

XM SATELLITE RADIO HOLDINGS INC.
UNAUDITED CONSOLIDATED TRENDED STATEMENT OF OPERATIONS

	Three Months ended						Six Months ended	
	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	June 30, 2006	June 30, 2005
<i>(In thousands except share and per share data)</i>								
Revenue:								
Subscription	\$ 202,165	\$ 188,102	\$ 156,251	\$ 140,001	\$ 113,379	\$ 92,981	\$ 390,267	\$ 206,360
Activation	3,942	3,579	3,079	2,650	2,313	2,024	7,521	4,337
Merchandise	4,928	3,551	8,627	2,640	3,798	3,117	8,479	6,915
Net ad sales	8,982	6,518	7,283	5,332	4,363	3,125	15,500	7,488
Other	7,869	6,216	1,895	2,489	1,601	1,318	14,085	2,919
Total revenue	<u>227,886</u>	<u>207,966</u>	<u>177,135</u>	<u>153,112</u>	<u>125,454</u>	<u>102,565</u>	<u>435,852</u>	<u>228,019</u>
Operating expenses:								
Cost of revenue (excludes depreciation & amortization, shown below):								
Revenue share & royalties	37,923	34,276	27,889	25,788	21,071	19,126	72,200	40,197
Customer care & billing operations (1)	26,395	22,455	24,560	17,794	18,488	15,380	48,850	33,868
Cost of merchandise	10,254	7,993	22,267	7,857	7,496	3,087	18,247	10,583
Ad sales (1)	4,460	3,356	3,644	2,547	1,800	2,067	7,815	3,867
Satellite & terrestrial (1)	11,571	13,049	11,353	11,813	10,480	8,710	24,620	19,190
Broadcast & operations:								
Broadcast (1)	5,169	5,852	4,707	4,274	4,053	3,576	11,022	7,629
Operations (1)	8,805	8,887	6,851	6,498	6,283	4,827	17,692	11,110
Total broadcast & operations	13,974	14,739	11,558	10,772	10,336	8,403	28,714	18,739
Programming & content (1)	42,253	37,643	30,551	28,388	24,529	17,540	79,896	42,069
Total cost of revenue	<u>146,830</u>	<u>133,511</u>	<u>131,822</u>	<u>104,959</u>	<u>94,200</u>	<u>74,313</u>	<u>280,342</u>	<u>168,513</u>
Research & development (excludes depreciation and amortization, shown below) (1)	8,518	10,981	10,248	7,885	6,993	6,092	19,499	13,085
General & administrative (excludes depreciation and amortization, shown below) (1)	18,672	17,630	13,213	12,534	10,823	7,294	36,301	18,117
Marketing (excludes depreciation and amortization, shown below):								
Retention & support (1)	7,443	8,047	6,584	6,092	5,080	4,519	15,490	9,599
Subsidies & distribution	61,126	59,732	113,852	54,241	48,532	48,094	120,858	96,626
Advertising & marketing	37,666	29,666	66,703	29,581	40,872	26,156	67,333	67,028
Marketing	106,235	97,445	187,139	89,914	94,484	78,769	203,681	173,253
Amortization of GM liability	7,440	9,313	9,313	9,313	9,312	9,313	16,753	18,625
Total marketing	113,675	106,758	196,452	99,227	103,796	88,082	220,434	191,878
Depreciation & amortization	41,847	39,882	39,028	38,040	36,737	32,064	81,729	68,801
Total operating expenses (1)	<u>329,542</u>	<u>308,762</u>	<u>390,763</u>	<u>262,645</u>	<u>252,549</u>	<u>207,845</u>	<u>638,305</u>	<u>460,394</u>
Operating loss	(101,656)	(100,796)	(213,628)	(109,533)	(127,095)	(105,280)	(202,453)	(232,375)
Other income (expense):								
Interest income	6,376	6,573	7,218	7,266	5,078	4,024	12,949	9,102
Interest expense	(29,317)	(33,236)	(36,557)	(26,733)	(24,476)	(20,025)	(62,553)	(44,501)
Loss from de-leveraging transactions	(82,345)	(18,380)	(25,345)	-	-	-	(100,724)	-
Loss from impairment of investments	(18,926)	-	-	-	-	-	(18,926)	-
Equity in net loss of affiliates	(4,206)	(8,884)	-	-	-	-	(13,090)	-
Other income (expense)	(212)	4,634	579	(2,290)	453	1,958	4,422	2,411
Net loss before income taxes	(230,286)	(150,089)	(267,733)	(131,290)	(146,040)	(119,323)	(380,375)	(265,363)
Benefit from (provision for) deferred income taxes	1,177	868	(593)	(579)	(579)	(579)	2,045	(1,158)
Net loss	(229,109)	(149,221)	(268,326)	(131,869)	(146,619)	(119,902)	(378,330)	(266,521)
8.25% Series B and C preferred stock dividend requirement	(1,814)	(2,149)	(2,149)	(2,149)	(2,150)	(2,149)	(3,963)	(4,299)
8.25% Series B preferred stock retirement loss	(755)	-	-	-	-	-	(755)	-
Net loss attributable to common stockholders	<u>\$ (231,678)</u>	<u>\$ (151,370)</u>	<u>\$ (270,475)</u>	<u>\$ (134,018)</u>	<u>\$ (148,769)</u>	<u>\$ (122,051)</u>	<u>\$ (383,048)</u>	<u>\$ (270,820)</u>
Net loss per common share - basic and diluted	<u>\$ (0.87)</u>	<u>\$ (0.60)</u>	<u>\$ (1.22)</u>	<u>\$ (0.60)</u>	<u>\$ (0.70)</u>	<u>\$ (0.58)</u>	<u>\$ (1.47)</u>	<u>\$ (1.28)</u>
Weighted average shares used in computing Net loss per share - basic and diluted	266,098,554	253,213,066	221,929,446	221,949,069	213,571,652	210,823,215	259,866,408	212,199,554
Reconciliation of Net loss to Adjusted EBITDA:								
Net loss as reported	\$ (229,109)	\$ (149,221)	\$ (268,326)	\$ (131,869)	\$ (146,619)	\$ (119,902)	\$ (378,330)	\$ (266,521)
Add back non-EBITDA items included in Net Loss:								
Interest Income	(6,376)	(6,573)	(7,218)	(7,266)	(5,078)	(4,024)	(12,949)	(9,102)
Interest expense	29,317	33,236	36,557	26,733	24,476	20,025	62,553	44,501
Depreciation & amortization	41,847	39,882	39,028	38,040	36,737	32,064	81,729	68,801
(Benefit from) provision for deferred income taxes	(1,177)	(868)	593	579	579	579	(2,045)	1,158
EBITDA	(165,498)	(83,544)	(199,366)	(73,783)	(89,905)	(71,258)	(249,042)	(161,163)
Add back EBITDA items not included in Adjusted EBITDA:								
Loss from de-leveraging transactions	82,345	18,380	25,345	-	-	-	100,724	-
Loss from impairment of investments	18,926	-	-	-	-	-	18,926	-
Equity in net loss of affiliates	4,206	8,884	-	-	-	-	13,090	-
Other (income) expense	212	(4,634)	(579)	2,290	(453)	(1,958)	(4,422)	(2,411)
Stock-based compensation (1)	13,914	12,061	1,741	1,921	1,985	318	25,975	2,303
Adjusted EBITDA (2)	<u>\$ (45,895)</u>	<u>\$ (48,853)</u>	<u>\$ (172,859)</u>	<u>\$ (69,572)</u>	<u>\$ (88,373)</u>	<u>\$ (72,898)</u>	<u>\$ (94,749)</u>	<u>\$ (161,271)</u>

Footnotes:

(1) These captions include stock-based compensation expense as follows:

Customer care & billing operations	\$ 268	\$ 86	\$ 15	\$ 15	\$ 16	\$ -	\$ 354	\$ 16
Ad sales	520	428	76	76	83	-	948	83
Satellite & terrestrial	511	461	98	104	84	-	972	84
Broadcast	577	481	78	78	84	-	1,058	84
Operations	419	583	31	31	34	-	1,002	34
Programming & content	2,126	1,892	185	311	329	15	4,018	344
Research & development	1,780	1,457	319	319	343	47	3,237	390
General & administrative	6,017	5,061	446	486	552	256	11,078	808
Retention & support	1,696	1,612	493	501	460	-	3,308	460
Total stock-based compensation	<u>\$ 13,914</u>	<u>\$ 12,061</u>	<u>\$ 1,741</u>	<u>\$ 1,921</u>	<u>\$ 1,985</u>	<u>\$ 318</u>	<u>\$ 25,975</u>	<u>\$ 2,303</u>

(2) Net loss before interest income, interest expense, income taxes, depreciation and amortization is commonly referred to in our business as "EBITDA." Adjusted EBITDA is defined as EBITDA excluding loss from deleveraging transactions, loss from impairment of investments, equity in net loss of affiliates, other income and stock-based compensation. We believe that Adjusted EBITDA, as opposed to EBITDA, provides a better measure of our core business operating results and improves comparability. This non-GAAP measure should be used in addition to, but not as a substitute for, the analysis provided in the statement of operations. We believe Adjusted EBITDA is a useful measure of our operating performance and is a significant basis used by our management to measure the operating performance of our business. While depreciation, amortization and stock-based compensation are considered operating costs under generally accepted accounting principles these expenses primarily represent non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods and non-cash employee compensation. Adjusted EBITDA is a calculation commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performances and value of similar companies in our industry, although our measure of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Adjusted EBITDA does not purport to represent operating loss or cash flow from operating activities, as those terms are defined under generally accepted accounting principles and should not be considered as an alternative to those measurements as an indicator of our performance. An alternative method of calculating the same non-GAAP measure is shown below and we refer to this calculation as Adjusted operating loss. Effective for the three months ended March 31, 2007, we will consolidate our disclosures to show Adjusted operating loss as our only non-GAAP measure and eliminate the use of EBITDA and Adjusted EBITDA.

Reconciliation of Operating loss to Adjusted operating loss:

Operating loss as reported	\$ (101,656)	\$ (100,796)	\$ (213,628)	\$ (109,533)	\$ (127,095)	\$ (105,280)	\$ (202,453)	\$ (232,375)
Add back items included in Operating loss not included in Adjusted operating loss:								
Depreciation & amortization	41,847	39,882	39,028	38,040	36,737	32,064	81,729	68,801
Stock-based compensation (1)	13,914	12,061	1,741	1,921	1,985	318	25,975	2,303
Adjusted operating loss	<u>\$ (45,895)</u>	<u>\$ (48,853)</u>	<u>\$ (172,859)</u>	<u>\$ (69,572)</u>	<u>\$ (88,373)</u>	<u>\$ (72,898)</u>	<u>\$ (94,749)</u>	<u>\$ (161,271)</u>