## SIRIUS XM Radio Reports Third Quarter 2009 Results

## - Net Subscriber Additions of Over 100,000

## - Pro Forma Total Revenue of $\$ 630$ Million, Up 3\%

## - Pro Forma Adjusted Income from Operations of \$106 Million - An Improvement of $\$ 143$ Million Year-Over-Year

- EPS, Excluding Charges, (\$0.00) vs. (\$0.05) Year-Over-Year


## - Company Affirms Full-Year 2009 Guidance and Issues New 2010 Guidance

NEW YORK, Nov. 5 /PRNewswire-FirstCall/ -- SIRIUS XM Radio (Nasdaq: SIRI) today announced third quarter 2009 financial and operating results, including $\$ 106$ million in pro forma adjusted income from operations, marking the company's fourth consecutive quarter of positive pro forma adjusted income from operations. The company also announced a 19\% decrease in pro forma total cash operating expenses compared to the same quarter last year.
(Logo: http://www.newscom.com/cgi-bin/prnh/20080819/NYTU044LOGO )
"We are very pleased with what we accomplished during the third quarter, especially when considering the macroeconomic issues affecting consumers and the auto industry," said Mel Karmazin, SIRIUS XM's CEO. "We managed to grow revenue, grow ARPU, reduce operating costs, increase adjusted income from operations significantly, and refinance higher cost debt. We look forward to continuing this performance. We grew subscribers and improved churn in the quarter, and we are well positioned to take advantage of an economic rebound. We expect to grow subscribers, revenue, and cash flow next year regardless of the magnitude of any recovery."

Third quarter 2009 pro forma total revenue was $\$ 630$ million, up $3 \%$ from third quarter 2008 pro forma total revenue of $\$ 613$ million. Third quarter 2009 pro forma subscription revenue was $\$ 587$ million, up $3 \%$ from the third quarter 2008 pro forma subscription revenue of $\$ 572$ million. Pro forma amounts exclude the effects of stock-based compensation, purchase accounting adjustments, and assume the merger of SIRIUS and XM occurred on January 1, 2008. Monthly average revenue per subscriber (ARPU) was $\$ 10.87$ in the third quarter 2009, up 3\% from \$10.51 in the third quarter 2008.

SIRIUS XM ended the third quarter 2009 with $18,515,730$ total subscribers, a decrease of $2 \%$ from the third quarter 2008 pro forma total subscribers of 18,920,911 and an increase of

102,295 from the second quarter 2009 subscribers of 18,413,435. Self-pay subscribers were $15,456,748$, up 266,160 from the $15,190,588$ self-pay subscribers in the third quarter 2008 and up 35,405 from the second quarter 2009. The self-pay monthly customer churn rate was $2.0 \%$ in the third quarter 2009, in-line with the second quarter 2009, and up from a pro forma $1.7 \%$ churn rate in the third quarter 2008. Ending promotional subscribers were 3,058,982 in the third quarter 2009.

In the third quarter 2009, SIRIUS XM achieved positive pro forma adjusted income from operations of $\$ 106$ million as compared to a pro forma adjusted loss from operations of (\$37) million in the third quarter 2008. The third quarter 2009 US GAAP net loss was (\$149) million, or ( $\$ 0.04$ ) per share, and included $\$ 138$ million, or ( $\$ 0.04$ ) per share, in net charges for the loss on the extinguishment of debt and credit facilities resulting from refinancing of debt at lower cost. Absent these charges, the US GAAP net loss per share was (\$0.00). Third quarter 2009 free cash flow was $\$ 27$ million compared to (\$98) million of pro forma free cash flow in the third quarter 2008.

## 2009 AND 2010 OUTLOOK

SIRIUS XM affirmed its year 2009 guidance of over $\$ 400$ million in pro forma full-year adjusted income from operations.

The company also provided guidance for 2010. "We expect the company's cash flow growth momentum to continue into 2010, and we project full-year adjusted income from operations to increase approximately 20\% next year," said Mr. Karmazin. Based upon assumed 2010 automobile sales of 11.3 million units, SIRIUS XM expects to achieve positive full-year subscriber growth in 2010. The company also expects 2010 revenue growth of mid- to highsingle digits, and growth in free cash flow compared to 2009.
"While the near future's macroeconomic performance is extremely difficult to predict, our business has reached sufficient scale to allow us to continue to grow cash flow," Mr. Karmazin added.

## BALANCE SHEET IMPROVEMENTS

As previously reported, the company took advantage of strong credit markets during the third quarter by selling $\$ 257$ million of new $9.75 \%$ Senior Secured Notes due 2015 in order to repay $\$ 250$ million of $15 \%$ term loans that would have matured in 2011 and 2012.
"By refinancing at more favorable rates and extending maturities," noted David Frear, Executive Vice President and Chief Financial Officer, "the company has dramatically improved its near-term liquidity and doesn't face any material debt maturities until 2011. The two financing transactions completed in the second and third quarters have reset the company's capital structure, allowing us to execute our business plan without balance sheet constraints."

The company also reported that, in addition to the previously announced repurchase of \$179 million of XM Holdings' 10\% notes due in December 2009, it repurchased nearly $\$ 59$ million of XM Holdings' 10\% Senior PIK Secured Notes due 2011. "These debt repurchases demonstrate management's commitment to optimize the company's capital structure on an opportunistic basis," added Mr. Frear.

Based upon the company's current plans, it has sufficient cash, cash equivalents, and marketable securities to cover its estimated funding needs through cash flow breakeven, the point at which revenues are sufficient to fund expected operating expenses, capital expenditures, working capital requirements, interest payments and taxes. The company's projections are based on assumptions, which it believes are reasonable but contain uncertainties.

## PRO FORMA RESULTS OF OPERATIONS

The discussion of operating results excludes the effects of stock-based compensation, purchase accounting adjustments, and assumes the merger of SIRIUS and XM occurred on January 1, 2008. All results discussed below are pro forma unless otherwise noted.

## THIRD QUARTER 2009 VERSUS THIRD QUARTER 2008

For the third quarter of 2009, SIRIUS XM recognized total revenue of $\$ 630$ million compared to $\$ 613$ million for the third quarter 2008. This $3 \%$, or $\$ 17$ million, increase in revenue was driven by the sale of "Best of" programming, rate increases to the company's multisubscription and Internet packages, and the U.S. Music Royalty Fee introduced this quarter.

Total ARPU for the three months ended September 30, 2009 was $\$ 10.87$, compared to $\$ 10.51$ for the three months ended September 30, 2008. The increase was driven mainly by the sale of "Best of" programming, increased rates on the company's multi-subscription and Internet packages, partially offset by a decline in net advertising revenue per average subscriber.

In the third quarter 2009, the company achieved positive adjusted income from operations of $\$ 106$ million, compared to an adjusted loss from operations of (\$37) million for the third quarter of 2008 (refer to the reconciliation table of net loss to adjusted income (loss) from operations). The improvement was driven by the increase in total revenue of $\$ 17$ million and a $\$ 126$ million, or $19 \%$, decrease in expenses included in adjusted income (loss) from operations.

Satellite and transmission costs decreased $26 \%$, or $\$ 6$ million, in the three months ended September 30, 2009 compared to the same period in 2008 due to reductions in maintenance costs, repeater lease expense, and personnel costs.

Programming and content costs decreased $29 \%$, or $\$ 38$ million, in the three months ended September 30, 2009 compared to the same period in 2008, due mainly to a one-time payment recognized in 2008 to a programming provider upon completion of the merger with XM, reductions in personnel and on-air talent costs as well as savings on certain content agreements.

Revenue share and royalties increased $2 \%$, or $\$ 3$ million, compared to the same period in 2008, due mainly to the increase in the company's revenues and the statutory royalty rate for the performance of sound recordings.

Customer service and billing costs decreased $5 \%$, or $\$ 3$ million, due primarily to reductions in personnel and customer call center expenses.

Cost of equipment decreased $26 \%$, or $\$ 4$ million, in the three months ended September 30,

2009 compared to the same period in 2008 as a result of a decrease in the company's direct to customer sales and lower inventory write-downs.

Sales and marketing costs decreased $32 \%$, or $\$ 25$ million, and decreased as a percentage of revenue to $8 \%$ from $13 \%$ in the three months ended September 30, 2009 compared to the same period in 2008. The decrease in Sales and marketing costs was due to reduced advertising and cooperative marketing spend as well as reductions to personnel costs and third party distribution support expenses.

Subscriber acquisition costs decreased $17 \%$, or $\$ 23$ million, and decreased as a percentage of revenue to $17 \%$ from $22 \%$ in the three months ended September 30, 2009 compared to the same period in 2008. SAC per gross addition declined by $7 \%$ to $\$ 69$ from $\$ 74$ in the year ago period. This improvement was driven by lower OEM subsidies and lower aftermarket inventory charges as compared to the three months ended September 30, 2008. Subscriber acquisition costs also decreased as a result of the $13 \%$ decline in gross additions during the three months ended September 30, 2009 compared to the three months ended September 30, 2008.

General and administrative costs decreased $36 \%$, or $\$ 28$ million, mainly due to the absence of certain legal and regulatory charges incurred in 2008 and lower personnel costs.

Engineering, design and development costs decreased 8\%, or $\$ 1$ million, in the three months ended September 30, 2009 compared to the same period in 2008, due to lower costs associated with the manufacturing of radios, OEM tooling and manufacturing, and personnel.

Restructuring, impairments and related costs decreased $66 \%$, or $\$ 5$ million, due to fewer restructuring charges associated with the merger with XM.

Other expenses increased $182 \%$, or $\$ 141$ million, in the three months ended September 30, 2009 compared to the same period in 2008 driven mainly by the loss on extinguishment of debt and credit facilities of $\$ 138$ million, and an increase in interest expense of $\$ 12$ million, partially offset by a decrease of $\$ 7$ million in loss on investments. The loss on the extinguishment of debt and credit facilities was incurred on the full repayment of SIRIUS' Credit Agreement with Liberty Media. Interest expense increased primarily due to the issuance of XM's 13\% Senior Notes due 2013 and the 7\% Exchangeable Senior Subordinated Notes due 2014 in the third quarter of 2008. The decrease in loss on investments was attributable to payments received from SIRIUS Canada in excess of SIRIUS' carrying value of its investments, partially offset by the company's share of SIRIUS Canada's and XM Canada's net losses for the three months ended September 30, 2009 compared to the same period in 2008.

## NINE MONTHS ENDED SEPTEMBER 30, 2009 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 2008

For the nine months ended September 30, 2009, SIRIUS XM recognized total revenue of \$1,843 million compared with \$1,793 million for the nine months ended September 30, 2008. This $3 \%$, or $\$ 50$ million, increase in revenue was primarily driven by an increase in subscriber revenue resulting primarily from a $2 \%$ growth in weighted average subscribers over the period as well as revenues from the sale of "Best of" programming, rate increases
to the company's multi-subscription and Internet packages, and the U.S. Music Royalty Fee introduced in the quarter ended September 30, 2009.

Total ARPU for the nine months ended September 30, 2009 was $\$ 10.67$, compared to $\$ 10.53$ for the nine months ended September 30, 2008. The increase was driven mainly by the sale of "Best of" programming, increased rates on the company's multi-subscription packages and revenues earned on its Internet packages, partially offset by a decline in net advertising revenue per average subscriber.

The company's adjusted income from operations increased $\$ 515$ million to $\$ 347$ million for the nine months ended September 30, 2009 from a loss of ( $\$ 168$ ) million for the nine months ended September 30, 2008 (refer to the reconciliation table of net loss to adjusted income (loss) from operations). This increase was driven by a $3 \%$, or $\$ 50$ million, increase in revenue and a $24 \%$, or $\$ 465$ million, decrease in expenses included in adjusted income (loss) from operations.

Satellite and transmission costs decreased $25 \%$, or $\$ 19$ million, in the nine months ended September 30, 2009 compared to the same period in 2008 due to reductions in maintenance costs, repeater lease expense, and personnel costs.

Programming and content costs decreased $19 \%$, or $\$ 64$ million, in the nine months ended September 30, 2009 compared to the same period in 2008, due mainly to a one-time payment recognized in 2008 to a programming provider upon completion of the merger with XM, reductions in personnel and on-air talent costs as well as savings on certain content agreements.

Revenue share and royalties increased $2 \%$, or $\$ 7$ million, for the nine months ended September 30, 2009 compared to the same period in 2008, mainly due to the increase in the company's revenues and the statutory royalty rate for the performance of sound recordings.

Customer service and billing costs decreased $2 \%$, or $\$ 4$ million, for the nine months ended September 30, 2009 compared to the same period in 2008 due to scale efficiencies over a larger daily weighted average subscriber base.

Cost of equipment decreased $42 \%$, or $\$ 20$ million, in the nine months ended September 30, 2009 compared to the same period in 2008 as a result of a decrease in the company's direct to customer sales, aftermarket inventory charges and lower inventory write-downs.

Sales and marketing costs decreased $42 \%$, or $\$ 109$ million, and decreased as a percentage of revenue to $8 \%$ from $15 \%$ in the nine months ended September 30, 2009 compared to the same period in 2008. The decrease was due to reduced advertising and cooperative marketing spend as well as reductions to personnel costs and third party distribution support expenses.

Subscriber acquisition costs decreased $38 \%$, or $\$ 170$ million, and decreased as a percentage of revenue to $15 \%$ from $25 \%$ in the nine months ended September 30, 2009 compared to the same period in 2008. This decrease was driven by a $17 \%$ improvement in SAC, as adjusted, per gross addition due to fewer OEM installations relative to gross subscriber additions, decreased production of certain radios, lower OEM subsidies and lower aftermarket inventory reserves in the nine months ended September 30, 2009 as compared
to the nine months ended September 30, 2008. Subscriber acquisition costs also decreased as a result of the $28 \%$ decline in gross additions during the nine months ended September 30, 2009.

General and administrative costs decreased $34 \%$, or $\$ 73$ million, mainly due to the absence of certain legal and regulatory charges incurred in 2008 and lower personnel costs.

Engineering, design and development costs decreased $33 \%$, or $\$ 14$ million, in the nine months ended September 30, 2009 compared to the same period in 2008, due to lower costs associated with the manufacturing of radios, OEM tooling and manufacturing, and personnel.

Restructuring, impairments and related costs increased $\$ 23$ million mainly due to a loss of $\$ 24$ million on capitalized installment payments, offset partially by a decrease in personnel related restructuring costs.

Other expenses increased $187 \%$, or $\$ 334$ million, in the nine months ended September 30, 2009 compared to the same period in 2008 driven mainly by the loss on extinguishment of debt and credit facilities of $\$ 264$ million, and an increase in interest expense of $\$ 90$ million, offset by an increase of $\$ 17$ million in gain on investments. The loss on the extinguishment of debt and credit facilities was incurred on the full repayment of SIRIUS' Credit Agreement with Liberty Media and XM's Amended and Restated Credit Agreement and its Second-Lien Credit Agreement. Interest expense increased due primarily to the issuance of XM's 13\% Senior Notes due 2013 and the 7\% Exchangeable Senior Subordinated Notes due 2014 in the third quarter of 2008. The increase in gain on investments was attributable to payments received from SIRIUS Canada in excess of SIRIUS' carrying value of its investment, partially offset by the company's share of SIRIUS Canada's and XM Canada's net losses for the nine months ended September 30, 2009 compared to the same period in 2008.

|  | Unaudited |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Three Months Ended September 30, |  | Nine Months Ended September 30, |  |
|  | 2009 | 2008 | 2009 | 2008 |
|  | (Actual) | (Pro Forma) | (Actual) | (Pro Forma) |
| Beginning subscribers | 18,413,435 | 18,576,830 | 19,003,856 | 17,348,622 |
| Gross subscriber additions | 1,606,446 | 1,843,785 | 4,325,532 | 5,997,096 |
| Deactivated subscribers | $(1,504,151)$ | $(1,499,704)$ | $(4,813,658)$ | $(4,424,807)$ |
| Net additions | 102,295 | 344,081 | $(488,126)$ | 1,572,289 |
| Ending subscribers | 18,515,730 | 18,920,911 | 18,515,730 | 18,920,911 |
| Retail | 7,925,904 | 9,036,420 | 7,925,904 | 9,036,420 |
| OEM | 10,488,530 | 9,777,704 | 10,488,530 | 9,777,704 |
| Rental | 101,296 | 106,787 | 101,296 | 106,787 |
| Ending subscribers | 18,515,730 | 18,920,911 | 18,515,730 | 18,920,911 |


| Retail | $(309,972)$ | $(149,417)$ | $(979,298)$ | (202,295) |
| :---: | :---: | :---: | :---: | :---: |
| OEM | 407,131 | 492,216 | 492,692 | 1,744,436 |
| Rental | 5,136 | 1,282 | $(1,520)$ | 30,148 |
| Net additions | 102,295 | 344,081 | $(488,126)$ | 1,572,289 |
| Self-pay | 15,456,748 | 15,190,588 | 15,456,748 | 15,190,588 |
| Paid promotional | 3,058,982 | 3,730,323 | 3,058,982 | 3,730,323 |
| Ending subscribers | 18,515,730 | 18,920,911 | 18,515,730 | 18,920,911 |
| Self-pay | 35,405 | 361,438 | $(92,838)$ | 1,317,242 |
| Paid promotional | 66,890 | $(17,357)$ | $(395,288)$ | 255,047 |
| Net additions | 102,295 | 344,081 | $(488,126)$ | 1,572,289 |
| Daily weighted average number of subscribers | $18,393,678$ | 18,710,940 | 18,514,041 | 18,187,927 |
|  | Unaudited Pro Forma |  |  |  |
| (in thousands, except | Three Months Ended September 30, |  | Nine Months Ended September 30, |  |
| amounts) | 2009 | 2008 | 2009 | 2008 |
| Average self-pay monthly |  |  |  |  |
| Conversion rate (2) (7) | $46.8 \%$ | 47.0\% | 45.3\% | 49.2\% |
| ARPU (3) (7) | \$10.87 | \$10.51 | \$10.67 | \$10.53 |
| SAC, as adjusted, per gross subscriber addition (4) (7) | \$69 | \$74 | \$63 | \$76 |
| Customer service and billing expenses, as adjusted, per average subscriber (5) (7) | \$1.01 | \$1.05 | \$1.04 | \$1.08 |
| Total revenue | \$629,607 | \$612,776 \$1 | 842,924 \$1 | 792,632 |
| Free cash flow (6) (7) | \$26,724 | \$ 97,594$)$ | \$35,772 \$ | (577,648) |
| Adjusted income (loss) |  |  |  | \$ $(168,096)$ |
| from operations (8) Net loss | $\begin{gathered} \$ 106,140 \\ \$(181,935) \end{gathered}$ | \$ $(217,010)$ \$ | \$ (416, 090 ) | $(653,867)$ |
|  | Unaudited Pro Forma |  |  |  |
|  | Three Months Ended September 30, |  | Nine Months Ended September 30, |  |
| (in thousands) | 2009 | 2008 | 2009 | 2008 |

Revenue:

| Subscriber revenue, including effects of rebates | \$587,442 | \$572,355 | \$1,740,477 | \$1,669,700 |
| :---: | :---: | :---: | :---: | :---: |
| Advertising revenue, net of agency fees | 12,418 | 17,867 | 37,287 | 54,156 |
| Equipment revenue | 10,506 | 12,856 | 31,343 | 38,687 |
| Other revenue | 19,241 | 9,698 | 33,817 | 30,089 |
| Total revenue | 629,607 | 612,776 | 1,842,924 | 1,792,632 |
| Operating expenses: |  |  |  |  |
| Satellite and transmission | 18,676 | 25,136 | 57,077 | 76,336 |
| Programming and content | 93,230 | 131,630 | 277,614 | 341,422 |
| Revenue share and royalties | 123,531 | 120,800 | 362,463 | 355,251 |
| Customer service and billing | 55,795 | 58,857 | 173,517 | 177,159 |
| Cost of equipment | 11,944 | 16,179 | 27,988 | 48,020 |
| Sales and marketing | 52,827 | 78,178 | 152,039 | 260,583 |
| Subscriber acquisition costs | 109,384 | 132,477 | 274,082 | 444,396 |
| General and administrative | 48,481 | 75,981 | 142,812 | 215,440 |
| Engineering, design and development | 9,599 | 10,389 | 28,134 | 42,121 |
| Depreciation and amortization | 47,997 | 64,111 | 145,596 | 196,051 |
| Share-based payment expense | 18,799 | 29,809 | 71,301 | 99,673 |
| Restructuring, impairments and related costs | 2,554 | 7,430 | 30,167 | 7,457 |
| Total operating expenses | 592,817 | 750,977 | 1,742,790 | 2,263,909 |
| Income (loss) from |  |  |  |  |
| Other expense | $(217,610)$ | $(77,086)$ | $(512,880)$ | $(178,777)$ |
| Loss before income taxes | $(180,820)$ | $(215,287)$ | $(412,746)$ | $(650,054)$ |
| Income tax expense | $(1,115)$ | $(1,723)$ | $(3,344)$ | $(3,813)$ |
| Net loss \$ | \$ $(181,935)$ | \$ $(217,010)$ | \$ 416,090 ) | \$ $(653,867)$ |


|  | Unaudited Actual |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | For the Three Months Ended September 30, |  | For the Nine Months Ended September 30, |  |
| (in thousands, except per share data) | 2009 | 2008 | 2009 | 2008 |
| Revenue: |  |  |  |  |
| Subscriber revenue, including effects of rebates | 78,304 | \$458, 237 | \$1,699,455 | 80,396 |


| Advertising revenue, net of agency fees | 12,418 | 14,674 | 37,287 | 31,413 |
| :---: | :---: | :---: | :---: | :---: |
| Equipment revenue | 10,506 | 11,271 | 31,343 | 25,290 |
| Other revenue | 17,428 | 4,261 | 28,379 | 4,710 |
| Total revenue | 618,656 | 488,443 | 1,796,464 | 1,041,809 |
| ```Operating expenses (depreciation and amortization shown separately below) (1):``` |  |  |  |  |
| Cost of services: |  |  |  |  |
| Satellite and transmission | 19,542 | 19,526 | 59,435 | 34,800 |
| Programming and content | 78,315 | 106,037 | 230,825 | 222,975 |
| Revenue share and royalties | 100,558 | 85,592 | 296,855 | 177,635 |
| Customer service and billing | 56,529 | 47,432 | 175,570 | 97,218 |
| Cost of equipment | 11,944 | 13,773 | 27,988 | 28,007 |
| Sales and marketing | 52,530 | 63,637 | 152,647 | 151,237 |
| Subscriber acquisition costs | 90,054 | 86,616 | 230,773 | 257,832 |
| General and administrative | 56,923 | 57,310 | 182,953 | 148,555 |
| Engineering, design and development | 11,252 | 10,434 | 32,975 | 28,091 |
| Impairment of goodwill | - | 4,750,859 | - | 4,750,859 |
| Depreciation and amortization | 72,100 | 66,774 | 231,624 | 120,793 |
| Restructuring, impairments and related costs | 2,554 | 7,430 | 30,167 | 7,457 |
| Total operating expenses | 552,301 | 5,315,420 | 1,651,812 | 6,025,459 |
| Income (loss) from operations | 66,355 | $(4,826,977)$ | 144,652 | $(4,983,650)$ |
| Other income (expense): |  |  |  |  |
| Interest and investment income | 962 | 4,940 | 2,602 | 9,167 |
| Interest expense, net of amounts capitalized | $(78,527)$ | $(49,216)$ | (240,062) | $(83,636)$ |
| Loss on extinguishment of debt and credit |  |  |  |  |
| facilities, net | $(138,053)$ | - | $(263,767)$ | - |
| (Loss) gain on investments | (58) | $(3,089)$ | 457 | $(3,089)$ |
| Other income (expense) | 1,246 | $(3,870)$ | 2,505 | $(3,935)$ |
| Total other expense | $(214,430)$ | $(51,235)$ | $(498,265)$ | $(81,493)$ |
| Loss before <br> income taxes | $(148,075)$ | $(4,878,212)$ | $(353,613)$ | (5,065,143) |
| Income tax expense | $(1,115)$ | $(1,215)$ | $(3,344)$ | $(2,301)$ |
| Net loss | $(149,190)$ | $(4,879,427)$ | $(356,957)$ | $(5,067,444)$ |
| Preferred stock beneficial conversion feature | - | - | $(186,188)$ | - |

## Net loss

attributable
to common
stockholders $\$(149,190) \quad \$(4,879,427) \quad \$(543,145) \quad \$(5,067,444)$
Net loss per common share (basic and diluted)

| $\$(0.04)$ | $\$(1.93)$ | $\$(0.15)$ | $\$(2.76)$ |
| :--- | :--- | :--- | :--- |
| $======$ | $======$ | $======$ | $======$ |

Weighted average common shares outstanding (basic and diluted) $3,621,062 \quad 2,527,692 \quad 3,577,587 \quad 1,836,834$
----------------------------
(1) Amounts related to share-based payment expense included in operating expenses were as follows:

| Satellite and transmission | \$1,086 | \$1,331 | \$3, 020 | \$2,887 |
| :---: | :---: | :---: | :---: | :---: |
| Programming and content | 3,037 | 3,529 | 7,418 | 7,477 |
| Customer service and billing | 734 | 596 | 2,052 | 1,137 |
| Sales and marketing | 2,722 | 3,672 | 10,081 | 11,376 |
| Subscriber acquisition costs | - | - | - | 14 |
| General and administrative | 8,442 | 12,904 | 40,141 | 36,359 |
| Engineering, design and development | 1,653 | 1,973 | 4,841 | 4,167 |
| Total share-based payment expense | \$17,674 | \$24,005 | \$67,553 | \$63,417 |

(in thousands, except share and per share data)

ASSETS
Current assets:
Cash and cash equivalents $\$ 380,372 \quad \$ 380,446$
Accounts receivable, net of allowance for doubtful accounts of $\$ 9,872$ and $\$ 10,860$, respectively
Receivables from distributors
Inventory, net
Prepaid expenses
Related party current assets Other current assets

Total current assets
Property and equipment, net FCC licenses
Restricted investments
Deferred financing fees, net
Intangible assets, net
Goodwill
Related party long-term assets
Other long-term assets

Total assets
$\begin{array}{rr}87,148 & 102,024 \\ 41,755 & 45,950\end{array}$
20,996 24,462
107,350 67,203
109,172 114,177
64,317 58,744
------ ------
811,110 793,006
1,694,235 1,703,476
$2,083,654 \quad 2,083,654$
3,400 141,250
35,889 40,156
629,288 688,671
$1,834,856 \quad 1,834,856$
$114,073124,607$
62,438 81,019
------ ------
$\$ 7,268,943 \quad \$ 7,490,695$
$=================$

```
Current liabilities:
    Accounts payable and accrued expenses
    Accrued interest
    Current portion of deferred revenue
    Current portion of deferred credit
        on executory contracts
    Current maturities of long-term debt
    Related party current liabilities
            Total current liabilities
Deferred revenue
Deferred credit on executory contracts
Long-term debt
Long-term related party debt
Deferred tax liability
Related party long-term liabilities
Other long-term liabilities
Total liabilities
```

    \$521,621
        65,537
        987,177
    247,566
    103,674
        90,869
        ------
    2,016,444
285,488
851,955
2,874,391
265,659
906,428
21,928
39,005
------
7,261,298
43,550
------
7,261,298 7,482,158
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Commitments and contingencies
Stockholders' equity:
Preferred stock, par value \$0.001;
50,000,000 authorized at September 30,
2009 and December 31, 2008:
Series A convertible preferred stock
(liquidation preference of $\$ 51,370$
at September 30,2009 and December
$31,2008) ; 24,808,959$ shares issued
at September 30, 2009 and December
and outstanding at September 30, 2009
and December 31, 2008
Convertible perpetual preferred stock,
series B (liquidation preference of
$\$ 13$ and $\$ 0$ at September 30, 2009 and
December 31, 2008, respectively);
12,500,000 and zero shares issued
and outstanding at September 30, 2009
and December 31, 2008, respectively
Convertible preferred stock, series C
junior; no shares issued and outstanding
at September 30, 2009 and
December 31, 2008
Common stock, par value $\$ 0.001 ; 9,000,000,000$
and 8,000,000,000 shares authorized at
September 30, 2009 and December 31, 2008,
respectively; 3,858,186,839 and
3,651,765,837 shares issued and
outstanding at September 30, 2009 and
December 31, 2008, respectively 3,858 3,652
Accumulated other comprehensive
loss, net of tax
$(6,598)$
Additional paid-in capital
Accumulated deficit
Total stockholders' equity
$10,265,752$
$(10,255,405)$
------------
$\begin{array}{rr}---------- & --------- \\ 7,645 & 8,537\end{array}$
\$7,268,943
\$7,490,695
Total liabilities and
stockholders' equity
$===================$
\$642,820
76,463
985,180
234,774
399,726
68,373
------
2,407,336
247,889
1,037,190
2,851,740
894,453
-
7,482,15813
(6,598)
$(7,871)$
9,724,991
5) $(9,712,260)$
$\begin{array}{rr}----------- & \text {----------- } \\ 7,645 & 8,537\end{array}$
outstanding at september 30,2009
Accumulated deficit

| Unaud | ted For th Ended Sep | Nine Months tember 30, |
| :---: | :---: | :---: |
| (in thousands) | 2009 | 2008 |
| Cash flows from operating activities: |  |  |
| Net loss | \$ 356,957$)$ | \$ (5,067,444) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |  |  |
| Depreciation and amortization | 231,624 | 114,923 |
| Impairment of goodwill | - | 4,750,859 |
| Non-cash interest expense, net of amortization of premium | 32,909 | $(1,933)$ |
| Provision for doubtful accounts | 23,879 | 11,125 |
| Amortization of deferred income related to equity method investment | $(2,082)$ | (471) |
| Loss on extinguishment of debt and credit facilities, net | 263,767 | - |
| Restructuring, impairments and related costs | 26,954 | - |
| Loss on disposal of assets | - | 4,879 |
| Loss on investments | 10,967 | 3,089 |
| Share-based payment expense | 67,553 | 63,417 |
| Deferred income taxes | 3,344 | 2,301 |
| Other non-cash purchase price adjustments | $(142,487)$ | $(23,770)$ |
| Other | - | 1,643 |
| Changes in operating assets and liabilities: |  |  |
| Accounts receivable | (9,002) | 1,575 |
| Inventory | 3,466 | 2,952 |
| Receivables from distributors | 4,195 | 9,595 |
| Related party assets | 15,539 | $(1,357)$ |
| Prepaid expenses and other current assets | 30,188 | 3,528 |
| Other long-term assets | 64,034 | 37,110 |
| Accounts payable and accrued expenses | $(68,135)$ | $(122,969)$ |
| Accrued interest | $(6,600)$ | $(2,810)$ |
| Deferred revenue | 11,569 | $(4,577)$ |
| Related party liabilities | 44,424 | 3,315 |
| Other long-term liabilities | 3,958 | $(1,972)$ |
| Net cash provided by (used in) operating activities | 253,107 | $(216,992)$ |
| Cash flows from investing activities: |  |  |
| Additions to property and equipment | $(217,335)$ | $(102,705)$ |
| Sales of property and equipment | - | 105 |
| Purchases of restricted and other investments | - | $(3,000)$ |
| Acquisition of acquired entity cash | - | 819,521 |
| Merger related costs | - | $(13,047)$ |
| Sale of restricted and other investments | - | 65,642 |
| Net cash (used in) provided by investing activities | $(217,335)$ | 766,516 |


| Cash flows from financing activities: Proceeds from exercise of warrants and stock options | - | 471 |
| :---: | :---: | :---: |
| Preferred stock issuance costs, net | $(3,712)$ | - |
| Long-term borrowings, net | 579,936 | 533,941 |
| Related party long-term borrowings, net | 364,964 |  |
| Short-term financings | 2,220 | - |
| Payment of premiums on redemption of debt | $(17,075)$ | $(18,693)$ |
| Payments to minority interest holder | - | $(61,880)$ |
| Repayment of long-term borrowings | $(610,932)$ | $(1,082,428)$ |
| Repayment of related party long-term borrowings | $(351,247)$ | - |
| Other | - | (98) |
| Net cash used in financing activities | $(35,846)$ | $(628,687)$ |
| Net decrease in cash and cash equivalents | (74) | $(79,163)$ |
| Cash and cash equivalents at beginning of period | 380,446 | 438,820 |
| Cash and cash equivalents at end of period | \$380,372 | \$359,657 |

FOOTNOTES TO PRESS RELEASE AND TABLES FOR NON-GAAP FINANCIAL MEASURES
(1) Average self-pay monthly churn represents the monthly average of self-pay deactivations by the quarter divided by the average self-pay subscriber balance for the quarter.
(2) We measure the percentage of subscribers that receive our service and convert to self-paying after the initial promotion period. We refer to this as the "conversion rate." At the time of sale, vehicle owners generally receive between three and twelve month prepaid trial subscriptions and we receive a subscription fee from the OEM. Promotional periods generally include the period of trial service plus 30 days to handle the receipt and processing of payments. We measure conversion rate three months after the period in which the trial service ends. Based on our experience it may take up to 90 days after the trial service ends for subscribers to respond to our marketing communications and become self-paying subscribers.
(3) ARPU is derived from total earned subscriber revenue and net advertising revenue, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. ARPU is calculated as follows (in thousands, except for per subscriber amounts):


| Total subscriber and advertising revenue | $\$ 599,860$ | \$590,222 | \$1,777,764 | \$1,723,856 |
| :---: | :---: | :---: | :---: | :---: |
| Daily weighted average |  |  |  |  |
|  |  |  |  |  |
| ARPU | \$10.87 | \$10.51 | \$10.67 | \$10.53 |

(4) SAC, as adjusted, per gross subscriber addition is derived from subscriber acquisition costs and margins from the direct sale of radios and accessories, excluding share-based payment expense divided by the number of gross subscriber additions for the period. SAC, as adjusted, per gross subscriber addition is calculated as follows (in thousands, except for per subscriber amounts):

|  | Three Months Ended September 30, |  | Nine Months Ended September 30, |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2009 | 2008 | 2009 | 2008 |
| Subscriber acquisition cost | \$109,384 | \$132,477 | \$274,082 | \$444,410 |
| Less: share-based payment expense granted to third parties and employees | - | - | - | (14) |
| Less/Add: margin from direct sales of radios and accessories | 1,438 | 3,323 | $(3,355)$ | 9,333 |
| SAC, as adjusted | \$110,822 | \$135,800 | \$270,727 | \$453,729 |
| Gross subscriber additions | 1,606,446 | 1,843,785 | 4,325,532 | 5,997,096 |
| SAC, as adjusted, per gross subscriber addition | $\$ 69$ | $\$ 74$ | \$63 | \$76 |

(5) Customer service and billing expenses, as adjusted, per average subscriber is derived from total customer service and billing expenses, excluding share-based payment expense, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. Customer service and billing expenses, as adjusted, per average subscriber is calculated as follows (in thousands, except for per subscriber amounts):

Unaudited Pro Forma

| Three Months Ended September 30, |  | Nine Months Ended September 30, |  |
| :---: | :---: | :---: | :---: |
| 2009 | 2008 | 2009 | 2008 |
| \$56,644 | \$59,786 | \$175,928 | \$180,270 |
| (849) | (929) | $(2,411)$ | $(3,111)$ |

Customer service and billing expenses Less: share-based payment expense
------ ------
Customer service and billing expenses, as

| adjusted | $\$ 55,795$ | $\$ 58,857$ | $\$ 173,517$ |
| :--- | :--- | :--- | :--- |
| $========$ | $=======$ | $========$ | $\$ 177,159$ |
|  | $========$ |  |  |


(7) Average self-pay monthly churn; conversion rate; ARPU; SAC, as adjusted, per gross subscriber addition; customer service and billing expenses, as adjusted, per average subscriber; and free cash flow are not measures of financial performance under U.S. generally accepted accounting principles ("GAAP"). We believe these non-GAAP financial measures provide meaningful supplemental information regarding our operating performance and are used by us for budgetary and planning purposes; when publicly providing our business outlook; as a means to evaluate period-to-period comparisons; and to compare our performance to that of our competitors. We also believe that investors also use our current and projected metrics to monitor the performance of our business and to make investment decisions.

We believe the exclusion of share-based payment expense in our calculations of SAC, as adjusted, per gross subscriber addition and customer service and billing expenses, as adjusted, per average subscriber is useful given the significant variation in expense that can result from changes in the fair market value of our common stock, the effect of which is unrelated to the operational conditions that give rise to variations in the components of our subscriber acquisition costs and customer service and billing expenses. Specifically, the exclusion of share-based payment expense in our calculation of SAC, as adjusted, per gross subscriber addition is critical in being able to understand the economic impact of the direct costs incurred to acquire a subscriber and the effect over time as economies of scale are reached.

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP. These non-GAAP financial measures may be susceptible to varying calculations; may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP.
(8) We refer to net loss before interest and investment income, interest expense net of amounts capitalized, income tax expense, loss from redemption of debt, loss on investments, other expense (income), restructuring and related cost, depreciation and amortization, and share related payment expense as adjusted income (loss) from operations. Adjusted income (loss) from operations is not a measure of financial performance under U.S. GAAP. We believe adjusted income (loss) from operations is a useful measure of our operating performance. We use adjusted income (loss) from operations for budgetary and planning purposes; to assess the relative profitability and on-going performance of our consolidated operations; to compare our performance from period-to-period; and to compare our performance to that of our competitors. We also believe adjusted income (loss) from operations is useful to investors to compare our operating performance to the performance of other communications, entertainment and media companies. We believe that investors use current and projected adjusted income (loss) from operations to estimate our current or prospective enterprise value and to make investment decisions.

Because we fund and build-out our satellite radio system through the periodic raising and expenditure of large amounts of capital, our results of operations reflect significant charges for interest and depreciation expense. We believe adjusted income (loss) from operations provides useful information about the operating performance of our business apart from the costs associated with our capital structure and physical plant. The exclusion of interest and depreciation and amortization expense is useful given fluctuations in interest rates and significant variation in depreciation and amortization expense that can result from the amount and timing of capital expenditures and potential variations in estimated useful lives, all of which can vary widely across different industries or among companies within the same industry. We believe the exclusion of taxes is appropriate for comparability purposes as the tax positions of companies can vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the various jurisdictions in which they operate. We believe the exclusion of restructuring and related costs is useful given the non-recurring nature of these transactions. We also believe the exclusion of sharebased payment expense is useful given the significant variation in expense that can result from changes in the fair market value of our common stock. To compensate for the exclusion of taxes, other income (expense), depreciation and amortization and share-based payment expense, we separately measure and budget for these items.

There are material limitations associated with the use of adjusted income (loss) from operations in evaluating our company compared with net loss, which reflects overall financial performance, including the effects of taxes, other income (expense), depreciation and amortization, restructuring and related costs, and share-based payment expense. We use adjusted income (loss) from operations to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Investors that wish to compare and evaluate our operating
results after giving effect for these costs, should refer to net loss as disclosed in our unaudited condensed consolidated statements of operations. Since adjusted income (loss) from operations is a nonGAAP financial measure, our calculation of adjusted income (loss) from operations may be susceptible to varying calculations; may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP.

The reconciliation of the pro forma unadjusted net loss to the pro forma adjusted income (loss) from operations is calculated as follows (see footnotes for reconciliation of the pro forma amounts to their respective GAAP amounts):


There are material limitations associated with the use of a pro forma unadjusted results of operations in evaluating our company compared with our GAAP results of operations, which reflects overall financial performance. We use pro forma unadjusted results of operations to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Investors that wish to compare and evaluate our operating results after giving effect for these costs, should refer to results
of operations as disclosed in our unaudited condensed consolidated statements of operations. Since pro forma unadjusted results of operations is a non-GAAP financial measure, our calculations may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP.
(9) The following tables reconcile our GAAP results of operations to our non-GAAP pro forma unadjusted results of operations (in thousands):

Unaudited For the Three Months Ended September 30, 2009

|  |  | Allocation of |  |
| :---: | :---: | :---: | :---: |
|  | Purchase Price | Sharebased |  |
| As | Accounting | Payment | Pro |
| Reported | Adjustments | Expense | Forma |

## Revenue:

Subscriber revenue, including effects of rebates net of agency fees

| $\$ 578,304$ | $\$ 9,138$ | $\$-$ | $\$ 587,442$ |
| ---: | ---: | ---: | ---: |
| 12,418 | - | - | 12,418 |
| 10,506 | - | - | 10,506 |
| 17,428 | 1,813 | - | 19,241 |
| ---- | ---- | -- | ---- |
| 618,656 | 10,951 | - | 629,607 |

Total revenue 618,656

10,951 - 629,607
Operating expenses (excludes depreciation and amortization shown separately below) (1)

Cost of services:
Satellite and transmission

19,542
331
$(1,197)$
18,676
Programming and content

78,315
18,117
$(3,202) \quad 93,230$
Revenue share and royalties

100,558
22,973

- 123,531

Customer service and billing
Cost of equipment
56,529
11,944
115
(849) 55,795
$52,530 \quad 3,155 \quad 12,-11,944$
Sales and marketing
3,155
$(2,858)$
52,827
Subscriber acquisition costs

90,054
19,330

- 109,384

General and administrative
56,923
374
$(8,816)$
48,481
Engineering, design and development

11,252
224
$(1,877) \quad 9,599$
Depreciation and amortization 72,100
$(24,103)$

- 47,997

Share-based payment expense
-
-
$\begin{array}{rrrr}2,554 & - & - & 2,554 \\ ---- & --- & -- & ---- \\ 552,301 & 40,516 & - & 592,817 \\ ------ & ----- & -- & ------ \\ & & (29,565) & - \\ 66,355 & & 36,790\end{array}$
18,799 18,799
Restructuring, impairments and related costs

Other income (expense)


(1) Amounts related to share-based payment expense included in operating expenses were as follows:

| transmission | \$1,331 | \$305 | \$36 | \$- | \$1,672 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Programming and content | 3,529 | 586 | 195 | - | 4,310 |
| Customer service and billing | 596 | 228 | 105 | - | 929 |
| Sales and marketing | 3,672 | 770 | 366 | - | 4,808 |
| Subscriber acquisition costs | - | - | - | - |  |
| General and administrative | 12,904 | 1,634 | 777 | - | 15,315 |
| Engineering, design and development | 1,973 | 510 | 292 | - | 2,775 |
| Total share-based payment expense | \$24,005 | \$4,033 | \$1,771 | \$- | \$29,809 |

(a) Includes impairment of goodwill.
Unaudited For the Nine Months Ended
September 30,2009

Revenue:
Subscriber revenue, including effects of rebates
Advertising revenue, net of agency fees
Equipment revenue
Other revenue
Total revenue

$$
\begin{array}{rrrr}
\$ 1,699,455 & \$ 41,022 & \$- & \$ 1,740,477 \\
& & & \\
37,287 & - & - & 37,287 \\
31,343 & - & - & 31,343 \\
28,379 & 5,438 & - & 33,817 \\
---- & ---- & -- & ---- \\
1,796,464 & 46,460 & - & 1,842,924
\end{array}
$$

Operating expenses (excludes depreciation and
amortization shown separately below) (1)

Cost of services:
Satellite and transmission

59,435
Programming and content

230,825
1,013
$(3,371)$
57,077

296,855
54,708
$(7,919)$
277,614
Revenue share and royalties

65,608
362,463
Customer service and billing

175,570
27,988
358 (2,411) 173,517
Cost of equipment
-
,
27,988
152,647
9,986
$(10,594)$
152,039
Subscriber acquisition costs

230,773
43,309

- 274,082

General and administrative
182,953
1,252
$(41,393)$
142,812
Engineering, design and development

32,975
$772(5,613)$
28,134
Depreciation and

| amortization | 231,624 | $(86,028)$ | - | 145,596 |
| :---: | :---: | :---: | :---: | :---: |
| Share-based payment expense | - | - | 71,301 | 71,301 |
| Restructuring, impairments and related costs | 30,167 | - | - | 30,167 |
| Total operating expenses | 1,651,812 | 90,978 | - | 1,742,790 |
| Income (loss) from operations | 144,652 | $(44,518)$ | - | 100,134 |
| Other income (expense) |  |  |  |  |
| Interest and investment income | 2,602 | - | - | 2,602 |
| Interest expense, net of amounts capitalized | $(240,062)$ | $(14,615)$ | - | $(254,677)$ |
| Loss on extinguishment of debt and facilities, net | $(263,767)$ | - | - | $(263,767)$ |
| Gain on investments | 457 | - | - | 457 |
| Other income | 2,505 | - | - | 2,505 |
| Total other expense | $(498,265)$ | $(14,615)$ | - | $(512,880)$ |
| Loss before income taxes | $(353,613)$ | $(59,133)$ | - | $(412,746)$ |
| Income tax expense | $(3,344)$ | - | - | $(3,344)$ |
| Net loss | \$ (356, 957) | \$ 59,133$)$ | \$- | \$ (416, 090 ) |

(1) Amounts related to share-based payment expense included in operating expenses were as follows:

| Satellite and transmission | $\$ 3,020$ | $\$ 351$ | $\$-$ | $\$ 3,371$ |
| :--- | ---: | ---: | ---: | ---: |
| Programming and content | 7,418 | 501 | - | 7,919 |
| Customer service and billing | 2,052 | 359 | - | 2,411 |
| Sales and marketing | 10,081 | 513 | - | 10,594 |
| Subscriber acquisition costs | - | - | - | - |
| General and administrative | 40,141 | 1,252 | - | 41,393 |
| Engineering, design and |  |  |  |  |
| development | 4,841 | 772 | - | 5,613 |
| Total share-based | ---- | --- | -- | ---- |
| payment expense | $\$ 67,553$ | $\$ 3,748$ | $\$-$ | $\$ 71,301$ |
|  | $=======$ | $======$ | $===$ | $=======$ |

$\left.\begin{array}{cccc}\text { Unaudited For the Nine Months Ended } \\ \text { September } 30,2008\end{array}\right)$

Revenue:
Subscriber
revenue, including effects of rebates \$980,396 \$670,870 \$18,434 \$- \$1,669,700

| Advertising <br> revenue, net of agency fees | 31,413 | 22,743 | - | - | 54,156 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Equipment revenue | ue 25,290 | 13,397 | - | - | 38,687 |
| Other revenue | 4,710 | 24,184 | 1,195 | - | 30,089 |
| ```Total revenue Operating expenses (excludes depreciation and amortization shown separately below) (1)``` | 1,041,809 | 731,194 | 19,629 | - | 1,792,632 |
|  |  |  |  |  |  |
| Cost of services: |  |  |  |  |  |
| Satellite and |  |  |  |  |  |
| Programming and content | 222,975 | 117,156 | 13,912 | $(12,621)$ | 341,422 |
| Revenue share and royalties | 177,635 | 166,606 | 11,010 | - | 355,251 |
| service and |  |  |  |  |  |
| billing | 97,218 | 82,947 | 105 | $(3,111)$ | 177,159 |
| Cost of equipment | 28,007 | 20,013 | - | - | 48,020 |
| Sales and |  |  |  |  |  |
| Subscriber acquisition costs | 257,832 | 174,083 | 12,495 | (14) | 444,396 |
| administrative | 148,555 | 116,444 | 777 | $(50,336)$ | 215,440 |
| Engineering, design and |  |  |  |  |  |
| development | 28,091 | 23,045 | 119 | $(9,134)$ | 42,121 |
| Impairment |  |  |  |  |  |
| Depreciation and |  |  |  |  |  |
| Restructuring, impairments and related costs | 7,457 | - | - | - | 7,457 |
| Share-based |  |  |  |  |  |
| Total operating expenses | 6,025,459 | 961,663 | $(4,723,213)$ | - | 2,263,909 |
| Loss from operations | $(4,983,650)$ | $(230,469)$ | 4,742,842 | - | $(471,277)$ |
| Other income (expense) |  |  |  |  |  |
| Interest and investment income |  |  | - | - |  |
| Interest <br> expense, net of amounts |  |  |  |  |  |
| capitalized | $(83,636)$ | $(73,937)$ | $(6,807)$ | - | $(164,380)$ |
| Loss on |  |  |  |  |  |


(1) Amounts related to share-based payment expense included in operating expenses were as follows:

| Satellite and transmission | \$2,887 | \$2,745 | \$36 | \$- | \$5,668 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Programming and content | 7,477 | 4,949 | 195 | - | 12,621 |
| Customer service and billing | 1,137 | 1,869 | 105 | - | 3,111 |
| Sales and marketing | 11,376 | 7,047 | 366 | - | 18,789 |
| Subscriber acquisition costs | 14 | - | - | - | 14 |
| General and administrative | 36,359 | 13,200 | 777 | - | 50,336 |
| Engineering, design and development | 4,167 | 4,675 | 292 | - | 9,134 |
| Total share-based payment expense | \$63,417 | \$34,485 | \$1,771 | \$- | \$99,673 |

(a) Includes impairment of goodwill.
(10) The following table reconciles our GAAP Net loss per common share (basic and diluted) to our non-GAAP Net loss per common share (basic and diluted) excluding the following charges: (a) preferred stock beneficial conversion feature, (b) loss on extinguishment of debt and credit facilities, net, and (c) loss on impairment of goodwill.

| Unaudited |  |  |  |
| :---: | :---: | :---: | :---: |
| Three Months Ended September 30, |  | Nine Months Ended September 30, |  |
| 2009 | 2008 | 2009 | 2008 |
| \$(0.04) | \$(1.93) | \$(0.15) | \$(2.76) |
| - | - | (0.05) | - |

Net loss per common share

```
    excluding preferred stock
beneficial conversion
feature
    of debt and credit
    facilities, net
Net loss per common share
    excluding loss on
    extinguishment of debt
    and credit facilities,
    net and preferred stock
    beneficial conversion
    feature
Less: Impairment of goodwill
Net loss per common share,
    excluding charges
```

(0.04)

Less: Loss on extinguishment
(0.04)
(0.00
(1.93)
(0.10)

- (0.07)

| - | $(0.07)$ | - |
| ---: | ---: | ---: |
| -- | ---- |  |

(1.93)
(1.88)
(0.03)

-     -         - 

$\$(0.00) \quad \$(0.05) \quad \$(0.03)$
(2.76)
$\qquad$

## About SIRIUS XM Radio

SIRIUS XM Radio is America's satellite radio company delivering to subscribers commercialfree music channels, premier sports, news, talk, entertainment, and traffic and weather.

SIRIUS XM Radio has content relationships with an array of personalities and artists, including Howard Stern, Martha Stewart, Oprah Winfrey, Rosie O'Donnell, Jamie Foxx, Barbara Walters, Opie \& Anthony, Bubba the Love Sponge®, Bob Edwards, Chris "Mad Dog" Russo, Jimmy Buffett, The Grateful Dead, Willie Nelson, Bob Dylan and Tom Petty. SIRIUS XM Radio is the leader in sports programming as the Official Satellite Radio Partner of the NFL, Major League Baseball®, NASCAR®, NBA, NHL®, and PGA TOUR® and major college sports.

SIRIUS XM Radio has arrangements with every major automaker. SIRIUS XM Radio products are available at shop.sirius.com and shop.xmradio.com, and at retail locations nationwide, including Best Buy, RadioShack, Wal-Mart and independent retailers.

SIRIUS XM Radio also offers SIRIUS Backseat TV, the first ever live in-vehicle rear seat entertainment featuring Nickelodeon, Disney Channel and Cartoon Network; XM NavTraffic® service for GPS navigation systems delivers real-time traffic information, including accidents and road construction, for more than 80 North American markets.

This communication contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about the benefits of the business combination transaction involving SIRIUS and XM, including potential synergies and cost savings and the timing thereof, future financial and operating results, the combined company's 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," "anticipate," "believe," "plan," "estimate," "intend," "will," "should," "may," or words of similar meaning. Such forward-looking statements are based upon the current beliefs and expectations of SIRIUS' and XM's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond the control of SIRIUS and XM. Actual results may differ materially from the
results anticipated in these forward-looking statements.
The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statement: our substantial indebtedness; the businesses of SIRIUS and XM may not be combined successfully, or such combination may take longer, be more difficult, time-consuming or costly to accomplish than expected; the useful life of our satellites; our dependence upon automakers and other third parties; our competitive position versus other forms of audio and video entertainment; and general economic conditions. Additional factors that could cause SIRIUS' and XM's results to differ materially from those described in the forward-looking statements can be found in SIRIUS' Annual Report on Form 10-K for the year ended December 31, 2008 and XM's Annual Report on Form 10-K for the year ended December 31, 2008, which are filed with the Securities and Exchange Commission (the "SEC") and available at the SEC's Internet site (http://www.sec.gov). The information set forth herein speaks only as of the date hereof, and SIRIUS and XM disclaim any intention or obligation to update any forward looking statements as a result of developments occurring after the date of this communication.

## E-SIRI

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