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**UNITED STATES  
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): July 29, 2014 (July 29, 2014)

**SIRIUS XM HOLDINGS INC.**

(Exact Name of Registrant as Specified in its Charter)

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

**001-34295**  
(Commission File Number)

**38-3916511**  
(I.R.S. Employer  
Identification No.)

**1221 Avenue of the Americas, 36<sup>th</sup> 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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**Item 2.02 Results of Operations and Financial Condition**

On July 29, 2014, we reported our financial and operating results for the three and six months ended June 30, 2014. These results are discussed in the press release attached hereto as Exhibit 99.1, which is incorporated by reference in its entirety.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits.

The Exhibit Index attached hereto is incorporated herein.

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**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 hereunto duly authorized.

SIRIUS XM HOLDINGS INC.

By: /s/ Patrick L. Donnelly  
Patrick L. Donnelly  
Executive Vice President, General  
Counsel and Secretary

Dated: July 29, 2014

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**EXHIBITS**

| <b>Exhibit</b> | <b>Description of Exhibit</b>     |
|----------------|-----------------------------------|
| 99.1           | Press Release dated July 29, 2014 |

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P R E S S   R E L A S E

## SiriusXM Reports Second Quarter 2014 Results

- **Revenue Exceeds \$1.0 Billion, Up 10% From Second Quarter of 2013**
- **Net Income of \$120 Million**
- **Adjusted EBITDA Grows 31% to a Record \$370 Million**
- **Free Cash Flow Increases 42% to a Record \$335 Million**
- **Share Repurchases Exceed \$1.6 Billion in 2014**
- **2014 Financial Guidance Raised**

**NEW YORK – July 29, 2014** – SiriusXM announced second quarter 2014 financial and operating results, including revenue of \$1.035 billion, up 10% from the second quarter 2013. Net income was \$120 million, or \$0.02 per diluted share, in the second quarter of 2014.

Adjusted net income climbed 60% to \$131 million in the second quarter of 2014 from \$82 million in the second quarter of 2013. Adjusted EBITDA for the second quarter of 2014 reached a record \$370 million, up 31% from \$283 million in the second quarter of 2013.

"SiriusXM once again posted outstanding results in the second quarter by adding 475,000 total net new subscribers, including 380,000 net new self-pay subscribers. We set new records for trial conversions to self-pay, adjusted EBITDA and adjusted EBITDA margin in the quarter, and we are raising our 2014 guidance for revenue, adjusted EBITDA, and free cash flow," stated Jim Meyer, Chief Executive Officer, SiriusXM.

"Our extraordinary operating performance supported the buyback of over 350 million shares in the quarter, or approximately 6% of our outstanding stock. Perhaps more importantly, we improved our superior content by adding even more channels and shows created with major brands and personalities, such as Joel Osteen, NBC's TODAY Show, and YouTube, and we expanded the range and depth of our commercial-free music programming with the introduction of three new channels in the categories of country, women's pop, and dance," added Meyer. "As the leader in audio entertainment, we never rest in searching for new content that our subscribers will love."

Additional financial and operating highlights of the second quarter include:

- **Subscribers Exceed 26.3 Million.** Net subscriber additions in the second quarter of 2014 were 475,472. The total paid subscriber base reached a record 26.3 million, up 5% from a year earlier. Self-pay net subscriber additions were 379,711, and the self-pay subscriber base reached a record high of 21.6 million, up 7% from the second quarter of 2013. Paid and unpaid trials combined to produce a total trial funnel of 7.3 million at the end of the second quarter of 2014, the largest in our history.
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- **Adjusted EBITDA and Adjusted EBITDA Margin Highest Ever.** Adjusted EBITDA climbed 31% from the second quarter of 2013 to a record quarterly amount of \$370 million. The Company's adjusted EBITDA margin reached a record 35.7% in the second quarter of 2014, up approximately 570 basis points from the second quarter of 2013.
- **Free Cash Flow Per Share Climbs 47%.** Free cash flow in the second quarter of 2014 was \$335 million, up 42% from \$237 million in the second quarter of 2013. Free cash flow per diluted share was 5.4 cents in the second quarter of 2014, up 47% from 3.7 cents in the second quarter of 2013.

“Since we launched our capital return program in late 2012, we have returned approximately \$3.75 billion to stockholders in less than two years, ” noted David Frear, Chief Financial Officer, SiriusXM.

“On July 15th, our Board of Directors increased our cumulative share repurchase authorization to \$6 billion. Total debt-to-adjusted EBITDA at the end of the second quarter 2014 was 3.5 times, and our \$1.25 billion revolving credit was undrawn, leaving us ample liquidity to return capital to shareholders and pursue strategic opportunities as they arise,” added Frear.

## 2014 GUIDANCE

SiriusXM reaffirmed its previously issued 2014 guidance for net subscriber additions and increased its guidance for revenue, adjusted EBITDA, and free cash flow:

- Net subscriber additions of approximately 1.25 million,
  - Revenue of approximately \$4.1 billion,
  - Adjusted EBITDA of approximately \$1.425 billion, and
  - Free cash flow of approximately \$1.1 billion.
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**SECOND QUARTER 2014 RESULTS**

 SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)

|   | For the Three Months Ended June 30, |            | For the Six Months Ended June 30, |              |
|---|-------------------------------------|------------|-----------------------------------|--------------|
|   | 2014                                | 2013       | 2014                              | 2013         |
| <i>(in thousands, except per share data)</i>              |                                     |            |                                   |              |
| Revenue:  |                                     |            |                                   |              |
| Subscriber revenue  | \$ 878,160                          | \$ 814,718 | \$ 1,729,596                      | \$ 1,598,060 |
| Advertising revenue                                       | 25,498                              | 21,757     | 47,712                            | 41,968       |
| Equipment revenue   | 27,616                              | 18,443     | 51,594                            | 36,599       |
| Other revenue   | 104,071                             | 85,192     | 204,154                           | 160,881      |
| Total revenue   | 1,035,345                           | 940,110    | 2,033,056                         | 1,837,508    |
| Operating expenses:                                       |                                     |            |                                   |              |
| Cost of services:   |                                     |            |                                   |              |
| Revenue share and royalties                               | 200,221                             | 155,859    | 395,632                           | 304,390      |
| Programming and content                                   | 69,570                              | 70,381     | 144,440                           | 144,991      |
| Customer service and billing                              | 90,092                              | 80,290     | 181,161                           | 160,684      |
| Satellite and transmission                                | 21,272                              | 19,493     | 42,651                            | 39,188       |
| Cost of equipment   | 12,030                              | 5,442      | 19,834                            | 12,469       |
| Subscriber acquisition costs                              | 124,407                             | 129,992    | 247,429                           | 246,103      |
| Sales and marketing                                       | 77,759                              | 68,058     | 154,086                           | 133,956      |
| Engineering, design and development                       | 15,630                              | 15,052     | 31,541                            | 29,894       |
| General and administrative                                | 72,582                              | 60,392     | 148,825                           | 116,732      |
| Depreciation and amortization                             | 67,204                              | 67,415     | 135,471                           | 134,433      |
| Total operating expenses                                  | 750,767                             | 672,374    | 1,501,070                         | 1,322,840    |
| Income from operations                                    | 284,578                             | 267,736    | 531,986                           | 514,668      |
| Other income (expense):                                   |                                     |            |                                   |              |
| Interest expense, net of amounts capitalized              | (67,521)                            | (49,728)   | (121,613)                         | (95,902)     |
| Loss on extinguishment of debt and credit facilities, net | —                                   | (16,377)   | —                                 | (16,377)     |
| Interest and investment (loss) income                     | (1,066)                             | 294        | 3,283                             | 1,932        |
| Loss on change in value of derivatives                    | (7,463)                             | —          | (34,485)                          | —            |
| Other (loss) income                                       | (1,745)                             | 256        | (1,652)                           | 502          |
| Total other expense                                       | (77,795)                            | (65,555)   | (154,467)                         | (109,845)    |
| Income before income taxes                                | 206,783                             | 202,181    | 377,519                           | 404,823      |
| Income tax expense  | (86,822)                            | (76,659)   | (163,570)                         | (155,699)    |
| Net income  | \$ 119,961                          | \$ 125,522 | \$ 213,949                        | \$ 249,124   |
| Foreign currency translation adjustment, net of tax       | (40)                                | (109)      | 78                                | (281)        |
| Total comprehensive income                                | \$ 119,921                          | \$ 125,413 | \$ 214,027                        | \$ 248,843   |
| Net income per common share:                              |                                     |            |                                   |              |
| Basic   | \$ 0.02                             | \$ 0.02    | \$ 0.04                           | \$ 0.04      |
| Diluted   | \$ 0.02                             | \$ 0.02    | \$ 0.04                           | \$ 0.04      |
| Weighted average common shares outstanding:               |                                     |            |                                   |              |
| Basic   | 5,865,032                           | 6,354,755  | 5,979,273                         | 6,307,541    |
| Diluted   | 6,210,078                           | 6,447,517  | 6,054,771                         | 6,526,698    |

SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

|   | <b>As of June 30,</b> | <b>As of December 31,</b> |
|---|-----------------------|---------------------------|
|   | <b>2014</b>           | <b>2013</b>               |
|   | <i>(Unaudited)</i>    |                           |
| <i>(in thousands, except share and per share data)</i>  |                       |                           |
| <b>ASSETS</b>   |                       |                           |
| Current assets:   |                       |                           |
| Cash and cash equivalents   | \$ 169,980            | \$ 134,805                |
| Accounts receivable, net  | 109,117               | 103,937                   |
| Receivables from distributors   | 93,159                | 88,975                    |
| Inventory, net  | 21,555                | 13,863                    |
| Prepaid expenses  | 110,994               | 110,530                   |
| Related party current assets  | 4,937                 | 9,145                     |
| Deferred tax asset  | 846,612               | 937,598                   |
| Other current assets  | 13,764                | 20,160                    |
| Total current assets  | 1,370,118             | 1,419,013                 |
| Property and equipment, net   | 1,549,881             | 1,594,574                 |
| Long-term restricted investments  | 5,718                 | 5,718                     |
| Deferred financing fees, net  | 13,334                | 12,604                    |
| Intangible assets, net  | 2,672,118             | 2,700,062                 |
| Goodwill  | 2,203,409             | 2,204,553                 |
| Related party long-term assets  | 108                   | 30,164                    |
| Long-term deferred tax asset  | 801,079               | 868,057                   |
| Other long-term assets  | 8,769                 | 10,035                    |
| Total assets  | \$ 8,624,534          | \$ 8,844,780              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                       |                           |
| Current liabilities:  |                       |                           |
| Accounts payable and accrued expenses   | \$ 560,591            | \$ 578,333                |
| Accrued interest  | 55,028                | 42,085                    |
| Current portion of deferred revenue   | 1,635,901             | 1,586,611                 |
| Current portion of deferred credit on executory contracts   | 3,285                 | 3,781                     |
| Current maturities of long-term debt  | 497,884               | 496,815                   |
| Current maturities of long-term related party debt  | 10,981                | 10,959                    |
| Related party current liabilities   | 4,961                 | 20,320                    |
| Total current liabilities   | 2,768,631             | 2,738,904                 |
| Deferred revenue  | 144,717               | 149,026                   |
| Deferred credit on executory contracts  | —                     | 1,394                     |
| Long-term debt  | 4,115,429             | 3,093,821                 |
| Related party long-term liabilities   | 15,055                | 16,337                    |
| Other long-term liabilities   | 94,813                | 99,556                    |
| Total liabilities   | 7,138,645             | 6,099,038                 |
| Stockholders' equity:   |                       |                           |
| Preferred stock, undesignated, par value \$0.001 (liquidation preference of \$0.001 per share); 50,000,000 shares authorized and 0 shares issued and outstanding at June 30, 2014 and December 31, 2013           | —                     | —                         |
| Common stock, par value \$0.001; 9,000,000,000 shares authorized; 5,712,347,567 and 6,096,220,526 shares issued; 5,706,347,567 and 6,096,220,526 outstanding at June 30, 2014 and December 31, 2013, respectively | 5,712                 | 6,096                     |
| Accumulated other comprehensive loss, net of tax  | (230)                 | (308)                     |
| Additional paid-in capital  | 7,221,372             | 8,674,129                 |
| Treasury stock, at cost; 6,000,000 and 0 shares of common stock at June 30, 2014 and December 31, 2013, respectively  | (20,739)              | —                         |
| Accumulated deficit   | (5,720,226)           | (5,934,175)               |
| Total stockholders' equity  | 1,485,889             | 2,745,742                 |
| Total liabilities and stockholders' equity  | \$ 8,624,534          | \$ 8,844,780              |



SIRIUS XM HOLDINGS INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

| <i>(in thousands)</i>  | <b>For the Six Months Ended June 30,</b> |                   |
|--|--|-------------------|
|  | <b>2014</b>                              | <b>2013</b>       |
| <b>Cash flows from operating activities:</b>   |  |                   |
| Net income   | \$ 213,949                               | \$ 249,124        |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |  |                   |
| Depreciation and amortization  | 135,471                                  | 134,433           |
| Non-cash interest expense, net of amortization of premium                                | 10,779                                   | 10,932            |
| Provision for doubtful accounts  | 21,287                                   | 20,153            |
| Amortization of deferred income related to equity method investment                      | (1,388)                                  | (1,388)           |
| Loss on extinguishment of debt and credit facilities, net                                | —  | 16,377            |
| Gain on unconsolidated entity investments, net   | (966)                                    | (1,382)           |
| Dividend received from unconsolidated entity investment                                  | 8,554                                    | 13,217            |
| Loss on disposal of assets   | —  | 126               |
| Loss on change in value of derivatives   | 34,485                                   | —                 |
| Share-based payment expense  | 36,027                                   | 30,012            |
| Deferred income taxes  | 157,965                                  | 159,191           |
| Other non-cash purchase price adjustments  | (1,890)                                  | (137,889)         |
| <b>Changes in operating assets and liabilities:</b>                                      |  |                   |
| Accounts receivable  | (26,467)                                 | (15,214)          |
| Receivables from distributors  | (4,184)                                  | (6,863)           |
| Inventory  | (7,692)                                  | 8,649             |
| Related party assets   | 2,388                                    | 205               |
| Prepaid expenses and other current assets  | (1,057)                                  | (28,317)          |
| Other long-term assets   | 1,238                                    | 1,353             |
| Accounts payable and accrued expenses  | (40,098)                                 | (69,310)          |
| Accrued interest   | 12,943                                   | 3,868             |
| Deferred revenue   | 44,981                                   | 59,116            |
| Related party liabilities  | 449                                      | 1,171             |
| Other long-term liabilities  | (4,702)                                  | (5,543)           |
| Net cash provided by operating activities  | <u>592,072</u>                           | <u>442,021</u>    |
| <b>Cash flows from investing activities:</b>   |  |                   |
| Additions to property and equipment  | (58,417)                                 | (62,980)          |
| Acquisition of business, net of cash acquired  | 1,144                                    | —                 |
| Return of capital from investment in unconsolidated entity                               | 24,178                                   | —                 |
| Net cash used in investing activities  | <u>(33,095)</u>                          | <u>(62,980)</u>   |
| <b>Cash flows from financing activities:</b>   |  |                   |
| Proceeds from exercise of stock options  | 260                                      | 21,658            |
| Taxes paid in lieu of shares issued for stock-based compensation                         | (7,313)                                  | —                 |
| Proceeds from long-term borrowings and revolving credit facility, net of costs           | 1,921,230                                | 1,136,640         |
| Payment of premiums on redemption of debt  | —  | (14,719)          |
| Repayment of long-term borrowings and revolving credit facility                          | (905,815)                                | (283,180)         |
| Common stock repurchased and retired   | (1,532,164)                              | (1,108,616)       |
| Net cash used in financing activities  | <u>(523,802)</u>                         | <u>(248,217)</u>  |
| Net increase in cash and cash equivalents  | 35,175                                   | 130,824           |
| Cash and cash equivalents at beginning of period   | 134,805                                  | 520,945           |
| Cash and cash equivalents at end of period   | <u>\$ 169,980</u>                        | <u>\$ 651,769</u> |

**Key Operating Metrics**

The following table contains our key operating metrics for the three and six months ended June 30, 2014 and 2013, respectively. Subscribers to our connected vehicle services are not included in our subscriber count:

| <i>(in thousands, except subscriber, per subscriber and per installation amounts)</i> | <b>Unaudited</b>                           |                   |  |                   |
|---|--|-------------------|--|-------------------|
|   | <b>For the Three Months Ended June 30,</b> |                   | <b>For the Six Months Ended June 30,</b> |                   |
|   | <b>2014</b>                                | <b>2013</b>       | <b>2014</b>                              | <b>2013</b>       |
| Self-pay subscribers  | 21,635,008                                 | 20,297,736        | 21,635,008                               | 20,297,736        |
| Paid promotional subscribers  | 4,666,573                                  | 4,771,252         | 4,666,573                                | 4,771,252         |
| Ending subscribers  | <u>26,301,581</u>                          | <u>25,068,988</u> | <u>26,301,581</u>                        | <u>25,068,988</u> |
| Self-pay subscribers  | 379,711                                    | 423,076           | 553,191                                  | 727,462           |
| Paid promotional subscribers  | 95,761                                     | 292,686           | 189,080                                  | 441,190           |
| Net additions   | <u>475,472</u>                             | <u>715,762</u>    | <u>742,271</u>                           | <u>1,168,652</u>  |
| Daily weighted average number of subscribers  | <u>26,005,691</u>                          | <u>24,651,268</u> | <u>25,805,030</u>                        | <u>24,331,646</u> |
| Average self-pay monthly churn  | <u>1.8%</u>                                | <u>1.7%</u>       | <u>1.9%</u>                              | <u>1.8%</u>       |
| New vehicle consumer conversion rate  | <u>42%</u>                                 | <u>45%</u>        | <u>42%</u>                               | <u>44%</u>        |
| ARPU  | \$ 12.36                                   | \$ 12.28          | \$ 12.27                                 | \$ 12.16          |
| SAC, per installation   | \$ 33                                      | \$ 47             | \$ 34                                    | \$ 47             |
| Customer service and billing expenses, per average subscriber                         | \$ 1.05                                    | \$ 1.08           | \$ 1.07                                  | \$ 1.09           |
| Free cash flow  | \$ 335,044                                 | \$ 236,560        | \$ 557,833                               | \$ 379,041        |
| Adjusted EBITDA   | \$ 370,437                                 | \$ 282,979        | \$ 705,220                               | \$ 544,850        |

### Glossary

**Adjusted EBITDA** - EBITDA is defined as net income before interest and investment income (loss); interest expense, net of amounts capitalized; income tax expense and depreciation and amortization. We adjust EBITDA to exclude the impact of other income and expense, loss on extinguishment of debt, loss on change in value of derivatives 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 of Sirius and XM, (ii) depreciation and amortization and (iii) 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 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 statements of comprehensive income of certain expenses, including share-based payment expense and certain purchase price accounting for the merger of Sirius and XM. 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 unaudited consolidated statements of comprehensive income. 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 June 30, |                   | For the Six Months Ended June 30, |                   |
|  | 2014                                | 2013              | 2014                              | 2013              |
| Net income (GAAP):   | \$ 119,961                          | \$ 125,522        | \$ 213,949                        | \$ 249,124        |
| Add back items excluded from Adjusted EBITDA:                    |                                     |                   |                                   |                   |
| Purchase price accounting adjustments:                           |                                     |                   |                                   |                   |
| Revenues   | 1,813                               | 1,813             | 3,626                             | 3,626             |
| Operating expenses   | (945)                               | (69,479)          | (1,890)                           | (137,889)         |
| Share-based payment expense (GAAP)                               | 17,787                              | 15,494            | 36,027                            | 30,012            |
| Depreciation and amortization (GAAP)                             | 67,204                              | 67,415            | 135,471                           | 134,433           |
| Interest expense, net of amounts capitalized (GAAP)              | 67,521                              | 49,728            | 121,613                           | 95,902            |
| Loss on extinguishment of debt and credit facilities, net (GAAP) | —                                   | 16,377            | —                                 | 16,377            |
| Interest and investment loss (income) (GAAP)                     | 1,066                               | (294)             | (3,283)                           | (1,932)           |
| Loss on change in value of derivatives (GAAP)                    | 7,463                               | —                 | 34,485                            | —                 |
| Other loss (income) (GAAP)                                       | 1,745                               | (256)             | 1,652                             | (502)             |
| Income tax expense (GAAP)  | 86,822                              | 76,659            | 163,570                           | 155,699           |
| Adjusted EBITDA  | <u>\$ 370,437</u>                   | <u>\$ 282,979</u> | <u>\$ 705,220</u>                 | <u>\$ 544,850</u> |

**Adjusted Net Income** - We define this Non-GAAP financial measure as our actual net income adjusted to exclude the impact of certain purchase price accounting adjustments and the loss on change in value of derivatives, net of income tax expense. The following table reconciles our actual income before income taxes to our adjusted net income for the three and six months ended June 30, 2014 and 2013 (in thousands):

|   | Unaudited                           |                   |                                   |                   |
|---|-------------------------------------|-------------------|-----------------------------------|-------------------|
|   | For the Three Months Ended June 30, |                   | For the Six Months Ended June 30, |                   |
|   | 2014                                | 2013              | 2014                              | 2013              |
| Income before income taxes (GAAP):                | \$ 206,783                          | \$ 202,181        | \$ 377,519                        | \$ 404,823        |
| Add back items excluded from adjusted net income: |                                     |                   |                                   |                   |
| Purchase price accounting adjustments:            |                                     |                   |                                   |                   |
| Revenues  | 1,813                               | 1,813             | 3,626                             | 3,626             |
| Operating expenses                                | (945)                               | (69,479)          | (1,890)                           | (137,889)         |
| Loss on change in value of derivatives (GAAP)     | 7,463                               | —                 | 34,485                            | —                 |
| Adjusted income before income taxes               | <u>\$ 215,114</u>                   | <u>\$ 134,515</u> | <u>\$ 413,740</u>                 | <u>\$ 270,560</u> |
| Allocable income tax expense                      | (83,679)                            | (52,461)          | (160,945)                         | (105,518)         |
| Adjusted net income                               | <u>\$ 131,435</u>                   | <u>\$ 82,054</u>  | <u>\$ 252,795</u>                 | <u>\$ 165,042</u> |

**Adjusted Revenues and Operating Expenses** - We define this Non-GAAP financial measure as our actual revenues and operating expenses adjusted to exclude the impact of certain purchase price accounting adjustments from the merger of Sirius and XM and share-based payment expense. We use this Non-GAAP financial measure to manage our business, to set operational goals and as a basis for determining performance-based compensation for our employees. 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, 2014 and 2013:

**Unaudited For the Three Months Ended June 30, 2014**

| <i>(in thousands)</i>               | <b>As Reported</b>  | <b>Purchase Price<br/>Accounting<br/>Adjustments</b> | <b>Allocation of<br/>Share-based<br/>Payment Expense</b> | <b>Adjusted</b>     |
|-------------------------------------|---------------------|--|--|---------------------|
| <b>Revenue:</b>                     |                     |  |  |                     |
| Subscriber revenue                  | \$ 878,160          | \$ —   | \$ —   | \$ 878,160          |
| Advertising revenue                 | 25,498              | —  | —  | 25,498              |
| Equipment revenue                   | 27,616              | —  | —  | 27,616              |
| Other revenue                       | 104,071             | 1,813  | —  | 105,884             |
| <b>Total revenue</b>                | <b>\$ 1,035,345</b> | <b>\$ 1,813</b>                                      | <b>\$ —</b>  | <b>\$ 1,037,158</b> |
| <b>Operating expenses</b>           |                     |  |  |                     |
| Cost of services:                   |                     |  |  |                     |
| Revenue share and royalties         | \$ 200,221          | \$ —   | \$ —   | \$ 200,221          |
| Programming and content             | 69,570              | 945  | (2,254)  | 68,261              |
| Customer service and billing        | 90,092              | —  | (587)  | 89,505              |
| Satellite and transmission          | 21,272              | —  | (956)  | 20,316              |
| Cost of equipment                   | 12,030              | —  | —  | 12,030              |
| Subscriber acquisition costs        | 124,407             | —  | —  | 124,407             |
| Sales and marketing                 | 77,759              | —  | (3,407)  | 74,352              |
| Engineering, design and development | 15,630              | —  | (1,937)  | 13,693              |
| General and administrative          | 72,582              | —  | (8,646)  | 63,936              |
| Depreciation and amortization (a)   | 67,204              | —  | —  | 67,204              |
| Share-based payment expense         | —                   | —  | 17,787   | 17,787              |
| <b>Total operating expenses</b>     | <b>\$ 750,767</b>   | <b>\$ 945</b>  | <b>\$ —</b>  | <b>\$ 751,712</b>   |

(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 of Sirius and XM. The increased depreciation and amortization for the three months ended June 30, 2014 was \$10,000.

**Unaudited For the Three Months Ended June 30, 2013**

| <i>(in thousands)</i>               | <b>As Reported</b> | <b>Purchase Price<br/>Accounting<br/>Adjustments</b> | <b>Allocation of<br/>Share-based<br/>Payment Expense</b> | <b>Adjusted</b>   |
|-------------------------------------|--------------------|--|--|-------------------|
| <b>Revenue:</b>                     |                    |  |  |                   |
| Subscriber revenue                  | \$ 814,718         | \$ —   | \$ —   | \$ 814,718        |
| Advertising revenue                 | 21,757             | —  | —  | 21,757            |
| Equipment revenue                   | 18,443             | —  | —  | 18,443            |
| Other revenue                       | 85,192             | 1,813  | —  | 87,005            |
| <b>Total revenue</b>                | <b>\$ 940,110</b>  | <b>\$ 1,813</b>                                      | <b>\$ —</b>  | <b>\$ 941,923</b> |
| <b>Operating expenses</b>           |                    |  |  |                   |
| Cost of services:                   |                    |  |  |                   |
| Revenue share and royalties         | \$ 155,859         | \$ 40,831  | \$ —   | \$ 196,690        |
| Programming and content             | 70,381             | 2,478  | (1,639)  | 71,220            |
| Customer service and billing        | 80,290             | —  | (511)  | 79,779            |
| Satellite and transmission          | 19,493             | —  | (827)  | 18,666            |
| Cost of equipment                   | 5,442              | —  | —  | 5,442             |
| Subscriber acquisition costs        | 129,992            | 22,017   | —  | 152,009           |
| Sales and marketing                 | 68,058             | 4,153  | (3,182)  | 69,029            |
| Engineering, design and development | 15,052             | —  | (1,634)  | 13,418            |
| General and administrative          | 60,392             | —  | (7,701)  | 52,691            |
| Depreciation and amortization (a)   | 67,415             | —  | —  | 67,415            |
| Share-based payment expense         | —                  | —  | 15,494   | 15,494            |
| <b>Total operating expenses</b>     | <b>\$ 672,374</b>  | <b>\$ 69,479</b>                                     | <b>\$ —</b>  | <b>\$ 741,853</b> |

(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 of Sirius and XM. The increased depreciation and amortization for the three months ended June 30, 2013 was \$12,000.

|                                     | <b>Unaudited For the Six Months Ended June 30, 2014</b> |  |  |                     |
|-------------------------------------|---|--|--|---------------------|
| <i>(in thousands)</i>               | <b>As Reported</b>                                      | <b>Purchase Price<br/>Accounting<br/>Adjustments</b> | <b>Allocation of<br/>Share-based<br/>Payment Expense</b> | <b>Adjusted</b>     |
| <b>Revenue:</b>                     |   |  |  |                     |
| Subscriber revenue                  | \$ 1,729,596  | \$ —   | \$ —   | \$ 1,729,596        |
| Advertising revenue                 | 47,712  | —  | —  | 47,712              |
| Equipment revenue                   | 51,594  | —  | —  | 51,594              |
| Other revenue                       | 204,154   | 3,626  | —  | 207,780             |
| <b>Total revenue</b>                | <b>\$ 2,033,056</b>                                     | <b>\$ 3,626</b>                                      | <b>\$ —</b>  | <b>\$ 2,036,682</b> |
| <b>Operating expenses</b>           |   |  |  |                     |
| Cost of services:                   |   |  |  |                     |
| Revenue share and royalties         | \$ 395,632  | \$ —   | \$ —   | \$ 395,632          |
| Programming and content             | 144,440   | 1,890  | (4,469)  | 141,861             |
| Customer service and billing        | 181,161   | —  | (1,164)  | 179,997             |
| Satellite and transmission          | 42,651  | —  | (1,902)  | 40,749              |
| Cost of equipment                   | 19,834  | —  | —  | 19,834              |
| Subscriber acquisition costs        | 247,429   | —  | —  | 247,429             |
| Sales and marketing                 | 154,086   | —  | (6,973)  | 147,113             |
| Engineering, design and development | 31,541  | —  | (3,863)  | 27,678              |
| General and administrative          | 148,825   | —  | (17,656)   | 131,169             |
| Depreciation and amortization (a)   | 135,471   | —  | —  | 135,471             |
| Share-based payment expense         | —   | —  | 36,027   | 36,027              |
| <b>Total operating expenses</b>     | <b>\$ 1,501,070</b>                                     | <b>\$ 1,890</b>                                      | <b>\$ —</b>  | <b>\$ 1,502,960</b> |

(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 of Sirius and XM. The increased depreciation and amortization for the six months ended June 30, 2014 was \$20,000.

|                                     | <b>Unaudited For the Six Months Ended June 30, 2013</b> |  |  |                     |
|-------------------------------------|---|--|--|---------------------|
| <i>(in thousands)</i>               | <b>As Reported</b>                                      | <b>Purchase Price<br/>Accounting<br/>Adjustments</b> | <b>Allocation of<br/>Share-based<br/>Payment Expense</b> | <b>Adjusted</b>     |
| <b>Revenue:</b>                     |   |  |  |                     |
| Subscriber revenue                  | \$ 1,598,060  | \$ —   | \$ —   | \$ 1,598,060        |
| Advertising revenue                 | 41,968  | —  | —  | 41,968              |
| Equipment revenue                   | 36,599  | —  | —  | 36,599              |
| Other revenue                       | 160,881   | 3,626  | —  | 164,507             |
| <b>Total revenue</b>                | <b>\$ 1,837,508</b>                                     | <b>\$ 3,626</b>                                      | <b>\$ —</b>  | <b>\$ 1,841,134</b> |
| <b>Operating expenses</b>           |   |  |  |                     |
| Cost of services:                   |   |  |  |                     |
| Revenue share and royalties         | \$ 304,390  | \$ 80,592  | \$ —   | \$ 384,982          |
| Programming and content             | 144,991   | 4,956  | (3,281)  | 146,666             |
| Customer service and billing        | 160,684   | —  | (981)  | 159,703             |
| Satellite and transmission          | 39,188  | —  | (1,677)  | 37,511              |
| Cost of equipment                   | 12,469  | —  | —  | 12,469              |
| Subscriber acquisition costs        | 246,103   | 44,022   | —  | 290,125             |
| Sales and marketing                 | 133,956   | 8,319  | (6,243)  | 136,032             |
| Engineering, design and development | 29,894  | —  | (3,281)  | 26,613              |
| General and administrative          | 116,732   | —  | (14,549)   | 102,183             |
| Depreciation and amortization (a)   | 134,433   | —  | —  | 134,433             |
| Share-based payment expense         | —   | —  | 30,012   | 30,012              |
| <b>Total operating expenses</b>     | <b>\$ 1,322,840</b>                                     | <b>\$ 137,889</b>                                    | <b>\$ —</b>  | <b>\$ 1,460,729</b> |

(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 of Sirius and XM. The increased depreciation and amortization for the six months ended June 30, 2013 was \$25,000.

**ARPU** - is derived from total earned subscriber revenue, advertising revenue and other subscription-related revenue, excluding revenue associated with our connected vehicle business, 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. 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, |                     |
|  | 2014                                | 2013              | 2014                              | 2013                |
| Subscriber revenue, excluding connected vehicle (GAAP) | \$ 855,846                          | \$ 814,718        | \$ 1,688,649                      | \$ 1,598,060        |
| Add: advertising revenue (GAAP)                        | 25,498                              | 21,757            | 47,712                            | 41,968              |
| Add: other subscription-related revenue (GAAP)         | 82,990                              | 71,648            | 163,758                           | 135,785             |
|  | <u>\$ 964,334</u>                   | <u>\$ 908,123</u> | <u>\$ 1,900,119</u>               | <u>\$ 1,775,813</u> |
| Daily weighted average number of subscribers           | <u>26,005,691</u>                   | <u>24,651,268</u> | <u>25,805,030</u>                 | <u>24,331,646</u>   |
| ARPU   | <u>\$ 12.36</u>                     | <u>\$ 12.28</u>   | <u>\$ 12.27</u>                   | <u>\$ 12.16</u>     |

**Average self-pay monthly churn** - is defined as the monthly average of self-pay deactivations for the period divided by the average number of self-pay subscribers for the period.

**Customer service and billing expenses, per average subscriber** - is derived from total customer service and billing expenses, excluding connected vehicle customer service and billing expenses and 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. 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. 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 June 30, |                   | For the Six Months Ended June 30, |                   |
|   | 2014                                | 2013              | 2014                              | 2013              |
| Customer service and billing expenses, excluding connected vehicle (GAAP) | \$ 82,705                           | \$ 80,290         | \$ 166,809                        | \$ 160,684        |
| Less: share-based payment expense (GAAP)                                  | (587)                               | (511)             | (1,164)                           | (981)             |
|   | <u>\$ 82,118</u>                    | <u>\$ 79,779</u>  | <u>\$ 165,645</u>                 | <u>\$ 159,703</u> |
| Daily weighted average number of subscribers                              | <u>26,005,691</u>                   | <u>24,651,268</u> | <u>25,805,030</u>                 | <u>24,331,646</u> |
| Customer service and billing expenses, per average subscriber             | <u>\$ 1.05</u>                      | <u>\$ 1.08</u>    | <u>\$ 1.07</u>                    | <u>\$ 1.09</u>    |

**Free cash flow** - is derived from cash flow provided by operating activities, capital expenditures and restricted and other investment activity. The calculation for free cash flow and free cash flow per diluted share are as follows (in thousands, except per share data):

|  | Unaudited                           |                   |                                   |                   |
|--|-------------------------------------|-------------------|-----------------------------------|-------------------|
|  | For the Three Months Ended June 30, |                   | For the Six Months Ended June 30, |                   |
|  | 2014                                | 2013              | 2014                              | 2013              |
| <b>Cash Flow information</b>                               |                                     |                   |                                   |                   |
| Net cash provided by operating activities                  | \$ 340,682                          | \$ 273,106        | \$ 592,072                        | \$ 442,021        |
| Net cash used in investing activities                      | \$ (5,638)                          | \$ (36,546)       | \$ (33,095)                       | \$ (62,980)       |
| Net cash used in financing activities                      | \$ (286,235)                        | \$ 208,482        | \$ (523,802)                      | \$ (248,217)      |
| <b>Free Cash Flow</b>                                      |                                     |                   |                                   |                   |
| Net cash provided by operating activities                  | \$ 340,682                          | \$ 273,106        | \$ 592,072                        | \$ 442,021        |
| Additions to property and equipment                        | (29,816)                            | (36,546)          | (58,417)                          | (62,980)          |
| Return of capital from investment in unconsolidated entity | 24,178                              | —                 | 24,178                            | —                 |
| Free cash flow   | <u>\$ 335,044</u>                   | <u>\$ 236,560</u> | <u>\$ 557,833</u>                 | <u>\$ 379,041</u> |
| Diluted weighted average common shares outstanding         | <u>6,210,078</u>                    | <u>6,447,517</u>  | <u>6,054,771</u>                  | <u>6,526,698</u>  |
| Free cash flow per diluted share                           | <u>\$ 0.05</u>                      | <u>\$ 0.04</u>    | <u>\$ 0.09</u>                    | <u>\$ 0.06</u>    |

**New vehicle consumer conversion rate** - is defined as the percentage of owners and lessees of new vehicles that receive our satellite radio service and convert to become self-paying subscribers after the initial promotion period. 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. We measure conversion rate three months after the period in which the trial service ends. The metric excludes rental and fleet vehicles.

**Subscriber acquisition cost, per installation** - or SAC, per installation, is derived from subscriber acquisition costs and margins from the sale of radios and accessories, excluding purchase price accounting adjustments, divided by the number of satellite radio installations in new vehicles and shipments of aftermarket radios for the period. Purchase price accounting adjustments associated with the merger of Sirius and XM 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 installation, is calculated as follows (in thousands, except for installation amounts):

|   | Unaudited                           |                   |                                   |                   |
|---|-------------------------------------|-------------------|-----------------------------------|-------------------|
|   | For the Three Months Ended June 30, |                   | For the Six Months Ended June 30, |                   |
|   | 2014                                | 2013              | 2014                              | 2013              |
| Subscriber acquisition costs (GAAP)                             | \$ 124,407                          | \$ 129,992        | \$ 247,429                        | \$ 246,103        |
| Less: margin from direct sales of radios and accessories (GAAP) | (15,586)                            | (13,001)          | (31,760)                          | (24,130)          |
| Add: purchase price accounting adjustments                      | —                                   | 22,017            | —                                 | 44,022            |
|   | <u>\$ 108,821</u>                   | <u>\$ 139,008</u> | <u>\$ 215,669</u>                 | <u>\$ 265,995</u> |
| Installations   | <u>3,279,564</u>                    | <u>2,973,267</u>  | <u>6,358,074</u>                  | <u>5,684,160</u>  |
| SAC, per installation   | <u>\$ 33</u>                        | <u>\$ 47</u>      | <u>\$ 34</u>                      | <u>\$ 47</u>      |

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Second quarter 2014 financial information about Sirius XM Radio Inc. will be posted to our website at [investor.siriusxm.com](http://investor.siriusxm.com). Sirius XM Radio Inc. is furnishing this information in order to comply with the reporting obligations in the indentures governing its outstanding notes.

#### **About SiriusXM**

Sirius XM Holdings Inc. (NASDAQ: SIRI) is the world's largest radio broadcaster measured by revenue and has 26.3 million subscribers. SiriusXM creates and broadcasts commercial-free music; premier sports talk and live events; comedy; news; exclusive talk and entertainment; and the most comprehensive Latin music, sports and talk programming in radio. SiriusXM is available in vehicles from every major car company in the U.S. and from retailers nationwide as well as at [shop.siriusxm.com](http://shop.siriusxm.com). SiriusXM programming is available through the [SiriusXM Internet Radio](#) App for smartphones and other connected devices as well as online at [siriusxm.com](http://siriusxm.com). SiriusXM also provides premium traffic, weather, data and information services for subscribers in cars, trucks, RVs, boats and aircraft through SiriusXM Traffic™, SiriusXM Travel Link, NavTraffic®, NavWeather™, SiriusXM Aviation, SiriusXM Marine™, Sirius Marine Weather, XMWX Aviation™, and XMWX Marine™. SiriusXM holds a minority interest in [SiriusXM Canada](#) which has more than 2 million subscribers.

On social media, join the SiriusXM community on [Facebook](#), [Twitter](#), [Instagram](#), and [YouTube](#).

*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," "believe," "intend," "plan," "projection," "outlook" or words of similar meaning. Such forward-looking statements are based upon the current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond our control. Actual results 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 statements: our competitive position versus other radio and audio entertainment providers; our ability to attract and retain subscribers, which is uncertain; our dependence upon the auto industry; general economic conditions; failure of our satellites, which, in most cases, are not insured; the interruption or failure of our information and communications systems; the security of the personal information about our customers; royalties we pay for music rights, which increase over time; the unfavorable outcome of pending or future litigation; our failure to realize benefits of acquisitions; rapid technological and industry change; failure of third parties to perform; changes in consumer protection laws and their enforcement; failure to comply with FCC requirements and other government regulations; and our indebtedness. 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, 2013, 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.*

## **E-SIRI**

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