELATIONS OR BY CALLING (510) 451-4100.

SIRIUS AND PANDORA AND CERTAIN OF THEIR RESPECTIVE DIRECTORS AND EXECUTIVE OFFICERS MAY BE DEEMED TO BE PARTICIPANTS IN THE SOLICITATION OF PROXIES FROM THE STOCKHOLDERS OF PANDORA IN FAVOR OF THE APPROVAL OF THE MERGER. INFORMATION REGARDING SIRIUS’ DIRECTORS AND EXECUTIVE OFFICERS IS CONTAINED IN SIRIUS’ ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2017, ITS QUARTERLY REPORTS ON FORM 10-Q FOR THE QUARTERLY PERIODS ENDED MARCH 31, 2018 AND JUNE 30, 2018, ITS PROXY STATEMENT ON SCHEDULE 14A, DATED APRIL 23, 2018, AND ITS REGISTRATION STATEMENT ON S-4, DATED OCTOBER 31, 2018, WHICH ARE FILED WITH THE SEC. INFORMATION REGARDING PANDORA’S DIRECTORS AND EXECUTIVE OFFICERS IS CONTAINED IN PANDORA’S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2017, ITS QUARTERLY REPORTS ON FORM 10-Q FOR THE QUARTERLY PERIODS ENDED MARCH 31, 2018 AND JUNE 30, 2018 AND ITS PROXY STATEMENT ON SCHEDULE 14A, DATED APRIL 10, 2018, WHICH ARE FILED WITH THE SEC. ADDITIONAL INFORMATION REGARDING THE INTERESTS OF THOSE PARTICIPANTS AND OTHER PERSONS WHO MAY BE DEEMED PARTICIPANTS IN THE TRANSACTION MAY BE OBTAINED BY READING THE REGISTRATION STATEMENT(S) AND THE PROXY STATEMENT(S)/PROSPECTUS(ES) WHEN THEY BECOME AVAILABLE. FREE COPIES OF THESE DOCUMENTS MAY BE OBTAINED AS DESCRIBED IN THE PRECEDING PARAGRAPH.

# Forward-Looking Statements

THESE SLIDES MAY CONTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING ESTABLISHED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS ABOUT EXPECTED REVENUE AND ADJUSTED EBITDA, THE BENEFITS TO PANDORA FROM THE ACQUISITION OF ADSWIZZ, FUTURE FINANCIAL AND OPERATING RESULTS, OUR PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS WITH RESPECT TO FUTURE OPERATIONS, PRODUCTS AND SERVICES; AND OTHER STATEMENTS IDENTIFIED BY WORDS SUCH AS “WILL LIKELY RESULT,” “ARE EXPECTED TO,” “WILL CONTINUE,” “IS ANTICIPATED,” “ESTIMATED,” “BELIEVE,” “INTEND,” “PLAN,” “PROJECTION,” “OUTLOOK” OR WORDS OF SIMILAR MEANING. SUCH FORWARD-LOOKING STATEMENTS ARE BASED UPON THE CURRENT BELIEFS AND EXPECTATIONS OF OUR MANAGEMENT AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE DIFFICULT TO PREDICT AND GENERALLY BEYOND OUR CONTROL. ACTUAL RESULTS AND THE TIMING OF EVENTS MAY DIFFER MATERIALLY FROM THE RESULTS ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS.

IN ADDITION TO FACTORS PREVIOUSLY DISCLOSED IN SIRIUS’ AND PANDORA’S REPORTS FILED WITH THE SEC AND THOSE IDENTIFIED ELSEWHERE IN THIS COMMUNICATION, THE FOLLOWING FACTORS, AMONG OTHERS, COULD CAUSE ACTUAL RESULTS AND THE TIMING OF EVENTS TO DIFFER MATERIALLY FROM THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS EXPRESSED IN THE FORWARD-LOOKING STATEMENTS: OUR OPERATION IN AN EMERGING MARKET AND OUR RELATIVELY NEW AND EVOLVING BUSINESS MODEL; OUR ABILITY TO ESTIMATE REVENUE RESERVES; OUR ABILITY TO INCREASE OUR LISTENER BASE AND LISTENER HOURS; OUR ABILITY TO ATTRACT AND RETAIN ADVERTISERS; OUR ABILITY TO GENERATE ADDITIONAL REVENUE ON A COST-EFFECTIVE BASIS; OUR ABILITY TO CONTINUE OPERATING UNDER EXISTING LAWS AND LICENSING REGIMES; OUR ABILITY TO ENTER INTO AND MAINTAIN COMMERCIALY VIABLE DIRECT LICENSES WITH RECORD LABELS FOR THE RIGHT TO REPRODUCE AND PUBLICLY PERFORM SOUND RECORDINGS ON OUR SERVICE; OUR ABILITY TO ESTABLISH AND MAINTAIN RELATIONSHIPS WITH MAKERS OF MOBILE DEVICES, CONSUMER ELECTRONIC PRODUCTS AND AUTOMOBILES; OUR ABILITY TO MANAGE OUR GROWTH AND GEOGRAPHIC EXPANSION; OUR ABILITY TO CONTINUE TO INNOVATE AND KEEP PACE WITH CHANGES IN TECHNOLOGY AND OUR COMPETITORS; OUR ABILITY TO EXPAND OUR OPERATIONS TO DELIVERY OF NON-MUSIC CONTENT; ABILITY TO MEET THE CLOSING CONDITIONS TO THE MERGER, INCLUDING THE APPROVAL OF PANDORA’S STOCKHOLDERS ON THE EXPECTED TERMS AND SCHEDULE AND THE RISK THAT REGULATORY APPROVALS REQUIRED FOR THE MERGER ARE NOT OBTAINED OR ARE OBTAINED SUBJECT TO CONDITIONS THAT ARE NOT ANTICIPATED; DELAY IN CLOSING THE MERGER; FAILURE TO REALIZE THE EXPECTED BENEFITS FROM THE PROPOSED TRANSACTION; RISKS RELATED TO DISRUPTION OF MANAGEMENT TIME FROM ONGOING BUSINESS OPERATIONS DUE TO THE PROPOSED TRANSACTION; SIRIUS’ OR PANDORA’S SUBSTANTIAL COMPETITION, WHICH IS LIKELY TO INCREASE OVER TIME; SIRIUS’ OR PANDORA’S ABILITY TO RETAIN SUBSCRIBERS OR INCREASE THE NUMBER OF SUBSCRIBERS IS UNCERTAIN; SIRIUS’ OR PANDORA’S ABILITY TO PROFITABLY ATTRACT AND RETAIN SUBSCRIBERS; FAILING TO PROTECT THE SECURITY OF THE PERSONAL INFORMATION ABOUT SIRIUS’ OR PANDORA’S CUSTOMERS; INTERFERENCE TO SIRIUS’ OR PANDORA’S SERVICE FROM WIRELESS OPERATIONS; SIRIUS AND PANDORA ENGAGE IN SUBSTANTIAL MARKETING EFFORTS AND THE CONTINUED EFFECTIVENESS OF THOSE EFFORTS ARE AN IMPORTANT PART OF SIRIUS’ AND PANDORA’S BUSINESS; CONSUMER PROTECTION LAWS AND THEIR ENFORCEMENT; SIRIUS’ OR PANDORA’S FAILURE TO REALIZE BENEFITS OF ACQUISITIONS OR OTHER STRATEGIC INITIATIVES; UNFAVORABLE OUTCOMES OF PENDING OR FUTURE LITIGATION; THE MARKET FOR MUSIC RIGHTS, WHICH IS CHANGING AND SUBJECT TO UNCERTAINTIES; SIRIUS’ DEPENDENCE UPON THE AUTO INDUSTRY; GENERAL ECONOMIC CONDITIONS; EXISTING OR FUTURE GOVERNMENT LAWS AND REGULATIONS COULD HARM SIRIUS’ OR PANDORA’S BUSINESS; FAILURE OF SIRIUS’ SATELLITES WOULD SIGNIFICANTLY DAMAGE ITS BUSINESS; THE INTERRUPTION OR FAILURE OF SIRIUS’ OR PANDORA’S INFORMATION TECHNOLOGY AND COMMUNICATIONS SYSTEMS; RAPID TECHNOLOGICAL AND INDUSTRY CHANGES; FAILURE OF THIRD PARTIES TO PERFORM; SIRIUS’ FAILURE TO COMPLY WITH FCC REQUIREMENTS; MODIFICATIONS TO SIRIUS’ OR PANDORA’S BUSINESS PLAN; SIRIUS’ OR PANDORA’S INDEBTEDNESS; SIRIUS’ STUDIOS, TERRESTRIAL REPEATER NETWORKS, SATELLITE UPLINK FACILITIES OR SIRIUS’ OR PANDORA’S OTHER GROUND FACILITIES COULD BE DAMAGED BY NATURAL CATASTROPHES OR TERRORIST ACTIVITIES; SIRIUS’ PRINCIPAL STOCKHOLDER HAS SIGNIFICANT INFLUENCE OVER ITS AFFAIRS AND OVER ACTIONS REQUIRING STOCKHOLDER APPROVAL AND ITS INTERESTS MAY DIFFER FROM INTERESTS OF OTHER HOLDERS OF SIRIUS’ COMMON STOCK; SIRIUS IS A “CONTROLLED COMPANY” WITHIN THE MEANING OF THE NASDAQ LISTING RULES; IMPAIRMENT OF SIRIUS’ OR PANDORA’S BUSINESS BY THIRD-PARTY INTELLECTUAL PROPERTY RIGHTS; CHANGES TO SIRIUS’ DIVIDEND POLICIES WHICH COULD OCCUR AT ANY TIME; AND RISKS RELATED TO THE INABILITY TO REALIZE COST SAVINGS OR REVENUES OR TO IMPLEMENT INTEGRATION PLANS AND OTHER CONSEQUENCES ASSOCIATED WITH MERGERS, ACQUISITIONS AND DIVESTITURES. THE INFORMATION SET FORTH HEREIN SPEAKS ONLY AS OF THE DATE HEREOF, AND SIRIUS AND PANDORA DISCLAIM ANY INTENTION OR OBLIGATION TO UPDATE ANY FORWARD LOOKING STATEMENTS AS A RESULT OF DEVELOPMENTS OCCURRING AFTER THE DATE OF THIS COMMUNICATION. FURTHER INFORMATION ON THESE FACTORS AND OTHER RISKS THAT MAY AFFECT THE BUSINESS ARE INCLUDED IN FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC) FROM TIME TO TIME, INCLUDING UNDER THE HEADING “RISK FACTORS” IN OUR MOST RECENT REPORTS ON FORM 10-K AND FORM 10-Q.

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

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2016 (unaudited)	6/30/2016 (unaudited)	9/30/2016 (unaudited)	12/31/2016 (unaudited)	12/31/2016 (audited)	3/31/2017 (unaudited)	6/30/2017 (unaudited)	9/30/2017 (unaudited)	12/31/2017 (unaudited)	12/31/2017 (audited)	3/31/2018 (unaudited)	6/30/2018 (unaudited)	9/30/2018 (unaudited)
Revenue													
Advertising	\$ 220,308	\$ 265,126	\$ 273,716	\$ 313,340	\$ 1,072,490	\$ 223,308	\$ 278,204	\$ 275,741	\$ 297,674	\$ 1,074,927	\$ 214,568	\$ 271,056	\$ 291,856
Subscription and other	54,732	55,125	56,100	59,829	225,786	64,878	68,900	84,414	97,661	315,853	104,665	113,738	125,772
Ticketing service (1)	22,265	22,771	22,085	19,429	86,550	27,818	29,730	18,484	-	76,032	-	-	-
Total revenue	<u>297,305</u>	<u>343,022</u>	<u>351,901</u>	<u>392,598</u>	<u>1,384,826</u>	<u>316,004</u>	<u>376,834</u>	<u>378,639</u>	<u>395,335</u>	<u>1,466,812</u>	<u>319,233</u>	<u>384,794</u>	<u>417,628</u>
Cost of revenue													
Cost of revenue - Content acquisition costs	171,264	176,633	174,334	212,122	734,353	187,420	195,875	204,222	216,515	804,032	217,580	226,860	222,191
Cost of revenue - Other (2) (3)	21,195	25,106	25,896	30,520	102,717	25,532	27,440	27,287	32,379	112,638	26,849	32,727	39,308
Cost of revenue - Ticketing service (1) (3)	14,646	15,259	15,318	14,057	59,280	18,618	20,510	11,269	-	50,397	-	-	-
Total cost of revenue	<u>207,105</u>	<u>216,998</u>	<u>215,548</u>	<u>256,699</u>	<u>896,350</u>	<u>231,570</u>	<u>243,825</u>	<u>242,778</u>	<u>248,894</u>	<u>967,067</u>	<u>244,429</u>	<u>259,587</u>	<u>261,499</u>
Gross profit	<u>90,200</u>	<u>126,024</u>	<u>136,353</u>	<u>135,899</u>	<u>488,476</u>	<u>84,434</u>	<u>133,009</u>	<u>135,861</u>	<u>146,441</u>	<u>499,745</u>	<u>74,804</u>	<u>125,207</u>	<u>156,129</u>
Gross margin	30%	37%	39%	35%	35%	27%	35%	36%	37%	34%	23%	33%	37%
Operating expenses													
Product development (2) (3)	35,611	33,560	33,560	37,976	140,707	39,588	41,233	39,469	34,035	154,325	35,884	40,351	42,553
Sales and marketing (2) (3)	117,433	123,589	116,091	133,251	490,364	125,102	145,891	107,588	113,961	492,542	124,216	125,375	124,760
General and administrative (2) (3)	46,524	40,760	41,909	46,971	176,164	44,525	57,954	48,171	40,061	190,711	41,631	53,617	47,273
Goodwill impairment	-	-	-	-	-	-	131,997	-	-	131,997	-	-	-
Contract termination fees (benefit)	-	-	-	-	-	-	23,467	(423)	-	23,044	-	-	-
Total operating expenses	<u>199,568</u>	<u>197,909</u>	<u>191,560</u>	<u>218,198</u>	<u>807,235</u>	<u>209,215</u>	<u>400,542</u>	<u>194,805</u>	<u>188,057</u>	<u>992,619</u>	<u>201,731</u>	<u>219,343</u>	<u>214,586</u>
Loss from operations	<u>(109,368)</u>	<u>(71,885)</u>	<u>(55,207)</u>	<u>(82,299)</u>	<u>(318,759)</u>	<u>(124,781)</u>	<u>(267,533)</u>	<u>(58,944)</u>	<u>(41,616)</u>	<u>(492,874)</u>	<u>(126,927)</u>	<u>(94,136)</u>	<u>(58,457)</u>
Interest expense	(6,175)	(6,247)	(6,494)	(7,228)	(26,144)	(7,381)	(7,404)	(7,592)	(6,958)	(29,335)	(7,286)	(6,745)	(6,768)
Other income, net	862	255	579	1	1,697	229	78	559	2,158	3,024	2,582	1,767	1,684
Total other expense, net	<u>(5,313)</u>	<u>(5,992)</u>	<u>(5,915)</u>	<u>(7,227)</u>	<u>(24,447)</u>	<u>(7,152)</u>	<u>(7,326)</u>	<u>(7,033)</u>	<u>(4,800)</u>	<u>(26,311)</u>	<u>(4,704)</u>	<u>(4,978)</u>	<u>(5,084)</u>
Loss before (provision for) benefit from income taxes	<u>(114,681)</u>	<u>(77,877)</u>	<u>(61,122)</u>	<u>(89,526)</u>	<u>(343,206)</u>	<u>(131,933)</u>	<u>(274,859)</u>	<u>(65,977)</u>	<u>(46,416)</u>	<u>(519,185)</u>	<u>(131,631)</u>	<u>(99,114)</u>	<u>(63,541)</u>
(Provision for) benefit from income taxes	(421)	1,544	(412)	(483)	228	(334)	(277)	(266)	1,667	790	(74)	7,132	(125)
Net loss	<u>\$ (115,102)</u>	<u>\$ (76,333)</u>	<u>\$ (61,534)</u>	<u>\$ (90,009)</u>	<u>\$ (342,978)</u>	<u>\$ (132,267)</u>	<u>\$ (275,136)</u>	<u>\$ (66,243)</u>	<u>\$ (44,749)</u>	<u>\$ (518,395)</u>	<u>\$ (131,705)</u>	<u>\$ (91,982)</u>	<u>\$ (63,666)</u>
Net loss available to common stockholders	<u>\$ (115,102)</u>	<u>\$ (76,333)</u>	<u>\$ (61,534)</u>	<u>\$ (90,009)</u>	<u>\$ (342,978)</u>	<u>\$ (132,267)</u>	<u>\$ (289,664)</u>	<u>\$ (84,562)</u>	<u>\$ (52,068)</u>	<u>\$ (558,561)</u>	<u>\$ (139,068)</u>	<u>\$ (99,455)</u>	<u>\$ (71,251)</u>
Basic and diluted net loss per common share	\$ (0.51)	\$ (0.33)	\$ (0.27)	\$ (0.38)	\$ (1.49)	\$ (0.56)	\$ (1.20)	\$ (0.34)	\$ (0.21)	\$ (2.29)	\$ (0.55)	\$ (0.38)	\$ (0.27)
Weighted-average basic and diluted common shares	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637	252,934	259,822	268,058

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

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

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018
(3) Includes stock-based compensation expense as follows:													
Cost of revenue - Other	\$ 1,477	\$ 1,544	\$ 1,538	\$ 1,549	\$ 6,108	\$ 815	\$ 814	\$ 803	\$ 817	\$ 3,249	\$ 742	\$ 800	\$ 742
Cost of revenue - Ticketing service	60	67	27	34	188	29	34	6	-	69	-	-	-
Product development	8,501	7,243	7,347	7,884	30,975	7,915	9,422	8,428	7,478	33,243	6,417	8,028	8,884
Sales and marketing	13,613	15,128	14,932	14,445	58,118	13,496	15,102	14,059	13,459	56,116	11,817	11,092	11,300
General and administrative	15,004	8,450	8,910	10,705	43,069	7,363	13,236	6,805	8,350	35,754	7,460	7,608	7,912
Total stock-based compensation expenses	<u>\$ 38,655</u>	<u>\$ 32,432</u>	<u>\$ 32,754</u>	<u>\$ 34,617</u>	<u>\$ 138,458</u>	<u>\$ 29,618</u>	<u>\$ 38,608</u>	<u>\$ 30,101</u>	<u>\$ 30,104</u>	<u>\$ 128,431</u>	<u>\$ 26,436</u>	<u>\$ 27,528</u>	<u>\$ 28,838</u>

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

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2016 (unaudited)	6/30/2016 (unaudited)	9/30/2016 (unaudited)	12/31/2016 (unaudited)	12/31/2016 (audited)	3/31/2017 (unaudited)	6/30/2017 (unaudited)	9/30/2017 (unaudited)	12/31/2017 (unaudited)	12/31/2017 (audited)	3/31/2018 (unaudited)	6/30/2018 (unaudited)	9/30/2018 (unaudited)
Revenue													
Advertising	\$ 218,482	\$ 263,150	\$ 271,747	\$ 311,351	\$ 1,064,730	\$ 221,137	\$ 276,221	\$ 275,755	\$ 297,675	\$ 1,070,788	\$ 214,568	\$ 271,013	\$ 292,007
Subscription and other	54,157	54,437	55,466	59,144	223,204	64,187	68,237	84,158	97,694	314,276	104,665	113,738	125,772
Total revenue	<u>272,639</u>	<u>317,587</u>	<u>327,213</u>	<u>370,495</u>	<u>1,287,934</u>	<u>285,324</u>	<u>344,458</u>	<u>359,913</u>	<u>395,369</u>	<u>1,385,064</u>	<u>319,233</u>	<u>384,751</u>	<u>417,779</u>
Cost of revenue													
Cost of revenue - Content acquisition costs	170,768	176,094	172,235	209,768	728,865	185,461	193,344	203,432	216,643	798,880	217,764	226,849	222,191
Cost of revenue - Other (1) (2)	21,019	24,914	25,722	30,293	101,948	25,394	27,112	27,172	32,375	112,053	26,838	32,723	39,295
Total cost of revenue	<u>191,787</u>	<u>201,008</u>	<u>197,957</u>	<u>240,061</u>	<u>830,813</u>	<u>210,855</u>	<u>220,456</u>	<u>230,604</u>	<u>249,018</u>	<u>910,933</u>	<u>244,602</u>	<u>259,572</u>	<u>261,486</u>
Gross profit	<u>80,852</u>	<u>116,579</u>	<u>129,256</u>	<u>130,434</u>	<u>457,121</u>	<u>74,469</u>	<u>124,002</u>	<u>129,309</u>	<u>146,351</u>	<u>474,131</u>	<u>74,631</u>	<u>125,179</u>	<u>156,293</u>
Gross margin	30%	37%	40%	35%	35%	26%	36%	36%	37%	34%	23%	33%	37%
Operating expenses													
Product development (1) (2)	31,349	29,873	28,759	33,065	123,046	34,271	35,833	36,801	34,035	140,940	35,884	40,351	42,554
Sales and marketing (1) (2)	108,076	112,532	104,507	121,870	446,985	112,449	133,621	103,270	113,980	463,320	124,166	125,375	124,843
General and administrative (1) (2)	42,309	36,192	37,334	42,740	158,575	40,175	45,792	45,138	39,659	170,764	41,791	53,593	47,260
Goodwill impairment	-	-	-	-	-	-	300	-	-	300	-	-	-
Contract termination fees (benefit)	-	-	-	-	-	-	23,467	(423)	-	23,044	-	-	-
Total operating expenses	<u>181,734</u>	<u>178,597</u>	<u>170,600</u>	<u>197,675</u>	<u>728,606</u>	<u>186,895</u>	<u>239,013</u>	<u>184,786</u>	<u>187,674</u>	<u>798,368</u>	<u>201,841</u>	<u>219,319</u>	<u>214,657</u>
Loss from operations	<u>(100,882)</u>	<u>(62,018)</u>	<u>(41,344)</u>	<u>(67,241)</u>	<u>(271,485)</u>	<u>(112,426)</u>	<u>(115,011)</u>	<u>(55,477)</u>	<u>(41,323)</u>	<u>(324,237)</u>	<u>(127,210)</u>	<u>(94,140)</u>	<u>(58,364)</u>
Interest expense	(6,174)	(6,242)	(6,494)	(7,228)	(26,138)	(7,381)	(7,404)	(7,592)	(6,950)	(29,327)	(7,286)	(6,745)	(6,768)
Other income, net	248	289	406	228	1,171	81	186	754	2,147	3,168	2,656	1,786	1,674
Total other expense, net	<u>(5,926)</u>	<u>(5,953)</u>	<u>(6,088)</u>	<u>(7,000)</u>	<u>(24,967)</u>	<u>(7,300)</u>	<u>(7,218)</u>	<u>(6,838)</u>	<u>(4,803)</u>	<u>(26,159)</u>	<u>(4,630)</u>	<u>(4,959)</u>	<u>(5,094)</u>
Loss before (provision for) benefit from income taxes	<u>(106,808)</u>	<u>(67,971)</u>	<u>(47,432)</u>	<u>(74,241)</u>	<u>(296,452)</u>	<u>(119,726)</u>	<u>(122,229)</u>	<u>(62,315)</u>	<u>(46,126)</u>	<u>(350,396)</u>	<u>(131,840)</u>	<u>(99,099)</u>	<u>(63,458)</u>
(Provision for) benefit from income taxes	(326)	1,625	(322)	(329)	648	(295)	(3,998)	(254)	1,667	(2,880)	(66)	7,132	(85)
Net loss	<u>\$ (107,134)</u>	<u>\$ (66,346)</u>	<u>\$ (47,754)</u>	<u>\$ (74,570)</u>	<u>\$ (295,804)</u>	<u>\$ (120,021)</u>	<u>\$ (126,227)</u>	<u>\$ (62,569)</u>	<u>\$ (44,459)</u>	<u>\$ (353,276)</u>	<u>\$ (131,906)</u>	<u>\$ (91,967)</u>	<u>\$ (63,543)</u>
Net loss available to common stockholders	<u>\$ (107,134)</u>	<u>\$ (66,346)</u>	<u>\$ (47,754)</u>	<u>\$ (74,570)</u>	<u>\$ (295,804)</u>	<u>\$ (120,021)</u>	<u>\$ (140,755)</u>	<u>\$ (80,888)</u>	<u>\$ (51,778)</u>	<u>\$ (393,442)</u>	<u>\$ (139,269)</u>	<u>\$ (99,440)</u>	<u>\$ (71,128)</u>
Basic and diluted net loss per common share	\$ (0.47)	\$ (0.29)	\$ (0.21)	\$ (0.32)	\$ (1.28)	\$ (0.51)	\$ (0.58)	\$ (0.33)	\$ (0.21)	\$ (1.61)	\$ (0.55)	\$ (0.38)	\$ (0.27)
Weighted-average basic and diluted common shares	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637	252,934	259,822	268,058

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

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018
(2) Includes stock-based compensation expense as follows:													
Cost of revenue - Other	\$ 1,477	\$ 1,544	\$ 1,538	\$ 1,549	\$ 6,108	\$ 815	\$ 814	\$ 803	\$ 817	\$ 3,249	\$ 742	\$ 800	\$ 742
Product development	7,815	6,468	6,519	6,956	27,758	6,915	8,403	8,560	7,478	31,356	6,417	8,028	8,884
Sales and marketing	13,138	14,528	14,287	13,810	55,763	12,918	14,461	14,038	13,459	54,876	11,817	11,092	11,300
General and administrative	14,345	7,534	8,135	9,799	39,813	6,465	12,251	6,644	8,350	33,710	7,460	7,608	7,912
Total stock-based compensation expenses	<u>\$ 36,775</u>	<u>\$ 30,074</u>	<u>\$ 30,479</u>	<u>\$ 32,114</u>	<u>\$ 129,442</u>	<u>\$ 27,113</u>	<u>\$ 35,929</u>	<u>\$ 30,045</u>	<u>\$ 30,104</u>	<u>\$ 123,191</u>	<u>\$ 26,436</u>	<u>\$ 27,528</u>	<u>\$ 28,838</u>

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

	<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>	<u>3/31/2018</u>	<u>6/30/2018</u>	<u>9/30/2018</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(audited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(audited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
<b>Assets</b>											
<b>Current assets</b>											
Cash and cash equivalents	\$ 303,454	\$ 238,367	\$ 207,695	\$ 199,944	\$ 170,881	\$ 209,581	\$ 493,181	\$ 499,597	\$ 454,923	\$ 292,996	\$ 287,523
Short-term investments	45,805	54,800	50,052	37,109	32,123	18,056	6,249	1,250	89,482	127,791	100,119
Accounts receivable, net	237,760	263,654	282,802	309,267	262,934	288,347	312,277	336,429	269,584	339,592	373,418
Prepaid content acquisition costs (1)	18,874	9,370	102,623	46,310	48,542	39,869	80,152	55,668	35,901	24,379	32,219
Prepaid expenses and other current assets (1)	29,308	33,916	34,166	33,191	29,422	18,188	20,294	19,220	20,074	21,799	25,673
Assets held for sale	-	-	-	-	-	227,844	-	-	-	-	-
<b>Total current assets</b>	<b>635,201</b>	<b>600,107</b>	<b>677,338</b>	<b>625,821</b>	<b>543,902</b>	<b>801,885</b>	<b>912,153</b>	<b>912,164</b>	<b>869,964</b>	<b>806,557</b>	<b>818,952</b>
Convertible promissory note receivable	-	-	-	-	-	-	34,132	35,471	-	-	-
Long-term investments	33,238	18,153	6,273	6,252	-	-	-	-	-	-	-
Property and equipment, net	81,412	102,016	118,453	124,088	128,815	120,792	117,700	116,742	114,487	110,583	107,802
Goodwill	304,787	306,715	306,706	306,691	306,421	71,243	71,243	71,243	71,243	178,917	178,917
Intangible assets, net	105,843	100,705	95,565	90,425	85,289	23,235	21,304	19,409	17,891	59,863	55,557
Other long-term assets	31,860	31,478	32,528	31,533	33,721	13,490	8,999	11,293	11,285	12,023	11,575
<b>Total assets</b>	<b>\$ 1,192,341</b>	<b>\$ 1,159,174</b>	<b>\$ 1,236,863</b>	<b>\$ 1,184,810</b>	<b>\$ 1,098,148</b>	<b>\$ 1,030,645</b>	<b>\$ 1,165,531</b>	<b>\$ 1,166,322</b>	<b>\$ 1,084,870</b>	<b>\$ 1,167,943</b>	<b>\$ 1,172,803</b>
<b>Liabilities, redeemable convertible preferred stock and stockholders' equity</b>											
<b>Current liabilities</b>											
Accounts payable	\$ 9,922	\$ 6,132	\$ 13,983	\$ 15,224	\$ 21,152	\$ 12,780	\$ 8,444	\$ 14,896	\$ 15,762	\$ 17,704	\$ 28,406
Accrued liabilities	35,375	29,723	33,968	35,465	33,878	43,601	33,180	34,535	37,655	60,047	72,311
Accrued content acquisition costs	111,554	123,583	106,275	93,723	89,972	88,260	99,798	97,751	106,254	125,791	123,910
Accrued compensation	43,938	48,971	52,089	60,353	43,871	45,580	42,753	47,635	42,908	48,184	45,687
Deferred revenue	27,579	28,751	31,971	28,359	32,355	32,475	33,977	31,464	37,681	43,512	55,678
Other current liabilities	23,044	17,432	20,739	20,993	32,848	-	-	-	-	-	-
Liabilities held for sale	-	-	-	-	-	43,059	-	-	-	-	-
<b>Total current liabilities</b>	<b>251,412</b>	<b>254,592</b>	<b>259,025</b>	<b>254,117</b>	<b>254,076</b>	<b>265,755</b>	<b>218,152</b>	<b>226,281</b>	<b>240,260</b>	<b>295,238</b>	<b>325,992</b>
Long-term debt, net	239,011	243,483	337,429	342,247	347,223	352,157	267,396	273,014	278,410	250,267	255,272
Other long-term liabilities	31,521	32,804	33,402	34,187	33,946	25,701	27,068	23,500	22,714	25,919	25,660
<b>Total liabilities</b>	<b>521,944</b>	<b>530,879</b>	<b>629,856</b>	<b>630,551</b>	<b>635,245</b>	<b>643,613</b>	<b>512,616</b>	<b>522,795</b>	<b>541,384</b>	<b>571,424</b>	<b>606,924</b>
Redeemable convertible preferred stock	-	-	-	-	-	173,095	483,588	490,849	498,211	505,684	513,270
<b>Stockholders' equity</b>											
Common stock	23	23	23	24	24	24	25	25	26	27	27
Additional paid-in capital	1,152,577	1,186,777	1,227,197	1,264,693	1,306,532	1,347,285	1,387,957	1,422,221	1,453,915	1,598,905	1,632,178
Accumulated deficit	(481,760)	(558,093)	(619,627)	(709,636)	(843,057)	(1,132,721)	(1,217,283)	(1,269,351)	(1,408,419)	(1,507,874)	(1,579,125)
Accumulated other comprehensive loss	(443)	(412)	(586)	(822)	(596)	(651)	(1,372)	(217)	(247)	(223)	(471)
<b>Total stockholders' equity</b>	<b>670,397</b>	<b>628,295</b>	<b>607,007</b>	<b>554,259</b>	<b>462,903</b>	<b>213,937</b>	<b>169,327</b>	<b>152,678</b>	<b>45,275</b>	<b>90,835</b>	<b>52,609</b>
<b>Total liabilities, redeemable convertible preferred stock and stockholders' equity</b>	<b>\$ 1,192,341</b>	<b>\$ 1,159,174</b>	<b>\$ 1,236,863</b>	<b>\$ 1,184,810</b>	<b>\$ 1,098,148</b>	<b>\$ 1,030,645</b>	<b>\$ 1,165,531</b>	<b>\$ 1,166,322</b>	<b>\$ 1,084,870</b>	<b>\$ 1,167,943</b>	<b>\$ 1,172,803</b>

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

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

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2016 (unaudited)	6/30/2016 (unaudited)	9/30/2016 (unaudited)	12/31/2016 (unaudited)	12/31/2016 (audited)	3/31/2017 (unaudited)	6/30/2017 (unaudited)	9/30/2017 (unaudited)	12/31/2017 (unaudited)	12/31/2017 (audited)	3/31/2018 (unaudited)	6/30/2018 (unaudited)	9/30/2018 (unaudited)
<b>Operating Activities</b>													
Net loss	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)	\$ (132,267)	\$ (275,136)	\$ (66,243)	\$ (44,749)	\$ (518,395)	\$ (131,705)	\$ (91,982)	\$ (63,666)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities													
Goodwill impairment	-	-	-	-	-	-	131,997	-	-	131,997	-	-	-
Loss (gain) on dispositions	-	-	-	-	-	-	-	9,459	(81)	9,378	2,173	-	-
Loss on extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	14,600	-
Depreciation and amortization	13,277	14,360	15,843	17,277	60,757	17,680	17,435	14,006	13,827	62,948	13,779	14,283	16,105
Stock-based compensation	38,655	32,432	32,754	34,617	138,458	29,618	38,608	30,101	30,104	128,431	26,436	27,528	28,838
Amortization (accretion) of premium on investments	140	107	92	66	405	53	20	5	3	81	(118)	(552)	(530)
Accretion of discount on convertible promissory note receivable	-	-	-	-	-	-	-	(171)	(516)	(687)	(534)	-	-
Other operating activities (1)	83	96	90	612	881	365	(179)	104	157	447	65	166	571
Amortization of debt discount	4,434	4,504	4,649	4,728	18,315	4,886	4,913	5,135	5,219	20,153	5,396	5,022	4,973
Interest income	-	-	-	-	-	-	-	(258)	(823)	(1,081)	(810)	-	-
Provision for (recoveries of) bad debt (1)	812	483	1,320	907	3,522	1,390	7,884	1,577	1,360	12,211	(315)	1,831	2,444
Changes in operating assets and liabilities													
Accounts receivable	38,514	(26,375)	(20,477)	(27,372)	(35,710)	44,941	(32,347)	(23,888)	(25,466)	(36,760)	67,160	(51,049)	(36,271)
Prepaid content acquisition costs (1)	(16,775)	9,504	(93,253)	56,313	(44,211)	(2,232)	8,673	(40,283)	24,484	(9,358)	19,767	11,522	1,240
Prepaid expenses and other assets (1)	(2,967)	(5,902)	(3,786)	325	(12,330)	(5,579)	(3,567)	(8,809)	1,389	(16,566)	(1,588)	242	(3,546)
Accounts payable, accrued and other current liabilities	(3,467)	(13,942)	12,419	10,284	5,294	13,192	1,880	(15,329)	9,310	9,053	4,749	(1,148)	22,592
Accrued content acquisition costs	14,152	12,025	(17,302)	(12,543)	(3,668)	(3,762)	(1,713)	11,538	(2,047)	4,016	8,503	19,537	(1,881)
Accrued compensation	2,597	2,900	4,873	4,994	15,364	(13,207)	16	545	1,967	(10,679)	(1,347)	2,517	(620)
Other long-term liabilities	659	(658)	597	786	1,384	(244)	420	(708)	(2,475)	(3,007)	(786)	(8,241)	(259)
Deferred revenue	7,640	1,172	3,220	(3,612)	8,420	3,996	120	1,502	(2,513)	3,105	6,217	5,830	2,867
Reimbursement of cost of leasehold improvements	4,244	153	-	-	4,397	5,236	-	-	25	5,261	357	537	-
Net cash (used in) provided by operating activities	<b>(13,104)</b>	<b>(45,474)</b>	<b>(120,495)</b>	<b>(2,627)</b>	<b>(181,700)</b>	<b>(35,934)</b>	<b>(100,976)</b>	<b>(81,717)</b>	<b>9,175</b>	<b>(209,452)</b>	<b>17,399</b>	<b>(49,357)</b>	<b>(27,143)</b>
<b>Investing Activities</b>													
Purchases of property and equipment (1)	(14,371)	(20,193)	(11,836)	(13,369)	(59,769)	(1,980)	(6,561)	(4,320)	(2,795)	(15,656)	(3,410)	(1,580)	(2,300)
Internal-use software costs (1)	(7,177)	(7,133)	(8,029)	(7,871)	(30,210)	(7,765)	(3,129)	(3,054)	(6,209)	(20,157)	(5,489)	(5,089)	(4,657)
Payments related to acquisitions, net of cash acquired	(676)	-	-	-	(676)	-	-	-	-	-	-	(66,924)	-
Purchases of investments	(4,993)	(6,098)	(1,322)	-	(12,413)	-	-	-	-	-	(89,341)	(75,245)	(80,158)
Proceeds from maturities of investments	8,332	11,675	14,809	12,840	47,656	11,220	14,054	11,810	4,998	42,082	1,250	37,500	108,420
Proceeds from sales of investments	-	500	3,007	-	3,507	-	-	-	-	-	-	-	-
Proceeds from cancellation of convertible promissory note receivable	-	-	-	-	-	-	-	-	-	-	34,742	-	-
Proceeds from sales of subsidiaries (payments for), net of cash	-	-	-	-	-	-	-	122,912	(1,111)	121,801	-	-	-
Net cash (used in) provided by investing activities	<b>(18,885)</b>	<b>(21,249)</b>	<b>(3,371)</b>	<b>(8,400)</b>	<b>(51,905)</b>	<b>1,475</b>	<b>4,364</b>	<b>127,348</b>	<b>(5,117)</b>	<b>128,070</b>	<b>(62,248)</b>	<b>(111,338)</b>	<b>21,305</b>
<b>Financing Activities</b>													
Proceeds from issuance of redeemable convertible preferred stock	-	-	-	-	-	-	172,500	307,500	-	480,000	-	-	-
Payments of issuance costs	-	(32)	-	-	(32)	-	(12,625)	(16,659)	(1,227)	(30,511)	-	(4,516)	(370)
Repayment of debt arrangements	-	-	-	-	-	-	-	(90,000)	-	(90,000)	-	-	-
Borrowings under debt arrangements	-	-	90,000	-	90,000	-	-	-	-	-	-	-	-
Proceeds from employee stock purchase plan	1,687	2,150	2,558	3,306	9,701	2,798	3,348	1,866	2,914	10,926	37	2,237	1,882
Proceeds from exercise of stock options	520	1,353	1,138	446	3,457	2,388	750	4,698	1,942	9,778	248	175	356
Tax payments from net share settlements of restricted stock units	(1,294)	(1,467)	(365)	(243)	(3,369)	-	-	-	-	-	(287)	(190)	(1,174)
Net cash provided by (used in) financing activities	<b>913</b>	<b>2,004</b>	<b>93,331</b>	<b>3,509</b>	<b>99,757</b>	<b>5,186</b>	<b>163,973</b>	<b>207,405</b>	<b>3,629</b>	<b>380,193</b>	<b>(2)</b>	<b>(2,294)</b>	<b>694</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(137)	(118)	(137)	(242)	(634)	210	82	(55)	(14)	223	(8)	(10)	(329)
Net (decrease) increase in cash, cash equivalents and restricted cash	(31,213)	(64,837)	(30,672)	(7,760)	(134,482)	(29,063)	67,443	252,981	7,673	299,034	(44,859)	(162,999)	(5,473)
Cash, cash equivalents and restricted cash at beginning of period	336,302	305,089	240,252	209,580	336,302	201,820	172,757	212,099	493,181	201,820	500,854	455,995	292,996
Less: (Increase) decrease in cash and restricted cash held for sale	-	-	-	-	-	-	(28,101)	28,101	-	-	-	-	-
Cash, cash equivalents and restricted cash at end of period (1)	<b>\$ 305,089</b>	<b>\$ 240,252</b>	<b>\$ 209,580</b>	<b>\$ 201,820</b>	<b>\$ 201,820</b>	<b>\$ 172,757</b>	<b>\$ 212,099</b>	<b>\$ 493,181</b>	<b>\$ 500,854</b>	<b>\$ 500,854</b>	<b>\$ 455,995</b>	<b>\$ 292,996</b>	<b>\$ 287,523</b>

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

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

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018
Gross profit													
GAAP gross profit	\$ 90,200	\$ 126,024	\$ 136,353	\$ 135,899	\$ 488,476	\$ 84,434	\$ 133,009	\$ 135,861	\$ 146,441	\$ 499,745	\$ 74,804	\$ 125,207	\$ 156,129
Stock-based compensation - Cost of revenue	1,537	1,611	1,565	1,583	6,296	844	848	809	817	3,318	742	800	742
Amortization of intangibles - Cost of revenue	1,417	1,419	1,420	1,419	5,675	1,419	2,514	1,567	1,532	7,032	1,155	1,951	3,154
Expense associated with the restructurings	-	-	-	-	-	312	78	-	-	390	-	-	-
Non-GAAP gross profit	\$ 93,154	\$ 129,054	\$ 139,338	\$ 138,901	\$ 500,447	\$ 87,009	\$ 136,449	\$ 138,237	\$ 148,790	\$ 510,485	\$ 76,701	\$ 127,958	\$ 160,025
Non-GAAP gross margin	31%	38%	40%	35%	36%	28%	36%	37%	38%	35%	24%	33%	38%
Adjusted EBITDA and non-GAAP net loss													
GAAP net loss	\$ (115,102)	\$ (76,333)	\$ (61,534)	\$ (90,009)	\$ (342,978)	\$ (132,267)	\$ (275,136)	\$ (66,243)	\$ (44,749)	\$ (518,395)	\$ (131,705)	\$ (91,982)	\$ (63,666)
Depreciation and amortization	13,277	14,360	15,843	17,277	60,757	17,680	17,435	14,006	13,827	62,948	13,779	14,283	16,105
Stock-based compensation	38,655	32,432	32,754	34,617	138,458	29,618	38,608	30,101	30,104	128,431	26,436	27,528	28,838
Other expense, net	5,313	5,992	5,915	7,227	24,447	7,152	7,326	7,033	4,800	26,311	4,704	4,978	5,084
Provision for (benefit from) income taxes	421	(1,544)	412	483	(248)	334	277	266	(1,667)	(790)	74	(7,132)	125
Expense associated with the restructurings	-	-	-	-	-	6,180	1,733	520	3,599	12,032	8,868	1,379	372
Goodwill impairment	-	-	-	-	-	-	131,997	-	-	131,997	-	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-	2,359	1,700	9,247
Loss (gain) on dispositions	-	-	-	-	-	-	-	9,459	(81)	9,378	2,173	-	-
Loss on extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	14,600	-
Contract termination fees (benefit)	-	-	-	-	-	-	23,467	(423)	-	23,044	-	-	-
Adjusted EBITDA	\$ (57,436)	\$ (25,093)	\$ (6,610)	\$ (30,405)	\$ (119,544)	\$ (71,303)	\$ (54,293)	\$ (5,281)	\$ 5,833	\$ (125,044)	\$ (73,312)	\$ (34,646)	\$ (3,895)
Income tax effects of non-GAAP pre-tax loss	24,936	10,700	5,889	19,018	60,543	32,158	23,596	8,483	(42,674)	21,563	21,750	5,247	5,356
Other expense, net	(5,313)	(5,992)	(5,915)	(7,227)	(24,447)	(7,152)	(7,326)	(7,033)	(4,800)	(26,311)	(4,704)	(4,978)	(5,084)
(Provision for) benefit from income taxes	(421)	1,544	(412)	(483)	228	(334)	(277)	(266)	1,667	790	(74)	7,132	(125)
Depreciation	(6,982)	(7,942)	(9,009)	(10,558)	(34,491)	(10,557)	(11,821)	(11,845)	(11,932)	(46,155)	(12,261)	(11,655)	(11,799)
Non-GAAP net loss	\$ (45,216)	\$ (26,783)	\$ (16,057)	\$ (29,655)	\$ (117,711)	\$ (57,188)	\$ (50,121)	\$ (15,942)	\$ (51,906)	\$ (175,157)	\$ (68,601)	\$ (38,900)	\$ (15,547)
Non-GAAP net loss per common share - basic and diluted	\$ (0.20)	\$ (0.12)	\$ (0.07)	\$ (0.13)	\$ (0.51)	\$ (0.24)	\$ (0.21)	\$ (0.06)	\$ (0.21)	\$ (0.72)	\$ (0.27)	\$ (0.15)	\$ (0.06)
Weighted average basic and diluted common shares	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637	252,934	259,822	268,058
Product development													
GAAP product development	\$ 35,611	\$ 33,560	\$ 33,560	\$ 37,976	\$ 140,707	\$ 39,588	\$ 41,233	\$ 39,469	\$ 34,035	\$ 154,325	\$ 35,884	\$ 40,351	\$ 42,553
Stock-based compensation	(8,501)	(7,243)	(7,347)	(7,884)	(30,975)	(7,915)	(9,422)	(8,428)	(7,478)	(33,243)	(6,417)	(8,028)	(8,884)
Amortization of intangibles	(1,822)	(1,823)	(1,822)	(1,822)	(7,289)	(1,822)	(254)	(97)	(97)	(2,270)	(97)	(97)	(97)
Expense associated with the restructurings	-	-	-	-	-	(702)	(8)	(23)	-	(733)	(622)	-	-
Non-GAAP product development	\$ 25,288	\$ 24,494	\$ 24,391	\$ 28,270	\$ 102,443	\$ 29,149	\$ 31,549	\$ 30,921	\$ 26,460	\$ 118,079	\$ 28,748	\$ 32,226	\$ 33,572
Sales and marketing													
GAAP sales and marketing	\$ 117,433	\$ 123,589	\$ 116,091	\$ 133,251	\$ 490,364	\$ 125,102	\$ 145,891	\$ 107,588	\$ 113,961	\$ 492,542	\$ 124,216	\$ 125,375	\$ 124,760
Stock-based compensation	(13,613)	(15,128)	(14,932)	(14,445)	(58,118)	(13,496)	(15,102)	(14,059)	(13,459)	(56,116)	(11,817)	(11,092)	(11,300)
Amortization of intangibles	(1,711)	(1,713)	(1,713)	(1,713)	(6,850)	(1,713)	(1,170)	(83)	(83)	(3,049)	(83)	(397)	(871)
Amortization of non-recoupable ticketing contract advances	(1,162)	(1,280)	(1,696)	(1,582)	(5,720)	(1,986)	(1,493)	(230)	-	(3,709)	-	-	-
Loss on dispositions	-	-	-	-	-	-	-	(75)	-	(75)	(100)	-	-
Expense associated with the restructurings	-	-	-	-	-	(3,656)	(1,551)	(286)	-	(5,493)	(4,608)	-	-
Non-GAAP sales and marketing	\$ 100,947	\$ 105,468	\$ 97,750	\$ 115,511	\$ 419,676	\$ 104,251	\$ 126,575	\$ 92,855	\$ 100,419	\$ 424,100	\$ 107,608	\$ 113,886	\$ 112,589
General and administrative													
GAAP general and administrative	\$ 46,524	\$ 40,760	\$ 41,909	\$ 46,971	\$ 176,164	\$ 44,525	\$ 57,954	\$ 48,171	\$ 40,061	\$ 190,711	\$ 41,631	\$ 53,617	\$ 47,273
Stock-based compensation	(15,004)	(8,450)	(8,910)	(10,705)	(43,069)	(7,363)	(13,236)	(6,805)	(8,350)	(35,754)	(7,460)	(7,608)	(7,912)
Amortization of intangibles	(183)	(183)	(183)	(183)	(732)	(183)	(183)	(184)	(183)	(733)	(183)	(183)	(184)
Transaction costs	-	-	-	-	-	-	-	-	-	-	(2,359)	(1,700)	(9,247)
(Loss) gain on dispositions	-	-	-	-	-	-	-	(9,384)	81	(9,303)	(2,073)	-	-
Loss on extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	(14,600)	-
Expense associated with the restructurings	-	-	-	-	-	(1,510)	(96)	(211)	(3,599)	(5,416)	(3,638)	(1,379)	(372)
Non-GAAP general and administrative	\$ 31,337	\$ 32,127	\$ 32,816	\$ 36,083	\$ 132,363	\$ 35,469	\$ 44,439	\$ 31,587	\$ 28,010	\$ 139,505	\$ 25,918	\$ 28,147	\$ 29,588



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

	Quarter ended				Year ended	Quarter ended				Year ended	Quarter ended		
	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018
Gross profit													
GAAP gross profit	\$ 80,852	\$ 116,579	\$ 129,256	\$ 130,434	\$ 457,121	\$ 74,469	\$ 124,002	\$ 129,309	\$ 146,351	\$ 474,131	\$ 74,631	\$ 125,179	\$ 156,293
Stock-based compensation - Cost of revenue	1,477	1,544	1,538	1,549	6,108	815	814	803	817	3,249	742	800	742
Amortization of intangibles - Cost of revenue	-	-	-	-	-	-	1,568	1,567	1,532	4,667	1,155	1,951	3,154
Expense associated with the restructurings	-	-	-	-	-	312	-	-	-	-	-	-	-
Non-GAAP gross profit	<u>\$ 82,329</u>	<u>\$ 118,123</u>	<u>\$ 130,794</u>	<u>\$ 131,983</u>	<u>\$ 463,229</u>	<u>\$ 75,596</u>	<u>\$ 126,384</u>	<u>\$ 131,679</u>	<u>\$ 148,700</u>	<u>\$ 482,359</u>	<u>\$ 76,528</u>	<u>\$ 127,930</u>	<u>\$ 160,189</u>
Non-GAAP gross margin	<u>30%</u>	<u>37%</u>	<u>40%</u>	<u>36%</u>	<u>36%</u>	<u>26%</u>	<u>37%</u>	<u>37%</u>	<u>38%</u>	<u>35%</u>	<u>24%</u>	<u>33%</u>	<u>38%</u>
Adjusted EBITDA and non-GAAP net loss													
GAAP net loss	\$ (107,134)	\$ (66,346)	\$ (47,754)	\$ (74,570)	\$ (295,804)	\$ (120,021)	\$ (126,227)	\$ (62,569)	\$ (44,459)	\$ (353,276)	\$ (131,906)	\$ (91,967)	\$ (63,543)
Depreciation and amortization	8,602	9,537	10,552	12,069	40,760	12,088	13,527	13,771	13,827	53,213	13,779	14,283	16,105
Stock-based compensation	36,775	30,074	30,479	32,114	129,442	27,113	35,929	30,045	30,104	123,191	26,436	27,528	28,838
Other expense, net	5,926	5,953	6,088	7,000	24,967	7,300	7,218	6,838	4,803	26,159	4,630	4,959	5,094
Provision for (benefit from) income taxes	326	(1,625)	322	329	(648)	295	3,998	254	(1,667)	2,880	66	(7,132)	85
Expense associated with the restructurings	-	-	-	-	-	6,180	(133)	-	3,599	9,646	8,868	1,379	372
Goodwill impairment	-	-	-	-	-	-	300	-	-	300	-	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-	2,359	1,700	9,247
Loss (gain) on dispositions	-	-	-	-	-	-	-	9,459	(81)	9,378	2,173	-	-
Loss on extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	14,600	-
Contract termination fees (benefit)	-	-	-	-	-	-	23,467	(423)	-	23,044	-	-	-
Adjusted EBITDA	<u>\$ (55,505)</u>	<u>\$ (22,407)</u>	<u>\$ (313)</u>	<u>\$ (23,058)</u>	<u>\$ (101,283)</u>	<u>\$ (67,045)</u>	<u>\$ (41,921)</u>	<u>\$ (2,625)</u>	<u>\$ 6,126</u>	<u>\$ (105,465)</u>	<u>\$ (73,595)</u>	<u>\$ (34,650)</u>	<u>\$ (3,802)</u>
Income tax effects of non-GAAP pre-tax loss	25,031	10,781	5,979	19,172	60,963	32,197	19,875	8,495	(42,674)	17,893	21,758	5,247	5,356
Other expense, net	(5,926)	(5,953)	(6,088)	(7,000)	(24,967)	(7,300)	(7,218)	(6,838)	(4,803)	(26,159)	(4,630)	(4,959)	(5,094)
(Provision for) benefit from income taxes	(326)	1,625	(322)	(329)	648	(295)	(3,998)	(254)	1,667	(2,880)	(66)	7,132	(85)
Depreciation	(6,514)	(7,447)	(8,465)	(9,980)	(32,406)	(10,000)	(11,438)	(11,840)	(11,932)	(45,210)	(12,261)	(11,655)	(11,799)
Non-GAAP net loss	<u>\$ (43,240)</u>	<u>\$ (23,401)</u>	<u>\$ (9,209)</u>	<u>\$ (21,195)</u>	<u>\$ (97,045)</u>	<u>\$ (52,443)</u>	<u>\$ (44,700)</u>	<u>\$ (13,062)</u>	<u>\$ (51,616)</u>	<u>\$ (161,821)</u>	<u>\$ (68,794)</u>	<u>\$ (38,885)</u>	<u>\$ (15,424)</u>
Non-GAAP net loss per common share - basic and diluted	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>	<u>\$ (0.42)</u>	<u>\$ (0.22)</u>	<u>\$ (0.19)</u>	<u>\$ (0.05)</u>	<u>\$ (0.21)</u>	<u>\$ (0.66)</u>	<u>\$ (0.27)</u>	<u>\$ (0.15)</u>	<u>\$ (0.06)</u>
Weighted average basic and diluted common shares	226,659	229,745	232,139	234,173	230,693	237,515	241,320	245,810	249,746	243,637	252,934	259,822	268,058
Product development													
GAAP product development	\$ 31,349	\$ 29,873	\$ 28,759	\$ 33,065	\$ 123,046	\$ 34,271	\$ 35,833	\$ 36,801	\$ 34,035	\$ 140,940	\$ 35,884	\$ 40,351	\$ 42,554
Stock-based compensation	(7,815)	(6,468)	(6,519)	(6,956)	(27,758)	(6,915)	(8,403)	(8,560)	(7,478)	(31,356)	(6,417)	(8,028)	(8,884)
Amortization of intangibles	(1,821)	(1,823)	(1,821)	(1,822)	(7,287)	(1,822)	(254)	(97)	(97)	(2,270)	(97)	(97)	(97)
Expense associated with the restructurings	-	-	-	-	-	(702)	-	-	-	(702)	(622)	-	-
Non-GAAP product development	<u>\$ 21,713</u>	<u>\$ 21,582</u>	<u>\$ 20,419</u>	<u>\$ 24,287</u>	<u>\$ 88,001</u>	<u>\$ 24,832</u>	<u>\$ 27,176</u>	<u>\$ 28,144</u>	<u>\$ 26,460</u>	<u>\$ 106,612</u>	<u>\$ 28,748</u>	<u>\$ 32,226</u>	<u>\$ 33,573</u>
Sales and marketing													
GAAP sales and marketing	\$ 108,076	\$ 112,532	\$ 104,507	\$ 121,870	\$ 446,985	\$ 112,449	\$ 133,621	\$ 103,270	\$ 113,980	\$ 463,320	\$ 124,166	\$ 125,375	\$ 124,843
Stock-based compensation	(13,138)	(14,528)	(14,287)	(13,810)	(55,763)	(12,918)	(14,461)	(14,038)	(13,459)	(54,876)	(11,817)	(11,092)	(11,300)
Amortization of intangibles	(84)	(84)	(83)	(84)	(335)	(83)	(84)	(83)	(83)	(333)	(83)	(397)	(871)
Loss on dispositions	-	-	-	-	-	-	-	(75)	-	(75)	(100)	-	-
Expense associated with the restructurings	-	-	-	-	-	(3,656)	-	-	-	(3,656)	(4,608)	-	-
Non-GAAP sales and marketing	<u>\$ 94,854</u>	<u>\$ 97,920</u>	<u>\$ 90,137</u>	<u>\$ 107,976</u>	<u>\$ 390,887</u>	<u>\$ 95,792</u>	<u>\$ 119,076</u>	<u>\$ 89,074</u>	<u>\$ 100,438</u>	<u>\$ 404,380</u>	<u>\$ 107,558</u>	<u>\$ 113,886</u>	<u>\$ 112,672</u>
General and administrative													
GAAP general and administrative	\$ 42,309	\$ 36,192	\$ 37,334	\$ 42,740	\$ 158,575	\$ 40,175	\$ 45,792	\$ 45,138	\$ 39,659	\$ 170,764	\$ 41,791	\$ 53,593	\$ 47,260
Stock-based compensation	(14,345)	(7,534)	(8,135)	(9,799)	(39,813)	(6,465)	(12,251)	(6,644)	(8,350)	(33,710)	(7,460)	(7,608)	(7,912)
Amortization of intangibles	(183)	(183)	(183)	(183)	(732)	(183)	(183)	(184)	(183)	(733)	(183)	(183)	(184)
Transaction costs	-	-	-	-	-	-	-	-	-	-	(2,359)	(1,700)	(9,247)
(Loss) gain on dispositions	-	-	-	-	-	-	-	(9,384)	81	(9,303)	(2,073)	-	-
Loss on extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	(14,600)	-
Expense associated with the restructurings	-	-	-	-	-	(1,510)	133	-	(3,599)	(4,976)	(3,638)	(1,379)	(372)
Non-GAAP general and administrative	<u>\$ 27,781</u>	<u>\$ 28,475</u>	<u>\$ 29,016</u>	<u>\$ 32,758</u>	<u>\$ 118,030</u>	<u>\$ 32,017</u>	<u>\$ 33,491</u>	<u>\$ 28,926</u>	<u>\$ 27,608</u>	<u>\$ 122,042</u>	<u>\$ 26,078</u>	<u>\$ 28,123</u>	<u>\$ 29,545</u>

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