

Exclusive, Original XM Programming
The Most 100% Commercial-Free Music

XM redefines music on radio with 67 commercial-free channels covering virtually every genre, from Hip Hop to Opera, Alternative to Country, Bluegrass to Jazz. And every XM music channel is an XM original – produced at XM studios in Washington DC, New York City and Nashville.

In 2004, XM was selected as “Radio Service of the Year,” at the Billboard Digital Entertainment Awards. XM also launched its XM Radio Online service featuring over 75 online channels streamed over the Internet, now included in the XM basic subscription plan at no additional fee.

XM introduced a full roster of all-star, exclusive music series this past year. *Artist Confidential* is an extraordinary presentation of one-on-one interviews and intimate musical performances from a host of music legends, including Lenny Kravitz, Bonnie Raitt, Don Henley, Phil Collins, Rush, Brian Wilson, Robert Plant, Emmylou Harris and many more. The *XM Dashboard Concert Series* featured live performances from B.B. King, Everclear and LeAnn Rimes. And with *Then...Again...Live!*, XM selected some of the most acclaimed albums of all time and invited the original artists to reinterpret them onstage, in sequence, before a live audience, and with the benefit of 21st Century technology.

Rock and Roll Hall of Famer Tom Petty, Hip-Hop superstar Snoop Dogg, and jazz legend Wynton Marsalis now host their own shows, broadcast exclusively on XM. And music icon Quincy Jones produced an acclaimed seven-part series taking XM listeners through the timeline of contemporary music – *From Be Bop to Hip Hop with Quincy Jones*.

“Hardcore music buffs will likely do better with XM...Whether it's classic jazz, progressive talk, gospel, reggae, or old-school hip hop, XM has a dedicated channel programmed by a real fanatic.”

Smart Money – March, 2005



America's #1 Satellite Radio Service



1500 Eckington Place NE Washington DC 20002
 P 202 380 4000 | F 202 380 4500 | www.xmradio.com

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 Factors that could cause actual results to differ materially from those in the forward-looking statements herein include demand for XM's service, XM's dependence on technology and third party vendors, XM's potential need for additional financing, as well as other risks described in XM Satellite Radio Holdings Inc's Form 10-K filed with the Securities and Exchange Commission on 3-4-2005. Copies of the filing are available upon request from XM Radio's Investor Relations Department. All brands, products and service names mentioned are trademarks or registered service marks of their respective owners. ©2005 XM Satellite Radio Inc.





Dear Shareholders

XM Satellite Radio experienced phenomenal growth in 2004. As the market leader in satellite radio, XM expanded its subscriber base by 135 percent in twelve months, adding more than 1.8 million new net subscribers for a year-end total of 3.2 million subscribers. During the first quarter of 2005, XM surpassed the 3.7 million subscriber mark, which firmly positions the company to exceed its 5.5 million subscriber goal by year's end.

XM will continue to rapidly increase its subscriber base with initiatives launched in early 2005, including the introduction of 16 channels devoted to Major League Baseball® – featuring play-by-play of every team, all season long, and exclusive IndyCar® Series and PGA TOUR broadcasts. XM successfully launched its award-winning, portable, hand-held Delphi MyFi™ XM2go™ radio and recently introduced the first XM-Ready home entertainment products from Yamaha with XM "Connect-and-Play" technology. On the automotive front, XM and Hyundai Motor America recently announced that XM will be standard, factory-installed equipment in Hyundai vehicles beginning in 2006. XM also announced a change in its monthly rate from \$9.99 to \$12.95 effective April 2, 2005, but offered all existing subscribers, who helped XM grow to this size, an opportunity to lock-in at the lower rate by signing up for a multi-year, pre-paid subscription plan.

XM's strong start in 2005 follows the exceptional achievements of 2004, which include:

Outstanding Subscriber Gains: XM's year-end total of 3.2 million subscribers included more than 713,000 net new subscribers added during the fourth quarter of 2004 – the best quarter in XM history. A key factor in this rapid subscriber growth was a hugely successful holiday season. More than 240,000 subscribers activated XM service during the last eight days of December, including over 50,000 on Christmas Day alone.

Expanding XM's Lead in the New Vehicle Market: XM has a commanding lead in the new car market, with XM now available as a feature in more than 120 vehicle models by GM, Honda, Toyota, Nissan, Volkswagen/Audi and Porsche for the 2005 model year. The preference for XM among automakers grew considerably in 2004, capped by Toyota's announcement in December to make XM its sole supplier of factory-installed satellite radios and the Hyundai announcement last month. GM signed up its 1 millionth XM customer and expanded XM's availability to more than 50 vehicle models. American Honda doubled its production of Honda and Acura vehicles equipped with XM, and introduced the revolutionary XM NavTraffic™ service, in the Acura RL. XM NavTraffic, which delivers current traffic information to the vehicle's navigation system, was also added as an option to the 2005 Cadillac CTS. Honda, GM, Toyota, and Nissan each announced long-term agreements with XM for satellite-delivered data services, such as in-vehicle messaging and XM NavTraffic.


Award-Winning Programming: XM debuted exclusive, original programming in 2004, including the *Artist Confidential* concert series and the Starbucks *Hear Music* channel. XM significantly expanded its sports lineup with Major League Baseball® and ACC, Big Ten and PAC-10 college sports conferences. XM also launched new talk and news programming, including *XM Public Radio* featuring legendary journalist Bob Edwards, popular radio personalities Opie & Anthony, plus *MSNBC*, *Air America* and *America Right*, and 21 dedicated channels of Instant Traffic & Weather.


Breakthrough Products Arrived at Retail: XM expanded its retail presence to more than 8,000 outlets including Best Buy, Circuit City, Wal-Mart and most recently, Target. The XM technology advantage escalated dramatically in 2004 with the introduction of the Delphi MyFi XM2go radio, the first-ever portable, hand-held satellite radio receiver. XM and Delphi also launched the SKYFi2™ and the Rody2,® the next-generation models of two of the best-selling satellite radios. Audiovox unveiled its first plug-and-play XM radio, the XR9. Polk Audio debuted the first dedicated XM home stereo tuner and Panasonic joined the long list of manufacturers to offer XM-Ready car stereos.

Strong Financial Performance: In 2004, XM continued to execute its business plan by growing revenues to \$244 million from \$92 million in 2003. The company also lowered subscriber acquisition costs (SAC) to an average of \$62 during 2004 from \$75 during 2003. At December 31, 2004, XM had total liquidity of \$853 million including cash and cash equivalents plus untapped revolving credit and equity facilities. During 2004, XM lowered its cost of capital through de-leveraging transactions which eliminated over \$900 million in future interest, dividends, accretion and principal payments as well as 27 million shares of incremental dilution. These improved financial measures combined with XM's continued business execution were rewarded in the financial markets through a dramatic increase in the value of our public securities.

We thank all of you for your support in 2004, and we look forward to even greater success in 2005.

Sincerely,


Gary Parsons
Chairman


Hugh Panero
President and CEO



Hugh Panero
President and CEO

Gary Parsons
Chairman

The Most Sports Play-by-Play in Satellite Radio XM Adds Major League Baseball®, College Sports, IndyCar® Series and the PGA TOUR



Cal Ripken, Jr.

In 2004 and early 2005, XM added 27 new sports channels to its lineup. XM is proud to be the Official Satellite Radio Network of Major League Baseball®, with play-by-play for every team, all season long. *MLB Home Plate*,™ XM channel 175, is the world's only 24-hour Major League Baseball® news and talk radio channel with original programming hosted by baseball legend Cal Ripken, Jr., Bill Ripken, Kevin Kennedy, Rob Dibble, Mark Patrick and more. XM is also the exclusive satellite radio service of ACC, Big Ten and PAC-10 football and men's and women's basketball. Recently, XM announced exclusive satellite radio coverage of the IndyCar® Series and the PGA TOUR, beginning this season. And XM expanded its NASCAR® programming with in-race driver audio, so listeners can follow many of the drivers as they talk to their teams.



“...one of the fastest-growing technologies ever – faster, for example, than cellphones.”

The New York Times – April 5, 2005

News and Talk All-Stars Bob Edwards, Opie & Anthony, Tony Kornheiser and More... Exclusively on XM



Bob Edwards

Many of the biggest names in news and talk are now on XM Satellite Radio. Bob Edwards, “the voice of public radio” for over 30 years and Radio Hall of Fame inductee, now hosts a morning interview show broadcast exclusively on *XM Public Radio*. Top-rated talk radio stars Opie & Anthony bring their unique, off-beat style of comedy to XM on the *High Voltage* channel. Other recent additions to XM's talk family include Dr. Laura, *Air America's* Al Franken, G. Gordon Liddy and sports commentator Tony Kornheiser, co-host of ESPN's highly-rated “Pardon the Interruption.”



Opie & Anthony

The Most Advanced Satellite Radio Products Award-Winning Radios and Technology

According to *Fortune Magazine*, one of the reasons that XM is the satellite radio leader is its “superior technology.” With the introduction of the Delphi MyFi, the first XM2go personal, hand-held satellite radio, XM launched an entirely new category of satellite radio products. The MyFi features a rechargeable battery and the first-ever record and store feature. It was named one of the year's best tech products by *USA Today* and *BusinessWeek*, as well as the “Best of Innovations” award winner for the portable audio category at the 2005 Consumer Electronics Show. This year, Pioneer and TAO will introduce their own portable XM2go radios.

XM and Delphi also launched the SKYFi2 and Rody2 plug-and-play radios in 2004. The SKYFi2, which received the *Popular Science* “Best of What's New” award, offers the first satellite radio Pause and Replay feature, so that favorite songs can be replayed for up to 30 minutes. The Rody2 is the smallest and lightest satellite radio available, leading *PC Magazine* to name it “Editor's Choice” in a five-star review.

Pioneer, Alpine, Dual, Sony and other major brands continue to carry a broad line of XM-Ready car stereos. Several other manufacturers introduced XM radios in 2004, including Audiovox, with its first XM plug-and-play radio; Panasonic, with a full line of XM-Ready car stereos; and Polk Audio, with the first dedicated XM home stereo tuner. Yamaha became the first in a series of companies that will offer home entertainment products with the new XM “Connect-and-Play” technology, which allows the consumer to receive XM simply by plugging a digital antenna into their entertainment system, with no other accessories needed.



XM is Now Available in Over 120 New Vehicles Plus Airlines and Rental Vehicles

XM is the leader in satellite radio and data services for the automobile market through partnerships with GM, Honda, Toyota, Nissan, Volkswagen/Audi, Porsche and in 2006, Hyundai. XM is also available in Avis, National and Alamo rental cars, on AirTran Airways, and later this year, on JetBlue Airways.

