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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 25, 2010 (February 25, 2010)

**SIRIUS XM RADIO INC.**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or other Jurisdiction  
of Incorporation)

**1-34295**  
(Commission File Number)

**52-1700207**  
(I.R.S. Employer  
Identification No.)

**1221 Avenue of the Americas, 36th Fl., New York, NY**  
(Address of Principal Executive Offices)

**10020**  
(Zip Code)

Registrant's telephone number, including area code: **(212) 584-5100**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Section 2.02 Results of Operations and Financial Condition**

On February 25, 2010, we reported our financial and operating results for the three months and year ended December 31, 2009. These results are discussed in the press release attached hereto as Exhibit 99.1, which is incorporated by reference in its entirety.

**Section 9.01 Financial Statements and Exhibits**

(a) Not Applicable.

(b) Not Applicable.

(c) Not Applicable.

(d) Exhibits.

The Exhibit Index attached hereto is incorporated herein.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIRIUS XM RADIO INC.

By: /s/ Patrick L. Donnelly

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Patrick L. Donnelly  
Executive Vice President, General  
Counsel and Secretary

Dated: February 25, 2010

**EXHIBITS**

| <b>Exhibit</b> | <b>Description of Exhibit</b>         |
|----------------|---------------------------------------|
| 99.1           | Press Release dated February 25, 2010 |

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## SIRIUS XM RADIO REPORTS FULL YEAR AND FOURTH QUARTER 2009 RESULTS

- **2009 Pro Forma Revenue of \$2.53 Billion, Up 4% Over 2008**
- **Free Cash Flow of Over \$185 Million, First Full Year of Positive Free Cash Flow**
- **Pro Forma Adj. Income From Operations of \$463 Million, a \$599 Million Improvement Over 2008**
- **2010 Guidance Updated**

**NEW YORK – February 25, 2010** – SIRIUS XM Radio (NASDAQ: SIRI) today announced full year 2009 results, including pro forma 2009 revenue of \$2.53 billion, up 4% over 2008 pro forma revenue of \$2.44 billion, and pro forma adjusted income from operations of \$463 million, versus (\$136) million in 2008.

"2009 was a notable year of firsts for SIRIUS XM: The first full year of positive pro forma adjusted income from operations and the first full year of positive free cash flow in the company's history," said Mel Karmazin, the Chief Executive Officer of SIRIUS XM. "We demonstrated considerable operating momentum in the fourth quarter – the addition of over 250,000 subscribers, ARPU growth, revenue growth, improved SAC, and continued operating cost reductions. These gains position us to deliver on our 2010 guidance."

In the fourth quarter 2009, the Company's pro forma average revenue per subscriber (ARPU) grew to \$10.92 from \$10.65 in the fourth quarter of 2008. The average self-pay monthly customer churn rate was 2.0% in the fourth quarter of 2009, as compared with 1.8% in the fourth quarter of 2008.

Fourth quarter of 2009 pro forma revenue was \$684 million, up 6% from fourth quarter 2008 pro forma revenue of \$644 million. Subscriber acquisition costs (SAC) per gross subscriber addition was \$64 in the fourth quarter of 2009, an improvement of 9% over the \$70 in SAC per gross subscriber addition in the fourth quarter of 2008.

In the fourth quarter of 2009, SIRIUS XM achieved pro forma adjusted income from operations of \$115 million as compared with \$32 million in the fourth quarter of 2008. Free cash flow in the quarter of 2009 was \$150 million compared to \$26 million in the fourth quarter of 2008. The pro forma fourth quarter 2009 net loss was (\$25) million as compared with (\$248) million in the

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fourth quarter of 2008. On a GAAP basis, the fourth quarter 2009 net income was \$14 million compared to a loss of (\$246) million in the 2008 quarter.

"The \$599 million improvement in full-year pro forma adjusted income from operations illustrates the strength of our business model and also demonstrates the economic benefit generated by the SIRIUS-XM merger in July 2008," said David Frear, the Company's Executive Vice President and Chief Financial Officer. "With over \$380 million in cash, positive free cash flow and continued growth in adjusted income from operations, our financial condition has never been stronger," Frear added.

## **2010 OUTLOOK**

Looking to 2010, the company expects full-year revenue of over \$2.7 billion. Free cash flow is expected to remain positive in 2010.

"We expect to add over 500,000 net subscribers this year, exceeding the company's previous subscriber high of 19 million at the end of 2008. We also expect this year's adjusted income from operations to be up approximately 20% to \$550 million," said Karmazin.

## **INVESTOR CONFERENCE CALL**

SIRIUS XM plans to hold a conference call on Thursday, February 25, 2010 at 8:00 am ET to discuss these results. Investors and the press can listen to the conference call via the company's website, [www.sirius.com](http://www.sirius.com), and on its satellite radio service by tuning to SIRIUS channel 126 or XM channel 90.

A replay of the call will be available on [www.sirius.com](http://www.sirius.com).

## **PRO FORMA RESULTS OF OPERATIONS**

The discussion of operating results below is based upon pro forma comparisons as if the merger between SIRIUS and XM occurred on January 1, 2007 and excludes the effects of stock-based compensation and purchase accounting adjustments associated with the merger between SIRIUS and XM.

## **FOURTH QUARTER 2009 VERSUS FOURTH QUARTER 2008**

For the fourth quarter of 2009, SIRIUS XM recognized total revenue of \$684 million compared to \$644 million for the fourth quarter 2008. This 6%, or \$40 million, increase in revenue was driven by the U.S. Music Royalty Fee introduced in the third quarter of 2009, the sale of "Best of" programming, and rate increases to the company's multi-subscription and Internet packages.

Total ARPU for the three months ended December 31, 2009 was \$10.92, compared to \$10.65 for the three months ended December 31, 2008. The increase was driven mainly by the sale of "Best of" programming and increased rates on the company's multi-subscription and Internet packages, partially offset by a decline in net advertising revenue per average subscriber.

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In the fourth quarter of 2009, the company maintained positive pro forma adjusted income from operations of \$115 million compared to a pro forma adjusted income from operations of \$32 million for the fourth 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 \$40 million and a \$44 million, or 7%, decrease in expenses included in pro forma adjusted income from operations.

Satellite and transmission costs increased 10%, or \$2 million, in the three months ended December 31, 2009 compared to the same period in 2008 due to non-cash repeater lease charges and an increase in in-orbit insurance expense, partially offset by reductions in repeater maintenance and personnel costs.

Programming and content costs decreased 12%, or \$12 million, in the three months ended December 31, 2009 compared to the same period in 2008 due mainly to reductions in personnel and on-air talent costs as well as savings on certain content arrangements.

Revenue share and royalties increased 1%, or \$2 million, in the three months ended December 31, 2009 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 offset in part by a reduction in the revenue share rate paid to an automaker.

Customer service and billing costs decreased 12%, or \$8 million, in the three months ended December 31, 2009 compared to the same period in 2008 due primarily to reductions in personnel and customer call center expenses.

Cost of equipment decreased 33%, or \$6 million, in the three months ended December 31, 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 2%, or \$2 million, and decreased as a percentage of revenue to 12% from 13% in the three months ended December 31, 2009 compared to the same period in 2008. The decrease in Sales and marketing costs was due to reduced personnel costs and third party distribution support expenses.

Subscriber acquisition costs decreased 4%, or \$5 million, and decreased as a percentage of revenue to 19% from 21% in the three months ended December 31, 2009 compared to the same period in 2008. SAC per gross addition declined by 9%, to \$64, from \$70 in the year ago period. This improvement in the 2009 quarter was driven by lower OEM subsidies, chipset costs and aftermarket acquisition costs, partially offset by higher aftermarket inventory related charges as compared to the three months ended December 31, 2008. Subscriber acquisition costs also decreased despite the 10% increase in gross additions during the three months ended December 31, 2009 compared to the three months ended December 31, 2008.

General and administrative costs decreased 24%, or \$12 million, mainly due to the absence of certain legal and regulatory charges incurred in 2008 and lower personnel costs.

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Engineering, design and development costs decreased 23%, or \$2 million, in the three months ended December 31, 2009 compared to the same period in 2008 due to lower costs associated with development, tooling, and testing of radios as well as lower personnel costs.

Restructuring, impairments and related costs decreased 11% during the 2009 quarter due to fewer restructuring charges associated with the merger with XM.

Other expenses decreased 65%, or \$132 million, in the three months ended December 31, 2009 compared to the same period in 2008. The reduction was largely the product of the decrease in loss on extinguishment of debt and credit facilities of \$94 million, an increase in gain on investments of \$29 million, and \$7 million increase in other income (expense). The decrease in loss on the extinguishment of debt and credit facilities was driven mainly by the exchange of certain of the company's 2½% Convertible Notes due 2009 into shares of the company's common stock in December 2008. The increase in gain on investments was attributable to an impairment charge recorded in 2008 on XM's carrying value of its investments with no such impairment recorded in the fourth quarter of 2009 and payments received from Canadian Satellite Radio Inc. in excess of XM's carrying value of its investments.

#### **YEAR ENDED DECEMBER 31, 2009 VERSUS YEAR ENDED DECEMBER 31, 2008**

For the twelve months ended December 31, 2009, SIRIUS XM recognized total revenue of \$2,527 million compared with \$2,437 million for the twelve months ended December 31, 2008. This 4%, or \$90 million, increase in revenue was primarily driven by the U.S. Music Royalty Fee introduced in the third quarter of 2009, the sale of "Best of" programming, and rate increases to the company's multi-subscription and Internet packages.

ARPU for the twelve months ended December 31, 2009 was \$10.73, compared to \$10.56 for the twelve months ended December 31, 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 pro forma adjusted income from operations increased \$599 million to \$463 million for the twelve months ended December 31, 2009 from a loss of (\$136) million for the twelve months ended December 31, 2008 (refer to the reconciliation table of net loss to adjusted income (loss) from operations). This increase was driven by a 4%, or \$90 million, increase in revenue and a 20%, or \$509 million, decrease in expenses included in pro forma adjusted income (loss) from operations.

Satellite and transmission costs decreased 17%, or \$17 million, in the twelve months ended December 31, 2009 compared to 2008 due to reductions in repeater maintenance costs, non-cash repeater charges, and personnel costs.

Programming and content costs decreased 17%, or \$76 million, in the twelve months ended December 31, 2009 compared to 2008, due 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 arrangements.

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Revenue share and royalties increased 2%, or \$9 million, for the twelve months ended December 31, 2009 compared to 2008, due to the increase in the company's revenues and the statutory royalty rate for the performance of sound recordings offset in part by a reduction in the revenue share rate paid to an automaker.

Customer service and billing costs decreased 5%, or \$12 million, for the twelve months ended December 31, 2009 compared to 2008 due to scale efficiencies.

Cost of equipment decreased 39%, or \$26 million, in the twelve months ended December 31, 2009 compared to 2008 as a result of a decrease in the company's direct to customer sales, lower inventory write-downs and lower product and component sales.

Sales and marketing costs decreased 32%, or \$110 million, and decreased as a percentage of revenue to 9% from 14% in the twelve months ended December 31, 2009 compared to 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 30%, or \$175 million, and decreased as a percentage of revenue to 16% from 24% in the twelve months ended December 31, 2009 compared to 2008. This decrease was driven by a 15% improvement in SAC, as adjusted, per gross addition due to fewer OEM installations relative to gross subscriber additions, decreased production of certain radios and lower aftermarket inventory reserves in the twelve months ended December 31, 2009 as compared to the twelve months ended December 31, 2008. Subscriber acquisition costs also decreased as a result of the 19% decline in gross additions during the twelve months ended December 31, 2009.

General and administrative costs decreased 32%, or \$85 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 31%, or \$16 million, in the twelve months ended December 31, 2009 compared to 2008, due to lower costs associated with development, tooling, and testing of radios as well as lower personnel costs.

Restructuring, impairments and related costs increased \$22 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 53%, or \$202 million, in the twelve months ended December 31, 2009 compared to 2008 driven mainly by the increase in loss on extinguishment of debt and credit facilities of \$170 million, and an increase in interest expense of \$89 million, offset by an increase of \$45 million in gain on investments and an increase in other income of \$19 million. The increase in loss on the extinguishment of debt and credit facilities was driven by 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 fourth quarter of 2008. The increase in gain on investments was attributable to a higher impairment charge recorded in 2008 on XM's carrying value of its investments than recorded in 2009, payments received from Canadian Satellite Radio Inc. in excess of XM's carrying value of its investment,

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partially offset by the company's share of SIRIUS Canada's and XM Canada's net losses for the twelve months ended December 31, 2009 compared to 2008.

The following tables contain actual and pro forma subscriber and key operating metrics for the three and twelve months ended December 31, 2009 and 2008, respectively.

|  | Unaudited                                  |             |   |             |
|--|--|-------------|---|-------------|
|  | For the Three Months<br>Ended December 31, |             | For the Twelve Months<br>Ended December 31, |             |
|  | 2009                                       | 2008        | 2009  | 2008        |
|  | (Actual)                                   | (Actual)    | (Actual)                                    | (Pro Forma) |
| Beginning subscribers                        | 18,515,730                                 | 18,920,911  | 19,003,856                                  | 17,348,622  |
| Gross subscriber additions                   | 1,882,950                                  | 1,713,210   | 6,208,482                                   | 7,710,306   |
| Deactivated subscribers                      | (1,625,922)                                | (1,630,265) | (6,439,580)                                 | (6,055,072) |
| Net additions                                | 257,028                                    | 82,945      | (231,098)                                   | 1,655,234   |
| Ending subscribers                           | 18,772,758                                 | 19,003,856  | 18,772,758                                  | 19,003,856  |
| Retail                                       | 7,725,750                                  | 8,905,087   | 7,725,750                                   | 8,905,087   |
| OEM  | 10,930,952                                 | 9,995,953   | 10,930,952                                  | 9,995,953   |
| Rental                                       | 116,056                                    | 102,816     | 116,056                                     | 102,816     |
| Ending subscribers                           | 18,772,758                                 | 19,003,856  | 18,772,758                                  | 19,003,856  |
| Retail                                       | (200,154)                                  | (131,333)   | (1,179,452)                                 | (333,628)   |
| OEM  | 442,422                                    | 218,249     | 935,114                                     | 1,962,685   |
| Rental                                       | 14,760                                     | (3,971)     | 13,240                                      | 26,177      |
| Net additions                                | 257,028                                    | 82,945      | (231,098)                                   | 1,655,234   |
| Self-pay                                     | 15,703,932                                 | 15,549,657  | 15,703,932                                  | 15,549,657  |
| Paid promotional                             | 3,068,826                                  | 3,454,199   | 3,068,826                                   | 3,454,199   |
| Ending subscribers                           | 18,772,758                                 | 19,003,856  | 18,772,758                                  | 19,003,856  |
| Self-pay                                     | 247,182                                    | 359,069     | 154,275                                     | 1,676,311   |
| Paid promotional                             | 9,846                                      | (276,124)   | (385,373)                                   | (21,077)    |
| Net additions                                | 257,028                                    | 82,945      | (231,098)                                   | 1,655,234   |
| Daily weighted average number of subscribers | 18,576,151                                 | 18,910,689  | 18,529,696                                  | 18,373,274  |

|   | Unaudited Pro Forma                               |           |   |           |
|---|---|-----------|---|-----------|
|   | For the Three Months<br>Ended December 31,        |           | For the Twelve Months<br>Ended December 31, |           |
|   | 2009  | 2008      | 2009  | 2008      |
|   | (in thousands, except for per subscriber amounts) |           |   |           |
| Average self-pay monthly churn (1)(7)   | 2.0%  | 1.8%      | 2.0%  | 1.8%      |
| Conversion rate (2)(7)  | 46.4%   | 44.2%     | 45.4%                                       | 47.5%     |
| ARPU (3)(7)   | \$ 10.92  | 10.65     | 10.73                                       | 10.56     |
| SAC, as adjusted, per gross subscriber addition (4)(7)                            | \$ 64   | 70        | 63  | 74        |
| Customer service and billing expenses, as adjusted, per average subscriber (5)(7) | \$ 1.06   | 1.18      | 1.05  | 1.11      |
| Total revenue   | \$ 683,779  | 644,108   | 2,526,703                                   | 2,436,740 |
| Free cash flow (6)(7)   | \$ 149,547  | 25,877    | 185,319                                     | (551,771) |
| Adjusted income (loss) from operations (8)  | \$ 115,339  | 31,797    | 462,539                                     | (136,298) |
| Net loss  | \$ (25,243)                                       | (248,468) | (441,333)                                   | (902,335) |

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

Pro Forma

| <i>(in thousands)</i>                            | For the Three Months<br>Ended December 31, |              | For the Twelve Months<br>Ended December 31, |              |
|--|--|--------------|---|--------------|
|  | 2009                                       | 2008         | 2009  | 2008         |
|  | Revenue:                                   |              |   |              |
| Subscriber revenue, including effects of rebates | \$ 593,841                                 | \$ 588,622   | \$ 2,334,317                                | \$ 2,258,322 |
| Advertising revenue, net of agency fees          | 14,467                                     | 15,776       | 51,754                                      | 69,933       |
| Equipment revenue                                | 19,008                                     | 30,712       | 50,352                                      | 69,398       |
| Other revenue                                    | 56,463                                     | 8,998        | 90,280                                      | 39,087       |
| Total revenue                                    | 683,779                                    | 644,108      | 2,526,703                                   | 2,436,740    |
| Operating expenses:                              |  |              |   |              |
| Satellite and transmission                       | 25,094                                     | 22,851       | 82,170                                      | 99,185       |
| Programming and content                          | 92,857                                     | 105,215      | 370,470                                     | 446,638      |
| Revenue share and royalties                      | 124,527                                    | 122,711      | 486,990                                     | 477,962      |
| Customer service and billing                     | 58,887                                     | 67,036       | 232,405                                     | 244,195      |
| Cost of equipment                                | 12,200                                     | 18,084       | 40,188                                      | 66,104       |
| Sales and marketing                              | 80,161                                     | 81,712       | 232,199                                     | 342,296      |
| Subscriber acquisition costs                     | 127,588                                    | 132,731      | 401,670                                     | 577,126      |
| General and administrative                       | 39,108                                     | 51,591       | 181,920                                     | 267,032      |
| Engineering, design and development              | 8,018                                      | 10,380       | 36,152                                      | 52,500       |
| Depreciation and amortization                    | 57,549                                     | 49,519       | 203,145                                     | 245,571      |
| Restructuring, impairments and related costs     | 2,640                                      | 2,977        | 32,807                                      | 10,434       |
| Share-based payment expense                      | 7,480                                      | 24,945       | 78,782                                      | 124,619      |
| Total operating expenses                         | 636,109                                    | 689,752      | 2,378,898                                   | 2,953,662    |
| Income (loss) from operations                    | 47,670                                     | (45,644)     | 147,805                                     | (516,922)    |
| Other expense                                    | (70,276)                                   | (202,649)    | (583,157)                                   | (381,425)    |
| Loss before income taxes                         | (22,606)                                   | (248,293)    | (435,352)                                   | (898,347)    |
| Income tax expense                               | (2,637)                                    | (175)        | (5,981)                                     | (3,988)      |
| Net loss   | \$ (25,243)                                | \$ (248,468) | \$ (441,333)                                | \$ (902,335) |

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

| <i>(in thousands, except per share data)</i>                                     | Actual                                     |                  |   |                  |
|--|--|------------------|---|------------------|
|  | For the Three Months<br>Ended December 31, |                  | For the Twelve Months<br>Ended December 31, |                  |
|  | 2009                                       | 2008             | 2009  | 2008             |
|  | (Unaudited)                                | (Unaudited)      | (Unaudited)                                 |                  |
| <b>Revenue:</b>  |  |                  |   |                  |
| Subscriber revenue, including effects of rebates                                 | \$ 588,048                                 | \$ 568,523       | \$ 2,287,503                                | \$ 1,548,919     |
| Advertising revenue, net of agency fees  | 14,467                                     | 15,776           | 51,754                                      | 47,190           |
| Equipment revenue  | 19,008                                     | 30,712           | 50,352                                      | 56,001           |
| Other revenue  | 54,650                                     | 7,172            | 83,029                                      | 11,882           |
| <b>Total revenue</b>   | <b>676,173</b>                             | <b>622,183</b>   | <b>2,472,638</b>                            | <b>1,663,992</b> |
| <b>Operating expenses (depreciation and amortization shown separately below)</b> |  |                  |   |                  |
| <b>(1):</b>  |  |                  |   |                  |
| <b>Cost of services:</b>   |  |                  |   |                  |
| Satellite and transmission   | 24,597                                     | 24,481           | 84,033                                      | 59,279           |
| Programming and content  | 77,297                                     | 89,214           | 308,121                                     | 312,189          |
| Revenue share and royalties  | 100,355                                    | 103,217          | 397,210                                     | 280,852          |
| Customer service and billing   | 58,887                                     | 67,818           | 234,456                                     | 165,036          |
| <b>Cost of equipment</b>   |  |                  |   |                  |
| Sales and marketing  | 12,200                                     | 18,084           | 40,188                                      | 46,091           |
| Subscriber acquisition costs   | 76,308                                     | 80,699           | 228,956                                     | 231,937          |
| General and administrative   | 109,733                                    | 113,512          | 340,506                                     | 371,343          |
| Engineering, design and development  | 44,601                                     | 64,586           | 227,554                                     | 213,142          |
| Impairment of goodwill   | 8,056                                      | 12,404           | 41,031                                      | 40,496           |
| Depreciation and amortization  | —  | 15,331           | —   | 4,766,190        |
| Restructuring, impairments and related costs                                     | 77,826                                     | 82,958           | 309,450                                     | 203,752          |
|  | 2,640                                      | 2,977            | 32,807                                      | 10,434           |
| <b>Total operating expenses</b>  | <b>592,500</b>                             | <b>675,281</b>   | <b>2,244,312</b>                            | <b>6,700,741</b> |
| Income (loss) from operations  | 83,673                                     | (53,098)         | 228,326                                     | (5,036,749)      |
| <b>Other income (expense):</b>   |  |                  |   |                  |
| Interest and investment income   | 1,043                                      | (90)             | 3,645                                       | 9,079            |
| Interest expense, net of amounts capitalized                                     | (66,358)                                   | (61,196)         | (306,420)                                   | (144,833)        |
| Loss on extinguishment of debt and credit facilities, net                        | (3,879)                                    | (98,203)         | (267,646)                                   | (98,203)         |
| Gain (loss) on investments   | 1,474                                      | (27,418)         | 1,931                                       | (30,507)         |
| Other income (expense)   | 851  | (5,664)          | 3,355                                       | (9,599)          |
| <b>Total other expense</b>   | <b>(66,869)</b>                            | <b>(192,571)</b> | <b>(565,135)</b>                            | <b>(274,063)</b> |
| Income (loss) before income taxes  | 16,804                                     | (245,669)        | (336,809)                                   | (5,310,812)      |
| Income tax expense   | (2,637)                                    | (175)            | (5,981)                                     | (2,476)          |
| Net income (loss)  | 14,167                                     | (245,844)        | (342,790)                                   | (5,313,288)      |
| Preferred stock beneficial conversion feature                                    | —  | —                | (186,188)                                   | —                |
| Net income (loss) attributable to common stockholders                            | \$ 14,167                                  | \$ (245,844)     | \$ (528,978)                                | \$ (5,313,288)   |
| Net loss per common share (basic and diluted)                                    | \$ —                                       | \$ (0.08)        | \$ (0.15)                                   | \$ (2.45)        |
| Weighted average common shares outstanding (basic and diluted)                   | 3,642,459                                  | 3,160,223        | 3,585,864                                   | 2,169,489        |

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

|  |                 |                  |                  |                  |
|--|-----------------|------------------|------------------|------------------|
| Satellite and transmission               | \$ (276)        | \$ 1,349         | \$ 2,745         | \$ 4,236         |
| Programming and content                  | 1,646           | 4,672            | 9,064            | 12,148           |
| Customer service and billing             | —               | 783              | 2,051            | 1,920            |
| Sales and marketing                      | (474)           | 2,165            | 9,608            | 13,541           |
| Subscriber acquisition costs             | —               | —                | —                | 14               |
| General and administrative               | 5,493           | 12,995           | 45,634           | 49,354           |
| Engineering, design and development      | 38              | 2,023            | 4,879            | 6,192            |
| <b>Total share-based payment expense</b> | <b>\$ 6,427</b> | <b>\$ 23,987</b> | <b>\$ 73,981</b> | <b>\$ 87,405</b> |

**SIRIUS XM RADIO INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

As of December 31,

(in thousands, except share and per share data)

|   | 2009                | 2008                |
|---|---------------------|---------------------|
|   | (Unaudited)         |                     |
| <b>ASSETS</b>   |                     |                     |
| Current assets:   |                     |                     |
| Cash and cash equivalents   | \$ 383,489          | \$ 380,446          |
| Accounts receivable, net  | 113,580             | 102,024             |
| Receivables from distributors   | 48,738              | 45,950              |
| Inventory, net  | 16,193              | 24,462              |
| Prepaid expenses  | 100,273             | 67,203              |
| Related party current assets  | 106,247             | 110,427             |
| Deferred tax asset  | 72,640              | 31,270              |
| Other current assets  | 18,620              | 27,474              |
| <b>Total current assets</b>   | <b>859,780</b>      | <b>789,256</b>      |
| Property and equipment, net   | 1,711,003           | 1,703,476           |
| FCC licenses  | 2,083,654           | 2,083,654           |
| Restricted investments  | 3,400               | 141,250             |
| Deferred financing fees, net  | 8,902               | 9,197               |
| Intangible assets, net  | 611,461             | 688,671             |
| Goodwill  | 1,834,856           | 1,834,856           |
| Related party long-term assets  | 110,594             | 128,357             |
| Other long-term assets  | 39,878              | 81,019              |
| <b>Total assets</b>   | <b>\$ 7,263,528</b> | <b>\$ 7,459,736</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                     |                     |
| Current liabilities:  |                     |                     |
| Accounts payable and accrued expenses   | \$ 543,686          | \$ 625,264          |
| Accrued interest  | 74,566              | 76,463              |
| Current portion of deferred revenue   | 1,086,205           | 1,002,736           |
| Current portion of deferred credit on executory contracts   | 252,831             | 234,774             |
| Current maturities of long-term debt  | 13,882              | 399,726             |
| Related party current liabilities   | 105,471             | 68,373              |
| <b>Total current liabilities</b>  | <b>2,076,641</b>    | <b>2,407,336</b>    |
| Deferred revenue  | 283,942             | 247,889             |
| Deferred credit on executory contracts  | 784,078             | 1,037,190           |
| Long-term debt  | 2,799,127           | 2,820,781           |
| Long-term related party debt  | 263,566             | —                   |
| Deferred tax liability  | 940,182             | 894,453             |
| Related party long-term liabilities   | 17,508              | —                   |
| Other long-term liabilities   | 61,052              | 43,550              |
| <b>Total liabilities</b>  | <b>7,226,096</b>    | <b>7,451,199</b>    |
| Commitments and contingencies   |                     |                     |
| Stockholders' equity:   |                     |                     |
| Preferred stock, par value \$0.001; 50,000,000 authorized at December 31, 2009 and 2008:  |                     |                     |
| Series A convertible preferred stock (liquidation preference of \$51,370 at December 31, 2009 and 2008); 24,808,959 shares issued and outstanding at December 31, 2009 and 2008   | 25                  | 25                  |
| Convertible perpetual preferred stock, series B (liquidation preference of \$13 and \$0 at December 31, 2009 and 2008, respectively); 12,500,000 and zero shares issued and outstanding at December 31, 2009 and 2008, respectively       | 13                  | —                   |
| Convertible preferred stock, series C junior; no shares issued and outstanding at December 31, 2009 and 2008  | —                   | —                   |
| Common stock, par value \$0.001; 9,000,000,000 and 8,000,000,000 shares authorized at December 31, 2009 and 2008, respectively; 3,882,659,087 and 3,651,765,837 shares issued and outstanding at December 31, 2009 and 2008, respectively | 3,882               | 3,652               |
| Accumulated other comprehensive loss, net of tax  | (6,581)             | (7,871)             |
| Additional paid-in capital  | 10,281,331          | 9,724,991           |
| Accumulated deficit   | (10,241,238)        | (9,712,260)         |
| <b>Total stockholders' equity</b>   | <b>37,432</b>       | <b>8,537</b>        |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 7,263,528</b> | <b>\$ 7,459,736</b> |

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

| <i>(in thousands)</i>   | For the Years Ended December 31, |                   |
|---|----------------------------------|-------------------|
|   | 2009                             | 2008              |
|   | (Unaudited)                      |                   |
| <b>Cash flows from operating activities:</b>  |                                  |                   |
| Net loss  | \$ (342,790)                     | \$ (5,313,288)    |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                                  |                   |
| Depreciation and amortization   | 309,450                          | 203,752           |
| Impairment of goodwill  | —                                | 4,766,190         |
| Non-cash interest expense, net of amortization of premium                                 | 33,818                           | (6,311)           |
| Provision for doubtful accounts   | 30,602                           | 21,589            |
| Amortization of deferred income related to equity method investment                       | (2,776)                          | (1,156)           |
| Loss on extinguishment of debt and credit facilities, net                                 | 267,646                          | 98,203            |
| Restructuring, impairments and related costs  | 26,964                           | —                 |
| Loss (gain) on disposal of assets   | —                                | 4,879             |
| Loss on investments   | 13,664                           | 28,999            |
| Share-based payment expense   | 73,981                           | 87,405            |
| Deferred income taxes   | 5,981                            | 2,476             |
| Other non-cash purchase price adjustments   | (202,054)                        | (68,330)          |
| Other   | —                                | 1,643             |
| Changes in operating assets and liabilities:  |                                  |                   |
| Accounts receivable   | (42,158)                         | (32,121)          |
| Inventory   | 8,269                            | 8,291             |
| Receivables from distributors   | (2,788)                          | 14,401            |
| Related party assets  | 15,305                           | (22,249)          |
| Prepaid expenses and other current assets   | 10,027                           | (19,953)          |
| Other long-term assets  | 86,674                           | (5,490)           |
| Accounts payable and accrued expenses   | (46,645)                         | (83,037)          |
| Accrued interest  | 2,429                            | 23,081            |
| Deferred revenue  | 89,144                           | 73,334            |
| Related party liabilities   | 54,606                           | 34,646            |
| Other long-term liabilities   | 44,481                           | 30,249            |
| <b>Net cash provided by (used in) operating activities</b>                                | <b>433,830</b>                   | <b>(152,797)</b>  |
| <b>Cash flows from investing activities:</b>  |                                  |                   |
| Additions to property and equipment   | (248,511)                        | (130,551)         |
| Sales of property and equipment   | —                                | 105               |
| Purchases of restricted and other investments   | —                                | (3,000)           |
| Acquisition of acquired entity cash   | —                                | 819,521           |
| Merger related costs  | —                                | (23,519)          |
| Sale of restricted and other investments  | —                                | 65,869            |
| <b>Net cash (used in) provided by investing activities</b>                                | <b>(248,511)</b>                 | <b>728,425</b>    |
| <b>Cash flows from financing activities:</b>  |                                  |                   |
| Proceeds from exercise of warrants and stock options                                      | —                                | 471               |
| Preferred stock issuance costs, net of costs  | (3,712)                          | —                 |
| Long-term borrowings, net of costs  | 582,612                          | 531,743           |
| Related party long-term borrowings, net of costs  | 362,593                          | —                 |
| Payment of premiums on redemption of debt   | (17,075)                         | (18,693)          |
| Payments to noncontrolling interest   | —                                | (61,880)          |
| Repayment of long-term borrowings   | (755,447)                        | (1,085,643)       |
| Repayment of related party long-term borrowings   | (351,247)                        | —                 |
| <b>Net cash (used in) provided by financing activities</b>                                | <b>(182,276)</b>                 | <b>(634,002)</b>  |
| Net increase (decrease) in cash and cash equivalents                                      | 3,043                            | (58,374)          |
| Cash and cash equivalents at beginning of period  | 380,446                          | 438,820           |
| <b>Cash and cash equivalents at end of period</b>   | <b>\$ 383,489</b>                | <b>\$ 380,446</b> |

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 vehicle owners and lessees 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 and lessees generally receive between three and twelve month trial subscriptions. 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 vehicle owners and lessees 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 subscriber and per subscriber amounts):

Unaudited Pro Forma

|   | For the Three Months<br>Ended December 31, |                   | For the Twelve Months<br>Ended December 31, |                     |
|---|--|-------------------|---|---------------------|
|   | 2009                                       | 2008              | 2009  | 2008                |
|   | Subscriber revenue                         | \$ 593,841        | \$ 588,622                                  | \$ 2,334,317        |
| Net advertising revenue                             | 14,467                                     | 15,776            | 51,754                                      | 69,933              |
| <b>Total subscriber and net advertising revenue</b> | <b>\$ 608,308</b>                          | <b>\$ 604,398</b> | <b>\$ 2,386,071</b>                         | <b>\$ 2,328,255</b> |
| Daily weighted average number of subscribers        | 18,576,151                                 | 18,910,689        | 18,529,696                                  | 18,373,274          |
| ARPU  | \$ 10.92                                   | \$ 10.65          | \$ 10.73                                    | \$ 10.56            |

- (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 subscriber and per subscriber amounts):

Unaudited Pro Forma

|  | For the Three Months<br>Ended December 31, |                   | For the Twelve Months<br>Ended December 31, |                   |
|--|--|-------------------|---|-------------------|
|  | 2009                                       | 2008              | 2009  | 2008              |
|  | Subscriber acquisition cost                | \$ 127,588        | \$ 132,731                                  | \$ 401,670        |
| Less: share-based payment expense granted to third parties and employees | —  | —                 | —   | (14)              |
| Less: margin from direct sales of radios and accessories                 | (6,808)                                    | (12,628)          | (10,164)                                    | (3,294)           |
| <b>SAC, as adjusted</b>  | <b>\$ 120,780</b>                          | <b>\$ 120,103</b> | <b>\$ 391,506</b>                           | <b>\$ 573,832</b> |
| Gross subscriber additions   | 1,882,950                                  | 1,713,210         | 6,208,482                                   | 7,710,306         |
| SAC, as adjusted, per gross subscriber addition                          | \$ 64                                      | \$ 70             | \$ 63                                       | \$ 74             |

- (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 subscriber and per subscriber amounts):

Unaudited Pro Forma

|  | Unaudited Pro Forma                     |            |  |            |
|--|---|------------|--|------------|
|  | For the Three Months Ended December 31, |            | For the Twelve Months Ended December 31, |            |
|  | 2009                                    | 2008       | 2009                                     | 2008       |
| Customer service and billing expenses                                      | \$ 58,981                               | \$ 67,906  | \$ 234,909                               | \$ 248,176 |
| Less: share-based payment expense  | (94)                                    | (870)      | (2,504)                                  | (3,981)    |
| Customer service and billing expenses, as adjusted                         | \$ 58,887                               | \$ 67,036  | \$ 232,405                               | \$ 244,195 |
| Daily weighted average number of subscribers                               | 18,576,151                              | 18,910,689 | 18,529,696                               | 18,373,274 |
| Customer service and billing expenses, as adjusted, per average subscriber | \$ 1.06                                 | \$ 1.18    | \$ 1.05                                  | \$ 1.11    |

- (6) Free cash flow is calculated as follows:

Unaudited Pro Forma

| (in thousands)                                      | Unaudited Pro Forma                     |           |  |              |
|---|---|-----------|--|--------------|
|   | For the Three Months Ended December 31, |           | For the Twelve Months Ended December 31, |              |
|   | 2009                                    | 2008      | 2009                                     | 2008         |
| Net cash provided by (used in) operating activities | \$ 180,723                              | \$ 64,195 | \$ 433,830                               | \$ (403,883) |
| Additions to property and equipment                 | (31,176)                                | (27,846)  | (248,511)                                | (161,394)    |
| Merger related costs                                | —                                       | (10,472)  | —  | (23,519)     |
| Restricted and other investment activity            | —                                       | —         | —  | 37,025       |
| Free cash flow                                      | \$ 149,547                              | \$ 25,877 | \$ 185,319                               | \$ (551,771) |

- (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 income (loss) before interest and investment income; interest expense, net of amounts capitalized; income tax expense; loss on extinguishment of debt and credit facilities, net; (gain) loss on investments; other expense (income); restructuring, impairments and related costs; depreciation and amortization; and share-based 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, impairments and related costs is useful given the non-recurring 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 market value of our common stock. To compensate for the exclusion of taxes, other expense (income), 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, impairments 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 consolidated statements of operations. Since adjusted income (loss) from operations is a non-GAAP 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.

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The reconciliation of the pro forma unadjusted net income (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):

Unaudited Pro Forma

| <i>(in thousands)</i>   | Unaudited Pro Forma                        |              |   |              |
|---|--|--------------|---|--------------|
|   | For the Three Months<br>Ended December 31, |              | For the Twelve Months<br>Ended December 31, |              |
|   | 2009                                       | 2008         | 2009  | 2008         |
| Reconciliation of Net loss to Adjusted income (loss) from operations:         |  |              |   |              |
| Net loss  | \$ (25,243)                                | \$ (248,468) | \$ (441,333)                                | \$ (902,335) |
| Add back Net loss items excluded from Adjusted income (loss) from operations: |  |              |   |              |
| Interest and investment income  | (1,043)                                    | 90           | (3,645)                                     | (12,092)     |
| Interest expense, net of amounts capitalized                                  | 69,765                                     | 71,274       | 324,442                                     | 235,655      |
| Income tax expense  | 2,637                                      | 175          | 5,981                                       | 3,988        |
| Loss on extinguishment of debt and facilities, net                            | 3,879                                      | 98,203       | 267,646                                     | 98,203       |
| (Gain) loss on investments  | (1,474)                                    | 27,418       | (1,931)                                     | 43,517       |
| Other (income) expense  | (851)                                      | 5,664        | (3,355)                                     | 16,142       |
|   | 47,670                                     | (45,644)     | 147,805                                     | (516,922)    |
| Income (loss) from operations   |  |              |   |              |
| Restructuring, impairments and related costs                                  | 2,640                                      | 2,977        | 32,807                                      | 10,434       |
| Depreciation and amortization   | 57,549                                     | 49,519       | 203,145                                     | 245,571      |
| Share-based payment expense   | 7,480                                      | 24,945       | 78,782                                      | 124,619      |
|   | 115,339                                    | 31,797       | 462,539                                     | (136,298)    |
| Adjusted income (loss) from operations  | \$ 115,339                                 | \$ 31,797    | \$ 462,539                                  | \$ (136,298) |

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 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 December 31, 2009                               |                  |   |   |                    |
|--|------------------|---|---|--------------------|
|  | As Reported      | Purchase Price<br>Accounting<br>Adjustments | Allocation of<br>Share-based<br>Payment Expense | Pro Forma          |
| <b>Revenue:</b>  |                  |   |   |                    |
| Subscriber revenue, including effects of rebates                                     | \$ 588,048       | \$ 5,793                                    | \$ —  | \$ 593,841         |
| Advertising revenue, net of agency fees  | 14,467           | —   | —   | 14,467             |
| Equipment revenue  | 19,008           | —   | —   | 19,008             |
| Other revenue  | 54,650           | 1,813                                       | —   | 56,463             |
| <b>Total revenue</b>   | <b>676,173</b>   | <b>7,606</b>                                | <b>—</b>  | <b>683,779</b>     |
| <b>Operating expenses (depreciation and amortization shown separately below) (1)</b> |                  |   |   |                    |
| <b>Cost of services:</b>   |                  |   |   |                    |
| Satellite and transmission   | 24,597           | 327   | 170   | 25,094             |
| Programming and content  | 77,297           | 17,361                                      | (1,801)   | 92,857             |
| Revenue share and royalties  | 100,355          | 24,172                                      | —   | 124,527            |
| Customer service and billing   | 58,887           | 94  | (94)  | 58,887             |
| Cost of equipment  | 12,200           | —   | —   | 12,200             |
| Sales and marketing  | 76,308           | 3,522                                       | 331   | 80,161             |
| Subscriber acquisition costs   | 109,733          | 17,855                                      | —   | 127,588            |
| General and administrative   | 44,601           | 350   | (5,843)   | 39,108             |
| Engineering, design and development  | 8,056            | 205   | (243)   | 8,018              |
| Depreciation and amortization  | 77,826           | (20,277)                                    | —   | 57,549             |
| Restructuring, impairments and related costs   | 2,640            | —   | —   | 2,640              |
| Share-based payment expense  | —                | —   | 7,480   | 7,480              |
| <b>Total operating expenses</b>  | <b>592,500</b>   | <b>43,609</b>                               | <b>—</b>  | <b>636,109</b>     |
| Income (loss) from operations  | 83,673           | (36,003)                                    | —   | 47,670             |
| <b>Other income (expense)</b>  |                  |   |   |                    |
| Interest and investment income   | 1,043            | —   | —   | 1,043              |
| Interest expense, net of amounts capitalized   | (66,358)         | (3,407)                                     | —   | (69,765)           |
| Loss on extinguishment of debt and credit facilities, net                            | (3,879)          | —   | —   | (3,879)            |
| Gain on investments  | 1,474            | —   | —   | 1,474              |
| Other income   | 851              | —   | —   | 851                |
| <b>Total other expense</b>   | <b>(66,869)</b>  | <b>(3,407)</b>                              | <b>—</b>  | <b>(70,276)</b>    |
| Income (loss) before income taxes  | 16,804           | (39,410)                                    | —   | (22,606)           |
| Income tax expense   | (2,637)          | —   | —   | (2,637)            |
| <b>Net income (loss)</b>   | <b>\$ 14,167</b> | <b>\$ (39,410)</b>                          | <b>\$ —</b>                                     | <b>\$ (25,243)</b> |

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

|  |                 |                 |             |                 |
|--|-----------------|-----------------|-------------|-----------------|
| Satellite and transmission               | \$ (276)        | \$ 106          | \$ —        | \$ (170)        |
| Programming and content                  | 1,646           | 155             | —           | 1,801           |
| Customer service and billing             | —               | 94              | —           | 94              |
| Sales and marketing                      | (474)           | 143             | —           | (331)           |
| Subscriber acquisition costs             | —               | —               | —           | —               |
| General and administrative               | 5,493           | 350             | —           | 5,843           |
| Engineering, design and development      | 38              | 205             | —           | 243             |
| <b>Total share-based payment expense</b> | <b>\$ 6,427</b> | <b>\$ 1,053</b> | <b>\$ —</b> | <b>\$ 7,480</b> |

Unaudited For the Three Months Ended December 31, 2008

|  | As Reported         | Purchase Price<br>Accounting<br>Adjustments (a) | Allocation of<br>Share-based<br>Payment Expense | Pro Forma           |
|--|---------------------|---|---|---------------------|
| <b>Revenue:</b>  |                     |   |   |                     |
| Subscriber revenue, including effects of rebates                                     | \$ 568,523          | \$ 20,099                                       | \$ —  | \$ 588,622          |
| Advertising revenue, net of agency fees  | 15,776              | —   | —   | 15,776              |
| Equipment revenue  | 30,712              | —   | —   | 30,712              |
| Other revenue  | 7,172               | 1,826   | —   | 8,998               |
| <b>Total revenue</b>   | <b>622,183</b>      | <b>21,925</b>                                   | <b>—</b>  | <b>644,108</b>      |
| <b>Operating expenses (depreciation and amortization shown separately below) (1)</b> |                     |   |   |                     |
| <b>Cost of services:</b>   |                     |   |   |                     |
| Satellite and transmission   | 24,481              | (214)   | (1,416)   | 22,851              |
| Programming and content  | 89,214              | 20,755  | (4,754)   | 105,215             |
| Revenue share and royalties  | 103,217             | 19,494  | —   | 122,711             |
| Customer service and billing   | 67,818              | 88  | (870)   | 67,036              |
| Cost of equipment  | 18,084              | —   | —   | 18,084              |
| Sales and marketing  | 80,699              | 3,312   | (2,299)   | 81,712              |
| Subscriber acquisition costs   | 113,512             | 19,219  | —   | 132,731             |
| General and administrative   | 64,586              | 306   | (13,301)  | 51,591              |
| Engineering, design and development  | 12,404              | 281   | (2,305)   | 10,380              |
| Impairment of goodwill   | 15,331              | (15,331)  | —   | —                   |
| Depreciation and amortization  | 82,958              | (33,439)  | —   | 49,519              |
| Restructuring, impairments and related costs   | 2,977               | —   | —   | 2,977               |
| Share-based payment expense  | —                   | —   | 24,945  | 24,945              |
| <b>Total operating expenses</b>  | <b>675,281</b>      | <b>14,471</b>                                   | <b>—</b>  | <b>689,752</b>      |
| (Loss) income from operations  | (53,098)            | 7,454   | —   | (45,644)            |
| <b>Other income (expense)</b>  |                     |   |   |                     |
| Interest and investment income   | (90)                | —   | —   | (90)                |
| Interest expense, net of amounts capitalized   | (61,196)            | (10,078)  | —   | (71,274)            |
| Loss on extinguishment of debt and credit facilities, net                            | (98,203)            | —   | —   | (98,203)            |
| Loss on investments  | (27,418)            | —   | —   | (27,418)            |
| Other expense  | (5,664)             | —   | —   | (5,664)             |
| <b>Total other expense</b>   | <b>(192,571)</b>    | <b>(10,078)</b>                                 | <b>—</b>  | <b>(202,649)</b>    |
| Loss before income taxes   | (245,669)           | (2,624)   | —   | (248,293)           |
| Income tax expense   | (175)               | —   | —   | (175)               |
| <b>Net loss</b>  | <b>\$ (245,844)</b> | <b>\$ (2,624)</b>                               | <b>\$ —</b>                                     | <b>\$ (248,468)</b> |

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

|  |                  |               |             |                  |
|--|------------------|---------------|-------------|------------------|
| Satellite and transmission               | \$ 1,349         | \$ 67         | \$ —        | \$ 1,416         |
| Programming and content                  | 4,672            | 82            | —           | 4,754            |
| Customer service and billing             | 783              | 87            | —           | 870              |
| Sales and marketing                      | 2,165            | 134           | —           | 2,299            |
| General and administrative               | 12,995           | 306           | —           | 13,301           |
| Engineering, design and development      | 2,023            | 282           | —           | 2,305            |
| <b>Total share-based payment expense</b> | <b>\$ 23,987</b> | <b>\$ 958</b> | <b>\$ —</b> | <b>\$ 24,945</b> |

(a) Includes impairment of goodwill.

Unaudited For the Year Ended December 31, 2009

|  | As Reported         | Purchase Price<br>Accounting<br>Adjustments | Allocation of<br>Share-based<br>Payment Expense | Pro Forma           |
|--|---------------------|---|---|---------------------|
| <b>Revenue:</b>  |                     |   |   |                     |
| Subscriber revenue, including effects of rebates                                     | \$ 2,287,503        | \$ 46,814                                   | \$ —  | \$ 2,334,317        |
| Advertising revenue, net of agency fees  | 51,754              | —   | —   | 51,754              |
| Equipment revenue  | 50,352              | —   | —   | 50,352              |
| Other revenue  | 83,029              | 7,251                                       | —   | 90,280              |
| <b>Total revenue</b>   | <b>2,472,638</b>    | <b>54,065</b>                               | <b>—</b>  | <b>2,526,703</b>    |
| <b>Operating expenses (depreciation and amortization shown separately below) (1)</b> |                     |   |   |                     |
| <b>Cost of services:</b>   |                     |   |   |                     |
| Satellite and transmission   | 84,033              | 1,339                                       | (3,202)   | 82,170              |
| Programming and content  | 308,121             | 72,069                                      | (9,720)   | 370,470             |
| Revenue share and royalties  | 397,210             | 89,780                                      | —   | 486,990             |
| Customer service and billing   | 234,456             | 453   | (2,504)   | 232,405             |
| Cost of equipment  | 40,188              | —   | —   | 40,188              |
| Sales and marketing  | 228,956             | 13,507                                      | (10,264)  | 232,199             |
| Subscriber acquisition costs   | 340,506             | 61,164                                      | —   | 401,670             |
| General and administrative   | 227,554             | 1,602                                       | (47,236)  | 181,920             |
| Engineering, design and development  | 41,031              | 977   | (5,856)   | 36,152              |
| Depreciation and amortization  | 309,450             | (106,305)                                   | —   | 203,145             |
| Restructuring, impairments and related costs   | 32,807              | —   | —   | 32,807              |
| Share-based payment expense  | —                   | —   | 78,782  | 78,782              |
| <b>Total operating expenses</b>  | <b>2,244,312</b>    | <b>134,586</b>                              | <b>—</b>  | <b>2,378,898</b>    |
| Income (loss) from operations  | 228,326             | (80,521)                                    | —   | 147,805             |
| <b>Other income (expense)</b>  |                     |   |   |                     |
| Interest and investment income   | 3,645               | —   | —   | 3,645               |
| Interest expense, net of amounts capitalized   | (306,420)           | (18,022)                                    | —   | (324,442)           |
| Loss on extinguishment of debt and credit facilities, net                            | (267,646)           | —   | —   | (267,646)           |
| Gain on investments  | 1,931               | —   | —   | 1,931               |
| Other income   | 3,355               | —   | —   | 3,355               |
| <b>Total other expense</b>   | <b>(565,135)</b>    | <b>(18,022)</b>                             | <b>—</b>  | <b>(583,157)</b>    |
| Loss before income taxes   | (336,809)           | (98,543)                                    | —   | (435,352)           |
| Income tax expense   | (5,981)             | —   | —   | (5,981)             |
| <b>Net loss</b>  | <b>\$ (342,790)</b> | <b>\$ (98,543)</b>                          | <b>\$ —</b>                                     | <b>\$ (441,333)</b> |

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

|  |                  |                 |             |                  |
|--|------------------|-----------------|-------------|------------------|
| Satellite and transmission               | \$ 2,745         | \$ 457          | \$ —        | \$ 3,202         |
| Programming and content                  | 9,064            | 656             | —           | 9,720            |
| Customer service and billing             | 2,051            | 453             | —           | 2,504            |
| Sales and marketing                      | 9,608            | 656             | —           | 10,264           |
| Subscriber acquisition costs             | —                | —               | —           | —                |
| General and administrative               | 45,634           | 1,602           | —           | 47,236           |
| Engineering, design and development      | 4,879            | 977             | —           | 5,856            |
| <b>Total share-based payment expense</b> | <b>\$ 73,981</b> | <b>\$ 4,801</b> | <b>\$ —</b> | <b>\$ 78,782</b> |

Unaudited For the Year Ended December 31, 2008

|  | As Reported           | Predecessor<br>Financial<br>Information | Purchase Price<br>Accounting<br>Adjustments (a) | Allocation of<br>Share-based<br>Payment Expense | Pro Forma           |
|--|-----------------------|---|---|---|---------------------|
| <b>Revenue:</b>  |                       |   |   |   |                     |
| Subscriber revenue, including effects of rebates                                     | \$ 1,548,919          | \$ 670,870                              | \$ 38,533                                       | \$ —  | \$ 2,258,322        |
| Advertising revenue, net of agency fees  | 47,190                | 22,743                                  | —   | —   | 69,933              |
| Equipment revenue  | 56,001                | 13,397                                  | —   | —   | 69,398              |
| Other revenue  | 11,882                | 24,184                                  | 3,021   | —   | 39,087              |
| <b>Total revenue</b>   | <b>1,663,992</b>      | <b>731,194</b>                          | <b>41,554</b>                                   | <b>—</b>  | <b>2,436,740</b>    |
| <b>Operating expenses (depreciation and amortization shown separately below) (1)</b> |                       |   |   |   |                     |
| <b>Cost of services:</b>   |                       |   |   |   |                     |
| Satellite and transmission   | 59,279                | 46,566                                  | 424   | (7,084)   | 99,185              |
| Programming and content  | 312,189               | 117,156                                 | 34,667  | (17,374)  | 446,638             |
| Revenue share and royalties  | 280,852               | 166,606                                 | 30,504  | —   | 477,962             |
| Customer service and billing   | 165,036               | 82,947                                  | 193   | (3,981)   | 244,195             |
| Cost of equipment  | 46,091                | 20,013                                  | —   | —   | 66,104              |
| Sales and marketing  | 231,937               | 126,054                                 | 5,393   | (21,088)  | 342,296             |
| Subscriber acquisition costs   | 371,343               | 174,083                                 | 31,714  | (14)  | 577,126             |
| General and administrative   | 213,142               | 116,444                                 | 1,083   | (63,637)  | 267,032             |
| Engineering, design and development  | 40,496                | 23,045                                  | 400   | (11,441)  | 52,500              |
| Impairment of goodwill   | 4,766,190             | —                                       | (4,766,190)                                     | —   | —                   |
| Depreciation and amortization  | 203,752               | 88,749                                  | (46,930)  | —   | 245,571             |
| Restructuring, impairments and related costs   | 10,434                | —                                       | —   | —   | 10,434              |
| Share-based payment expense  | —                     | —                                       | —   | 124,619   | 124,619             |
| <b>Total operating expenses</b>  | <b>6,700,741</b>      | <b>961,663</b>                          | <b>(4,708,742)</b>                              | <b>—</b>  | <b>2,953,662</b>    |
| <b>(Loss) income from operations</b>   | <b>(5,036,749)</b>    | <b>(230,469)</b>                        | <b>4,750,296</b>                                | <b>—</b>  | <b>(516,922)</b>    |
| <b>Other income (expense)</b>  |                       |   |   |   |                     |
| Interest and investment income   | 9,079                 | 3,013                                   | —   | —   | 12,092              |
| Interest expense, net of amounts capitalized   | (144,833)             | (73,937)                                | (16,885)  | —   | (235,655)           |
| Loss on extinguishment of debt and credit facilities, net                            | (98,203)              | —                                       | —   | —   | (98,203)            |
| Loss on investments  | (30,507)              | (13,010)                                | —   | —   | (43,517)            |
| Other expense  | (9,599)               | (6,543)                                 | —   | —   | (16,142)            |
| <b>Total other expense</b>   | <b>(274,063)</b>      | <b>(90,477)</b>                         | <b>(16,885)</b>                                 | <b>—</b>  | <b>(381,425)</b>    |
| <b>(Loss) income before income taxes</b>   | <b>(5,310,812)</b>    | <b>(320,946)</b>                        | <b>4,733,411</b>                                | <b>—</b>  | <b>(898,347)</b>    |
| Income tax expense   | (2,476)               | (1,512)                                 | —   | —   | (3,988)             |
| <b>Net (loss) income</b>   | <b>\$ (5,313,288)</b> | <b>\$ (322,458)</b>                     | <b>\$ 4,733,411</b>                             | <b>\$ —</b>                                     | <b>\$ (902,335)</b> |

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

|  |                  |                  |                 |             |                   |
|--|------------------|------------------|-----------------|-------------|-------------------|
| Satellite and transmission               | \$ 4,236         | \$ 2,745         | \$ 103          | \$ —        | \$ 7,084          |
| Programming and content                  | 12,148           | 4,949            | 277             | —           | 17,374            |
| Customer service and billing             | 1,920            | 1,869            | 192             | —           | 3,981             |
| Sales and marketing                      | 13,541           | 7,047            | 500             | —           | 21,088            |
| Subscriber acquisition costs             | 14               | —                | —               | —           | 14                |
| General and administrative               | 49,354           | 13,200           | 1,083           | —           | 63,637            |
| Engineering, design and development      | 6,192            | 4,675            | 574             | —           | 11,441            |
| <b>Total share-based payment expense</b> | <b>\$ 87,405</b> | <b>\$ 34,485</b> | <b>\$ 2,729</b> | <b>\$ —</b> | <b>\$ 124,619</b> |

(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                                  |           |   |           |
|---|--|-----------|---|-----------|
|   | For the Three Months<br>Ended December 31, |           | For the Twelve Months<br>Ended December 31, |           |
|   | 2009                                       | 2008      | 2009  | 2008      |
| <i>(per share data includes basic and diluted)</i>  |  |           |   |           |
| Net loss per common share   | \$ 0.00                                    | \$ (0.08) | \$ (0.15)                                   | \$ (2.45) |
| Less: Preferred stock beneficial conversion feature   | —  | —         | (0.05)                                      | —         |
| Net loss per common share excluding preferred stock beneficial conversion feature   | 0.00                                       | (0.08)    | (0.10)                                      | (2.45)    |
| Less: Loss on extinguishment of debt and credit facilities, net   | (0.00)                                     | (0.03)    | (0.07)                                      | (0.05)    |
| Net loss per common share excluding loss on extinguishment of debt and credit facilities, net and preferred stock beneficial conversion feature | 0.00                                       | (0.05)    | (0.02)                                      | (2.40)    |
| Less: Impairment of goodwill  | —  | (0.00)    | —   | (2.20)    |
| Net loss per common share, excluding charges  | \$ 0.00                                    | \$ (0.04) | \$ (0.02)                                   | \$ (0.21) |

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### **About SIRIUS XM Radio**

SIRIUS XM Radio is America's satellite radio company delivering to subscribers commercial-free 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 Fourth 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.

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**E-SIRI**

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