

Xanadoo Reports Second Quarter 2007 Results

Bala Cynwyd, Pennsylvania, August 29, 2007. Xanadoo Company (Pink Sheets: XAND) (together with its consolidated subsidiaries, the “Company”) today announced its operating results for the quarter ended June 30, 2007 and certain material or recent developments affecting the Company.

Second quarter 2007 highlights:

- Total subscribers were approximately 12,000 at June 30, 2007.
- Total second quarter revenue increased to \$1.0 million, up 19% over first quarter 2007.

Xanadoo Company
Condensed Consolidated Balance Sheet

(In thousands)	(Unaudited) June 30, 2007	December 31, 2006
	<u> </u>	<u> </u>
Current assets:		
Cash and cash equivalents	\$ 20,043	\$ 5,981
Short-term investments	13,527	2,644
Receivables, net	1,154	366
Other current assets	1,237	743
Current assets of discontinued operations	1,241	1,000
Total current assets	<u>37,202</u>	<u>10,734</u>
Property and equipment, net	10,107	10,513
Intangible assets, net	112,240	119,447
Assets held for sale, net	-	501
Other noncurrent assets	730	227
Noncurrent assets of discontinued operations	269	12,657
	<u> </u>	<u> </u>
Total	<u>\$ 160,548</u>	<u>\$ 154,079</u>
Current liabilities:		
Accounts payable and other current liabilities	\$ 4,437	\$ 5,435
Current liabilities of discontinued operations	203	337
Total current liabilities	<u>4,640</u>	<u>5,772</u>
Long term debt (including warrant put right)	30,262	-
Other noncurrent liabilities	14	60
Noncurrent liabilities of discontinued operations	122	7,799
Total liabilities	<u>35,038</u>	<u>13,631</u>
Minority interest	2,912	2,912
Stockholders' equity	<u>122,598</u>	<u>137,536</u>
	<u> </u>	<u> </u>
Total	<u>\$ 160,548</u>	<u>\$ 154,079</u>

Xanadoo Company
Condensed Consolidated Statement of Operations
(unaudited)

(In thousands)	Three Months Ended June 30, 2007	Six Months Ended June 30, 2007
Revenues from wireless high-speed Internet services	\$ 1,044	\$ 1,919
Operating expenses:		
Wireless high-speed Internet services:		
Direct operating expenses	1,331	2,653
Advertising and selling	691	1,287
General and administrative	2,411	4,375
Depreciation and amortization	578	1,139
Total wireless high-speed Internet services	5,011	9,454
Corporate and development	46	1,775
Corporate depreciation and amortization	3,662	7,324
Other operating expenses	335	338
Total operating expenses	9,054	18,891
Loss from operations	(8,010)	(16,972)
Interest expense	(581)	(581)
Interest income	204	284
Other nonoperating income	11	763
Loss before income taxes, and discontinued operations	(8,376)	(16,506)
Income tax expense	-	-
Loss before discontinued operations	(8,376)	(16,506)
Discontinued operations:		
Income (loss) from discontinued operations	560	696
Net income (loss)	\$ (7,816)	\$ (15,810)

Xanadoo Company
Condensed Consolidated Cash Flow Statement
(unaudited)

(In thousands)	Six Months Ended June 30, 2007
Cash flows from operating activities:	
Net loss	\$ (15,810)
Less: Income from discontinued operations	(696)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	8,463
Non-cash incentive compensation	1,086
Other	(1,905)
Net cash used in continuing operating activities	(8,862)
Cash flows from investing activities:	
Capital expenditures	(649)
Purchases of intangible assets	(277)
Other assets (purchased) distributions received, net	(11,230)
Net cash used in investing activities	(12,156)
Cash flows from financing activities:	
Long-term debt borrowings	30,262
Common stock repurchased	(214)
Net cash provided by financing activities	30,048
Cash flows of discontinued operations:	
Operating activities	(525)
Investing activities	13,458
Financing activities	(7,901)
Net cash provided by discontinued operations	5,032
Net increase in cash and cash equivalents	14,062
Cash and cash equivalents, beginning of year	5,981
Cash and cash equivalents, June 30, 2007	\$ 20,043
Supplemental Cash Flow Disclosures:	
Cash paid for interest	\$ 278

Material or Recent Developments:

- As disclosed in our December 31, 2006 financial statements, in May 2007 the Company closed on a financing transaction with a lender through which Xanadoo Holdings Inc., a consolidated subsidiary of the Company, issued \$30 million in Senior Secured Notes. See 2006 Xanadoo Company Financial Statements for further details on the transaction.
- The Company sold its corporate headquarters building in June 2007. The transaction resulted in net proceeds of approximately \$5 million and a pre-tax book gain of approximately \$1 million. As part of the transaction, the Company will continue to lease space in the building.
- On August 10, 2007, the FCC released a *700 MHz Second Report and Order* which has the following impacts on our 700 MHz licenses:
 - Our A block licenses were moved from their position as “guardbands” for public safety to reside between the commercial C and D blocks.
 - Technical encumbrances associated with being “guardbands” were removed.
 - Our two B block licenses which covered 230 thousand POPs were turned back into the FCC.
 - Our thirty-two A block licenses covering 167 million POPs were repacked into 23 licenses covering 156 million POPs and represent approximately 310 million MHz POPs. For more information, please consult the full *700 MHz Second Report and Order* which can be found at www.fcc.gov

About Xanadoo:

Xanadoo Company provides wireless broadband services to residential and enterprise customers in Texas and Oklahoma under the brand name “Xanadoo Wireless High-Speed Internet”. Xanadoo is commercializing WiMAX wireless technology over 2.5 GHz licensed frequencies. WiMAX, also known as 802.16e, is a “fourth generation” (4G) wireless technology standard that offers users speeds comparable to wireline technologies like cable and DSL with the mobility of traditional cellular voice services. Xanadoo has rights to 2.5 GHz licenses covering approximately 8 million people in Texas, Arkansas, Illinois, Kansas, Minnesota, Missouri, Nebraska, Oklahoma and West Virginia. Xanadoo is also a licensee of 700 MHz spectrum covering approximately 156 million people in major markets such as New York, Boston, Philadelphia, Pittsburgh, Cleveland, Detroit, Chicago, Miami, Tampa, San Francisco, Sacramento, Portland and Seattle. Xanadoo expects that 4G wireless technologies will also be deployed in the 700 MHz frequency band. See our website at www.xanadoo.com

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Forward Looking Statements:

The financial information included in this press release relates to Xanadoo Company and/or its consolidated subsidiaries. Some of the information may include forward looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and may be based on the beliefs of our management, as well as assumptions made by and information currently available to our management.

These statements may differ materially from actual future events or results. When used, the words “estimate,” “project,” “believe,” “anticipate,” “hope,” “intend,” “expect,” and similar expressions are intended to identify forward looking statements, although not all forward looking statements contain these identifying words. Any statement that is not a historical fact, including estimates, projections, future trends and the outcome of events that have not yet occurred, is a forward looking statement. Such statements reflect our current views with respect to future events and are subject to unknown risks, uncertainties, and other factors that may cause actual results to differ from those contained in the forward looking statements.

Although it is not possible to create a comprehensive list of all factors that may cause actual results to differ from our forward looking statements, such factors include, but are not limited to, the following: general economic and business conditions, both nationally, internationally, and in the regions in which we operate; catastrophic events, including acts of terrorism; existing government regulations, and changes in, or the failure to comply with, government regulations, including rules that affect our 700 MHz and 2.5MHz licenses and license rights; competition, changes in business strategy or development plans; the cost of pursuing new business initiatives; an expansion of land based communications systems; technological developments and difficulties; an inability to obtain intellectual property licenses and to avoid committing intellectual property infringement; the ability to attract and retain qualified personnel; the availability and terms of capital to fund the expansion of our businesses; and other factors that would be relevant based upon our assets, the size of our business and the nature of our business. Readers of the documents posted herein are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date of the document. We do not undertake any obligation to publicly release any revisions to these forward looking statements to reflect events or circumstances after the date of a particular document or to reflect the occurrence of unanticipated events.

To the extent that any financial statements posted herein consists of unaudited interim financial statements, the unaudited financial statements were or are subject to normal and recurring period-end adjustments.

As a result of Xanadoo Company’s January 2, 2007 one for one hundred share reverse stock split, Xanadoo Company’s obligations to file periodic reports, such as quarterly and annual reports, and to make other filings with the Securities and Exchange Commission (the “SEC”) are suspended. The financial information contained herein consists of financial statements and not the type of information that would normally be contained within periodic reports filed with the SEC. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP); however, footnote disclosures, which are an integral part of the preparation of financial statements under GAAP, are not provided on a quarterly basis, but are provided as part of the audited year-end financial statements. Xanadoo Company’s accounting policies are described in Footnote 3 (Summary of Significant Accounting Policies) of Xanadoo Company’s Consolidated Financial Statements for the years ended December 31, 2006 and 2005. The financial statements contained herein are subject to such accounting principles.