

August 2, 2011



# SiriusXM Reports Second Quarter 2011 Results

- **Subscribers Exceed 21 Million, an All-Time High**
- **Record Revenue of \$744 Million, Up 6% Over Second Quarter 2010**
- **Record Adjusted EBITDA of \$185 Million, Up 20% Over Second Quarter 2010**
- **Company Raises Guidance; 1.6 Million Net Subscriber Additions and Free Cash Flow Approaching \$400 Million Expected in 2011**

NEW YORK, Aug. 2, 2011 /PRNewswire/ -- Sirius XM Radio (NASDAQ: SIRI) today announced second quarter 2011 results, including revenue of \$744 million, up 6% over second quarter 2010 revenue of \$700 million, and adjusted EBITDA of \$185 million, up 20% from \$154 million in the second quarter of 2010.

(Logo: <https://photos.prnewswire.com/prnh/20101014/NY82093LOGO> )

"Our results in the second quarter were strong, and we are proud of our record levels of subscribers, revenue, and adjusted EBITDA and growth in free cash flow. SiriusXM continues to perform well, and we are pleased to raise our subscriber guidance and, for the second time this year, our free cash flow guidance," said Mel Karmazin, Chief Executive Officer, SiriusXM.

Highlights from the quarter include:

- **Subscriber growth continues.** Auto sales growth and higher OEM penetration year-over-year drove ending subscribers as of June 30, 2011 to 21,016,175, up 8% from the 19,527,448 subscribers reported as of June 30, 2010. Self-pay net additions in the second quarter of 2011 were 362,663, up 19% from 304,043 in the second quarter of 2010.
- **Churn stable.** Average self-pay monthly churn was 1.9% in the second quarter 2011, compared to 2.0% in the first quarter 2011 and 1.8% in the second quarter of 2010.
- **SAC improves.** Subscriber acquisition cost (SAC) per gross subscriber addition was \$54 in the second quarter of 2011, an 8% improvement from the \$59 reported in the second quarter of 2010.

"Demand for satellite radio continues to grow, with gross additions reaching the highest level of any quarter since the merger of Sirius and XM. Our all-time high OEM penetration rate is a reflection of the automakers' satisfaction and their commitment to offer our service to their

customers," said Karmazin. "We intend to drive future growth through innovations to our satellite and internet platforms, with the goal of better delivering our unparalleled content to our valued customers. We're also excited to launch a variety of additional new music and talk channels later this year."

Free cash flow in the second quarter of 2011 was \$165 million, a 53% improvement from the \$108 million reported in the second quarter 2010. These improvements were driven by cash received from the Canada merger, a decline in satellite capital expenditures, and improved adjusted EBITDA. Net income in the second quarters of 2011 and 2010 was \$173 million and \$15 million, respectively, or \$0.03 and \$0.00 per diluted share, respectively.

"We ended the second quarter with \$528 million of cash and cash equivalents after using approximately \$75 million to repurchase debt in the second quarter," said David Frear, SiriusXM's Executive Vice President and Chief Financial Officer. "We continue to make steady progress toward reaching our leverage target. Our net debt to adjusted EBITDA declined to 3.7x at the end of the second quarter of 2011 from 5.2x at the end of the second quarter of 2010. The company is examining ways to start efficiently returning capital to shareholders beginning in 2012," added Frear.

The discussion of adjusted EBITDA excludes the effects of stock-based compensation and certain purchase price accounting adjustments. A reconciliation of non-GAAP items to their nearest GAAP equivalent is contained in the financial supplements included with this release.

## 2011 GUIDANCE

"With the excellent subscriber performance recorded in the first half of 2011, we are now confident that we will exceed our previously announced 1.4 million net subscriber addition guidance for 2011. Today we are raising our full-year guidance to a projected 1.6 million net subscriber additions," added Karmazin. "After a strong first half, we now expect free cash flow in 2011 will approach \$400 million, up from our prior guidance of approaching \$350 million."

In 2011, the company continues to expect full-year revenue of approximately \$3 billion. SiriusXM's adjusted EBITDA projection remains at approximately \$715 million. Full year self-pay churn and conversion rates for 2011 should be broadly similar to those seen in 2010.

## SECOND QUARTER 2011 RESULTS

### *Subscriber Data.*

The following table contains actual subscriber data for the three and six months ended June 30, 2011 and 2010, respectively:

|                            | Unaudited                           |             |                                   |             |
|----------------------------|-------------------------------------|-------------|-----------------------------------|-------------|
|                            | For the Three Months Ended June 30, |             | For the Six Months Ended June 30, |             |
|                            | 2011                                | 2010        | 2011                              | 2010        |
| Beginning subscribers      | 20,564,028                          | 18,944,199  | 20,190,964                        | 18,772,758  |
| Gross subscriber additions | 2,179,348                           | 2,020,507   | 4,231,715                         | 3,741,355   |
| Deactivated subscribers    | (1,727,201)                         | (1,437,258) | (3,406,504)                       | (2,986,665) |

|                                              |            |            |            |            |
|----------------------------------------------|------------|------------|------------|------------|
| Net additions                                | 452,147    | 583,249    | 825,211    | 754,690    |
| Ending subscribers                           | 21,016,175 | 19,527,448 | 21,016,175 | 19,527,448 |
| Self-pay                                     | 17,170,306 | 16,077,714 | 17,170,306 | 16,077,714 |
| Paid promotional                             | 3,845,869  | 3,449,734  | 3,845,869  | 3,449,734  |
| Ending subscribers                           | 21,016,175 | 19,527,448 | 21,016,175 | 19,527,448 |
| Self-pay                                     | 362,663    | 304,043    | 483,507    | 373,782    |
| Paid promotional                             | 89,484     | 279,206    | 341,704    | 380,908    |
| Net additions                                | 452,147    | 583,249    | 825,211    | 754,690    |
| Daily weighted average number of subscribers | 20,715,630 | 19,139,926 | 20,475,720 | 18,962,580 |
| Average self-pay monthly churn (1)           | 1.9%       | 1.8%       | 1.9%       | 1.9%       |
| Conversion rate (2)                          | 45.2%      | 46.7%      | 44.9%      | 45.9%      |

See accompanying footnotes.

*Subscribers.* The improvement in the three months ended June 30, 2011 was due to the 8% increase in gross subscriber additions, primarily resulting from an increase in U.S. light vehicle sales, new vehicle penetration and returning activations.

*Average Self-pay Monthly Churn* increased in the three months ended June 30, 2011 due to changes in vehicle ownership which were offset by reductions in non-pay cancellation rates.

*Conversion Rate.* The decrease in the three months ended June 30, 2011 was primarily due to the changing mix of sales among auto manufacturers.

### *Metrics.*

The following table contains our key operating metrics based on our unaudited adjusted results of operations for the three and six months ended June 30, 2011 and 2010, respectively:

|                                                                   | Unaudited                           |            |                                   |              |
|-------------------------------------------------------------------|-------------------------------------|------------|-----------------------------------|--------------|
|                                                                   | For the Three Months Ended June 30, |            | For the Six Months Ended June 30, |              |
|                                                                   | 2011                                | 2010       | 2011                              | 2010         |
| <i>(in thousands, except for per subscriber amounts)</i>          |                                     |            |                                   |              |
| ARPU (3)                                                          | \$ 11.53                            | \$ 11.81   | \$ 11.53                          | \$ 11.65     |
| SAC, per gross subscriber addition (4)                            | \$ 54                               | \$ 59      | \$ 56                             | \$ 59        |
| Customer service and billing expenses, per average subscriber (5) | \$ 1.00                             | \$ 1.01    | \$ 1.04                           | \$ 1.00      |
| Free cash flow (6)                                                | \$ 165,433                          | \$ 108,331 | \$ 148,559                        | \$ (18,872)  |
| Adjusted total revenue (8)                                        | \$ 747,335                          | \$ 705,560 | \$ 1,474,896                      | \$ 1,376,122 |

|                     |            |            |            |            |
|---------------------|------------|------------|------------|------------|
| Adjusted EBITDA (7) | \$ 185,094 | \$ 154,313 | \$ 366,454 | \$ 312,070 |
|---------------------|------------|------------|------------|------------|

See accompanying footnotes.

*ARPU* decreased in the three months ended June 30, 2011 by \$0.28, primarily as a result of an increase in subscriber retention programs, the number of subscribers on OEM paid promotional plans and the decrease in the U.S. Music Royalty rate, partially offset by an increase in sales of premium services, including "Best of" programming, data services and streaming.

*SAC, Per Gross Subscriber Addition*, decreased in the three months ended June 30, 2011 primarily due to an 8% increase in gross subscriber additions and lower per radio subsidy rates for certain OEMs.

*Customer Service and Billing Expenses, Per Average Subscriber*, decreased in the three months ended June 30, 2011 primarily due to the 8% growth in daily weighted average subscribers relative to a 7% increase in customer service and billing expenses due to higher call volume and handle time per call and personnel costs.

*Free Cash Flow* increased in the three months ended June 30, 2011 principally as a result of improvements in net cash provided by operating activities and decreases in capital expenditures. Net cash provided by operating activities increased \$16 million to \$195 million for the three months ended June 30, 2011, compared to the \$179 million provided by operations for the three months ended June 30, 2010. The increase in net cash provided by operating activities was primarily the result of improved operating performance driving higher adjusted EBITDA, cash received from the Canada merger and higher collections from subscribers and distributors. Capital expenditures for property and equipment for the three months ended June 30, 2011 decreased \$30 million to \$40 million, compared to \$70 million for the three months ended June 30, 2010. The decrease in capital expenditures for the three months ended June 30, 2011 was primarily the result of decreased satellite construction and launch expenditures due to the launch in the fourth quarter of 2010 of our XM-5 satellite. The increase in net cash from restricted and other investment activities was driven by the return of capital resulting from the Canada merger.

*Adjusted Total Revenue.* Set forth below are our adjusted total revenue for the three and six months ended June 30, 2011 and 2010, respectively. Our adjusted total revenue includes the recognition of deferred subscriber revenues acquired in the merger between SIRIUS and XM (the "Merger") that are not recognized in our results under purchase price accounting and the elimination of the benefit in earnings from deferred revenue associated with our investment in XM Canada acquired in the Merger.

| (in thousands) | Unaudited                           |      |                                   |      |
|----------------|-------------------------------------|------|-----------------------------------|------|
|                | For the Three Months Ended June 30, |      | For the Six Months Ended June 30, |      |
|                | 2011                                | 2010 | 2011                              | 2010 |

Revenue:

|                                                         |            |            |              |              |
|---------------------------------------------------------|------------|------------|--------------|--------------|
| Subscriber revenue, including effects of rebates (GAAP) | \$ 639,642 | \$ 601,630 | \$ 1,262,080 | \$ 1,181,139 |
| Advertising revenue, net of agency fees (GAAP)          | 18,227     | 15,797     | 34,785       | 30,323       |
| Equipment revenue (GAAP)                                | 17,022     | 18,520     | 32,889       | 32,802       |
| Other revenue (GAAP)                                    | 69,506     | 63,814     | 138,482      | 119,280      |
| Total revenue (GAAP)                                    | 744,397    | 699,761    | 1,468,236    | 1,363,544    |
| Purchase price accounting adjustments:                  |            |            |              |              |
| Subscriber revenue, including effects of rebates        | 1,125      | 3,986      | 3,034        | 8,952        |
| Other revenue                                           | 1,813      | 1,813      | 3,626        | 3,626        |
| Adjusted total revenue                                  | \$ 747,335 | \$ 705,560 | \$ 1,474,896 | \$ 1,376,122 |

For the three months ended June 30, 2011, the increase in subscriber revenue was primarily attributable to an 8% increase in daily weighted average subscribers and an increase in sales of premium services, including "Best of" programming, data services and streaming. The increase in other revenue was driven by an increase in subscribers subject to the U.S. Music Royalty Fee and increased royalty revenue from Sirius Canada.

**Adjusted EBITDA.** EBITDA is defined as net income (loss) before interest and investment income (loss); interest expense, net of amounts capitalized; income tax expense and depreciation and amortization. Adjusted EBITDA removes the impact of other income and expense, losses on extinguishment of debt as well as certain other charges, such as goodwill impairment; restructuring, impairments and related costs; certain purchase price accounting adjustments and share-based payment expense.

|                                     | Unaudited Adjusted                  |            |                                   |              |
|-------------------------------------|-------------------------------------|------------|-----------------------------------|--------------|
|                                     | For the Three Months Ended June 30, |            | For the Six Months Ended June 30, |              |
|                                     | 2011                                | 2010       | 2011                              | 2010         |
| Total revenue                       | \$ 747,335                          | \$ 705,560 | \$ 1,474,896                      | \$ 1,376,122 |
| Operating expenses:                 |                                     |            |                                   |              |
| Revenue share and royalties         | 147,875                             | 134,318    | 284,737                           | 257,857      |
| Programming and content             | 78,226                              | 83,931     | 161,499                           | 174,402      |
| Customer service and billing        | 62,284                              | 57,763     | 127,772                           | 113,340      |
| Satellite and transmission          | 18,507                              | 19,235     | 36,739                            | 38,622       |
| Cost of equipment                   | 7,601                               | 7,805      | 14,006                            | 15,724       |
| Subscriber acquisition costs        | 126,972                             | 130,683    | 253,898                           | 237,728      |
| Sales and marketing                 | 53,646                              | 57,076     | 102,802                           | 107,018      |
| Engineering, design and development | 12,965                              | 9,635      | 22,988                            | 19,462       |
| General and administrative          | 54,165                              | 50,801     | 104,001                           | 99,899       |
| Total operating expenses            | 562,241                             | 551,247    | 1,108,442                         | 1,064,052    |
| Adjusted EBITDA                     | \$ 185,094                          | \$ 154,313 | \$ 366,454                        | \$ 312,070   |

For the three months ended June 30, 2011, the increase in adjusted EBITDA was primarily due to an increase of 6%, or \$42 million, in adjusted revenues, partially offset by an increase of 2%, or \$11 million, in expenses included in adjusted EBITDA. The increase in adjusted revenue was primarily due to the increase in our subscriber base and by the additional subscribers subject to the U.S. Music Royalty Fee. The increase in expenses was primarily driven by higher revenue share and royalties expenses associated with growth in revenues

and increased customer service and billing expenses associated with subscriber growth, partially offset by lower subscriber acquisition costs, sales and marketing expenses, and programming and content costs.

**SIRIUS XM RADIO INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

|                                                           | Unaudited Actual                    |           |                                   |           |
|-----------------------------------------------------------|-------------------------------------|-----------|-----------------------------------|-----------|
|                                                           | For the Three Months Ended June 30, |           | For the Six Months Ended June 30, |           |
|                                                           | 2011                                | 2010      | 2011                              | 2010      |
| <i>(in thousands, except per share data)</i>              |                                     |           |                                   |           |
| Revenue:                                                  |                                     |           |                                   |           |
|                                                           | \$                                  | \$        | \$                                | \$        |
| Subscriber revenue                                        | 639,642                             | 601,630   | 1,262,080                         | 1,181,139 |
| Advertising revenue, net of agency fees                   | 18,227                              | 15,797    | 34,785                            | 30,323    |
| Equipment revenue                                         | 17,022                              | 18,520    | 32,889                            | 32,802    |
| Other revenue                                             | 69,506                              | 63,814    | 138,482                           | 119,280   |
| Total revenue                                             | 744,397                             | 699,761   | 1,468,236                         | 1,363,544 |
| Operating expenses:                                       |                                     |           |                                   |           |
| Cost of services:                                         |                                     |           |                                   |           |
| Revenue share and royalties                               | 116,741                             | 107,901   | 223,670                           | 206,085   |
| Programming and content                                   | 67,399                              | 72,019    | 140,358                           | 150,452   |
| Customer service and billing                              | 62,592                              | 58,414    | 128,429                           | 114,625   |
| Satellite and transmission                                | 18,998                              | 19,982    | 37,558                            | 40,100    |
| Cost of equipment                                         | 7,601                               | 7,805     | 14,006                            | 15,724    |
| Subscriber acquisition costs                              | 105,162                             | 110,383   | 210,432                           | 199,762   |
| Sales and marketing                                       | 51,442                              | 56,177    | 99,261                            | 105,294   |
| Engineering, design and development                       | 13,939                              | 11,247    | 25,074                            | 22,684    |
| General and administrative                                | 60,479                              | 59,166    | 116,831                           | 116,746   |
| Depreciation and amortization                             | 67,062                              | 69,230    | 135,462                           | 139,495   |
| Restructuring, impairments and related costs              | -                                   | 1,803     | -                                 | 1,803     |
| Total operating expenses                                  | 571,415                             | 574,127   | 1,131,081                         | 1,112,770 |
| Income from operations                                    | 172,982                             | 125,634   | 337,155                           | 250,774   |
| Other income (expense):                                   |                                     |           |                                   |           |
| Interest expense, net of amounts capitalized              | (76,196)                            | (76,802)  | (154,414)                         | (154,670) |
| Loss on extinguishment of debt and credit facilities, net | (1,212)                             | (31,987)  | (7,206)                           | (34,437)  |
| Interest and investment income (loss)                     | 80,182                              | 378       | 78,298                            | (2,892)   |
| Other income (loss)                                       | 183                                 | (485)     | 1,799                             | 728       |
| Total other income (expense)                              | 2,957                               | (108,896) | (81,523)                          | (191,271) |
| Income before income taxes                                | 175,939                             | 16,738    | 255,632                           | 59,503    |
| Income tax expense                                        | (2,620)                             | (1,466)   | (4,192)                           | (2,633)   |
| Net income                                                | \$ 173,319                          | \$ 15,272 | \$ 251,440                        | \$ 56,870 |
| Net income per common share:                              |                                     |           |                                   |           |
| Basic                                                     | \$ 0.05                             | \$ 0.00   | \$ 0.07                           | \$ 0.02   |
| Diluted                                                   | \$ 0.03                             | \$ 0.00   | \$ 0.04                           | \$ 0.01   |
| Weighted average common shares outstanding:               |                                     |           |                                   |           |
| Basic                                                     | 3,744,375                           | 3,683,595 | 3,739,731                         | 3,682,750 |
| Diluted                                                   | 6,804,297                           | 6,363,955 | 6,790,729                         | 6,357,507 |

**SIRIUS XM RADIO INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

|                                                                                                                                                                                                            | June 30, 2011 | December 31, 2010 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------|
|                                                                                                                                                                                                            | (unaudited)   |                   |
| <i>(in thousands, except share and per share data)</i>                                                                                                                                                     |               |                   |
| <b>ASSETS</b>                                                                                                                                                                                              |               |                   |
| Current assets:                                                                                                                                                                                            |               |                   |
|                                                                                                                                                                                                            | \$            | \$                |
| Cash and cash equivalents                                                                                                                                                                                  | 528,327       | 586,691           |
| Accounts receivable, net                                                                                                                                                                                   | 100,834       | 121,658           |
| Receivables from distributors                                                                                                                                                                              | 81,014        | 67,576            |
| Inventory, net                                                                                                                                                                                             | 32,317        | 21,918            |
| Prepaid expenses                                                                                                                                                                                           | 156,530       | 134,994           |
| Related party current assets                                                                                                                                                                               | 6,264         | 6,719             |
| Deferred tax asset                                                                                                                                                                                         | 54,828        | 44,787            |
| Other current assets                                                                                                                                                                                       | 5,167         | 7,432             |
| Total current assets                                                                                                                                                                                       | 965,281       | 991,775           |
| Property and equipment, net                                                                                                                                                                                | 1,722,673     | 1,761,274         |
| Long-term restricted investments                                                                                                                                                                           | 3,146         | 3,396             |
| Deferred financing fees, net                                                                                                                                                                               | 48,062        | 54,135            |
| Intangible assets, net                                                                                                                                                                                     | 2,602,425     | 2,632,688         |
| Goodwill                                                                                                                                                                                                   | 1,834,856     | 1,834,856         |
| Related party long-term assets                                                                                                                                                                             | 71,323        | 33,475            |
| Other long-term assets                                                                                                                                                                                     | 56,019        | 71,487            |
|                                                                                                                                                                                                            | \$            | \$                |
| Total assets                                                                                                                                                                                               | 7,303,785     | 7,383,086         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                                                |               |                   |
| Current liabilities:                                                                                                                                                                                       |               |                   |
|                                                                                                                                                                                                            | \$            | \$                |
| Accounts payable and accrued expenses                                                                                                                                                                      | 481,977       | 593,174           |
| Accrued interest                                                                                                                                                                                           | 70,565        | 72,453            |
| Current portion of deferred revenue                                                                                                                                                                        | 1,295,653     | 1,201,346         |
| Current portion of deferred credit on executory contracts                                                                                                                                                  | 281,071       | 271,076           |
| Current maturities of long-term debt                                                                                                                                                                       | 25,894        | 195,815           |
| Related party current liabilities                                                                                                                                                                          | 15,802        | 15,845            |
| Total current liabilities                                                                                                                                                                                  | 2,170,962     | 2,349,709         |
| Deferred revenue                                                                                                                                                                                           | 244,573       | 273,973           |
| Deferred credit on executory contracts                                                                                                                                                                     | 361,899       | 508,012           |
| Long-term debt                                                                                                                                                                                             | 2,671,770     | 2,695,856         |
| Long-term related party debt                                                                                                                                                                               | 327,296       | 325,907           |
| Deferred tax liability                                                                                                                                                                                     | 927,120       | 914,637           |
| Related party long-term liabilities                                                                                                                                                                        | 23,129        | 24,517            |
| Other long-term liabilities                                                                                                                                                                                | 82,425        | 82,839            |
| Total liabilities                                                                                                                                                                                          | 6,809,174     | 7,175,450         |
| Commitments and contingencies                                                                                                                                                                              |               |                   |
| Stockholders' equity:                                                                                                                                                                                      |               |                   |
| Preferred stock, par value \$0.001; 50,000,000 authorized at June 30, 2011 and December 31, 2010:                                                                                                          |               |                   |
| Series A convertible preferred stock; no shares issued and outstanding at June 30, 2011 and December 31, 2010                                                                                              | -             | -                 |
| Convertible perpetual preferred stock, series B-1 (liquidation preference of \$13 at June 30, 2011 and December 31, 2010); 12,500,000 shares issued and outstanding at June 30, 2011 and December 31, 2010 | 13            | 13                |
| Convertible preferred stock, series C junior; no shares issued and outstanding at June 30, 2011 and December 31, 2010                                                                                      | -             | -                 |

Common stock, par value \$0.001; 9,000,000,000 shares authorized at June 30, 2011 and

December 31, 2010; 3,948,913,078 and 3,933,195,112 shares issued and outstanding at

|                                                           |             |              |
|-----------------------------------------------------------|-------------|--------------|
| June 30, 2011 and December 31, 2010, respectively         | 3,949       | 3,933        |
| Accumulated other comprehensive income (loss), net of tax | 288         | (5,861)      |
| Additional paid-in capital                                | 10,449,974  | 10,420,604   |
| Accumulated deficit                                       | (9,959,613) | (10,211,053) |
| Total stockholders' equity                                | 494,611     | 207,636      |
|                                                           | \$          | \$           |
| Total liabilities and stockholders' equity                | 7,303,785   | 7,383,086    |

**SIRIUS XM RADIO INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (in thousands)                                                                    | Unaudited Actual                  |           |
|-----------------------------------------------------------------------------------|-----------------------------------|-----------|
|                                                                                   | For the Six Months Ended June 30, |           |
|                                                                                   | 2011                              | 2010      |
| Cash flows from operating activities:                                             |                                   |           |
| Net income                                                                        | \$ 251,440                        | \$ 56,870 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                   |           |
| Depreciation and amortization                                                     | 135,462                           | 139,495   |
| Non-cash interest expense, net of amortization of premium                         | 19,234                            | 22,294    |
| Provision for doubtful accounts                                                   | 17,744                            | 15,756    |
| Restructuring, impairments and related costs                                      | -                                 | 1,803     |
| Amortization of deferred income related to equity method investment               | (1,388)                           | (2,137)   |
| Loss on extinguishment of debt and credit facilities, net                         | 7,206                             | 34,437    |
| Gain on merger of unconsolidated entities                                         | (83,718)                          | -         |
| Loss on unconsolidated entity investments, net                                    | 6,045                             | 6,065     |
| Loss on disposal of assets                                                        | 269                               | (18)      |
| Share-based payment expense                                                       | 23,591                            | 33,083    |
| Deferred income taxes                                                             | 2,223                             | 2,633     |
| Other non-cash purchase price adjustments                                         | (134,862)                         | (120,706) |
| Distribution from investment in unconsolidated entity                             | 4,849                             | -         |
| Changes in operating assets and liabilities:                                      |                                   |           |
| Accounts receivable                                                               | 3,080                             | (14,296)  |
| Receivables from distributors                                                     | (13,438)                          | (26,655)  |
| Inventory                                                                         | (10,399)                          | 2,467     |
| Related party assets                                                              | 31,076                            | (701)     |
| Prepaid expenses and other current assets                                         | (20,871)                          | 10,245    |
| Other long-term assets                                                            | 15,974                            | 10,947    |
| Accounts payable and accrued expenses                                             | (101,552)                         | (76,144)  |
| Accrued interest                                                                  | (1,888)                           | (4,796)   |
| Deferred revenue                                                                  | 63,649                            | 105,004   |
| Related party liabilities                                                         | (42)                              | (54,978)  |
| Other long-term liabilities                                                       | (194)                             | 319       |
| Net cash provided by operating activities                                         | 213,490                           | 140,987   |
| Cash flows from investing activities:                                             |                                   |           |
| Additions to property and equipment                                               | (75,298)                          | (169,313) |
| Sale of restricted and other investments                                          | -                                 | 9,454     |
| Release of restricted investments                                                 | 250                               | -         |
| Return of capital from investment in unconsolidated entity                        | 10,117                            | -         |
| Net cash used in investing activities                                             | (64,931)                          | (159,859) |
| Cash flows from financing activities:                                             |                                   |           |
| Proceeds from exercise of stock options                                           | 6,921                             | -         |
| Long-term borrowings, net of costs                                                | -                                 | 637,406   |



|                                                  |            |            |
|--------------------------------------------------|------------|------------|
| Related party long-term borrowings, net of costs | -          | 147,094    |
| Payment of premiums on redemption of debt        | (5,020)    | (24,065)   |
| Repayment of long-term borrowings                | (208,824)  | (810,977)  |
| Repayment of related party long-term borrowings  | -          | (55,221)   |
| Net cash used in financing activities            | (206,923)  | (105,763)  |
| Net decrease in cash and cash equivalents        | (58,364)   | (124,635)  |
| Cash and cash equivalents at beginning of period | 586,691    | 383,489    |
| Cash and cash equivalents at end of period       | \$ 528,327 | \$ 258,854 |

## Footnotes

(1) Average self-pay monthly churn represents the monthly average of self-pay deactivations for the quarter divided by the average number of self-pay subscribers for the quarter.

(2) We measure the percentage of owners and lessees of new vehicles that receive our service and convert to become self-paying subscribers after the initial promotion period. We refer to this as the "conversion rate." At the time satellite radio enabled vehicles are sold or leased, the owners or lessees generally receive trial subscriptions ranging from three to twelve months. 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.

(3) ARPU is derived from total earned subscriber revenue, net advertising revenue and other subscription-related revenue, net of purchase price accounting adjustments, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. Other subscription-related revenue includes the U.S. Music Royalty Fee. Purchase price accounting adjustments include the recognition of deferred subscriber revenues not recognized in purchase price accounting associated with the Merger. ARPU is calculated as follows (in thousands, except for subscriber and per subscriber amounts):

|                                                | Unaudited                           |                   |                                   |                     |
|------------------------------------------------|-------------------------------------|-------------------|-----------------------------------|---------------------|
|                                                | For the Three Months Ended June 30, |                   | For the Six Months Ended June 30, |                     |
|                                                | 2011                                | 2010              | 2011                              | 2010                |
| Subscriber revenue (GAAP)                      | \$ 639,642                          | \$ 601,630        | \$ 1,262,080                      | \$ 1,181,139        |
| Add: net advertising revenue (GAAP)            | 18,227                              | 15,797            | 34,785                            | 30,323              |
| Add: other subscription-related revenue (GAAP) | 57,642                              | 56,694            | 116,173                           | 104,641             |
| Add: purchase price accounting adjustments     | 1,125                               | 3,986             | 3,034                             | 8,952               |
|                                                | <u>\$ 716,636</u>                   | <u>\$ 678,107</u> | <u>\$ 1,416,072</u>               | <u>\$ 1,325,055</u> |
| Daily weighted average number of subscribers   | <u>20,715,630</u>                   | <u>19,139,926</u> | <u>20,475,720</u>                 | <u>18,962,580</u>   |
| ARPU                                           | <u>\$ 11.53</u>                     | <u>\$ 11.81</u>   | <u>\$ 11.53</u>                   | <u>\$ 11.65</u>     |

(4) Subscriber acquisition cost, per gross subscriber addition (or SAC, per gross subscriber addition) is derived from subscriber acquisition costs and margins from the direct sale of radios and accessories, excluding purchase price accounting adjustments, divided by the

number of gross subscriber additions for the period. Purchase price accounting adjustments associated with the Merger include the elimination of the benefit of amortization of deferred credits on executory contracts recognized at the Merger date attributable to an OEM. SAC, per gross subscriber addition, is calculated as follows (in thousands, except for subscriber and per subscriber amounts):

|                                                                 | Unaudited                              |                   |                                      |                   |
|-----------------------------------------------------------------|----------------------------------------|-------------------|--------------------------------------|-------------------|
|                                                                 | For the Three Months Ended<br>June 30, |                   | For the Six Months Ended<br>June 30, |                   |
|                                                                 | 2011                                   | 2010              | 2011                                 | 2010              |
| Subscriber acquisition costs (GAAP)                             | \$ 105,162                             | \$ 110,383        | \$ 210,432                           | \$ 199,762        |
| Less: margin from direct sales of radios and accessories (GAAP) | (9,421)                                | (10,715)          | (18,883)                             | (17,078)          |
| Add: purchase price accounting adjustments                      | 21,810                                 | 20,300            | 43,466                               | 37,966            |
|                                                                 | <u>\$ 117,551</u>                      | <u>\$ 119,968</u> | <u>\$ 235,015</u>                    | <u>\$ 220,650</u> |
| Gross subscriber additions                                      | <u>2,179,348</u>                       | <u>2,020,507</u>  | <u>4,231,715</u>                     | <u>3,741,355</u>  |
| SAC, per gross subscriber addition                              | <u>\$ 54</u>                           | <u>\$ 59</u>      | <u>\$ 56</u>                         | <u>\$ 59</u>      |

(5) Customer service and billing expenses, per average subscriber, is derived from total customer service and billing expenses, excluding share-based payment expense and purchase price accounting adjustments associated with the Merger, divided by the number of months in the period, divided by the daily weighted average number of subscribers for the period. We believe the exclusion of share-based payment expense in our calculation of customer service and billing expenses, 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 customer service and billing expenses. Purchase price accounting adjustments associated with the Merger include the elimination of the benefit associated with incremental share-based payment arrangements recognized at the Merger date. Customer service and billing expenses, per average subscriber, is calculated as follows (in thousands, except for subscriber and per subscriber amounts):

|                                                                                 | Unaudited                              |                   |                                      |                   |
|---------------------------------------------------------------------------------|----------------------------------------|-------------------|--------------------------------------|-------------------|
|                                                                                 | For the Three Months Ended<br>June 30, |                   | For the Six Months Ended<br>June 30, |                   |
|                                                                                 | 2011                                   | 2010              | 2011                                 | 2010              |
| Customer service and billing expenses (GAAP)                                    | \$ 62,592                              | \$ 58,414         | \$ 128,429                           | \$ 114,625        |
| Less: share-based payment expense, net of purchase price accounting adjustments | (308)                                  | (729)             | (675)                                | (1,457)           |
| Add: purchase price accounting adjustments                                      | -                                      | 78                | 18                                   | 172               |
|                                                                                 | <u>\$ 62,284</u>                       | <u>\$ 57,763</u>  | <u>\$ 127,772</u>                    | <u>\$ 113,340</u> |
| Daily weighted average number of subscribers                                    | <u>20,715,630</u>                      | <u>19,139,926</u> | <u>20,475,720</u>                    | <u>18,962,580</u> |
| Customer service and billing expenses, per average subscriber                   | <u>\$ 1.00</u>                         | <u>\$ 1.01</u>    | <u>\$ 1.04</u>                       | <u>\$ 1.00</u>    |

(6) Free cash flow is calculated as follows (in thousands):

|                                           | Unaudited                           |            |                                   |             |
|-------------------------------------------|-------------------------------------|------------|-----------------------------------|-------------|
|                                           | For the Three Months Ended June 30, |            | For the Six Months Ended June 30, |             |
|                                           | 2011                                | 2010       | 2011                              | 2010        |
| Net cash provided by operating activities | \$ 195,381                          | \$ 178,675 | \$ 213,490                        | \$ 140,987  |
| Additions to property and equipment       | (40,315)                            | (70,348)   | (75,298)                          | (169,313)   |
| Restricted and other investment activity  | 10,367                              | 4          | 10,367                            | 9,454       |
| Free cash flow                            | \$ 165,433                          | \$ 108,331 | \$ 148,559                        | \$ (18,872) |

(7) EBITDA is defined as net income before interest and investment income (loss); interest expense, net of amounts capitalized; taxes expense and depreciation and amortization. We adjust EBITDA to remove the impact of other income and expense, loss on extinguishment of debt as well as certain other charges discussed below. This measure is one of the primary Non-GAAP financial measures on which we (i) evaluate the performance of our businesses, (ii) base our internal budgets and (iii) compensate management. Adjusted EBITDA is a Non-GAAP financial performance measure that excludes (if applicable): (i) certain adjustments as a result of the purchase price accounting for the Merger, (ii) goodwill impairment, (iii) restructuring, impairments, and related costs, (iv) depreciation and amortization and (v) share-based payment expense. The purchase price accounting adjustments include: (i) the elimination of deferred revenue associated with the investment in XM Canada, (ii) recognition of deferred subscriber revenues not recognized in purchase price accounting, and (iii) elimination of the benefit of deferred credits on executory contracts, which are primarily attributable to third party arrangements with an OEM and programming providers. We believe adjusted EBITDA is a useful measure of the underlying trend of our operating performance, which provides useful information about our business apart from the costs associated with our physical plant, capital structure and purchase price accounting. We believe investors find this Non-GAAP financial measure useful when analyzing our results and comparing our operating performance to the performance of other communications, entertainment and media companies. We believe investors use current and projected adjusted EBITDA to estimate our current and 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 depreciation expense. The exclusion of depreciation and amortization expense is useful given significant variation in depreciation and amortization expense that can result from the 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 restructuring, impairments and related costs is useful given the nature of these expenses. We also believe the exclusion of share-based payment expense is useful given the significant variation in expense that can result from changes in the fair value as determined using the Black-Scholes-Merton model which varies based on assumptions used for the expected life, expected stock price volatility and risk-free interest rates.

Adjusted EBITDA has certain limitations in that it does not take into account the impact to

our statement of operations of certain expenses, including share-based payment expense and certain purchase price accounting for the Merger. We endeavor to compensate for the limitations of the Non-GAAP measure presented by also providing the comparable GAAP measure with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the Non-GAAP measure. Investors that wish to compare and evaluate our operating results after giving effect for these costs, should refer to net income as disclosed in our consolidated statements of operations. Since adjusted EBITDA is a Non-GAAP financial performance measure, our calculation of adjusted EBITDA 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 net income to the adjusted EBITDA is calculated as follows (in thousands):

|                                                                           | Unaudited                  |            |                          |            |
|---------------------------------------------------------------------------|----------------------------|------------|--------------------------|------------|
|                                                                           | For the Three Months Ended |            | For the Six Months Ended |            |
|                                                                           | June 30,                   |            | June 30,                 |            |
|                                                                           | 2011                       | 2010       | 2011                     | 2010       |
| Net income (GAAP):                                                        | \$ 173,319                 | \$ 15,272  | \$ 251,440               | \$ 56,870  |
| Add back items excluded from Adjusted EBITDA:                             |                            |            |                          |            |
| Purchase price accounting adjustments:                                    |                            |            |                          |            |
| Revenues                                                                  | 2,938                      | 5,799      | 6,660                    | 12,578     |
| Operating expenses                                                        | (68,623)                   | (64,857)   | (136,595)                | (127,467)  |
| Share-based payment expense, net of purchase price accounting adjustments | 10,735                     | 16,704     | 23,772                   | 34,887     |
| Depreciation and amortization (GAAP)                                      | 67,062                     | 69,230     | 135,462                  | 139,495    |
| Restructuring, impairments and related costs                              | -                          | 1,803      | -                        | 1,803      |
| Interest expense, net of amounts capitalized (GAAP)                       | 76,196                     | 76,802     | 154,414                  | 154,670    |
| Loss on extinguishment of debt and credit facilities, net (GAAP)          | 1,212                      | 31,987     | 7,206                    | 34,437     |
| Interest and investment (income) loss (GAAP)                              | (80,182)                   | (378)      | (78,298)                 | 2,892      |
| Other (income) loss (GAAP)                                                | (183)                      | 485        | (1,799)                  | (728)      |
| Income tax expense (GAAP)                                                 | 2,620                      | 1,466      | 4,192                    | 2,633      |
| Adjusted EBITDA                                                           | \$ 185,094                 | \$ 154,313 | \$ 366,454               | \$ 312,070 |

(8) The following tables reconcile our actual revenues and operating expenses to our adjusted revenues and operating expenses for the three and six months ended June 30, 2011 and 2010:

|                                                  | Unaudited For the Three Months Ended June 30, 2011 |                                       |                                           |            |
|--------------------------------------------------|----------------------------------------------------|---------------------------------------|-------------------------------------------|------------|
|                                                  | As Reported                                        | Purchase Price Accounting Adjustments | Allocation of Share-based Payment Expense | Adjusted   |
| (in thousands)                                   |                                                    |                                       |                                           |            |
| Revenue:                                         |                                                    |                                       |                                           |            |
| Subscriber revenue, including effects of rebates | \$ 639,642                                         | \$ 1,125                              | \$ -                                      | \$ 640,767 |
| Advertising revenue, net of agency fees          | 18,227                                             | -                                     | -                                         | 18,227     |
| Equipment revenue                                | 17,022                                             | -                                     | -                                         | 17,022     |
| Other revenue                                    | 69,506                                             | 1,813                                 | -                                         | 71,319     |
| Total revenue                                    | \$ 744,397                                         | \$ 2,938                              | \$ -                                      | \$ 747,335 |

|                                              |            |           |         |         |
|----------------------------------------------|------------|-----------|---------|---------|
| Operating expenses                           |            |           |         |         |
| Cost of services:                            |            |           |         |         |
| Revenue share and royalties                  | 116,741    | 31,134    | -       | 147,875 |
| Programming and content                      | 67,399     | 11,787    | (960)   | 78,226  |
| Customer service and billing                 | 62,592     | -         | (308)   | 62,284  |
| Satellite and transmission                   | 18,998     | 74        | (565)   | 18,507  |
| Cost of equipment                            | 7,601      | -         | -       | 7,601   |
| Subscriber acquisition costs                 | 105,162    | 21,810    | -       | 126,972 |
| Sales and marketing                          | 51,442     | 3,818     | (1,614) | 53,646  |
| Engineering, design and development          | 13,939     | -         | (974)   | 12,965  |
| General and administrative                   | 60,479     | -         | (6,314) | 54,165  |
| Depreciation and amortization (a)            | 67,062     | -         | -       | 67,062  |
| Restructuring, impairments and related costs | -          | -         | -       | -       |
| Share-based payment expense (b)              | -          | -         | 10,735  | 10,735  |
|                                              |            |           |         | \$      |
| Total operating expenses                     | \$ 571,415 | \$ 68,623 | \$ -    | 640,038 |

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the \$785,000 stepped up basis in property, equipment and intangible assets as a result of the Merger. The increased depreciation and amortization for the three months ended June 30, 2011 was \$15,000.

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

|                                     |           |      |      |        |
|-------------------------------------|-----------|------|------|--------|
|                                     |           |      |      | \$     |
| Programming and content             | \$ 960    | \$ - | \$ - | 960    |
| Customer service and billing        | 308       | -    | -    | 308    |
| Satellite and transmission          | 565       | -    | -    | 565    |
| Sales and marketing                 | 1,614     | -    | -    | 1,614  |
| Engineering, design and development | 974       | -    | -    | 974    |
| General and administrative          | 6,314     | -    | -    | 6,314  |
|                                     |           |      |      | \$     |
| Total share-based payment expense   | \$ 10,735 | \$ - | \$ - | 10,735 |

**Unaudited For the Three Months Ended June 30, 2010**

|                                                  | As Reported | Purchase Price<br>Accounting<br>Adjustments | Allocation of<br>Share-based<br>Payment<br>Expense | Adjusted |
|--------------------------------------------------|-------------|---------------------------------------------|----------------------------------------------------|----------|
| <i>(in thousands)</i>                            |             |                                             |                                                    |          |
| Revenue:                                         |             |                                             |                                                    | \$       |
| Subscriber revenue, including effects of rebates | \$ 601,630  | \$ 3,986                                    | \$ -                                               | 605,616  |
| Advertising revenue, net of agency fees          | 15,797      | -                                           | -                                                  | 15,797   |
| Equipment revenue                                | 18,520      | -                                           | -                                                  | 18,520   |
| Other revenue                                    | 63,814      | 1,813                                       | -                                                  | 65,627   |
|                                                  |             |                                             |                                                    | \$       |
| Total revenue                                    | \$ 699,761  | \$ 5,799                                    | \$ -                                               | 705,560  |
| Operating expenses                               |             |                                             |                                                    |          |
| Cost of services:                                |             |                                             |                                                    |          |
| Revenue share and royalties                      | 107,901     | 26,417                                      | -                                                  | 134,318  |
| Programming and content                          | 72,019      | 13,702                                      | (1,790)                                            | 83,931   |
| Customer service and billing                     | 58,414      | 78                                          | (729)                                              | 57,763   |
| Satellite and transmission                       | 19,982      | 303                                         | (1,050)                                            | 19,235   |
| Cost of equipment                                | 7,805       | -                                           | -                                                  | 7,805    |
| Subscriber acquisition costs                     | 110,383     | 20,300                                      | -                                                  | 130,683  |
| Sales and marketing                              | 56,177      | 3,661                                       | (2,762)                                            | 57,076   |
| Engineering, design and development              | 11,247      | 148                                         | (1,760)                                            | 9,635    |
| General and administrative                       | 59,166      | 248                                         | (8,613)                                            | 50,801   |

|                                              |            |           |        |         |
|----------------------------------------------|------------|-----------|--------|---------|
| Depreciation and amortization (a)            | 69,230     | -         | -      | 69,230  |
| Restructuring, impairments and related costs | 1,803      | -         | -      | 1,803   |
| Share-based payment expense (b)              | -          | -         | 16,704 | 16,704  |
|                                              |            |           |        | \$      |
| Total operating expenses                     | \$ 574,127 | \$ 64,857 | \$ -   | 638,984 |

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the \$785,000 stepped up basis in property, equipment and intangible assets as a result of the Merger. The increased depreciation and amortization for the three months ended June 30, 2010 was \$17,000.

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

|                                     |           |        |      |        |
|-------------------------------------|-----------|--------|------|--------|
|                                     |           |        |      | \$     |
| Programming and content             | \$ 1,662  | \$ 128 | \$ - | 1,790  |
| Customer service and billing        | 651       | 78     | -    | 729    |
| Satellite and transmission          | 968       | 82     | -    | 1,050  |
| Sales and marketing                 | 2,643     | 119    | -    | 2,762  |
| Engineering, design and development | 1,612     | 148    | -    | 1,760  |
| General and administrative          | 8,365     | 248    | -    | 8,613  |
|                                     |           |        |      | \$     |
| Total share-based payment expense   | \$ 15,901 | \$ 803 | \$ - | 16,704 |

**Unaudited For the Six Months Ended June 30, 2011**

|                                                  | <b>As Reported</b> | <b>Purchase Price Accounting Adjustments</b> | <b>Allocation of Share-based Payment Expense</b> | <b>Adjusted</b> |
|--------------------------------------------------|--------------------|----------------------------------------------|--------------------------------------------------|-----------------|
| <i>(in thousands)</i>                            |                    |                                              |                                                  |                 |
| Revenue:                                         |                    |                                              |                                                  | \$              |
| Subscriber revenue, including effects of rebates | \$ 1,262,080       | \$ 3,034                                     | \$ -                                             | 1,265,114       |
| Advertising revenue, net of agency fees          | 34,785             | -                                            | -                                                | 34,785          |
| Equipment revenue                                | 32,889             | -                                            | -                                                | 32,889          |
| Other revenue                                    | 138,482            | 3,626                                        | -                                                | 142,108         |
|                                                  |                    |                                              |                                                  | \$              |
| Total revenue                                    | \$ 1,468,236       | \$ 6,660                                     | \$ -                                             | 1,474,896       |
| Operating expenses                               |                    |                                              |                                                  |                 |
| Cost of services:                                |                    |                                              |                                                  |                 |
| Revenue share and royalties                      | 223,670            | 61,067                                       | -                                                | 284,737         |
| Programming and content                          | 140,358            | 24,611                                       | (3,470)                                          | 161,499         |
| Customer service and billing                     | 128,429            | 18                                           | (675)                                            | 127,772         |
| Satellite and transmission                       | 37,558             | 313                                          | (1,132)                                          | 36,739          |
| Cost of equipment                                | 14,006             | -                                            | -                                                | 14,006          |
| Subscriber acquisition costs                     | 210,432            | 43,466                                       | -                                                | 253,898         |
| Sales and marketing                              | 99,261             | 7,030                                        | (3,489)                                          | 102,802         |
| Engineering, design and development              | 25,074             | 31                                           | (2,117)                                          | 22,988          |
| General and administrative                       | 116,831            | 59                                           | (12,889)                                         | 104,001         |
| Depreciation and amortization (a)                | 135,462            | -                                            | -                                                | 135,462         |
| Restructuring, impairments and related costs     | -                  | -                                            | -                                                | -               |
| Share-based payment expense (b)                  | -                  | -                                            | 23,772                                           | 23,772          |
|                                                  |                    |                                              |                                                  | \$              |
| Total operating expenses                         | \$ 1,131,081       | \$ 136,595                                   | \$ -                                             | 1,267,676       |

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the \$785,000 stepped up basis in property, equipment and intangible assets as a result of the Merger. The increased depreciation and amortization for the six months ended June 30, 2011 was \$30,000.

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

|                                     |           |        |      |           |
|-------------------------------------|-----------|--------|------|-----------|
| Programming and content             | \$ 3,443  | \$ 27  | \$ - | \$ 3,470  |
| Customer service and billing        | 657       | 18     | -    | 675       |
| Satellite and transmission          | 1,113     | 19     | -    | 1,132     |
| Sales and marketing                 | 3,462     | 27     | -    | 3,489     |
| Engineering, design and development | 2,086     | 31     | -    | 2,117     |
| General and administrative          | 12,830    | 59     | -    | 12,889    |
| Total share-based payment expense   | \$ 23,591 | \$ 181 | \$ - | \$ 23,772 |

**Unaudited For the Six Months Ended June 30, 2010**

| <i>(in thousands)</i>                            | <b>As Reported</b> | <b>Purchase Price Accounting Adjustments</b> | <b>Allocation of Share-based Payment Expense</b> | <b>Adjusted</b> |
|--------------------------------------------------|--------------------|----------------------------------------------|--------------------------------------------------|-----------------|
| Revenue:                                         |                    |                                              |                                                  |                 |
| Subscriber revenue, including effects of rebates | \$ 1,181,139       | \$ 8,952                                     | \$ -                                             | \$ 1,190,091    |
| Advertising revenue, net of agency fees          | 30,323             | -                                            | -                                                | 30,323          |
| Equipment revenue                                | 32,802             | -                                            | -                                                | 32,802          |
| Other revenue                                    | 119,280            | 3,626                                        | -                                                | 122,906         |
| Total revenue                                    | \$ 1,363,544       | \$ 12,578                                    | \$ -                                             | \$ 1,376,122    |
| Operating expenses                               |                    |                                              |                                                  |                 |
| Cost of services:                                |                    |                                              |                                                  |                 |
| Revenue share and royalties                      | 206,085            | 51,772                                       | -                                                | 257,857         |
| Programming and content                          | 150,452            | 28,850                                       | (4,900)                                          | 174,402         |
| Customer service and billing                     | 114,625            | 172                                          | (1,457)                                          | 113,340         |
| Satellite and transmission                       | 40,100             | 626                                          | (2,104)                                          | 38,622          |
| Cost of equipment                                | 15,724             | -                                            | -                                                | 15,724          |
| Subscriber acquisition costs                     | 199,762            | 37,966                                       | -                                                | 237,728         |
| Sales and marketing                              | 105,294            | 7,186                                        | (5,462)                                          | 107,018         |
| Engineering, design and development              | 22,684             | 334                                          | (3,556)                                          | 19,462          |
| General and administrative                       | 116,746            | 561                                          | (17,408)                                         | 99,899          |
| Depreciation and amortization (a)                | 139,495            | -                                            | -                                                | 139,495         |
| Restructuring, impairments and related costs     | 1,803              | -                                            | -                                                | 1,803           |
| Share-based payment expense (b)                  | -                  | -                                            | 34,887                                           | 34,887          |
| Total operating expenses                         | \$ 1,112,770       | \$ 127,467                                   | \$ -                                             | \$ 1,240,237    |

(a) Purchase price accounting adjustments included above exclude the incremental depreciation and amortization associated with the \$785,000 stepped up basis in property, equipment and intangible assets as a result of the Merger. The increased depreciation and amortization for the six months ended June 30, 2010 was \$36,000.

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

|                                     |           |          |      |           |
|-------------------------------------|-----------|----------|------|-----------|
| Programming and content             | \$ 4,612  | \$ 288   | \$ - | \$ 4,900  |
| Customer service and billing        | 1,285     | 172      | -    | 1,457     |
| Satellite and transmission          | 1,919     | 185      | -    | 2,104     |
| Sales and marketing                 | 5,198     | 264      | -    | 5,462     |
| Engineering, design and development | 3,222     | 334      | -    | 3,556     |
| General and administrative          | 16,847    | 561      | -    | 17,408    |
| Total share-based payment expense   | \$ 33,083 | \$ 1,804 | \$ - | \$ 34,887 |

## **About Sirius XM Radio**

[Sirius XM Radio](#) is America's satellite radio company. SiriusXM broadcasts more than [135 satellite radio channels](#) of [commercial-free music](#), and [premier sports](#), [news](#), [talk](#), [entertainment](#), [traffic](#), [weather](#), and data services to over 21 million subscribers. SiriusXM offers an array of content from many of the biggest names in entertainment, as well as from professional sports leagues, major colleges, and national news and talk providers.

SiriusXM programming is available on more than 800 devices, including pre-installed and after-market radios in cars, trucks, boats and aircraft, [smartphones](#) and [mobile devices](#), and consumer electronics products for [homes](#) and [offices](#). SiriusXM programming is also available at [siriusxm.com](#), and on [Apple](#), [BlackBerry](#) and [Android](#)-powered mobile devices.

SiriusXM has arrangements with every major [automaker](#) and its radio products are available for sale at [shop.siriusxm.com](#) as well as retail locations nationwide.

*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 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," "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 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 competitive position versus other forms of audio and video entertainment; our ability to retain subscribers and maintain our average monthly revenue per subscriber; our dependence upon automakers and other third parties; the first quarter tragedy in Japan, which may have certain adverse effects on automakers, radio manufacturers and other third parties; our substantial indebtedness; and the useful life of our satellites, which, in most cases, are not insured. Additional factors that could cause our results to differ materially from those described in the forward-looking statements can be found in our Annual Report on Form 10-K for the year ended December 31, 2010, which is 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 we disclaim any intention or obligation to update any forward looking statements as a result of developments occurring after the date of this communication.*

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